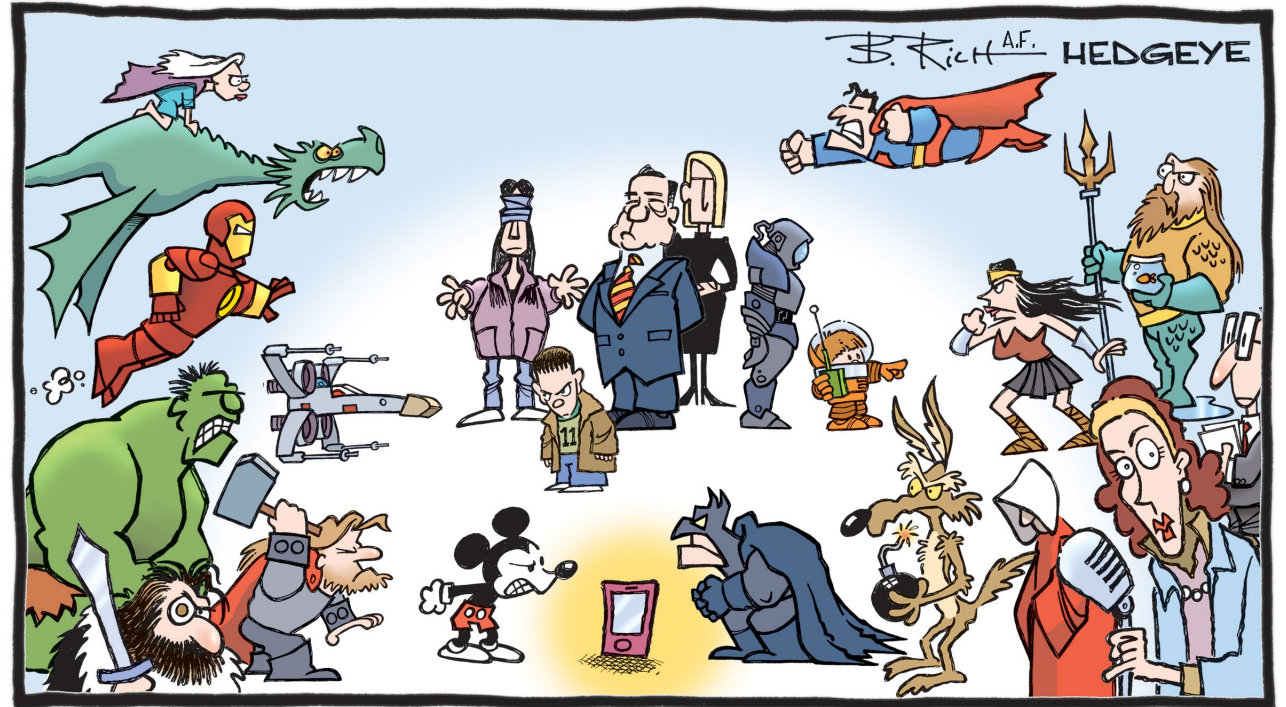HEDGEYE

Comms Pro

Internet. Media. Telecom.

Communications
Internet, Media and Telecom

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Managing Director
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What is Communications Pro?

Premium Investment Research Service

HEDGEYE COMMUNICATIONS POSITION MONITOR

A list of our favorite long / short ideas, updated and delivered bi-weekly, or whenever key changes occur.

VIEW SAMPLE

BEST IDEA ROUNDUPS

A growing library of concise videos dissecting our Communications team's best stock ideas, providing the key conclusions from our deep-dive Communications presentations (generally 2-4 new per quarter)

INDUSTRY INSIGHTS / FIELD NOTES

Fireside Chats and written reports from industry professionals ranging from C-level executives, private companies and advertising agencies.

VIEW SAMPLE

ALTERNATIVE DATA AND SURVEYS

Get latest insights in mobile app download data and proprietary industry surveys.

VIEW SAMPLE

COMMUNICATIONS VALUATION AND SENTIMENT MONITOR

Covering over 120 names across the internet, media and telecom industry. Our bi-month proprietary scorecard fuses sell-side and buy-side sentiment with valuation and price, and is designed to serve as both a risk management tool and contrarian resource for idea generation.

VIEW SAMPLE

RESEARCH NOTES

In-depth, fundamental research notes discussing the key takeaways from earnings releases or industry insights.

VIEW SAMPLE

CLICK HERE TO LEARN MORE

Communications Pro is a data-driven research platform based around core themes and fundamental company analysis within the Communications sector. Communications Pro boils down a universe of 120 tickers into 15-20 top investment ideas that include, but are not limited to:

Netflix (NFLX), Disney (DIS), Facebook (FB), Google (GOOG), Pinterest (PINS), Snapchat (SNAP), Twitter (TWTR), Roku (ROKU), Comcast (CMCSA), AT&T (T), Charter (CHTR), Live Nation (LYV), T-Mobile (TMUS) and Trade Desk (TTD).

