

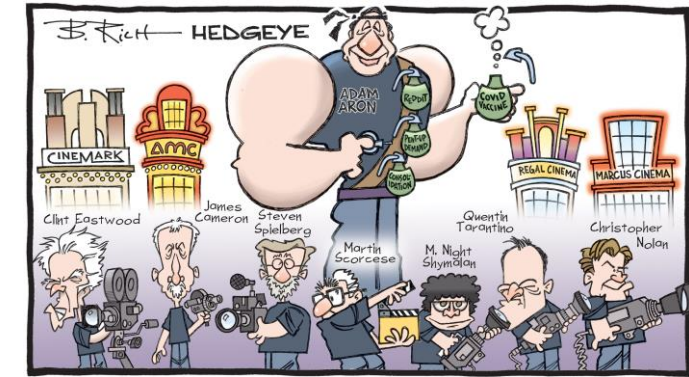
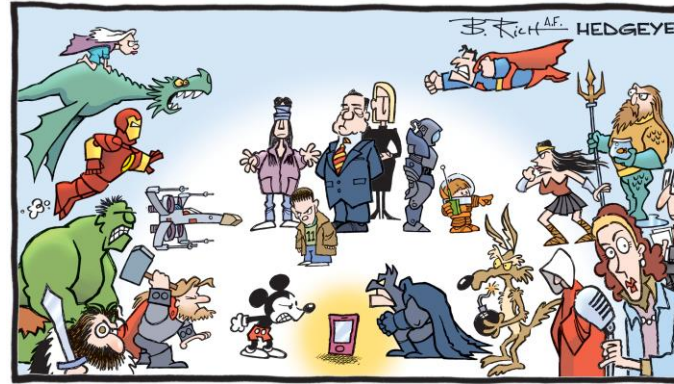
HEDGEYE



Hedgeye Comms

Sector Breakout Session

May 2024



Communications

Internet, Media and Telecom

Andrew Freedman, CFA
Managing Director
@HedgeyeComm
203-562-6500

William Zegras
@HedgeyeCommBZ

Communications Research Process

Internet, Media and Telecom

Research Process

1. Idea Generation

- Thematic, macro and policy driven (...will take rifle shots too)
- Focus on second derivative inflections in trends
- Relative and absolute performance / Battleground stocks
- Counter consensus screening models (short interest, ANR, etc.)
- Primary market research (professional interviews and surveys)

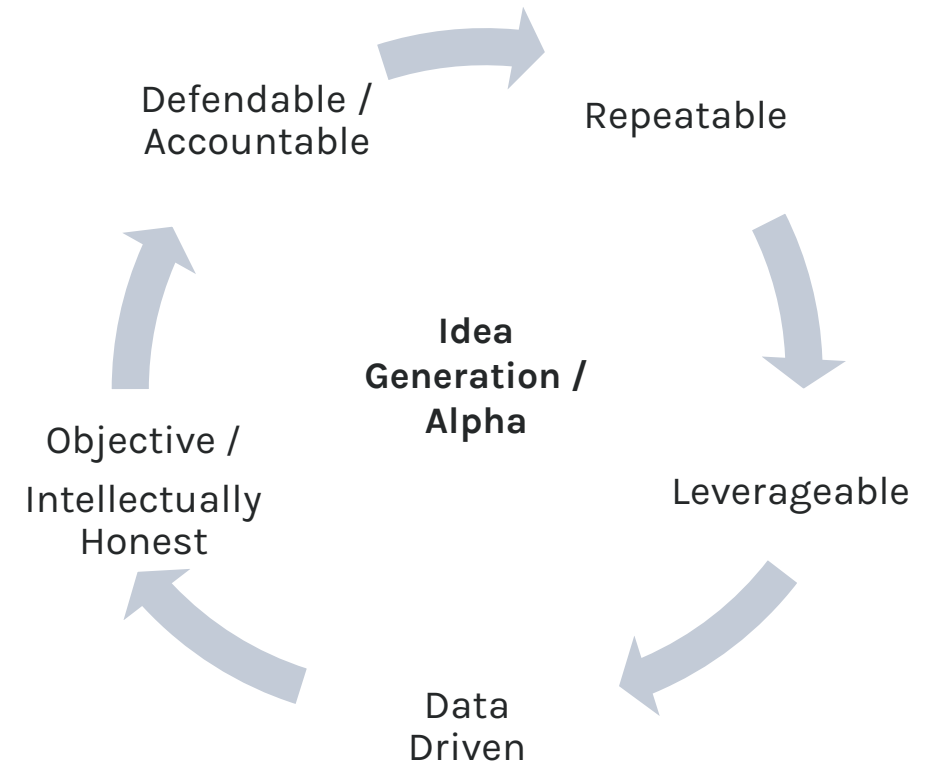
2. Fundamentals

- Build out three-statement financial models
- Model top-line growth, market share and end-market
- Operating leverage, ROIC/Cost of Capital and free cash flow
- Focus on balance sheet, capital structure and management
- Consider all relevant valuation metrics (DCF, multiple, factor, etc.)
- Assess catalyst calendar, understand event path and risk/reward

3. Data Driven

- Narrative supported by data
- Identify correlations, update and chart high frequency key drivers
- Leverage alternative, proprietary and third-party data sces
- Incorporate machine learning and data science to gain insights

Research Process Goals



Data and Research Infrastructure

Internet, Media and Telecom

Research

Supported by team of engineers and data scientists...
and a cartoonist!

