



THE WEEK ENDING MARCH 28, 2025

The major market indices retrenched this week (S&P 500 down -1.5% and Nasdaq down -2.6%) with Friday's sell-off a painful way to end the week. The auto tariffs and a few new economic indicators caused angst once again (March US consumer confidence hitting a 12-yr low, and weaker flash March PMI, for example) along with growing concerns regarding AI infrastructure overcapacity. This also wasn't a helpful backdrop for CoreWeave's IPO this week, which broadly disappointed.

Not to be too negative here but the "R" word has been coming up more and more and it was interesting to see results from a CNBC survey that showed that 60% of CFOs predict a US recession in late 2025 ([link](#)). That certainly doesn't seem to be priced into the market despite the recent sell-off.

On a lighter note and quite exciting, Blue Origin set the launch date for their tourist flights for April 14th at 9:30am ET. It will be a star-studded all-woman crew (civil rights activist Amanda Nguyen, CBS Mornings co-host Gayle King, pop superstar Katy Perry, film producer Kerianne Flynn, entrepreneur & former NASA rocket scientist Aisha Bowe, and journalist & philanthropist + Jeff Bezos' partner Lauren Sánchez)...a live stream will be available on www.space.com (I'll be watching!).

In this edition, we focused on:

1. Is The AI Trade Over? AI Chips Capacity & Restrictions Take Center Stage
2. Tech Companies Attempt To Keep Up With The Joneses With New AI Updates
3. One Step Forward, Two Steps Back For The Tech IPO Market
4. Key Sector Investments And Addtl M&A Rumblings This Week
5. It Looks Like TikTok Will Keep On Ticking In The US...
6. A Couple Key Sports Related Updates That Made The Cut
7. "Uncertainty" Makes Its Way Into US Ad Market Estimates
8. Grab Bag: xAI Buys X / Lululemon Has A Tough Earnings Report / Waymo Launching In Washington DC In 2026

Have a nice weekend and get ready for next week's reciprocal tariffs announcements, which could lead to another choppy week.

Best,
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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

Correct order

1. **AI chip supply/demand**
2. The stream of AI product updates
3. Coreweave
4. addtl M&A And Investment Rumblings- done-ish
5. Tiktok -mini done-ish
6. Sports-mini- done
7. Ad ests? done-ish
8. **Grab**

1) Is The AI Trade Over? AI Chips Capacity & Restrictions Take Center Stage

There was A LOT of talk and focus this week on AI infrastructure and whether or not we are in an over-capacity situation, given the extremely high levels of investment that have been plowed into the sector to support what has seemed like endless demand. The chip industry and specifically Nvidia were spooked by several developments out of China this week. To begin with, comments from Alibaba Chairman Joe Tsai about a “bubble” in US AI data center buildouts caused quite a stir, as he flagged the astronomical level of investment happening in the region ahead of projected, but unguaranteed, demand. Separately, but underscoring that point, a note out from TD Cowen noted that Microsoft was pulling back from data center leases in the US and Europe, with Microsoft saying they are “well positioned” to meet their current needs. The move comes after Microsoft also decided to forgo some new business with OpenAI and altered its agreement to allow the Co to use cloud computing svcs from other Cos.

The question on data center supply and demand imbalances wasn't just applicable to the US, as a report out from MIT Technology Review found that up to a whopping 80% of China's newly built computing resources remain unused. On top of that, China's overall spend on computer chipmaking equipment is expected to fall -24% y/y to \$38bn, though it still far outpaces any other region, including Korea, Taiwan, Americas, and more. That said, 3C (one of China's largest server makers) reportedly flagged potential shortages and a supply crunch of Nvidia's H20 chip due to the chips “international supply chain [facing] significant uncertainties,” including geopolitical tension and supply of key materials (recall that China & HK account for ~13% of Nvidia F25 annual revenue, making it the Co's 4th largest region).

The comments come as the regulatory hammer continues to come down both in the US and China. The US this week expanded its export restrictions list to include 50+ more Chinese companies due to national security and foreign policy concerns. Separately, but related, several foreign officials and major tech companies are calling for the US to rethink a Biden-era “AI diffusion rule” that goes into effect on May 15th and would restrict the # of AI processors that can be exported to most countries. Over in China, new energy efficiency requirements from the country's National Development and Reform Commission for chips in new data centers and those that are being expanded caused some investor unrest as well.

There was a lot to unpack this week...see below for more.

-> The Magnificent 7 stocks were down -2.2%, on avg, for the week, with NVIDIA hit the hardest. down -6.8%

Too Much Data Center Capacity, Not Enough Demand?

- **Alibaba Chairman Joe Tsai warns of a potential “bubble” forming in data center construction in the US**
([link](#)/[link](#))

