# LionTree WEEKLY UPDATE

**THE WEEK ENDING JANUARY 31, 2025**

What a week! The DeepSeek AI reverberation came out of nowhere during an incredibly busy earnings week! We did our best to dig in and provide perspective on what we thought was most incremental but we had to pick our spots. The major indices pulled back a bit (S&P 500 down -1% and Nasdaq -1.6%, dragged down by some big tech names like NVIDIA -16% and Microsoft -7%). The Jan FOMC meeting was as expected though Trump's potential tariff moves were front and center.

In this edition we focused on the below themes and developments:

1. Earnings Scorecard – Week 1 & 2
2. Meta's Core Business Out-Delivered, Though 2025 Will Be An Intense Year
3. DeepSeek Sinks Big Tech…What's Next?
4. Telcos Shine With AT&T & T-Mobile Following Verizon's Lead
5. Comcast & Charter Faced Tougher Competitive Headwinds, But M&A Optionality Remains In Place
6. The TikTok Tug-Of-War Seems To Be Shaping Up Into A Bidding War… Potential Buyers Come Out Of The Woodwork
7. First Look At Media Trends…Comcast's Theme Parks Are Back On Track & Peacock Losses Improve
8. Robotaxis Get The Next Green Light
9. Quick Takes On Apple & Microsoft As Well…
10. One Small Step For Satellite Providers And Potentially A Giant Leap For The Connectivity Industry

This is a dense edition so you may need the extra cup of coffee. 😊

Have a nice weekend and prepare for what should be another *exciting* week ahead.

Best,
Leslie

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This weekly product is aimed at helping our key corporate and investor clients stay in front of major themes and developments driving the TMT and consumer-oriented sector. Please don't hesitate to reach out with any questions or comments!

# Top Themes

## 1) Earnings Scorecard – Week 1 & 2

The first earnings season of 2025 is officially underway, with 19 companies in our LionTree Universe reporting their fourth quarter results over the last two weeks. It has been somewhat of a positive start to the year, as stock price reactions were biased to the upside - 11 companies (58%) trading up on their prints and 8 companies (42%) traded down. **IBM** led the pack, up +13.0%, while **ServiceNow** was the biggest laggard, down -11.4%.

The telco connectivity and cable names took over the earnings circuit this week. The big 3 telcos had a strong quarter - after **Verizon**'s results last week, with the stock up +0.9% in reaction, **AT&T** and **T-Mobile** followed suit this week with +6/3% gains post-earnings (see Theme #4). Cable was more mixed, as while **Charter** was up +2.6% after its results, **Comcast** plunged -11.0% (see Theme #5 for more details).

Big Tech also took center stage this week. **Meta**'s stock was up +1.6% in reaction, (see Theme #2 for all the updates), while it was tougher going for both **Microsoft** and **Apple**, which fell -6.2% and -0.7%, respectively (see Theme #9).

Finally, we got out first look into the media and theme parks space, with **NBCU** results out from Comcast (see Theme #7).

There were a whole host of updates across the sector, and its just getting started…The table below includes select mid- and large-cap TMT and consumer companies in our LionTree Stock universe.

LIONTREE EARNINGS SCORECARD

| SECTOR | Stk Reaction* | SECTOR | Stk Reaction* |
|---|---|---|---|
| **Application Software** | | **PayTV/Broadband** | |
| SAP | -0.7% | Comcast | -11.0% |
| **Automotive** | | Charter Communications | 2.6% |
| Mobileye | 1.9% | **Semis** | |
| Tesla | 2.9% | Intel | -2.9% |
| **EdTech** | | **Software IT Services** | |
| Coursera | -8.9% | ServiceNow | -11.4% |
| **Hardware/Handsets** | | Microsoft | -6.2% |
| Apple | -0.7% | IBM | 13.0% |
| **Internet/Advertising** | | **US Media/Video** | |
| Meta | 1.6% | Netflix | 9.7% |
| **Music** | | **US Telco/Wireless** | |
| SiriusXM | 5.8% | Verizon | 0.9% |
| **Payments/FinTech** | | AT&T | 6.3% |
| Visa | -0.4% | T-Mobile | 6.3% |
| Mastercard | 3.1% | | |

Source: FactSet

*Day post earnings

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## 2) Meta's Core Business Out-Delivered, Though 2025 Will Be An Intense Year

The pressure is on at Meta, as CEO Mark Zuckerberg called out that the next 48 weeks are going to be instrumental for the Co to "get on the trajectory that we want to be on." And what exactly is that trajectory? Starting big picture, 2025 is going to be a "big year" for "redefining" Meta's relationship with the government, especially with the goal of establishing a "national advantage" through a US-led open-source standard in light of DeepSeek's entry into the market. Additionally, 2025 is poised to be the year Meta AI emerges as the leading AI assistant, driven by a focus on personalizing the agent for each user's interests and needs and it will be the year that the sophistication of AI engineering agents will reach new highs. Over at Reality Labs, while details on Horizon were sparse, there was mention that several of the metaverse investments will "really start to land" by year-end. Similarly, 2025 will be a "defining" year for AI glasses as Meta gauges whether the shift in focus from holographic-driven adoption to AI-powered glasses will maintain its momentum.

While at the same time, in the here and now, the Co's core advertising business, which continues to drive the bulk of revenue, posted a very strong qtr, with total rev growth accelerating seq and beating expectations. The business is certainly benefitting from AI-driven improvements and within its Family of Apps, the average price per ad increased +14% y/y in Q4 vs cons +6.1% y/y. However, total revenue guidance for Q1 disappointed and implied decelerating growth sequentially. On top of that, while the Co has been priming investors for 2025 to be a big infrastructure investment year, the 2025 capex outlook of $60-65bn still came in materially above expectations of $52.6bn and mgmt. doesn't have a sense for long term capital intensity given the magnitude of unknowns.

Engagement on the platform remains favorable and newer services like Threads now has 320mn+ MAUs and is expected to reach 1bn users "over the next several years". Ads will begin to be tested on Threads this qtr, though monetization Is still some ways off. Reels is also growing, with several initiatives underway to continue to drive that growth. Interestingly, Zuckerberg mentioned going back to the "OG Facebook" or, in a sense, reviving the platform to grow its "cultural influence." Concrete details on what that means weren't shared outside of it being a "a fun and interesting goal that will take our product development in some interesting directions."

Overall, it was a strong qtr and while investment levels remain high (and might for some time), Meta is showing fruits of some of those investment in its core advertising business in the meantime and 2025 will be a pivotal year for many new future growth drivers.

See below for our key takeaways from Meta's results …

### *Q4 Was A Very Strong Qtr, But Q1 Rev Guidance Was A Disappointment*

- **Q4 total revs beat cons by +3.0% and grew +21% y/y (an accel from +19% y/y in Q3):** Family of Apps beat by +3.0%, while Reality Labs missed by -1.5%
  - **OUTLOOK - Q1 rev disappointed:** Midpt of Q1 rev guidance ($39.5-$41.8bn) was -2.5% below cons and implies seq decel of +8-15% y/y growth
  - **Did not provide FY25 revenue outlook, but expect investments in core biz will enable them to deliver "strong" rev growth throughout 2025**

- **Q4 adj. op income beat by a significant +17% (much stronger margin of 48.3% vs cons 42.5%)**

- **Q4 EPS beat by +18.6%**

- **FCF was a notable +40.2% beat**

| Meta | Q4 2024 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue (mn)** | **$48,385** | **$46,990** | **3.0%** |
| Y/Y % Chg | 20.6% | 17.1% | |
| **Adj Operating Income (mn)** | **$23,365** | **$19,970** | **17.0%** |
| Adj Operating Margin (%) | 48.3% | 42.5% | |
| **Adj EPS** | **$8.02** | **$6.76** | **18.6%** |
| **CapEx (mn)** | **$14,836** | **$15,330** | **Lower** |
| **Free Cash Flow (mn)** | **$13,152** | **$9,380** | **40.2%** |
| **Segment Revenue (mn)** | | | |
| **Family of Apps** | **$47,302** | **$45,930** | **3.0%** |
| Advertising | $46,783 | $45,510 | **2.8%** |
| Other | $519 | $450 | **15.5%** |
| **Reality Labs** | **$1,083** | **$1,100** | **-1.5%** |
| **Segment Adj. Operating Income (mn)** | | | |
| **Family of Apps** | **$28,332** | **$25,430** | **11.4%** |
| Adj. Operating Margin (%) | 59.9% | 55.4% | |
| **Reality Labs** | **-$4,967** | **-$5,400** | **8.7%** |
| Adj. Operating Margin (%) | -458.6% | -490.9% | |

Source: FactSet, StreetAccount

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### *Investing "Aggressively" In Infrastructure But Still Too Early To Determine When It Will Peak*

- **While Q4 CapEx came in lower than expectations…:** $14.8bn vs cons $15.3bn, driven by investments in servers (largest portion of overall CapEx), data centers, and network infrastructure

- **… 2025 CapEx OUTLOOK of $60-65bn is well above consensus $52.6bn** (and 2024 CapEx of $39.23bn), driven by increased investment to support both genAI efforts and core biz
  - **Looking further out, still too early to determine what long-term capital intensity will look like,** given the many different factors at play (i.e., pace of advancements in underlying models, efficiency, adoption and use cases of genAI products, etc.)
  - **"I continue to think that investing very heavily in CapEx and infra is going to be a strategic advantage over time. It's possible that we'll learn otherwise at some point, but I just think it's way too early to call that. And at this point, I would bet that the ability to build out that kind of infra is going to be a major advantage for both the quality of the service and being able to serve the scale that we want to"**

- **OUTLOOK - 2025 expenses:** Total expenses to be in the range of $114-119bn (vs $95.1bn in 2024), driven by –
  - **Infrastructure costs**, driven by higher OpEx and depreciation (will be the "single largest driver")
  - **Employee compensation** ("second largest" factor) as they add technical talent in "priority areas" of infrastructure, monetization, Reality Labs, genAI, as well as regulation and compliance; Head count growth in biz functions will remain "relatively limited"

- **Several buildouts in progress –**
  - **2025:** Expect to bring online ~1 gigawatt of capacity this year
  - **In progress:** Building a 2 gigawatt and "potentially bigger" AI data center big enough to cover "a significant part" of Manhattan is it were placed there

- **Implementing efficiency initiatives to optimize costs and productivity across infrastructure, operations, and talent**
  - **Infrastructure optimization:** Extending server lifespan to 5.5 years and improving workload efficiency to reduce CapEx and depreciation
  - **Hiring and productivity:** Prioritizing technical hires while leveraging AI tools to boost engineering efficiency
  - **Custom MTIA (Meta Training and Inference Accelerator) Silicon:** Deploying MTIA to lower compute costs, with broader adoption planned in 2025

- **Timeline for moving to custom MTIA silicon from 3P chips?**
  - **Expect to continue to purchase 3P silicon** and are "certainly committed to those long-standing partnerships"
  - **But also "very interested" in developing their own custom silicon for "unique" workloads,** "where off-the-shelf silicon isn't necessarily optimal"
  - **Will continue ramping adoption of MTIA over the course of 2025** as they use it for both incremental capacity and to replace some GPU-based servers when they reach the end of their useful lives

### *Taking The Lead With Llama 4 (And DeepSeek Reinforces The Need For A US-Led Open-Source Standard)*

- **Update on model progress -**
  - **Llama 4** is making "great progress" in training
  - **Llama 4 mini** is done with pretraining
  - **Reasoning models and larder models** are "looking good too"

- **"Our goal with Llama 3 was to make open source competitive with closed models. And our goal for Llama 4 is to lead"**
  - Llama 4 will be natively multimodal, will have agentic capabilities, and will "unlock a lot of new use cases"

- **View on DeepSeek and impact on Meta? Its advancements are part of the natural evolution of the industry**
  - "Think that there's a number of novel things that they did that I think we're still digesting"
  - Still too early to whether it will impact Meta's trajectory around infrastructure and CapEx
  - Expects shift in how compute is used, with more focus on inference models alongside pretraining, which may require more compute to enhance intelligence and service quality

- **Open-source AI strategy drives industry adoption, lowers costs, and strengthens US leadership amid global competition**
    - **DeepSeek highlights the need for a US-led open-source standard:** Sees growing global competition, including DeepSeek from China, as reinforcing the importance of ensuring an open-source AI standard led by the US

- **Also expect that "2025 will be the year when it becomes possible to build an AI engineering agent that has coding and problem-solving abilities of around a good mid-level engineer"**
    - **First-mover advantage:** "Whichever company builds this first, I think, is going to have a meaningful advantage in deploying it to advance their AI research and shape the field"
    - **"And this is going to be a profound milestone and potentially one of the most important innovations in history, like as well as over time, potentially a very large market"**

***"This Is Also Going To Be A Big Year For Redefining Our Relationship With Governments"***

- **"We now have a US administration that is proud of our leading companies, prioritizes American technology winning and that will defend our values and interests abroad and I am optimistic about the progress and innovation that this can unlock"**

***The Core Advertising Business Outperformed As Initiatives To Drive Higher Per Ad Yielded Results***

- **Family of App ad rev grew +21% y/y (accel from +19% y/y in Q4) and beat cons by +2.8%:** FOA adj op margins of 59.9% came in higher than cons 55.4%
    - **Online commerce vertical was the largest contributor to y/y growth** (similar to last qtr)
    - **RoW led y/y ad rev growth** (similar to last qtr)
        - ROW +27%
        - APAC +23%
        - Europe +22%
        - N. Amer +18%
    - **Delivered fewer impressions but MUCH higher growth in avg price per ad**
        - **Total impressions incr'd +6% (vs cons +10.9%),** mainly driven by APAC
        - **Avg price per ad incr'd +14% (which was a lot better than cons 6.1%),** benefitting from incr'd ad demand, in part driven by improved ad performance, partially offset by impression growth, particularly from lower monetizing regions and surfaces

- **Focused on driving "efficient" ad supply growth to optimize ad volume w/ organic engagement**
    - **Continue to grow supply on lower monetizing surfaces…:** Like video
    - **…while optimizing ad supply on each of their services:** To deliver ads at the time and place they will be most relevant to users (i.e., continuing to optimize ad placement by personalizing when and where ads appear in a user's feed to maximize both user experience and revenue)

- **Improving marketing performance through ongoing enhancements to ads ranking system**
    - **Andromeda (ML system in partnership w/ NVIDIA) has driven a +8% increase** in the quality of ads that people see on objectives they've tested
    - **Adoption of Advantage+ shopping campaigns continues to scale** with revs surpassing a $20bn+ annual run rate and growing +70% y/y in Q4
        - Testing a new streamlined campaign creation flow in which all campaigns optimizing for sales, app or lead objectives will have Advantage+ turned on from the beginning
        - Plan to expand to more advertisers in the coming months before fully rolling out later in the year
    - **Advantage+ Creative is also seeing momentum:** 4mn+ advertisers are now using at least on genAI ad creative tool, up from 1mn six months ago; Have seen "significant" early adoption of their first video generation tool rolled out in October, Image Animation, with "hundreds of thousands" of advertisers using it monthly
    - **"Overall, we are seeing healthy cost per action trends for advertisers for whatever is the action that they are optimizing for. And we believe we'll continue to get better at driving conversions for advertisers"**

- **Threads is ramping strongly but is NOT expected to be a "meaningful" driven of overall impression or rev growth in 2025:** Introduction of ads on Threads will be "gradual", with tests beginning this qtr

| Meta | Q4 2024 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Facebook User Metrics** | | | |
| Family Daily Active People (mn) | **3,350** | **3,320** | **0.9%** |
| Family Average Revenue per Person | $14.25 | $13.91 | **2.4%** |
| **Advertising Metrics** | | | |
| Ad Impressions Delivered (y/y) | 6.0% | 10.9% | |
| Avg Price Per Ad (y/y) | 14.0% | 6.1% | |
| **Revenue (mn)** | **$48,385** | **$46,990** | **3.0%** |
| **US & Canada** | $21,783 | $21,320 | **2.2%** |
| Advertising | $20,982 | $20,550 | **2.1%** |
| **Asia-Pacific** | $9,245 | $8,940 | **3.4%** |
| Advertising | $9,012 | $8,680 | **3.8%** |
| **Europe** | $11,503 | $11,480 | **0.2%** |
| Advertising | $11,154 | $11,090 | **0.6%** |
| **Rest of World** | $5,854 | $5,600 | **4.5%** |
| Advertising | $5,635 | $5,740 | **-1.8%** |

Source: FactSet, StreetAccount

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***Continue To Invest In Growing IG Reels And Threads, While A Revival Of The "OG Facebook" Is In The Works***

- **Making "several" product bets on Instagram Reels to drive "longer-term success"**
  - **Video continued to grow in Q4:** Global video time grew "double-digit %ages" y/y on Instagram
  - **Looking into 2025 – see "continued opportunities" to drive growth**
    - **Creators are a "central focus"**: Prioritizing original posts and recommendations to boost smaller creators, including a new feature that lets creators share Reels with non-followers first to test performance and expand reach
    - **Investing in creative tools:** Launching new standalone app called Edits that provides a full suite of creative tools to make it easier for creators to make reels on their phone
    - **Making it easier for people to connect over content:** Reels are reshared 4.5bn+ times a day; In the US, a new Reels destination featuring content liked or noted by friends has shown strong early results, with plans for global expansion soon
    - **Ongoing optimizations of ranking systems**
  - **Limited commentary on TikTok:** "We're going to learn what's going to happen with TikTok"

- **Expect Threads "to continue on its trajectory to become the leading discussion platform and eventually reach 1 billion people over the next several years"**
  - Reached 320mn+ MAUs in Q1 (up from ~265mn in Q4)
  - Have been adding 1mn+ sign ups per day (in-line w/ Q4)
  - **Making "a number of updates" to make Threads "the place people come to keep up with what they care about"**
    - Prioritizing more recent posts
    - Surfacing content from "top" creators
    - Ensuring people see more of the content from accounts they follow
    - Continue improving custom feeds so people can build personalized feeds on topics they're interested in

- **Want to get back to the "OG Facebook" this yr – "we're focused on growing its *cultural influence*"** *(but mgmt. provided limited color on what this really means)*

- **US is a key growth market focus for WhatsApp: "I** expect WhatsApp to continue gaining share and making progress towards becoming the leading messaging platform in the US like it is in a lot of the rest of the world"
  - **WhatsApp now has 100mn+ MAUs in the US**

***Expects 2025 To Be The Year Meta AI Becomes The Leading AI Assistant, Driven By A Focus On Increased Personalization***

- **"Meta AI is already used by more people than any other assistant" … road to 1bn?** "I expect that this is going to be the year when a highly intelligent and personalized AI assistant reaches more than 1 billion people, and I expect Meta AI to be that leading AI assistant"
  - **Meta AI now has 700mn monthly actives** (up from 500mn in Q4)

- **How is Meta AI being used across platforms?**
  - **WhatsApp has the strongest Meta AI usage:** Used most frequently for information seeking and educational queries, along with emotional support use cases
  - **Facebook is the second-largest driver of Meta AI engagement:** Seeing "strong" engagement from feed deep dives integration that lets people ask Meta AI questions about the content that is recommended to them

- **Introducing updates that will enable Meta AI to deliver "more personalized and relevant responses"** by remembering certain details from people's prior queries and considering what they engage with on Facebook and Instagram to develop better intuition for their interests and preferences

- **Monetization is not a focus at the moment:** Initial focus is "really about building a great consumer experience";
  - **But expect there to be "pretty clear" monetization oppties over time**, including paid recommendations and a premium offering; It's just "not where we are focused in terms of the development of Meta AI today"

- **Looking ahead… "we have some fun surprises that I think people are going to like this year"**

***Reality Lab's Q4 Operating Loss Was Not As Negative As Expected & More To Come With The Product In 2025***

- **Reality Labs grew +1% y/y to $1.1bn (-1.5% below cons), and operating loss was $5bn (which was better than cons $5.4bn)**

- **"The number of people using Quest and Horizon has been steadily growing"**

- **By end of the year, "think we're going to know a lot more about Horizon's trajectory"**
  - "This is a year when a number of the long-term investments that we've been working on that will make the metaverse more visually stunning and inspiring will really start to land"

***2025 Will Be The Year "When We Understand The Trajectory For AI Glasses As A Category"***

- **Glasses are the "ideal form factor for an AI device",** enabling an AI assistant to understand context by seeing and hearing what the user experiences

- **"Glasses are going to be a very important computing platform in the future" …**
  - "It's kind of hard for me to imagine that a decade or more from now, all the glasses aren't going to basically be AI glasses"

- **…and this year will be a "defining year" that determines "if we're on a path towards many hundreds of millions and eventually billions of AI glasses…or if this is just going to be a longer grind"**
  - "We still don't know what the long-term trajectory for this is going to be. And I think we're going to learn a lot this year"

*-> Press, citing an internal memo circulated by Meta CEO Mark Zuckerberg, reported that the Co sold 1mn units in 2024… (link)*

## 3) DeepSeek Sinks Big Tech…What's Next?

It was quite a tech scare out of the gate this week following press that DeepSeek was the #1 free Apple iOS app download in the US over the weekend and approached the top 10 in the Google play store. DeepSeek's new open-source AI model called R1, which mimics human reasoning, created a panic that reverberated across the industry due to its impressive performance while reportedly costing a fraction of traditional foundational models. This innovation was also achieved despite AI chip export restrictions in place. This all raises questions about chip oversupply, high levels of AI investment, competitive moats, etc. NVIDIA alone lost -$600bn in market cap on Monday, but the carnage was far reaching across the tech sector as well as energy/power related companies and REIT data centers.