Third Party Data

Mobile App Data – Mobile app intelligence provider. Download and usage metrics for iOS and Android platforms world-wide.

Variety Insights – Feature development and production pipeline across TV, film and digital. Talent and deal activity.

Consumer Panel – Access to proprietary panel with demographic information for surveys.

FCC Database – Asset level detail for cable, telecom providers and media networks.

Fundamental

Company Models – Monitor key drivers and metrics.

Industry Models – Aggregate company and industry data to track and forecast adoption trends.

Valuation/Sentiment – Track absolute and relative valuation trends. Sentiment monitored by performance, short interest and sell-side rating

Anecdotes – Interviews with industry professionals and published insights.

Policy

TMT Policy - Paul Glenchur serves as Senior Policy Analyst in Hedgeye's Potomac Research Group. Paul is ranked among leading telecommunications policy specialists, combining his legal background with industry experience.

Proprietary Data

Content Database – 400k+ movie titles and 70k+ TV shows world-wide with production company and other key metrics.

Title Tracker – Track content availability and content catalogue of major SVOD/AVOD services in the U.S. and select international markets.

Popularity Ranking – Track content ratings and popularity trends on weekly basis.

BBB Complaint/Review – Time series frequency of complaints by company and star review.

Employee Review - Time series Net Promoter Score (NPS) of company

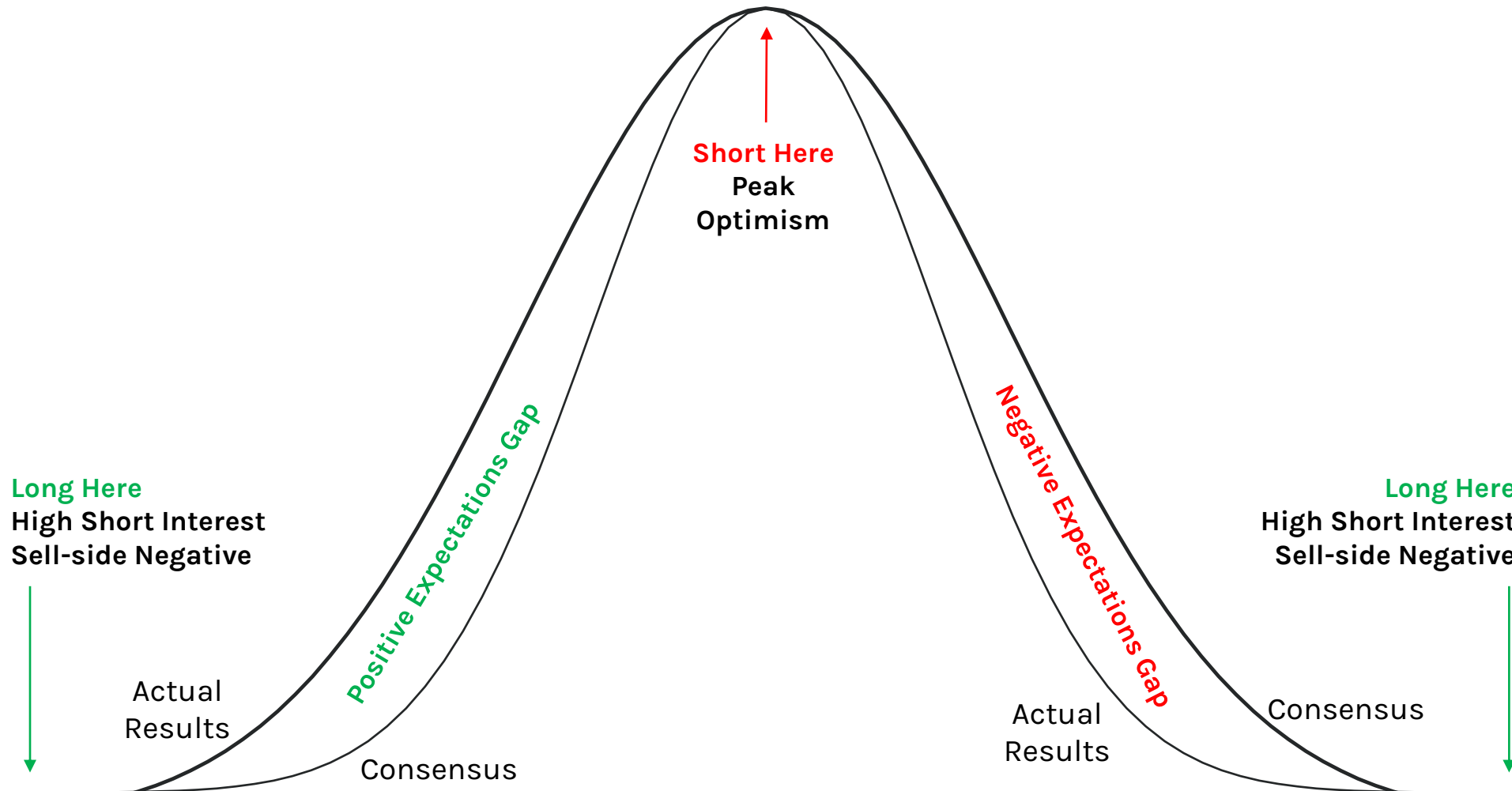
Job Posting Tracker – Select companies.

Roku Channel Tracker - Tracks the number of channels and popularity.