- **“I’m still astounded by the type of numbers that’s being thrown around in the United States about investing into AI”:** “People are talking about \$500bn, several hundred billion dollars...I don’t think that’s entirely necessary. I think, in a way, people are investing ahead of the demand that they’re seeing today, but they are projecting much bigger demand”
 - As a reminder, this year, Amazon, Alphabet, and Meta plan to spend \$100bn, \$75bn and up to \$65bn, respectively, on AI infrastructure
- **Pointed to a number of projects that have commenced raising funds without having secured “uptake” agreements:** “I start to get worried when people are building data centers on spec. There are a number of people coming up, funds coming out, to raise billions or millions of capital”
- **Microsoft pulls back from data center leases in US and Europe, per TD Cowen ([link](#))**
 - **What does the pullback look like?** The retrenchment in the last six months included lease cancellations and deferrals
 - **Why the pullback?** According to a MSFT spokesperson, “Thanks to the significant investments we have made up to this point, we are well positioned to meet our current and increasing customer demand”
 - They added that the Co last yr added more capacity than in any other yr in its history
 - **But investments will still continue:** “While we may strategically pace or adjust our infrastructure in some areas, we will continue to grow strongly in all regions...this allows us to invest and allocate resources to growth areas for our future”
 - Remains on track to spend ~\$80bn building out AI data centers for its fiscal yr (which ends in June); MSFT has said that the pace of growth should slow in the Co’s next fiscal yr
 - **Other Big Tech Cos are picking up the leases:** Google has stepped in to take some of the leases MSFT abandoned in Europe, while Meta took some of the freed capacity
 - **The pullback also comes after MSFT forwent some new business w/ ChatGPT maker OpenAI,** which it has backed w/ \$13bn, and has altered its agreement to allow OpenAI to use cloud computing svcs from other Cos
 - **Analysts still think there’s a supply-demand imbalance:** “We continue to believe the lease cancellations and deferrals of capacity points to data center oversupply relative to its current demand forecast,” TD Cowen analysts Michael Elias, Cooper Belanger and Gregory Williams wrote
- **China built hundreds of AI data centers, but many are not being per MIT Technology Review ([link](#))**
 - **Up to 80% of China’s newly built computing resources remain unused,** according to local Chinese outlets Jiazi Guangnian and 36Kr reports
 - **What’s driving the slowdown?** The AI infrastructure push was driven by inexperienced players (including corporations and local govts) jumping into the hype, leading to overbuilt and suboptimal facilities
 - Investors are pulling back and data centers are becoming “distressed assets,” and are being sold at a loss
 - GPU rental prices have plummeted, making it unprofitable to operate many of these centers
 - **The rise of DeepSeek has changed AI economics:** With its reasoning model offering efficiency at lower costs, many companies are shifting away from large-scale model training, reducing demand for data center capacity
 - **There’s also a misalignment in AI infrastructure:** Many data centers were optimized for pretraining AI models rather than real-time inference, which now dominates demand—leading to an oversupply of the wrong type of compute
 - **Some players were never in it for AI:** Reports suggest some operators exploited govt subsidies, securing cheap energy or land under the guise of AI development but benefiting from state incentives instead
 - **Despite challenges, China remains committed to AI infrastructure:** The govt continues to push AI as a strategic priority
 - For example, Alibaba annnc’d plans to invest \$50bn+ in cloud computing and AI hardware infrastructure over the next 3 years, while ByteDance plans to invest ~\$20bn in GPUs and data centers
 - **China’s AI data center glut is now seen as a “necessary evil”:** Experts believe the govt will step in, consolidate distressed assets, and reposition them for future needs
 - **That said, “demand remains strong for Nvidia chips, and especially the H20 chip, which was custom-designed for the Chinese market... For now, many data centers in China sit in limbo—built for a future that has yet to arrive. Whether they will find a second life remains uncertain”**

But China’s Demand For Chips Still Far Outpaces Other Regions

- **That said...China is expected to lead in chipmaking investments again in 2025, per industry group SEMI ([link](#)):** China will continue to invest more in new computer chipmaking equipment than any other geographical region in 2025, DESPITE a significant year-over-year decline
 - **GLOBAL investments will rise +2% y/y to \$110bn in 2025...**; The 6th consecutive yr in a row of growth
 - **...and will accelerate to +18% y/y in 2026**
 - **Chinese spending is expected to fall -24% to \$38bn in 2025**, which is down from \$50bn in 2024
 - **But that's still greater than any other geographical region:** Korea is expected to spend \$21.5bn in 2025; Taiwan is projected to spend \$21bn; Americas and Japan are each expected to spend \$14bn, while Europe will spend \$9bn
- **H3C (one of China's largest server makers) reportedly flagged potential shortages of Nvidia's H20 chip which have been in hot demand especially post the introduction of DeepSeek's break-through LLM model in Jan ([link](#)):** H3C was cited saying current inventory of the H20 chip was nearly depleted
 - Reminder that the H20 chip was developed by Nvidia to comply w/ the latest round of US export restrictions which went into effect in Oct 2023
 - H3C had expected new shipments by mid-April but indicated that supply plans beyond April 20 also face uncertainties from raw material policy changes, shipping disruptions, and production challenges
 - H3C and Nvidia did not comment on these reports
 - Analysts estimate Nvidia shipped ~ 1mn H20 units in 2024, generating rev of \$12bn+

US and China Tighten Chip Export Rules as Regulatory Pressure Escalates

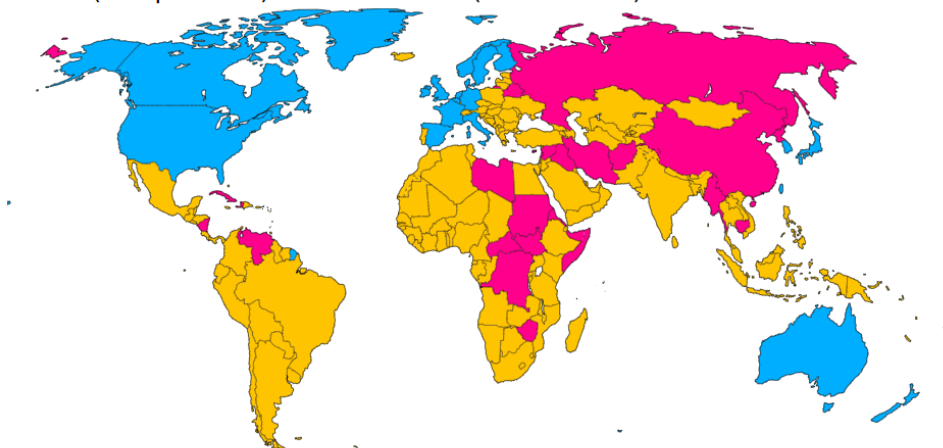
- **US expands export restrictions list, including the addition of dozens of Chinese entities ([link](#)):** 80 companies and institutes were added to the export control list, w/ the majority (50+) based in China; Others are in Taiwan, Iran, Pakistan, South Africa and the United Arab Emirates
 - **How do Cos get added to the list?** The govt adds Cos to the Commerce Dept's Entity List for national security or foreign policy concerns; Cos cannot sell goods to those listed w/o applying for and obtaining licenses, which are likely to be denied
 - **Includes six subsidiaries of Inspur Group**, China's leading cloud computing and big data service provider, which were listed for contributing to the development of supercomputers for the Chinese military
 - Five of the subsidiaries are based in China and one in Taiwan
 - Inspur Group itself was placed on the list in 2023
 - **As well as other Chinese firms, including Nettrix Information Industry Co, Suma Technology Co and Suma-USI Electronics:** The US said they were added for helping develop Chinese exascale supercomputers, which can process vast amounts of data at very high speeds and conduct large-scale simulations
 - **Other companies were added to the list** for acquiring US-origin items to advance China's quantum technology capabilities and for selling products to companies that supply other listed parties
 - **Reasoning for Chinese Co restrictions?** Intended to restrict China's ability to develop high-performance computing capabilities, quantum technologies and advanced AI, and impede China's development of its hypersonic weapons program
 - "We will not allow adversaries to exploit American technology to bolster their own militaries and threaten American lives," US Commerce Secretary Howard Lutnick said
 - **China responds:** The Chinese embassy in Washington said that it firmly opposed "these acts taken by the US and demand that it immediately stop using military-related issues as pretexts to politicize, instrumentalize and weaponize trade and tech issues"
- **Senior foreign officials and major tech companies are calling for the US to rethink the "AI diffusion rule" ([link](#)):** The US's AI diffusion rule, which restricts the # of AI processors that can be exported to most countries, has been receiving strong opposition from tech leaders, foreign governments, and US allies
 - **What does the AI diffusion rule do?** It divides the world into 3 categories of chips access –
 - **Tier 1:** Nearly 20 close US partners — located in Europe and East Asia — get mostly unfettered access to AI chips
 - **Tier 2:** For a vast group of countries in the middle, the rule establishes caps on the total computing power available for export; Those restrictions affect nations with significant AI ambitions in the Middle East and Southeast Asia, many of which hadn't been affected by previous rounds of semiconductor rules
 - **Tier 3:** At the other extreme, adversaries like China and Russia are still effectively barred from importing the technology
 - **Biden-era rule....:** Biden officials unveiled it during their last week in office