Communications Pro offering includes:

- Our favorite long and short stock ideas across the Internet, Media and Telecom space.
- Rigorous top-down and bottom-up sector-level and individual stock analysis.
- Access to a growing video library of current and new best idea presentations, updated three to four times each quarter.
- Industry Insights (Field Notes) from our conversations with industry professionals ranging from c-level executives, private companies and advertising agencies.
- A comprehensive suite of investing tools and data trackers, including app download and usage trends, valuation and sentiment monitor, proprietary survey insights and other alternative data.
- Theme-based analysis of cord-cutting, streaming, 5G, Digital, Gaming, Social, and Theatrical trends
- Real-time video updates and live Q&A with Communications analysts.

Communications Pro combines incisive stock research, robust data trackers and investing tools, and analyst commentary - enabling investors to professionally manage their sector exposure and pursue superior risk-adjusted returns.

4Q20 Speaker Schedule

Streaming + Live Events + Internet + Video Games + Music + Advertising

October 2020

- Andrew Rosen (Author of Parqor Newsletter and former Media Exec)

- Elliott Turner (hedge fund manager) -> ROKU, TWTR

- TMT Policy Call w/Paul Glenchur (Hedgeye Policy Expert)

- Concert Promoter at AEG Worldwide

November 2020

- BBC Digital Content Exec (Co-Founder Britbox)*

- Neil Howe (Head of Demography at Hedgeye)

- Writer for Mad Men Series and Production Director*

- Head of Roku's Platform Business*

December 2020

- Head of Digital Development at Discovery

- Godfather of YouTube's International Business + Facebook Watch

- Chief Product Officer at CuriousityStream

- Former NBC-Universal Executive

* Former Employee
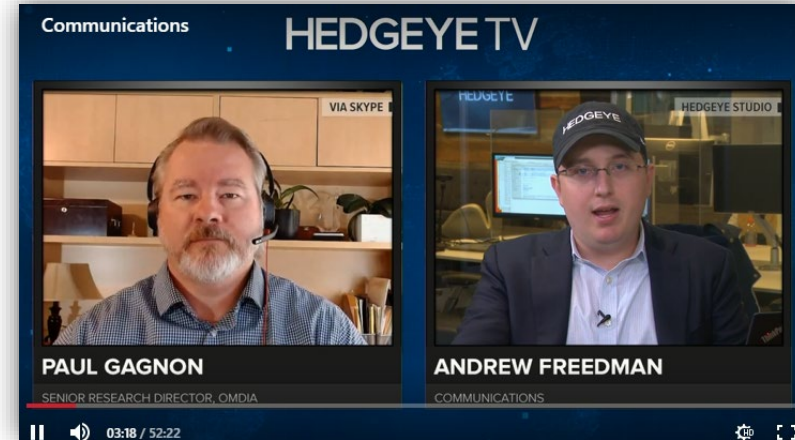
Communications Research Process
Internet, Media and Telecom

Research Process

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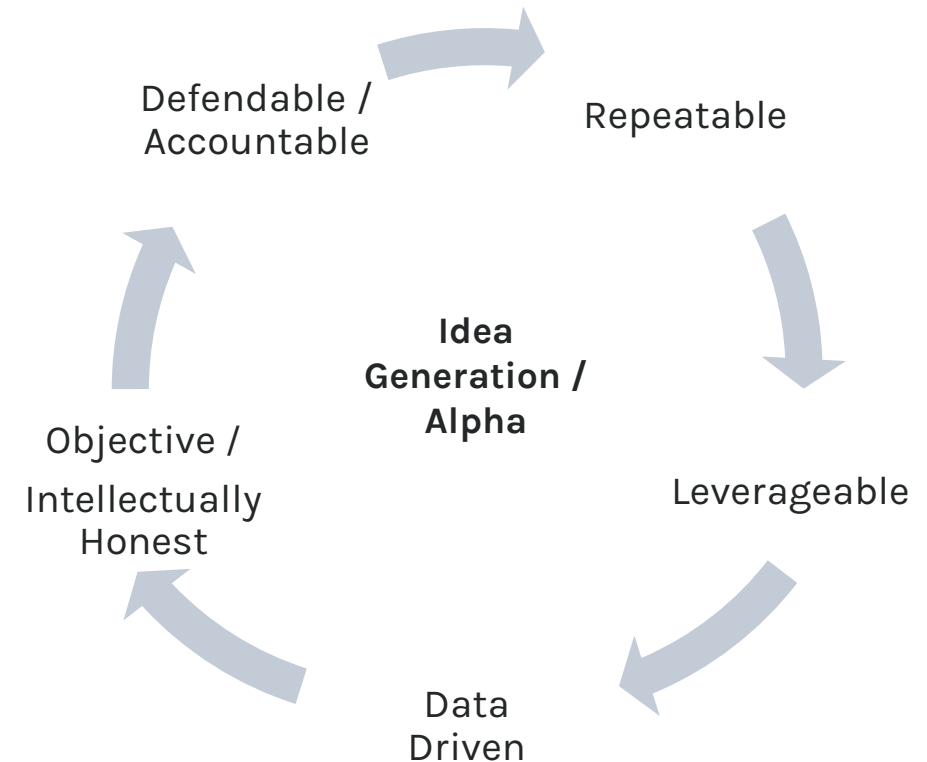- o Primary market research (professional interviews and surveys)

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

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

Research Process Goals

Defendable / Accountable → Repeatable → Leverageable → Data Driven → Objective / Intellectually Honest → (center: **Idea Generation / Alpha**)

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.