Live Event Database – Tracks the supply of events on Ticketmaster.com (incl. status of live event... canceled, postponed, rescheduled)

Fundamental Idea Generation

Identifying Gaps in Expectations and Inflections in Growth



Hunting for Longs:

(1-3 Year Duration)

- Organic growth / adoption
- Activist / turnaround
- Fallen angel growth stocks
- High short-interest / misunderstood long thesis
- Compounders

Hunting for Shorts:

(< 1 Year Duration)

- Frauds and fads
- Balance sheet shorts
- Angels before the fall (hardest to call timing on, but often most rewarding if right)
- Buggy whips
- Melting ice cubes

Process Shortcomings:

- Early is a less bad form of wrong
- Calling quarters is hard (not impossible)
- Correlations break down

Communications Position Monitor

Internet, Media and Cable/Telecom

Active - Longs							Active - Shorts						
		Sentiment Score*	Market Cap (bill)	Price	Trend	Tail			Sentiment Score*	Market Cap (bill)	Price	Trend	Tail
LONG							SHORT						
Active Longs							Active Shorts						
GOOGL	Alphabet Inc. Class A	100	\$ 2,061.5	\$ 164.4	✓	✓	FUBO	fuboTV Inc.	33	\$ 0.5	\$ 1.4	✗	✗
FYBR	Frontier Communications Parent, Inc.	73	\$ 5.9	\$ 25.1	---	✓	FOXA	Fox Corporation Class A	57	\$ 15.0	\$ 31.8	---	✗
TTD	Trade Desk, Inc. Class A	72	\$ 43.1	\$ 88.9	✓	✓	AMC	AMC Entertainment Holdings, Inc. Class A	17	\$ 0.9	\$ 3.2	---	✗
PINS	Pinterest, Inc. Class A	55	\$ 27.5	\$ 40.3	✓	✓	VZ	Verizon Communications Inc.	93	\$ 163.9	\$ 38.9	---	✗
TKO	TKO Group Holdings, Inc. Class A	83	\$ 7.7	\$ 97.7	✓	✓	META	Meta Platforms Inc Class A	93	\$ 1,120.3	\$ 449.1	---	✗
ROKU	Roku, Inc. Class A	31	\$ 8.6	\$ 59.6	---	✓	CHTR	Charter Communications, Inc. Class A	11	\$ 37.8	\$ 268.7	---	---
NYT	New York Times Company Class A	33	\$ 7.3	\$ 44.7	✓	---							
TMUS	T-Mobile US, Inc.	87	\$ 193.2	\$ 163.9	---	✓							
T	AT&T Inc.	80	\$ 120.3	\$ 16.8	---	✓							
MTCH	Match Group, Inc.	45	\$ 8.3	\$ 31.9	✓	✓							
Long Bias (Bench) / Passive							Short Bias (Bench) / Passive						
NFLX	Netflix, Inc.	79	\$ 243.6	\$ 571.8	---	---	RDDT	Reddit, Inc. Class A	N/A	\$ 6.6	\$ 46.9	---	---
SPHR	Sphere Entertainment Co. Class A	39	\$ 1.4	\$ 41.5	---	---	LUMN	Lumen Technologies, Inc.	20	\$ 1.3	\$ 1.3	---	---
SNAP	Snap, Inc. Class A	52	\$ 26.9	\$ 16.2	---	---	ATUS	Altice USA, Inc. Class A	45	\$ 0.9	\$ 2.0	---	---
WBD	Warner Bros. Discovery, Inc. Series A	61	\$ 19.5	\$ 8.1	---	---	PARA	Paramount Global Class B	9	\$ 9.2	\$ 14.2	---	---
TTWO	Take-Two Interactive Software, Inc.	96	\$ 24.4	\$ 144.6	---	---	OMC	Omnicom Group Inc	45	\$ 18.1	\$ 92.9	---	---
CMCSA	Comcast Corporation Class A	78	\$ 152.4	\$ 38.5	---	---	IPG	Interpublic Group of Companies, Inc.	33	\$ 11.5	\$ 30.8	---	---
LAMR	Lamar Advertising Company Class A	83	\$ 12.1	\$ 114.7	---	---	CRTO	Criteo SA Sponsored ADR	95	\$ 2.0	\$ 37.2	---	---
LYV	Live Nation Entertainment, Inc.	65	\$ 20.4	\$ 94.6	---	---							

Research Bullpen					
SIRI	Sirius XM Holdings, Inc.	IHRT	iHeartMedia, Inc. Class A	OUT	OUTFRONT Media Inc.
SPOT	Spotify Technology SA	MGNI	Magnite, Inc.	FWONK	Liberty Media Corp. Series C Liberty Formula One
DIS	Walt Disney Company	PUBM	PubMatic, Inc. Class A	BMBL	Bumble, Inc. Class A
CABO	Cable One, Inc.	RBLX	Roblox Corp. Class A		
WOW	WideOpenWest, Inc.	DV	DoubleVerify Holdings, Inc.		

Price and market cap data as of 5/3/2024

Sentiment score as of 4/28/2024

*Hedgeye Communications Sentiment Score is a stock's relative percentile rank within its own sub-sector, calculated by factoring the stock's short interest, sell-side ranking, relative forward earnings multiple to the S&P 500 over a rolling 12-mo basis and relative performance to S&P 500 over a 90-day period. A Sentiment Score of 1 represents high short interest, negative sell side rating, relative underperformance and multiple compression. A Sentiment Score of 100 represents low short interest, positive sell side rating, relative outperformance and multiple expansion.