- ...that govts and Cos are now asking Trump to loosen some of the regulations before the deadline for compliance (May 15th)
- **Trump officials remain divided:** Some propose tweaks, while others favor stronger controls; Commerce Secretary Howard Lutnick signaled a willingness to revisit the rules after pushback from US allies
- **Where do the key players stand?**
 - **Tech Giants** - Nvidia and Oracle are leading calls for a full repeal, arguing restrictions will stifle US industry growth abroad and encourage development of rival technologies with limited security benefits, while Google and Anthropic are pushing for narrower revisions rather than full repeal
 - **Foreign govts:** India and Poland argue the curbs will weaken their AI ecosystems, while UAE lobbying efforts are tied to a \$1.4 trillion US investment plan

US Chip Curbs Now Cover Most of the World

Most markets face new data center restrictions under AI diffusion rule

■ Tier 1 (Most permissive) ■ Tier 2 ■ Tier 3 (Most restrictive)



Source: US Department of Commerce

Note: Mapped data show level of restrictions on chip shipments for distinct markets

[Source](#)

- **Investor worries also emerged following new China energy-efficient chip requirements** ([link](#)): There were reports this week that China's National Development & Reform Commission asked firms in the country to use energy-efficient chips in new data centers and data centers that are being expanded
 - This also hit Nvidia (down -5.7% in reaction on Wednesday) given that its H20 chip apparently does not meet the new requirements
 - Companies such as Alibaba and Tencent have reportedly been advised by the commission to not buy the less-powerful Nvidia processors
 - Next steps...Nvidia is reportedly trying to meet with the chair of the commission, Zheng Shanjie and is also reportedly adjusting its chip to meet the energy efficiency rules

2) Tech Companies Attempt To Keep Up With The Joneses With New AI Updates

In addition to all the rumblings and angst about potential over-capacity of AI infrastructure (see Theme #1), the AI arms race has taken on more of a geopolitical flavor ever since DeepSeek revealed its R1 model in January, and competition certainly heated up further this week, with leading tech companies in the US and China announcing another round of significant updates to their AI models. In the US, OpenAI upgraded GPT-4o with its "most advanced image generator yet" and released improvements to ChatGPT's Advanced Voice Mode. Concurrently, the company is reportedly finalizing a \$40bn funding round at a \$300bn valuation to augment its war chest for future product development. Google also made headlines by rolling out a new reasoning model, Gemini 2.5 Pro experimental, and touting its superior performance characteristics relative to those offered by OpenAI, Anthropic, xAI, and DeepSeek.

China Tech's momentum in AI continued unabated as well this week. Alibaba debuted Qwen2.5-Omni-7B, the latest version of its series of multimodal models, and Tencent launched its Hunyuan T1 reasoning model, which rivals DeepSeek's R1 in both performance and cost. For its part, DeepSeek made some major improvements to its non-reasoning model. According to a third-party analysis, DeepSeek's V3 model is now the top non-reasoning model in the

market, surpassing Grok as well as models from OpenAI and Google. Over the past two weeks alone, China Tech companies have announced more than 10 major product updates, and it will be interesting to see if this pace of innovation can be sustained and how American companies will respond moving forward. The threat from China could prompt some drastic changes to US policy and result in spillover effects into other industries. For instance, OpenAI pushed the Trump administration earlier in March to lift restrictions on copyrighted material to enable American AI companies to better compete ([link](#)).

See below for more details on this week's avalanche of AI product related updates, which also includes announcements of new AI use cases from Meta, Amazon, and Google:

It Was A Busy Week For OpenAI...

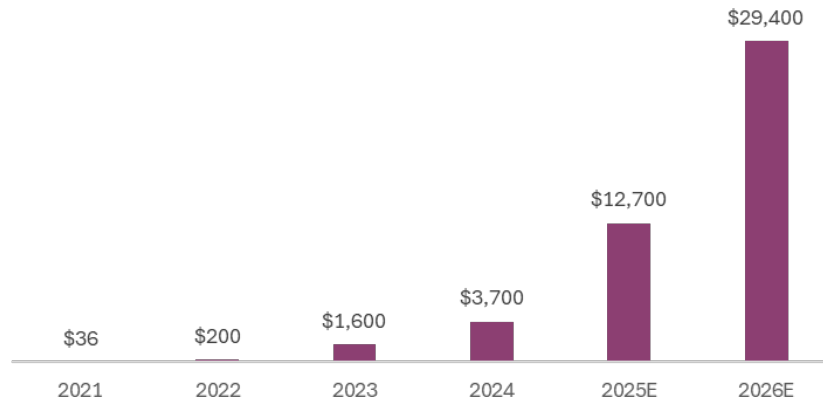
- **OpenAI launched its “most advanced image generator yet” within its GPT-4o ([link/link](#)):** Users can now utilize GPT-4o to create images in ChatGPT with a update called “Images in ChatGPT”; The new image generation capabilities are available across the ChatGPT Plus, Pro, Team, and Free subscription tiers
 - **The model incorporates new training methods:** OpenAI trained the new model on the joint distribution of online images and text to teach it how images relate to language and how they relate to each other; The model has also undergone “aggressive post-training efforts”
 - **“This model is a step change above previous models”:** It has “surprising visual fluency” and is capable of generating images that are “useful, consistent, and context-aware”; See below for a list of improved capabilities –
 - **Text rendering:** The new model makes it easier for users to generate images w/ coherent text and without typos, which has been a challenge w/ existing image generation tools
 - **Multi-turn generation:** Images can be refined through natural conversation, remaining coherent and consistent across multiple iterations
 - **Binding/instruction following:** Whereas most image generators struggle to render multiple items (typically ~5-8 items), OpenAI's new image generation tool can accurately bind attributes for 15-20 items without confusion
 - **Other enhancements:** Includes better world knowledge, more convincing photorealism, and in-context learning, meaning that the model can analyze and learn from user-uploaded images
 - **Limitations:** OpenAI acknowledged that the model crops some images too tightly, is still prone to hallucinations, has difficulty accurately rendering more than 10-20 concepts, and struggles w/ non-Latin languages; Furthermore, graphs can sometimes be inaccurately rendered
 - **More details on accessibility:** Free users can generate three images per day (similar to the Dall-E model's usage limit), though “these may change over time based on demand”
 - **Enterprise and Edu usage will roll out soon**

