



LionTree

WEEKLY UPDATE

WEEK ENDING AUGUST 09, 2024

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This week seemed like it would never end with the last full-on barrage of earnings prints within the sector! In the background (or foreground for that matter) was the incredibly volatile market environment. The VIX (a key metric for market expectations of volatility) closed at \$20/share but spiked to an intra-day high of \$66/share on Monday on the back of the global market meltdown. After ebbing and flowing throughout the week, the major indices ended almost flat versus last Friday's close (the Dow -0.60%, S&P -0.04%, and Nasdaq -0.18%). Whether or not we are headed into a recession was the pivotal debate all week. The most current tally seemed to be that the market is pricing in a -50bps cut during the Fed's September meeting.

There was an incredible amount of new information to digest and make sense of this week. There was actually more out than we could even take a look at!

In addition to the media earnings-palozza, which was a big focus, we spent time on last mile & grocery delivery, online travel, music, and more. See below for the key focus themes in this edition (all links are clickable):

1. [Earnings Scorecard – Week 4](#)
2. [Disney's Entertainment Division Takes The Torch For The Next Near-Term Leg](#)
3. [What Is The Value For Linear Networks? WBD & PARA Take Big Write-Downs](#)
4. [Fox Came Out On Top Vs Peers This Qtr And Is Well Positioned For The Political & Sports Cycle Ahead](#)
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7. [Take-Two Is Laying The Foundation For "Tremendous Growth" In FY26 & FY27](#)
8. [After Q1's Net Income Detour, Uber Is Back On Course](#)
9. [EXPE/ABNB: Further Data Points Regarding Slowing Travel Demand Heading Into H2:24](#)
10. [Some Additional Quick Hits From This Week's Earnings](#)

This is another jam-packed edition. I personally will need the weekend to recover 😊

I hope you have a nice weekend.

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! Please see below link to download the pdf.

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Top Themes

1. Earnings Scorecard – Week 4

People living in the northeast of the US weren't the only ones to witness a downpour this week – it was also raining cats and dogs on the earnings front this week, with a record 84 companies in our LionTree Universe reporting their results (which was even more than the massive 56 companies that reported last week). Price reactions were almost split down the middle, though slightly balanced to the downside, with 43 companies (51.2%) trading down post their prints, and 41 companies (48.8%) trading up. Doximity was the best performer, trading up +38.7% the day after it reported, while ThredUp was the worst performer, down -62.7%.

Media dominated the earnings circuit this week, with several big prints hitting the tape. **Fox** was the first to report and was the best performer in the sector, trading up +6.7% in reaction (see [Theme #4](#)) followed by **Disney** the next day, which went the other direction and traded down -4.5% (see [Theme #2](#)). **Warner Bros. Discovery** was the worst performer in the group and traded down -8.9%, and **Paramount** closed out the week, up +0.9% (see [Theme #3](#)). Also in the media space, but on the music side, **Warner Music Group** traded down -0.9% (see [Theme #5](#)) after its print.

There were also a couple big prints in the last-mile/delivery sector this week, with **Uber** and **Instacart** both trading up +10.9% and +2.8%, respectively, in reaction to their earnings (see [Theme #8](#) and [Theme #6](#)). Over in online travel, **Expedia** and **Airbnb** went in different directions, with the former trading up +10.2% and the latter trading down -13.4% (see [Theme #9](#)). In interactive entertainment, **Take-Two's** earnings report led the stock to rise +4.4% (see [Theme #7](#)).

We also took a quick look at **Shopify** and **The Trade Desk**, which soared +17.8% and +12.5%, respectively, after their reports (see [Theme #10](#)).

The table below includes select mid- and large-cap TMT and consumer companies in our LionTree stock universe that reported this week.

LIONTREE EARNINGS SCORECARD					
SECTOR	Stk Reaction*	SECTOR	Stk Reaction*	SECTOR	Stk Reaction*
AdTech		Entertainment Facilities		Payments/FinTech	
PubMatic	-28.3%	Six Flag Entertainment	3.1%	Robinhood Markets	3.6%
Magnite	-1.2%	European Telco		Print Media/Publishing	
Taboola.com	7.9%	Prosiebensat 1 Media SE	-5.3%	WEBTOON Entertainment	-38.2%
The Trade Desk	12.5%	Hardware/Handsets		The New York Times Co.	3.4%
Advertising Agencies		GoPro	-12.1%	News Corp.	3.6%
WPP Plc	-1.9%	Sonos	-1.6%	PayTV/Broadband	
Application Software		Sony Group Corp.	1.8%	WideOpenWest	40.0%
Unity	8.2%	HealthTech		Satellite Communications	
AppLovin	14.2%	GoodRx Holdings	-18.6%	Gogo	-3.4%
Shopify	17.8%	DarioHealth	-9.9%	Eutelsat Communications SA	-2.0%
CLEAR Secure	24.2%	Hims & Hers	-5.4%	Globalstar	10.1%
Klaviyo	33.4%	23andMe	-3.1%	Smart Home Security	
Broadcast TV		Oscar Health	-3.1%	Alarm.com	-6.8%
The E.W. Scripps Co	-19.9%	Doximity	38.7%	Resideo Technologies	-2.5%
Gray Television	-14.6%	Internet Services		Software IT Services	
TEGNA	-4.9%	Shutterstock	-3.3%	Rackspace Technology, Inc.	0.4%
Nexstar Media Group	-1.6%	Internet/Advertising		Datadog	5.6%
Sinclair Broadcast Group	2.8%	Bumble	-29.2%	Palantir Technologies Inc	10.4%
Consumer Retail		Reddit	-6.8%	Dynatrace	14.7%
Zalando SE	-2.3%	Yelp	-0.1%	Space	
Digital Real Estate		IAC/InterActiveCorp	6.5%	Virgin Galactic Holdings	14.0%
Redfin	-9.3%	Last Mile Transport/Delivery		Sports & Sports Betting	
Zillow Group	18.2%	Lyft	-17.2%	Liberty Formula One	-5.1%
E-Commerce		Instacart	2.8%	Telecom Infrastructure	
ThredUp	-62.7%	Uber	10.9%	Equinix	3.7%
The RealReal	-23.2%	LatAm Telco		US Media/Video	
Qurate Retail	4.9%	Liberty Latin America	-8.9%	Warner Bros. Discovery	-8.9%
Revolve Group	32.7%	Live Events		AMC Networks	-5.4%
EdTech		TKO Group	6.8%	The Walt Disney Co.	-4.5%
Chegg	-22.2%	Music		Lions Gate Entertainment	-1.8%
Grand Canyon Education	-3.5%	iHeartMedia	1.4%	Paramount Global	0.9%
Duolingo	10.9%	Warner Music Group	1.9%	fuboTV	1.5%
Employment Marketplace		Online Travel		Fox Corp	6.7%
Upwork	-10.4%	TripAdvisor	-16.6%	US Telco/Wireless	
ZipRecruiter	13.7%	Airbnb	-13.4%	Lumen Technologies	32.6%
		Expedia Group	10.2%	Video Games	
		Out of Home Advertising		PLAYSTUDIOS	-11.9%
		Clear Channel Outdoor Holdings	-2.1%	Playtika	-1.7%
		Lamar Advertising	2.2%	Take-Two Interactive	4.4%
		Outfront Media	6.3%		
		National CineMedia	19.1%		

Source: FactSet

*Day post earnings



2. Disney's Entertainment Division Takes The Torch For The Next Near-Term Leg

It was certainly the earnings storm in Large Cap Media this week with Disney, Warner Bros Discovery, Fox, and Paramount all reporting results. Starting with Disney, one of the biggest focus areas from its FQ3 update was the disappointing domestic parks trends, which dragged down the Experiences business (segment revenues and adj op income missed by -2.3% and -3.4%, respectively), and these headwinds are expected to persist over the next couple of qtrs. Experiences op income is guided to drop by ~-msd% in FQ4 due to the softening of demand in the domestic theme parks, a slowdown in Paris due to the Summer Olympics, and cyclical softening in China. This was a hot button for investors, as the update was on the heels of Comcast's Universal Studios Parks' weaker than expected results and near term outlook, which was mostly due to lower domestic park attendance (see [Theme #7](#) from July 26th Weekly). But also, like Comcast, Disney's mgmt remains bullish on the business return profile within this segment longer term and continues to invest.

With the Theme Parks business in a bit of the doldrums, the Co is now relying on the Entertainment segment to carry the torch in the near term, and a highlight on that front was that the Co's combined streaming businesses reached profitability for the first time since launching in the fall of 2019 (posted FQ3 op income of \$47mn vs a loss of -\$512mn in the year-ago period). We'd note that better profitability in ESPN+ helped Disney get over the finish line. Without it, the DTC streaming unit would have seen a loss of -\$19mn. Importantly, streaming profitability is expected to continue into FQ4, and Disney continues to work towards achieving double-digit margins, which will be helped by another round of price hikes that the company is implementing across nearly all of its streaming plans in October, in addition to other initiatives like password sharing crackdown, improvements to technology features, and more. A standalone ESPN streaming offering remains on track for the fall of 2025.

Also, it looks like Disney's strategy to focus on quality over quantity in its studio business is starting to work. Disney's theatrical film division posted its first profit since early 2022. Pixar's Inside Out 2's performance has become the highest-grossing film globally of all time. Disney expects other hits in the coming quarter with the release of Deadpool & Wolverine, which generated the highest-ever box office gross for an R-rated movie when it opened last month and has earned \$824mn in the global box office thus far. They have a full slate looking out the next several years and are particularly excited about Moana 2 and Mufasa: The Lion King in the nearer term.

Based on the qtrly results, Disney raised its full-year EPS growth guidance to +30% from the prior +25% and continues to make progress on its \$7.5bn+ annual cost saving initiatives.

In addition to the above highlights, there were several additional updates across advertising, sports rights, and more that we thought were important. See below. For thoughts and perspectives on Warner Brothers Discovery and Paramount, see [Theme #3](#), and for more on Fox, see [Theme #4](#).

-> It was a mixed bag in terms of reactions to large cap media results... Disney shares fell -4.5% post-results and Warner Bros Discovery fell -9%, but Fox was up almost +7% and Paramount was up almost +1%

Disney's Headline FQ3 Beats (Especially On Profitability) & The Co Raised FY EPS Guidance Once Again, BUT...

- **Profitability came through with ~in-line revs:** Total op income beat by +10% while total revenue was +0.3% ahead of consensus; Adj EPS beat by +16%
 - The revenue and op income beat was driven by Entertainment and Sports; Experiences missed on both fronts
- **Raised the full year adj EPS growth target again:** To ~+30% y/y, up from the prior guidance provided last qtr of over +25% and the two-qtr prior guidance of "at least" +20% y/y
- **Maintained FCF guide of \$8bn for the fiscal year**
- **Regarding the \$7.5bn+ annual cost saving initiative:** "Continue to focus on driving incremental cost savings above and beyond our previously stated target as we deliver on our strategic priorities"

Disney	FQ3 2024 Results		
	Actual	Cons Est	% Surp
Revenue (mn)	\$23,155	\$23,080	0.3%
Operating Income (mn)	\$4,225	\$3,840	10.0%
Operating Margin (%)	18.2%	16.6%	
Adj EPS	\$1.39	\$1.20	15.8%
Free Cash Flow (mn)	\$1,237	\$2,050	-39.7%
Revenue by Segment (mn)			
Entertainment	\$10,580	\$10,430	1.4%
Sports	\$4,558	\$4,400	3.6%
Experiences	\$8,386	\$8,580	-2.3%
Operating Income by Segment (mn)			
Entertainment	\$1,201	\$833	44.2%
Sports	\$802	\$732	9.6%
Experiences	\$2,222	\$2,300	-3.4%

Source: FactSet, StreetAccount

The Bigger Focus Was On The Softness In Domestic Parks, Which Is Expected To Persist In The Near-Term

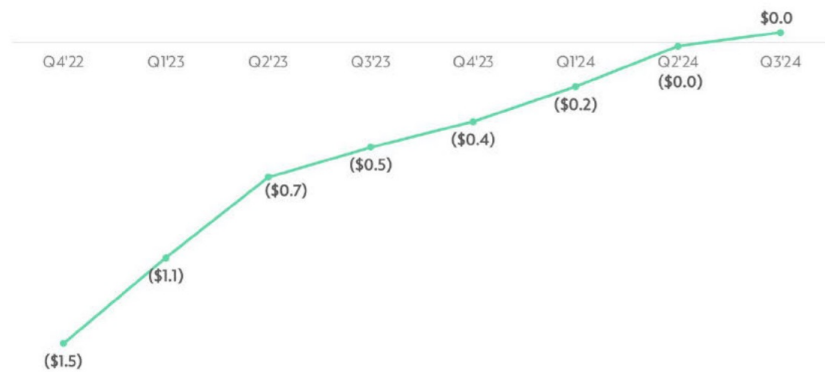
- **The Experiences business disappointed on both revenue and op income in FQ3:** Revs incr'd +2% y/y and missed cons by -2.3%, and op income fell -3% y/y and missed cons by -3.4%: Parks and Experiences op income fell -4.4% y/y, while Consumer Products op income incr'd +2% y/y
 - **What happened?** Rev growth was impacted by moderation of consumer demand at domestic parks towards the end of FQ3 that exceeded previous expectations, though Disney Cruise Line, Consumer Products, and some int'l sites improved y/y
- **FQ3 Parks & Experiences breakdown by geography –**
 - **Domestic rev grew +3% y/y but op income fell -6% y/y**
 - While results decreased “modestly” in the qtr, attendance was comparable y/y and per capita spending was slightly up
 - **What drove the op income decrease?** Higher costs driven by inflation, increased technology spending and new guest offerings, partially offset by the comparison to depreciation in the prior-yr qtr related to the closure of Star Wars: Galactic Starcruiser and cost saving initiatives
 - **International rev grew +5% y/y, while op income grew +2% y/y**
- **FQ4 outlook – Expect that the demand moderation seen in the domestic businesses in FQ3 could impact the next few quarters**
 - **Expect FQ4 Experiences segment op income to decline by ~-msd% y/y:** This decline reflects underlying dynamics that impacted FQ3, as well as impacts at Disneyland Paris from a reduction in normal consumer travel due to the Olympics, and some cyclical softening in China
 - **On consumer trends:** “The lower income consumer is feeling a little bit of stress. The high-income consumer is traveling internationally a bit more. I think you're just going to see more of a continuation of those trends in terms of the top line”
 - Are “actively monitoring attendance and guest spending and aggressively managing our cost base”
 - **Also expect “a flattish revenue number in FQ4” for the Experience segment**
- **Looking past FQ4 – “I don't think I'd refer to it as protracted, but just a couple of quarters of likely similar results... I would just call this as a bit of a slowdown that's being more than offset by the Entertainment business”**
 - **In the long-term – “Despite recent economic uncertainty that is impacting consumers, we remain confident about the long-term opportunities before us”**
- **New cruises line offerings – The Co will debut the Disney Treasure and Disney Adventure in FY25 and the Disney Destiny in FY26**
 - **Have continued to see strong demand at Disney Cruise Line so far this qtr,** though results in FQ4 will reflect pre-launch expenses for Disney Adventure and Disney Treasure
 - **Further expanding cruises across Asia:** Disney Adventure will be based out of Singapore; Also recently announced an agreement with the Oriental Land Company to bring their Cruise Line to Japan
 - **“Do have some expenses attached to our ships coming in and that will affect us a bit in 2024 and a bit in 2025”**

On A Positive Note, Streaming Turned A Profit For The 1st Time In FQ3 And Is Expected To Sustain in FQ4 / The Paid Sharing Initiative Has Started

- **FQ3 overall Entertainment segment rev grew +13% y/y, while op income nearly tripled y/y in FQ3** due to “significantly” improved results at both DTC and Content Sales/Licensing and Other
 - **Results at Entertainment DTC were “stronger than anticipated”** with rev up +15% y/y and op income improving by ~+\$500mn y/y to a loss of -\$19mn, driven by growth in subscription and ad rev, in addition to “strong” cost mgmt
 - **Content Sales/Licensing and Other results came in “well above” guidance,** as despite rev being down -4% y/y, op income was up ~+\$350mn y/y, primarily due to the performance of Inside Out 2
- **The combined streaming biz reached profitability in FQ3 (ahead of guidance):** Driven by “better-than-expected” performance in DTC Entertainment, combined with profitable results at ESPN+
- **Expect profitability across the overall Entertainment segment in FQ4 as well**
 - **The combined streaming biz** is on track for profitability to improve in FQ4

- **Content Sales/Licensing and Other** is expected to see profitability in FQ4 that's "roughly similar" to FQ3 and further expect profitability for the full fiscal yr 2024

Combined DTC Streaming Businesses Operating Income (Loss)²
in Billions



Source

- **Disney+ Core BEAT on subscribers and ARPU; Expect modest growth next qtr**
 - **Disney+ Core subscribers beat by +0.7%:** Incr'd seq by +0.7mn (vs +6.3mn q/q in the prior qtr)
 - **Domestic:** Added +0.8 subs q/q (vs +7.9mn q/q in prior qtr)
 - **International (ex-Hotstar):** Lost -0.1mn subs q/q (vs -1.6mn q/q in prior qtr)
 - **Disney+ Core ARPU beat by +1.5%:** Decr'd seq by -\$0.06 (vs +\$0.44 q/q increase in prior qtr)
 - **Domestic:** Fell from \$8.00 in FQ2 to \$7.74 in FQ3 due to the impact of subscriber mix shifts (bundling and shift to ad model)
 - **International (ex-Hotstar):** Incr'd from \$6.66 in FQ2 to \$6.78 in FQ3 due to increases in retail pricing, partially offset by an unfavorable FX impact
 - **Disney+ Hotstar:** Incr'd from \$0.70 in FQ2 to \$1.05 in FQ3 due to higher ad rev
 - **FQ4 Outlook - Expect Disney+ Core subscribers to grow "modestly" in FQ4**
- **Hulu SVOD Only beat on subscribers, while Hulu Live TV + SVOD missed / Both beat on ARPU**
 - **Total Hulu subscribers were in-line with expectations** at 51.1mn
 - **Hulu SVOD Only:** Added +0.9 subs q/q (vs +0.7mn q/q in prior qtr)
 - **Hulu Live TV + SVOD:** Lost -0.1mn subs q/q (vs -0.1mn q/q in prior qtr)
 - **ARPU beat in both segments**
 - **Hulu SVOD Only:** Incr'd from \$11.84 to \$12.73 due to higher ad rev
 - **Hulu Live TV + SVOD:** Incr'd from \$95.01 to \$96.11 due to higher ad rev

Disney	FQ3 2024 Results		
	Actual	Cons Est	% Surp
Subscribers (mn)			
Disney+ Core	118.3	117.5	0.7%
Domestic (US and Canada)	54.8	54.0	1.5%
International (ex-Hotstar)	63.5	63.3	0.4%
Disney+ Hotstar	35.5	36.7	-3.3%
Total Hulu	51.1	51.1	In-Line
Hulu SVOD Only	46.7	46.1	1.3%
Hulu Live TV + SVOD	4.4	4.5	-2.2%
ARPU			
Disney+ Core ARPU	\$7.22	\$7.11	1.5%
Domestic (US and Canada)	\$7.74	\$7.96	-2.8%
International (ex-Hotstar)	\$6.78	\$6.64	2.1%
Disney+ Hotstar	\$1.05	\$0.83	26.5%
Hulu SVOD Only	\$12.73	\$12.42	2.5%
Hulu Live TV + SVOD	\$96.11	\$94.26	2.0%

Source: FactSet, StreetAccount



- **ANOTHER set of price hikes are coming in October** – “We’re seeing growth in consumption and the popularity of our offerings, which gives us the pricing leverage that we believe we have... We do feel like we’ve earned that pricing in the marketplace”
 - **Prior price increases have been successful:** Have only seen “modest churn” and “nothing we would consider significant” from previous price increases
 - **Pricing levers have and will continue to increase:** “We believe that as we add these new features like the channels that we’re going to be adding later this year... and the success of our movie slate ...that the pricing levers that we have has actually increased”
- **Confident in the journey to double-digit margins... have “multiple building blocks” for improving margins over the coming years (did not specify a timeline), including but not limited to -**
 - **Increasing pricing this fall** “to further align with the value we are providing to consumers”
 - **Product updates and features designed to increase engagement and reduce churn**, including playlists, adding News, the ESPN tile on Disney+, and bundles (“bundling has had a positive impact on churn”)
 - **Technology enhancements**, including improving their recommendation engine and making their marketing more efficient
 - **Continuing to grow their subscriber base**, including by **operationalizing paid sharing**, which started in June and kicks in “in earnest” in September (“we’ve had no backlash at all”)

Strength In ESPN+ Drove Combined Streaming Biz Profitability / Renewed Deal W/ NBA & WNBA Will Bring “Tremendous” Value

- **Sports FQ3 rev grew +5% y/y, while op income fell -6% y/y:** Op income would have grown by +4% y/y ex-Star India results, which were lower y/y driven by the timing of the ICC linear rights costs
 - **Domestic ESPN rev was up +5% y/y**
- **ESPN+ generated positive results and contributed towards profitability of the combined streaming biz**
 - **Expected to be profitable in Q4 as well**
- **Key FQ3 ESPN watch stats –**
 - ESPN was the #1 cable network for adults 18-49 in total day audience for the 13th consecutive qtr
 - Had the most watched FQ3 in primetime in a decade among adults 18-49
 - Disney was responsible for 46% of total sports viewing minutes among adults 18-49 in FQ3
- **On the 11-yr right extension w/ NBA and WNBA – did not go into specifics about profitability in the early yrs, “but there’s tremendous value in this deal”**
 - Still have one more yr on the current deal – “We have the finals for 12 years, and they drive significant value for us”

- “Deal reflects the value of live programming... also reflects the growing value of basketball and the growing value of women’s sports as a large WNBA component to this”
- “It secures our ability to bring ESPN in the digital direction, particularly as we look to launch flagship sometime at the end of 2025”
- “We believe that by the time this kicks-in in a year from now, that a lot of the pieces will be in place in terms of driving more advertising revenue, more distribution revenue, moving to digital”
- “We’ve [also] secured international rights particularly to the finals not in every market around the world, but in most markets. And that will drive some added revenue as well”
- **Interest in the NBA is growing “significantly” across the globe**, in part b/c of growth in intl player representation across NBA teams – “We look forward to presenting NBA games, including the Finals, in many markets around the world”
 - **Will distribute NBA games on ESPN-branded platforms in several intl mkts...**: Including LatAm, sub-Saharan Africa, Oceania, and the Netherlands
 - ... As well as via Disney+ in select markets in Asia and Europe
- **Will launch ESPN tile onto Disney+ in December**: “Will serve as another access point for our sports content and allow for greater audience expansion. We see this as a first step to bringing ESPN to Disney+ viewers”
- **“Broken record” on strategic partnership talks for ESPN**: “Believe it or not we’re still having conversations about it. We thought and continue to believe there may be opportunities to partner with others, particularly on the content side and that’s why we’ve continued to add to explore it. But nothing more to add”
- **Update on standalone ESPN streaming offering?** “Continue to ready the launch of our enhanced standalone ESPN flagship streaming service for the fall of 2025”
 - Subscribers to the svcs will be able to see ESPN’s full package of sports programming, including NBA and WNBA live events and programming, in addition to digital features such as fantasy sports, enhanced statistics, betting, and e-commerce

Saw “Strong” Upfront Results And Views The Ad Market As Healthy

- **“The ad market is really, really strong and healthy for us” – Overall ad rev was up +8% y/y**: In terms of categories, financial services and consumer products, consumer services and technology are all doing “very well”, while auto “is a little bit softer”
 - **DTC ad rev was up +20% y/y**, reflecting growth across Disney+ Hotstar, Disney+ Core, and Hulu
 - **# of domestic streaming advertisers grew by more than 20% y/y**, largely driven by automation, while programmatic revenue growth increased by 80%+
 - **ESPN domestic ad rev grew +17% y/y**
- **Overall upfront rev rose +5% y/y**, driven by sports and streaming
 - **40%+ of total upfront dollars committed this year are addressable**, inclusive of streaming and digital
- **Introduced a Disney Streaming Entertainment ad offering**, which matches advertising opties with impressions that are served across their family of streaming apps, maximizing supply against premium audiences and outcomes
 - **“We’re selling audiences rather than just selling streaming channels, which enables advertisers to more effectively target the audiences that they’re seeking”**

Studios Had A Blockbuster Qtr As “Focus On Improving Quality Has Yielded Tremendous Success”

- **Released the #1 titles in May, June, and July – Pixar’s *Inside Out 2*, Marvel’s *Deadpool & Wolverine*, and 20th Century Studios’ *Kingdom of the Planet of the Apes* earned a collective \$2.8bn at the global box office**
 - ***Inside Out 2*** has grossed \$1.5bn+ globally, making it the highest-grossing animated film ever and among the top 10 biggest movies of all time
 - ***Deadpool & Wolverine*** had the biggest opening weekend for an R-rated film ever (\$444mn globally) and has grossed \$850mn+ globally in less than 2 weeks
 - **This gives Disney five of the top six opening weekends of all time**
- **Full slate of films in the docket in 2024, 2025, and 2026**
 - **Later in 2024**: Moana 2; Mufasa: The Lion King

- **2025:** Captain America: Brave New World; Thunderbolts; The Fantastic Four: First Steps; Zootopia 2; Avatar 3
- **2026:** Avengers: Doomsday; A new Star Wars movie featuring the Mandalorian and Grogu; Toy Story 5 (the first Toy Story movie since 2019)
- **Since 2005, Disney has released more films that have earned \$1bn+ (27) than the rest of the entertainment industry combined (22)**
- **Theatrical successes are causing “a multiplier effect” that “contribute to our growth and improved financial performance in streaming [and] should also positively impact churn and engagement”**
 - In the lead-up to and following the theatrical release of **Inside Out 2**, millions of viewers turned to Disney+ to watch the original Inside Out film from 2015, driving 1.3mn+ Disney+ sign-ups and generating 100mn+ views of the original film globally since the first Inside Out 2 teaser trailer dropped
 - Saw “heightened viewership” of the original Deadpool films with the release of **Deadpool & Wolverine**
 - Expect similar engagement with the upcoming releases of **Moana 2** and **Mufasa: The Lion King**

3. What Is The Value For Linear Networks? WBD & PARA Take Big Write-Downs

The downpour of media earnings post Disney’s results continued through the week, and our next deep dive is into Warner Bros Discovery (WBD) and Paramount’s results. One of the biggest focus areas and common threads was the revised valuations of their respective cable businesses, with WBD taking an enormous \$9.1bn goodwill impairment charge on its Networks business and Paramount taking a \$6bn charge in its TV Media business. Clearly this raises a lot of questions about further write-downs in the space and what the ultimate valuations of these businesses will be.