This development was also interesting timing, given that it was barely over a week after Project Stargate (JV to spend $500bn to building data centers and fund AI R&D) was announced at the White House (see last week's edition for more).

There is still a lot to learn about DeepSeek's R1 and the impact of further trade restrictions, for example, but we think this was a wake-up call for the sector and will actually help to spark further and faster innovation. Driving down the AI cost curve will help the general proliferation of the technology.

There will be more to come in the weeks ahead but see below for what we view as the need-to-knows thus far on DeepSeek (and see Theme #2 and Theme #9 for more on Meta, Apple, and Microsoft's response). (link/link/link/link/link/link/link)

**Who developed DeepSeek?** China based, 40-year-old Liang Wenfeng created DeepSeek in 2023 as an offshoot of the AI division of his quant hedge fund called High-Flyer

**What was the product release timeline?**

- **Nov 2023 - DeepSeek Coder:** the Co's first open-source model designed specifically for coding-related tasks
- **Dec 2023 - DeepSeek LLM:** the first version of the Co's general-purpose model
- **May 2024 - DeepSeek-V2:** the second version of the company's LLM, focusing on strong performance and lower training costs
- **July 2024 - DeepSeek-Coder-V2:** a 236bn-parameter model offering a context window of 128k tokens, designed for complex coding challenges
- **Dec 2024 - DeepSeek-V3:** uses a mixture-of-experts architecture, capable of handling a range of tasks
  - The model has 671bn parameters w/ a context length of 128k
- **Jan 2025 - DeepSeek-R1:** this model is based on DeepSeek-V3 and is focused on advanced reasoning tasks directly competing with OpenAI's o1 model in performance, while reportedly maintaining a significantly lower cost structure
  - Like DeepSeek-V3, the model has 671bn parameters w/ a context length of 128k.
- **Jan 2025 - Janus-Pro-7B:** is a vision model that can understand and generate images

**What is all the hub bub?**

- **DeepSeek asserts that R1 performs better than OpenAI's o1…** Last week, DeepSeek released a report that showed its model matching or exceeding o1's performance on several critical benchmarks

- **…While also being DRAMATICALLY cheaper to train**: DeepSeek cites a sub $6mn number to train its AI (~3% to 5% of what it reportedly cost OpenAI to develop its next-generation o1 counterpart) which raised questions about how much US Big Tech has been spending to develop their AI efforts; This also raised concerns about Nvidia chip demand and the potential for an oversupply of AI investments
  - BUT note that there has been a lot of debate about what other costs were also incurred by DeepSeek and not included in the $6mn figure
  - Semiconductor analyst Dylan Patel calculated that DeepSeek spent over $1 billion on its compute cluster per President Trump's AI czar, David Sacks on X on Friday. "The widely reported $6M number is highly misleading, as it excludes capex and R&D, and at best describes the cost of the final training run only"

| | OpenAI | DeepSeek |
|---|---|---|
| Founding year | 2015 | 2023 |
| Headquarters | San Francisco, Calif. | Hangzhou, China |
| Development focus | Broad AI capabilities | Efficient, open source models |
| Key models | GPT-4o, o1 | DeepSeek-V3, DeepSeek-R1 |
| Specialized models | Dall-E (image generation), Whisper (speech recognition) | DeepSeek Coder (coding), Janus Pro (vision model) |
| API pricing (per million tokens) | o1: $15 (input), $60 (output) | DeepSeek-R1: $0.55 (input), $2.19 (output) |
| Open source policy | Limited | Mostly open source |
| Training approach | Supervised and instruction-based fine-tuning | Reinforcement learning |
| Development cost | Hundreds of millions of dollars for o1 (estimated) | Less than $6 million for DeepSeek-R1, according to the company |

*Source: TechTarget link*

- **DeepSeek was able to develop this AI tech despite restrictions on the highest performance AI accelerator and GPU chips**
  - There has been some debate about what AI chips DeepSeek used to train its model; It has been reported that they obtained 10k+ Nvidia GPUs before U.S. export restrictions kicked in, and then expanded to 50k GPUs through alternative supply routes despite trade barriers but other press cites that they used Nvidia H800's, which are compliant with the barriers.
    - In comparison, companies like OpenAI, Google, and Anthropic reportedly operate with more than 500k GPUs each (link / link)

- **DeepSeek's R1 release called into question US Big Tech's dominance in AI and business models but at the same time, the performance and efficiency of DeepSeek is also seen as a boost for AI adoption overall**
  - R1 also shows that AI models can self-improve by learning from other models released by OpenAI, Anthropic, and others—which puts those companies' existing business models, cost structures, and technological assumptions at risk
  - DeepSeek is also being offered to consumers for free, while OpenAI charges $20/mo for its Plus subscription, and $200/mo for its Pro subscription

- **Given DeepSeek's model requires a lot less power, it also shows that AI could have a smaller climate impact than originally thought**
  - This called into question the AI power demand projections given that AI represents ~ 75% of overall US power demand forecasts through 2035 in most projections per Jefferies research
  - But on the flipside, more competition and innovation in AI may also spur greater power demand, something known as the Jevons paradox

**Does this get us closer to artificial general intelligence (AGI)?** Some industry experts believe R1 takes us one step closer

- AGI arriving sooner than expected would drive more demand for compute power

**What was the reaction of key constituents / players in the space?**

- **Nvidia:** "DeepSeek is an excellent AI advancement and a perfect example of Test Time Scaling. DeepSeek's work illustrates how new models can be created using that technique, leveraging widely-available models and compute that is fully export control compliant. Inference requires significant numbers of NVIDIA GPUs and high-performance networking. We now have three scaling laws: pre-training and post-training, which continue, and new test-time scaling." (link)

- **Microsoft & OpenAI:** While Sam Altman out of the gate said that "DeepSeek's R1 is an impressive model" and that "we will obviously deliver much better models and also it's legit invigorating to have a new competitor!"…Microsoft & OpenAI are investigating whether DeepSeek obtained its training data in an unauthorized manner to train its own AI (called distillation)
    - DeepSeek says that it did distill data but from only open-source models (which OpenAI is not)

- **Marc Andreessen** called the product "AI's Sputnik moment"

- **President Trump:** DeepSeek's R1 release "should be a wake-up call for our industries that we need to be laser-focused on competing to win" …The model is a "positive development" that could allow for less expensive AI advancements across the board
    - Trump also this week reportedly is considering additional curbs on the sale of Nvidia AI chips to China so that remains a wild card

- **Howard Lutnick, President Trump's Commerce Secretary pick**: Suggested that the DeepSeek evaded US export controls and pledged a "very strong" response if he is confirmed as commerce secretary

- **Anthropic co-founder Jack Clark:** "DeepSeek means AI proliferation is guaranteed."

- **Amazon AWS CEO Matt Garman:** "DeepSeek R1 is the latest foundation model to capture the imagination of the industry"
    - AWS followed by added DeepSeek R-1 on Amazon Bedrock, SageMaker

**Carnage was felt across several sectors… See notably big stock moves across tech and power related stocks**

**DeepSeek's Release Sparks Big Losses Across Tech, Data Centers & Energy**

| Big Tech | | | |
|---|---|---|---|
| Marvell Technology | -19.1% | TSM (US Listing) | -13.3% |
| Broadcom | -17.4% | Advanced Micro Devices | -6.4% |
| NVIDIA | -17.0% | ASML | -5.7% |
| Oracle | -13.8% | | |
| **Data Centers** | | **Energy / Metal & Mining** | |
| Digital Realty Trust | -8.7% | Vistra | -28.3% |
| Equinix | -6.4% | Constellation Energy | -20.8% |
| Iron Mountain | -4.3% | Century Aluminum Co. | -15.0% |
| | | Kinder Morgan | -9.3% |
| | | Williams Companies | -8.4% |
| | | TC Energy Corp. | -4.1% |

Source: FactSet; Price performance on 1/27/25

LionTree

## 4) Telcos Shine With AT&T & T-Mobile Following Verizon's Lead

Following Verizon's strong print last week, AT&T and T-Mobile kept the hot streak going for the telcos this week with earnings that were well-received by the market. AT&T and T-Mobile's headline numbers were solid, though the former missed on adj EBITDA, and both came up a bit short on margins. Nonetheless, the real highlight from the two telcos' results were stronger than anticipated performances on net add metrics. On the wireless side, AT&T's postpaid phone net adds finished a comfortable +10.1% ahead of consensus forecasts and T-Mobile's closed +5.6% above estimates. Similar to commentary from previous quarters, the telco's Business segment was cited as a key contributor to their outperformance on postpaid phone net adds, and both anticipate that market share gains will drive growth in postpaid phone net adds throughout 2025. That said, it was notable that AT&T and T-Mobile's postpaid phone net adds did take a step down on a y/y basis in Q4, which was in-line with AT&T's prognostication of an ongoing normalization in the wireless market, though T-Mobile believes it can continue taking market share to drive growth.

Trends were equally robust in the two telcos' broadband businesses in Q4. T-Mobile touted that it once again led the industry with +428k high-speed internet net adds during the quarter, which beat the Street's expectations by +5.2% and was driven primarily by "strong demand" from existing customers as well as switching activity from other broadband providers. For its part, AT&T's +123k total broadband net adds topped expectations by a wide +148.0%, as sequential improvements in the company's Fiber and Internet Air net adds offset continued declines in its legacy copper subscriber base. Notably, AT&T's Fiber net adds benefited from pent-up demand related to a Southeast work stoppage that weighed on the segment's Q3 performance, though management reassured that the impact was "not substantial."

Looking ahead, the telcos expect to maintain momentum into 2025. AT&T reaffirmed guidance that was initially provided during its Investor Day last December, calling for an acceleration in consolidated service revenue growth as well as relatively similar levels of adj EBITDA growth in FY25 compared to the previous year. T-Mobile's FY25 outlook implied an improving trajectory in top-line growth with the company's "highest ever" postpaid net adds guidance. However, T-Mobile also anticipates a step down in core adj EBITDA growth to a ~+msd% cadence after increasing +9.1% y/y in FY24. All said, there was a lot for investors to like in the two telcos' Q4 print – see below for more details:

*-> AT&T shares rose +1.1% in reaction to the print and finished the week up +4.4%; T-Mobile shares jumped +6.3% in response to earnings and ended the week up +6.6%; YTD, AT&T stock is trading up +4.2%, and T-Mobile stock is up +5.6%; Notably, T-Mobile shares (+194%) have grown at nearly the same pace as Apple shares (+205%) over the last 5 years*

***The Telcos' Headline Results Reflected Strength On The Top-Line, Though Adj EBITDA Margins Fell Short***

- **AT&T – Q4 headline results were MIXED, as rev BEAT while adj EBITDA MISSED:** Rev incr'd +0.9% y/y in Q4 (vs -0.5% y/y in Q3) and topped cons by +0.9%; Adj EBITDA was up +2.2% y/y (vs +3.4% y/y in Q3) but closed a slight -0.4% below cons; Adj EBITDA beat cons by +8.0%; FCF finished +4.8% ahead of cons
  - **Mobility (~74% of Communications rev) – IN-LINE TO ABOVE:** Q4 rev rose +3.3% y/y (vs +1.7% y/y in Q3) and beat cons by +1.5%; Adj EBITDA grew +6.1% y/y (vs +6.7% y/y in Q3) and was ~in-line w/ cons; Svs rev and equipment rev were both up +3.3% y/y
  - **Business Wireline (~15% of Communications rev) – MIXED:** Rev was fell -10.0% y/y in Q4 (vs -11.8% y/y in Q3) and beat cons by +1.5%; Adj EBITDA was down -22.0% y/y (vs -20.0% y/y in Q3) and missed cons by -1.9%; Cited lower demand for legacy voice and data svs as well as product simplification for rev declines
  - **Consumer Wireline (~11% of Communications rev) – MIXED:** Q4 rev grew +3.4% y/y (vs +2.6% y/y in Q3) but ended -1.3% below cons; Adj EBITDA rose +9.8% y/y (vs +8.6% y/y in Q3) and beat cons by +5.9%; Growing fiber revs offset declines in legacy voice and data svs

| AT&T ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue** | **$32,298** | **32,020** | **0.9%** |
| **Total Adj EBITDA** | **$10,791** | **$10,830** | **-0.4%** |
| Adj EBITDA Margin (%) | **33.4%** | **33.8%** | |
| **Adj EPS** | **$0.54** | **$0.50** | **8.0%** |
| **Capital Expenditures** | **($6,843)** | **($5,970)** | **-12.8%** |
| **Free Cash Flow** | **$4,832** | **$4,610** | **4.8%** |
| **Revenue by Segment** | | | |
| **Communications** | **$31,139** | **$30,691** | **1.5%** |
| Mobility | $23,129 | $22,750 | 1.7% |
| Business Wireline | $4,545 | $4,480 | 1.5% |
| Consumer Wireline | $3,416 | $3,460 | -1.3% |
| **Latin America** | **$1,044** | **$1,130** | **-7.6%** |
| **Adj EBITDA by Segment** | | | |
| **Communications** | **$11,303** | **$11,270** | **0.3%** |
| Mobility | $8,888 | $8,890 | **In-Line** |
| Business Wireline | $1,197 | $1,220 | -1.9% |
| Consumer Wireline | $1,218 | $1,150 | 5.9% |
| **Latin America** | **$171** | **$151** | **13.4%** |
| **Corporate** | **-$683** | **-$591** | **-13.5%** |

Source: AT&T Filing, FactSet Financial Data LionTree

- **T-Mobile – Headline numbers BEAT, but margins came in below estimates:** Q4 rev grew +6.8% y/y (vs +4.7% y/y in Q3) and beat cons by +2.5%; Core adj EBITDA was up +10.1% y/y (vs +8.9% y/y in Q3) and closed +0.6% ahead of cons; Adj EPS topped cons by +12.2%; FCF ended +2.6% above cons
  - **Service rev (~77% of total rev) – BEAT:** Rev rose +5.5% y/y in Q4 (vs +5.1% y/y in Q3) and beat cons by +1.1%
  - **Equipment rev (~21% of total rev) – BEAT:** Q4 rev incr'd +12.6% y/y in Q4 (vs +4.3% y/y in Q3) and topped cons by +9.3%

| T-Mobile ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| Revenue | $21,872 | $21,330 | 2.5% |
| Core Adj EBITDA | $7,905 | $7,860 | 0.6% |
| Adj EBITDA Margin (%) | 36.1% | 36.8% | |
| Adj EPS | $2.57 | $2.29 | 12.2% |
| CapEx | ($2,212) | ($2,290) | 3.5% |
| Free Cash Flow | $4,084 | $3,980 | 2.6% |
| Segment Revenue | | | |
| Service | $16,928 | $16,740 | 1.1% |
| Equipment | $4,699 | $4,300 | 9.3% |
| Other | $245 | $249 | -1.6% |

Source: T-Mobile Filing, FactSet Financial Data

LionTree

### *Both AT&T And T-Mobile See Momentum From Q4 Carrying Into 2025*

- **AT&T reiterated FY25 guidance from its Investor Day last Dec –**
  - **Consolidated svs rev growth in the ~+lsd% y/y range (vs +0.5% y/y in FY24)**
    - Mobility svs rev growth at the higher end of the +2-3% y/y range (vs +3.5% y/y in FY24)
    - Consumer fiber broadband rev growth in the ~+mid-teens% y/y (vs +17.9% y/y in FY24)
  - **Consolidated adj EBITDA growth of ~+3% y/y or more (vs +3.1% y/y in FY24)**
    - Mobility adj EBITDA growth at the higher end of the +3-4% y/y range (vs +6.3% y/y in FY24)
    - Consumer Wireline adj EBITDA growth in the ~+hsd-ldd% y/y range (vs +10.0% y/y in FY24)
    - Business Wireline adj EBITDA to decline ~-mid-teens% y/y (vs -18.0% y/y in FY24)
  - **Adj EPS (excluding DIRECTV) between $1.97-2.07 (vs $1.95 in FY24)**
    - AT&T still expects the sale of its entire 70% stake in DIRECTV to TPG to close in mid-2025; This is estimated to result in an addt'l $5.4bn in after-tax cash payments this yr

- **T-Mobile's FY25 outlook included its "highest ever" postpaid net adds outlook:** Notably, the Co significantly beat its initial FY24 postpaid net adds and adj EBITDA guidance
  - **Postpaid net customer adds guidance was 5.5-6.0mn (vs 6.1mn in FY24):** This is the Co's "highest ever beginning of the year guide" for postpaid net adds (it initially guided for 5.0-5.5mn postpaid net adds at the start of FY24)
    - **Postpaid phone net adds are expected to comprise ~half of overall postpaid net adds in FY25:** Implies +2.8-3.0mn postpaid phone net adds this yr
  - **Raised svs rev growth guidance from +4% to ~+5% y/y (and compare to +4.6% y/y in FY24)**
    - **Postpaid ARPA growth guidance was ~+3% y/y**
  - **Core adj EBITDA guidance of $33.1-33.5bn**, represents a +5% y/y increase but slightly missed cons by -0.1% at the mid-pt

### *The Telcos' Postpaid Phone Net Adds Were Lower Y/Y But Still Handily Outperformed The Street's Forecasts / Strong Performance In Business Was A Common Thread*

- **AT&T - Q4 postpaid phone net adds were down y/y but better than anticipated:** Fell -8.4% y/y to +482k (vs +403k in Q3) but still topped cons by +10.1%
  - **The Co has cont'd to see "a bit of moderation going on" in the postpaid phone mkt:** Moving forward in 2025, AT&T expects a "healthy wireless mkt w/ further normalization of net adds and overall activity levels"
    - **BUT Business Solutions was an area of strength:** This was particularly true for AT&T at the mid- to low-end of the mkt, which was mainly due to the improvements the Co has made in its distribution structure and how it's working w/ partners

        - **FirstNet also remains a "consistent growth category":** FirstNet's wireless connections grew by ~+300k seq, ending Q4 w/ 6.7mn+ in total
    - **AT&T's Q4 postpaid upgrade rate was in-line w/ cons:** It was 4.6%, down -10bps y/y (vs -40bps y/y in Q3), matching cons' estimates; The Co is "not seeing anything out of pattern" in terms of customers' desire to upgrade handsets, based on the devices & offers in the mkt in Q4
    - **Q4 postpaid phone churn was slightly up y/y and more than expected:** Postpaid phone churn incr'd +1bps y/y to 0.85% (vs 0.78% in Q3), which was a touch above cons' 0.84%; Customers reaching the end of end of their device promos returned to a more normalized level on a seasonal basis in Q4
    - **Looking ahead, gross add performance should "get a little better" relative to the Co's mkt share:** That said, the Co is not going to be seeing "outsized numbers… given the overall pool of growth is getting smaller," w/ lower immigration being one potential factor

| AT&T ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Wireless Net Add Metrics** | | | |
| **Postpaid** | **839** | **594** | **41.2%** |
| Phone | 482 | 438 | 10.1% |
| **Prepaid** | **-136** | **-85** | **-37.8%** |
| **Per User Metrics** | | | |
| **Postpaid Phone-Only ARPU** | **$56.72** | **$57.12** | **-0.7%** |