-> On a separate but related note, it was reported this week that OpenAI is nearing the completion of a \$40bn funding round led by SoftBank; Other investors, including Magnetar, Coatue, Founders Fund, and Altimeter, are also in talks to participate, per sources; The deal is set to value the Co at \$300bn, or almost double its previous \$157bn valuation during its last capital raise in Oct 2024; As part of the deal, Softbank will initially invest \$7.5bn, w/ \$2.5bn coming from other investors; A second \$30bn tranche will occur later this yr ([link](#))

- **OpenAI also released updates for Advanced Voice Mode ([link/link](#)):** The AI voice assistant that converses w/ users in real-time in ChatGPT will now be more personable and interrupt users less frequently; This update aims to address a frequent problem w/ AI voice assistants
 - **Free users now have access to a new version of Advanced Voice mode:** This enables them to pause without being interrupted when speaking to the AI voice assistant
 - **Paying users will interact w/ a voice assistant that has an improved personality:** The new voice assistant will be “more direct, engaging, concise, specific, and creative in its answers; These users, which include Plus, Teams, Edu, Business, and Pro tiers, will also experience less frequent interruptions

-> OpenAI reportedly expects that its annual revenue will more than triple to \$12.7bn in 2025 from \$3.7bn in 2024; The figure is an upward revision from the \$11.6bn that it anticipated last Sept, per a NYT report, given stronger than projected AI software sales; Addt'lly, the Co forecasts \$29.4bn in rev in 2026 but does not expect to be cash flow positive until 2029, when it anticipates \$125bn+ in rev ([link](#))

OpenAI Annual Revenue (mn)



[Source](#)

AI Updates From Other Big Tech Players

- Google debuted a “significantly enhanced” **Gemini 2.5 model w/ reasoning capabilities** ([link/link](#)): Gemini 2.5 Pro experimental is now available in Google AI Studio and for Gemini Advanced subscribers and devs; The model is also coming to Vertex AI in the coming weeks
 - All Gemini 2.5 models are “thinking models”**: These models are capable of reasoning through thoughts before responding and processing tasks step-by-step, resulting in more informed decisions and better responses to more complex prompts
 - Native multimodality provides Gemini w/ an advantage**: The model can interpret text, audio, images, video, and code; Addt'lly, a 2mn token context window is “coming soon” and will help Gemini 2.5 models process even more data
 - Gemini 2.5’s “new level of performance” leads the competition**: Per Google, Gemini 2.5 Pro experimental outperforms models from OpenAI, Anthropic, xAI, and DeepSeek on common AI benchmarks that measure understanding, mathematics, coding, and other capabilities
 - Gemini Pro experimental “tops the LMarina leaderboard... by a significant margin”**: The LMarina measures human preferences and shows Gemini 2.5 Pro excels in science, mathematics, as well as Humanity’s Last Exam, which captures the human frontier of knowledge and reasoning



-> Google also began to roll out a new AI feature to Gemini Live that allows it to “see” users’ mobile screens and answer questions about it; Google first demo’d the Project Astra work that supports the feature in May 2024; Another Astra capability, Live Video, that lets Gemini interpret the feed from users’ smartphone cameras and answer questions in real-time also launched this week ([link](#))

- **Meta annnc’d several new AI-powered tools to assist advertisers** ([link](#)): The new tools are intended to help advertisers maximize the performance of their campaigns, driving engagement and conversions
 - **Meta’s Andromeda system is getting better:** The platform’s AI-enabled targeting abilities are improving at displaying ads to the people most likely to respond across all categories, driving better performance
 - **Advantage+ catalog ads are expanding to partnership promos:** Collabs w/ influencers provide another way for brands to reach audiences; Advantage+ catalog ads dynamically show products relevant to the viewer based on their interests, intent, and action
 - **Advantage+ ads can now highlight addtl products from a Co’s product catalog:** For example, a brand could display jackets from their spring collection and opt to show a dress that the shopper may also be interested in; Initial tests saw a +14% avg rise in ROAS when using this optimization
 - **AI-generated display models:** This will show how clothing looks on different sized, AI generated characters; Google Shopping has had this capability since 2023
 - **Other AI features in the pipeline include –**
 - **A streamlined checkout process for Advantage+ shop ads:** These will enable advertisers to gather contact info and other details within the checkout process
 - **AI marketing content generation tools:** Such as AI text generation for catalog ads as well as more AI image creation tools
 - **Location-based ad extensions:** Displays local stores w/ the advertised item in stock
 - **Ads in Facebook notifications:** Testing will begin in the spring and will only be displayed to people that have previously engaged w/ a brand’s ads

-> Meta also unveiled new features to make it easier for brands and content creators to connect on Instagram; New AI-enabled creator discovery and content recommendation tools are now available in the Partnership Ads Hub in Ads Manager; New features include the ability to determine a creator’s affinity to a brand and the ability to use keyword search; Meta will also now highlight potential collaborators within Instagram’s Creator Marketplace based on each creator’s affinity to a brand ([link](#))

- **Amazon is experimenting w/ new gen AI-enabled shopping and health assistants** ([link](#)): The Co started testing the new svcs in beta on its app and website in recent weeks w/ a subset of users
 - **Interests AI allows consumers to shop for products using more conversational language:** The shopping tool prompts users to describe an interesting “using your own words” and then generates a curated selection of products; It is positioned separately from the main search bar on Amazon’s website
 - **The tool is expected to become available to all US users in the coming months**
 - **Health AI can help address medial needs:** The chatbot can answer health & wellness questions, “provide common care options for healthcare needs,” and suggest products; The svcs can’t provide personalized medical advice but can provide medical guidance and care tips
 - **Health AI also points users toward Amazon’s pharmacy and clinical svcs offered by One Medical**
- **Microsoft is set to unveil six AI agents for its Security Copilot** ([link](#)): The new cybersecurity agents will be available in preview in April and are designed to autonomously assist security teams by handling high-volume security and IT tasks
 - **Functionality:** The agents are capable of performing tasks such as triage and prioritizing critical incidents, process phishing, data loss alerts, and monitoring for vulnerabilities
 - **Microsoft also has partnerships to enable third-party agents:** The Co is working w/ OneTrust, Aviatix, BlueVoyant, Tanium, and Fletch; Extensions will make it easier to analyze data breaches w/ OneTrust or perform root cause analysis of network outages and failures with Aviatix