Stepping back and looking more broadly at the companies’ operational performances, starting with WBD, it was a tough quarter all the way around, with the Co posting headline results that missed consensus across all segments on both revenue and profitability. FCF also missed by -23.1%, and headwinds are expected to persist in H2, driven by several factors, including y/y strike-impacted comps and the Olympics. As a result, the timeline for achieving their 2.5-3x gross leverage target will likely take longer than expected.

Streaming is of course a huge focus area, and Max added +3.6mn subscribers in the qtr, driven by international as domestic actually lost subscribers q/q. While DTC profitability swung to a loss in Q2 (negative surprise), it’s expected to ramp into positive territory in H2, and mgmt remains confident in their target for \$1bn+ in DTC adj EBITDA by 2025. They have several levers they can rely on, with the biggest being their international rollouts (expect the “bulk” of total subscriber growth to be international moving forward), as well as a password sharing crackdown, price raises, and more.

One thing in particular that investors were curious about was the speculation about potentially splitting up the company. While management said they are always open to engaging in potential discussions, they emphasized that their focus is on the one Warner Bros Discovery strategy and that it takes time for all the efforts they’ve been making over the past 2.5 years to show through. Over time, they believe that the corporate structure will become a “secondary consideration”.

There were several additional WBD updates that we thought were interesting across the content slate, Olympics, gaming, NBA rights lawsuit, and more, which we outline below.

Moving to Paramount and its underlying financials, the top-line remains in flux in many ways, as total revenue came in -6% below consensus, with lower results across all segments (and was down -11% y/y). Driving higher profitability was the key upside driver (as was the case last qtr as well), with adj OIBDA a huge +55% ahead of Wall Street forecasts. The biggest contributor to that was the Direct-to-Consumer (D2C) business surprisingly breaking into the black, reaching profitability for the first time. However, this won’t sustain into H2, as sports content spend cyclically ramps, but the Co is still confident in achieving P+ domestic profitability for the full year 2025. This will help drive “significant” growth in total company OIBDA for FY24, and FCF will grow y/y in 2024.

Also incremental within the streaming business was that Paramount+ (P+) lost -2.8m subscribers sequentially during the period, as they exited a South Korean partnership and experienced churn from subscribers who had joined in Q1 for the Super Bowl. That said, growth is expected to return in H2. Price increases are helping to drive P+ ARPU (globally was up +26% y/y), and the most recent price increase will positively impact the P&L in Q4. All in all, P+ subscription revenue rose +50% y/y (consistent with the Q1 growth rate). Paramount also provided some details on its recent carriage agreement with Charter.

We highlighted other key points below regarding the Co's advertising biz, linear affiliate agreements, and more. But it's also worth noting that while the Paramount/SkyDance deal is not expected to close for some time, the Co is moving ahead with its strategic plan to streamline the organization, transform D2C, and optimize the asset mix. Paramount announced a -15% cut to its US-based workforce, starting the coming weeks, which clearly shows that its cost out plan is aggressively underway. These transformations never take a straight line, and investors will want to see many proof points along the way...

See below for 2 sections... 1) a deep dive on Warner Brother Discovery and 2) a deep dive on Paramount... Also, see [Theme #2](#) and [Theme #4](#) for thoughts and perspectives on Disney and Fox's results, respectively.

-> WBD felt some heat, trading down -9% in reaction to earnings while Paramount was up nearly +1%; In comparison, Disney shares fell -4.5%, while Fox was up almost +7%

1) WARNER BROS DISCOVERY (WBD) - See below for what we thought was most important and incremental from its results and conference call

WBD - A Tough Q2 On All Fronts

- **Consolidated revs missed by -3.5%:** Fell -5% y/y (vs -7% y/y in Q1)
 - All three segments missed
- **Adj EBITDA missed by -12.4%:** Fell -16% y/y (vs -19% y/y in Q1)
 - All three segments also missed

Warner Bros Discovery	Q1 2024		
	Actual	Cons Est	% Surp
Revenue (\$ mn)	\$9,713	\$10,070	-3.5%
Adj EBITDA (\$ mn)	\$1,795	\$2,050	-12.4%
Adj EBITDA Margin (%)	18.5%	20.4%	
CapEx (\$ mn)	\$252	\$261	-3.4%
Free Cash Flow (\$ mn)	\$976	\$1,270	-23.1%
Revenue Breakdown (\$ mn)			
Studios	\$2,449	\$2,670	-8.3%
Networks	\$5,272	\$5,330	-1.1%
Direct to Consumer	\$2,568	\$2,700	-4.9%
Adj EBITDA Breakdown (\$ mn)			
Studios	\$210	\$368	-42.9%
Networks	\$1,998	\$2,020	-1.1%
Direct to Consumer	-\$107	-\$40	-267.6%
DTC Subscribers (mn)	103.3	101.0	2.3%
Domestic	52.4	53.2	-1.5%
International	50.8	47.8	6.4%
DTC ARPU	\$8.00	\$8.00	In-line
Domestic	\$12.08	\$11.82	2.2%
International	\$3.85	\$3.89	-1.0%

Source: FactSet, StreetAccount



WBD - Expect FCF Headwinds To Persist Into H2 / Increased Timeline To Get To The Gross Leverage Target

- **FCF decreased by -\$746mn y/y in Q2 and missed expectations by -23.1%**
 - **What drove the decrease?** Lower operating profits, partially offset by lower restructuring costs, as well as higher net content investment, in part due to the prior year benefit from the WGA strike
- **Some puts and takes regarding FCF in H2 – “Cash conversion will certainly be lower than the very elevated levels last year”**
 - Will have their normal semiannual cash interest payments in Q3
 - Will be comping against the most strike impacted quarters last yr

- Olympics will be a “meaningful” drag on FCF in Q3, including in part due to working capital dynamics
- **Primary use of FCF will continue to be debt paydown:** “With a weighted average maturity of nearly 14 years and an average cost of 4.6% and with our strong free cash flows significantly greater than our maturities in any given year for the foreseeable future, we have an advantageous capital structure to support our transformation and the growth opportunities ahead”
- **Timeline to gross leverage target may be longer than previously expected...:** “Have not wavered” in commitment to achieving 2.5-3x gross leverage target, but may come at “a longer timeframe than previously anticipated” (ended Q2 at ~4x)
- ... “That said, I remain confident in our ability to continue to both generate meaningful FCF in the second half and pay down debt, and we expect to finish the year at lower net leverage than at the start of the year”

WBD – Takes A Massive \$9.1bn Write-down On TV Networks In Q2

- **Took a \$9.1bn non-cash impairment charge against the carrying value in the Networks segments**
 - **How did they get there?** WBD’s balance sheet carries “significant” amounts of goodwill created over a series of past M&A transactions, including the formation of WBD in 2022, and the regular monitoring of the value and use of assets
 - **Impairment charge was driven by “a number of triggering events”**, including the difference between their current market cap and the book value of the Co, continued softness in the US ad market, and uncertainty related to affiliate and sports rights renewals
 - **How did NBA negotiations play into this?** “There is no one factor that is driving this impairment,” though “discussion” around the NBA rights had “come into play as a triggering event;” Ultimately, it was a “full reevaluation” of the value of the networks, “not a response to one individual factor”
- **Impairment charge “reflects the value shift across business models”:** While they are “certainly not dismissive of the magnitude of this impairment,” it reinforced their “conviction and confidence in the growth and value opportunity” across their Studios and DTC bizs “have never been stronger”
- **“This is really a distribution ecosystem in transition, not a content ecosystem in transition”:** Using their content increasingly more successfully in the streaming space and less so on the linear side; “The goodwill impairment at the end of the day is the accounting reflection of that state of the industry and our strategy”
- **“It’s fair to say that even two years ago, market valuations and prevailing conditions for legacy media companies were quite different than they are today, and this impairment acknowledges this and better aligns our carrying values with our future outlook”**

WBD - Always Open To Strategic Partnership Discussions But Remain Optimistic About One Warner Bros. Discovery Strategy

- **“You shouldn’t be surprised to see us engaging in partnership discussions... where it makes sense, you have seen us engage in those things”**
- **On speculation about a potential splitting up the Co – “The focus is on running the business”**
- **But it takes time for efforts to show through:** “You will see as our Studio begins to grow and if our global Direct-to-Consumer business scales the way we believe it’s going to, then that will be very apparent to investors and we expect that that will create shareholder value”
 - **Studios:** Across gaming, film, and TV production, “it takes a little longer to see the results of the very significant changes that the team has been making”
 - **DTC:** “We’re really starting to see the fruits of our labor”
- **“The Studio and the DTC segment have... tremendous value opportunity, and once we start seeing more evidence for that and seeing more materialization of that value, I believe that corporate structure is actually a secondary consideration”**

WBD - DTC Was The Highlight For Advertising

- **Q2 total ad rev fell -3.5% y/y, which was a seq improvement from -6.5% y/y in Q1**
 - **DTC ad revs was up +98% y/y (accel from +70% y/y in Q1),** on continued strong demand for Max inventory and the addition of sports content, which drove healthy engagement

- **Looking ahead:** Expect “meaningful” growth ahead as more subscribers opt for the ad-lite tier, which represented 40%+ of global gross adds in Q2
- **Networks ad revs were down -9% y/y (improved from -11% y/y in Q1)**, as domestic impressions declined -13% during the qtr and were partially offset by strong sports-related pricing
 - **Looking ahead:** Not seeing a lot of change in the linear ad mkt in the US and Q3 is typically a weaker qtr given the timing of sports; Europe is “actually looking almost surprisingly strong in some of the markets. That’s definitely a positive outlier” but visibility is not high enough to give any predictions
- **“Tying this back to the impairment conversation, this is another great example of how pressure on one segment goes hand-in-hand with tailwinds in another”**
- **On upfront – “We performed well relative to the industry”**
 - **Max volume grew by ~50%** as “clients continue to see great value in our upscale and younger skewing audience, as well as in sponsorship opportunities in award-winning content”
 - **In linear, did “especially well” in sports**, “strong pricing and double-digit volume growth led by increased demand for our coverage of March Madness, Major League Baseball, NBA, the NHL, including the Stanley Cup Finals, and new properties like NASCAR and The French Open”
- **Looking ahead – “While trends across our advertising business continue to reflect the bifurcation in the broader ad market, we remain encouraged by the healthy momentum and growing scale we see in streaming”**

WBD - DTC Growth Is Being Driven And Is Expected To Continue To Be Driven By International / Expect Profitability To Inflect In Q3 Onwards

- **Max added +3.6mn subs in Q2 to reach 103.3mn (beat by +2.3%):** Acceleration from +2mn subscriber adds in Q1
 - **Intl drove q/q subscriber growth, as domestic lost subs:** Domestic subscribers fell by -0.3mn, while intl subscribers grew by +3.9bn
 - **Saw a “modest” uptick in churn** after March Madness and the conclusion of the NDA and NHL season, which was expected
 - **Continue to expect the “bulk” of total subscriber growth to emanate from outside the US BUT expect to see monetization gains from all regions “with perhaps the biggest upside opportunity domestically, at least in the near-term”**
- **DTC profitability swung to a loss in Q2...:** Adj EBITDA came in at -\$107mn, vs Q1’s \$86mn
 - This was a big miss vs cons -\$40mn
- **... But expect a “strong ramp” to positive adj EBITDA in H2 / Remain confident in \$1bn+ DTC adj EBITDA by 2025 target – “This is a starting point, not an ending point”:** “We’re finally, after two years of heavy investment, hard work, at the point where we’re ready to accelerate...we believe we are going to see an acceleration on the top line”
 - **“We have significant opportunity across every driver of the business”, including –**
 - **Intl growth and rollouts in more mkts** is “by far the biggest”
 - **“Continued momentum” behind their content slate**
 - **Raising prices in the US and internationally**
 - Raised domestic ad-free by \$1 and saw better-than-expected churn during July, when the price increased rolled through the existing subscriber base
 - **Changing some rev share agreements outside of the US**
 - “Historically in some of the wholesale agreements on the HBO side, we feel we’re underpriced”
 - **Rolling out ad-lite in more markets**
 - “Rolled it out in 39 markets across LatAm and handful of markets across Europe. We’re looking to roll it out in more markets. So, advertising will become a bigger and bigger play for us”
 - **Distribution agreements with more partners**
 - **Password sharing crackdown**
 - Will start at the end of 2024 and bleed into 2025
 - **Stronger engagement** fueled by a more personalized content discovery experience
 - **Continued expense discipline**
 - **“That said... we will always prioritize investing to secure profitable Max subscribers versus maximizing near-term EBITDA in any given quarter or a year”**
- **Significant untapped intl TAM oppty - Max is now in 65 intl markets, but is still not present in almost half of the global addressable mkt, including “sizable” streaming markets where their content**

and franchises have “significant” fan bases like Australia, Japan, the UK, Germany, and Italy

- **“We intend to continue our drumbeat of new market launches over the next 18 to 24 months”**
 - Will be launching in the UK at the end of 2025
- **Have also been tapping into existing partnerships w/ intl distributors of their linear channels for Max:** “Very active” in “reimagining” those existing partnerships, which help get Max on the devices of more consumers faster and at a fraction of the acquisition cost
 - **“Encourag[ing] them to support the distribution of Max in ways that are a true win-win for both parties”:** Have done 150+ of these deals to date in Europe and LatAm, and “you’ll begin to see them really pay off and we have more to come”
- **By H1:26, expect “the vast majority” of their rollout will have taken place**
- **On TAM oppty vs competition:** “We talk about addressable market and the fact that our two bigger peers are in...100% of those addressable markets, we’re in just over 50% of them today... So, you have to do your own thinking of what our penetration and opportunity could be, but we’re about half of the addressable market today at 103mn subs”
- **“Continue to lead” in bundling**
 - **Launched a new bundle last month with Claro, the biggest cable distributor in Brazil,** which offers Max, Netflix and Globoplay, the largest local streamer in the market, and Claro TV+
 - **Launched the Ultimate Bundle in the US two weeks ago,** which includes Disney+, Hulu, and Max
 - **Rolling out Venu Sports in the fall** with ESPN and Fox
- **“We have one of our strongest lineups over the next two-plus years to support our global expansion”**
 - **Q2 content highlights –**
 - *House of the Dragon* and the *Hard Knocks* franchise featuring the Giants have both done “incredibly well”
 - **Looking ahead -**
 - “Highly anticipated” HBO series, *The Penguin*, written and directed by Matt Reeves, premiering in September
 - New *Dune* series coming in November
 - “Blockbuster” international titles like the new series, *City of God: The Fight Rages On*, premiering later this month
 - New seasons of hit shows, *The White Lotus* and *The Last of Us* coming next year

WBD - Olympics Are A Hit And Driving Intl Max Sub Growth / Majority Of Costs Will Hit The Balance Sheet In Q3

- **Purposely timed the launch of Max in Europe to capitalize on the attention around the Olympics:** “It was a heavy lift and it paid off”
- **141mn people have engaged across their channels and platforms:** Spanning linear, digital, social, and streaming; Broadcasting the games on Max and discovery+, on linear TV, and online through their Eurosport channels to 47 markets in 20 different languages
 - “Max and discovery+ are the only place to watch virtually every minute of the Olympic Games, and it’s really worked for us”
- **Response from consumers has “exceeded our highest expectations”,** both in terms of subscriber growth and viewership
 - Olympics have been a “huge” driver of growth internationally
- **But the Olympics will weigh on financials in Q3 - “All of the costs are essentially recognized in the quarter where the games take place...[while] a lot of the benefits are generated over the entire eight-year period,”**
 - **Expect “just over” -\$100mn of negative impact on EBITDA,** mostly at Networks
 - **Expect a “more pronounced” FCF impact on the negative side**
 - **BUT expect better economics moving forward:** Final Olympic Games under the agreement struck in 2015; New Olympics rights agreement will begin with the 2026 Winter Games, which is better aligned to their streaming and pay-TV platforms

WBD - Emphasized The Diversity Of WBD’s Sports Offering, Though The NBA Remains The Wild Card

- **Added several new sports rights in the last 12 months:** Including NASCAR, Roland-Garros Tennis, BIG EAST Men’s and Women’s Basketball, Mountain West Football, as well as College Football Playoff Games

- **“All of this will help support the upcoming launch of Venu Sports”**
- **Details on NBA rights lawsuit were sparse:** “We’re in a litigation, and at this point, we’ve handed it off to our lawyers. We have confidence in our position. The judge will decide whether...what we offered matched or not...we’re getting back to work and the lawyers will handle this, and the judge will decide and off we’ll go”
 - **Potential impact of losing NBA on Networks adj EBITDA?** “...we have said in the past that the NBA is a profitable right, and we’ve been very clear about that...this is not the time to go into any level of detail”

WBD - Studios Are Still In The Midst Of A “Multi-Year Turnaround” But Bullish On Upcoming Slate From New Mgmt Team

- **Q2 Studios rev and adj EBITDA fell y/y:** Down -5% and -31%, respectively
 - **Looking into H2:** While the strike impact will present a favorable y/y comp on adj EBITDA during the second half of the year, it will be a headwind to cash content spend
- **On the Warner Bros TV side - Currently have close to 90 live action scripted, unscripted, and animated series for nearly 20 different platforms in production**
 - Only studio with shows on every major platform industry-wide, including Presumed Innocent on Apple TV+, which is now the number one drama series in the history of the platform.
 - **Television was down y/y...** “Particularly as we work through the last of the strike delayed delivery”
 - **... But expect a “big swing up” in H2:**
 - **Strike-impacted comps:** “We’re now coming into the part of the year that was deeply impacted by the strike last year, so that should be a helper”
 - **Not seeing a slowdown in TV content purchases, despite broader slowdown:** “On the TV side, which is encouraging, there is quantifiably a lot less investment in the marketplace in purchasing TV content, and we’re not really seeing that. I think it represents the fact that we have very high-quality content. Our content is working very well. We have strong IP, that’s known”
- **Content on the theatrical/DC Studios side -**
 - **Seeing “great” response to Twisters,** which they’re 50% partners with Universal Pictures and Amblin; Has made ~\$275mn at the box office and is one of the year’s top 10 highest grossing films worldwide
 - **Kite Man “is doing very well”** after premiering in Max in July
 - **“Beetlejuice 2 and Joker: Folie à Deux** is releasing in September and early October, respectively and “excited for what’s ahead”
 - **Super/Man: The Chris Reeve Story** will have a brief run in theaters in September before coming to Max
 - **The Penguin**, a live action series, premieres in September
 - **Creature Commandos**, an original animated series, kicks off in December
 - **Superman** is set to release on July 11th
- **Looking ahead into H2 – “We have two big films in the pipeline” (Beetlejuice 2 and Joker: Folie à Deux), which is “a little more beneficial” y/y in terms of release schedule**
 - “...With only one film in December, whereas last year, we took a lot of marketing expenses and didn’t get a lot of the benefit of some of the late releases in December”
 - **But caveated** that “each one of those are hit-driven and creates some volatility as well”
- **Longer term outlook – 2025 will be the year that films green-lit by Warner Bros Pictures Group’s mgmt team will “dominate the slate”, which they are bullish on:** “There is no question about it that the Studio can operate at a very, very significantly higher level of performance”

WBD - Games Are Still Struggling From Tough Y/Y Comps, But Remain Optimistic About Strategy Around Leaning Into Franchises And Free-To-Play

- **Games are still struggling from tough y/y comps but leaning into franchises and free-to-play**
- **Remain confident in franchise IP giving them a leg-up:** “Particularly in a world where the gaming industry launching brand new franchises is getting harder and harder for a number of reasons, including IDFA deprecation and more challenges with marketing and customer acquisition”
 - **And seeing “high demand” for it, which “we’re looking to take advantage of”:** “We have 11 studios here and we have a lot of IP, and there’s also a lot of interest among others in coming to take advantage of some of that IP for gaming, which we’re looking at”

- **Leaning into free-to-play space w/ Player First deal**, which was about strengthening capabilities “because we do think we are subscale and we have more opportunities to grow in that space, which is a big part of the market”
 - **Will provide more balance to the Games biz from “the inevitable cyclicity” of console-based releases**, which have 3–4-year time horizons and “a little bit more” lumpiness

2) PARAMOUNT (PARA)- See below for what we thought was most important and incremental from the company’s results and conference call

PARA - Q2 Reflects Top-Line Dislocation Across The Board But Surprise D2C Profitability Drove Big Adj OIBDA Beat

- **Missed on total rev by almost -6% while adj OIBDA beat by a huge +55%:** Total revs fell -11% y/y (vs +6% y/y in Q1), while adj OIBDA grew +43% y/y
 - **Revenue missed across the board...**
 - TV Media by -7.4% (revs fell -17% y/y)
 - D2C by -1.1% (revs grew +13% y/y)
 - Filmed Entertainment by -7.7% (revs fell -18% y/y)
 - **...though adj OIBDA beat was mostly due to D2C breaking into the black ahead of expectations**
 - TV Media by +1.8%
 - D2C posted a profit \$26mn vs the large -\$265mn loss estimate
 - Filmed Entertainment loss was higher than expected at -\$54mn vs cons -\$5mn
- **Adj EPS of 54c was well above cons 12c, and the Co delivered \$10mn in FCF, which was much better than cons loss of -\$53mn**