Source: AT&T Filing, FactSet Financial Data

LionTree

- **T-Mobile - Q4 postpaid phone net adds fell on a y/y basis but surpassed expectations:** It was down -3.3% y/y in Q4 (vs +1.8% y/y in Q3) and beat cons by +5.6%; The Co once again led the industry in postpaid phone net adds and achieved its target of 3mn+ across FY24
    - **The Co delivered its "highest ever postpaid phone gross additions" in Q4…**
        - **T-Mobile led the industry in postpaid switching share:** The Co grew its share of households on a y/y basis across both the top 100 mkts as well as smaller mkts in rural areas, the latter of which represents 40%+ of the country
        - **T-Mobile for Business is also "gaining share rapidly":** Driven by multiple factors, including the Co's T-Priority offer and other related 5G advanced svs, such as network slicing; For the tenth straight qtr, T-Mobile saw positive port trends across every part of the biz group
            - **The Co won a big contract w/ New York City:** T-Priority, which provides +40% more capacity and 2.5x the speeds for first responders, was a significant factor
    - **Q4 upgrade rates ticked up both on a seq and a y/y basis:** The device upgrade rate of 3.6% incr'd +40bps y/y in Q4 (vs -10bps y/y in Q3)
    - **Q4 postpaid phone churn was lower than anticipated:** Q4 postpaid phone churn was down -4bps y/y to 0.92% (vs 0.86% in Q3) and below cons' 0.97%
    - **The Co sees no weak spots in its biz moving through 2025:** Indicated that it was "time to tune up" its postpaid net add guidance after seeing that "there's just not an area that's doing anything other than outperforming prior expectations"

| T-Mobile ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Wireless Net Add Metrics** | | | |
| **Total Wireless** | **2,036** | **1,670** | **21.9%** |
| **Postpaid** | **1,933** | **1,610** | **20.1%** |
| Phone | 903 | 855 | 5.6% |
| Other | 1,030 | 755 | 36.4% |
| **Prepaid** | **103** | **47** | **119.1%** |
| **Per User Metrics** | | | |
| **Postpaid ARPA** | $146.28 | $145.03 | 0.9% |
| **Postpaid Phone ARPU** | $49.73 | $49.34 | 0.8% |
| **Prepaid ARPU** | $35.49 | $35.95 | -1.3% |

Source: T-Mobile Filing, FactSet Financial Data

LionTree

### *AT&T And T-Mobile Saw Growth In Wireless Svs Rev Move In Different Directions Seq*

- **AT&T - Q4 Mobility svs rev growth decel'd seq:** Incr'd +3.3% y/y (vs +4.0% y/y in Q3), driven by subscriber gains and postpaid phone ARPU growth
  - **Business Solutions wireless svs rev grew faster than overall Mobility svs rev:** Was up +3.5% y/y in Q4; In addition to improving the distribution structure, growth in Business Solutions is "highly correlated" to economic growth
  - **AT&T also saw "some success" in the resell mkt:** The Co has benefited from being a provider to DISH's migration and has also seen that other MVNO reseller accounts "are now starting to generate some volume"

- **T-Mobile - Q4 svs rev growth accel'd seq:** Svs rev was up +5.5% y/y in Q4 (vs +5.1% y/y in Q3); FY24 svs rev rose +4.6% y/y (vs +3.1% y/y in FY23)
  - **Postpaid svs rev maintained a consistent rate of growth:** Q4 postpaid svs rev rose +8.3% y/y (similar to Q3's rate), which was more than twice the rate as the Co's peers
  - **Prepaid svs rev growth improved seq:** Prepaid svs rev incr'd +10.5% y/y in Q4 (vs +9.8% y/y in Q3)
  - **Wholesale and other svs rev reversed declines:** Q4 wholesale and other svs rev fell -35.1% y/y to $738mn (vs $701mn in Q3), marking the first qtr in the last eight that wholesale rev has incr'd seq
    - **2025 is still expected to be the low point for wholesale service rev:** Given that Dish and TracFone are both in the process of building their own networks and offloading from T-Mobile's network

### *Rate Plan Optimizations Have Been Major Contributors To ARPU/ARPA Growth*

- **AT&T - Q4 postpaid phone ARPU fell short of expectations:** At $56.72, grew +0.9% y/y in Q4 (vs +1.9% y/y in Q3) and missed cons by -0.7%; As signaled exiting Q3, postpaid phone ARPU growth was mostly driven by targeted actions and changes in plan mix
  - **Segmentation of the customer base will drive future ARPU gains:** AT&T has been looking at "pockets of [its] base" where it can get more value from moving customers to different plans or finding where it's priced differently in the mkt"

- **T-Mobile - Q4 postpaid ARPA growth accel'd seq and outperformed estimates:** At $146.28, rose +4.3% y/y (vs +4.1% y/y in Q3) and finished +0.9% ahead of cons; The Co grew its postpaid ARPA at the highest rate in 7+ yrs due to the cont'd deepening of customer relationships and optimizations of rate plan structure
  - **Other drivers of ARPA growth –**
    - **Many customers are "taking the oppty to self-select up the rate card":** T-Mobile cont'd to see 60%+ of new customers choose its premium plans during the qtr
    - **Higher sell-through of converged bundles:** Cited fewer standalone fixed wireless net adds and more bundled customer growth
    - **Restructuring legacy rate plans could drive further ARPA growth in FY25:** This effort was initiated in 2024 but wasn't completed, as there are still "very outdated" legacy plans that the Co "can address at scale"
  - **Q4 postpaid phone ARPU was better than expected:** At $49.73, was up +1.7% y/y in Q4 (similar to Q3's increase) and topped cons by +0.8%

### *The Telcos Reported Divergent Trends In Prepaid Net Adds*

- **AT&T - Q4 prepaid net losses were ~flat on a y/y basis but were worse than the Street forecasted:** Net losses of -136k (vs -135k the prior yr qtr and -45k in Q3) were worse than cons' -85k; Prepaid churn was down -24bps y/y to 2.73% (flat vs Q3), w/ Cricket phone churn being "substantially lower" during the qtr

- **T-Mobile - Q4 prepaid net adds finished well ahead of estimates:** Adds of +103k jumped +94.3% y/y in Q4 (vs +24k in Q3) beat cons by a wide +119.1%; The Co recorded +258k prepaid net adds across FY24 (vs +282k in FY23)
  - **The Co's prepaid biz is "very insulated" from immigration trends:** Immigration didn't result in huge inflows of prepaid customers for the Co in 2022 and 2023 b/c its prepaid biz revolves around "the very highest premium monthly prepaid subscriptions"
  - **Prepaid churn took a slight step down y/y but was still higher than anticipated:** Q4 prepaid churn of 2.85% was down -1bps y/y (vs -3 bps y/y in Q3) but was above cons' 2.84%
  - **Prepaid to postpaid conversion dropped both on a seq and y/y basis:** Q4 saw 160k prepaid to postpaid conversions (vs 175k in Q3), representing a -5.9% y/y decline

### *There Weren't Many Major Changes In Competitive Positioning*

- **AT&T's go-to-mkt strategy was "consistent" and "pretty disciplined" w/ promos in Q4:** The approach "continues to resonate, as more customers are choosing and staying w/ AT&T"; Moving forward, the Co expects that upgrade rates won't materially change "any time in the near future," given that its strategy will remain the same

- **T-Mobile's story is "simple and it's consistent":** The Co remains focused on leveraging its "sustainable, long-term structural advantages" by offering a "unique combination of best network, best value, and best experience"; Emphasized that T-Mobile is "not chasing growth for growth's sake"
  - **"Rapidly growing" digital distribution capabilities are a "big part of [the Co's] growth trajectory":** The Co highlighted its flagship digital platform T-Life, which saw 50mn+ downloads by the end of the yr (vs the 40mn that was originally expected) as well as "some incredible engagement numbers"

### *Broadband Was A Bright Spot For Both AT&T And T-Mobile*

- **AT&T - Q4 broadband net adds improved seq and BEAT estimates by a wide margin:** Came in at +123k in Q4 (vs the prior yr qtr's +19k and Q3's +28k) topped cons by a wide +148%
  - **Broadband rev growth accel'd seq:** Rose +7.8% y/y (vs +6.4% y/y in Q3); This propelled 2024 consumer broadband rev to close at a +7.2% y/y increase, which was above the initial FY24 guidance of +7% y/y
  - **Fiber net adds were the Co's highest Q4 result ever and exceeded expectations:** Grew +12.5% y/y to +307k in Q4 (+226k in Q3) and beat cons by +16.5%; The Co's "incr'd pace" of expanding customer locations contributed to "solid subscriber growth"
    - **Net adds benefited from pent-up demand after a one-month Southeast work stoppage in Q3**, though the impact was "not substantial"
    - **Fiber ARPU growth accel'd seq:** Q4 Fiber ARPU of $71.71 was up +4.7% y/y (vs +3.2% y/y in Q3), w/ the "improved trend" being driven by pricing actions and favorable plan mix, including transitioning customers onto fiber vs copper legacy products
  - **Internet Air FWA "continues to perform well," w/ net adds stepping up seq:** Incr'd +158k (vs +135k in Q3 and +139k in Q2) brought the Co's total 2024 FWA net adds to 0.5mn+; The Co continues to believe that selling Internet Air to bizs is a "great oppty" w/ "plenty of room to run"
    - **"Lower price shoppers are probably migrating more towards fixed wireless" compared to Fiber**

| AT&T ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Broadband Net Add Metrics** | | | |
| **Total Broadband** | **123** | **50** | **148.0%** |
| Fiber | 307 | 264 | 16.5% |
| Non-Fiber | -184 | -217 | 17.8% |
| **Per User Metrics** | | | |
| **Broadband ARPU** | $69.69 | $69.82 | -0.2% |

Source: AT&T Filing, FactSet Financial Data

LionTree

- **T-Mobile - High speed internet (HSI) net adds incr'd seq and topped estimates:** Fell -20.9% y/y to +428k in Q4 (vs +415k in Q3) and beat cons by +5.2%; T-Mobile once again led the industry in broadband growth, closing 2024 w/ 6.4mn HSI customers
  - **HSI growth was driven by "strong demand" from existing customers:** Caveated that the "relative mix changes q/q" and that the Co "still had lots of new to T-Mobile customers come in," of which the "vast majority" were "switching from something else"
    - **The biz segment continues to be a "great growth oppty" for FWA:** The Co sees "a lot of oppties" for FWA to serve as the primary connection for multi-unit retail operations, pharmacies, insurance agencies, and other bizs w/ thousands of buildings across the country
  - **The Co's 5G broadband pricing construct is "very competitive":** T-Mobile made some changes to its pricing construct in Q4 that allowed it to compete for "the most price-discerning customers" as well as create oppties for customers to "self-select up the rate card to more feature-packed plans"
  - **T-Mobile is "settling into a pattern at this level of growth on HSI":** Implies that HSI net adds will in the +400s per qtr moving forward; This cadence would enable the Co to reach its target of 12mn HSI customers by the end of 2028

| T-Mobile ($mn) | 2024Q3 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| Broadband Net Add Metrics | | | |
| High Speed Internet | 428 | 407 | 5.2% |

Source: T-Mobile Filing, FactSet Financial Data

LionTree

## *AT&T Continues To Double Down On Converge, While T-Mobile Remains Skeptical*

- **AT&T's fiber investment has helped drive the Mobility biz:** The Co has been adding more converged customers, w/ AT&T Fiber at 40% penetration and 4 out of every 10 AT&T Fiber households are choosing AT&T as their wireless provider; These metrics improved by ~+100bps y/y, reflecting "strong demand" for fiber and 5G svs together
    - **The Co's long-term target is 50% converged penetration:** This was set at the Co's Investor Day last Dec; Some mkts have already achieved this goal
    - **AT&T's Guarantee program is a "truly converged full Co effort":** Introduced earlier in Jan, it spans across both wireless as well as fiber and covers both consumers and SMBs, providing bill credits for svs outages over a certain period of time, better deals on handsets, and prompt customer svs

- **T-Mobile - "Americans are already operating in a converged world":** Pointed out that customers in the US have already had the option to purchase wireline and wireless from the same provider 80%+ of the time for 5+ yrs
    - **BUT a wireless-wireline bundle "doesn't seem to be a core motivator of purchase in either category":** Highlighted that T-Mobile also experiences higher wireline attach rates in areas where its competitors have converged offers, suggesting "some selection bias" rather than causality, in competitors' claims

## *Investment Targets From Each Co's Most Recent Investment Day Were Reiterated*

- **AT&T remains focused on investing in 5G and fiber to drive "sustained growth" –**
    - **The below targets are from the Co's Investor Day last Dec –**
        - **~45mn owned and operated fiber passings by the end of 2029:** This includes 6.5mn biz locations passed w/ fiber before the end of the decade; The Co 2024 w/ ~29mn total passings
        - **5mn+ addt'l fiber passings from Gigapower and other commercial open-access agreements**
        - **50% fiber penetration in the longer-term**
    - **Recent developments in Washington DC could also drive higher levels of network investment –**
        - **Tax reform could free up more financial flexibility:** The delta between AT&T's current level of investment ($22bn) and its peak levels a couple yrs ago ($24bn) is equal to the increase in its current tax bill; Indicated the first place it would use "a little bit of latitude" is in accel'ing the fiber build

- **T-Mobile will "bolster investments across [its] network" to extend its network leadership in 2025:** Emphasized that the Co already has "more available capacity per customer than anyone else" and was deemed the top provider in 46 out of 50 states by Ookla
    - **The fiber JVs will be "very efficient":** Leverages T-Mobile's strengths in customer sales, svs, and mkting, while its partners are "some of the best in the US at laying fiber"; Won't be a CapEx burden on T-Mobile
    - **The Co is gradually applying AI into its RAN to create AI-RAN:** This will drive an evolution into 5G-advanced and "eventually even sixth generation" tech, though details remain vague
        - **T-Mobile's Customer-Driven Coverage AI model enables its network to "self-heal":** This enables the Co's network to "borrow" capacity from other sectors to "make sure nobody goes unconnected" when another portion of the network goes down
        - **AI will provide a "nice tailwind" for the Co's biz on the consumer side:** It's still "early days," but new AI use cases will enable T-Mobile to "increasingly showcase" its differentiation and its network advantages to customers
    - **T-Mobile isn't concerned about FWA capacity constraints:** Given that the Co only approves customers for 5G broadband when its algorithm says that it will have excess capacity in a particular sector for yrs to come
    - **Runing limited beta for Satellite service:** "Satellite density is rapidly improving," paving the way for commercial svs; The launch and monetization of its satellite connectivity partnership w/ Starlink in a "phased" manner; T-Mobile is now running a limited beta launch and then will begin offering to customers on its highest value plans
        - **There also opties to sell satellite connectivity on an à la carte basis**

## *Both Telcos Finished FY24 W/ Material Reductions In CapEx Levels*

- **AT&T – Q4 CapEx came in higher than consensus:** Was up +48.7% y/y in Q4 (vs +14.1% y/y in Q3) and finished -12.8% higher than cons; But FY24 CapEx totaled $20.3bn, which was -14% y/y decline
    - **FY25 CapEx is expected to be ~similar to FY24 levels (at ~$22bn)**

- **T-Mobile – Q4 CapEx was lighter than anticipated:** Rose +39.4% y/y (vs -19.1% y/y in Q3) but was still -3.5% below cons; FY24 CapEx of $8.8bn was down -9.8% y/y
    - **FY25 CapEx is still projected to be ~$9.5bn**

***Free Cash Flow Was A Bright Spot For Both Cos***

- **AT&T – Q4 FCF was better than projected:** Was $4.8bn, down -24.2% y/y (vs -1.7% y/y in Q3) but still closed +4.8% above cons
    - **Q4 FCF included ~$1.1bn in pre-tax DIRECTV distributions…**
        - **…BUT starting in Q1:25, all cash received from DIRECTV will be excluded from reported FCF**
    - **FY25 FCF, excluding DIRECTV, is forecasted to be $16bn+:** Assumes lower cash interest from lower debt balances, the absence of network termination fee payments in 2024, and lower y/y working capital balances
        - **FY25 FCF will also have a "more ratable profile":** Though also highlighted FCF will be seasonally lower in Q1, primarily driven by the timing of device payments and annual incentive compensation payout; DIRECTV also contributed $500mn+ to Q1:24's FCF

- **T-Mobile – Q4 FCF also surprised to the upside:** At $4.1bn, fell -5.1% y/y in Q4 (vs +29.0% y/y in Q3) but still beat cons by +2.6%
    - **FY25 FCF, incl payments for merger-related costs, is projected to be $17.3-18.0bn (vs $17bn in 2024):** Includes an expectation of ~$700mn in cash income tax payments and ~$3.9bn of incr'd cash interest payments
        - **Net cash provided by operating activities is expected to range from $26.8-27.5bn**
        - **Repurchases will resume in H2:25:** As part of the Co's $14bn buyback authorization by the end of 2025 and under its broader plan of returning up to $50bn to shareholders over the next 3 yrs
            - **Recent transactions have all been contemplated in the authorization:** Including USCellular, Metronet, Lumos, as well as other acquisitions and JV partnerships

***Other Highlights***

- **AT&T will soon make detailed fillings w/ the FCC to stop selling legacy products in ~1,300 wire centers:** This represents ~25% of the wire centers across the Co's footprint; The Co looks forward to working w/ the newly appointed FCC chair Brendan Carr

- **T-Mobile sees the Vistar acquisition as an "oppty to transform" the Out of Home ad industry:** The Co wants to combine Vistar's tech platform and w/ its own customer intelligence to bring "new features into outdoor advertising that can transform the industry and bring things like measurability and impact to an advertising platform that hasn't had them before"

- **T-Mobile is adding a COO position to its roster:** Srini Gopalan will start as T-Mobile's on March 1 so that CEO Mike Sievert can focus more of his time on longer-term oppties and strategy; This comes as the Co gets "deeper into its challenger to champion plan"

## 5) Comcast & Charter Faced Tougher Competitive Headwinds, But M&A Optionality Remains In Place

Joining the telcos (see Theme #4) in an earnings-packed week for the connectivity industry, cable companies Comcast and Charter jumped into the fray this week with their own Q4 prints, though these didn't necessarily provoke the same response from the market. Despite broad headline beats, the cable companies continued to struggle in their core broadband segments during the quarter, with Comcast losing a net -131k broadband accounts (vs cons' -97k) and Charter reporting -177k net Internet losses (vs cons' -151k). In addition to a housing market that has remained "sluggish," both cable companies contended with "potentially the most competitive environment" that they have faced in broadband, per Comcast CFO Jason Armstrong. Similar to previous quarters, Comcast and Charter acknowledged "significant competition" from fixed wireless providers and fiber overbuilders, but to note, competition from satellite was added to the list this qtr. Although the impact from satellite broadband was "de minimis," Comcast is "not being dismissive of it" and will monitor it “very closely” moving forward. Additionally, Charter faced headwinds from the hurricanes in early October as well as from lingering ACP-related churn that combined resulted in ~-160k net losses.

In contrast, there was more room for optimism in the cable companies’ wireless businesses. While Comcast’s +307k wireless net adds fell -4.1% short of the Street’s expectations, it plans to “lean into wireless more than ever before” moving forward, highlighting that the industry has a TAM of $200bn compared to broadband’s more modest $80bn TAM. Consequently, the company will make additional investments in its wireless segment on the road ahead, though details on what this may entail were vague. Compared to Comcast, Charter’s mobile business fared better in Q4, as its +529k net adds finished a wide +10.6% ahead of estimates. The company’s investments in marketing, Spectrum One promotion, and efforts to reprice and repackage its converged offerings appear to have paid dividends in terms of brand recognition. Charter touted that Spectrum Mobile is now “widely recognized, both from a brand and capability standpoint,” and it intends to leverage this advantage to create more attach opportunities for broadband in 2025.

Lastly, a bright spot of the cable companies’ Q4 results came from the respective performances of their video businesses. The two continued to experience net video account losses during the quarter; however, these were less severe than anticipated. While Comcast didn’t have much to say regarding its video segment, Charter’s management believes that “video can become an asset again,” particularly within bundles that combine broadband, mobile, and video. Furthermore, the H1:25 launch of Charter’s seamless entertainment offering, which will provide TV Select customers with up to $80 of retail app value at no additional cost, is expected to further enhance the company’s video business in the coming year, though it isn’t necessarily expected to return to growth.