China Tech Cos Also Annnc’d Some Key AI Model Updates This Week

- **Alibaba launched the latest iteration of its Qwen series of AI models** ([link](#)): The Co’s new Qwen2.5-Omni-7B is a multimodal model that can process inputs across text, images, audio, and videos, generating real-time text and speech responses

- **Qwen2.5-Omni-7B can be deployed on edge devices:** Including mobile phones and laptops; It offers a “high efficiency without compromising performance” and can perform tasks such as helping guide a visually impaired person through their environment
- **The model is open-sourced on Hugging Face and GitHub:** It can also be accessed via Qwen Chat and Alibaba Cloud’s open-source community ModelScope
- **Omni2.5-Omni-7B “delivers remarkable performance across all modalities”:** The model sets a new benchmark in real-time voice interaction, natural and robust speech generation, and end-to-end speech instruction following

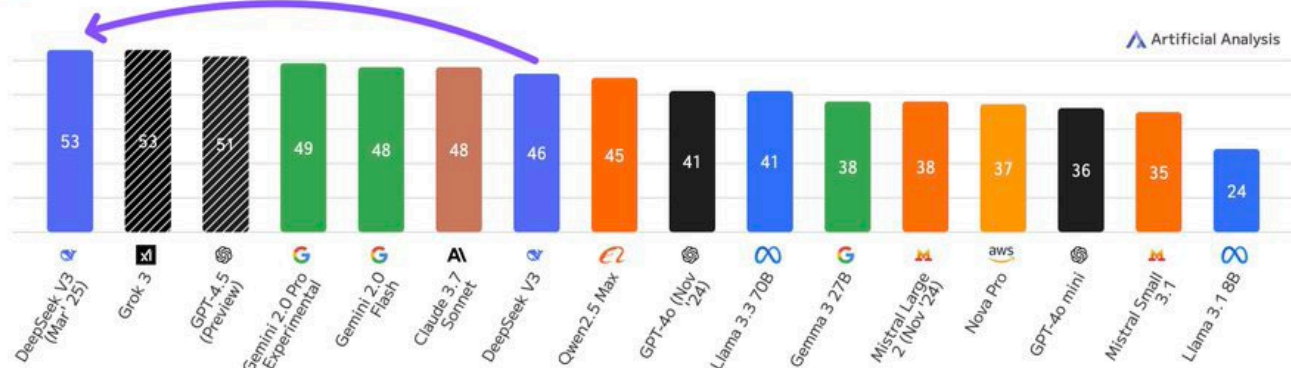
-> On a related note, it was annnc'd this week that BMW will leverage Qwen-powered AI cockpit tech from Alibaba's subsidiary Banma to build a new intelligent personal assistant for upcoming models tailored for the Chinese mkt; The assistant will come w/ enhanced voice recognition and trip planning features, offering parking and nearby restaurant recommendations as well as real-time traffic light info ([link](#))

- **Tencent released its Hunyuan T1 AI reasoning model to rival DeepSeek's R1 ([link](#)):** The launch comes after a beta iteration was tested on Tencent's Yuanbao chatbot; Similar to DeepSeek's R1, Hunyuan T1 leverages large-scale reinforcement learning
 - **The model outperforms R1 in several areas:** Hunyuan T1 scored 87.2 points on the Massive Multitask Language Understanding benchmark, which tests a model's knowledge, topping R1's 84 points (OpenAI's o1 scored 89.3); T1 also beat R1 at interpreting a Chinese word across different contexts
 - **BUT falls short in other ways:** R1 scored higher than T1 on the American Invitational Mathematics Examination and was also better at composing a Chinese poem
 - **T1's pricing is ~in-line w/ R1's rates –**
 - **Input pricing:** T1 charges 1 yuan (\$0.14) per 1mn tokens of input (vs R1's 1 yuan per 1mn tokens during daytime hours and just 0.25 yuan overnight)
 - **Outpricing:** T1's output costs 4 yuan per 1mn tokens (vs R1's 16 yuan per 1mn tokens and 4 yuan overnight)
- **DeepSeek made a significant upgrade to its V3 LLM ([link/link](#)):** The latest update, dubbed DeepSeek-V3-0324, provides major improvements in areas such as reasoning and coding capabilities, w/ benchmark tests displaying enhanced performance across multiple technical metrics
 - **The model boasts 671bn parameters:** Only 37bn are active during inference, which reduces hardware demands; The model was trained on 14.8tn high-quality tokens and is capable of speeds of 60 tokens per second (three times faster than V2)
 - **DeepSeek V3 is now the best non-reasoning AI model on the mkt ([link](#)):** This was per Artificial Analysis, which says its intelligence index measures responses in reasoning, knowledge, math, and coding
 - **This marks the first time that an “open weights” model has led the pack:** For reference, open weights means that a model is fully open source and that the entire model is publicly available to be tweaked and modified

Artificial Analysis Intelligence Index (Non-Reasoning Models)

Intelligence Index incorporates 7 evaluations spanning reasoning, knowledge, math & coding

/// Estimate (independent evaluation forthcoming)



[Source](#)

3) One Step Forward, Two Steps Back For The Tech IPO Market

All eyes were on the biggest tech IPO since 2023...namely CoreWeave. Granted, it was a tough day on Friday given the overall market sell-off but, by all measures, the deal did not fare as well as many had hoped and earlier anticipated. Just last week, reports hit the tape saying that the IPO was oversubscribed ([link](#)). Obviously, there was not as much demand as initially conveyed.

CEO Michael Intrator also fielded some tough questions on CNBC this morning before the stock opened but reiterated his long-term confidence and the view that strong demand will remain in place despite concerns that emerged this week about an AI capacity bubble (see Theme #1).

SailPoint was the other recent large tech IPO which debuted in February and raised \$1.4bn. The deal broke issue on day one as well and ended its first day of trading down -4.4% and still trades well below its IPO price (ended Friday down -14.5% from IPO).

All an all, these deals do not engender a lot of confidence that the door to the overall IPO market will be swinging widely open, at least in the near term.