Paramount	Q2 2024		
	Actual	Cons Est	% Surp
Revenue (\$ mn)	\$6,813	\$7,220	-5.6%
Adj OIBDA (\$ mn)	\$867	\$566	53.2%
Adj OIBDA Margin (%)	12.7%	7.8%	
Adj EPS	\$0.54	\$0.12	300.0%
Free Cash Flow (\$ mn)	\$10	(\$53)	119.0%
Revenue by Segment (\$ mn)			
TV Media	\$4,271	\$4,610	-7.4%
Advertising	\$1,733	\$1,730	0.2%
Affiliate and Subscription	\$1,908	\$1,910	-0.1%
Licensing and Other	\$630	\$1,000	-37.0%
Direct-To-Consumer	\$1,880	\$1,900	-1.1%
Advertising	\$513	\$507	1.1%
Subscription	\$1,367	\$1,390	-1.7%
Filmed Entertainment	\$679	\$736	-7.7%
Advertising	\$7.0	\$6.7	4.5%
Theatrical	\$138	\$164	-16.1%
Licensing	\$534	\$551	-3.0%
Adj OIBDA by Segment (\$ mn)			
TV Media	\$1,018	\$1,000	1.8%
Direct-To-Consumer	\$26	(\$265)	109.8%
Filmed Entertainment	(\$54)	(\$5)	-91.7%
User Metrics (mn)			
Paramount+ Subs	68.0	71.4	-4.7%

Source: FactSet, StreetAccount



PARA - D2C Reached Profitability For the 1st Time And While This Won’t Persist In H2, Mgmt Remains Confident In Reaching Profitability Targets in 2025

- **D2C was profitable for the qtr (1st time since P+ launched 3.5 years ago)...**
 - DTC profit growth was \$450mn y/y and totaled almost \$900mn for the past 4 qtrs
 - But one of the reasons that the D2C segment was profitable in Q2 was b/c it was a lighter qtr in terms of, in particular, sports expense, but that picks up in H2
 - D2C total revs grew +13% y/y (but down from +24% y/y in Q1)
- **BUT expect the segment to generate losses in Q3 and Q4 due to the timing of content expenses**
 - **Notwithstanding, mgmt. believes they are still on track to achieve P+ domestic profitability for the full year 2025**
- **D2C Subscription revenue grew +12% y/y (a decel from +22% y/y in Q1 and +43% y/y in Q4) due to subs growth and price increases at P+**
 - P+ subscription revs incr'd +50% y/y (flattish from the +51% y/y in Q1)
- **Paramount+ lost subscribers in the qtr due to partnership exit + Super Bowl sub churn but expects to return to growth in H2**
 - **P+ subs fell -2.8mn to 68.4mn** due to exiting hard bundle agreement in South Korea, which contributed a lot of subs but limited revenue and profits; Also, domestic sub growth was positive but weighed down by elevated churn from subs that joined for the Super Bowl in Q1
 - **Outlook:** Expect P+ subs to return to net subs growth in H2
- **Price increases will continue to propel P+ ARPU:** P+ ARPU globally grew +26% y/y due to the price increase in Q3 2023 and shift in intl to higher ARPU markets
 - **Q4 will feel the benefit from this next price increase:** Another price increase goes into effect later this month but don't expect a meaningful financial impact until Q4 due to the timing to roll out and the price increase only apply to new customers for the ad supported tier
- **D2C ad revs grew +16% y/y (vs +31% in Q1 given the Super Bowl):** Driven by increased viewing hours across P+ and Pluto in addition to higher CPMs
 - **Outlook- expect D2C ad growth in Q3 to be "Similar to Q2"**
- **Pluto consumption hits record:** Pluto delivered 3.7bn hours in H1, an +8% y/y increase and its highest consumption ever
- **On international streaming – The Co wants to take a "thoughtful" approach for each market and that could entail more strategic partnerships** with platforms that already have strong reach
 - They have interest from "many partners" in this area
- **Mgmt clarified the accounting for the deal with Charter:**
 - Charter subs who activate P+ will count as P+ subs
 - When they activate, Paramount will start to allocate a certain amount of the fees they receive from Charter to P+
 - Revenue from deals like Charter where they are providing P+ credentials in a bundle will be split or shared between TV media and D2C segment
 - "The revenue that we receive is not contingent on whether somebody activates or not, it's all part of the overall economics of our arrangement with the distributor"
 - **Around labor day the P+ Essentials ad supported tier will be available to Charter's linear customers**

PARA Takes \$6bn Goodwill Impairment Charge In Its TV Media Biz

- **TV Media remains under significant pressure; Q2 revs fell -17% and adj OIBDA fell -15% y/y**
 - **Linear ad revs fell -11% y/y**
 - Domestic ad trends were negatively impacted by sports comprising a smaller share of inventory than in recent qtrs.
 - Y/Y growth in non-sports domestic advertising improved vs Q1
 - **Outlook - expect linear ad trends in H2 to improve with the return of live sports, new fall programming and political**
 - **Affiliate and subscription revs fell -5% y/y** due to subscriber "declines" and a 1ppt decrease from the absence of PPV boxing events, partially offset by price increases
 - **Outlook - expect TV Media affiliate rev growth to decelerate modestly vs Q2** due to "the market dynamics and impact from existing Showtime Sports"
 - **Licensing and other revs fell -48% y/y** due to fewer availabilities and lower licensing volumes in the secondary market

- **Drivers for the \$6bn goodwill impairment charge is for their cable nets reporting unit at TV Media?**
 - The largest magnitude is from the value implied by the SkyDance transaction and accounting wise. They need to reconcile the value of their individual reporting units with the enterprise value of the whole company that's implied by the transaction
 - Overall linear declines were another factor

PARA - Pleased With Upfront Results All Things Considering

- **“Pleased” with upfront results esp in the “context of the evolution of the ad market and scale of new entrants”**
 - Linear volume trends were inline y/y and CPMs were up on a blended basis due to sports and broadcast which were relatively strong
 - The digital marketplace was also strong... secured over \$1bn in commitments across the streaming portfolio

PARA - Executing On The Cost Cutting & Optimizing Plans

- **Annc'd that the Co is cutting the US-based workforce by ~15% (marketing & comms and corporate structure) and these actions will take place in the coming weeks and be almost fully complete by YE**
 - This is part of the \$500mn annual run rate cost savings plan (part of the \$2bn of cost efficiencies identified by Skydance) that they identified in June
- **Mgmt believes they can reach the full \$500mn run rate expense reduction as they enter 2025** (and expect to incur a restructuring charge of ~\$300-400mn in Q3)
- **Reiterated that they will continue to evaluate their asset portfolio**

PARA - Focused On Creating “Big Broad Hits” – Looking At The Slate Ahead...

- **Are planning “the most ambitious slate yet for Paramount+”:** Incl new seasons of Tulsa King in September, Lioness in October, and the new series Land Man in November, as well as the series finales of Evil and SEAL Team
 - Recent box office hits, the new CBS primetime slate, the new NFL season, and the first full season of Big 10 College football are also headed to P+
- **The Showtime slate:** Incl a new series the Agency from George Clooney, and in December, Showtime's biggest franchise ever returns with Dexter Original Sin
- **“The next season's primetime schedule on CBS is one of the strongest I've seen”:** In addition to 16 returning series, new shows will incl a spin-off of Young Sheldon, a contemporary reimagining of the classic series Matlock and a new addition to the NCIS universe
- **And in Filmed Entertainment:** Releasing the first animated Transformers film in nearly 40 years, followed by Smile 2, Gladiator 2 (the trailer was “one of the most viewed ever for Paramount”) in November, and at the end of the yr, Sonic the Hedgehog 3

4. Fox Came Out On Top Vs Peers This Qtr And Is Well Positioned For The Political & Sports Cycle Ahead

Last but not least as it relates to Big Cap Media, Fox pulled away from the pack with a strong positive reaction to its earnings print. It delivered strong upside to Wall Street expectations, especially regarding profitability (adj. EBITDA beat by +12%), which was déjà vu to last qtr. The Co importantly executed on its affiliate renewal cycle (completed 1/3 of affiliate renewals in Fiscal 2024) and expects further growth in FY25, but to a more modest degree. The Co ended the fiscal year on a positive note on the ratings front, as Fox News returned to ratings growth and is taking share in this “extraordinary news cycle”. Total ad revs were flat y/y, but on the digital side, Tubi remained a strong growth driver, despite Amazon Prime entering the ad-supported streaming market. Tubi held its ground on pricing, and growth accelerated to “mid to high teens” as the Co exited the qtr. The Co will continue to invest in Tubi during the course of the new fiscal year but at a slightly lower rate. The goal is for the Co's combined digital assets to show profitability. Investors are patiently waiting for the sports JV Venu to be launched in the fall, and Fox is “incredibly excited about it”, reiterating its expectation to reach 5mn subs in 2 years.

Investors always remain focused on what the Co will do with financial capacity, and cash returns are certainly on that list (Fox also announced a +3.8% increase to its semi-annual dividend). However, Fox again noted an increasing focus on prudent M&A. Although it has “nothing to update” in that category, it “remains an important lever.”

Looking ahead, CEO Lachlan Murdoch sums it up, “As we enter a very exciting fiscal 2025, we will continue to focus on execution with events such as the US election cycle at our local stations and Fox News Super Bowl 59 on Fox, the renewal of one quarter of our distribution revenue, and the launch of the venue sports streaming service in the fall.”

See more details on what we thought was most interesting/incremental... See [Theme #2](#) and [Theme #3](#) for thoughts and perspectives on Disney, Warner Brothers Discovery, and Paramount's results.

-> It was a mixed bag with reaction to large cap media results... Disney shares fell -4.5% post results and Warner Bros Discovery fell -9%, but Fox was up almost +7% and Paramount was up almost +1%

- **Better profitability was the FQ4 standout on ~in-line revenue**
 - **Total revs grew +2% y/y**, with Cable Nets (+2% y/y) outperforming on both affiliate fees and advertising, while TV (+2% y/y) missed on lower ad revenue and other was impacted by lower 3P content sales
 - **Adj EBITDA (+5% y/y) beat by +12%** due to better-than-expected Cable Nets growth of +20% y/y and TV's less severe than expected decline of -35% y/y

Fox	Q4 FY2024		
	Actual	Cons Est	% Surp
Revenue (\$ mn)	\$3,092	\$3,100	-0.3%
Adj EBITDA (\$ mn)	\$773	\$690	12.1%
Adj EBITDA Margin (%)	25.0%	22.2%	
Adj EPS	\$0.90	\$0.82	9.8%
Revenue by Segment (\$ mn)			
Cable Network Programming	\$1,438	\$1,420	1.3%
Affiliate Fees	\$1,048	\$1,040	0.8%
Advertising	\$328	\$313	4.9%
Other	\$62	\$65	-4.6%
Television	\$1,615	\$1,650	-2.1%
Advertising	\$679	\$713	-4.8%
Affiliate Fees	\$811	\$811	In-Line
Other	\$125	\$170	-26.4%
Adj EBITDA By Segment (\$ mn)			
Cable Network	\$703	\$632	11.3%
Television	\$148	\$136	8.7%

Source: FactSet, StreetAccount



- **Executing on affiliate renewal cycles, but annual growth in FY25 will be more modest y/y**
 - Total affiliate fee revs grew +5% y/y
 - Cable Nets grew +2% y/y, as price increases were partially offset by -mid-8% subscriber declines (same as last qtr)
 - TV segment grew +9% due to higher fees from 3P FOX affiliates and higher avg rates at O&O TV stations
 - **Outlook - FY25 is a relatively light year of renewals with ~1/4 of total Co affiliate revs up for up for renewal (more weighted to cable segment):** Total affiliate revenue will grow “modestly”
- **Tubi's growth accelerated as exited the qtr and remains an area of investment**
 - **Strong competitive positioning and total viewing:** “The most-watched TV and movie streaming service in the US” ...reached record-high of 2% of total TV viewing at fiscal YE
 - Reached all-time high of 81mn MAUs and grew total view time by +17% in FQ4, driven by its expansive library with some unique content
 - **Total revenue growth decelerated in FQ4:** From +22% y/y in FQ3 to +7% in FQ4, given “a complex” digital ad marketplace and a tough y/y comp
 - **BUT ended the month of June w/ revenue growth in “the mid to upper teens”** and that “pace has continued into this quarter with steady pricing, despite increased inventory in the

overall market”

- **Weathered the huge ad supply when Amazon Prime entered the ad-supported streaming business:** This caused other streamers to fight hard and cut pricing, but Tubi didn't have to cut pricing and expects further growth
- **Investments into Tubi will continue but to a lesser degree:** For FY24, Tubi was the single largest driver of investment across the growth portfolio, and the level was at a consistent clip to FY23 in the mid-\$200mn range, plus the \$100mn in other growth assets; This likely goes down to high \$200mn in aggregate, given “a little less investment at Tubi,”
 - In FY25, the collective digital portfolio is expected to deliver improved EBITDA y/y
- **Returned to ratings and share growth at Fox News, which is “taking share in this “extraordinary news cycle”**
 - **FQ4 audience levels return to growth at the Fox News channel**, driven by the political coverage and strong primetime lineup
 - Fox news exited the fiscal year as the most-watched network in all of cable in total day and in primetime and gained share amongst cable news networks in both prime and total day versus last year
 - **The rating momentum continued into July...**
 - In July, total viewers grew nearly +80% and the 25-54 demo grew +120% vs last year
 - Fox News had its highest-rated weekend ever in prime-time in July w/ 5.7mn+ viewers watching the extended coverage of the Trump rally in Butler, PA
 - Fox News had its highest share of the cable news audience across-the-board in primetime since August 2015
 - Fox News channel rated number-one across all linear TV in July for total viewers in weekday prime, beating the nearest broadcast competitor by nearly +10%
- **Upfront was more successful than they were bracing for & expect a record apples-to-apples political cycle**
 - **Total advertising revenues were flat y/y:** Revenue from summer soccer and growth at Tubi was offset by lower ratings and pricing at the Fox Network
 - **Cable ad revs rose +3% y/y:** Primarily due to the b-cast of the CONMEBOL Copa América and UEFA European Championship at the national sports networks and growth in pricing, higher ratings, and lower preemptions, partially offset by lower political ad revs at FOX News
 - **TV ad revs fell -1% y/y:** Lower ratings and pricing at the FOX Network were offset by the broadcasts of the UEFA European Championship and CONMEBOL Copa América at FOX Sports and continued growth at Tubi
 - **Saw a “much healthier [upfront] market than the nuanced one I referred to six months ago”:** Evidenced by “strong” upfront commitments; Saw “y/y growth” in both linear and digital ad commitments as well as “growth” in overall portfolio pricing
 - **Drivers:** This was led by sports and not just football; Fox News saw vol increases at the upfront due to ratings increases; Tubi saw “double-digit” volume growth and stable pricing
 - **Outlook:** “At the local level, we are expecting a very robust election advertising cycle that will be weighted to FQ2”
 - The strength in the DR marketplace in the high-teens pricing “bodes well for that line of our business”
 - Expect a record political cycle this year ex Georgia run-off 4 years ago
- **Venu is expected to be accretive in short order and will be “revolutionary in the way Americans are going to view sport” ... “Remain incredibly excited about it”**
 - **Product update:** There's new beta release “practically every day” and the product is looking “excellent”; It will be “quite revolutionary in the way Americans are going to view sport”
 - **Pricing:** Think the \$42.99 as an initial launch price “really hits the right mark”
 - **Subs targets:** No change to the previous guidance for 5mn subs over five years, and it's “very important that those subscribers are focused on cord-cutters and cord-nevers”
 - **Timing?** Launched date is still “not 100% locked down” but have said this fall
 - **Economic impact?** “We're a two-sided relationship”, and on a “net-net basis, it should be accretive to us on a pretty quick basis”
 - As a shareholder, the business is going to take some time to get to CF breakeven; Share of ownership results will be recorded below EBITDA in equity earnings.
 - As a supplier of content, it will benefit affiliate fee revs in both cable and TV
- **Content spend will modestly go up, as the pendulum shifts back to more scripted**
 - **Expect to continue to grow content:** In FY24, the strike caused a shift to unscripted that was “amplified”; It will now “swing back a little the other way” towards scripted; Also, sports will go up, Tubi will grow content, and News will have modest growth

- **Focused on reducing the cost per hour:** Think FY25 will be down -10-15% vs F23
- **Strategic priorities include an increasing focus on M&A**
 - **Shareholder returns:** Returned \$1bn of capital through the buyback + a further \$250mn in dividend payments
 - Raised the semi-annual dividend by +3.8% to \$0.27 per share
 - **Forward strategy on capital allocation? Want to be prudent, organically investment in the business, return capital to shareholders and then increasing focus on M&A**
 - “Nothing to update in the later category but M&A remains an important lever”

5. WMG Pulls Ahead With A Favorable DSP Mix Vs Peers

What is going on in the subscription streaming market has been the key question during this earnings season for the Music sector. Earlier this cycle, Spotify reported more Paid streaming music subscribers than expected (see [Theme #5](#) from Weekly 7/26/24), while Universal Music Group missed Subscription streaming revenue growth estimates decelerated (to +7% y/y in Q2 from +12.5% y/y in Q1), as “other large [DSP] partners who have been less successful in driving global adoption have seen a slowdown in new subscriber additions” see [Theme #6](#) from Weekly 7/26/24). Warner Music Group (WMG) apparently is not exposed to those same large DSPs, given the Co pulled through and delivered stronger than expected results in its subscription streaming business (revs grew +14% y/y in FQ3 on a normalized basis, up from +13.5% in FQ2). Net-net, there are market share shifts going on in the subscription streaming landscape. A key message from WMG was that the relationship between the labels and DSPs is collaborative and that the Co is very open to working with DSPs, as they experiment with new go-to-market strategies aimed at growing the subscriber pie. Similar to trends seen with the rest of the players, WMG’s ad-supported streaming business was impacted by the cont’d “softer” ad market and tough comps.

The market opportunity ahead for subscription streaming is still viewed as robust, given global penetration figures. Price increases and optimization/tiering will also be key drivers looking ahead. AI regulation as it relates to music is moving in the right direction, with the NO FAKES Act introduced in the U.S. Senate last week.

Lastly, the Co talked in more detail about its recent re-org, which was “strategic” and not a “cost cutting exercise”. See below for more details on what we thought were most incremental and important from WMG’s results and conference call.

-> WMG rose almost 2% on the back of results but is still down -21% YTD; This compares to UMG down -14% and Spotify up +89% YTD

WMG’s Headline Results Broadly Underwhelmed Vs Expectations....

- **Headline numbers missed:** FQ3 total rev was down -0.6% y/y or up +1% ex-FX and missed cons by -0.4%; Adj OIBDA grew +6.4% y/y or +8% ex-FX, falling -2.3% short of cons
 - **Recorded Music revs decr’d -1% y/y ex-FX and missed by -0.7% and adj OIBDA missed by -0.5%**
 - BMG digital rev roll-offs was \$25mn unfavorable impact, and renewal of an int’l digital partner was \$3mn unfavorable impact
 - **Music Publishing revs incr’d +9% y/y ex-FX and beat by +0.6% while adj OIBDA missed by -6.3%**
 - The CRB rate incr provided a +\$7mn benefit to music publishing digital rev in the prior yr qtr

Warner Music Group (\$mn)	2024FQ3 Results		
	Actual	Cons Est	% Surp
Revenue	\$1,554	\$1,560	-0.4%
Adj OIBDA	\$316	\$323	-2.3%
Adj OIBDA Margin (%)	20.3%	20.7%	
Revenue Breakdown			
Recorded Music	\$1,251	\$1,260	-0.7%
Digital	\$882	\$888	-0.7%
Physical	\$120	\$118	1.5%
Artist Services & Expanded Rights	\$159	\$157	1.6%
Licensing	\$90	\$96	-6.0%
Music Publishing	\$305	\$303	0.6%
Digital	\$194	\$197	-1.6%
Performance	\$52	\$43	19.8%
Synchronization	\$42	\$43	-1.2%
Mechanical	\$13	\$16	-19.3%
Adj OIBDA By Segment			
Recorded Music	\$281	\$282	-0.5%
Music Publishing	\$79	\$84	-6.3%

Source: FactSet, StreetAccount



...BUT Subscription Streaming Growth Was A Relief (Given UMG's Previous Report)

- **Subscription growth once again underpinned overall Recorded Music streaming revenue growth of +10% y/y ex-FX (vs +11% y/y in FQ3)**
 - **Subscription streaming growth accelerated to +14% y/y on a normalized basis from +13.5% in FQ2 and +12% in FQ1**
 - Driven by subscriber growth that was “pretty consistent across their top DSPs and to a lesser extent price increases; A strong slate was also supportive
- **Looking to Q4, we see “continued strength in subscription streaming revenue”**
- **Refutes speculation that labels and DSPs have become adversaries:** “I know that investor attention has recently been focused on the dynamics between the labels and the DSPs, with some speculating that we're adversaries playing a zero-sum game. That's simply not the case. We're actively engaged with our partners around ways to drive growth for all of us”
- **Believe streaming dynamics remain healthy**
 - “We're pleased with the progress that our DSP partners are making” and the demand side is “very resilient”
 - “The demand side of our business is very resilient and very strong”
 - “We're not seeing any change in what's been happening in our revenue mix”
- **Deeply engaged with their DSP partners in 4 areas:**
 - Cont'd growth btw emerging and established mkts and taking different approaches w/in those
 - Price optimization, which includes family plans and various pricing increases, which “you've obviously seen play out over the last year or so and will continue to”
 - The evolution of royalty models and how the pie is divided
 - Audience segmentation w/ adding non-music content to the music offering
 - Very willing to experiment with partners... sometimes it will work and sometimes it won't
- **Still sees a lot of penetration opportunity of music subscriptions...they are still “really low”:** “I think they're overall about 15%. And there's a lot of headroom there to go from 700mn, 800mn subscriptions today to well over a billion over the next five years”; There's also still more sophistication and optimization to be done on price, as well as audience and product segmentation/innovation
- **Regarding DSP price increases:**

- **Will still face tough comps:** WMG is at the end of lapping YouTube's price increase but still has a bit of lapping of Spotify (those are the biggest)
- **Participation in Spotify's recent bundled services price increase?** "I can tell you that any assumption that a key anchor tenant such as us would not participate is not the best assumption to put it mildly"

Advertising Supported Revenue Will Remain Challenged In FQ4

- **Ad-supported revenue incr'd only +1% ex-FX, which is down from +5% y/y in FQ2 and +10% in FQ1**
 - The deceleration was driven by the "softer" ad market and a "challenging comparison" to the prior year qtr
- **Looking to Q4, ad-supported revenue will have challenging comparisons y/y:** Similar to what UMG flagged in respect to their business, Meta will no longer be making available premium music videos to WMG users; This change will have a ~\$10mn impact per qtr across both recorded music and music publishing starting in Q4
- **But optimistic regarding the ad-supported business – "It is a market that you want to be in":**
 - "It's addressable, it's on mobile devices, it's on tablets, it's on computers and it's on TV screens. It's not linear advertising that is not effectively targeted and you see the shift from sort of traditional advertising to obviously all the digital platforms"
 - "I think we are in the correct advertising market"
- **Still view Emerging Streaming as a growth category:** Meta changed its offering and moved away from premium music video licensing, but WMG's underlying relationship w/ Meta "is strong and growing"; Reels and Instagram are "growing well"; Remain excited about the category; TikTok stepped up as well
 - **"The category continues to be a growth category"**

The Executive & Company Re-Org Is A "Strategic Decision", NOT A "Cost-Savings Exercise"

- **The annnc'd reorg in recorded music creates a flatter structure:**
 - Will be 4 major regions in Recorded Music
 - Organizing the frontline labels into 2 groups
 - Warner Records will expand its responsibilities to oversee Warner Music Nashville
 - Atlantic Music Group will fold in recently acquired 10k Projects and Julie Greenwald is taking a new role as Chairman, with Elliot Grainge coming in as CEO
 - Strengthening the Co's central operations and this is a "strategic decision, not a cost-saving exercise"

AI Regulation Is Moving In The Right Direction

- **Bullish on the NO FAKES Act which was introduced in the US Senate last week:** This act strikes the right balance between propelling the next wave of technology-powered creativity, while safeguarding every American's right to control the use of their own image and voice in the age of AI
 - "We're making great progress with regulation and governments"
 - "You can see a lot more alignment within the music industry, but also within the content industry"
 - "We're very, very focused on this, we'll religiously defend our IP, our artists and songwriters' name and likeness"

Other Key Forward Looking Comments

- **Have an incredibly strong release slate for Q4 and going forward**
 - Closing the year with great new music coming from Coldplay, David Guetta, Benson Boone, Myke Towers, Cyril, Fred again, Diljit Dosanjh, and many others
 - "But I really want to also say that the performance of our catalog is strong and continues to be strong"
- **FY guidance (Sept 2024) reaffirms OCF conversion guidance of 50-60%**
- **Reiterated that BMG will have revenue impact in the -\$25-30mn range in FQ4, eventually rolling off completely in FY25**

6. Instacart Holds Its Lead In The Highly Sought After Online Grocery Delivery Market

Despite all the worry about more competition in the under-penetrated online grocery delivery market, Instacart delivered again with a +2% beat on revenue and a +16% beat on profitability (a similar dynamic with Q1 results as well). Importantly, gross transaction value (GTV) beat by +1% and logged a double-digit growth rate, topping the +7-9% growth guidance. Better than expected basket sizes were the main reason given the number of orders was lower than expected. Looking ahead into Q3, the Co's GTV guidance points to a slight potential deceleration, as there were some non-recurring benefits in Q2, but the top end would still represent double digit growth (+8-10%).