Disclaimer: Hedgeye's "bench" represents Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company

Meta (META) Key Thesis Points

10 reasons why we are making META an active short

1) Looming ROC slowdown 2H24 (it's 4/21)

2) Regulatory + Policy Headwinds

- Digital Markets Act (EU) - Implemented 3/6/24
- Digital Services Act (EU) - Implemented 2/17/24
- The American Privacy Rights Act (Proposed)
- UK Policy Pending Learnings from DMA/DSA

3) Platform Change Headwinds

- Apple Privacy Manifests - Enforcement 5/1/24
- Google 3P Cookie Deprecation - 4Q24
- Resetting Android Ad IDs

4) Meta Data Slowing Down

- Direct response dataset (2H March)
- Meta U.S. CPMs
- 3P SMB/DTC agency spend
- Meta Apps time spent slowing

5) Temu/Shein Share of Voice Trends Moderating

6) No Shortage of Negative Anecdotes

- Primarily long tail DTC and single-brand segment
- Efficiency declines leading to budget cuts
- Inconsistent/volatile campaign performance

7) Hiring + Opex Trends Accelerate 2H24

- Seasonally strong period for hiring Q2/Q3

8) Capex Risk to the Upside

- AI Investments + Llama 3 Chat Bot rollout

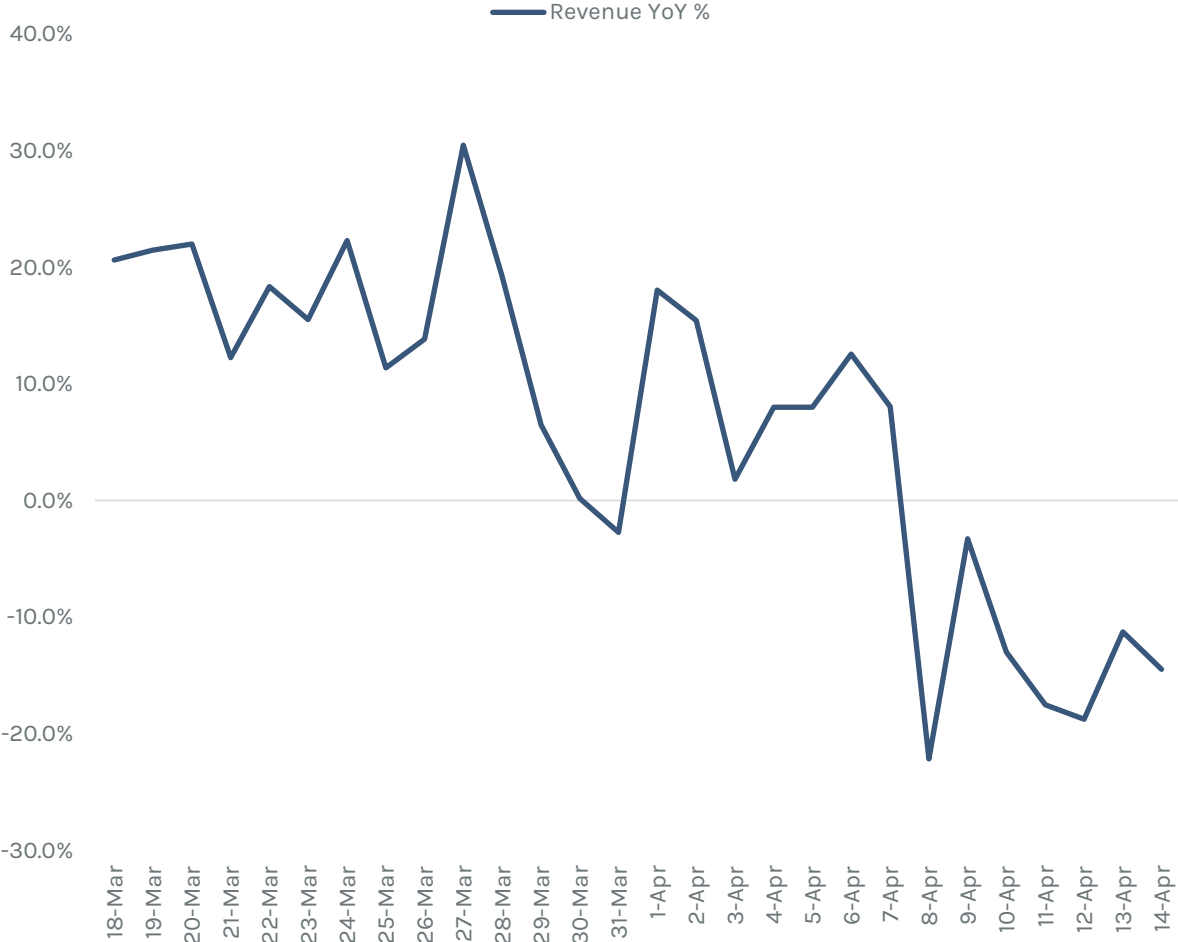
9) Consumption Shift Back to Services vs Goods