Looking ahead, it sounds like the cable companies don’t expect an immediate rebound in their core broadband businesses, but both will make investments to drive a recovery to the medium- to longer-term. Continuing to enhance their networks will be a key part of this strategy, as Comcast has already started to leverage network upgrades to create new broadband packages for consumers and Charter upped the amount of capital that it intends to spend on its ongoing network evolution initiative. FCF growth and returns to shareholders are important KPIs as well. See below for more details:

*-> Comcast shares dropped -11.0% in reaction to the print and ended the week down -10.5%; Charter shares were up +2.6% in response to earnings (after falling -6.3% the previous day following Comcast’s earnings release) and finished the week down -6.0%; YTD, Comcast stock is trading down -10.3%, while Charter stock is up +0.8%*

***The Cable Cos’ Headline Numbers All Surpassed The Street’s Forecasts…***

- **Comcast – Q4 headline results broadly BEAT expectations:** Consolidated rev incr’d +2.1% y/y in Q4 (vs +6.5% y/y in Q3) and closed +0.9% above cons; Consolidated adj EBITDA rose +9.9% y/y (vs -2.3% y/y in Q3) and topped cons by +3.0%; Adj EPS beat cons by +11.6%; FCF finished +25.9% ahead of cons
  - **Connectivity & Platforms (~64% of total rev) – MIXED:** Q4 rev grew +0.2% y/y (vs +0.1% y/y in Q3) but fell a slight -0.1% short of cons; Adj EBITDA was up +3.5% y/y (vs +0.9% y/y in Q3) and beat cons by +0.4%; Residential Connectivity rev topped cons by +0.5%, but Business Services rev missed cons by -0.8%
  - **Broadband and wireless net adds MISSED, while video net adds BEAT**

| Comcast ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue** | **$31,915** | **$31,628** | **0.9%** |
| **Adj EBITDA** | **$8,807** | **$8,549** | **3.0%** |
| Adj EBITDA Margin (%) | 27.6% | 27.0% | |
| **Adj EPS** | **$0.96** | **$0.86** | **11.6%** |
| **CapEx** | **($3,914)** | **($3,790)** | **-3.2%** |
| **Free Cash Flow** | **$3,260** | **$2,590** | **25.9%** |
| **Segment Breakdown** | | | |
| **Connectivity & Platforms Revenue** | **$20,464** | **$20,477** | **-0.1%** |
| Domestic Broadband | $6,528 | $6,544 | -0.2% |
| Video | $6,502 | $6,479 | 0.4% |
| International Connectivity | $1,354 | $1,298 | 4.3% |
| Wireless | $1,189 | $1,181 | 0.7% |
| Business Services | $2,448 | $2,467 | -0.8% |
| Advertising | $1,158 | $1,216 | -4.8% |
| Other | $1,286 | $1,291 | -0.4% |
| **Connectivity & Platforms Adj EBITDA** | **$7,842** | **$7,812** | **0.4%** |

Source: Comcast Filings, FactSet Data & Analysis

LionTree

- **Charter – Q4 headline numbers BEAT across the board:** Q4 rev grew +1.6% y/y (similar to Q3's rate) and beat cons by +0.9%; Adj EBITDA rose +3.4% y/y (vs +3.6% y/y in Q3) and closed +3.0% ahead of cons; Adj EPS topped cons by +8.1%; FCF ended +38.2% above cons
    - **Residential rev (~77% of total rev) – BEAT:** Residential rev was down -0.4% y/y in Q4 (vs +0.3% y/y in Q3) but still topped cons by +1.2%; Residential customer relationships fell -2.2% y/y (vs -1.8% y/y in Q3), while monthly rev per customer was up +1.7% y/y (vs +1.8% y/y in Q3)
    - **Commercial rev (~13% of total rev) – SLIGHT MISS:** Q4 Commercial rev incr'd +1.9% y/y (vs +2.0% y/y in Q3) and finished a slight -0.1% below cons; SMB rev was up +0.3% y/y (vs +1.0% y/y in Q3), while Enterprise rev rose +4.4% y/y (vs +3.7% y/y in Q3)
    - **Internet net adds MISSED, while wireless and video net adds BEAT**

| Charter ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue** | **$13,926** | **$13,880** | **0.3%** |
| **Adj EBITDA** | **$5,760** | **$5,720** | **0.7%** |
| Adj EBITDA Margin (%) | 41.4% | 41.2% | |
| **Adj EPS** | **$10.10** | **$9.34** | **8.1%** |
| **CapEx** | **($3,062)** | **($3,250)** | **6.1%** |
| **Free Cash Flow** | **$984** | **$712** | **38.2%** |
| **Revenue by Segment** | | | |
| **Residential** | **$10,685** | **$10,560** | **1.2%** |
| Internet | $5,856 | $5,855 | **In-Line** |
| Video | $3,616 | $3,623 | -0.2% |
| Mobile | $860 | $842 | 2.2% |
| Voice | $353 | $357 | -1.1% |
| **Commercial** | **$1,817** | **$1,818** | **-0.1%** |
| Small & Medium | $1,086 | $1,091 | -0.4% |
| Enterprise | $731 | $726 | 0.7% |
| Advertising | $540 | $567 | -4.8% |
| Other | $884 | $840 | 5.2% |

Source: Charter Filings; FactSet Data & Analysis

LionTree

***BUT The Cable Cos Dealt W/ "Potentially The Most Competitive Environment" That They've Faced In Broadband***

- **Comcast – "Competitive conditions remain intense… in all segments":** Highlighted that competition was "dynamic and varied across [Comcast's] footprint and customer segments"; The Co "see[s] no signs of this changing in the near-term"
  - **Fixed wireless has "leveled" but is "still out there aggressively mkting":** Comcast believes that fixed wireless will "continue to sell into remaining excess capacity" in the near-term and carve out a "permanent part of the market" in the longer-term, despite being "capacity constrained"
  - **Fiber remains Comcast's primary competition in most of its footprint:** This effectively means that there will be two multi-gig symmetrical broadband providers for the "vast majority" of homes in the Co's footprint; Will "settle into fairly equal mkt share amongst providers in the medium- to long-term"
    - **Fiber overbuilds are expected to continue in the shorter-term:** Resulting in "early mkt share wins" for fiber providers
  - **Satellite was also mentioned as a competitor:** Although the competitive impact from satellite has been "de minimis" and immaterial, Comcast is "not being dismissive of it" and will "watch it very closely"; So far, the Co sees satellite being more active in rural areas vs suburban and urban ones

- **Charter – "The environment for broadband, mobile, and video remains competitive":** Flagged "significant competition from wireline overbuild, cell phone Internet, and satellite across all of [the Co's] products"; Still, the Co has "better visibility than this time last yr"
  - **"Cell phone Internet net additions appear to have peaked or stabilized" …:** Acknowledged "a little bit of competition" in rural mkts from FWA but believes this doesn't impact wireline terminal penetration b/c demand for wired broadband "is still quite high"
    - **Competition from FWA has weighed on the early penetration of new passings:** "There's a little less jump at the very beginning than what [Charter] had seen previously"
  - **… And "there will be a declining base of fiber overbuild":** Highlighted that Charter "continue[s] to do well against new fiber overlap"
  - **"The housing mkt remains sluggish":** That said, this "hasn't meaningfully reduced" the Co's passings growth outlook

***Comcast & Charter's Broadband Net Adds Left Some Room To Be Desired***

- **Comcast – Q4 broadband net losses were worse than indicated last Dec:** Net losses of -131k (vs -34k the prior yr qtr and -87k in Q3) were -26.3% worse than cons and worse than the "just over" -100k net losses predicted by the Co in mid-Dec; Comcast lost a net -131k residential customers (vs -79k in Q3) and -8k biz ones (similar to Q3)
  - **Total FY24 broadband net losses totaled -411k (vs -66k in FY23):** Q4 marked the seventh consecutive qtr of broadband net losses for the Co and the worst amount over that timeframe
  - **The Co "may have been a little too optimistic" w/ the Q4 forecast provided in Dec:** Indicated that this was particularly true in the price-conscious segment in the earlier part of the qtr in Dec; Heavy competition was cited as the main reason for this
    - **The SMB mkt faced similar dynamics as residential broadband:** Comcast has been "operating in the same competitive environment" within the SMB segment
  - **Comcast still has "a lot of levers" to drive growth moving forward:** The Co plans to bring new offerings to mkt in Q2 and plans to "compete aggressively in the mkts… to drive cont'd broadband growth"

| Comcast ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Net Add Subscriber Metrics** | | | |
| **Broadband** | -131 | -97 | -26.3% |
| **Wireless** | 307 | 320 | -4.1% |
| **Video** | -311 | -328 | 5.3% |

Source: Comcast Filings, FactSet Data & Analysis

LionTree

- **Charter – Internet net losses were steeper than expected:** Q4 net losses of -177k (vs -61k in the prior yr qtr and -110k in Q3) missed cons by -14.6%; Residential net losses of -171k were -17.7% worse than cons, though SMB net losses of -6k were better than cons' -11k
  - **BUT excluding the impact of one-time items, Internet losses would have been ~-17k:** Outside of the impact of the hurricanes and ACP-related factors, Charter was "generally pleased" w/ its Q4 core Internet results
    - **Hurricane Helene and Hurricane Milton caused ~-20k disconnects**

        - **ACP-related churn resulted in ~-140k Internet net losses:** This primarily consisted of non-pay as well as some voluntary churn; Still, the Co kept ~90% of former ACP customers connected, and the impact of the program's end is now behind it
            - **The Co experienced ~-450k ACP-related subscriber losses in 2024:** Not having this headwind in 2025 "will be huge"
    - **Net adds in the subsidized rural footprint were flat seq:** Added a net +41k in Q4 (vs +41k in Q3 and +36k in Q2)
    - **Q1 results will see some impact from the Los Angeles wildfires:** The Co will provide more details on the Q1 call and is still assessing the impact but acknowledged that ~15-16k passings in the mkt are no longer inhabitable and that its footprint covers the entirety of LA

| Charter ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Net Add Subscriber Metrics** | | | |
| **Internet** | **(177)** | **(151)** | **-14.6%** |
| Residential | (171) | (141) | -17.7% |
| SMB | (6) | (11) | 75.0% |
| **Video** | **(123)** | **(260)** | **111.2%** |
| Residential | (110) | (255) | 132.1% |
| SMB | (13) | (5) | -65.4% |
| **Mobile** | **529** | **478** | **10.6%** |

Source: Charter Filings; FactSet Data & Analysis

LionTree

*Forward-Looking Commentary Revealed Some Puts & Takes For The Coming Yr*

- **Comcast provided some directional color on trends that it anticipates for 2025 –**
    - **Broadband rev is expected to "continue on a growth trajectory":** W/ convergence rev growth again outpacing growth in broadband rev
    - **Business Services is projected to have the "same framework" of growth as it did in 2024:** Indicated that the overall category of Business Services has been increasing at a +~msd% rate
    - **Margins are expected to expand at a "slightly lower rate":** Given the investments that Comcast wants to make back into its biz, including in wireless

- **Charter sees several potential tailwinds behind its biz in 2025 –**
    - **The Co is "really confident" about its ability to grow Internet in the mid-term:** A "huge benefit" will come from moving past ACP-related losses, competitive pressures from FWA and fiber should ameliorate, rural passings will start to drive more growth, and data consumption continues to rise
    - **Sales & mkting expense is projected to grow ~+lsd-msd% y/y:** Given customer acquisition efforts and the cont'd rollout of the Life Unlimited brand
    - **Programming expenses and cost to svs customers will be flat to slightly down y/y**
    - **Adj EBITDA is expected to grow…:** Anticipates that growth in mobile biz, new packaging and pricing around certain offers, as well as the Spectrum One promo roll-off and other rate benefits will drive growth; The Co's high-margin advanced Wi-Fi product is also expected to make a "significant contribution"
        - **… Despite some one-time headwinds:** Including the impact from a lack of political advertising and 2024's Internet customer losses
    - **"2025 will have a slightly higher level of investment than 2024":** 2025 will be the Co's "key capital investment" yr, but total capital spending will be on a "meaning downward trajectory" in following yrs, even inclusive of BEAD spending (see below for more details)

*Both Comcast & Charter Saw A Seq Dip In ARPU Growth*

- **Comcast – Q4 broadband ARPU growth decel'd seq:** Domestic broadband ARPU was up +3.1% y/y in Q4 (vs +3.6% y/y in Q3); Commentary was limited but previously the Co cited the competitive backdrop as a headwind
    - **The Co anticipates "cont'd healthy ARPU growth" in 2025:** Cited a "new packaging approach" that leverages recent network upgrades and will be "hyper-focused on the high-end" as one of a "number of levers" to drive growth
        - **BUT "there could be some impact to ARPU" from attaching mobile to broadband packages:** Still, the Co believes this is "absolutely the right thing to do over the long-run"

- **Charter – Q4 residential ARPU growth was a bit slower seq:** Resi ARPU incr'd +1.7% y/y in Q4 (vs +1.8% y/y in Q3), driven by promo rate step-ups, rate adjustments, and Spectrum Mobile growth, partly offset by a higher mix of non-video customers, a higher mix of non-video customers, and $34mn of hurricane-related customer credits
    - **There weren't any updates on Internet ARPU:** The Co previously reported that Internet ARPU rose +3.1% y/y on a non-GAAP basis in Q3 and +1.7% y/y in Q2; Still, bundling video and mobile w/ broadband subscriptions has "add[ed] value back into the broadband relationship"

***Convergence Will Be An Integral Part Of The Cable Cos' Go-To-Mkt Strategy Moving Forward***

- **Comcast plans to shift its go-to-mkt strategy more towards converged bundles:** Specifically, the Co plans to package mobile w/ more of its higher-tier broadband products for both new and existing customers; These will address "friction points" by introducing more simplicity
    - **The Co is also creating new products to appeal to its key customer segments:** These new offerings will also provide more flexibility w/ attractive pricing; Highlighted its new Sports & News TV package that was annc'd last week as one example, given that "sports fans want and need great broadband"
        - **These packages are expected to sell more Xfinity Internet:** As well as lower churn for existing subs
    - **A new COO of Connectivity & Platforms will also help shakeup Comcast's mkting strategy:** Steve Croney, who was promoted to the position in the past month, will be responsible for the Co's residential and commercial bizs, including product strategy, sales & mkting, and customer experience, among other areas

- **Charter remains focused on investing to create a "virtuous cycle in its business:** The positive impact from the Co's customer commitment and brand refresh investments will take time to be recognized, though benefits are already starting to be evident
    - **Charter continues to ramp up the rollout of its Life Unlimited brand platform:** The ability to bundle "two or three sets of products between really broadband, mobile and video" has allowed the Co to offer Internet at a lower price and create more attach oppties
        - **"It's only going to get better":** Over time, the Co's selling capabilities and training to re-bundle these svs will be "enhanced
    - **The Co hasn't stopped offering Spectrum One:** The offer of one free mobile line still "works well," though Charter is now more focused on using mobile to drive broadband now that Spectrum Mobile has brand recognition in the mktplace
    - **Investments in customer svs have led to a "competitive advantage":** The Co's investments in improving employees' wages, basing its sales & svs staff in the US, and in real estate are "difficult to replicate"; These ultimately improve customer satisfaction, lower churn, and increase penetration

***Data Usage Remains On An Upward Trajectory***

- **Comcast flagged that traffic has been increasing at double-digit rates:** NFL streaming and large game downloads drove "the biggest consumption in Internet history" this past fall; However, the Co didn't provide figures on the avg monthly usage of broadband-only customers this qtr (was ~700 gigabytes per month in Q3)

- **Charter – "Demand for faster Internet speeds continues to grow as data usage grows":** Monthly data usage by the Co's non-video residential Internet customers reached 800+ gigabytes in Q4 (Previously reported that non-video Internet customers were using nearly 800 gigabytes per month in Q1)

***Comcast & Charter's Wireless Net Adds Diverged Relative To Consensus Forecasts But Remain A Key Focus Ahead***

- **Comcast – Q4 wireless net adds decr'd seq and underperformed estimates:** Q4 net adds were down -1.0% y/y to +307k in Q4 (vs +319k in Q3) and missed cons by -4.1%; The Co closed out FY24 w/ 7.8mn total domestic wireless lines, an +18.8% y/y increase (vs +24.0% y/y in FY23)
    - **Wireless penetration of Comcast's residential broadband base was similar seq:** Wireless penetration remained at 12% of residential broadband customers, or ~6% of total passings, in Q4
    - **Comcast plans to "lean into wireless more than ever before" moving forward:** Given that the Co is the "challenger" in a mkt that is 2.5x the size of broadband (wireless has an estimated $200bn TAM), w/ a "capital-light strategy that does not require network trade-offs"
        - **"Wireless is an integral part of [the Co's] broadband strategy":** Given that it reduces churn, is a "key acquisition tool," and drives Comcast's "strong convergence rev growth" that continues to be at the high-end of the industry at ~+5% y/y

        - **There will be "addt'l investment" in wireless ahead:** Resulting in a headwind to margins in FY25
        - **BUT Comcast is shifting away from its buy one line, get one free approach:** "This is a fundamental shift that will impact acquisition, base mgmt, and retention," though it will also drive more converged rev
        - **Xfinity Mobile customers will receive automatic speed boosts at WiFi hotspots:** These boosts will be up to 1 gig when Xfinity Mobile customers connect to one of the Co's 23mn WiFi hotspots
    - **Q4 converged rev growth continued to track at the high-end of industry benchmarks:** Converged rev grew ~+5% y/y in Q4 (similar to Q3's rate)
    - **"There's no new news in terms of MVNO approach":** Comcast is "pleased w/ [its] current position" and didn't signal any intention of attempting to adjust its MVNO contract when it comes up for renewal later this yr

- **Charter – Q4 mobile net adds declined seq but still exceeded expectations:** Mobile net adds fell -3.1% y/y to +529k in Q4 (vs +545k in Q3) but still topped cons by a wide +10.6%; Charter exited FY24 w/ 9.9mn total mobile lines, representing a +27.3 y/y increase
    - **The Spectrum Mobile biz "cont'd to grow at a rapid rate":** Touted that Spectrum Mobile remains the fastest-growing mobile svs in the US
        - **Still, mobile penetration of Charter's broadband base was ~flat seq,** remaining at ~8% of total passings
    - **Mobile svs rev growth was ~flat seq:** Q4 mobile svs rev incr'd +37.4% y/y (vs +37.6% y/y in Q3), driven by mobile line growth as well as higher svs rev per line; Commentary was sparse, but last qtr the Co cited the Anytime Upgrade offer as a driver of mobile ARPU growth
    - **87% of Spectrum Mobile's traffic is carried on the Co's network:** This number is expected to increase moving forward via addt'l CBRS deployment as well as Charter's expanding Wi-Fi capabilities; The Co believes "there's no pressure" to feel like it needs addt'l owner's economics beyond this

***Efforts To Stem Video Net Losses Have Been Bearing Fruit***

- **Comcast – Q4 video net losses improved seq and were less steep than expected:** Q4 net losses of -311k (vs -389k the prior yr qtr and -365k in Q3) were +5.3% better than cons; This also marked the Co's best result in the last sixteen qtrs, though Q4 tends to see a seasonal reduction in net losses
    - **Video rev also finished ahead of the Street's forecasts:** Video rev was down -6.4% y/y in Q4 (vs -6.8% y/y in Q3) and topped cons by +0.4%, as a decline in the number of video customers was partially offset by an overall increase in avg rates
    - **Otherwise, commentary on the video biz was sparse:** The Co didn't provide updates on the NOW portfolio or the StreamSaver offering after highlighting them last qtr; There also wasn't any color on the progress of Comcast's renewal discussions around distribution agreements

- **Charter – Q4 video net losses improved materially seq and much better than anticipated:** Net losses of -123k (vs -257k in the prior yr qtr and -294k in Q3) beat cons by a wide +111.2%; Resi net video losses were +132.1% better than cons, though SMB video net losses of -13k were worse than cons' -5k
    - **The improvement was driven by efforts to re-bundle video within the Life Unlimited platform:** Notably, the Co's video performance does not yet reflect the benefits of incorporating seamless entertainment apps in its product
        - **The Co's new programming allow for more flexibility in packaging video:** Charter has been able to create video packages that offer more value to customers, and this has provided the Co w/ the confidence to begin actively selling video alongside broadband subscriptions once again
    - **"Video can become an asset again":** Caveated that this "doesn't mean that [Charter is] going to grow video," but the Co views it as a "significant asset" that can be combined w/ mobile and broadband "to drive growth to a unique set of products and save customers a lot of money"
    - **The timing around Charter's launch of a seamless entertainment offering in 2025 hasn't changed:** The Co still plans to fully roll out the seamless entertainment product in H1:25 and deliver up to $80 of retail app value for its TV Select customers at no addt'l cost

***Lower Programming Costs Drove Upside In The Cable Cos' Adj EBITDA Margins***

- **Comcast – Q4 Connectivity & Platforms adj EBITDA margin topped estimates:** The segment's adj EBITDA margin improved +120bps y/y to 38.3% in Q4 (vs 40.9% in Q3), beating cons by +17bps; Excluding severance and other factors, margins expanded by +80bps y/y
    - **Residential Connectivity & Platforms adj EBITDA margin expanded to a higher degree seq:** Q4 adj EBITDA margin of 36.0% incr'd +120 bps y/y (vs +20 bps y/y in Q3); Lower programming expenses due to a decline in video customers was partly offset by rate increases under domestic programming contracts

    - **Business Services adj EBITDA margin improved on a y/y basis:** Adj EBITDA margin of 55.7% rose +50bps y/y in Q4 (vs -10bps y/y in Q3)
    - **Hurricanes Milton and Helene had a "modest negative impact" on margins during the qtr:** The hurricanes affected growth in both Residential and Business Services adj EBITDA margins