The big picture TAM remains attractive, as the grocery market has been slower than other verticals to digitize. Pursuing new customers remains central to Instacart's growth plan, but an interesting stat from the conference call was that 25mn people have used the Instacart service over the past year, which provides a huge pool to target for higher utilization. Mgmt is squarely focused on this. Also, normalization of the COVID cohorts seems behind the Co as well, which is a plus.

Advertising is a big part of the investment thesis for Instacart, and on that front, the Co outperformed in Q2. While some of the Co's large CPG advertising clients have pulled back (like last qtr), Instacart has been able to more than offset that with growth from emerging brands. New ad formats and enhanced measurement are yielding results.

Lastly, Instacart has been very active on the partnership front, and early data shows that the tie up with Uber Eats is working well. While it is not a big contributor to the Q3 guidance, it should help create a future flywheel for the Co.

See below for more of our key takeaways from Instacart's results and conference call.

-> CART rallied +2.8% on the back of results and is up +36% YTD (and up +6.3% from its IPO)

Instacart Delivers Another Better-Than-Expected Qtr...

- **GTV beat cons by +0.9%:** Grew +10% y/y in Q2 (slightly down from +11% y/y in Q1, but up from +7% y/y in Q4, +6% y/y in Q3, and +6% y/y in Q2); It also beat guidance of +7-9% growth
- **Total rev grew +15% y/y** and beat cons by +2.1%
 - **Transaction revenue grew +17.0% y/y** (vs +8% in Q1) and beat cons by +1.9%; driven by fulfillment efficiencies and the lapping of one-time retailer credits and concessions in the prior year quarter, partially offset by ongoing re-investment in consumer incentives
 - **Advertising & Other revenue grew +11.0% y/y** (vs 9% in Q1) and beat cons by +0.9%; Advertising & other investment rate was consistent with the prior year quarter at 2.8%.
- **Adj EBITDA grew +89% y/y** and beat cons by +15.6%; It was 2.5% of GTV (vs 2.4% in Q1)
- **Avg order values surprised on the upside (beat by +1.8%), growing +3% y/y while # of orders was slightly below expectations but grew +7% y/y**
 - **Drivers for higher AOV?**
 - New Customer Cohorts are reaching bigger baskets faster than prior cohorts
 - Existing customers continue to make larger purchases over time
 - Q2 saw a higher mix of club orders
 - Mgmt doesn't believe the higher AOVs reflects inflation as they continue to see price per item on an individual basis peaking and number of items troughing
- **Repurchased ~36.5mn shares worth \$1bn** representing 10%+ of fully digital shares outstanding at the end of 2023; Have total capacity of \$425mn left in existing authorization
 - Authorized a new \$500mn buyback program

Instacart	Q2 2024 Results		
	Actual	Cons Est	% Surp
Revenue (\$ mn)	\$823	\$806	2.1%
Transaction	\$595	\$584	1.9%
Advertising & Other	\$228	\$226	0.9%
Adj. EBITDA (\$ mn)	\$208	\$180	15.6%
Adj. EBITDA Margin (%)	25.3%	22.3%	
EPS	\$0.20	\$0.13	53.8%
Orders			
Orders (mn)	70.8	71.5	-1.0%
Average Order Value	\$116	\$114	1.8%
Gross Transaction Value (\$ mn)	\$8,194	\$8,120	0.9%

Source: FactSet, StreetAccount



Guidance Reflects Continued Strong GTV Growth With The High-End Reaching DD Growth

- **Q3 guidance for GTV y/y grow this +8-10% (to \$8.1-\$8.25bn)** and is expected to be driven more by orders than basket size; Reflects ongoing strength in the core service and a modest growth contribution from restaurant orders
 - **Reminder that H1 GTV outperformance benefitted from a number of one-timers:** Including Leap Day in February as well as some one-time seasonal benefits from bad weather
- **Q3 adj EBITDA guidance was ~in-line:** Mid-pt of \$205-215mn range compares to cons \$208mn
- **Implied adj EBITDA as a % GTV is a low of 2.5% and a high of 2.6%:** Q3 y/y growth will be driven primarily by adj OpEx leverage

Take Rates Have Expanded For The Last Couple Of Quarters, Though Q2 Showed A More Modest Expansion

- **Shopper Efficiency:** Mgmt is seeing shopper efficiencies in terms of the payments that the Co makes to shoppers due to order density and batch rates
- **The Co will continue to invest in targeted incentives and leaning into affordability options that allow people to schedule delivery later in the day or pick up orders for free, which shows up in the take rate**

Early Data Shows Benefits From Uber Eats Partnership... It Should Help Create A Flywheel

- **Instacart fully rolled out restaurants nationwide in mid-June, and Uber is ramping restaurant adoption** at a much faster pace than any new entrants be able to accomplish in grocery after years and billions of dollars of investment
 - Restaurant orders saw **higher average basket size** than those on other platforms
- **“Early data affirms our belief that restaurants can be incremental to grocery by attracting new customers to our ecosystem and increasing order frequency for existing ones, especially Instacart+ members... Longer term, we believe we can create a flywheel effect where restaurants help grow our grocery orders too”**

Positive Cohort Trends & Big Opportunity To Re-engage 25mn Customers That Have Used The Platform In The Past Year

- **All the cohorts, both mature and new, are healthy, and their behaviors have normalized as compared to 2023 during COVID:** “At this point... we're really pleased to see that both mature and new [cohorts] are healthy”
 - **GTV from new cohorts is still higher than pre-pandemic levels**
 - **New customer cohorts are reaching bigger basket sizes faster as compared to existing users**
- **Focused on deepening engagement with existing AND infrequent customers**
 - **25mn customers have used the platform in the last year:** “This gives us a tremendous opportunity to deepen engagement with infrequent customers while continuing to attract more new

users to Instacart”

- The Co is targeting these customers by not just through incentives, but also through promoting Instacart+ and connecting them to all of the affordability options that will build a habit as well
- **The Co also has high single digit millions of people that use the platform monthly and is trying to get them to increase from 5x a year to monthly and from 1x a year to 6x times a year, etc.**
- **Introducing new use cases, like restaurants, is driving both new users, new customer acquisition, as well as habituation of existing users**
- **Growth in Instacart+ subs is outpacing overall regular MAUs:** Instacart+ subs are still the majority of GTV (though no new specific sub numbers disclosed)
 - Faster growth of Instacart+ members vs regular MAUs translates into deeper penetration of Instacart+ within the Co's overall customer base
 - Addition of restaurants plus partnerships with Peacock, the New York Times, Home Depot, and Sally have helped; Instacart+ members will not just get grocery, but also restaurants, a lot of verticals in beauty, home improvement, etc.
 - **Partnership with Chase has also helped drive Instacart+ adoption, but it was not the biggest driver**

Not Seeing Much Change To The Competitive Environment

- **Instacart is still the category leader w/ 50%+ share of small basket, and 70%+ share of large baskets of ~\$75**
 - “We are not seeing much change to the environment”
- **Outperforming new entrants -**
 - **The Co activates larger baskets +5x better than new entrants**, which means that the Co bring multiples of GTV into the industry compared to these players
 - **Also converts a small basket customer into a large basket customer +5x better than new entrants**

Advertising Revenue Growth Cont'd To Accelerate Given Progress With Emerging Brands

- **Q2 Advertising & Other rev growth accelerated seq:** Grew +11% y/y in Q2 vs +9% y/y in Q1 vs +7% in Q4
 - **Q2 Advertising & Other investment rate** was consistent with the prior year quarter at 2.8%
 - **Growth was primarily driven by emerging brands** on the platform as the Co steadily grew the number of active brands to more than 6k
- **Outlook - Q3 ad revenue growth guidance** is to grow “largely in-line” with the GTV guidance (+8-10% y/y)
- **The Co's advertiser diversification strategy is working**
 - Like last qtr, still seeing large CPG brands pull back on advertising in general, though Instacart has not been the first platform they have pulled money from
 - BUT this is being more than offset by growth in Emerging brands
- **Innovation with new ad formats is yielding results**
 - Recipes, Occasions, and Bundles help brands showcase their products in relevant contexts
 - In the future, the Co is going to add advertising on Caper Carts, which will allow them to have ads inside the store and therefore have “a real portfolio of different advertising tools, both on its platform and outside of off its platform, making a real one-stop shop for CPG”
- **Portfolio of ad solutions (including YouTube as well as Meta's social platforms, like Facebook and Instagram) is uniquely attractive to CPG advertisers**
 - **Instacart data provides higher return on spend:** 1) One can go on Facebook or YouTube and target customers based on activity on Instacart; 2) The data can be used for closed loop measurement as a lot of 1P data has left these platforms w/ less sophisticated measurement capabilities
 - **Those ads create action:** They point CPG ads onto Instacart's page, so customers can directly buy the product right there and have the product in their hands in an hour

There Has Been Great Excitement With Caper Carts... They Expanded Internationally For The First Time

- **Recently announced its first ever international launch of AI-power Caper Cart in partnership with ALDI in Austria** as well as ALDI US, launching Carrot Tags and an in-store mode inside its apps
- **Other recent rollouts include:**
 - Rolled out more carts w/ Kroger and Wakefern
 - Launched new deployments w/ Price Chopper and McKeever's
 - Also secured new commitments from several local independent grocers like Davis Food & Drug, Neiman Family Markets, and Rosauers
- **Caper carts “represents the holy grail of advertising”:** Advertisers are very excited about it, and the Co wants to roll them out as fast as possible
 - “44% of Caper Cart sessions included at least one clipped coupon for one of our retailers, an early sign of how can drive purchase decisions from Caper Cart’s digital screen”
- **The Co has a “massive head start”**

7. Take-Two Is Laying The Foundation For “Tremendous Growth” In FY26 & FY27

Following EA's print last week (see [Theme #7](#) from Weekly 8/2/24 for more details), Take-Two's FQ1 earnings release this week helped round out the picture in the interactive entertainment space for investors. One of the more interesting excerpts from the call was Take-Two CEO Strauss Zelnick's comment that the “industry is back in growth mode”, with favorable trends in both the console and mobile markets, and this was reflected in the company's net bookings returning to positive y/y growth (+1.4% y/y in FQ1 vs -3.2% y/y in FQ4), though they still fell -3.3% short of consensus estimates. The mobile business stood out during the quarter, growing ~+msd% y/y in recurrent consumer spend (RCS) on the heels of strong performances from Match Factory! and Toon Blast. However, y/y declines in net bookings from the Grand Theft Auto (GTA) series and NBA 2K were a headwind, as players await upcoming releases of the next iterations of the franchises. Furthermore, the transition from gen 8 to gen 9 consoles continued to pressure net bookings as well.

Looking ahead, Take-Two reiterated its top-line guidance for FY25, despite the net bookings miss in FQ1. In addition to the launch of NBA 2K25 on September 6th, recent mobile releases, such as Star Wars: Hunter and Game of Thrones: Legends, have been well-received by the player community. Also, the inclusion of Gearbox and the Borderlands franchise in the company's results could help drive bookings moving forward, especially with this week's release of the Borderlands movie in conjunction with Lionsgate. Overall, while Take-Two's outlook on net bookings for both FQ2 and FY25 were weaker than the Street forecasted, there are clear signs that momentum has been building ahead of key launches, including for GTA VI, which is still planned for fall 2025. The company has also been making progress on cost cutting initiatives and will begin annualizing them more fully beginning in FY26 to drive improvements in margins. As a result, it is understandable that Take-Two is “as optimistic as [it] can be without overstating the case” about the “tremendous growth” ahead of the company in FY26 and FY27.

See below for more details on our key takeaways from Take-Two's FQ1 print...

-> *Take-Two shares rose +4.4% in reaction to earnings and closed the week up +0.8%; However, YTD, Take-Two stock is still trading down -10.0%*

There Were Some Puts & Takes W/ Take-Two's FQ1 Headline Numbers

- **Take-Two's headline FQ1 results were mixed, as net bookings missed but gross margin beat:** FQ1 net bookings grew +1.4% y/y (vs -3.2% y/y in FQ4) but fell -3.3% short of cons, while non-GAAP gross margin of 68.1% topped cons' 65.6%; Non-GAAP op margin of 2.4% missed cons' 2.8%, though adj EPS of \$0.05 beat cons' \$0.02
 - **Console net bookings (33% of total bookings):** \$405.4mn, down -3.3% y/y (vs -2.5% y/y in FQ4)
 - **Mobile net bookings (58% of total bookings):** \$709.3mn, up +2.9% y/y (vs +0.3% y/y in FQ4)
 - **Recurrent consumer spend (RCS) was lower than the Co anticipated:** RCS was flat y/y (vs -2% y/y in FQ4), missing the Co's expectations to rise ~+1% y/y; RCS accounted for ~83% of net bookings (vs ~79% in FQ4); Mobile incr'd ~+msd% y/y, but GTA Online and NBA 2K were both down

Take-Two Interactive (mn)	2025FQ1 Results		
	Actual	Cons Est	% Surp
Net Bookings	\$1,218	\$1,260	-3.3%
Non-GAAP Gross Margin (% of NB)	68.1%	65.6%	
Non-GAAP Operating Margin (% of NB)	2.4%	2.8%	
Adj EPS	\$0.05	\$0.02	150.0%
Bookings Metrics			
By Distribution Channel			
Digital Online	\$1,187	\$1,190	-0.2%
Physical Retail & Other	\$31	\$51	-39.3%

Source: FactSet, StreetAccount



Forward Guidance Underwhelmed The Street's Expectations

- FQ2 guidance missed on both the top and bottom-line:** The Co projects net bookings between \$1.42-1.47bn, representing flat y/y growth at the mid-pt and missing cons by -1.0%; The adj EPS range of \$0.35-0.45 was a wide -59.6% below cons at the mid-pt (and comps to FQ2:24's adj EPS of \$1.22)
 - The main expected drivers behind net bookings growth:** Include NBA 2K, the GTA series, Toon Blast, Match Factory!, the hyper-casual mobile portfolio, Empires & Puzzles, Words With Friends, the Red Dead Redemption series, and Merge Dragons!
 - RCS growth is projected to accel seq:** Anticipates RCS will increase ~+5% y/y (vs flat y/y in FQ1), assuming a ~+1dd% y/y increase in mobile, "flat results" for NBA 2K, and a decline in GTA online
 - OpEx growth is also forecasted to accel seq:** Sees OpEx growing ~+27% y/y on a mgmt basis (vs ~+12% y/y in FQ1), primarily driven by addtl mkting from Match Factory! and Game of Thrones: Legends as well as the addition of Gearbox, partially offset by savings from cost reduction programs
- The FY25 net bookings outlook was reaffirmed and lower than the Street expected:** The Co still anticipates net bookings will increase ~+5% y/y to \$5.55-5.65bn, which was -0.7% below cons at the mid-pt
 - RCS is still expected to grow ~+3% y/y and comprise ~78% of net bookings:** Assumes a ~+hsd% y/y increase for mobile, flat results for NBA 2K, and a decline in GTA online; The net bookings breakdown from labels is projected to be ~50% Zynga, ~32% 2K, ~17% Rockstar Games, and ~1% other
 - GAAP EPS losses are now expected to be worse:** Now sees GAAP EPS net losses of -\$4.33 to -\$3.95 (vs -\$3.90 to -\$3.50 prior), and the implied adj EPS range of \$2.35-2.60 was -4.4% lower than cons at the mid-pt
 - OpEx guidance was revised upwards:** On a mgmt basis, the Co now expects +10% y/y growth in OpEx (vs +7% y/y prior), mostly driven by the acquisition of Gearbox and to a lesser extent, higher mkting, personnel, and occupancy expenses
- Take-Two expects sequential increases in net bookings in FY26 and FY27 based on its "groundbreaking pipeline":** Notably, the Co previously anticipated a seq uptick in net bookings in FY25 as well but omitted this prediction during the call
 - Margin improvements are projected in FY26 and FY27:** In FY26, the Co will see an annualization of cost cutting initiatives and will also benefit from efforts to focus on the "most commercially successful" titles in its pipeline

Take-Two Interactive (mn)	Guidance Midpoint		
	Actual	Cons Est	% Surp
FQ2 Guidance			
Net Bookings	\$1,445	\$1,460	-1.0%
Adj EPS	\$0.40	\$0.99	-59.6%
FY25 Guidance			
Net Bookings	\$5,600	\$5,640	-0.7%
Adj EPS	\$2.48	\$2.59	-4.4%

Source: FactSet, StreetAccount



Take-Two's Key Franchises Experienced Some Pressure On Bookings W/ New Releases On The Horizon

- **The Grand Theft Auto (GTA) series beat Take-Two's expectations but slowed on a y/y basis:** Unit sales for GTA V "continue to grow", w/ the title selling-in 200mn+ units to-date, but net bookings in RCS for the title saw a y/y decline in FQ1
 - **GTA Online also surpassed the Co's internal projections:** Driven by the summer content pack, Bottom Dollar Bounties, which launched on June 25; Still, GTA Online RCS was also down y/y
 - **GTA+ grew "strong double-digits" y/y:** Though this appeared to be down from GTA+ almost doubling its prior yr qtr's membership numbers in FQ4; The recent addition of LA Noire has added to the "array of valuable benefits" that GTA+ offers members
 - **Color on GTA VI was limited:** Take-Two indicated that it doesn't comment on any specific ongoing development within the Co
- **NBA 2K24 "had a slight miss":** Flagged that the title's fewer than expected active users has been driven by lower sales of the Gen 8 unit; Nonetheless, "engagement remains strong", and users are "playing more frequently and participating in more games" vs NBA2K23 in the prior yr period
 - **Still, "NBA 2K24 delivered a solid qtr":** To-date the title has sold-in close to 11mn units (vs 9mn units at the end of FQ4)
 - **Take-Two is "not seeing any significant... impact" on NBA 2K from the success of college football:** That said, the Co "did take notice" of college football's success and pointed to its own history w/ college basketball w/ College Hoops 2K, though there's "nothing to announce now"
 - **Mobile continues to be a key growth channel for the franchise:** Particularly via "several innovative mobile experiences", including NBA 2K24: MyTeam, which is a free-to-play card-collecting experience that has been downloaded nearly 3mn times since launching in Feb
 - **NBA 2K24 Arcade Edition also "continues to enjoy huge success on Apple Arcade":** The title is "consistently a top-two game on the svcs"
 - **NBA 2K25 will officially launch on Sept 6:** The title will "set new standards of excellence and realism for basketball" in the industry; The Co will offer fans that preordered the ability to play up to two days early
- **Take-Two is "pleased w/ the performance of Red Dead Redemption 2":** Red Dead Redemption 2 has sold-in 65mn+ units to-date (vs nearly 64mn exiting FQ4), and Red Dead Online cont'd to engage audiences w/ new monthly bonuses and free outfits inspired by top content creators within the Red Dead community
- **WWE 2K24 "has cont'd to grow its audience and enhance profitability":** The title has seen "meaningful engagement" w/ the release of several content packs, and more are on the way; Players have logged 27mn hours of gameplay across 200mn+ matches to-date (vs 11mn+ hours across 110mn+ matches exiting FQ4)

The Mobile Biz "Is Really Performing" W/ Several "New, Great Titles"

- **"Zynga delivered another solid qtr":** Highlighted a "phenomenal performance at Peak", in particular, w/ Match Factory! and Toon Blast
 - **Match Factory! has been "scaling quickly":** Match Factory! saw net bookings growth of more than +50% y/y in FQ1; The title has established itself as "one of Zynga's largest contributors to net bookings" and has been responding well to investments in user acquisition
 - **The Co sees "even more growth opties ahead":** Driven by plans to add new features and updates to Match Factory!
 - **"Toon Blast delivered strong y/y growth for the third consecutive qtr":** The title became a top-10 grossing game in the US in FQ1, achieving \$2.5bn+ in lifetime gross bookings
 - **Star Wars: Hunters is "off to a really good start":** The title, which is the label's first-ever cross-platform title on Nintendo Switch, iOS, and Android devices, launched on June 4 and "received a tremendous amount of fanfare from media and audiences around the globe"; Addtl content is coming soon
 - **The Co continues to make progress on blended monetization efforts within Rollic's hyper-casual portfolio:** The Rollic games app surpassed 3.6bn all-time downloads (vs 3.5bn exiting FQ4)
 - **"Fan-favorite titles" Screw Jam and Twisted Tangle "both performed well:** The two titles respectively became the top-50 and top-100 grossing games on the US Apple App Store
 - **Game of Thrones: Legends has had a "positive" reception from players:** The title was released on July 25 and reached the top 10 in the overall Free Games category on both the US Apple App Store and on Google Play in the US
- **Zynga still has "numerous titles in development and soft launch", despite its recent releases:** Including the latest installment in its popular racing franchise, CSR Racing 3

- **Advertising “has been a very significant area of growth for Zynga since the acquisition:** The Co “think[s] that will continue” and will look to monetize a greater share of user engagement moving forward through advertising where it makes sense to “offer appropriate ad units”
- **DTC has been “an area of enormous growth for many of [the Co’s] titles”:** The DTC biz “continues to grow”, and the Co is “working actively to add more titles each qtr”; This channel has also “presented an enormous margin oppty” for Take-Two

Take-Two’s Pipeline Is “The Most Ambitious” One In The Co’s History

- **The Co has four major releases lined up for the remainder of FY25:** Including NBA 2K25 on Sept 6 as well as both WWE 2K25 and Sid Meier’s Civilization VII in FQ4:25; Dates for CSR Racing 3, Judas, and Tales of the Shire: A Lord of the Rings Game have yet to be announced
 - **GTA VI is still slated to launch in fall CY25**

Other Highlights

- **“Our industry is back in growth mode”:** Highlighted that console bizs for software are up ~+1sd% and that mobile has incr’d ~+msd%, “so there are tailwinds”
 - **A recession is “not a current concern”:** Although the latest jobs report revealed “people have left the workforce”, the Co is “not particularly worried from one report that we’re heading into some kind of recession”; The biz is cyclical, but the Co believes the “entertainment biz is pretty resilient in such a situation”
- **Take-Two has “identified many potential growth optties for the Borderlands series and Gearbox’s catalog”:** Also underscored the imminent box office debut of the star-studded Borderlands feature film from Lionsgate, w/ the hope that “audiences will enjoy experiencing the series’ vibrant and character-driven world on the big screen”

8. After Q1’s Net Income Detour, Uber Is Back On Course

After a surprise loss in Q1 due to equity investments and legal settlements hitting the bottom line sent Uber’s stock into the red in reaction, it was smooth sailing across headline numbers this qtr, as gross bookings, revenue, and adj EBITDA all came in above expectations. Additionally, all-time records were set across adj EBITDA, MAPCs, and FCF. Looking into Q3, profitability guidance was in-line with consensus, while gross bookings was slightly below at the midpoint, partially due to FX headwinds.

More broadly, given the chatter around uncertainty in the macro environment and the impact on consumer behavior, it was a relief to see that Uber is not seeing any softness or trading down across any income cohort and is “confident that Uber can perform well” in the case of a potential recession “because of the countercyclical nature of our platform.”