10) Investor Expectations are High

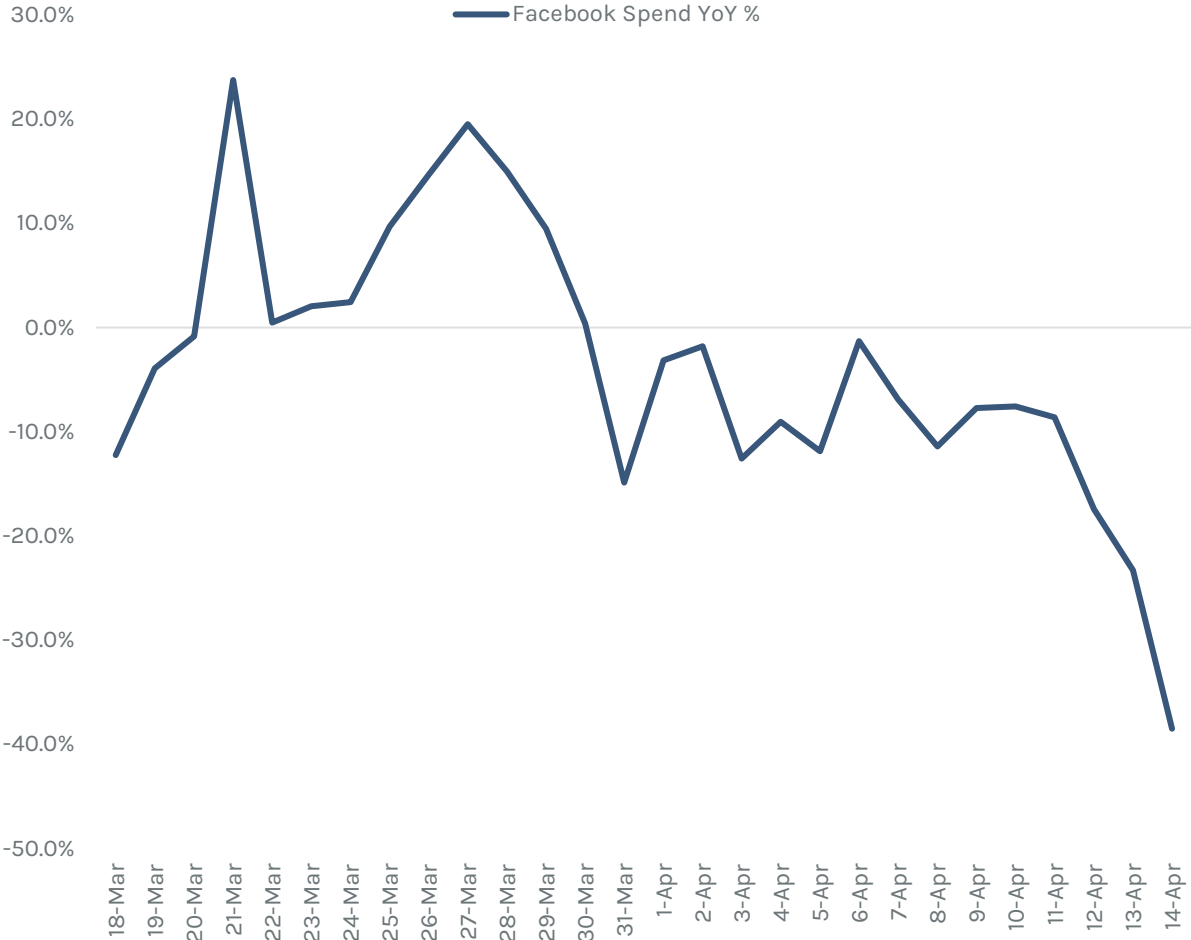
SMB/DTC Channel Showing Signs of Slowing

Long-tail of advertisers impacted the most by platform and policy shifts...

SMB E-Commerce/DTC Sales Aggregate YoY %



SMB E-Commerce/DTC Facebook Spend Aggregate YoY %



Direct Response Trends Quarterly

Total advertising spend growth accelerating Q1; Notable divergence b/w Meta and Google

YoY %

Facebook/Instagram %

CY	Q1	Q2	Q3	Q4
2020	12.7%	12.8%	36.8%	47.4%
2021	22.9%	34.0%	7.6%	-8.9%
2022	-9.9%	-12.4%	-0.2%	13.1%
2023	19.1%	9.8%	28.1%	26.2%
2024	24.8%	15.2%		

Google %

CY	Q1	Q2	Q3	Q4
2020	23.6%	23.5%	21.1%	22.8%
2021	33.4%	121.5%	52.0%	11.1%
2022	21.9%	-9.4%	11.3%	6.0%
2023	0.1%	4.0%	21.3%	26.7%
2024	48.4%	80.3%		

Advertising Spend %

CY	Q1	Q2	Q3	Q4
2020	17.0%	16.5%	30.2%	33.9%
2021	27.2%	66.1%	25.0%	1.2%
2022	3.8%	-10.9%	5.3%	9.2%
2023	9.5%	6.9%	24.7%	26.4%
2024	35.7%	46.8%		

Q/Q %

Facebook/Instagram %

CY	Q1	Q2	Q3	Q4
2020	-13.0%	1.4%	17.1%	42.7%
2021	-27.4%	10.5%	-5.9%	20.8%
2022	-28.3%	7.4%	7.2%	36.9%
2023	-24.4%	-1.0%	25.1%	34.9%
2024	-25.3%	-8.5%		