- **Charter – Q4 adj EBITDA margin surprised to upside:** Q4 adj EBITDA margin expanded +80bps y/y to 41.4% (vs +40.9% in Q3) and topped cons by +20bps
    - **A breakdown of expense items –**
        - **Programming costs decr'd -9.1% y/y (vs -10.0% y/y in Q3):** The y/y decline was driven by an -8.7% y/y drop in video customers as well as a higher mix of lighter video packages, plus $37mn worth of costs; This was partly offset by higher programming rates
        - **Cost to svs customers was down -0.5% y/y (similar to Q3's rate):** Cited productivity from tenure investments, including lower labor costs, for the decline
        - **Sales & mkting expenses rose +3.2% y/y (vs +4.4% y/y in Q3):** Increases were driven by customer acquisition efforts and support for the Life Unlimited brand relaunch

***Comcast & Charter's Network Upgrades Are Starting To Deliver "Tangible Results"***

- **Comcast has completed 50%+ of Project Genesis, its network upgrade initiative:** The project is "moving at a very good clip" and "on track," w/ the first phase having been finished; This sets the stage to introduce new pricing and packaging plans
    - **The "vast majority" of the Co's network will be upgraded w/ mid-splits by the end of this yr:** Comcast expects to "begin to put the pedal down on that effort" in Q2
        - **Longer-term, Comcast is still aiming to ultimately deliver multi-gigabit symmetrical speeds across every mkt:** The Co also plans to incorporate AI throughout its entire network
    - **50% of the Comcast's network is now virtualized:** The Co is aiming for that figure to reach 70% by the end of 2025
    - **The Co also continues "to be really aggressive" in passing new homes:** Previously, the Co guided for +1.2mn home passings in FY25, which was similar to number it planned to pass in FY24

- **Charter – There have been some "retiming across yrs and slight changes across categories" as it pertains to its network evolution and expansion initiatives**
    - **The network evolution initiative is still expected to be completed in 2027:** Despite the delays (was initially projected to be done in early 2025), the plan for the three steps hasn't changed; Still plans to use high-splits and DOCSIS 4.0 to cover 15% of footprint w/ 1.2 GHz, 50% w/ 1.8 GHz, and 35% w/ 1.8 GHz
        - **Charter completed high-split upgrades in all of its Step 1 mkts by the end of 2024:** The Co launched symmetrical 1-gigabit speeds in all eight of its Step 1 mkts by yr-end
        - **2x1 gigabit svs rollouts are underway:** The Co initiated 2x1 gigabit svs in two mkts, Lexington, KY and Cincinnati, OH, earlier in 2025 and plans to launch 2x1 svs in addt'l mkts later this yr
    - **Expansion of the subsidized rural footprint is expected to accel in 2025:** Charter anticipates rural passings growth of ~+450k in 2025 (vs nearly +400k in 2024); 2025 will be its biggest yr thus far
        - **The RDOF build is still projected to finished by the end of 2026:** This is two yrs ahead of the Co's original timeline
        - **BEAD-related construction is expected to start in 2026 and run through 2030:** Charter is still in the early stages of bidding but has a "lower appetite to bid due to regulatory conditions"
    - **The Co has pulled back "a bit" on proactive commercial and greenfield resi builds:** That said, this "hasn't meaningfully reduced [its] passings growth outlook"; Cited the slow housing mkt as the main reason for this decision

***Both Cable Cos Saw A Y/Y Uptick In Q4 CapEx Levels & Charter Unveiled New Multi-Yr Guidance***

- **Comcast – Q4 Connectivity CapEx was higher on a y/y basis:** Q4 segment CapEx of $2.6bn was up +25.5% y/y (vs -6.5% y/y in Q3), w/ the y/y increase primarily reflecting higher spend on scalable infrastructure, line extensions, and CPE; FY24 Connectivity CapEx was ~flat at $8.3bn (vs $8.2bn in FY23)
    - **Overall Q4 CapEx levels of $3.9bn were -3.2% worse than anticipated:** Given higher Connectivity CapEx as well as "significant spending due to the construction of the Epic Universe theme park in Orlando"
    - **2025 cable CapEx intensity is expected to remain at ~10%:** For reference, the Co ended FY24 w/ a cable CapEx intensity of 10.2% (vs 10.1% in FY23)

- **Charter – Q4 CapEx was lower than expected:** Q4 CapEx of $3.1bn incr'd +7.2% y/y (vs -13.5% y/y in Q3) but closed -6.1% below cons; FY24 CapEx of $11.3bn was up +1.4% y/y (vs +18.5% y/y in FY23), which was below the Co's original forecast for $12.2-12.4bn, given lower network evolution and line extension spending
  - **Line extension CapEx totaled $1.1bn in Q4:** Driven by Charter's subsidized rural construction initiative and cont'd network expansion across residential and commercial greenfield as well as mkt fill-in oppties
  - **The hurricanes drove $125mn in incremental CapEx in Q4:** The Co also expects to incur CapEx to recover and rebuild lost passings due to the recent California wildfires in Q1
  - **The Co also provided a multi-yr CapEx outlook:** This excludes any line extension spending associated w/ BEAD, which is expected to be a few hundred million dollars per yr for four yrs starting in 2026
    - **FY25 CapEx ~$12bn:** W/ Core CapEx of ~$6.3bn, line extension spend of ~$4.2bn, and network evolution spend of ~$1.5bn
    - **FY26 CapEx ~$10.5-11.0bn:** W/ Core CapEx of ~$6bn, line extension spend of ~$3bn, and network evolution spend of ~$1.5-2.0bn
    - **FY27 CapEx $9.0-9.5bn:** W/ Core CapEx of ~$6bn, line extension spend of ~$2bn, and network evolution spend of ~$1.0-1.5bn
    - **FY28 CapEx <$8bn:** W/ Core CapEx of ~$6bn and line extension spend of ~$2bn; A run-rate of below $8bn per year of CapEx is expected from here on out
  - **Total network evolution capital is projected to reach $5.4bn over the 2024-27 period compared to $4.6bn previously:** Given the Co's full plant walk-out and the finalization of more detailed project plans

### *FCF Was A Bright Spot For Both Comcast & Charter*

- **Comcast – Q4 FCF was much better than the Street forecasted:** Q4 FCF of $3.26bn rose +90.9% y/y (vs -15.5% y/y in Q3) and topped cons by a wide +25.9%; That said, FY24 FCF of $12.5bn was down -3.2% y/y (vs +2.5% y/y in FY23), though this does include a -$2bn one-time headwind from cash taxes in Q2
  - **Returns to shareholders were consistent seq:** The Co returned $3.2bn to shareholders in Q4 between $2.bn of repurchases and $1.2bn of dividend payments
    - **Returns to shareholders were over 100% in FY24:** As the Co returned $13.5bn of capital for the full yr
  - **FY25 FCF will benefit from a ~+$2bn tailwind to cash taxes**

- **Charter – Q4 FCF finished well above expectations:** FCF of $984mn was down -7.3% y/y in Q4 (vs +47.6% y/y in Q3) and beat cons by a wide +38.2%; FY24 FCF of $4.3bn rose +22.0% y/y (vs -42.8% y/y in FY23)
  - **The y/y decline in Q4 CapEx was driven by higher CapEx, cash taxes, and cash interest:** Though this was partly offset by a larger cable working capital benefit
  - **Share buybacks fell further seq:** The Co bought back $113mn worth of shares in Q4 (vs $260mn in Q3 and $854mn in Q2); Ongoing negotiations w/ Liberty Broadband cont'd to restrict the Co's ability to repurchase shares
  - **FY25 cash taxes are expected to be between $1.6-2.0bn based on current tax legislation:** That said, the Co could "have potentially a sizable reduction in [its] cash taxes" vs the outlook if there are changes to tax policy

### *Other Highlights Regarding M&A And AI Investments*

- **Charter doesn't think the door for M&A is "wide open":** Emphasized that any M&A transaction would have to be "good for customers" and "good for jobs"; A deal would be a "potential add-on" to the Co's strategy, but it's also "not the core of [its] strategy"
  - **BUT there would be a "mkting advantage to having some addt'l scale":** This would help the Co compete against national mobile operators as well as Amazon and Google in the video space
    - **"By having that scale, [Charter] could save customers addt'l money":** Specifically by in-sourcing jobs, like how the Co did w/ Time Warner Cable and Bright House, bringing more jobs back to the US from offshore call centers and bringing more contract labor in-house as well
    - **More scale could also allow Charter to invest more into AI:** Given that "AI is not cheap" and that more scale would mean a "lower cost per customer to do so and to drive addt'l benefits for customers that way"

- **Charter has been investing in AI & ML to make frontline work easier and more efficient:** Examples include full svs, network, CPE, and billing telemetry on the account, which are automatically to svs agents when they answer the phone; AI is also used to provide proactive solutions during svs calls, flag training oppties, and summarize calls

## 6) The TikTok Tug-Of-War Seems To Be Shaping Up Into A Bidding War… Potential Buyers Come Out Of The Woodwork

Following the executive order to delay enforcement of the federal ban on TikTok in the US for 75 days, chatter around TikTok and its future has been ever-shifting, with its fate hanging in a state of constant uncertainty. While several names have been floated as possible buyers, talks, discussions, and proposals are everchanging (and likely will be until a final decision is made).

See below for the key updates since last week.

- **Will a bidding war ensue? Seems like that's what Trump wants…** (link)**:** "I like bidding wars because you make your best deal. So, if there's a bidding war, that's a good thing"
    - **In terms of timeline, expect a decision in ~30 days:** Trump has said on January 25th that "numerous people are talking to me, very substantial people, about buying it and I will make that decision probably over the next 30 days"

- **A new name (potentially) enters the ring…Trump also says Microsoft is in talks to acquire TikTok** (link)
    - When asked if Microsoft is in discussion to purchase the app, Trump said "I would say yes…A lot of interest in TikTok. There's great interest in TikTok"
    - It is not yet known whether Microsoft is actually involved in any talks

- **Perplexity AI submitted an updated merger proposal to ByteDance** (link)
    - The updated version would create a new entity combining Perplexity and TikTok US and would also allow the US govt to own up to 50% of the new Co once it does an IPO of at least $300bn
        - However, the government would not have voting power or a seat on the board
    - ByteDance would contribute TikTok US, minus its core recommendation algorithm, in exchange for the Co's existing investors receiving equity in the new Co

- **Reports about talks with Larry Ellison have sent mixed messages…** (link)
    - Trump said he "never spoke" to billionaire Oracle co-founder Larry Ellison about the deal, rejecting an NPR report that the company is in talks to take control of the app

- **YouTuber MrBeast (who real name is Jimmy Donaldson) is exploring his options** (link)
    - A spokesperson for Donaldson told Bloomberg that MrBeast hasn't committed to any one effort and is speaking with several parties with the goal of attaching himself to the eventual front-runner

- **Also, a "significantly higher" bid for the app may be in the works...and it has some big tech, finance, and media names attached to it** (link)
    - Employer.com founder Jesse Tinsley said during an interview on Bloomberg TV that he is bringing together YouTuber MrBeast (whose real name is Jimmy Donaldson), Roblox co-founder and CEO David Baszucki and Anchorage Digital co-founder and CEO Nathan McCauley to put in a bid for TikTok
        - The group "could stabilize TikTok and put it in a good place for users and data integrity across the United States population…We feel good and we have an all US-backed team with all of the data and servers and technology."
    - Tinsley said the group's big is "significantly higher" than a ~$20bn offer from a rival buyer (a possible reference to the Project Liberty bid organized by former Los Angeles Dodgers owner Frank McCourt and "Shark Tank" personality Kevin O'Leary)
    - However, Tinsley has said that the group has not been in direct contact w/ ByteDance
        - "We have not heard back directly. It has been radio silence on their side"

## 7) First Look At Media Trends…Comcast's Theme Parks Are Back On Track & Peacock Losses Improve

While Comcast's connectivity results disappointed the Street (see Theme #5), the Co's Content & Experiences segment was generally a shining star relative to consensus expectations, especially as it relates to its Theme Parks business and profitability overall. We'd also call out the $1bn improvement in Peacock losses during 2024, and 2025 is likely to see further improvements on that front. While Peacock's top-line growth decelerated to +18% y/y, its ad revenue strength is helping to offset the ad revenue losses of domestic networks, and the NBA will be a catalyst for growth this year. See below for more of our key takeaways from Comcast's NBCU results.

### *NBCU's Overall Content & Experience Performance Topped Expectations*

- Total revenue beat consensus by +2% with upside in Theme Parks being the true standout vs estimates

- Overall adj EBITDA was a massive +34% ahead of expectations
  - Both Studios and Theme Parks significantly outperformed consensus

| Comcast ($mn) | 2024Q4 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue by Division** | | | |
| **Content & Experiences** | **$12,078** | **$11,820** | **2.2%** |
| Media | $7,222 | $7,200 | 0.3% |
| Studios | $3,269 | $3,240 | 0.9% |
| Theme Parks | $2,374 | $2,250 | 5.5% |
| **Adj EBITDA by Division** | | | |
| **Content & Experiences** | **$1,491** | **$1,110** | **34.3%** |
| Media | $298 | $317 | -6.0% |
| Studios | $569 | $346 | 64.5% |
| Theme Parks | $838 | $742 | 12.9% |

Source: Comcast Filings, FactSet Data & Analysis

LionTree

### *There Was Stabilization In NBCU's Theme Parks After Earlier Headwinds & Epic Is A Key Catalyst For 2025*

- **Q4 Theme Parks revenue were flat y/y which is an improvement from the down -5% and down -10.6% in Q3 and Q2 respectively**
  - Q4 performance was due to lower rev at domestic theme parks, driven by lower guest attendance, offset by higher revenue at intl parks

- **Q4 adj EBITDA was down -3.9% y/y due to pre-opening costs for Universal Epic Universe (~$35mn)** but as noted this significantly beat consensus (excl pre-opening costs, adj EBITDA was flat y/y)

- **Epic Universe opens in in May 2025 and should be a key driver in the year**

- **The Co will see an easing of Content & Experiences CapEx in 2025 as it is "nearing the tail end" of the Epic construction phase**

### *NBCU's Studio Biz Benefitted From A Strong Slate But Marketing Costs Will Feel Some Upward Pressure*

- **Q4 Studios revs grew ~+7% y/y given the strong Theatrical performance**
  - Driven by Kung Fu Panda 4, Despicable Me 4, The Wild Robot and Wicked (highest grossing film based on a Broadway musical)
  - Ranked #2 Studio in Worldwide Box Office for the year
  - Last week, the film studio earned a total of 25 Oscar nominations

- **Q4 adjusted EBITDA rose +85% y/y**

- **2025 slate:** Includes How to Train Your Dragon, Jurassic World Rebirth, and Wicked for Good
  - **But 2025 will be impacted by higher marketing expenses** tied to a larger film slate and lower carryover

### *Expect To Make Continued Improvements In Peacock EBITDA Losses In 2025 & The NBA Should Be A Catalyst For Growth*

- **Q4 total Media revenue grew +3.5% y/y…Peacock = a key driver**
  - Domestic ad revenue +0.4% (increase at Peacock offset lower revenue at domestic networks)
  - Domestic distribution +5% (driven by Peacock)
  - Intl Networks +4.1%

- **Peacock Q4 rev growth decelerated but losses improved y/y and losses are likely to improve again in 2025**

        - **Q4 revenue of $1.3bn equated to +18% y/y growth, down from +69% in Q3 and +28% in Q2…**
        - **…While Q4 losses improved to -$372mn from -$825mn in Q4:23** (and compares to -$436mn in Q3 and $348mn in Q2); **The total improvement in losses in 2024 = $1bn**
            - **2025 Outlook:** Expect to make "continued improvement" in Peacock EBITDA losses

- **The NBA will be a key driver for NBC and Peacock later this year**
    - **Impact on expenses?** "I would give us the, full first season of NBA into the second season before we sort of normalized our business to both the higher, higher expense there"

***Strategic Priorities For SpinCo and RemainCo***

- **RemainCo doesn't need to do anything, but the Co sounds open to opportunities**
    - "We're not looking to need anything other than our own assets and our own focus" but they are "open to partnerships and bundling" if partners bring something to the table
    - "When you look at what remains in the aggregate media company, it's a strong, strong business, one of the best in the industry, and I think it sets a very high bar for thinking about whether any kind of M&A in that space would be accretive to us versus just running the businesses we have"
        - The new leaders will have more on the new media strategy later in the year

- **Comcast b-cast asset spin on track to be completed at year end**

## 8) Robotaxis Get The Next Green Light

We continue to keep our eyes closely on key developments regarding the expansion of autonomous car and robotaxis as we see it as a pivotal moment for the technology. See below for some key updates this week…

- **Tesla is moving forward quickly in its robotaxi ambitions…CEO Elon Musk annc'd that the service is expected to go live in Austin in June, and then expanded "as swiftly as possible" other cities in America (citing California by and "many other regions in the country" by YE)**
    - **Intl?** Europe and China, which have more difficult regulatory regimes than the U.S., could see autonomous Teslas by the end of 2026
    - **Challenges**: Issues like billing and ensuring robotaxis stop at correct locations need to be addressed before expansion.
        - And note that Musk has a history of overpromising on deadlines, such as the claim of having over a million robotaxis by 2020
    - (Waymo already started offering fully autonomous rides in Austin and plans to expand this year)

*-> Note that Uber & Lyft shares were under pressure on the back of Tesla's update…down -1.9% and -3.8%, respectively on the day*

- **Waymo plans to expand its driverless vehicle testing to 10 new cities in 2025, starting with Las Vegas and San Diego** (link)
    - This phase will involve ~ ten vehicles per city, each with a manual operator to gather data on how the system adapts to different driving conditions and weather patterns
    - Future cities include Miami, Austin, and Atlanta, with more to be announced

## 9) Quick Takes On Apple & Microsoft As Well…

Microsoft and Apple were the other two big prints to report this week – see below for the main updates…

***Apple -*** **Quick take:** FQ1 results were about in-line with expectations, as a miss on iPhones (first full qtr of iPhone 16 sales) was offset by strength in the Services business (which posted another all-time rev record). While softness in China persisted into the qtr, the reason for the decline was less to do with demand and more to do with supply-chain, and looking ahead, recent Chinese subsidies announced in late January could support sales in the region. The rollout of Apple Intelligence has been at a slow, but steady pace, but reception has been positive, as markets that had Apple Intelligence rolled out showed stronger y/y iPhone 16 performance vs those without it. Looking into next qtr, guidance was also about where analyst estimates are, with rev expected to rise in the ~lsd% range.