Uber has been pushing into new areas across its core Mobility and Delivery business, and those expanded service offerings and strategic partnerships have been coming into focus, as they increasingly play a bigger part in the overall growth strategy. The addition of services like Uber Caregiver, scheduled UberX Share rides, Uber Shuttle, and a plethora of others have contributed to an increase in multiproduct usage. 35% of Uber consumers are now engaging with multiple services, and multi-product consumers spending 3x more than other consumers.

Also a big focus of the call amongst both management and analysts was Uber’s autonomous vehicle (AV) initiatives. AV ridership in the quarter up over +6x from the yr-ago period via 10 partnerships across different segments, including Alphabet’s Waymo, Volvo, Aurora Innovation, and self-driving truck startup Waabi. This is just the beginning, and they “remain confident that we are the best partner for the commercialization of AVs and are driving better economics for the AV ecosystem overall”

Other key stats to come out from the results included advertising revenue exceeding a \$1bn run rate in Q2 and that the basket size of orders originating on Instacart (through its partnership with Uber Eats) are coming in an average of +20% larger than native Uber Eats orders (see [Theme #6](#) for more on Instacart’s results)

There was a lot of ground to cover this quarter – see below for our drilldown of what we thought was most important.

-> Lyft also reported and while revs and adj EBITDA beat cons by 3.6% and 4.9% respectively, gross bookings was ~1% below. Also, Q3 adj EBITDA & gross bookings guidance were both weaker than expected though mgmt reiterated the FY outlook

-> Uber traded up a strong +11% while Lyft shares traded down a strong -17% in reaction to earnings; YTD, Uber is up +11% while Lyft is down -35%

Q2 Headline #s Show Uber Is Revving On All Cylinders

- **Gross Bookings beat by +0.8%:** Grew +19% y/y or +21% y/y ex-FX (vs +20% y/y or +21% y/y ex-FX in Q1)
 - **Trips beat by +1.3%:** Grew +21% y/y (in-line with last qtr) to 2.8bn, driven by both Mobility and Delivery growth
 - This is the sixth consecutive qtr of y/y trip growth above 20%
 - **Frequency (monthly trips per MAPC) reached an all-time high:** Grew +6% y/y (in-line with last qtr) to 5.9
 - Frequency #s for both Mobility and Delivery are “very, very constructive”
 - Frequency of lower-cost products (i.e., UberX Share, Hailables, two-wheelers, three-wheelers, etc.) is “significantly higher”
- **Revenue beat by +1.2%:** Grew +16% y/y or +17% y/y ex-FX (vs +15% y/y or +15% ex-FX in Q1), which includes a 7ppt y/y headwind related to business model changes
 - **Take rate beat:** Came in at 26.8%, which was above cons 26.5% (Mobility beat, while Delivery missed)
- **All-time high adj. EBITDA beat cons by +4.0%:** Grew +71% y/y to \$1.6bn (vs +82% y/y to \$1.4bn in Q1)
 - **Record adj. EBITDA margin** of 3.9% of Gross Bookings
- **Users reached an all-time high:** MAPCs (Monthly Active Platform Consumers) grew +14% y/y (a slight decel from +15% y/y in Q1) to reach 156mm (up from 149mm in Q1), driven by cont'd improvement in consumer activity for both Mobility and Delivery offerings
- **Another qtr of record FCF:** \$1.7bn in Q2; \$4.8bn for the TTM

Uber	Q2 2024 Results		
	Actual	Cons Est	% Surp
Total Gross Bookings (\$ mn)	\$39,952	\$39,630	0.8%
Revenue (\$ mn)	\$10,700	\$10,570	1.2%
Adj. EBITDA (\$ mn)	\$1,570	\$1,510	4.0%
Adj. EBITDA Margin (%)	3.9%	3.8%	
EPS	\$0.47	\$0.31	51.6%
By Segment (\$ mn)			
Mobility Gross Bookings	\$20,554	\$20,280	1.4%
Mobility Rev	\$6,134	\$5,930	3.4%
Mobility Adj EBITDA	\$1,567	\$1,550	1.1%
Delivery Gross Bookings	\$18,126	\$18,050	0.4%
Delivery Rev	\$3,293	\$3,340	-1.4%
Delivery Adj EBITDA	\$588	\$573	2.6%
Freight Gross Bookings	\$1,272	\$1,290	-1.4%
Freight Rev	\$1,273	\$1,300	-2.1%
Freight Adj EBITDA	-\$12	-\$13	11.7%
User Metrics (mn)			
Monthly Active Platform User (MAPC)	156	154.1	1.2%
Trips	2765	2730	1.3%
Take Rate	26.8%	26.5%	
Mobility	29.8%	29.1%	
Delivery	18.2%	18.4%	

Source: FactSet, StreetAccount



Q3 Guidance Was Generally In-Line With Expectations, Though FX Will Be A Headwind

- **Q3 adj EBITDA guidance was in-line w/ cons at the midpoint:** \$1.58bn-1.68bn vs cons \$1.63bn (+45%-54% y/y growth)

- **Gross Bookings slightly missed at the midpoint, impacted by FX:** \$40.25bn-41.75bn vs cons \$41.18bn (+18-23% y/y growth)
 - Assumes ~4ppt currency headwind to total reported y/y growth, including a ~-7ppt currency headwind to Mobility's reported y/y growth (Mobility gross bookings expected to be a "sort of repeats in that mid-20s range")
 - Recent strengthening of the US dollar versus other currencies represents an over -\$400mn expected headwind to Q3 Gross Bookings, which is included in the outlook

How Will Uber Perform In A Recession? "Based On What We're Seeing Today, The Uber Consumer Is In Great Shape"

- Audience is "bigger than ever and using our services more frequently than ever"
- "While our consumers tend to be higher income, we're not seeing any softness or trading down across any income cohort"
- **Despite concerns about consumer spend in restaurant and delivery, they are NOT seeing any impact:** "Was surprised to learn how sticky the food delivery business is. It is very habitual. And we've got great data that shows that stickiness is improving"
- **Typically, a weaker job market = mobility driver supply "significantly improves":** "As driver supply improves, surge comes down, ETAs improve, the service itself becomes more compelling and as a result, volumes typically turn out to be quite sticky"
- "Were the current macroeconomic fears [to] materialize, we're confident that Uber can perform well because of the countercyclical nature of our platform"

Efforts To Build Healthy Driver Supply Continue To Bear Fruit

- Uber's platform supported a record 7.4mn monthly drivers and couriers in Q2
- **Drivers and couriers earned an aggregate \$17.9bn (including tips), with earnings up +19% y/y on +23% y/y ex-FX** (vs an aggregate \$16.6bn in Q1, with earnings up +22% y/y or +24% y/y ex-FX)
- **Key driver stats on the Mobility front –**
 - Mobility supply hours per driver reached an all-time high
 - Y/Y growth in active drivers outpaced Mobility Gross Bookings
- **Scaling up vehicle access program as part of driver growth efforts**, which allows drivers to receive discounts on vehicle purchases or rentals
- **Drivers want electric vehicles & Uber annnc'd agreement w/ BYD to bring 100k+ new EVs onto the Uber platform** across key global markets, starting in Latin America and Europe
 - **Uber drivers are switching over to electric at +5x the speed that normal drivers are:** "If there's any driver that you want to switch over to EVs, it's an Uber driver because Uber drivers also drive around 5 times the miles of a regular driver"
 - **"The number one reason why some drivers hesitate to move over to EVs is affordability:** ... And the fact is that BYD, when you look at cost and quality, BYD is really second to none in terms of any manufacturer out there"
 - **"It's a very targeted segment that we're going after and we're hoping that [...] governments can help us go after as well"**

Strength In Mobility Is Poised To Continue, Fueled By New Products And Expansive TAM Oppty

- **Mobility had a "standout" qtr**
 - **Gross Booking growth accelerated to +27% y/y ex-FX**, up from +26% y/y ex-FX in Q1, due to continued penetration into new geographies and use cases, alongside continued frequency growth
 - **Growth was consistent across use cases, and geographic strength** was led by LatAm and APAC, in particular Brazil, Australia, and India
 - **Revenue growth decelerated seq to +25% y/y**, down from +29% y/y and beat cons by +3.4%; The y/y increase was primarily attributable to an increase in Mobility Gross Bookings due to an increase in Trip volumes; Biz model changes negatively impacted Mobility rev margin by 190bps in the qtr
 - **EBITDA margin decelerated seq to 7.6%**, down from 7.9% in Q1 but up from 7.0% in the yr-ago qtr; Margin improvement y/y was primarily driven by better cost leverage from higher volume

- **Still sees “a pretty massive TAM that we can go after”**
 - Monthly penetration of consumers is <20% across their Top 10 countries, so “a lot of room to run there”
 - About half of their riders takes 1-2 trips month, so “plenty of upside there”
- **35% of Uber consumers now use multiple products, up +4ppts y/y**
 - **Continue to make improvements to the travel experience –**
 - Scaled new pricing and matching algorithms that have “meaningfully” improved reliability at airports, esp at peak times
 - Made improvements to in-app experience, including landing notifications and clearer step-by-step directions to pick up zones
 - Introduced new travel-focused products like Uber XXL, which includes vehicles that can fit extra luggage
 - **Continue to add new svcs and features to the platform:** Including Uber Caregiver, scheduled UberX Share rides, Uber Shuttle, and Uber for Business delegate profiles
 - **“Newer products are growing faster than the base business”**
 - **Uber for Business Gross Bookings growth accelerated y/y**, and now support 200k+ organizations around the world
 - **Moto continues to be “especially strong,” with trips doubling y/y:** 40%+ of Moto riders are upsold to other Mobility products
 - If the Moto business in Brazil was considered its own country, it would be their fifth largest in terms of Mobility trips

“Clearly Seeing The Benefits Of Scale As It Runs Through The Delivery Business”

- **Solid growth across Delivery**
 - **Gross bookings growth grew +17% y/y ex-FX, in-line w/ the last 2 qtrs**, driven primarily by unit volume growth
 - Saw “healthy” order growth across income cohorts in the US, with items per order up in the majority of their markets
 - Gained category position across all their top markets y/y, based on third-party data
 - **Revenue accelerated seq and grew +8% y/y**, up from +4% y/y in Q1; The y/y increase was primarily attributable to an increase in Delivery Gross Bookings due to an increase in Trip volumes
 - **Adj EBITDA margin of 3.2% was a continued step up** from 3.0% in Q1 and 2.8% in Q3 and was also up from 2.1% in the yr-ago qtr; Margin improvements y/y was primarily driven by better cost leverage from higher volumes and increased Advertising rev
 - **Take rate of 18.2% was slightly below cons 18.4%**
- **Key stats on Delivery users -**
 - **# of first-time consumers on Uber Eats in the US in Q2 was higher than at any point over the past 5 qtrs**
 - **Delivery is benefiting from Uber One**, which now covers 50% of Delivery gross bookings
- **“We believe we are strongly positioned in our category as well as the overall industry for several reasons”**
 - **Selection – “We are still nowhere near full penetration”:** # of merchants on the platform increased +13% y/y and currently have 1mn+ active merchants; Merchant penetration in most countries is still “very low, well under 50%”; Believe they can continue to grow merchant inventory 10%+ per year “for many years to come”
 - **Affordability - Made “significant” progress in making delivery more affordable for consumers:** Through higher merchant-funded offers (up 70%+ y/y ex-FX), lower avg delivery fees, and higher membership penetration (now 50% of Delivery Gross Bookings)
 - **Merchant churn “remains stable”**
 - **In a “potentially weaker consumer environment,” their platform creates “incredible” flexibility for merchants** to use promotions and/or advertising to drive conversion of traffic to their storefront
 - **Sponsored listings vs merchant-funded offers?** Sponsored listing biz is more profitable for Uber, but merchant-funded offers are a “very important strategic part of our drive to improve the affordability of the overall marketplace”; Increasingly working with merchants to be able to move money from sponsored listings to merchant-funded offers in a “back-and-forth and targeted way to achieve what their goals are”
 - **Profitability – Continue to fundamentally improve unit economics as they lower cost per transaction:** Through algorithmic improvements and more efficient batching, growing advertising

revenue, increasing multi-product usage, improving promotion efficiency, and delivering fixed-cost leverage

- **“We are not having to buy our way into strong volumes. We’re kind of earning our way into strong volumes”**
- **Update on Instacart partnership – Initial trends are “encouraging”**
 - **Reaching new audiences:** Highlighted less densely populated areas, in particular, where Instacart’s “highly engaged user base” has been additive to Uber’s
 - **Larger basket sizes:** Avg basket size of orders originating on Instacart is +20% larger than native Uber Eats orders
- **Made “great progress” in Grocery & Retail and see “clear path” to EBITDA profitability (did not provide timeline) through improved unit economics**
 - **15% of Uber Eats customers now use Grocery**, up ~+200bps as of the middle of the yr
 - Retention is also improving
 - **Deepened selection**, with active merchants up +9% y/y
 - **Improved reliability**
 - **New/expanded partnerships –**
 - **Expanded partnership with Costco**, which is expected to help them reach new audiences in the suburbs and drive larger basket size
 - **The Vitamin Shoppe, GNC, and Save A Lot** in the US
 - **7-Eleven** in Mexico
 - **Expanded selection with Rite Aid** to include alcohol delivery
 - **Strengthened partnership with Lawson convenience stores** in Japan
 - **“Grocery & Retail TAM is actually bigger than the online food delivery TAM, so not only do we believe we’ve got a long runway in online food delivery, but we’re just getting started as it relates to Grocery & Retail”**

Uber’s Nascent Advertising Biz Is Entering Its Next Stage And Reached A Milestone

- **Advertising business reached a revenue run rate of \$1bn+ in Q2**
- **Continue to see “strong” adoption of Sponsored Listings on Uber Eats, particularly among enterprise advertisers**
- **Enterprise brands - Advertiser retention and spend per advertiser are both up:** Investments in custom measurement, attribution tools, and growing their commercial sales organization have driven many enterprise brands to move from ad hoc campaigns to evergreen spend
- **Grocery & Retail - Seeing “strong” global momentum in Sponsored Items and CPG display advertising, just 12 months after launch**
 - **Ad spend in Grocery & Retail more than tripled y/y**
 - **Think that gross bookings through advertising can be “well over 2%,”** based on what we see in terms of competitors, what we see in terms of what Amazon is doing”
- **Delivery – “We’re a bit over 1% of gross bookings through advertising. We had a target of 2-plus-percent. We think that target is certainly achievable”**
 - Focus with sponsored listings is increasing the # of monetizable impressions per user session through introducing new ad formats and placements and increasing the monetization of search in a way that doesn’t hurt the core consumer experience
- **Mobility - Advertising growth remained “strong,”** especially as advertisers in more markets adopted video Journey Ads following last quarter’s expansion
 - **Seeing “very strong” ad engagement from riders:** Click-through rates are 2.5%+ compared to industry averages that are <1%
 - **Expanded Journey ads to programmatic buyers:** Including Google DV 360, The Trade Desk, and Yahoo, making the premium ads surface available to more advertisers through their preferred demand-side platforms

Uber One Expansion In Membership And Offerings Continues

- **Uber One member base is at an all-time high**, as they saw “strong” returns from campaigns across all of their top 3 markets

- **Member retention and Annual Plan adoption also continued to increase y/y**, as they launched new features like cancellation-flow improvements and subscription-renewal nudges
- **Offering Uber One in more countries:** Launched in Guatemala, El Salvador, and Panama in Q2
- **Expanding Uber One for Students to other countries later this yr:** Launched for \$4.99/mo or \$48/yr across the US in Q2, with more country launches coming this year.
- **“Remain focused” on improving the Uber One value proposition through members-only exclusives** like discounted rides on Mobility and membership-gated items on Delivery

Continue To Get Ahead Of AV Oppty – “Uber Will Be An Indispensable Partner For AV Players Of All Sorts”

- **Grew AV trips by +6x y/y**, via 10 partnerships across Mobility, Delivery, and Freight
- **Launched airport curbside drop off w/ Waymo** at Phoenix Sky Harbor International Airport
- **AV partners are seeing high rates of utilization on Uber:** Helping AV providers manage “the daily and weekly peaks and valleys of ride-hail activity” so they “can ensure as close to full utilization as possible”
 - **“Uber can provide enormous demand without AV players needing to invest capital towards acquiring customers or building the marketplace tech that delivers reliability at the standard that consumers have come to expect”**
- **In “late-stage discussions” with addt’l global AV players to join their platform in the coming weeks and months**
- **BYD partnership is also an oppty – “I would make a bet on them in AV as well”:** “BYD has committed to very, very significant investments in the AV space and judging from what they have accomplished in the EV space...the investment that they’re making in AV is in the billions, and we’re very much looking forward to partnering with them on both EVs and AVs”
- **Profitability within AV business? Not anytime soon:** “AV is not something that we’re going to look to make substantial profits from over the next 5 to 10 years. And that’s just fine because we’ll be able to build a lot of liquidity in the marketplace to kind of continue along the path that we have been operating in over the past five years”
- **“We remain confident that we are the best partner for the commercialization of AVs and are driving better economics for the AV ecosystem overall. We’ll have more to announce in the coming months”**

Quick Incremental Updates On Freight Business

- **Gross Bookings were flat y/y**, which is up from -9% y/y in Q1; Q2 results were driven by an increase in loads, offset by a decrease in revenue per load as a result of the challenging freight market cycle
- **Deepened partnership with Aurora by launching Premier Autonomy**, an industry-first program to democratize access to driverless trucks for carriers of all sizes
- **Enhanced procurement platform** to enable carriers to use intelligent search, bidding, upfront pricing, and automated tendering for spot freight fulfillment
- **Expanded Uber Freight’s presence in Mexico**, which will help facilitate cross-border efforts

9. EXPE/ABNB: Further Data Points Regarding Slowing Travel Demand Heading Into H2:24

Hot on the heels of Booking’s lackluster print last week (see [Theme #10](#) from August 2nd Weekly), Expedia and Airbnb were next up for the OTA industry this week with their Q2 releases. Amid growing macroeconomic headwinds and a slowdown in travel demand that has only become more exacerbated thus far in Q3, the two companies posted stronger than anticipated EBITDA margins but saw their top-line results diverge relative to consensus estimates. On the more traditional side of the online travel space, Expedia’s gross bookings surprised

to the upside, accelerating to +5.5% y/y (from +2.6% y/y in Q1). The company pointed to a combination of market share gains and a “substantial improvement” in Vrbo as the main drivers behind its beat on gross bookings, highlighting in particular how a focus on “traffic, conversion, attach rates and marketing efficiency” has been “showing solid early results”, with traffic growth across its three core brands of Expedia, Hotels.com, and Vrbo accelerating sequentially by ~+500bps. Also, while Expedia acknowledged pressure on ADRs from “continued softness” in air ticket and car rental prices, something that Booking also flagged on its call, the company felt that the overall travel environment remained “healthy” in Q2.

That said, Expedia's tone regarding the macroenvironment underwent a notable change when discussing its outlook for decelerating top-line growth in Q3. The company has seen some incremental “softness in demand” to start the quarter, and although demand has been normalizing on a global basis, with “consumers trading down to lower priced properties”, this trend has been mostly “US-focused”. In Expedia's B2C hotel business, booking windows also started to shorten “just a little bit” in July, which was the first time the company has seen this occur “in a while”. However, despite these mounting obstacles as well as recent regulatory setbacks in California that will likely weigh on bookings growth, Expedia plans to lean further into marketing investments for Vrbo and its international expansion efforts in H2:24. As a result, the company anticipates ~-100bps of deleverage to its EBITDA and EBIT margins in Q3 but still maintained its FY24 guidance to be “relatively in line with last year's levels”, given initiatives to drive more direct business.

In contrast to the “recovery” seen in Expedia's Vrbo vacation rental business, growth in Airbnb's gross booking value decelerated sequentially and fell short of consensus expectations. According to management, a shrinking booking window was one of the main reasons for the miss, as travelers have been less willing to book stays months in advance in an effort to secure the best properties. However, last-minute bookings have still been “incredibly strong”, suggesting that people aren't necessarily forgoing the trips entirely. Airbnb also hasn't noticed any evidence of a trend toward trading down to less expensive listings, as “stronger demand from higher economic demographics” for higher-end properties has been a “big driver” of the company's growth in ADRs. Still, Airbnb's Q3 guidance left some room to be desired, with y/y growth in revenue expected to decelerate more than the Street anticipated and y/y growth in room nights also predicted to decline sequentially. Along with shorter booking lead times globally, there's been “some signs of slowing demand from US guests”, and the company believes the new pricing display regulations in California will pose a material headwind as well.

See below for more on our key takeaways from Expedia and Airbnb's Q2 prints:

-> *Expedia shares jumped +10.2% in response to earnings, closing the week up +12.6%; Airbnb shares dropped -13.4% in reaction to earnings and ended the week down -10.3%; YTD, Expedia stock is still trading down -14.3% and Airbnb stock is down -15.5%*

Headline Results Mostly Outperformed Expectations

- **Expedia – Headline numbers broadly exceeded expectations:** Q2 gross bookings rose +5.5% y/y (vs +2.6% y/y in Q1) and closed +0.4% ahead of cons; Rev grew +6.0% y/y (vs +8.4% y/y in Q1) and beat cons by +0.8%; Adj EBITDA topped cons by +4.9%; Adj EPS of \$3.41 beat cons by +10.4%
 - **Adj EBITDA margin topped consensus forecasts:** Q2 adj EBITDA margin of 22.1% was down -10 bps y/y (vs -690 bps y/y in Q1) and came in above cons' 21.2%
 - **Cost of sales fell -11% y/y (vs -13% y/y in Q1)**, as “ongoing initiatives are delivering transactional efficiencies”; Still sees “a lot of opties to continue to drive efficiencies there”, including in both merchant fees and operations, “whether it's in AI and technology, and all sorts of things”
 - **Direct sales & mkting expense incr'd +14% y/y (vs +11% y/y in Q1)**, driven by higher commissions to partners from strong growth in the B2B biz, as well as a planned ramp in mkting spend in Vrbo and international markets to drive incremental growth

Expedia (\$mn)	2024Q2 Results		
	Actual	Cons Est	% Surp
Gross Bookings	\$28,837	\$28,710	0.4%
Revenue	\$3,558	\$3,530	0.8%
Adj EBITDA	\$786	\$749	4.9%
Adj EBITDA Margin (%)	22.1%	21.2%	
Adj EPS	\$3.51	\$3.18	10.4%
Revenue By Segment			
B2C	\$2,432	\$2,450	-0.7%
B2B	\$1,049	\$998	5.1%
Trivago	\$70	\$82	-14.4%

Source: FactSet, StreetAccount



- **Airbnb – Headline results were mixed relative to consensus estimates:** Q2 gross bookings incr'd +11.0% y/y (vs +12.3% y/y in Q1) and missed cons by -0.3%; Rev grew +10.6% y/y (vs +17.8% y/y in Q1) and beat cons by +0.3%; Adj EBITDA rose +9.2% y/y (vs +61.8% y/y in Q1) but still topped cons by +3.6%
 - **Adj EBITDA margin was better than expected:** Adj EBITDA margin of 32.5% was down -50bps y/y in Q2 (vs +540 bps in Q1) but still topped cons' 31.5%; H1:24 sales & mkting expense was flat y/y

Airbnb (\$mn)	2024Q2 Results		
	Actual	Cons Est	% Surp
Gross Booking Value	\$21,200	\$21,270	-0.3%
Revenue	\$2,748	\$2,740	0.3%
Adj EBITDA	\$894	\$863	3.6%
Adj EBITDA Margin (%)	32.5%	31.5%	
Other Key Metrics			
Nights & Experiences Booked (mn)	125.1	126.6	-1.2%
GBV per Night	\$170.00	\$168.17	1.1%

Source: FactSet, StreetAccount



Both Expedia & Airbnb Will Look To Invest In Mkting Amid Slowing Top-Line Growth In Q3...