Google %

CY	Q1	Q2	Q3	Q4
2020	-50.1%	-15.6%	29.3%	125.3%
2021	-45.8%	40.2%	-11.3%	64.6%
2022	-40.5%	4.2%	9.0%	56.8%
2023	-43.8%	8.3%	27.1%	63.7%
2024	-34.2%	31.6%		

Advertising Spend %

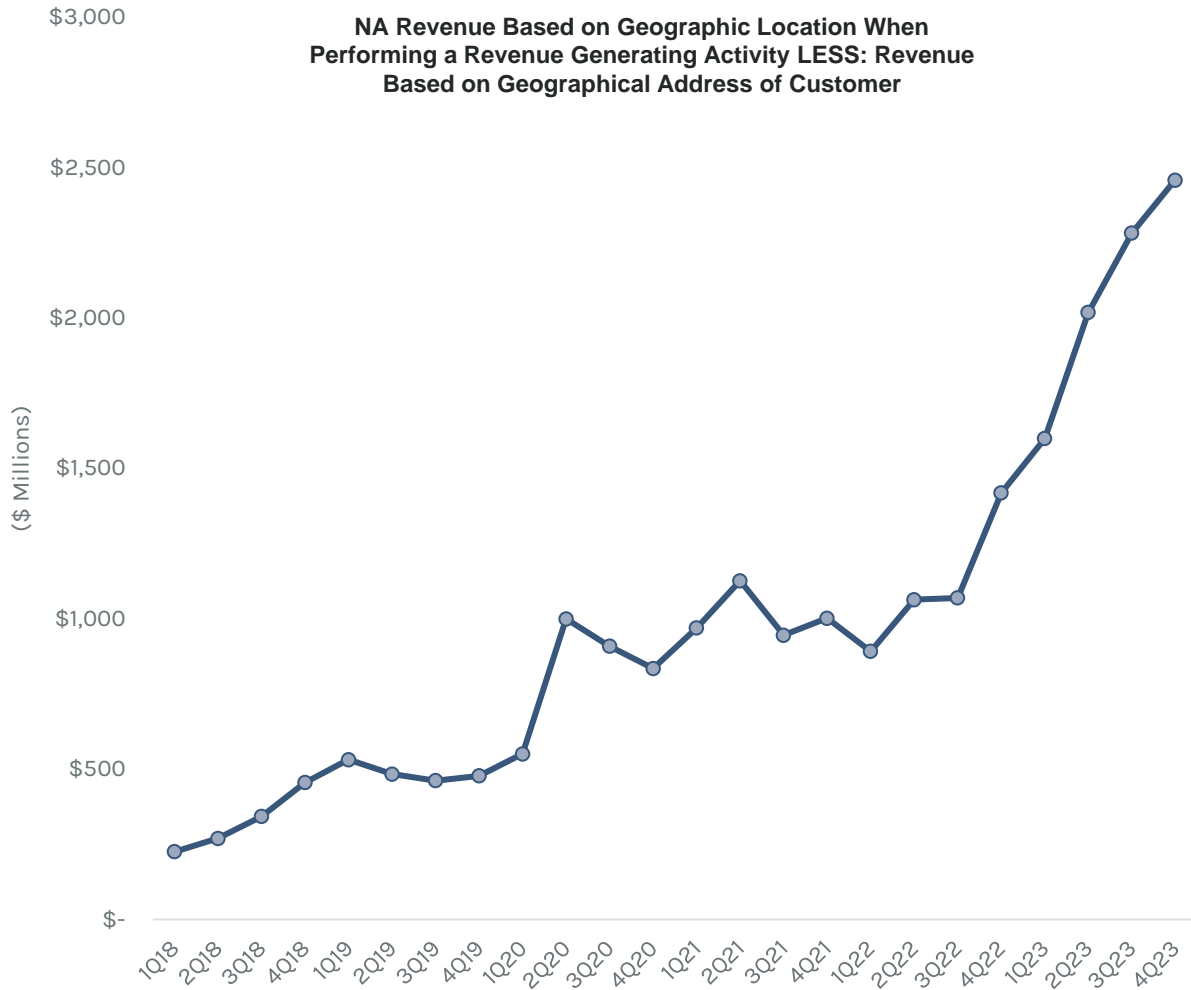
CY	Q1	Q2	Q3	Q4
2020	-33.3%	-5.6%	21.6%	75.0%
2021	-36.7%	23.3%	-8.5%	41.6%
2022	-35.0%	5.8%	8.1%	46.9%
2023	-34.8%	3.3%	26.1%	49.0%
2024	-30.1%	11.8%		