Some need to knows regarding CoreWeave's IPO ([link](#) /[link](#))

- **The Co cut the size of the deal:** Initially planned to sell 49mn shares but scaled that down to 37.5mn, or \$1.5bn
 - Intrator explained they had to right size the transaction but that it will position the Co for the next phase of growth
- **The IPO was priced well below the initial range:** The deal priced at \$40/shr (\$23bn valn fully diluted), well below the initial range of \$47-55/shr (which implied a valn up to \$32bn)
- **Broke deal price:** After initially indicating at \$50/shr, the stock opened-up early Friday afternoon at \$39/shr, -2.5% below the IPO price and closed the day at \$39.60/shr
- **The IPO investor group was reportedly very concentrated and Nvidia came to the rescue**
 - Nvidia reportedly came in yesterday w/ an anchor order for \$250mn
 - Apparently, half of the book was allocated to 3 investors (ie, very high)
 - And the top 15 investors took 90% of the deal
- **Some company specific dynamics:**
 - CoreWeave has a very concentrated customer base: Microsoft accounts 62% of 2024 revenue -> *And there were recent reports that Microsoft is easing its expansion plans* ([link](#))
 - The Co recently signed a \$11.9bn deal with OpenAI
 - The Co has \$7.5bn in debt repayments next year
 - Revenue last year was \$1.9bn
 - The Co is unprofitable - lost \$863mn in 2024

4) Key Sector Investments And Addtl M&A Rumblings This Week

Notable TMT & Consumer deals have been slowly gaining momentum with a few more datapoints this week to support the view. Namely, Ubisoft ann'd the €1.16bn investment by Tencent into a new business subsidiary and AT&T is reportedly in exclusive talks to buy Lumen Tech's consumer fiber biz for ~\$5.5bn. This follows Google \$32bn deal with Wiz (ann'd on March 18th), Crown Castle's \$8.5bn sale of its fiber business to EQT and Zayo (ann'd on March 13th), SoftBank's \$6.5bn purchase of Ampere Computing (ann'd March 20th), and Pepsi's \$2bn deal to by Poppi (ann'd March 17th).

While the macro and business environment remains uncertain, and could hold up or delay some transaction processes, it is encouraging to see some key deals make it to the finish line, at least as it relates to being announced! The regulatory reviews are still in the works.

See below for more color on this week's key M&A/Investment updates...

[AT&T Is Reportedly In Exclusive Talks To Acquire Lumen Tech's Consumer Fiber Business For ~\\$5.5bn](#) ([link](#))

- **Why is Lumen looking to sell?** Lumen has been focused on building the backbone for AI (in 2024, it secured \$8.5bn in private connectivity fabric deals w/ Microsoft, AWS, Google Cloud and Meta) and has been selling legacy business units; Lumen CFO Chris Stansbury hinted at the possible sale of the consumer business in late 2024 as the Co continues to pivot toward becoming “an enterprise company” (Biz svcs now account for ~75% of its revenue)
- **What other businesses has Lumen sold?**
 - 2023: Sold its EMEA biz to Colt Technology Services for \$1.8bn
 - 2022: Sold its ILEC biz (consumer, small business, wholesale and mostly copper-served enterprise customers and assets in 20 states) to Brightspeed for \$7.5bn
- **Lumen nor AT&T commented on reports**

-> AT&T's shares rose +1.3% on the back of the news while Lumen's fell -5.2%; YTD, AT&T is up +23.8%, while Lumen is down -25.8%

Ubisoft Makes A Step-Change Towards A New Operating Model After Its Strategic Review That Started Earlier In The Year...Tencent Is Investing In Its Newly Created Subsidiary That Houses 3 Of Its Largest Franchises

- **Transaction summary:** The Co is creating a subsidiary that includes Assassin's Creed, Far Cry, and Tom Clancy's Rainbow Six brands and in which Tencent is making a strategic investment
 - **Goal of the subsidiary:** The subsidiary will focus on building game ecosystems designed to become truly evergreen and multi-platform
 - **Investment amount:** Tencent will invest €1.16B for a 25% economic interest in the new subsidiary (apparently the Co had several parties that considered the investment but this was the most attractive offer); This is a binding agreement w/ Tencent
 - **Valuation:** Pre-money EV for the entity is €4B, implying a FY23-FY25E avg sales multiple of ~4x
 - **Status:** The board unanimously approved the deal this week
 - **Ongoing control:** The new subsidiary will remain exclusively controlled & consolidated by Ubisoft
 - **Timing:** Expected to close by the end of the year
- **Use of funds?** Strengthen Ubisoft's balance sheet by “significantly reducing its consolidated net debt position, accelerate the group's transformation, and sustain growth of selected franchises”
- **What about outside of the new entity?** Ubisoft will “further its other franchises including Tom Clancy's Ghost Recon and The Division, accelerating growth of top performing titles, and leveraging disruptive tech on selected new IPs, while continuing to deliver state-of-the-art production game engines and online services”

-> Also this week, there was a positive datapoint that was disclosed on Ubisoft's Assassin's Creed Shadows...it hit 2mn players w/in 2 days of its March 20th launch (last Thursday), surpassing Origins & Odyssey; This is important b/c the game was originally slated to be released last fall, but was delayed 2x so it looks like they have finally ended up with a product that is, at least thus far, being well received in the market ([link](#))

-> Ubisoft shares rose +13.6% on the back of the announcement, though is only up +0.7% YTD; In 2024, the stock was down -49.4%

5) It Looks Like TikTok Will Keep On Ticking In The US...

April 5th (next week Saturday) marks the final day of President Trump's 75-day Executive Order extension for TikTok's parent Co, ByteDance to find an American investor, or risk the app shutting down in the US. With that date right around the corner, press heated up again this week on what will happen, and the latest reports indicate that a deal is on the horizon. Large US-based institutions that already have an ownership stake in ByteDance, like General Atlantic and Susquehanna, will reportedly increase their stakes and acquire TikTok's US operations while Oracle will “safeguard the app” in its cloud in turn for a small stake.

VP JD Vance seems to be confident that an agreement on general terms will be reached by the April 5th deadline, saying that “we're trying to close this thing by early April. I think that the outlines of this thing will be very clear. The question is whether we can get all the paper done” ([link](#)). However, at the same time, a group of Democratic Senators propose

legislation to extend the deadline to Oct and Trump last month said that he would be willing to extend the April deadline if an agreement over the social media app was not reached.

Also, mid-week, President Trump said that he would be willing to reduce tariffs on China to get a deal done with TikTok's parent Co ByteDance..."Maybe I'll give them a little reduction in tariffs or something to get it done" ([link/link/link/link](#)). So overall, the administration seems intent on landing on a solution that would result in TikTok continuing to operate in the US.