- **Expedia – Top-line growth is projected to decel slightly more than the Street expected seq:** Q3 bookings and rev are expected to grow +3-5% y/y (vs +5.5% y/y and +6.0% y/y, respectively, in Q2), missing cons by -0.2% and -0.7% at the mid-pt
 - **Drivers behind the seq decel in top-line growth:** Cited a “more challenging macroenvironment and a slowdown in travel demand”, as well as “headwinds from new pricing display regulations” in California that were effective July 1
 - **ADRs are expected to decline on a like-for-like basis in Q3:** Due to FX headwinds, consumers trading down, and “cont'd to softness in air ticket prices”
 - **Adj EBITDA margins will be under pressure:** Anticipates ~-100bps of deleverage to Q3 adj EBITDA and EBIT margins, driven by marketing investments in Vrbo and international markets as well as the expected decel in top-line growth
- **Airbnb – Q3 rev growth is forecasted to decel more than the Street anticipated:** Expects Q3 rev between \$3.67-3.73bn, representing a +8.9% y/y increase (vs +10.6% y/y in Q2) at the mid-pt and missing cons by -3.6%; This includes a “modest” FX headwind
 - **Implied take rate (rev divided by GBV) is expected to be higher on a y/y basis:** Primarily due to the timing of bookings and cross-currency transaction fees, partially offset by investments in customer svcs
 - **Y/Y growth in room nights is projected to decel seq:** Cited “shorter booking lead times globally” as well as macro headwinds in North America; Still, LatAm and APAC “continue to be [Airbnb's] fastest growing regions”

- **ADR is expected to increase “modestly” on a y/y basis:** This implies ~similar growth compared to Q2’s +2.1% y/y increase and will likely be driven by “mix shift appreciation”
- **Adj EBITDA will “approximate” levels seen in Q3:23 on a nominal basis:** That said, anticipates that adj EBITDA margin will decline y/y, w/ growth in mkting expenses expected to outpace rev growth, partially due to timing and investments in new growth mkts

... Though FY24 Adj EBITDA Margin Guidance Was Still Reiterated

- **Expedia – Gross bookings are now expected to be at the low-end of the Co’s prior FY24 guidance:** Now forecasts gross bookings growth of ~+4% (vs ~+msd-hsd% y/y prior range); Before that, Expedia originally guided to gross bookings growth to be “relatively in-line” w/ 2023’s +9.5% y/y rate
 - **Rev growth is projected to be ~+2ppts above gross bookings growth at ~+6% y/y**
 - **EBITDA and EBIT margins are still forecasted to be “relatively in-line” w/ last yr’s levels**
- **Airbnb – FY24 adj EBITDA margin is still projected to be “at least” 35%:** This is down from 2023’s 37% but provides the flexibility to invest in incremental growth opties over the course of the yr
 - **Also continues to expect to deliver an FY24 FCF margin “several points” above its EBITDA margin**

Macro Comments Underscored A Normalization Of Travel Trends

- **Expedia – “The more recent mkt environment is challenging”:** Although the “travel environment was healthy” in Q2, despite “cont’d pricing pressure for air and car”, the Co has “seen some softness” thus far in Q3, as “global demand normalizes and “consumers [trade] down to lower priced properties”
 - **Slowing demand has been “mostly” US-focused in Q3:** Expedia’s room nights grew ~+msd% y/y in the US compared to ~+ltd% y/y growth in Europe and ~+high-teens% y/y growth in RoW
 - **... Though the Co has “seen a couple other areas” w/ some softness as well,** including “a normalization of... growth in particular in Asia”
 - **Booking windows in the B2C hotel biz started to shorten “just a little” in July:** This was the first time the Co has seen this trend “in a while”, as B2C hotel booking windows were slightly higher y/y in Q2; On the Vrbo side, booking windows have been “shortening for a while”
- **Airbnb – There has been “very much [a] return to normal” in booking windows:** Avg booking windows in Q2 were “within one or two days” of Q2:19’s levels; People were “eager to travel” in 2022-2023 and booked trips far out in advance to secure the most attractive listings, but now that behavior has shifted back to pre-pandemic norms
 - **Highlighted “minor softness” in bookings a month or more in advance...:** Noted that a “macro headline”, such as a new COVID variant or the outbreak of war in Israel, can cause “hesitancy” among travelers
 - **... BUT “last-minute bookings are incredibly strong”:** Suggests that consumers just haven’t booked trips for Thanksgiving or Christmas yet, not that they will forego them entirely
 - **Still, “people are choosing more expensive or larger properties”:** This has been a “big driver” of increases in ADR, as the Co has been seeing “stronger demand from higher economic demographics”
 - **Airbnb hasn’t “really seen a material move toward trade downs”:** Emphasized that declines in avg length of stay have solely been driven by higher growth in short-term stays and “less so people choosing a three-day trip vs a four-day trip”

An Improvement In Expedia’s Consumer Biz Drove An Accel In Gross Bookings

- **Expedia – Gross bookings growth accel’d seq and topped the Street’s estimates:** Total gross bookings rose +5.5% y/y in Q3 (vs +2.6% y/y in Q1) and beat cons by +0.4%; Flagged double-digit room night growth, a “substantial improvement” in Vrbo, as well as “cont’d strength” in Brand Expedia, the advertising biz, and B2B
 - **Mkt share gains contributed to a seq increase in lodging gross bookings growth:** Q2 lodging gross bookings were up +8.3% y/y (vs +4.0% y/y in Q1), driven by the hotel biz growing +11% y/y (vs +12% y/y in Q1) and the improvement in the Vrbo biz; The Co held or grew share in “virtually all of [its] key mkts”
 - **Consumer gross bookings rose +1% y/y:** This marked a nearly +400bps seq improvement and came even despite “some y/y mkting leverage” in the consumer biz, excluding investments in Vrbo and int’l mkts
 - **A focus on traffic, conversion, attach rates, and mkting efficiency has been “showing solid early results”:** Traffic growth across the Co’s three core brands, Expedia, Hotels.com, and Vrbo, accel’d seq by ~+500bps; Also, conversion rates cont’d to improve
 - **Price reductions are “certainly driving conversion” for the Co:** Implemented these toward the end of Q2 and will continue to do them moving forward

- **It was “another strong qtr” for B2B bookings, which grew +20% y/y:** This represented a -200bps decel due to macro headwinds, similar to the prior qtr; Nonetheless, “all of [Expedia’s] partner segments grew well, and as always, a significant portion of the qtr’s growth came from existing partners”
 - **“The underlying health of the biz is incredibly strong”:** B/c “B2B is a much more geographically diverse biz than [the] consumer biz, the Co has been able to maintain +20% y/y growth or more, despite normalizing growth in Asia the last couple of qtrs
- **ADRs were flat y/y on a like-for-like basis:** As “prices held up for both hotel and vacation rentals”, but air ticket and car rental prices saw “cont’d softness”

Alternative Accommodations – It Was A Tale Of Two Cities Between Vrbo & Airbnb’s Performances

- **Expedia – Vrbo “improved meaningfully from its Q1 low point”:** A combination of higher mktg spend, better supply, and Vrbo-specific product releases” drove a “recovery” in Vrbo during the qtr
 - **“Vrbo also benefited from more cross-shoppers from the One Key loyalty program”:** Nearly 30% of travelers that earned OneKey Cash on Brand Expedia or Hotels.com and then redeemed those credits on Vrbo were completely new to Vrbo
 - **It’s “a little bit hard to read the biz” right now:** Vrbo “ended the qtr w/ some modest growth” after a “substantial accel” from the start of the yr, but trends in July were more opaque; Over the long-term, the Co still anticipates ~+20% y/y growth in the biz
 - **The Co expects to continue investing in Vrbo:** Given that Expedia doesn’t predict there will be “some massive level of softness” in the near-term and that it learned last yr not to pullback too much on mktg entering Q1; These expectations of cont’d investment were incorporated in the Co’s guidance
- **Airbnb – Gross bookings value (GBV) growth decel’d seq but and slightly missed expectations:** GBV was up +11.0% y/y in Q2 (vs +12.3% y/y in Q1) and closed -0.3% short of cons
 - **Nights & Experiences Booked underwhelmed the Street’s estimates:** Q2 Nights & Experiences Booked grew +8.7% y/y in Q2 (vs +9.5% y/y in Q1), ending -1.2% below cons; Saw “cont’d growth across all regions” during the qtr but also flagged increasing lead times & other headwinds in North America
 - **Implied take rate was flat y/y at 13.0%:** Rev generated by cross-currency transaction fees was more than offset by the impact of Easter timing
 - **An addtl svs fee for cross-currency bookings will contribute “just under” +20bps to the take-rate:** The fee was introduced in Q2 and will begin having a greater impact moving forward; Cross-currency transactions account for ~20% of the Co’s GBV
 - **ADR expanded at a “modest” but higher than expected rate:** Q2 GBV per night incr’d +2.1% y/y (vs +2.6% y/y in Q1) and topped cons by +1.1%; Excluding FX impacts, ADR would have risen +3% y/y; Price appreciation and mix shift drove an ADR that was “higher across all regions”
- **Airbnb – Regional breakdown:**
 - **North America saw a slight accel of y/y growth in Nights & Experiences Booked seq:** Domestic travel accounted for the “vast majority” of nights booked, and there was faster growth of nights booked for non-urban destinations and larger group travel
 - **However, growth in short-term stays and entire homes outpaced long-term stays and Airbnb rooms, respectively:** Acknowledged “some signs of slowing demand from US guests”
 - **Regulatory developments in California have posed an obstacle:** On July 1, new total price display and cancellation grace period rules went into effect in the state, which accounts for ~10% of Airbnb’s GBV; The Co is “watching quite closely to see how quickly consumer behavior normalizes”
 - **EMEA y/y growth in Nights & Experiences Booked was “relatively stable” seq:** The region is “not necessarily a part of the broader moderation story” that the Co shared on the call
 - **Growth in LatAm room nights decel’d seq:** LatAm Nights & Experiences booked grew +17% y/y in Q2 (vs +19% y/y in Q1); Saw “cont’d strength” in domestic travel trends and “a lot of progress” in Brazil, while Chile, Peru, Colombia, and Argentina remain “huge oppty mkts”
 - **APAC y/y growth in Nights & Experiences Booked ticked down seq:** APAC Nights & Experiences booked incr’d +19% y/y in Q2 (vs +21% y/y in Q1); Cross-border travel to APAC grew +22% y/y (vs +30% y/y in Q1)
- **Airbnb – “Major holidays and events” were a growth catalyst**
 - **July 4th** –The Co saw its highest-ever single week of rev in North America during the week of July 4th
 - **The Olympics** – Rooms booked in Paris more than doubled y/y in Q2 in anticipation of the Olympics; Airbnb’s active listings in the city were also up +37% y/y

- **Euro Cup** cities experienced an avg increase in nights booked of more than +20% y/y

Alternative Accommodations – Enhancing The Quality Of Listings Was A Key Focus

- **Expedia “continue[s] to improve [its] offerings” in vacation rentals:** The Co incr'd supply on Vrbo by double-digits, while removing properties that weren't providing acceptable guest experiences and sourcing more listings w/ flexible cancellation policies and discounts
 - **The Co recently signed a partnership w/ Ryanair:** This new relationship will see Ryanair's supply added to Expedia's mktplace
 - **Expedia is also investing in “visibility boosters”:** Rev from these tools, which help the Co's supply partners attract the travelers they want, grew over +40% y/y in H1:24
- **Supply growth on Airbnb slowed seq:** The Co surpassed 8mn active listings in Q2, representing ~+14% y/y growth (vs +17% y/y in Q1), w/ “cont'd growth across all regions and mkts”
 - **Efforts to improve supply quality have also made progress:** Since launching its updated host quality system in April, Airbnb has removed 200,000 that didn't meet guests' expectations
 - **Active listings by Superhosts rose +26% y/y:** These are some of the Co's highest-quality hosts
 - **Guests Favorites has been making it “easy for guests to find the best listings in Airbnb”:** There have been 150mn+ nights booked at Guest Favorite listings since it launched in Nov

The OTAs' Efforts To Drive More Direct Biz And Improve Conversion Have Been Paying Off

- **One Key has been a “great source of new travelers for the brand”:** The program has a “large growing number base”, and “customers who redeem OneKeyCash or use member discounts repeat more often”, providing the Co w/ “a lot of confidence that the benefits of One Key will build further over time”
 - **Growth in the percentage of bookings through Expedia's apps ticked down seq:** Grew +500bps y/y in Q2 (vs +600bps y/y in Q1); The Co continues to invest in driving more direct traffic to generate “more leverage on the mkting line”
 - **Multi-item trips grew by +9% y/y:** Notably, “when travelers buy more than one product from [Expedia], they're getting more value, so they're more likely to repeat”; It was unclear how this figure compared to Q1
 - **Expedia is achieving two more milestones in the One Key program this summer:** In July, the Co launched a co-branded credit card w/ Wells Fargo and Mastercard in the US, which is expected to reinforce Brand Expedia's value prop; One Key is also launching in the UK in Q3
 - **However, the int'l rollout of One Key is being paused:** Explained that “most int'l markets have only either Brand Expedia or Hotels.com operating at scale w/ limited Vrbo presence” and that the Co is “going to take the time” to tailor its value prop for these mkts
- **Airbnb has been driving more direct biz and attracting first-time users:**
 - **“Guests are increasingly booking on the Airbnb app”:** In Q2, nights booked on the Co's app incr'd +19% y/y (vs +21% y/y in Q1), comprising 55% of total nights booked (vs 50% the prior yr qtr); Airbnb has cont'd to optimize its mobile website to promote app downloads
 - **The Co continues to see growth in first-time bookers on its platform:** Indicated that the highest level of growth was seen in the youngest age demographic
 - **“Dozens of smaller changes... have led to improved usability and booking conversion”:** Including things like simplified signup and login, improved maps, clearer cancellation policies, and more

Investments In Mkting Will Step-Up In The Near-Term To Support Growth In Non-Core Mkts

- **Expedia is investing in Vrbo and int'l mkts to “reinvigorate those bizs”:** Based on Expedia's success in Q2, the Co believes that “it's important that we continue to do that and keep that momentum going”; As a result, Expedia doesn't expect much leverage in mkting expenses this yr
 - **However, the Co “absolutely expect[s] to have margin leverage” over the longer term:** Expedia's investments in driving more direct traffic will improve mkting leverage, plus there are “addtl opties to rationalize mkting spend”; Tech and AI could “further boost productivity” and lower overhead
- **Airbnb “intend[s] to lean into... growth investments in the back half of the yr”:** This is embedded in the Co's expectations to deliver a minimum EBITDA margin of 35% in FY24 (vs 37% in 2023)
 - **The Co plans on “layering on” mkting spend in a “handful of incremental mkts”:** In particular, the Co will target LatAm countries to extend its success in countries like Brazil and Mexico and to develop its biz in others, such as Peru, Chile, Colombia, and Chile
 - **BUT Airbnb will be “very, very nimble” in its international expansion efforts:** The investment in rolling out new svcs and offerings “are going to not cost very much” and will be for “mostly headcount”; Otherwise, the Co's cost to acquire supply is “not very expensive”

- **Performance mkting initiatives have cont'd into Q3:** Airbnb made “a lot of optimizations” to its performance mkting efforts and has been able to “maintain extremely high efficiencies” on this spend

Other Initiatives To Expand The OTAs' Brand Positioning Have Been Progressing As Well

- **Expedia – The advertising biz “is on fire”:** Growth in the ad biz has been “at least in the high-20s for a while now”, and the Co “[doesn't] have any reason to believe that's going to significantly change going forward”
 - **There's “a lot of oppty” to continue to drive growth in the ad biz moving forward:** In particular, sees more oppty to target users at the “very upper” end of the funnel, expand the number of partners using the Co's advertising tools, and providing more tools to partners
- **Airbnb is going to relaunch Experiences (after originally launching in 2016):** The Co has “learned a lot of lessons” this time around and is working to make them more affordable, more unique to Airbnb, more merchandisable via videos instead of photos, and more discoverable, with more marketing behind them this time as well
 - **Icons has garnered 40mn views since rolling out in May:** Icons has also generated 850mn+ social impressions
 - **A co-hosting svcs also is launching in Oct:** This will match people that have homes but don't have the time to hopeople that have the time to host but don't have homes

Regarding Gen AI – “It's Going To Take A Lot Longer Than People Think For Applications To Change”

- **Expedia sees optties to use AI to enhance both its top and bottom-line:** Mentioned that adopting AI-enabled products like price predictions could help drive more repeat behavior, customer loyalty, and app usage; Also sees optties to leverage AI to “further drive efficiencies” across the Co's merchant fees and operations
- **Airbnb – “It's just going to take time to develop new AI paradigm”:** Within AI, the Co highlighted that “there's been a lot of innovation on the chips” and “a lot of innovation on the models”; However, not one app in the top 50 the US App Store is a “fundamentally new paradigm” w/ AI applications that are native to the models
 - **Creating a “breakthrough interface” is one of Airbnb's best optties w/ gen AI:** Believes Airbnb “will eventually be much more than a search box”, instead becoming a “travel concierge” that will adapt to individual travelers; This would open up more optties to cross-sell and add new biz partners

10. Some Additional Quick Hits From This Week's Earnings

In addition to the cascade of earnings that we highlighted above, there were also a couple of other noteworthy names reporting this week that we didn't want to miss. See below for brief summaries on the key takeaways from The Trade Desk and Shopify's Q2 earnings.

- **The Trade Desk – Headline results were broadly better than anticipated:** Q2 rev incr'd +26.1% y/y (vs +28.3% y/y in Q1), beating cons by +1.2%; Adj EBITDA rose +34.4% y/y (vs +15.9% y/y in Q1) and topped cons by +7.0%; Adj EPS of \$0.39 came in +8.3% above cons
 - **The Trade Desk “benefited from a relatively stable digital advertising environment”:** This environment was supported by both agencies and brands; The Co “cont'd to gain mkt share as advertisers sought greater efficiency and measurable results, particularly in CTV and retail media”
 - **In H1:24, growth in the Co's CTV biz accel'd vs the prior yr:** CTV, again, led the Co's growth by a “wide margin”, cont'ing to drive gains across both EMEA and APAC, where the Co sees “significant optties to capture share”
 - **The Trade Desk “saw strong performance in the majority of [its] verticals”:** Highlighted strength in home & garden, food & drink, and shopping, in particular, while family relationship and healthy living verticals were both below avg
 - **Emphasized that the Co “did not build UID2 as a replacement for cookies”:** Believes UID2 is “way bigger than that” and explained that the Co wanted to build an identity framework that “could live irrespective of the decisions made at Google or Apple”; As a result, UID2 is “becoming ubiquitous”
 - **The Trade Desk has been “incredibly encouraged” by early results from Kokai:** Campaigns that have transitioned from Solimar to Kokai have seen incremental reach grow over +70%, cost per acquisition improve by ~+27%, and data elements per impression go up ~+30%

- **The Co has begun some testing w/ Netflix:** Thinks the relationship will scale up a “little bit” this yr and “really start to contribute” over the next few yrs
- **Adj EBITDA margin topped estimates, as OpEx growth decel’d seq:** Adj EBITDA margin of 41.4% was up +260bps y/y in Q2 (vs +460bps y/y in Q1) and beat cons’ 39.1%; OpEx grew +19% y/y (vs +20% y/y in Q1), driven by investments in staff as well as the Co’s platform and infrastructure
- **Q3 rev and adj guidance also exceeded estimates:** Anticipates rev to increase ~+25% y/y to “at least” \$618mn, beating cons by +2.2%; Adj EBITDA is expected to grow ~+53% y/y to ~\$248mn, which was +1.0% ahead of cons

-> The Trade Desk shares soared +12.5% following earnings and finished the week up +19.5%; YTD, The Trade Desk stock is up +38.0%

The Trade Desk (\$mn)	2024Q2 Results		
	Actual	Cons Est	% Surp
Revenue	\$585	\$578	1.2%
Adj EBITDA	\$242	\$226	7.0%
Adj EBITDA Margin (%)	41.4%	39.1%	
Adj EPS	\$0.39	\$0.36	8.3%

Source: FactSet, StreetAccount



- **Shopify’s headline numbers beat on all fronts:** Q2 rev grew +20.7% y/y (vs +23.4% y/y in Q1) and topped cons by +1.7%; Adj op income was up +104.8% y/y to \$299mn in Q2 (vs \$201mn in Q1), beating cons by +25.8%; Adj EPS came in a wider +30.0% ahead of cons
 - **GMV growth was relatively ~flat seq and better than anticipated:** GMV was up +22.2% y/y in Q2 (vs 22.8% y/y in Q1) and beat cons by +2.2%; Cited same-store sales growth of existing merchants, cont’d growth in new merchants globally, and a +32% y/y increase in GMV from Europe
 - **Shopify saw “solid growth” across verticals:** Specifically flagged a “robust performance” in health & beauty and food & beverages; The Co’s largest category, apparel and accessories, also experienced “solid growth” against a “backdrop of mixed consumer spend”
 - **Offline GMV growth decr’d seq:** Q2 offline GMV rose +27% y/y (vs +32% y/y in Q1), as the Co cont’d to focus on attracting larger merchants w/ multiple store locations; Shopify’s POS terminal was also a contributor, w/ GMV increasing +2.4x seq after rolling out to 8 addt’l countries
 - **The Co recorded its highest-ever B2B GMV month in Q2 w/ a +140% y/y increase:** The Co’s B2B offering saw a 6x y/y increase in online orders, supported by a +34% y/y uptick in the number of merchants getting B2B orders on Shopify
 - **International GMV growth decel’d seq:** International GMV was up +27% y/y in Q2 (vs 38% y/y in Q1), w/ international merchant growth of +30% y/y, driven by Shopify’s go-to-mkt efforts; Cross border sales accounted for 14% of total GMV (similar to Q1 levels)
 - **During Shop Week, 10,000+ merchants saw their best GMV week ever on the Shop app:** Brands leveraged Shop Cash and Shop Campaigns to “strengthen and expand their customer relationships”
 - **GPV growth ticked down seq:** Q2 GPV incr’d +30% y/y (vs +32% y/y in Q1); Shopify Payments penetration reached 61% (vs 60% in Q1), driven by the “strong performance” of merchants using Shopify Payments, more merchants adopting payments globally, and the greater penetration of Shop Pay, which hit 39% of GPV
 - **MRR growth exceeded estimates but decel’d seq:** MRR of \$169mn was up +25% y/y in Q2 (vs +32% y/y in Q1), surpassing cons by +7.2%; The Co saw y/y and seq growth in each of Standard, Plus, and offline POS, w/ the largest driver for all three segments being growth in new merchants
 - **Q3 guidance included a higher than anticipated rev growth range and a gross margin expansion:** Expects rev growth in ~low-to-mid 20%’s y/y, topping cons’ +20.9% y/y, w/ a gross margin that will be ~+50bps higher seq
 - **OpEx is expected to be ~flat as a percentage of rev:** Q3 GAAP OpEx is projected to improve +350bps y/y at the mid-pt to 41-42% of revs (vs 42% in Q2)
 - **FCF margin is expected to be similar seq at 12% of rev:** Continues to expect to deliver double-digit FCF margin for the rest of the yr

-> Shopify shares jumped +27.8% in reaction to earnings and ended the week up +27.3%; YTD, Shopify shares are still trading down -11.0%

Shopify (\$mn)	2024Q2 Results		
	Actual	Cons Est	% Surp
Total Revenue	\$2,045	\$2,010	1.7%
Non-GAAP Gross Profit	\$1,045	\$1,030	1.5%
Non-GAAP Gross Margin (%)	51.4%	51.1%	
Adj Operating Income	\$299	\$238	25.8%
Op Margin (%)	14.6%	11.8%	
Adj EPS	\$0.26	\$0.20	30.0%
Segment Revenue			
Merchant Solutions	\$1,482	\$1,480	0.1%
Subscription Solutions	\$563	\$533	5.7%
Segment Gross Profit (GAAP)			
Merchant Solutions	\$579	\$595	-2.6%
Subscription Solutions	\$466	\$439	6.2%
Other KPIs			
Gross Merchandise Volume (GMV)	\$67,245	\$65,820	2.2%
Monthly Recurring Revenue (MRR)	\$169	\$158	7.2%