*-> Apple was down -0.7% in reaction to its print, but ended the week up +5.9%*

- **FQ1 results narrowly beat expectations, as Services beat offset miss in Products**
    - **Top-line rev was in-line with expectations and was an all-time record:** Grew +4% y/y (but a decel vs +6% y/y in FQ4)
        - **Achieved all-time rev records across the majority of the countries and regions they track,** including the Americas, Europe, Japan and the rest of Asia Pacific
        - **Continue to see momentum in emerging markets, setting all-time rev records in several mkts,** including Latin America, the Middle East and South Asia, among others
    - **EPS beat expectations and also set all an-time record** of $2.40 vs cons $2.35
    - **Gross margin of 46.9% (highest on record) beat cons 46.5%** and was up +70bps q/q, primarily driven by favorable mix

| Apple | FQ1 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| Revenue (mn) | $124,300 | $124,260 | 0.03% |
| Gross Margin (%) | 46.9% | 46.5% | |
| Operating Margin (%) | 34.5% | 34.2% | |
| Adj EPS | $2.40 | $2.35 | 2.1% |
| Segment Metrics | | | |
| Services Revenue (mn) | $26,340 | $26,090 | 1.0% |
| Gross Margin (%) | 75.0% | 73.9% | |
| Products Revenue (mn) | $97,960 | $98,230 | -0.3% |
| Gross Margin (%) | 39.3% | 39.2% | |
| iPhone (mn) | $69,138 | $70,720 | -2.2% |
| Mac (mn) | $8,987 | $8,090 | 11.1% |
| iPad (mn) | $8,088 | $7,420 | 9.0% |
| Wearables, Home, and Accessories (mn) | $11,747 | $11,980 | -1.9% |

Source: FactSet, StreetAccount

LionTree

- **Products rev decel q/q, as beat in iPad and Mac was not enough to offset miss in iPhone and Wearables:** Grew +2% y/y (decel from +4% y/y in FQ4); Gross margin of 39.3% was up +300bps seq, primarily driven by favorable mix and leverage
    - **Reached a new record for installed base** across all products and geographic segments with 2.35bn+ active devices
        - Also seeing double-digit growth in installed based in emerging markets
    - **iPhone:** Flat y/y (decel from +6% y/y in FQ4)
        - Set an all-time record for upgraders (first time in about a year), as iPhone 16 launch outperformed iPhone 15
        - **Markets that had Apple Intelligence rolled out showed stronger y/y iPhone 16 performance vs those without it**
        - Looking ahead – "I think there's a lot of innovation left on smartphone"
    - **Mac:** Up +16% y/y (accel from +6% y/y in FQ4)
        - Saw double-digit growth for both upgraders and customers new to the Mac
    - **iPad:** Up +15% y/y (accel from +8% y/y in FQ4)
        - Y/Y growth in the qtr was driven more by iPad Air and the entry-level iPad than it was the top-level iPad
        - Over half of the customers who purchased an iPad during the qtr were new to the product
    - **Wearables, Homes, and Accessories:** Down -2% y/y (accel from -3% y/y in FQ4)
        - Over half of customers purchasing an Apple Watch during the qtr were new to the product

- **Services sets another all-time rev record (topping last qtr's all-time rev record):** Up +14% y/y (accel from +12% y/y in FQ4); Gross margin of 75% was up +100bps seq, driven by mix
    - **Set all-time rev records** in the Americas, Europe and rest of Asia Pacific
    - **Set December qtr rev record** in Japan
    - **Both transacting and paid accounts reached new all-time highs**, with paid accounts growing double-digits y/y
    - **Paid subscriptions also grew double-digits**

- **FQ2 guidance was about in-line**
    - **Expect March qtr total Co rev to grow low- to mid- single digits y/y vs cons +5.5%; FX will be a 250bps headwind to rev y/y**

        - **Expect Services rev to grow +LDD% y/y vs cons +11.2%** (excluding FX impacts would grow at a rate similar to FQ1)
    - **Gross margin:** 46.5%-47.5% vs cons 47.0%
    - **OpEx:** $15.1-15.3bn vs cons $15.11bn
    - **OI&E:** ~-$300mn, excluding any potential impact from the mark-to-market minority investments

- **On performance in China - Greater China rev was down -11% y/y in the qtr (vs -0.3% last qtr) but it was less because of demand and more to do with supply-chain**
    - Over half of the y/y drop was due to channel inventory changes from beginning to end of qtr
        - "Our sales were a bit higher than we forecasted them to be toward the end of the quarter. And so, we ended a little leaner than we had expected to"
    - Apple Intelligence has not rolled out in China yet (and mkts where Apple Intelligence has already rolled out saw better performance in the qtr)
    - "And, of course, it's the most competitive market in the world"
    - That said, there was a national fiscal stimulus program announced in January and covers categories Apple has products in t categories, but its impact was not reflected in the December quarter
    - **A new national fiscal stimulus program, announced in January, covers Apple product categories (its impact did not affect the Dec qtr)**

- **Called out India's Dec qtr record – "I'm particularly keen on India"**
    - Opening 4 new stores
    - iPhone was the top-selling model in India in the qtr
    - Second largest smartphone mkt in the world, third largest for PCs and tablets – and "we have very modest share in these markets. And so, I think there's lots of upside there"

- **Potential tariff impact to product or consumer demand under the new Trump administration?** "We are monitoring the situation and don't have anything more to add than that"

- **Some very brief commentary on DeepSeek:** "In general, I think innovation that drives efficiency is a good thing. And that's what you see in that model"

- **Rolling out more features and expanding Apple Intelligence to more countries**
    - **Several new features**, including Writing Tools, Image Playground, Genmoji, more conversational Siri, Clean Up, Camera Control, and seamless access to ChatGPT across iOS, iPadOS, and macOS
    - **Began rolling out internationally**: Now available in Australia, Canada, New Zealand, South Africa, and the UK
    - **And will bring to more languages in April:** Including French, German, Italian, Portuguese, Spanish, Japanese, Korean, and simplified Chinese, as well as localized English to Singapore and India
    - **Will continue to roll out more features in the feature, including "an even more capable Siri"**

***Microsoft* - Quick take:** While FQ2 results beat the Street overall, Azure growth trailed expectations and FQ3 guidance was disappointing; However, to be fair, the miss in Azure was due to non-AI workloads and AI performance was strong; Total AI revenue hit a $13bn annual run rate and the Co continues to invest to support growth; Capx will remain at similar levels over the next 2 fiscal quarters but will come down in FY26; On DeepSeek, mgmt. believes it is good for the AI industry and good for Microsoft (and annc'd it is integrating the tech into its platform); Overall, there were some puts and takes.

*-> Microsoft fell -6.2% after its report and ended the week down -6.5%*

- **FQ2 total rev (+12% y/y) beat consensus by +1.1%, gross margins were +70bp ahead, op margins were +130bp ahead, and EPS (+10% y/y) beat by +3.9%**
    - **PBO BEAT: by +6%**
    - **Intelligent Cloud MISSED by -4.6%**
    - **MPC BEAT by +31%**

| Microsoft | Q2 FY2025 Results | | |
|---|---|---|---|
| | Actual | Cons Est | % Surp |
| **Revenue** | **$69,632** | **$68,870** | **1.1%** |
| **Adjusted Operating Income** | **$31,653** | **$30,440** | **4.0%** |
| Adj Operating Margin | 45.5% | 44.2% | |
| **Gross Margin** | **68.7%** | **68.0%** | |
| **Adj EPS** | **$3.23** | **$3.11** | **3.9%** |
| **Segment Revenue** | | | |
| Productivity & Business | $29,437 | $28,890 | **1.9%** |
| Intelligent Cloud | $25,544 | $25,830 | **-1.1%** |
| More Personal Computing | $14,651 | $14,290 | **2.5%** |
| **Operating Income** | | | |
| Productivity & Business | $16,885 | $15,930 | **6.0%** |
| Intelligent Cloud | $10,851 | $11,370 | **-4.6%** |
| More Personal Computing | $3,917 | $2,990 | **31.0%** |

Source: FactSet, StreetAccount

LionTree

- **But FQ3 guidance was disappointing**
  - **PBP revs BELOW by -1.3%**
  - **Intelligent cloud revs BELOW by -3.2%**
  - **Azure cc rev growth of 31.5% was BELOW cons by 33.4%**
  - **MPC revs BELOW cons by -3.2%**

- **And Azure revenue disappoints BUT due to non-AI workloads**
  - **Azure revs (constant currency) rose +31% y/y, missing cons +32%**
    - **Non-AI Azure services revenue were negatively impacted by new sales execution issues which are identified and the team will be working through these in H2**
    - **But Azure AI outperformed expectations due to early delivery dates and strong execution;** Azure AI run rate of $10.9B along with indications the application layer AI run rate was now >$2B.

- **Total AI revenue passed an annual run rate of $13bn, up +175% y/y**

- **DeepSeek impact? Per CEO Satya Nadella it will help to make AI ubiquitous and is "good news" for Microsoft**
  - "DeepSeek has had some real innovations" but "what's happening with AI is no different than what was happening with the regular compute cycle. It's always about bending the curve and then putting more points up the curve."
  - "AI will be much more ubiquitous. And so, therefore, for a hyperscaler like us, a PC platform provider like us, this is all good news as far as I'm concerned"
  - Microsoft annc'd that they launched DeepSeek's R1 on Foundry and GitHub

- **FQ2 Capx at $22.6bn was in-line with expectations…Capx in FQ3 and FQ4 will remain at similar levels as FQ2**
  - More than half of cloud and AI-related spend in the qtr was on long-lived assets that "will support monetization over the next 15 years and beyond"; The remaining cloud and AI spend was primarily for servers
  - **FY2026 outlook:** Will be lower than FY2025, with a shift back to short-lived assets correlated to revenue growth.

- **Other business areas…LinkedIn & Gaming**
  - **LinkedIn revenue inc'd +9% y/y**
    - Comments up 37% y/y
    - Short-form video continues to grow… growing at 2x the rate of other post formats
    - Innovating w/ agents to help recruiters and SMBs find qualified candidates faster
    - LinkedIn Premium surpassed $2bn in annual revenue for the first time; Subscription growth has incr'd ~ 50% over the past two years
    - FQ3 outlook: Expect revenue growth in the low to mid single-digits
  - **Gaming revenue decr'd 7% (-8% in CC) as content & svs growth continued to be offset by hardware declines; Remain focused on driving profitability**
    - Xbox content and svs revenue incr'd 2% driven by stronger-than-expected performance in Blizzard and Activision content, including Call of Duty
    - Gaming op income incr'd 32% (30% in CC)

        - Black Ops 6 was top selling game on Xbox and PlayStation in FQ2 and saw more players in its launch quarter than any other paid release in the franchise history
        - Rave reviews of Indiana Jones and the Great Circle, which has already been played by more than 4mm people
        - Strong momentum for Xbox Cloud Gaming w/ a record 140mm hours streamed this quarter
        - Game Pass set a new quarterly record for revenue and grew its PC subscriber base by over 30% as we focus on driving fully paid subscribers across endpoints

## 10) One Small Step For Satellite Providers And Potentially A Giant Leap For The Connectivity Industry

Alongside all of the other updates in the connectivity space this week (see Theme #4 and Theme #5), there were also a couple of key updates that we wanted to highlight from Starlink and AST SpaceMobile within the satellite connectivity industry. The news demonstrates that direct-to-device satellite technology, which doesn't require any updates to existing handsets, is becoming closer to becoming a reality. Both Comcast and Charter acknowledged a competitive impact from satellite providers this past quarter, and it appears that these companies could potentially become formidable players within the connectivity ecosystem moving forward. See below for more details:

- **Apple iPhones are now able to test Starlink's direct-to-cell capability** (link)**:** T-Mobile, a partner in the program, and SpaceX, which owns Starlink, are now trialing the Starlink cell network after receiving approval from the FCC last Nov
    - **The test runs offer texting svs via satellite** (link)**:** According to a post on X by Elon Musk, Starlink currently supports the transfer of images, music, and audio podcasts; Voice and data features will be added in the future
        - **The feature activates when the phone detects no cellular or Wi-Fi signal**
    - **iPhones can support the Starlink network w/ the latest iOS 18.3 software update:** Initially, only a few Android devices were eligible for the trials
        - **The full release will support the vast majority of iPhones:** That said, it isn't yet apparent which models are currently compatible w/ the network
    - **People can sign up for the beta on T-Mobile's website** (link)**:** Though the beta is only open to those in the US for now

*-> Globalstar shares fell -17.8% in response to the news and ended the week down -22.7%; AST SpaceMobile shares dropped -12.0% following the update but recovered after receiving FCC approval for its tests (see below), ending the week down just -0.5%*

- **AST SpaceMobile obtained FCC approval for testing its direct-to-device (D2D) satellite svs in the US** (link)**:** The Co secured Special Temporary Authority from the FCC to test its first five BlueBird satellites in low-Earth orbit
    - **The first group (Block 1) BlueBird satellites will provide non-continuous broadband svs in the US:** The Co is targeting ~100% nationwide coverage from space w/ 5,600+ coverage cells in the US; The Block 1 satellites will also provide coverage in select mkts globally
        - **The satellites will be able to connect to unmodified AT&T and Verizon smartphones:** The satellites will use the telcos' low-band spectrum to provide voice, full data, video applications, and other capabilities without the need for specialized software or updates to the handsets
    - **The next generation Block 2 BlueBird satellites will be much more powerful:** The Block 2 group will feature larger communication arrays and be capable of providing up to 10x the bandwidth of the Block 1 satellites, enabling peak data transmission speeds of up to 120 Mbps
    - **AST is also developing ground-based infrastructure to support its move toward commercial svs:** Including five ground-based gateways in the US, per the Co's chief commercial office Chris Ivory

  *-> VodaFone also inked an agreement this week to begin testing AST SpaceMobile's D2D tech in the UK and other parts of Europe later in 2025; Vodafone has been an investor in AST since 2019 and has a commercial agreement in place that runs until 2034 and extends to many other overseas territories and nations; The deal will enable standard handsets to switch automatically between tower- and satellite-based coverage in the UK (link)*

# Stock Market Check

## Market Changes the Past Week

| Benchmark | Abs. Value | W/W Change |
|---|---|---|
| S&P 500 | 6,041 | (1.0%) |
| NASDAQ | 19,627 | (1.6%) |
| Dow Jones | 44,545 | 0.3% |
| Gold | $2,832 | 1.9% |
| WTI Crude | $73.81 | (1.1%) |
| 10-Year Treasury Yield | 4.55% | (7.2) bps |
| Bitcoin | $102,530 | (2.4%) |
| Ether | $3,346 | 0.3% |

## LionTree TMT Universe Performance (~250 stocks)

| Best-Performing Stocks | + | Worst-Performing Stocks | — |
|---|---|---|---|
| Hims & Hers | 20.8% | Globalstar Inc | (22.7%) |
| International Business Machines Corp | 13.7% | Lumen Technologies Inc | (16.6%) |
| Vivendi SA | 11.5% | EW Scripps Co/The | (16.1%) |
| Universal Media Group Inc | 11.2% | NVIDIA Corp | (15.8%) |
| Alibaba Group Holding | 10.9% | Eutelsat Communications SA | (13.7%) |
| Duolingo | 10.8% | Hewlett Packard Enterprise Co | (13.0%) |
| Domo Inc | 10.1% | 23andMe, Inc. | (11.4%) |
| Affirm Holdings Inc | 9.6% | Virgin Galactic Holdings Inc | (11.2%) |
| Reddit, Inc. | 9.4% | Coursera Inc. | (10.9%) |
| Sirius XM Holdings Inc | 9.3% | Comcast Corp | (10.5%) |

| Best-Performing Sub-Industries | + | Worst-Performing Sub-Industries | — |
|---|---|---|---|
| Music | 8.1% | Semis | (12.9%) |
| EdTech | 6.9% | Space | (11.2%) |
| European Media | 6.2% | Satellite Communications | (8.9%) |
| Cybersecurity Software | 6.2% | Pay-TV / Broadband | (8.6%) |
| Hardware/Handsets | 5.9% | Software IT Services | (5.2%) |
| Internet/Advertising | 3.7% | Telecom Infrastructure | (2.6%) |
| Consumer Retail | 3.6% | Employment Marketplace | (2.3%) |
| Payments / Fintech | 3.1% | Broadcast TV | (2.0%) |
| Digital Real Estate | 2.7% | Out of Home Advertising | (1.1%) |
| China Internet / Tech | 2.7% | Ad Tech | (0.8%) |

# This Week's Other Curated News

### Advertising/Ad Agencies/Ad Tech

- **Amazon is increasing its ad spending on Elon Musk's social media platform X, marking a major reversal from its previous stance.** The e-commerce Co had scaled back advertising on X over a year ago due to concerns about hate speech. This shift comes as X's monthly U.S. ad revenue has declined by at least 55% year-over-year since Musk acquired the platform in Oct. 2022. (The Wall Street Journal)

- **Ad tech M&A is set to rise in 2025, focusing on retail media, connected TV (CTV), and measurement.** Retail media networks (RMNs) are expanding, w/ smaller RMNs consolidating to compete w/ Cos like Walmart. In-store advertising is also growing. Measurement remains a key challenge for marketers, driving further consolidation (AdExchanger )

- **Google is advancing its plan to phase out third-party cookies w/ a new "Tracking Protection" feature in Chrome.** Starting Jan. 4th, 1% of users will test this feature, which limits cross-site tracking by default. Users can temporarily re-enable third-party cookies if needed. This move is part of Google's Privacy Sandbox initiative, aiming to enhance user privacy while maintaining ad effectiveness. (Digiday Media)

- **Brands such as Budweiser, Pepsi, Frito-Lay, Taco Bell, and Uber Eats will vie to win over the more than 120 mn viewers in the US who are expected to tune in for the Super Bowl on 9 Feb., w/ adverts selling for mns of dollars.** The high demand seems to have pushed prices to a record, w/ a few ad spots reportedly selling for $8m-plus for 30 seconds (The Guardian)

- **The U.S. ad mkt saw a significant boost in Dec. 2024, expanding 13.2%, tying Aug. and trailing only Jul.'s 15.3% growth.** This surge helped total 2024 ad spending rise by 8.5%. The strong finish in Dec. is noteworthy, especially compared to the Olympic-boosted spending in Jul. and Aug. The key question remains whether this trend will continue into 2025 or if it was a lagging indicator (MediaPost)

- **Media buyers are increasingly frustrated w/ the lack of transparency in CTV ad buying, which they believe could hinder the channel's growth.** Buyers are particularly concerned about bundled deals from networks like Paramount and NBCU, which obscure where impressions are served. This lack of clarity makes it difficult for buyers to track spending and measure effectiveness. The issue has been exacerbated by the resurgence of TV bundles, complicating the ad buying process further (AdExchanger)

**Artificial Intelligence/Machine Learning**

- **PwC and Microsoft annc'd a collaboration to deploy AI agents for industries.** These agents autonomously perform tasks, analyze data, and support decision-making. The partnership aims to drive innovation, biz growth, and efficiency across sectors. PwC's Agents Factory will create customized AI agents, ensuring ethical and privacy-compliant use. This initiative leverages PwC's industry expertise and Microsoft's AI tech to transform biz processes (Telecom Talk)

- **Google annc'd its next flagship AI model, Gemini 2.0 Pro Experimental, in a changelog for its Gemini chatbot app.** This model, available to Gemini Advanced users from Thursday (Jan. 30), promises better factuality and stronger performance for coding and mathematics tasks. Despite being in early preview, it aims to help users navigate complex tasks w/ greater ease. (TechCrunch)

- **US retail investors are heavily buying tech stocks following a selloff triggered by DeepSeek's low-cost AI model.** Nvidia, which lost 17% of its market value, saw record retail purchases of $562.2 mn on Monday (Jan. 27). This trend reflects investor confidence in tech despite market volatility. The selloff has prompted a broader reassessment of AI valuations and dominance (Reuters)

- **Google has launched a new Search Lab called "Ask for me," which uses AI to call businesses on your behalf for availability and pricing of local svs.** Initially, it targets nail salons and auto repair shops. Users can enter details about the svs they need, and Google will call local businesses, providing a summary of prices and availability via text or email after ~30 minutes. This feature is powered by Duplex tech and is currently in the experimental phase w/ a waitlist in the US for English queries (9to5Google)

- **OpenAI has partnered w/ U. S. National Laboratories to use its latest AI models for scientific research and nuclear weapons security.** Up to 15,000 scientists will access OpenAI's models to enhance cybersecurity, protect the U.S. power grid, and explore new disease treatments. The partnership includes deploying an OpenAI model on Venado, a supercomputer at Los Alamos National Laboratory (CNBC)

- **Mistral AI, a French startup, has unveiled "Mistral Small 3," an open-source AI model w/ 24 billion parameters.** It matches the performance of models three times its size, achieving 81% accuracy on benchmarks and processing 150 tokens/sec. The model is released under the Apache 2.0 license, allowing cos to modify and deploy it freely. Annc'd by Chief Science Officer Guillaume Lample on Thursday (Jan. 30) (VentureBeat)

- **France's Mistral AI faces mounting pressure as competition from U. S. and Chinese tech giants intensifies**. Despite delivering advanced AI models, Mistral struggles to keep pace with larger rivals. CEO Arthur Mensch dismissed speculation about selling to Big Tech, aiming to go public instead. Mistral remains Europe's only significant player in large language models, controlling just 5% of the enterprise AI mkts. (Slashdot)

- **Publishers are increasingly adopting large language models (LLMs) to enhance content creation and audience engagement.** They evaluate LLMs based on factors like accuracy, customization, and cost. Some prioritize models that can generate high-quality text, while others focus on those that integrate seamlessly w/

existing workflows. The choice of LLMs also depends on the publisher's specific needs, such as improving ad targeting or automating editorial tasks. (Digiday)

- **OpenAI has accused DeepSeek of using "knowledge distillation" to improperly obtain data from its models.** OpenAI claims DeepSeek used this technique to train its AI model, violating OpenAI's terms of service. The distillation process involves using outputs from a larger model to train a smaller one. The FTC and Microsoft are investigating, and the White House has raised national security concerns (OpenAI)

- **Telefónica Tech annc'd the launch of its GenAI Platform**. This platform enables organizations to create customizable virtual assistants for solving complex queries, automating tasks, and optimizing processes. It features a 'Plug & Play' capability, making it accessible without complex configurations. The platform supports multiple users and integrates with various tools, enhancing productivity in areas like HR and financial planning (Telecompaper)

- **Former Intel CEO Pat Gelsinger is using DeepSeek's AI model R1 at his startup, Gloo, instead of OpenAI.** DeepSeek's open-source model, trained on Nvidia GPUs, offers high performance at lower costs, sparking industry-wide reactions. Gelsinger praised DeepSeek for making AI more affordable and accessible, emphasizing its potential to enhance various tech applications. Gloo plans to integrate R1 into its AI svs, aiming for broader AI adoption (TechCrunch)

- **AI leaders are clashing over the safety and ethics of the $100bn Stargate Project.** The project aims to create a superintelligent AI, but experts like Elon Musk and Timnit Gebru warn of potential risks. Supporters argue it could revolutionize tech and mkts. The debate highlights the tension between innovation and safety in AI development (MSN)