Teasing Out The Temu Impact

3Q23 increasingly looking like peak growth contribution from Temu/Shein

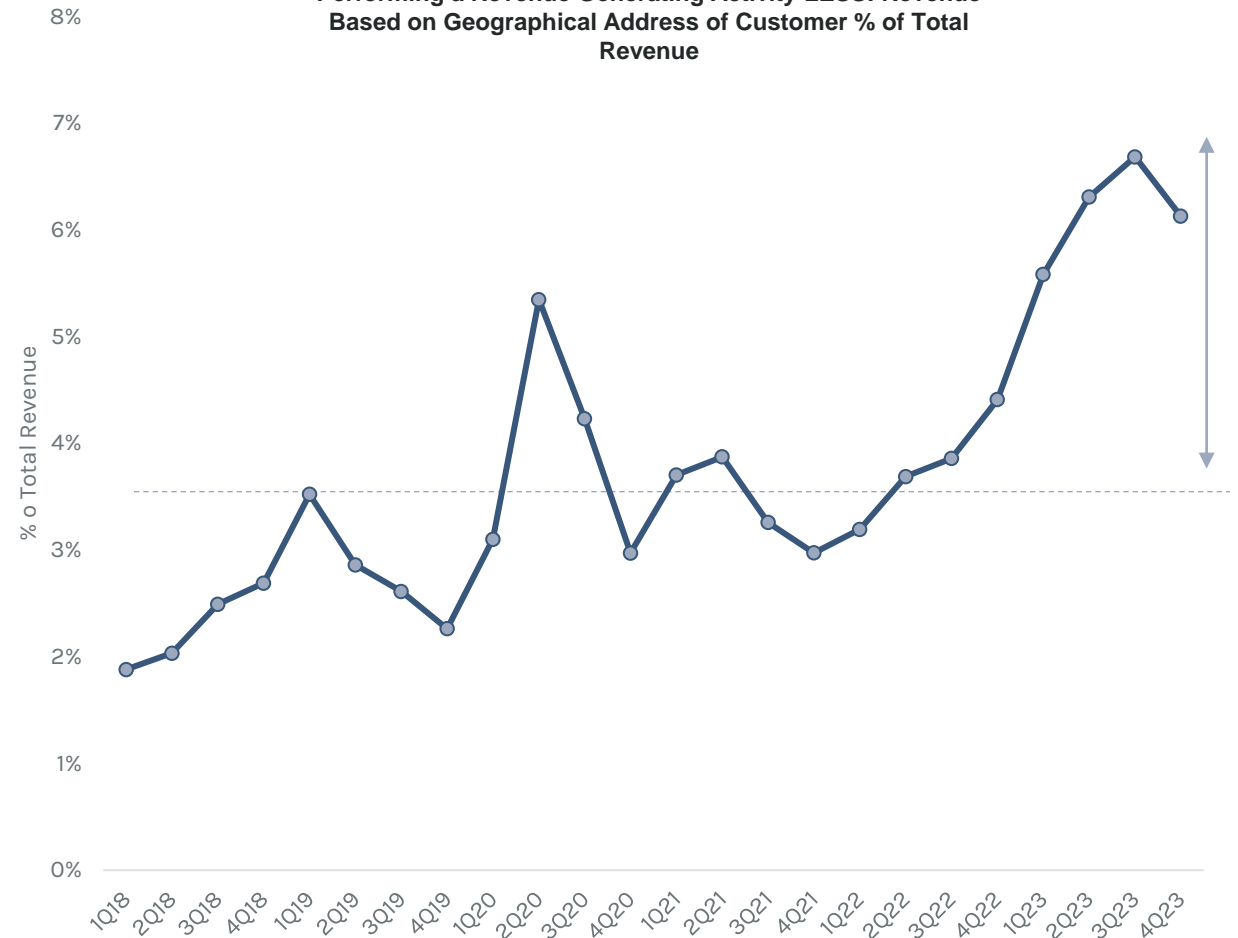
NA Revenue Geographic Spread

NA Revenue Based on Geographic Location When Performing a Revenue Generating Activity LESS: Revenue Based on Geographical Address of Customer



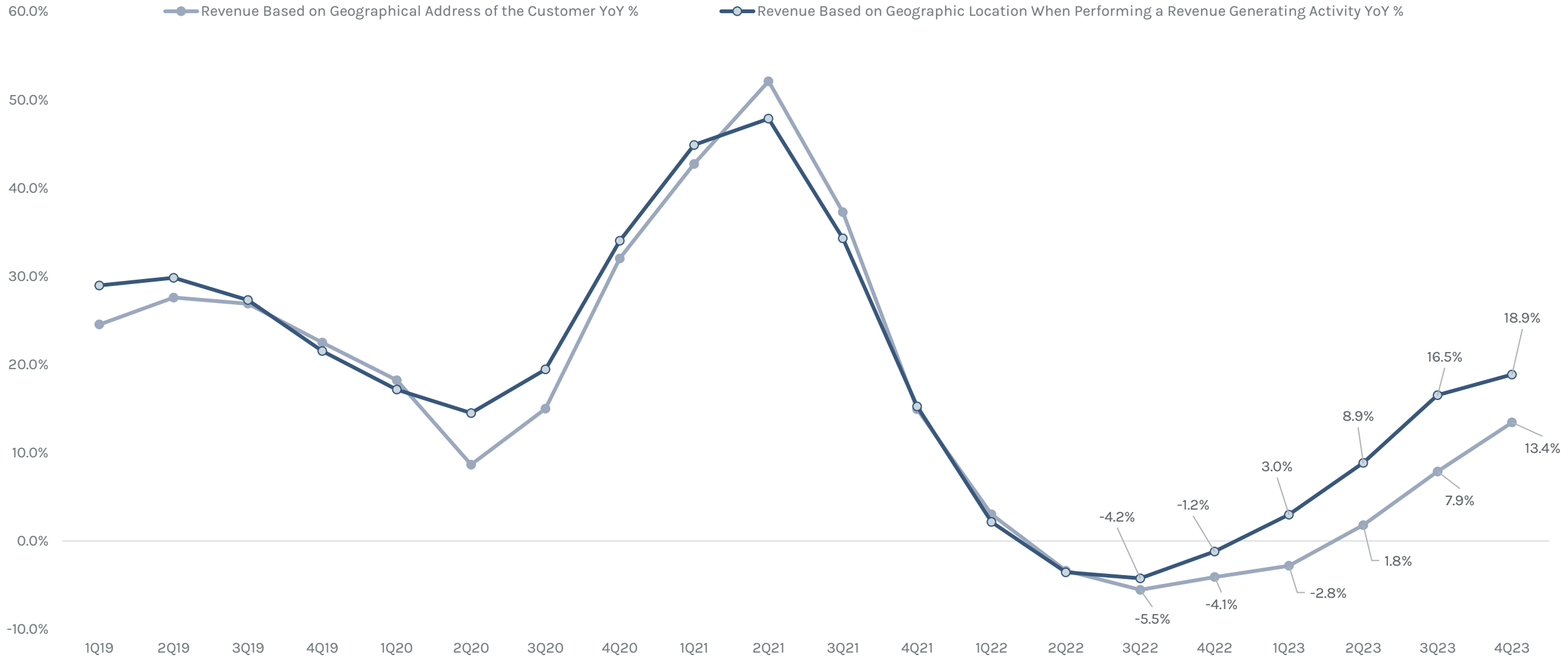
NA Revenue Geographic Spread % of Revenue