A couple other points to raise:

- **How much would TikTok be valued in this transaction?** Press this week cited a wide range of \$20-40bn, per deal team members
- **Other potential hurdles/considerations:**
 - There is still controversy around the Chinese-made algorithm (which is apparently part of the deal) as it is seen as a tool used by the Chinese govt to engage in espionage
 - The new equity investors have reportedly discussed a White House indemnification over this potential liability
 - Others say the new ownership team will eventually have to create their own algorithm to stay w/in the law's parameters
 - This deal would require approval from the Chinese govt
 - Of course, a final agreement might not be reached

-> Press this week also follows AI search startup Perplexity's proposed a bid last week for TikTok, which included plans to rebuild TikTok's algo ([blog post](#))

-> Also related this week, an updated Pew Research survey showed that US adults are less supportive of a ban than there were in 2023... 34% support a TikTok ban, which is down from 50% saying they supported a ban during Pew's March 2023 survey; Furthermore, 49% said that TikTok is a national security threat, which is also down from the 59% that felt it was a security treat as of May 2023. ([link](#))

6) A Couple Key Sports Related Updates That Made The Cut

Sports events and sports media rights remain central to the media entertainment sector given its importance to consumers and importance to the revenue model for major media outlets. Along these lines, news about growing competition for NFL's Draft media rights, as well as news regarding the NBA furthering its exploration of a European league made the cut for what we thought was most interesting this week...more color below.

Competition For NFL's Draft Media Right Starts To Heat Up ([link/link](#))

- **Who is competing?** Fox, ESPN, and ABC are reportedly in the mix, as well as Amazon Prime Video and YouTube (given NFL is expected to add a streaming partner)
- **Who is not competing?** Netflix is reportedly not -> *a bit of a surprise given the cross over of sports & human interest/docuseries potential for this content*
- **Some basics on the rights -**
 - ESPN, ABC, & NFL Network have been sharing coverage the last 6 years (Fox last aired the draft in 2018)
 - ESPN has been holding the rights since 1980
 - Effective date: 2026
- **Viewership stats have been strong:** The 1st round of the 2024 NFL Draft attracted an avg audience of 12.1mn viewers across all broadcasters (the highest figure since 2021)
- **Reported in Feb that talks about NFL Media's assets (incl. NFL Network, RedZone, & NFL+) to ESPN have resumed, w/ the deal value cited at \$2bn and could include the league taking an equity stake in ESPN** (possibly 10%, valuing ESPN at \$24bn per Bank of America)
 - Paramount Global has also been linked to the deal

The NBA Is Exploring The Creation Of A European Basketball League, Potentially Launching In 2026-27 ([link](#))

- **Structure of the team:** Could include 8-10 teams, incl up to 4 slots for top EuroLeague clubs like Real Madrid and Olympiacos, alongside new franchises in cities such as London and Paris
- **Franchise costs?** Expected to be \$500mn+ each, w/ the NBA retaining a 50% ownership stake
 - The NBA apparently prefers to see these franchises to new investors outside the league
- **Strategic rationale:** Expand basketball's presence in Europe & capitalize on its growing popularity
- **Status:** NBA owners are expected to review this plan to launch a European league this week

7) “Uncertainty” Makes Its Way Into US Ad Market Estimates

Following a stronger than expected ad market in 2024 (+12.4% y/y overall and +9.9% ex cyclical spend), its strongest performance in 25 years ex the post-COVID rebound of 2021, 2025 is starting to look like it will be on shakier ground as the level of uncertainty is spiking which led ad agency Magna cut US ad forecasts for the year ahead. The low visibility on the potential impact of trade policies creates “cautiousness” with marketing decisions. Also recall that two weeks ago, SiriusXM flagged that it has started to “see a drop-off” from advertisers over the last couple weeks.

We suspect we’ll hear a lot more on Q1 earnings calls about advertisers’ willingness (or unwillingness) to spend in the face of this macro uncertainty but typically, this type of environment leads to a budget shift to more lower funnel strategies, so companies hinged to that ad channel tend to relatively outperform. More to come on this theme.

See below for more details and some further takeaways...(LINK)

- **Magna cut 2025 US ad mkt growth forecasts from its prior estimates in December... from +4.9% -> +4.3% (ex-cyclical event, from +6.7% -> +7.3%)**
 - **Why?** Expect “cautiousness” in marketing decisions in the months ahead due to lack of visibility and the risk of a trade war (which may cause ad budgets to face freezes or cuts in industries that are most vulnerable to global trade) supply chain disruptions, and consumer confidence issues
- **One of the bigger changes was Digital ad spend at pure plays ex political, which was cut from +10.4% -> +9.6%**
- **Traditional media ad spend forecasts were relatively maintained overall, with slightly lower declines expected for Linear (-6.8% -> -5.9%) offset by slightly lower growth expected in Streaming (+15.9% -> +14.3%)**
- **Local TV estimates were also slightly revised down (see table below)**
- **Verticals most at risk:** CPG, quick-service restaurants, and the auto industry
- **Other sectors where spending should fare better:** Pharma, retail, tech/telecoms, entertainment, finance and insurance

-> “The current — hopefully temporary — dip in confidence has already dampened the dynamics of the ad market, prompting us to revise our growth forecast for 2025,” Magna EVP Vincent Létang

KEY FIGURES

Media Owners Net Advertising Revenues	FY24 (\$BN)	4Q24	FY24	FY25 (NEW)	FY25 (PREV)
All Media (excl. Cyclical)	371.1	8.6%	9.9%	6.7%	7.3%
All Media (incl. Cyclical)	380.2	13.0%	12.4%	4.3%	4.9%
Traditional Media Owners (TMO excl. Cyclical)	101.4	-0.8%	-1.0%	-1.0%	-0.9%
Traditional Media Owners (TMO incl. Cyclical)	108.6	11.3%	5.7%	-7.2%	-7.2%
National TV	46.5	0.5%	-0.6%	-1.1%	-1.5%
Linear Networks	35.6	-3.2%	-5.4%	-5.9%	-6.8%
Streaming (AVOD, FAST)	10.9	17.3%	18.9%	14.3%	15.9%
Local TV (excl. Cyclical)	17.1	-6.2%	-4.7%	-3.7%	-3.4%
Local TV (incl. Cyclical)	23.1	56.2%	25.5%	-27.0%	-26.7%
Radio	12.6	-4.5%	-3.2%	-3.2%	-2.7%
Publishing	15.2	-0.7%	-1.2%	-2.0%	-1.6%
OOH	9.7	4.2%	5.0%	4.4%	5.0%
Cinema	0.3	-5.7%	-7.4%	7.0%	15.0%
Digital Pure Players (DPP excl. Cyclical)	269.6	12.7%	14.8%	9.6%	10.4%
Digital Pure Players (DPP incl. Cyclical)	271.6	13.8%	15.4%	9.1%	9.9%
Social Media	83.4	16.2%	17.6%	10.7%	11.5%
Core Search	106.4	11.8%	14.2%	7.6%	9.2%
Retail Search	45.6	17.6%	20.2%	14.3%	14.3%
Short Form Pure Play Video (e.g., YouTube)	22.4	12.7%	14.3%	8.6%	7.5%
Digital Audio	3.2	2.4%	3.7%	3.7%	4.2%
Direct Mail	17.0	2.4%	2.2%	-3.5%	-3.4%

Source: MAGNA March 2025. Numbers exclude Cyclical Spending unless stated otherwise. *PREV*=Dec. 2024.