- **Sensor Tower's latest State of Mobile report reveals that consumer spending on generative AI apps hit nearly $1.1 bn in 2024, a 200% YoY increase.** The report highlights that overall in-app purchases and subscriptions grew to $150 bn globally, a 13% YoY rise. Non-gaming apps saw a 25% YoY growth, outpacing gaming apps. The surge in generative AI apps like ChatGPT and Google Gemini is expected to propel the category into the top 10 by consumer spending within a yr (Retail Dive)

- **Rakuten Mobile has launched "Rakuten AI for Business," a generative AI service aimed at corporate clients.** This service enhances productivity and drives digital transformation (DX) in various biz scenarios, including document creation, translation, brainstorming, and research. It features job-specific prompt templates to assist first-time AI users. (Telecompaper)

**Audio/Music/Podcast**

- **Amazon annc'd a price hike for its Music Unlimited subscriptions.** The Individual plan for Prime members increased from $9.99 to $10.99/month, while non-Prime members saw a rise from $10.99 to $11.99/month. The Family plan now costs $19.99/month, up from $16.99. These changes align Amazon's pricing w/ Spotify's. The new prices are effective immediately for new customers and will apply to existing customers from Mar. 5, 2025. (TechCrunch)

- **Spotify annc'd it paid out $10bn to the music industry in 2024, $ bn more than the previous yr, totaling $60bn since 2006.** Despite criticism over low payouts to musicians, Spotify emphasized it pays nearly 70% of its rev to rights-holders. The Co also highlighted its goal of reaching 1 bn paying listeners across all streaming svs. This announcement follows a new deal w/ Universal Music Group to improve royalty payments for bundled music-audiobook plans (Variety)

- **Universal Music Group (UMG) and Spotify annc'd new multi-year agreements for Recorded Music and Music Publishing.** The partnership aims to drive growth, innovation, and artist success. UMG and Spotify will collaborate on new paid subscription tiers, bundling music and non-music content, and enhancing audio and visual content. The agreement also includes a direct license between Spotify and Universal Music Publishing Group in the U.S. and other countries.(Spotify)

- **SiriusXM added ~149,000 self-pay subscribers in Q4 2024, ending the yr w/ ~33 mn total subscribers.** Despite a 3% decline in rev to $8.7 bn, net income rose to $287 mn. The Co's podcasting rev grew 12% YoY, driven by increased listening and programmatic sales. SiriusXM plans to cut $200 mn in costs and focus on in-car subscribers. Shares fell 2.2% on Friday (Jan. 31) (The Hollywood Reporter)

### Broadcast/Cable Networks

- **CNN and MSNBC audiences grew substantially in Jan.** , w/ both outlets posting substantial gains from Dec. and the broader post-election period. MSNBC drew 506,000 people for the full day (up by 26% vs. Dec.) and 734,000 in primetime (up 29%). CNN's % gains were the largest of the three, but it trailed MSNBC in both total day (421,000 viewers, up 39% month to month) and prime (522,000, up 55%) (The Hollywood Reporter)

### Cable/Pay-TV/Wireless

- **Comcast annc'd the launch of its ultra-low lag Internet experience.** This tech significantly reduces latency, benefiting interactive applications like gaming, videoconferencing, and virtual reality. Xfinity Internet's latency will be "faster than the blink of an eye." Initially, users will see improvements on FaceTime, Meta's mixed reality headsets, NVIDIA's GeForce NOW, and Valve's Steam platform. The rollout will expand to cities like Atlanta, Chicago, and Philadelphia (Broadband TV News)

- **T-Mobile US annc'd enhancements to its 5G coverage at the Superdome stadium in New Orleans, Louisiana.** The upgrades include indoor distributed antenna systems and mmWave tech, boosting peak download data rates to 1.2 Gb/s. Connectivity improvements extend to surrounding areas, achieving download speeds up to 920 Mb/s. This initiative is part of a $290 mn statewide upgrade scheme launched in 2024 (Mobile World Live)

- **The UK government is considering a radical overhaul of the BBC's funding model, potentially extending the license fee to households using streaming svs like Netflix and Disney+.** This proposal aims to modernize funding amidst changing viewing habits. Other options include allowing the BBC to use advertising, imposing a specific tax on streaming svs, or introducing a radio license fee. Discussions are ongoing, w/ no decisions made yet (Cord Cutters News)

- **The global broadband access mkts are projected to grow at less than 1% annually through 2029, according to Dell'Oro Group.** This slow growth is attributed to market saturation and economic challenges. Despite this, investments in fiber and 5G tech continue to drive some growth. The report highlights that while cable and DSL mkts are declining, fiber and fixed wireless access are seeing modest increases. (Telecompaper)

- **Verizon has reduced its AutoPay discount for legacy Fios subscribers from $10 to $5 per line, effective immediately.** To retain the full $10 discount, customers must switch to Verizon's myHome plans, which include Fios, 5G Home, or LTE Home internet. These plans start at $35/month and offer additional perks like discounts on streaming svs and shopping benefits. This change follows a similar reduction for legacy wireless subscribers in Oct. 2024 (Cord Cutters News)

- **Spectrum is set to close its Akron, Ohio call center on Mar.** 28, 2025, resulting in the layoff of 259 employees, including 229 sales representatives. This follows significant customer service layoffs in 2024. The Co will transfer work to other U.S.-based call centers, offering relocation benefits and severance packages to affected employees. The closure raises concerns about Spectrum's commitment to its workforce and local communities (Cord Cutters News)

- **Telia reported a Q4 EBITDA growth of nearly 6%, driven by cost-cutting measures and increased demand for digital svs.** The Co also announced the appointment of Telenor Sweden's former CEO, Kaaren Hilsen, to lead its Norwegian operations starting next yr. This leadership change aims to strengthen Telia's position in the Nordic mkts. The Co continues to focus on expanding its 5G network and enhancing customer experience. (Telecompaper)

- **AT&T and Verizon cut another 15,300 jobs in 2024, citing advancements in AI and automation as key factors.** Both companies are investing heavily in AI to streamline operations and reduce costs. The job cuts represent a significant portion of their workforce, reflecting a broader trend in the telecom industry towards automation. Despite the layoffs, both companies continue to invest in AI to enhance network capabilities and customer service. Annc'd by Light Reading on Thursday (Jan. 30) (Light Reading)

- **Telefonica has hired JPMorgan to evaluate a potential sale of its Argentina biz.** Annc'd on Jan 29, 2025 (Wednesday), the move is part of Telefonica's strategy to reduce debt and fund 5G investments. Potential buyers include Luxembourg-based Millicom, French telecoms operator Iliad, and Argentinian investors. This decision follows a series of asset sales in Latin America over the past two yrs (Investing.com)

- **MasOrange and Vodafone Spain are in talks to form a single mobile network JV, aiming for multimillion-dollar synergies in towers, equipment, transmission, and workforce.** This JV follows their recent creation of Europe's largest fibre network operator. Vodafone Spain, controlled by Zegona, and MasOrange, formed from MasMovil and Orange Spain's merger, seek a financial partner for the JV. The partnership could attract significant investment and enhance their market position. (Telecompaper)

**Capital Market Updates**

- **Private equity (PE) returns have surpassed private credit returns as investors rebalance portfolios.** This shift is driven by higher valuations and increased deal activity in PE. The trend is expected to continue as PE firms capitalize on market opportunities. Meanwhile, private credit faces challenges from tightening credit spreads and heightened competition. The rebalancing reflects a broader market adaptation to current economic conditions (Bloomberg)

**Cloud/DataCenters/IT Infrastructure**

- **Blackstone remains committed to its data center investments despite the market turmoil caused by DeepSeek's low-cost AI model.** The Co sees data centers as crucial for supporting AI and digital infrastructure. Blackstone's investments include over $70 bn in data center assets, w/ another $100 bn in the pipeline. The Co believes these investments will drive long-term growth and resilience in the tech sector (Reuters)

- **The CMA's independent inquiry group has published provisional findings on the cloud svs mkt, annc'd on Jan 28, 2025 (Tuesday).** The report highlights that competition in the £9 bn UK cloud svs mkt is not working well, leading to higher costs, less choice, and lower quality of svs. AWS and Microsoft dominate the mkt, each holding up to 40% share. The inquiry group recommends the CMA consider using new digital mkts powers to address these issues and improve competition (Gov.UK)

**Crypto/Blockchain/web3/NFTs**

- **Elliott Management warns that the White House's pro-crypto policies are inflating a market bubble that could cause severe financial disruption.** The hedge fund criticizes the government's alignment w/ cryptocurrencies, citing political influence as a key driver of speculative mania. Elliott argues that such assets lack fundamental value and could destabilize financial mkts, threatening the US dollar's dominance. The firm describes crypto as "ground zero" for reckless speculation. (Hedgeweek)

- **Former President Trump's crypto proposals could lead central banks to buy Bitcoin as a reserve asset.** This move aims to hedge against inflation and diversify reserves. The proposals include tax incentives for crypto investments and regulatory clarity. Central banks' interest in Bitcoin reflects its growing acceptance as digital gold. The policy shift could significantly impact global financial mkts. (The Wall Street Journal)

- **European Central Bank President Christine Lagarde expressed confidence that EU central banks will avoid holding Bitcoin as reserves.** She emphasized the importance of maintaining financial stability and highlighted the risks associated w/ cryptocurrencies. Lagarde's comments come amid ongoing discussions about the role of digital currencies in the global financial system. (Bloomberg)

- **The Czech National Bank (CNB) governor plans to propose a $7 bn Bitcoin reserve strategy.** This proposal aims to diversify the country's foreign exchange reserves by investing up to 5% in Bitcoin. If approved, the CNB could acquire ~$7.3 bn in BTC, marking a significant shift in its asset management approach. The plan has sparked debate, with some officials expressing concerns over Bitcoin's volatility (Coin Telegraph)

- **Trump Media & Tech Group annc'd plans to expand into financial svs, including cryptocurrencies, w/ the launch of Truth.Fi.** This move aims to integrate blockchain tech into its social media platform, Truth Social. The

Co's shares jumped 15% during pre-mkt trading following the annc'ement. Truth.Fi will offer new svs and rev streams, aligning w/ Trump's broader strategy to create a parallel economy for his supporters (The Guardian)

**eCommerce/Social Commerce/Retail**

- **Walmart annc'd that it will expand its same-day prescription delivery svs nationwide.** This initiative aims to enhance customer convenience and access to medications. The expansion will leverage Walmart's extensive logistics network, ensuring timely delivery. Customers can order prescriptions via the Walmart app or website, with delivery available in as little as a few hours. This move is part of Walmart's broader strategy to strengthen its healthcare offerings (Forbes)

- **eBay is adjusting final value fees in most categories starting Feb.** 14, 2025, to support ongoing investments in enhanced tools and protections. Fee increases will range up to 0.35%. Categories affected include Music, eBay Motors, Books, and more. These changes aim to provide a secure selling experience and expand global reach. Enhanced tools like the redesigned Seller Hub and AI background enhancement tool are part of these improvements (eBay)

- **Shares of H&M dropped more than 5% on Thursday after the world's second-largest retailer missed sales forecasts in the fourth quarter.** Sales at the Swedish fashion giant came in at 62.19 bn Swedish krona in the final three months of the yr, below the 63.48 bn forecast in a Reuters poll, but up 3% in local currencies. Overall in 2024, sales rose 1% in local currencies to come in at 234.58 bn Swedish krona, driven primarily by the group's womenswear, sportswear, and online segments. (CNBC)

- **Levi Strauss issued dismal guidance for its current fiscal yr.** The Co said it expects sales to decline between 1% and 2%, well behind estimates of 3.7% growth, according to LSEG. It also anticipates adj earnings per share will be between $1.20 and $1.25, below estimates of $1.37, according to LSEG. Shares fell about 6% in extended trading (CNBC)

- **Shares of LVMH dropped 5% after the Co reported full-yr results that cast doubt on a broad luxury recovery.** Despite strong performance in the U.S. and Europe, the Co faced challenges in China, where rev declined due to economic uncertainties. The Co's fashion and leather goods division, including brands like Louis Vuitton and Dior, saw slower growth. Analysts are concerned about the sustainability of the luxury sector's recovery, given the mixed performance across different mkts (CNBC)

- **Starbucks reported Q1 2025 earnings, topping Wall Street's**. However, same-store sales declined for the fourth consecutive quarter, falling 4% due to a 6% drop in store visits. CEO Brian Niccol's "Back to Starbucks" strategy aims to revive the biz by focusing on coffee and customer experience. Despite challenges, the Co saw a positive response to early changes, including removing extra charges for nondairy milk options (CNBC)

- **Mattel annc'd the launch of Mattel Brick Shop, a new brand in the building sets category, at the Nuremberg International Toy Fair**. This brand aims to compete w/ LEGO by offering innovative features, materials, and techniques. The first product line will debut in May, focusing on quality, creativity, and competitive pricing. Mattel Brick Shop promises more surprise features, customization options, and higher piece counts to enhance the building experience (Retail Dive)

- **Amazon has appointed Whole Foods CEO Jason Buechel as VP for Worldwide Grocery Stores, effective Jan. 28, 2025.** Buechel will oversee Amazon Fresh, Amazon Go, and Grocery Partnerships, while continuing as Whole Foods CEO. This move follows Tony Hoggett's departure in Oct. 2024. Buechel aims to unify Amazon's grocery operations, enhancing affordability and accessibility. Under his leadership, Whole Foods achieved record sales growth and expanded to over 535 locations (Retail Dive)

- **Costco's Danskin hoodie, priced at $14, has become a popular dupe for Lululemon's $128 Scuba Hoodie.** The article highlights how TikTok users are raving about the affordable alternative, noting its similar look and feel. The Danskin hoodie features thumbholes and comes in various colors, making it a hit among shoppers. This trend reflects a growing interest in finding budget-friendly alternatives to high-end athleisure wear (Washington Post)

- **AI is revolutionizing fashion design by enhancing creativity and streamlining workflows.** Brands like Gruppo Teddy, Merrell, and Puma are leveraging AI to generate hundreds of design variations in minutes, optimize material choices, and reduce waste through virtual prototyping. AI tools help designers explore multiple directions and refine sketches, improving efficiency and product quality. This integration of AI in fashion design is not just about cost savings but also about speeding up time to market and enhancing the final product (Glossy)

- **The live shopping trend is expanding beyond TikTok, w/ platforms like Instagram, Facebook, and YouTube also embracing this format.** This trend is particularly popular in fashion and beauty mkts, where visual and interactive content can significantly influence purchasing decisions (Business of Fashion)

- **Sephora has unveiled its first global film, "Beauty & Belonging," directed by Anastasia Mikova.** Annc'd on Jan 24, 2025 (Friday), the film explores diverse definitions of beauty through stories from 75 Sephora employees and beauty brand founders. Filmed over six months in eight countries, it highlights Sephora's commitment to inclusion and diversity. The film premiered at Sundance and aims to inspire and celebrate authentic beau (Fashion Network)

**Electric & Autonomous Vehicles**

- **Elon Musk admitted that Tesla's Full Self-Driving (FSD) tech requires hardware upgrades for unsupervised driving.** Vehicles w/ Hardware 3, sold from 2019-2023, need an upgrade to support the new FSD software. Musk acknowledged the challenge but committed to completing the upgrades. (TechCrunch)

- **Tesla's Q4 2024 earnings report revealed several misses to Wall Street estimates.** Tesla delivered 495,570 vehicles in Q4, totaling 1,789,226 for the yr12. Despite record energy storage deployments of 31.4 GWh in 2024, the stock reacted negatively in after-hours trading12. Tesla aims to return to growth in 2025, focusing on AI, software, and new vehicle models (CNBC)

- **GM expects to save up to $1 bn annually by ending its Cruise robotaxi development program.** This decision follows significant investments and challenges, including a $2.9 bn loss in Q4 2024. The Co will refocus on autonomous driving for personal vehicles, integrating Cruise employees into GM by mid-yr. Despite the restructuring costs, GM reported a net income of $6 bn for 2024, w/ adj annual profit of $14.9bn (TechCrunch)

**FinTech/InsurTech/Payments**

- **Visa's Q4 profit exceeded Wall Street expectations, driven by strong holiday spending.** The Co reported net rev of $9.62 bn, surpassing the forecast of $9.49 bn. Adjusted profit per share was $2.71, beating the expected $2.58. Payments volume rose 8%, w/ cross-border volume up 13%. Despite economic challenges in Asia-Pacific, Visa forecasts adj net rev growth in high single digits to low double digits for 2025. The Co plans to lay off ~1,400 employees by yr-end (Reuters)

- **Mastercard's Q4 profit exceeded Wall Street estimates, driven by resilient consumer spending during the holiday season.** The Co reported net rev of $6.5 bn, a 13% increase, w/ adj profit per share at $3.18, surpassing the expected $3.08. Gross dollar volume rose 10%, and cross-border volume jumped 18%. Despite higher-than-expected annual costs, Mastercard's strong performance reflects economic stability and increased travel demand (Reuters)

**HealthTech/Wellness**

- **Andreessen Horowitz has invested in Precision Neuroscience, a competitor to Elon Musk's Neuralink, in a new funding round.** Precision Neuroscience focuses on developing brain-computer interface tech to treat neurological disorders. The investment aims to accelerate the development of minimally invasive neural implants. This funding round highlights the growing interest in brain tech and its potential to revolutionize medical treatments (Bloomberg)

- **Manas AI has raised $24. 6mn to advance AI-driven drug discovery.** The startup focuses on developing treatments for breast cancer, prostate cancer, and lymphoma. Despite raising less than competitors like Xaira and Treeline Biosciences, Manas AI aims to leverage AI and Microsoft's Azure to design and test new molecules. Hoffman's ties to Microsoft and the use of generative AI highlight the potential for innovative cancer treatments (WSJ)

## Investor & Market Sentiment

- **Point72 CEO Steve Cohen expressed a more positive outlook on AI after the firm's investment in DeepSeek, a startup specializing in AI-driven data analysis.** Cohen highlighted the potential of AI to transform financial mkts by providing deeper insights and improving decision-making processes. The investment aligns w/ Point72's strategy to leverage cutting-edge tech for competitive advantage. Cohen believes AI will play a crucial role in the future of finance, enhancing both efficiency and profitability. (Reuters)

- **Bridgewater Associates anticipates a short-term correction in tech stocks but remains bullish on AI's long-term impact, particularly after investing in DeepSeek.** Co-CIO Greg Jensen emphasized AI's potential to enhance investment strategies and decision-making processes. Despite current market volatility, Bridgewater believes AI-driven insights will provide a competitive edge, transforming financial mkts and improving efficiency (Reuters)

- **Ray Dalio, founder of Bridgewater Associates, warned that Wall Street's AI bubble resembles the run-up to the dotcom crash.** He noted high valuations and interest rate risks could "prick the bubble." Dalio emphasized that while AI tech will change the world, not all investments will be successful. His comments come amid concerns over AI spending, especially after the release of DeepSeek AI, which has impacted tech valuations significantly (Investing.com)

- **Nassim Taleb, author of "The Black Swan," warned that Nvidia's recent stock decline could signal broader market instability.** He emphasized that current high valuations and economic uncertainties make the market fragile. Taleb's comments come amid concerns over AI investments and their potential to create a bubble similar to the dotcom era. He advised caution, highlighting the risks of overvalued tech stocks and the potential for significant corrections (Bloomberg)

## Last Mile Transportation/Delivery

- **Uber and Lyft are under an antitrust probe by the FTC over a July 2024 agreement w/ NYC to reduce rideshare lockouts, which had lowered driver pay.** Annc'd on Jan 30, 2025 (Thursday), the FTC is investigating if the deal allowed Uber and Lyft to coordinate on driver hiring and pay, potentially violating antitrust laws. Both companies deny any collusion, citing compliance w/ NYC rules. The probe could lead to enforcement actions if violations are found (Bloomberg)

- **UPS shares plunged 18% on Jan 30, 2025 (Thursday), after announcing plans to cut its Amazon biz by more than 50% by mid-2026.** The decision, part of a strategy to focus on higher-margin packages, comes amid weak revenue guidance for 2025, projected at $89 bn, below analysts' expectations of $94.88 bn. UPS aims to save ~$1 bn through efficiency initiatives. Amazon, UPS's largest but not most profitable customer, confirmed the reduction in volume (Bloomberg)

- **Amazon has annc'd that it will begin drone deliveries in Darlington, County Durham, England.** This marks Amazon's first drone delivery service in the UK, aiming to deliver packages within 60 minutes. The service will initially cover a 5-mile radius, focusing on small, lightweight items. Amazon plans to expand the service based on its success, highlighting its commitment to innovative delivery solutions and enhancing customer convenience (The Guardian)