NA Revenue Based on Geographic Location When Performing a Revenue Generating Activity LESS: Revenue Based on Geographical Address of Customer % of Total Revenue



Teasing Out The Temu Impact

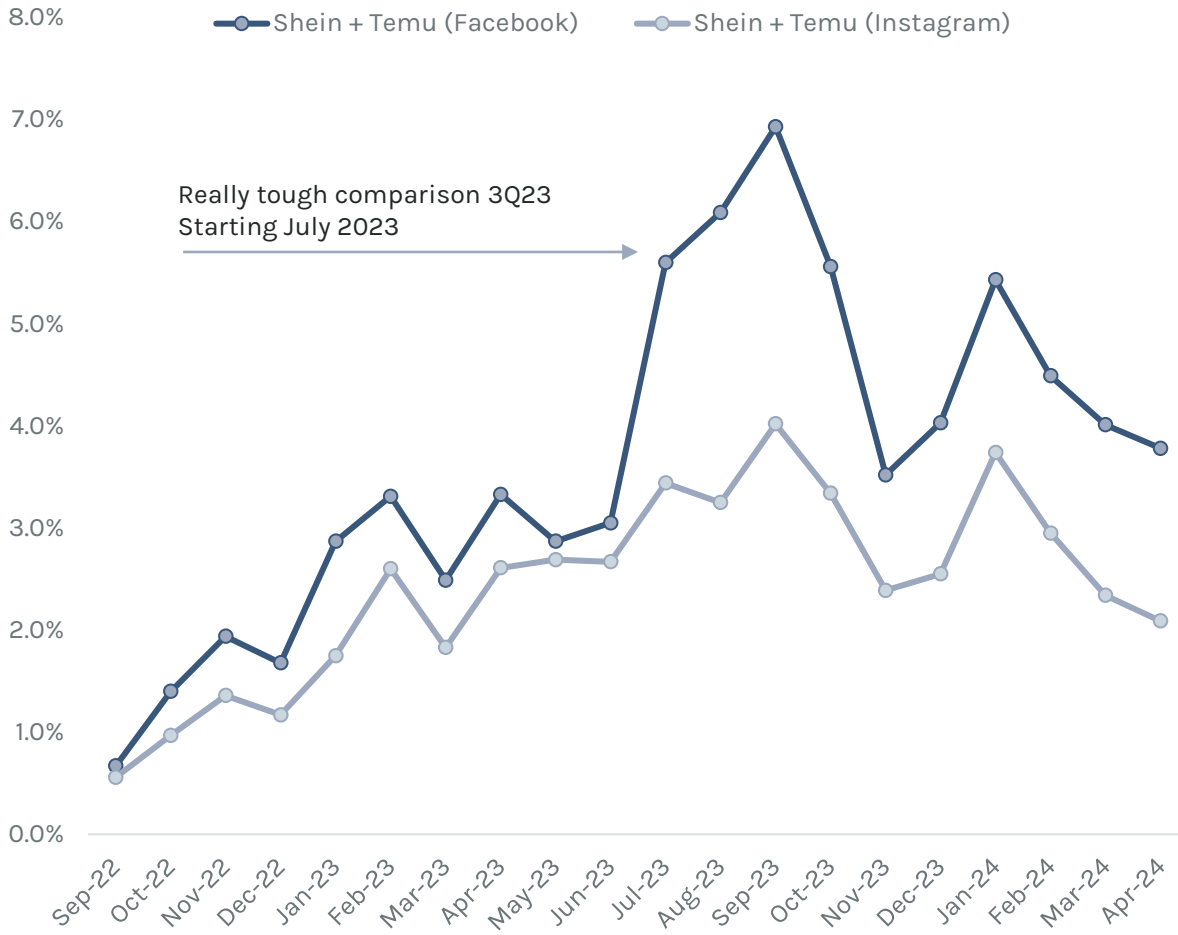
NA geographic revenue growth spread +870bps to 3Q23 vs +550bps in 4Q23



Shein + Temu Share of Voice U.S.

Signs of moderating activity with difficult comparisons coming up 3Q23

Shein + Temu Ads Share of Voice U.S. (Facebook and Instagram)



Shein + Temu Ads Share of Voice U.S. (Facebook and Instagram) YoY %