[Source](#)

8) Grab Bag: xAI Buys X / Lululemon's Has A Tough Earnings Report / Waymo Launching In Washington DC In 2026

- Elon Musk's xAI buys social media platform X** ([link/link/link](#)): Elon Musk said Friday evening (March 28th) that his artificial intelligence Co, xAI has acquired X, the social media app formerly known as Twitter, in an all-stock transaction
 - "xAI and X's futures are intertwined. Today, we officially take the step to combine the data, models, compute, distribution and talent," Musk said in a post on X
 - The combination values xAI at \$80bn and X at \$33bn (\$45bn less \$12bn debt)**
 - xAI, which was launched in 2023, raised \$6bn from investors at a valn of ~\$40bn late last yr, according to sources cited by Reuters, and was reportedly in talks to raise funds at a ~\$75bn valn last month
 - Valn for X is much lower than what Musk originally paid for it:** Musk bought X in 2022 for \$44bn, ending its run as a public company since its 2013 IPO
 - Musk didn't announce any immediate changes to X**
 - Though xAI's Grok chatbot is already integrated into the social media platform
- Lululemon earnings report – "Macro challenges" and "a more cautious consumer" weighed on the outlook:** "Consumers are spending less due to incr'd concerns about inflation and the economy"; This has manifested into "slower traffic across the industry in the US in Q1"
 - FY26 guidance was underwhelming:** The Co anticipates FY26 rev between \$11.15-\$11.30bn, which was -0.7% below cons at the mid-pt; The expected FY26 EPS range of \$14.95-15.15 missed cons by -2.1% at the mid-pt
 - Q1 is expected to finish below the Street's estimates:** Projected Q1 rev of \$2.335-2.355bn missed cons by -1.9% at the mid-pt, and the forecasted EPS range of \$2.53-2.58 was -6.1% below cons at the mid-pt
 - Lululemon exceeded most expectations in Q4, though comps fell short –**
 - Net rev – BEAT by +0.8%:** Grew +13% y/y in Q4 (vs +9% y/y in Q3)

- **Total comps (reported) – MISS by -210bps:** Rose +3% y/y in Q4 (vs +4% y/y in Q3); Americas comps were flat y/y, while total international comps grew +20% y/y
- **Gross margin – BEAT by +70bps:** Expanded by +100bps y/y in Q4 (vs +40bps y/y in Q3)
- **Op margin – BEAT by +90bps:** Incr'd +40bps y/y in Q4 (vs +70bps y/y in Q3)
- **EPS – BEAT by +5.0%**

-> Lululemon's stock fell -14.2% in reaction to its print and ended the week down -9.2%; YTD the stock is down -23.4%

- **Waymo to launch robotaxi svcs in Washington DC in 2026** ([link/link](#))
 - **Testing has already been underway:** Waymo began testing the cars w/ drivers behind the wheel in DC last yr
 - **Working w/ policymakers to formalize regulations to operate w/o a human behind the wheel:**
 - DC allows AV Cos to their fleets, but the current law does not allow these cars to be operated w/o a driver
 - Waymo will spend the next year working with city officials to "formalize the regulatory framework needed to serve riders"
 - **Newest mkt in a string of launches:** Currently operates in San Francisco, Phoenix, Los Angeles, and Austin; Coming to Atlanta and Miami next, with Washington, DC to follow
 - **Just last week, Waymo announced it would begin mapping roadways around SFO** (San Francisco International Airport) ahead of possible robotaxi service to and from the airport
 - **The week prior to that Waymo said it would expand its robotaxi svcs into Silicon Valley**

Stock Market Check

Market Changes the Past Week

Benchmark	Abs. Value	W/W Change
S&P 500	5,581	(1.5%)
NASDAQ	17,323	(2.6%)
Dow Jones	41,584	(1.0%)
Gold	\$3,118	3.2%
WTI Crude	\$69.03	1.1%
10-Year Treasury Yield	4.26%	+0.9 bps
Bitcoin	\$84,220	0.3%
Ether	\$1,881	(4.8%)

LionTree TMT Universe Performance (~220 stocks)

Best-Performing Stocks	+	Worst-Performing Stocks	-
Playtika Holding Corp	29.7%	23andMe, Inc.	(66.1%)
Allbirds Inc.	18.7%	Virgin Galactic Holdings Inc	(26.6%)
Gogo Inc	16.0%	Lumen Technologies Inc	(19.9%)
Ocado Group plc	12.5%	GoPro, Inc.	(17.9%)
Groupon Inc.	10.1%	Hims & Hers	(16.1%)
Figs Inc.	8.5%	Gray Television Inc	(13.3%)
SES SA	6.7%	Applovin Corp.	(13.3%)
Tesla Inc	6.0%	Magnite Inc	(12.8%)
Telecom Italia SpA	5.4%	Prosiebensat 1 Media SE	(12.5%)
Cable One Inc	4.6%	Trivago NV	(12.4%)

Best-Performing Sub-Industries	+	Worst-Performing Sub-Industries	-
Smart Home Security/Automation	2.5%	Space	(26.6%)
EdTech	1.4%	Semis	(7.6%)
Live Events	0.8%	US Media/Video	(5.2%)
European Telco	0.4%	Internet/Advertising	(4.8%)
Pay-TV / Broadband	0.2%	Sports & Sports Betting	(4.6%)
Consumer Retail	0.2%	Application Software	(4.1%)
Payments / Fintech	0.1%	Last Mile Transport/Delivery	(3.9%)
Hardware/Handsets	(0.2%)	Music	(3.8%)
US Print Media / Publishing	(0.7%)	Digital Real Estate	(3.7%)
Out of Home Advertising	(0.7%)	Software IT Services	(3.6%)

This Week's Other Curated News

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