## Macro Updates

- **The US economy grew at a 2.3% annualized pace in Q4 2024, below the expected 2.5%.** For the full yr, GDP growth was 2.8%, slightly down from 2.9% in 2023. Consumer spending rose 4.2%, contributing significantly to the economy. Government spending increased by 3.2%, while trade and private investment were drags on growth. Initial unemployment claims for the week ending Jan. 25 fell to 207,000, a sharp decline from the previous period (CNBC)

- **The euro zone's GDP grew by 0.1% in Q4 2024, reflecting economic stagnation.** For the full yr, GDP growth was 0.7%, down from 1.2% in 2023. Consumer spending rose 1.5%, while government spending increased by 2.1%. Trade and private investment were weak, contributing to the slow growth. The ECB cut interest rates by

0.25% to 2.75% on Thursday (Jan. 30) to stimulate the economy. Inflation remains a concern, with Dec. rates at 2.4% (CNBC)

- **The Federal Reserve has decided to hold interest rates steady at 4.25%-4.5%, reversing a recent trend of rate cuts.** Annc'd on Jan 29, 2025 (Wednesday), this decision follows three consecutive cuts since Sept 2024. The Fed's statement noted a stable labor market and persistent inflation, but omitted previous language about inflation progress. Chair Jerome Powell emphasized the need for "real progress on inflation" before considering further adjustments (CNBC)

**Media Conglomerates**

- **Paramount Global has rejected an unsolicited $13.5 bn takeover bid from Project Rise Partners (PRP), reaffirming its commitment to the previously annc'd merger w/ Skydance Media and RedBird Capital Partners.** PRP did not submit a proposal during the 45-day "go-shop" period or the preceding seven-month sale process. Despite PRP's higher offer, Paramount remains bound by its agreement w/ Skydance. The merger is expected to close this spring (Cord Cutters News)

- **Lionsgate is nearing the finalization of its plan to separate Starz and Lionsgate Studios into independent companies.** The Co has submitted an amended registration statement to the SEC, paving the way for a shareholder vote. If approved, Starz will operate as a standalone streaming platform under the symbol STRZ, while Lionsgate Studios will focus on film and TV production. The split aims to allow each entity to pursue growth opportunities independently (Cord Cutters News)

- **ITV is in early talks w/ RedBird IMI, led by CEO Jeff Zucker, to merge their production arms.** Discussions focus on combining ITV Studios w/ All3Media, which RedBird IMI acquired for $1.43 bn last yr. This potential merger aims to enhance their production capabilities and expand their global reach. The talks are still in preliminary stages, and no final decisions have been made (Variety)

- **Entertainment 360, a premier talent management co, has received its first outside funding from Carlyle.** This strategic investment will support 360's growth ambitions. The co's current board and leadership will remain intact, continuing to oversee day-to-day management. Carlyle's Ben Fund expressed excitement about the partnership. Since 2017, Carlyle has invested over $14 bn in sports, media, and entertainment sectors (Carlyle)

- **Warner Bros Discovery has received at least two bids for its Polish broadcaster TVN.** The bidders include Polish businessman Michal Solowow and media group WP Holding. Solowow's MS Galleon fund confirmed the bid, while WP Holding's bid is reportedly in consortium w/ another entity. The sale, managed by JPMorgan, could fetch over $1 bn. TVN, a significant player in Poland's media landscape, is on the govt's list of strategic companies (Reuters)

- **A judge has ordered Paramount Global to release records related to its pending $8 bn merger w/ Skydance Media to the Employees' Retirement System of Rhode Island (ERSI).** ERSI seeks to investigate potential wrongdoing by controlling shareholder Shari Redstone and her holding co, National Amusements. The court found credible evidence suggesting corporate misconduct. The decision, issued on Jan. 29, 2025 (Wednesday), overturns a previous rejection of ERSI's request in Aug. 2024 (Yahoo Finance)

**Regulatory**

- **The FCC launched an investigation into NPR and PBS over alleged commercial airtime violations.** FCC Chair Brendan Carr expressed concerns that NPR and PBS might be airing commercials, which is prohibited for non-commercial broadcasters. NPR and PBS maintain their compliance with FCC regulations. This investigation follows recent criticisms from conservatives about public broadcasters receiving taxpayer funding (The Wall Street Journal)

**Satellite/Space**

- **Vodafone and AST SpaceMobile annc'd the first-ever satellite video call.** The call was made from a mountainous area in Wales w/o mobile coverage, using a smartphone connected directly to AST SpaceMobile's satellite. Engineer Rowan Chesmar made the call to Vodafone CEO Margherita Della Valle in Newbury, UK. This milestone highlights Vodafone's commitment to reducing the digital divide and ensuring reliable connectivity in rural areas (Mobile World Live)

- **Vodafone annc'ed its readiness to compete w/ Elon Musk's Starlink in the space connectivity mkts.** AST SpaceMobile (AST) connectivity for the UK and Europe is expected to start later in 2025. Vodafone is currently using five AST satellites for test calls, w/ plans to expand the fleet during 2025 and 2026. Vodafone, an investor in AST since 2019, has a commercial agreement running until 2034, extending to many overseas territories (Advanced Television)

- **Telekom annc'd it will offer private customers free access to the AI Perplexity Pro for a yr.** The "Just ask Perplexity" ad campaign will promote this offer. The campaign film, created by adam&eve Berlin and directed by Julia Mücke, will be available on YouTube and other platforms. Markenfilm Crossing, Hamburg, produced the film, and emetriq, Hamburg, coordinated digital medialization. (The Fast Mode)

- **NASA has selected Viasat for a $4.82 bn contract to enhance space mission communications.** Viasat will support NASA's direct-to-Earth (DTE) capabilities via the Near Space Network (NSN) Services contract. This five-year multi-award IDIQ contract, with an option to extend five years, will provide commercial ground and space relay svs for NASA missions from low Earth orbit to two million kilometers from Earth. Viasat will leverage its global RTE network to offer resilient, high-throughput satellite-to-ground communications. (The Fast Mode)

- **SES has repurchased €99.98mn of its €625mn Deeply Subordinated Fixed Rate Resettable Securities issued on May 27, 2021.** The repurchased securities will be canceled, reducing the outstanding principal to €525.02 mn. This move demonstrates SES's financial flexibility and strong cash-generation profile. SES may continue repurchasing securities based on market conditions.
- (The Fast Mode)

### Social/Digital Media

- **Meta agreed to pay $25mn to settle a 2021 lawsuit filed by Donald Trump over his Facebook suspension following the Jan. 6 Capitol riots.** The settlement, which does not require Meta to admit wrongdoing, includes $22 mn for Trump's presidential library and $3 mn for legal fees. This move is part of Meta's broader strategy to align more closely w/ the political right (Engadget)

- **TikTok users are shifting to Instagram and Facebook amid a potential US ban.** The app shut down on Jan 19, 2025 (Sunday), but President Trump issued a 75-day stay the next day. A Numerator survey of 9,000 consumers revealed 70% are aware of the ban, up from 52% in May 2024. If banned, 44% of users would move to Instagram, 41% to Facebook, and 35% to YouTube. TikTok usage among US adults dropped from 31% in May 2024 to 27% in Jan 2025 (Retail Customer Experience)

- **Meta AI can now use Facebook and Instagram data to personalize responses.** Annc'd on Jan 27, 2025 (Monday), the update allows Meta AI to remember details from conversations and use account info from Meta's apps to give personalized recommendations. This includes preferences like dietary choices or favorite activities. The feature aims to enhance user experience by providing more relevant suggestions, but it raises privacy concerns due to Meta's history with data handling (TechCrunch)

### Sports/Sports Betting

- **Penn Entertainment is facing a proxy fight initiated by shareholder HG Vora Capital Management.** HG Vora has nominated three directors to Penn's board, citing dissatisfaction w/ the company's management and financial performance. The firm criticized Penn's acquisitions, including the costly purchase and resale of Barstool Sports. HG Vora aims to improve governance and unlock shareholder value, reflecting broader concerns about Penn's strategic direction (MSN)

- **Louis Vuitton annc'd a partnership w/ F1, becoming the title sponsor of the Australian GP.** This collaboration marks Louis Vuitton's first major foray into motorsports, aiming to blend luxury fashion w/ high-speed racing. The deal includes exclusive merchandise and VIP experiences for fans. The Australian GP, scheduled for Mar. 23, 2025, will feature branding across the circuit and promotional events. (Forbes)

- **DAZN has renewed its partnership w/ Hexagone MMA, ensuring the broadcast of MMA events to millions of households globally.** This collaboration will enhance Hexagone MMA's visibility in key mkts like the US, Canada, Japan, and Europe. In 2024, Hexagone MMA hosted 15 events, and for 2025, 20 events are planned across Europe. The partnership leverages DAZN's tech to expand Hexagone MMA's audience (Advanced Television)

- **The NFL Pro Bowl is struggling for relevance as star players continue to sit out, leading to declining TV ratings.** The Pro Bowl Games, featuring skills competitions and a flag football game, have not reversed this trend. In 2024, viewership dropped to 5.75 mn from 6.2 mn in 2023. Despite changes, the event faces challenges in attracting top talent and maintaining audience interest. (Front Office Sports)

- **Major League Table Tennis (MLTT) annc'd its first national TV deal w/ CBS Sports.** Starting Sunday at 8 p.m. ET, CBS Sports Network will air MLTT matches, exclusive highlights, player profiles, and behind-the-scenes features. Founded in 2023 by Flint Lane, MLTT aims to elevate table tennis in the US. The league has seen significant growth, w/ viewership on YouTube increasing by 1,221% from Season 1 to Season 2 (CNBC)

- **Rory McIlroy suggested a scarcity model for golf, similar to the NFL, to increase the sport's appeal and profitability.** His proposal aims to create a more competitive and engaging golf experience. (Front Office Sports)

- **Carson Beck's groundbreaking $10 mn NIL deal is transforming college athletics.** Beck's move to Miami marks a new chapter in NIL history, redefining the boundaries between amateur competition and professional-level compensation (Front Office Sports)

- **Fenway Sports Group (FSG) is exploring the sale of a minority stake in the Pittsburgh Penguins, while retaining majority ownership.** FSG, which acquired controlling interest in the Penguins in Nov. 2021, aims to raise capital through this sale. This move follows a similar transaction involving Liverpool in Sept. 2023. Any ownership changes will require NHL board approval. FSG remains committed to the Penguins and plans to continue its involvement in the team's operations (Yahoo Sports)

- **Eurosport's exit from the UK raises concerns about the future of free-to-air sports coverage.** Eurosport, known for broadcasting events like the Tour de France and Olympic Games, will cease operations, impacting sports fans who rely on free access. The move reflects broader industry trends towards subscription-based models, potentially limiting access to major sports events for many viewers (The Guardian)

- **ESPN and the World Surf League (WSL) have annc'd an expanded rights agreement.** The 2025 Championship Tour will be live on ESPN+ in the US and Disney+ in Latin America, including Mexico, Peru, Argentina, and the Caribbean (excluding Brazil, El Salvador, and Costa Rica). The deal includes all 12 Championship Tour competitions and the Lexus US Open of Surfing Challenger Series event. The WSL's highlight show, WSL Inside Pro Surfing, will also return to ESPN2 and be available on-demand on ESPN+ and Disney+ (Advanced Television)

- **DAZN projects a significant rev increase to $6 bn in 2025, driven by its global expansion and acquisition of sports rights.** Annc'd on Fri (Jan. 26), DAZN's growth strategy includes launching new svs and enhancing its tech platform. The company aims to attract more subscribers and advertisers, leveraging its extensive sports content portfolio. DAZN's CEO emphasized the importance of innovation and customer engagement in achieving these ambitious targets. (Telecompaper)

- **Apple has signed distribution and promotional deals w/ Comcast, DIRECTV, and T-Mobile to enhance the reach of its MLS Season Pass.** These partnerships aim to boost viewership and subscriber growth for the soccer streaming service. The deals will provide promotional offers and easier access to MLS content for customers of these providers. This move is part of Apple's strategy to expand its sports streaming footprint (Telecompaper)

**Tech Hardware**

- **Google has annc'd a "voluntary exit program" for US employees in the Platforms & Devices group, which includes Android, Chrome, Pixel, and more.** This follows the merger of Pixel hardware and Android software teams last yr. The program offers severance packages to those opting out, aiming to ensure employees are committed to the Co's mission. The announcement was made by SVP Rick Osterloh on Thursday (Jan. 30) (9to5Google)

- **Intel has received $2.2 bn in federal grants for chip production.** This is part of the $7.68 bn awarded under the U.S. CHIPS and Science Act. The grants are milestone-based, with $1.1 bn received at the end of 2024 and another $1.1 bn in Jan. 2025. The funds will support manufacturing and advanced packaging at Intel facilities in Arizona, New Mexico, Ohio, and Oregon. The CHIPS Act, signed in 2022, aims to boost domestic semiconductor production (TechCrunch)

- **The DOJ has filed a lawsuit to block HPE's $14 bn acquisition of Juniper Networks, citing antitrust concerns.** The DOJ argues that the merger would reduce competition in the network equipment mkts, potentially leading to higher prices and less innovation. HPE and Juniper plan to contest the lawsuit, claiming the deal would enhance competition against market leader Cisco. The lawsuit was filed on Thursday (Jan. 30) (Bloomberg)

- **IBM reported Q4 rev of $17.6 bn, up 1% YoY, surpassing estimates.** AI consulting and software bookings reached $5 bn, up from $3 bn in Q3. IBM's positive outlook boosted shares by 8%. (Bloomberg)

- **Dutch semiconductor giant ASML annc'd a significant rise in Q4 net bookings on Wednesday, indicating strong demand for its advanced chipmaking tools despite concerns over AI spending due to DeepSeek's low-cost model.** ASML shares surged 11% during morning deals, closing 5.6% higher. Net bookings, a key order demand indicator, reached 7.09 bn euros, up 169% from Q3's 2.63 bn euros, surpassing the 3.99 bn euros expected by analysts (CNBC)

- **Trump is expected to uphold the CHIPS Act despite his previous criticism.** The Act, signed in 2022, allocates $53bn to semiconductor research and domestic manufacturing. Trump, who previously called the Act a "bad" deal, may make adjustments to funding priorities but will likely retain its core elements. The Act aims to strengthen the U.S. position against China. Changes to the Act could be one of the major shifts in Trump's policy after his return to presidency (The Verge)

**Towers/Fiber**

- **NTT Docomo annc'd it will add Nintendo Switch Online to its subscription svs starting Feb.** 1, 2025. This integration allows subscribers to access Nintendo's online gaming platform, enhancing the value of Docomo's offerings. The move aims to attract more gamers and boost customer retention. Docomo's strategy reflects a broader trend of telecom companies partnering w/ gaming platforms to diversify their svs and appeal to a younger demographic (Telecompaper)

- **EQT-backed Zayo Group is leading the race to acquire Crown Castle's assets in a deal valued at over $8 bn.** The sale includes Crown Castle's fiber and small cell businesses, which provide wireless svs and tech. Zayo, owned by EQT and DigitalBridge, outbid TPG for these assets. This acquisition comes as the fiber industry sees rapid growth, making infrastructure providers attractive targets (Middle Market Information)

**Video Games/Interactive Entertainment**

- **PlayStation Plus has revealed its free games for Feb 2025, available from Feb 4 to Mar 3.** Subscribers can enjoy Payday 3 (PS5), High on Life (PS4, PS5), and Pac-Man World: Re-Pac (PS4, PS5). Sony also announced that starting Jan. 2026, PS Plus will focus on offering PS5 titles, w/ PS4 games only occasionally included. (Kotaku)

- **PlayStation has appointed Hideaki Nishino as its sole CEO, ending the dual-CEO model w/ Hermen Hulst after less than a yr.** This change aims to streamline operations and address industry challenges. Nishino will oversee biz and platform operations, while Hulst remains head of studio and development. The decision reflects broader industry trends of leadership transitions and strategic realignments. Annc'd on Tuesday (Jan. 28) (Variety)

- **Canada's video game industry made a significant impact on the economy in 2024, contributing $5.1 billion to the GDP.** This marks a 3% increase since 2021. The industry employs 34,010 people across 821 studios, with an average salary of $102,000. Despite a slight decrease in employment, the sector saw an increase in full-time positions and average salaries. Additionally, 88% of the industry's revenue comes from exports, highlighting Canada's global leadership in video game development (GamesIndustry.biz)

- **Netflix has annc'd that Squid Game Season 3 will premiere on June 27, 2025.** This final season will continue the story of Gi-hun (Lee Jung-jae) and the Front Man (Lee Byung-hun), exploring their choices and the dire consequences of the deadly games. The new season promises to push the limits of suspense and drama, keeping viewers glued to the action. The announcement also included new images and a poster, hinting at even more brutal games ahead (Kotaku)

- **Ubisoft, France's largest video game maker, annc'd it will close its Leamington site in the UK and restructure operations at Ubisoft Düsseldorf, Ubisoft Stockholm, and Ubisoft Reflections, affecting 185 staff.** This move is part of a broader strategy to streamline its global operations and focus on key mkts. The restructuring aims to enhance efficiency and adapt to changing biz needs, ensuring the Co remains competitive in the evolving tech landscape (Reuters)

- **Ubisoft has shut down its support studio in Leamington, UK, and laid off 185 workers as part of its cost-cutting measures.** The closure affects employees in Stockholm, Düsseldorf, and Newcastle. Ubisoft cited the need to prioritize projects and reduce costs for long-term stability. The Leamington studio, acquired from Activision in 2017, contributed to titles like Tom Clancy's The Division and Star Wars Outlaws. (Engadget)

- **Chinese cos like Tencent face growth limits in the world's largest esports mkt due to regulatory challenges and market saturation.** To sustain growth, these cos are prioritizing overseas expansion. The Chinese gov't's strict regulations on gaming, including limits on playtime for minors and approval processes for new games, have impacted domestic growth. As a result, Chinese game developers are increasingly looking to international mkts to drive rev and maintain their competitive edge. (Nikkei Asia)

**Video Streaming**

- **DAZN will no longer be available on Amazon's Prime Video Channels in Italy due to a dispute over audience measurement.** The disagreement centers around the use of Auditel's methodology for measuring viewership, which Prime Video did not accept. This change impacts DAZN's distribution of Serie A football. Discussions are ongoing to find an alternative solution (Broadband TV News)

- **AT&T and DIRECTV are ending the free Max streaming service for grandfathered DIRECTV customers.** This change, effective immediately, means affected customers will now be charged for Max unless they cancel. The credit previously provided for Max access will be discontinued. However, wireless customers will retain their free Max access. This move is part of AT&T's strategy to divest its media assets (Cord Cutters News)

- **Prime Video informed its subscribers in Italy that, from Feb.** 28, it will no longer carry DAZN as part of its Prime Video Channels offering. The decision stems from a disagreement over audience measurement methods. Prime Video refused to use Auditel's SDK software, leading to the termination of the partnership. While exploring alternative options w/ Audicom and Auditel, these solutions are not yet in place, causing the immediate shutdown (Advanced Television)

- **Netflix is adding a much-requested feature to its core streaming video product: The ability to download an entire season of a series w/ one tap on Apple iOS devices.** The season download feature was previously available on Android devices, but bringing it to iPhones and iPads significantly expands the accessibility, making it quick and seamless to download every episode from a selected season of TV (The Hollywood Reporter)

- **CNN is making a renewed push into streaming, w/ CEO Mark Thompson annc'ing a new service nearly three yrs after CNN+ shut down.** The new service will offer CNN's news programming on any device, though details on content, pricing, and launch date are scarce. This move is part of a broader digital restructuring, including a pivot to digital video and a lifestyle-oriented product. CNN aims to learn from past mistakes and leverage its strong brand to compete in the crowded streaming mkt (Cord Cutter News)

- **Apple TV+ has agreed to a new deal w/ the French govt to invest 20% of its previous yr's net sales in France into developing European and French content.** The 4-yr agreement will see 70% of the rev directed towards independent productions. Various French creation and distribution groups have celebrated this move, highlighting Apple TV+'s commitment to integrating into the French regulatory system and promoting French audiovisual creation. (Advanced Television)

- **Fubo has raised the price of its English TV packages to $101.** 99/month w/ RSNs, effective immediately for new customers and from Feb. 10 for existing subscribers. The Essential plan now costs $85/month, excluding RSNs, while the Pro plan, including RSNs, is also $85/month. The Elite plan is priced at $95/month. The price hike is due to rising programming costs. Fubo's merger w/ Hulu + Live TV, announced in early Jan., will see Disney owning 70% of the new co. (Cord Cutter News)

- **Viaplay annc'd it will introduce ads in the Netherlands in Feb. 2025 and raise subscription prices.** This move aims to diversify rev streams and offset rising content costs. The new ad-supported tier will offer a lower-priced option for subscribers, while the premium tier will see a price increase. Viaplay's strategy reflects broader industry trends as streaming svs adapt to changing consumer preferences and economic pressures (Telecompaper)