Source: FactSet, StreetAccount



Stock Market Check

Market Changes the Past Week

Benchmark	Abs. Value	W/W Change
S&P 500	5,344	(0.0%)
NASDAQ	16,745	(0.2%)
Dow Jones	39,498	(0.6%)
Gold	\$2,471	0.0%
WTI Crude	\$76.98	4.7%
10-Year Treasury Yield	3.94%	+14 bps
Bitcoin	\$61,095	(2.9%)
Ether	\$2,603	(14.0%)

LionTree TMT Universe Performance (~250 stocks)

Best-Performing Stocks	+	Worst-Performing Stocks	-
Lumen Technologies Inc	81.4%	2U Inc.	(71.3%)
CLEAR Secure, Inc.	33.9%	ThredUp Inc.	(65.9%)
Doximity Inc	31.9%	Jumia Technologies AG	(56.8%)
Klaviyo, Inc	30.0%	Chegg Inc.	(30.0%)
Shopify Inc.	27.3%	PubMatic, Inc.	(29.8%)
Palantir Technologies Inc	21.3%	Bumble Inc	(29.8%)
Revolve Group Inc	20.3%	Eventbrite Inc	(27.5%)
The Trade Desk	19.5%	PLAYSTUDIOS, Inc.	(26.7%)
Deliveroo Holdings PLC	17.5%	The RealReal	(26.0%)
Uber Technologies Inc	16.2%	EW Scripps Co/The	(25.7%)

Best-Performing Sub-Industries	+	Worst-Performing Sub-Industries	-
Ad Tech	15.9%	Broadcast TV	(12.2%)
Last Mile Transport/Delivery	12.9%	Employment Marketplace	(8.1%)
Digital Real Estate	9.7%	Entertainment Facilities/Theme Parks	(5.5%)
Cybersecurity Software	7.5%	Sports & Sports Betting	(3.4%)
Live Events	4.8%	Telecom Infrastructure	(2.7%)
Application Software	4.7%	Hardware/Handsets	(2.4%)
China Internet / Tech	4.2%	Pay-TV / Broadband	(2.2%)
EdTech	2.9%	Smart Home Security/Automation	(2.0%)
Satellite Communications	2.6%	European Telco	(1.6%)
Music	2.5%	Payments / Fintech	(1.4%)

Other News

Advertising/Ad Agencies/Ad Tech

- **A federal judge ruled that Google violated US antitrust law by maintaining a monopoly in the search and advertising markets.** “After having carefully considered and weighed the witness testimony and evidence, the court reaches the following conclusion: Google is a monopolist, and it has acted as one to maintain its monopoly,” according to the court’s ruling. “It has violated Section 2 of the Sherman Act.”([The Verge](#))
- **Google and Meta reportedly collaborated on a secret ad campaign targeting underage YouTube users with Instagram ads, breaking Google’s own rules.** The campaign aimed at users aged 13 to 17 and ran from May, following trials in Canada. Internal documents showed efforts to disguise the true target demographic. After the allegations emerged, Google canceled the campaign and affirmed its policies against personalizing ads for users under 18. Meta defended its marketing practices but faced backlash for allegedly exploiting children. The incident has intensified calls for stricter regulations on online safety for minors.([New York Post](#))
- **Nielsen said it agreed to collaborate w/ Innovid to bring together Nielsen’s Nielsen One measurement product w/ Innovid’s cross-media ad-serving platform.** The cos said the combination would simplify buying convergent advertising by providing seamless workflow and better measurement across platforms. “By joining forces and combining our technology, data, and scale, we will help build a better, more transparent, and accessible TV ecosystem for every advertiser.”([Broadcasting Cable](#))

- **WPP has sold its 50% stake in communications firm FGS Global to KKR for \$1.7bn (£1.3bn)**, generating £604 million post-tax for WPP. The proceeds will reduce debt, fund dividends, and invest in core businesses like advertising and PR. The deal, pending regulatory approval, is expected to close by year-end. WPP's shares dropped 2% on the news. WPP also reported 2.6% like-for-like revenue growth to £7.2bn and a rise in operating profit to £423mn. Despite growth in North America, challenges in China and a tough macroeconomic environment have tempered full-year expectations. ([Yahoo Finance](#))
- **X has filed a lawsuit against the World Federation of Advertisers (WFA), accusing it of orchestrating an advertiser boycott in violation of antitrust laws.** The suit claims that major brands like CVS, Unilever, and Mars conspired to withhold advertising from X following relaxed safety standards under Elon Musk's leadership since 2022. This alleged boycott led to a significant drop in ad revenue for X, forcing the platform to lower ad prices. The lawsuit, filed in Texas, asserts that this coordinated effort aimed to pressure X into adopting specific safety policies. Musk has called for others to join the lawsuit, citing substantial financial losses due to the boycott. ([The Hollywood Reporter](#))
- **Ziff Davis has agreed to acquire CNET for over \$100mn, making it CNET's third owner in four years.** CBS bought CNET in 2008 for \$1.8bn, and it was sold to Red Ventures in 2020 for \$500mn. The deal includes CNET and ZDNet, adding to Ziff Davis's portfolio, which includes PC Mag and Mashable. Expected to close in Q3 2024, the acquisition is subject to regulatory approval. Ziff Davis CEO Vivek Shah emphasized the ongoing need for technology advice. Last year, Red Ventures laid off 50% of CNET's news and video staff and sold other sites to Fandom for \$50mn. ([Variety](#))

Artificial Intelligence/Machine Learning

- **A YouTube creator is seeking to bring a class action lawsuit against OpenAI, alleging that the co trained its generative AI models on millions of transcripts from YouTube videos w/out notifying or compensating the videos' owners.** In a complaint filed in the US District Court for the Northern District of California, attorneys for David Millette, a YouTube user based in Massachusetts, allege that OpenAI surreptitiously transcribed Millette's and other creators' videos to train the models that power the co's AI-powered chatbot platform. ([TechCrunch](#))
- **Amazon Music has launched a new AI-powered feature, "Topics," allowing users to explore podcast episodes by specific topics.** Available on iOS and Android devices in the US, users can tap on topic tags under episode descriptions to find related content. The feature combines Amazon Web Services (AWS) AI analysis with human curation. Amazon Music is also expanding "Topics" to cover more podcasts and has introduced Maestro, an AI playlist generator. These enhancements follow Amazon's acquisition of Snackable AI to boost its podcasting capabilities. ([TechCrunch](#))
- **Jeff Bezos' family office, Bezos Expeditions, has focused all its 2023 investments on artificial intelligence, participating in funding rounds totaling over \$1bn.** Key investments include Perplexity AI, Figure AI, and Skild AI. This AI-centric strategy aligns with Bezos' belief in AI's transformative potential. Bezos' investments follow a broader trend among family offices, with 78% planning AI investments. Amazon also heavily invests in AI, with significant funding for data centers and AI firm Anthropic. ([CNBC](#))
- **OpenAI announced that users of ChatGPT's free tier can now create up to two images per day with its DALL-E 3 model.** Initially available to ChatGPT Plus subscribers, DALL-E 3 can generate images from prompts created by ChatGPT. OpenAI demonstrated this feature by generating a ramen restaurant logo. The rollout has begun, with some users already accessing the feature. Additionally, OpenAI released a safety assessment of its GPT-4 model, appointed a new board member, and received a letter from Congress regarding its safety practices. ([The Verge](#))
- **OpenAI has an accurate technology for identifying AI-generated text ready to launch, but it hasn't released it, according to a report in the Wall Street Journal.** According to the report, a co source said it's as easy as pressing a button. This feature, which is still being considered, would leave a "watermark" in ChatGPT-generated text that wouldn't be visible to the human eye but would quickly show up to algorithms designed to spot AI-generated content. ([LaptopMag](#))
- **ProRata, an AI startup from Idealab Studio, launched with \$25mn in funding and deals with major companies including the Financial Times and Universal Music Group.** Founded by Bill Gross, ProRata aims to enable generative AI companies to accurately attribute and share revenues with content owners by tracing AI outputs back to their inputs for royalty calculations. ProRata will launch a consumer AI answer engine this autumn and encourages publishers to register content, promising a 50/50 revenue share. The startup's technology covers text, images, music, and video, addressing the challenge of AI attribution in content creation. ([Music Ally](#))
- **The arrival of AI in Hollywood, marked by OpenAI's ChatGPT release in 2022, led to industry upheaval, including layoffs and an impending writers' strike.** AI-generated content, like the song "Heart on my Sleeve,"

spurred SAG-AFTRA and the Recording Industry Association of America to lobby for protections against unauthorized use of voices and appearances. Senators introduced a bill on July 31 to address these concerns. Hollywood studios have shown interest in AI but seek to balance its use without compromising creative integrity. The Motion Picture Association (MPA) has pushed for looser copyright standards for AI-generated works, while unions like SAG-AFTRA and WGA demand stricter regulations. The U.S. Copyright Office has warned of the urgent need for laws regulating deepfakes, highlighting the ongoing clash between studios and unions over AI's role in content creation. ([The Hollywood Reporter](#))

- **Thrive Capital reportedly raised \$5bn for its biggest-ever pair of venture capital funds.** The fundraising is a sign that the AI boom is reviving investor enthusiasm, the WSJ reported. The news follows reports from Jan that Thrive was planning the fund, w/ one investor saying at the time that the effort would present “a very interesting litmus test” for other investors in a mkt in which investing had fallen dramatically. ([PYMNTS.com](#))

Audio/Music/Podcast

- **SiriusXM is suffering a loss of subscribers which has driven its share price into negative territory.** The subscriber loss for its quarter ending Jun. 30th totalled around 173,000 and made up of 100,000 so-called ‘self-pay’ (conventional) subscribers, and 73,000 promotional subscriptions. SiriusXM’s total revenue for Q2 amounted to \$2.18 bn (€1.99bn), down 3%, while net income rose slightly to \$316 mn.

([ADVANCED-TELEVISION](#))

Broadcast/Cable Networks

- **CBS News and Stations is rolling out a new executive leadership structure under CEO Wendy McMahon.** Among the big changes are some promotions: Adrienne Roark will become president of editorial and newsgathering for CBS News and Stations, assuming most of the responsibilities of Ingrid Ciprian-Matthews, who exited as president of CBS News last month. ([The Hollywood Reporter](#))
- **Nexstar Media Group reported higher Q2 net income as it cut losses at The CW.** Net income rose to \$118mn, or \$3.54/shr, from \$96mn, or \$2.64/shr, a yr ago. Losses at The CW were reduced by \$33mn, compared to a yr ago, the co said. Distribution revenue increased 5.5% to \$734mn. Advertising revenue was up 2.2% to \$522mn. Non-political advertising was down \$24mn, while political advertising was up \$45mn. ([Broadcasting Cable](#))
- **TelevisaUnivision said it completed its upfront advertising sales, w/ a record number of advertisers making commitments to the big Spanish-language broadcaster.** The demand from a larger number of clients contributed to a single-digit increase in dollar volume and higher prices on a cost per thousand viewers (CPM) basis. TelevisaUnivision’s goal has been to convince marketers not advertising to the large Hispanic market to start running commercials in Spanish-language media. ([Broadcasting Cable](#))

Broader Technology

- **After a federal judge ruled that Alphabet's Google broke antitrust law by holding a monopoly w/ Google Search, Google said it plans to appeal the decision, which could have implications for big tech antitrust cases to come.** If successful, the appeal would allow Google to maintain its distribution agreements and could ease worries about other big tech Cos that could be subject to similar antitrust cases. ([Investopedia](#))
- **Apax Partners is acquiring global tech consultancy Thoughtworks in a deal valuing the Co at ~\$1.75bn.** The transaction will see Thoughtworks return to Apax ownership three yrs after its public listing. Founder Neville Roy Singham sold the Co to Apax Partners in 2017 for \$785mn. ([Alternatives Watch](#))

Cable/Pay-TV/Wireless

- **Bharti Airtel registered gains across all segments in its fiscal Q1 (calendar Q2), w/ continued ARPU gains driving double-digit mobile rev increases in India and Africa.** Group net profit jumped 158% y/y to INR41.6 bn (\$495.6 mn), supported by a gain of INR7.4 bn, w/ total rev up 2.8% to INR385.1 bn, weakened by currency depreciations in Africa. Mobile svcs turnover increased 10.5% to INR225.3 bn, led by strong adoption of 4G and 5G users and growing ARPU. ([Mobile World Live](#))
- **Charter’s Spectrum Business unit is now able to offer commercial customers streaming access to almost all NFL games, following a deal w/ EverPass Media for NFL Sunday Ticket and Peacock Sports Pass.** Spectrum’s new agreement gives its biz customers the ability to get NFL Sunday Ticket and Peacock Sports Pass via EverPass from the operator across its 41-state footprint. EverPass is the entity formed last yr backed by RedBird Capital Partners and the NFL’s strategic investment arm. ([StreamTV Insider](#))
- **China Mobile's first-half net profit grew 5.3% to 80.2bn yuan (HK\$87.1bn) over a yr earlier and increased its interim dividend by 7% to HK\$2.6 apiece.** Operating rev in the first six months of the yr was 546.7 bn yuan, up

3% from last yr, w/ telecommunications svcs contributing 463.6bn yuan, up 2.5% y/y. Digital transformation rev recorded 147.1bn yuan, up 11% y/y, contributing 31.7% of telecommunications svcs rev.([The Standard](#))

- **Gray TV reported higher net income for Q2, but warned that it expected revenues to be lower than expected for the full yr.** “While we are overall pleased w/ our results in the Q2, macro-economic and other factors largely beyond our control appear likely to result in somewhat lower revenues for the yr than we previously anticipated,” the co said in its earnings annnc'mnt. Advertising revenues were \$373mn in the second quarter, which was below the low end of the guidance previously provided by the co and down 2% from a yr ago. ([Broadcasting Cable](#))
- **Rupert Murdoch's News Corp could sell its Australian pay-TV operator Foxtel Group.** At the end of a commentary for what News Corp CEO Robert Thomson called an “outstanding” yr financially for Murdoch's news operation was the reveal there had been outside interest in Foxtel, which has 4mn+ subscribers in Australia overall.([Deadline](#))
- **Singtel has launched SIM-only no-contract mobile plans to cater to the evolving digital and travel lifestyles of customers, as well as a slew of deals across mobile, TV and broadband services to reward loyal subscribers.** The new 5G plans, categorized as 'Core', 'Plus' and 'Ultra', provide high-speed connectivity, low latency and high bandwidth to support the rising number of customers who are streaming videos in ultra-high definition and gaming on the go.([THEFASTMODE](#))

Cloud/DataCenters/IT Infrastructure

- **Lumen Technologies sharply increased its annual free cash flow forecast, driven by the AI boom, boosting shares by 66% in extended trading after nearly doubling in regular session.** The demand for Lumen's high-capacity fiber, crucial for AI data centers, surged. The company signed \$5 billion in deals, including with Microsoft, and is negotiating an additional \$7 billion in contracts. Lumen's stock rebounded after a debt maturity extension deal. The company now expects free cash flow of \$1-1.2bn, up from \$100-300 million. Q2 revenue was \$3.27bn, slightly above estimates, but posted a loss of 13 cents per share due to higher interest expenses.([Yahoo Finance](#))
- **Shares of Lumen Technologies surged 30% on Aug 7, extending gains from the previous session, after the Co boosted its annual FCF forecast due to demand related to AI.** The Co annnc'd it had secured new deals worth \$5bn from cloud and technology Cos, including Microsoft, for its networking and cybersecurity equipment, as more bizs adopt AI-driven computing.([Yahoo Finance](#))

Crypto/Blockchain/web3/NFTs

- **Cryptocurrencies tumbled amid a global market sell-off spurred by recession fears.** The price of bitcoin was last lower by 8% on Aug 5 at \$53,996.70, according to Coin Metrics. At one point, it fell to \$49,111.10, its lowest level since Feb 13. Crypto Cos Coinbase and MicroStrategy were among the hardest-hit stocks.([CNBC](#))

Cybersecurity/Security

- **ADT recently experienced a cybersecurity incident during which unauthorized actors illegally accessed certain databases containing ADT customer order information.** After becoming aware of the incident, the Co promptly took steps to shut down the unauthorized access and launched an investigation, partnering w/ leading third-party cybersecurity industry experts. Co believes this cybersecurity incident has not impacted its operations and does not expect to have a material impact on the Co's overall financial condition([The Verge](#))
- **EQT will acquire a majority stake in Swiss cybersecurity Co Acronis.** EQT said that following the acquisition, the founders, mgmt, and existing investors including CVC, Springcoast, and BlackRock will all remain significant minority shareholders. Financial terms weren't disclosed, but EQT said the deal values Acronis above the last growth funding round, which was completed in 2022.([Morningstar, Inc.](#))
- **Hackers compromised an ISP to deliver malware to Windows and Mac users by tampering with software updates over unsecure connections, according to Volexity researchers.** The attack involved DNS poisoning, redirecting traffic to malicious servers for apps like 5KPlayer and Quick Heal. The threat actors, known as StormBamboo, exploited unencrypted HTTP updates to install malware. Affected apps lacked TLS or cryptographic signatures for updates, allowing MitM attacks. Users can prevent such attacks by using DNS over HTTPS or TLS, or avoiding apps with unsecured updates. ([Ars Technica](#))

eCommerce/Social Commerce/Retail

- **Amazon has partnered with TikTok and Pinterest to allow users to buy products from Amazon directly within the social media apps.** This "social shopping" initiative enables users to link their TikTok and Pinterest profiles to their Amazon accounts, offering real-time pricing, Prime eligibility, delivery estimates, and product

details on select Amazon ads. The move follows similar partnerships Amazon has with Meta and Snap, aiming to enhance the convenience of shopping on social media. ([Yahoo Finance](#))

- **America's drugstores are testing smaller locations and more ways to offer care as price-sensitive shoppers look elsewhere.** Customers may see Walgreens stores that are one-fourth the size of a regular location or CVS drugstores w/ entire primary clinics stuffed inside. There are no magazines and only small selections of greeting cards and beauty products at the store, which is closed on Sundays and sits about a half mile from a vacant Walgreens. ([AP News](#))
- **Despite growing interest in "underconsumption core" and "conscious consumerism," back-to-school shopping kicked off early, driven by retail strategies and the TikTok hashtag #backtoschoolhauls.** By early July, 55% of families had started shopping. This year's spending is expected to reach \$38.8bn, close to last year's record \$41.5bn. Families plan to spend an average of \$874.68 on supplies, though nearly a third of parents can't afford it and 34% may incur debt. Early shopping can yield deals but may also lead to impulse buys and higher spending. ([CNBC](#))
- **Etsy is gearing up to launch its first-ever membership program.** Etsy Insider, which is slated to debut in Sept, will initially launch as a closed-beta version to select US buyers, according to an Etsy annnc'mnt. Shoppers getting an invitation to Etsy Insider will have two options — a seasonal or annual membership. (www.retailcustomerexperience.com)
- **H&M, Uniqlo and Zara face potential delays in receiving their latest clothing collections due to the current political unrest in Bangladesh.** The fashion retailers are some of the many that use the country's garment factories, which have been closed indefinitely amid the protests, Reuters reported. ([Retail Gazette](#))
- **In Q2:24, Walmart captured 37% of the US online grocery market, its highest ever, while grocers' share fell to just over 27%, losing their lead in delivery to mass retailers.** Walmart's delivery share rose nearly eight percentage points year-over-year. Despite a slight bump in delivery due to Instacart promotions, supermarkets saw their pickup share drop, with mass retailers claiming nearly 60%. Grocers face ongoing pressure as more consumers opt for mass retailers like Walmart for online grocery shopping. ([Grocery Dive](#))
- **Retail construction completions are at their lowest level in more than 10 yrs, per research from CBRE.** The availability rate for retail nationally in the Q2 was 4.7%, the lowest since the commercial real estate brokerage began tracking this figure in 2005. Cushman & Wakefield and JLL research also show availability at or near record lows. ([Modern Retail](#))
- **Simon Property Group reported increases in leasing volumes, occupancy, shopper traffic, and retail sales volumes, resulting in the highest level of Q2 real estate net operating income in its history.** Traffic rose 5%, and total sales volumes rose about 2%. Net operating income at its properties in North America rose 5.2% y/y to \$1.3bn, according to a Q2 earnings supplement. ([Retail Dive](#))
- **Starbucks is finding growth harder to come by.** The co has seen global same-store sales decline over the past two quarters. Starbucks cafes have long been a "third place" for customers to work and socialize outside of their home or office. "When you're the market leader, everyone else comes for you and they try to nibble away at your market share. And there is a lot more competition than there used to be," said Neil Saunders, managing director of GlobalData Retail. ([CNBC](#))
- **ThredUp launched multiple new AI-driven shopping tools to improve product discovery on its platform.** The Co deployed AI to implement natural language-based text searches and image searches. Shoppers can now use specific text prompts like "swimsuit for a triathlon" or use images from their phone or Instagram to find the items they're seeking, according to an annnc'mnt. ([Retail Dive](#))

EV/Autonomous Vehicles

- **Lucid Group said its largest shareholder, Saudi Arabia's Public Investment Fund, will inject up to \$1.5bn in cash, as the EV Co looks to ramp up production of a new SUV.** The deal comes just ahead of Lucid's planned production of its much-awaited Gravity SUV later this yr and keeps the EV maker sufficiently funded till Q4 2025. The sovereign wealth fund has a stake of ~60% in the Co. ([Yahoo Finance](#))
- **The US Commerce Department is expected to propose barring Chinese software in autonomous and connected vehicles in the coming weeks, according to sources briefed on the matter.** The Biden administration plans to issue a proposed rule that would bar Chinese software in vehicles in the United States with Level 3 automation and above, which would have the effect of also banning testing on US roads of autonomous vehicles produced by Chinese cos. ([New York Post](#))

Film/Studio/Content/IP/Talent

- **A TV series followup to the "John Wick" films is currently in development at Lionsgate TV, Variety has**

confirmed. No network or streaming svcs is attached, w/ Lionsgate currently shopping the project. The series, titled "John Wick: Under the High Table," would pick up immediately after the events of "John Wick: Chapter 4."([Variety](#))

- **Disney plans to spend at least \$1bn every yr in the UK, Europe, the Middle East, and Africa over the next five yrs to produce movies and TV shows, a Co spokesperson told Reuters.** The Co will commit the amount across films, Disney, National Geographic, and other TV productions, the spokesperson added. The plans were first reported by the Financial Times, citing the Co's Europe chief Jan Koeppen.([I3INVESTOR](#))
- **The New York Times added about 300,000 new digital subscribers in Q2, propelling a 13.6% y/y increase in earnings.** The co's adjusted operating profit for the quarter, from Apr. through Jun., rose to \$104.7mn from \$92.2mn a yr before. Overall rev increased 5.8%, to \$625.1mn, compared w/ the same period in 2023.([The Straits Times](#))

FinTech/InsurTech/Payments

- **Meme stocks are back, and that's good news for Robinhood.** The trading app said it beat forecasts over the Q2. Transaction-based rev surged 69% to \$327mn, w/ profits also beating forecasts. Bitcoin soared over the first half of the year after U.S. regulators approved exchange traded funds handling the virtual currency. Since being at the heart of the original meme stock frenzy, Robinhood has struggled with uneven trading activity. It's responding by building a suite of different products for clients.([Yahoo Finance](#))

HealthTech/Wellness

- **Magyar Telekom annnc'd the launch of "Telekom Health", a new svcs aimed at providing comprehensive digital health solutions to its customers.** This initiative underscores the Co's commitment to supporting its customers in various aspects of their lives. In collaboration w/ Teladoc Hungary Kft, Telekom Health is designed to offer Magenta 1 customers w/ monthly plans a range of health svcs.([THEFASTMODE](#))

Last Mile Transportation/Delivery

- **Deliveroo has returned to profitability as its growing partnerships w/ supermarkets and retailers helped to boost orders through the app.** The delivery platform reported a profit of £1.3mn in the half to 30 June, up from the £82.9mn loss it racked up the yr before, which it attributed to "a good top-line performance driven by execution on strategy in a stabilizing onsumer environment". It said gross transaction value was up 6% to £3.7bn as orders returned to growth.([Retail Gazette](#))
- **Lyft shares slid by the most in more than a yr after the ride-hailing co posted second-quarter bookings and issued an outlook that fell short of Wall Street's expectations.** Gross bookings totaled \$4.02bn in the three months ended Jun. 30, falling toward the low end of the co's own guidance range and missing investors' projections.([Yahoo Finance](#))

Macro Updates

- **JPMorgan analysts raised the odds that the US economy slides into a recession this yr to 35%, citing easing labor market pressures.** They still see a 45% chance of a recession in the second half of 2025. The economists also lowered the odds that the Federal Reserve keeps interest rates higher for longer to just 30%. W/ inflation easing, JPMorgan expects the central bank to cut rates twice this yr.([Fox Business](#))
- **Mortgage rates fell to their lowest level in over a yr, a welcome development for the housing market.** The avg rate on the 30-yr fixed-rate mortgage dropped to 6.47% from 6.73% last week, Freddie Mac reported. A yr ago, the avg rate on a 30-yr fixed-rate loan was 6.96%. Separately, the avg rate for the 15-yr fixed mortgage was 5.63%, down from 5.99% a week prior. The rate on a 15-year loan was 6.34% a year ago.([Yahoo Finance](#))
- **U.S. household debt rose by \$109bn (0.6%) in Q2 to \$17.80 trillion, with overall delinquency rates stable at 3.2%, according to a Federal Reserve Bank of New York report.** Debt levels are now \$3.7 trillion higher than pre-pandemic. Despite rising borrowing costs due to higher interest rates, the economy remains resilient. Credit card and auto loan delinquencies increased slightly, while mortgage delinquencies remained low. Mortgage balances rose by \$77bn, credit card debt by \$27bn, and HELOCs by \$4bn. The job market's recent performance has raised concerns about a potential downturn. ([Yahoo Finance](#))

Metaverse/AR & VR

- **According to a new report from The Information, Meta's currently in talks to license its Horizon VR software to Indian tech Co Jio, which could open the door for Meta to bring its VR experiences to the Indian market.** As India's technological infrastructure continues to evolve, that provides connection to a huge audience, who are increasingly adopting social media platforms as a key medium for staying connected.([Social Media Today](#))

- **Ready at Dawn Studios, part of Oculus Studios, is permanently closing, effective immediately, due to new budgetary constraints set by Meta's Reality Labs.** Known for acclaimed VR games like Lone Echo, Lone Echo 2, and Echo VR, the studio hasn't launched a new game since Echo VR's Quest port in May 2020. Despite Quest 3's strong sales, Meta is cutting Reality Labs' budget by 20% by 2026. Ready at Dawn employees are encouraged to apply to other studios within Oculus. Meta emphasized its ongoing commitment to VR development and stated that these cuts aim for better long-term impact rather than immediate cost-saving. ([Android Central](#))

Online Marketplaces/Learning (Real Estate/Education/Jobs)

- **With a sixth consecutive quarterly loss in the books, Zillow is swapping out its CEO.** Rich Barton is stepping down as chief executive and being replaced by Zillow's chief operating officer, Jeremy Wacksman, the firm annnc'd. Barton will now join his co-founder, Lloyd Frink, as co-executive chair, and will advise Wacksman and other leaders at the co. ([Yahoo Finance](#))

Satellite/Space

- **A Chinese state-owned enterprise, Shanghai Spacecom Satellite Technology (SSST), is set to launch the first batch of satellites for the "Thousand Sails Constellation," aiming to rival SpaceX's Starlink.** This megaconstellation will eventually include over 15,000 low Earth orbit (LEO) satellites, providing global internet coverage by 2027. The launch from Taiyuan Satellite Launch Centre marks a significant step in China's strategic and military goals. SSST plans to deploy 108 satellites this year, 648 by the end of 2025, and achieve full deployment before 2030. ([Yahoo News](#))
- **AST SpaceMobile has annnc'd that the U.S. Federal Communications Commission (FCC) has granted an initial license for space-based operations in the United States.** With this initial license, AST SpaceMobile is now authorized to launch and operate V, S and UHF frequencies to support gateway, feeder link and telemetry, tracking, and control operations for the first five commercial BlueBird satellites. ([Yahoo Finance](#))
- **China launched the first batch of 18 satellites for the Thousand Sails low Earth orbit communications constellation on August 6.** The Long March 6A rocket successfully deployed the satellites, aiming to build a network of 1,296 satellites by 2025, providing regional and global internet coverage. The constellation, intended to challenge U.S. projects like Starlink, will consist of over 14,000 satellites. SSST, backed by significant funding and government support, plans additional launches in 2024. China's commercial space sector is expanding rapidly, with new launch pads and rockets to support these ambitious projects. ([SpaceNews](#))
- **Starry, a fixed wireless ISP, aims to reach profitability by late 2023 or early 2024 after emerging from bankruptcy.** The company is focusing on five cities and upgrading its hardware for gigabit speeds. Starry competes with cable providers and targets multi-dwelling units. It's exploring AI for efficiency and may sell some spectrum licenses. Despite downsizing, Starry remains committed to offering affordable internet and increasing competition in the ISP market. ([Fierce Network](#))

Social/Digital Media

- **Bumble shares were headed for the biggest decline on record after the dating co slashed its annual rev outlook, signaling that an overhaul of the brand's flagship app has failed to reignite growth.** The Austin, Texas-based co said that 2024 rev will gain by 1% to 2% from a yr earlier. It had previously forecast growth of as much as 11%, and Wall Street was expecting 8.4%, based on estimates compiled by Bloomberg. ([Yahoo Finance](#))
- **ByteDance has released an expansion to its AI software that can generate videos based on text prompts, joining the growing number of China-based technology cos releasing rivals to OpenAI's text-to-video model Sora.** Jimeng AI, developed by ByteDance-owned Faceu Technology, was released on the Chinese App Store. Research and analysis co GlobalData forecasts that the overall AI market will be worth \$909bn by 2030, having grown at a compound annual rate of 35% between 2022 and 2030. ([Yahoo Finance](#))
- **Elon Musk, X's owner, has clashed w/ California's leaders and has said the social media platform would move its headquarters to Texas.** X plans to shut its San Francisco office "over the next few weeks". Mr. Musk said last month that he would move the co's headquarters to Texas, after California passed a law that bans school districts from requiring teachers to notify parents if their children change their gender identification. ([NYTIMES](#))
- **Instagram is making "views" the primary metric across all of its formats, meaning that creators will be able to track the same metric across Reels, Stories, and photos.** The change will roll out in the coming weeks, according to a post on Instagram's creators account. ([The Verge](#))
- **Reddit reported strong Q2 results, surpassing analysts' expectations.** The company posted a loss per

share of 6c versus the expected 33c and revenue of \$281mn against the anticipated \$254mn. Revenue grew 54% year-over-year, with net loss narrowing to \$10.1mn from \$41.1mn. Online advertising revenue rose 41% to \$253.1mn, and "other revenue" surged 691% to \$28.1mn. Reddit forecasts third-quarter sales between \$290mn and \$310 million, higher than the expected \$278.7mn. Average revenue per user was \$3.08, and daily active users increased 51% to 91.2mn. ([CNBC](#))

- **The Justice Department filed a federal lawsuit against TikTok and its parent Co ByteDance, alleging that the Co broke the law by collecting data on its young users.** The Co collected and retained personal information from the children w/out notifying or obtaining consent from their parents, the suit said. ([CBSNEWS](#))
- **TikTok has agreed to permanently withdraw its TikTok Lite rewards programme from the EU to comply w/ the bloc's Digital Services Act, the European Commission said.** TikTok Lite has a "Reward Programme" that allows users to earn points while performing certain tasks on the platform such as watching videos, liking content, following creators or inviting friends to join. The EU's executive branch said TikTok had now made legally binding commitments to withdraw the rewards programme from the EU and to not launch any other programme that would circumvent that decision. ([Yahoo Finance](#))
- **TikTok is rolling out Spotlight, a new in-app hub that highlights certain TV shows and movies.** The feature will automatically add links to "applicable" videos on the platform, leading to landing pages that provide more information about the relevant title as well as options to buy tickets or watch it on a streaming svs. The links will show up in the bottom-left corner of a creator's video. ([The Verge](#))

Software

- **KKR & Co plans to help Japanese system developer Fuji Soft go private under a mgmt buyout worth ~600bn yen (\$4.09bn).** Fuji Soft is planning the buyout to improve its capital efficiency amid ongoing conflicts w/ its major shareholders, including Singapore-based 3D Investment Partners. Fuji Soft said a special committee consisting of its external board directors is considering value-maximizing options. ([Yahoo Finance](#))
- **Palantir Technologies stock jumped in trading after the co raised its annual outlook, citing continuing demand for its artificial intelligence software.** The co also raised its outlook for adjusted operating income to a range of \$966mn to \$974mn for the yr. ([Yahoo Finance](#))
- **Unity Software reported a 16% revenue drop in the latest quarter, though it exceeded analyst expectations with \$449mn.** The company is undergoing a transformation under new CEO Matt Bromberg, who emphasized that product enhancements will take time to boost performance. Unity adjusted its full-year revenue forecast to \$1.68-\$1.69bn, down from \$1.76-\$1.80bn, and reduced its adjusted EBITDA outlook. Despite this, second-quarter adjusted EBITDA rose to \$113mn, beating expectations. The company also announced CFO Luis Visoso's departure. ([Morningstar, Inc.](#))

Sports/Sports Betting

- **After losing its NBA TV rights, Turner made key moves to stay relevant in live sports.** Turner locked up Charles Barkley, ensuring his presence on TNT even after "Inside the NBA" likely ends post-2024-25 season. Turner's truTV announced a five-week "Banana Ball World Tour" with the Savannah Bananas, an exhibition baseball team, airing live games from August 16 to September 13. Turner also sublicensed College Football Playoff games from Disney/ESPN and licensed U.S. TV rights to pro tennis' French Open. Barkley's role might expand to a multi-sport variety program on TNT. ([NextTV](#))
- **Disney, Warner Bros Discovery, and Fox Sports each invested \$400mn in their sports streaming joint venture Venu, and will each spend \$15mn on marketing in its first year.** The partners also agreed to a 36-month noncompete clause. These details emerged during a preliminary injunction hearing in FuboTV's lawsuit, which alleges antitrust violations. Fubo claims Venu could strip 30% of its subscribers. The hearing will extend into Monday, with a ruling expected later. ([Front Office Sports](#))
- **Fresh from renewing its carriage deal with Comcast, bankrupt Diamond Sports Group faces a crucial restructuring hearing to determine its future post-Chapter 11.** If it avoids liquidation, it may lose a third of its NBA team partners, including the Dallas Mavericks, New Orleans Pelicans, Memphis Grizzlies, Oklahoma City Thunder, and Detroit Pistons, who might seek their own TV deals. Remaining teams may face a 30%-40% reduction in rights fees. Similar to MLB in 2023, some Bally Sports channels might shutter, especially if key teams depart. ([NextTV](#))
- **Fubo had its day in court as it tries to stop the live TV streaming svs Venu Sports from launching.** During that hearing, Fubo's CEO David Gandler says Fubo could lose 30% of its subscribers if the svs is allowed to launch. Fubo is suing Disney, Fox, and Warner Bros over their planned new streaming svs. Both sides had their arguments and now wait for the judge to rule on the case. ([Cord Cutters News](#))
- **Fubo has seen early traction with its free, ad-supported streaming tier launched in Q2, aimed at re-**

engaging former subscribers and free trial users. The goal is to generate ad revenue and entice users to resubscribe during peak sports seasons. Fubo ended Q2 with 1.45 million North American subscribers, up from 1.16 million a year ago. Despite dropping Warner Bros. Discovery channels, it aims to leverage its sports-focused content and unique user experience features. Future plans include potential expansion of the free tier and more tiered offerings to attract a broader audience. ([StreamTV Insider](#))

- **Genius Sports has locked up the official data rights to all of English soccer through the 2028-29 season, as previously reported negotiations w/ Football DataCo over global rights to UK game data, including the Premier League, have successfully concluded.** Genius has been the exclusive supplier of lightning-quick data from the pitches to the sports betting industry since 2019. Starting w/ the 2025-26 season, the co will be the exclusive global provider of player market data, which is expected to be the basis for bets. ([Sportico.com](#))
- **IOC officials are thrilled with the media coverage of the 2024 Summer Games in Paris, which is producing a record 11,000 hours of content—15.8% more than Tokyo 2020.** This includes enhanced athlete-centric and behind-the-scenes material, dynamic graphics, and immersive camera angles. The Opening Ceremony in France attracted 23.4 million viewers (83.3% share), while NBC and Peacock in the U.S. saw 28.6 million viewers. Warner Bros. Discovery reported record streaming numbers, with Paris 2024 already surpassing Tokyo 2020's total unique streaming viewers in just two days. The coverage is on track to reach over half the world's population. ([TVTechnology](#))
- **Roku will launch a free, ad-supported premium sports channel on August 12.** The Roku Sports Channel will feature live Major League Baseball games, The Rich Eisen Show, live Formula E races, Top Rank boxing matches, and sports-themed Roku Originals. This move aligns with major streamers like Tubi and Pluto TV increasing sports content to attract viewers seeking cheaper alternatives to subscription-based platforms. The launch coincides with Disney, Fox, and Warner Bros. Discovery's proposed Venu Sports joint venture. ([The Hollywood Reporter](#))
- **Sky Sports is launching a new channel and streamer, Sky Sports+, on August 8.** It will be available at no extra cost for existing Sky Sports subscribers on Sky Glass, Sky Stream, Sky Q, and NOW. Sky Sports+ will offer hundreds of hours of live sports, including four times as many EFL matches with all 72 teams featured over 20 times a season. New customers can get Sky Sports+, Sky TV in Ultra HD, and Netflix for £43/month. For the opening EFL weekend, all games across the Championship, League One, and League Two will be streamed live, with 30 matches on August 10. Sky Sports+ will include features like live pause, rewind, live scores, and personalized options for mobile users. ([Broadband TV News](#))
- **The Browns have seemingly made their preference known for a new stadium site, as the NFL team looks beyond its current lease that ends in 2028.** The franchise released renderings and a hype video for a proposed \$2.4bn domed venue in suburban Brook Park, about 15 miles away from the club's current downtown stadium. ([Front Office Sports](#))
- **The NBA is considering expanding into Europe, with talks between the NBA and FIBA becoming more serious about creating a European tournament or league.** Commissioner Adam Silver mentioned that discussions have intensified following the NBA's recent media-rights deals. While no decisions have been made, there is interest among team owners for global investment in basketball. The NBA has a history of global initiatives, including the NBA Academy and the Basketball Africa League. Europe, however, presents a unique challenge due to the established EuroLeague. ([Front Office Sports](#))
- **The NBA's New Orleans Pelicans have become the latest pro sports team to leave the bankrupt Bally Sports regional sports network, signing a multiyr deal to broadcast their games locally w/ Gray TV.** Bally operator Diamond Sports Group, allowed its contracted NBA teams to experiment w/ 10 games toward the end of the 2023-24 season, and the Pelicans ran some of their games on Gray stations. Last yr, the Phoenix Suns started this exodus when the team eschewed a renewal agreement w/ Bally Sports to move to Gray TV. ([NextTV](#))
- **The U.S. Department of Justice has initiated an antitrust investigation into Liberty Media, which owns Formula 1's commercial rights, over its refusal to admit the U.S. racing team Andretti Global into the sport.** Liberty Media disclosed the investigation to investors, stating it received notification from the DOJ. The investigation follows concerns raised by senators, led by Amy Klobuchar, about F1 potentially violating antitrust laws by blocking Andretti Global, which partners with GM and Cadillac. The FIA had approved Andretti's application, but Liberty Media blocked it, doubting the team's competitiveness and value addition. ([NBC News](#))
- **The UFC and WWE saw significant gains in site fees, sponsorships, and live event demand in Q2, boosting TKO Group Holdings' fortunes and prompting an increase in full-year financial guidance for the second consecutive quarter.** TKO reported Q2 revenue of \$851.2mn, adjusted EBITDA of \$420.9mn, and net income of \$150.7mn. TKO raised its 2024 revenue target to \$2.670-\$2.745bn and adjusted EBITDA to \$1.220-\$1.240bn. ([Variety](#))

- **Berkshire Hathaway has halved its stake in Apple, its Q2 earnings report showed.** The Warren Buffett-helmed conglomerate now holds \$84.2bn in Apple stock, much less than the \$174.3bn it owned at the start of the yr. The news sent Apple shares down sharply on Monday (Aug. 5). Shares fell more than 9% in pre-market trading but recovered slightly after the market opened. Apple's stock price was down 5% shortly after trading began. ([Quartz](#))
- **Chinese tech giants, including Huawei and Baidu, are stockpiling high bandwidth memory (HBM) semiconductors from Samsung Electronics, anticipating US export curbs.** These semiconductors are crucial for AI applications. In the first half of 2024, China accounted for about 30% of Samsung's HBM chip revenue. The U.S. is planning new restrictions on HBM chip exports to safeguard national security. This move highlights China's effort to maintain its tech development amidst rising trade tensions. China's demand has surged due to tight global supply and domestic tech development challenges. Restrictions could significantly impact Samsung more than its rivals, SK Hynix and Micron, which are less reliant on the Chinese market. ([AOL](#))
- **Elon Musk's Neuralink has implanted a second trial patient with its brain chip, a device designed to give paralyzed people the ability to control devices through thought alone.** The chip records brain activity via 1,024 electrodes distributed across 64 flexible leads or "threads", each thinner than the width of a human hair. Musk said that the second trial implant in a patient paralysed in a diving accident appeared to have been successful. ([The Independent](#))
- **Nvidia's upcoming artificial intelligence chips will be delayed due to design flaws, The Information reports, citing two unidentified people who help produce the chip and its server hardware.** A spokesperson for Nvidia wouldn't comment on its statements to customers about the delay, according to the report, but told The Information that "production is on track to ramp" later this yr. ([Fortune](#))
- **Sony reported a 10% jump in operating profit in the fiscal Q1, beating analyst expectations after seeing strong growth in its gaming, music and imaging chip bizs.** The Co's music division, in particular, got a boost during the quarter as the release of R&B star Beyonce's new "Cowboy Carter" album boosted its performance. ([CNBC](#))
- **Xperi has signed its seventh partner for TiVo OS, expanding its "Powered by TiVo" smart TVs to 15 European countries and 17 brands.** The latest partner, a top 5 U.S. smart TV supplier, plans to launch TiVo TVs in the U.S. in spring 2025. TiVo's sixth partner, Panasonic, was revealed in May. Xperi reduced Q2 losses to \$21.9 million from \$35.2 million and added three new TiVo Broadband operators, totaling ten. The company projects an active footprint of seven million devices with revenue from ad-supported content and the TiVo media platform. ([Broadband TV News](#))

Towers/Fiber

- **TPG Telecom has revived discussions w/ Macquarie-backed Vocus Group for the sale of some of its non-mobile fibre assets, the Australian telecom operator said.** Vocus, backed by Macquarie Group and pension fund Aware Super, abandoned the deal to buy TPG's fibre network in Nov. though as the parties failed to agree on commercial terms. TPG, whose shares advanced 2.5%, said on Monday the renewed discussions were non-exclusive and there was no certainty a deal would result. ([Yahoo Finance](#))

Video Games/Interactive Entertainment

- **Actors have once again picked up their picket signs.** But this time, members of the Screen Actors Guild are striking against the video game industry after negotiations for a new contract governing interactive media and video games fell through. The guild began striking on Jul. 26th, preventing over 160,000 SAG-AFTRA members from taking new video game projects and impeding games already in development from the biggest publishers to the smallest indie studios. ([The Verge](#))
- **EA College Football 25 continues to receive strong support w/ a new free update.** This update adds new uniforms, plays, and significant changes to abilities and athlete recruitment. The game has been well-received, w/ 713,000+ players during early access. Update 2, available on Xbox Series X/S and PS5, includes eight new shotgun formation plays for 35 teams, new uniforms, and balance changes. ([Kotaku](#))

Video Streaming

- **After several weeks of leaked product shots and FCC schematic filings by the broader tech press, Google has officially released key details about its new streaming gadget, the Google TV Streamer.** It's Google's first product refresh since it debuted its \$50 Chromecast w/ Google TV four yrs ago. The Google Streamer will feature a more robust CPU, running 22% faster than the one in Chromecast w/ Google, as well as 32 gigabytes of storage, 4x as much as the legacy gadget. ([NextTV](#))
- **Amazon has reached an agreement w/ Comcast and Paramount's JV Sky Showtime to sell the streaming**

svs through its Prime Video Channels marketplace in several European countries. Starting this week, Sky Showtime can be purchased by Prime Video users in the Netherlands, Poland and Sweden, w/ prices comparable to what the svs costs on its own in each country. Sky Showtime offers content from properties owned by Comcast's NBC Universal and Paramount Global.(IMDB)

- **As linear TV viewing continues to decline a new survey from Hub highlights just how much smart TVs are impacting the way viewers are accessing content and finding something to watch.** Unlike the past, when viewers flipped through TV channels, the new Hub "Evolution of the TV Set" study indicates that smart TV owners embrace the app-centric viewing environments that deliver more than just TV entertainment. About half of those surveyed said that they started their TV viewing experience by looking at TV apps and opening them. (TVTechnology)
- **If a third-party appraisal matches NBCUniversal's valuation of Hulu, Disney may need to pay an additional \$5bn to acquire NBCU's 33% stake in Hulu.** Disney initially paid \$8.61bn last November, covering one-third of Hulu's \$27.5 billion floor valuation. Unable to agree on Hulu's value, Disney and NBCU opted for a third-party appraisal. If this valuation matches NBCU's higher estimate, Disney owes up to \$5bn more. (NextTV)
- **Kantar's Entertainment on Demand (EoD) study uncovered the behaviours within the global VoD market between Apr. to Jun. 2024.** The study showed Ad-supported streaming saw significant growth in Q2 2024, with AVoD increasing by 10% quarter-on-quarter and FAST growing by 6%. Almost half (49%) of households are now willing to accept ads for a cheaper service. Specific content remains the primary driver of new service adoption, underscoring the importance of a regular slate of high-quality offerings.(ADVANCED-TELEVISION)
- **Lawmakers, including Sens.** Elizabeth Warren and Bernie Sanders, and Rep. Joaquin Castro, are urging the Justice Department and FCC to investigate and block the streaming sports bundle Venu. They argue that Disney, Fox, and Warner Bros. Discovery pooling their sports rights will lead to market consolidation and higher prices. The \$42.99/month service, set to launch in the fall, would bundle channels like ESPN and Fox, potentially stifling competition and forcing rivals to carry less desirable channels. The lawmakers claim this reduces competition and raises consumer costs.(The Hollywood Reporter)
- **Max has been rolling out a significant home screen upgrade aimed at enhancing user engagement and reducing churn.** The new homepage personalizes the order of vertical rail tiles and content based on individual user preferences, suppressing titles already watched or frequently ignored. This "Whole Page Optimization" was completed in late July and has improved homepage efficiency, time spent watching, return visits, and content diversity. The upgrade addresses high churn rates and aims to make it easier for users to find new content quickly.(The Streamable)
- **New data from Parks Associates found that Roku was the maker of the most-used streaming devices in the US, reinforcing data from Roku itself that the Q2 was a strong one in terms of sales.** In a survey of 8,000 internet households, Parks found that Roku was the most-used streaming device by 43% of respondents. Amazon Fire TV devices were second, with 35% of participants saying they used one most frequently.(The Streamable)
- **Sony's global anime streaming svs, Crunchyroll, has surpassed 15mn monthly paid subscribers.** To put the niche SVOD's accomplishment in proper context, the much broader reaching Starz finished 2023 w/ 15.88mn subscribers. A swell in paid subscribers contributed to a \$166mn increase in sales for Sony's picture department, according to the co's financials.(NextTV)
- **Startz will increase its monthly cost by \$1 starting Sept 5, 2024, bringing the total to \$10.99/mo.** This price adjustment comes on the heels of a period where the svs had previously reduced its annual subscription rate, indicating a strategic shift in its pricing approach. This increase aligns with the anticipated release of the second part of Season 7 of the popular show "Outlander".(Cord Cutters News)

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