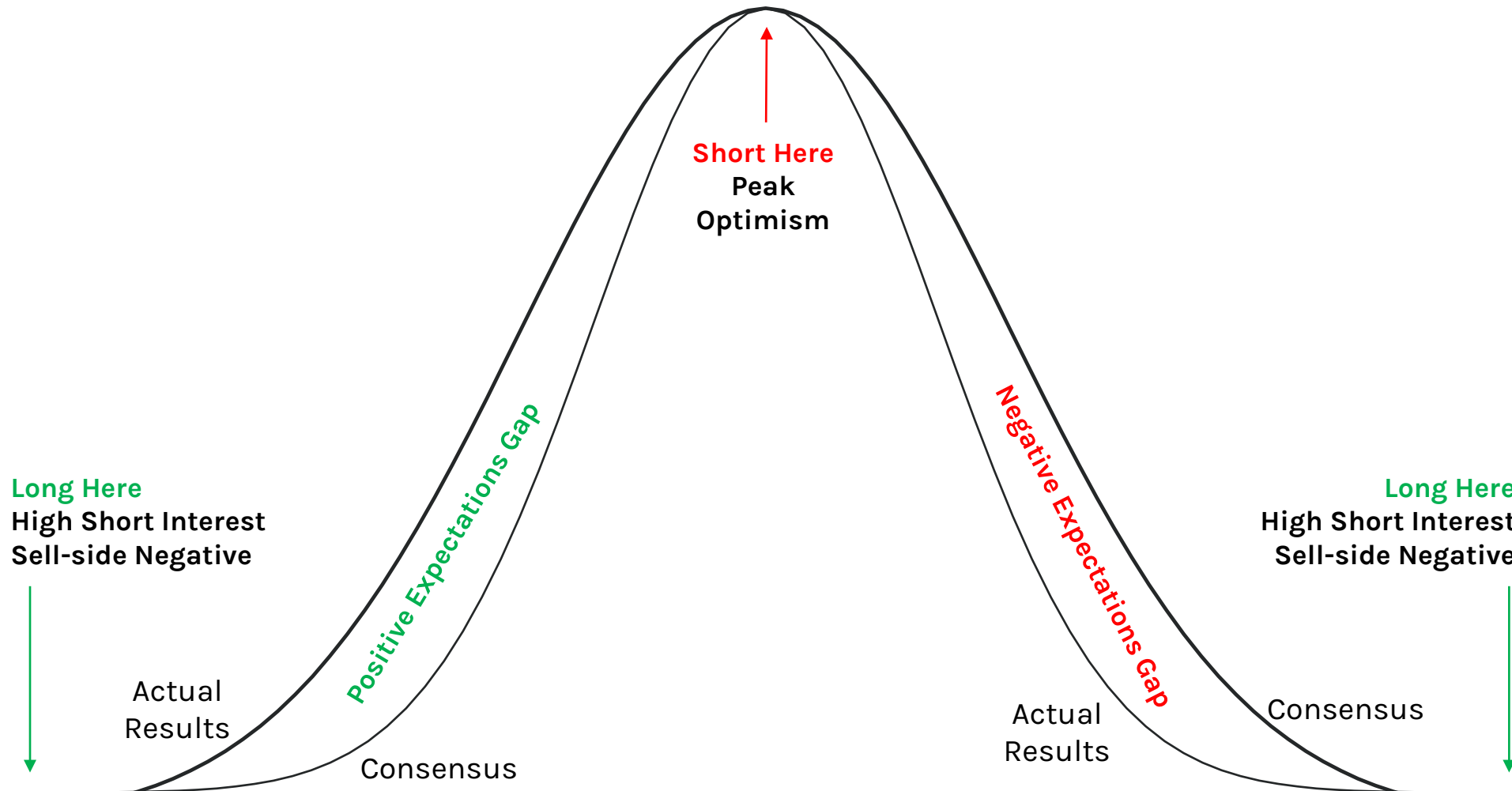**Employee Review -** Time series Net Promoter Score (NPS) of company

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

HEDGEYE

Short Here
Peak Optimism

Positive Expectations Gap

Negative Expectations Gap

Long Here
High Short Interest Sell-side Negative

Long Here
High Short Interest Sell-side Negative

Actual Results

Consensus

Actual Results

Consensus

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 Telecom

HEDGEYE

Active - Longs LONG		Sentiment Score*	Market Cap (bill)	Price	Trend	Tail	Active - Shorts SHORT		Sentiment Score*	Market Cap (bill)	Price	Trend	Tail
Active Longs							**Active Shorts**						
TWTR	Twitter, Inc.	45	$ 34.1	$ 43.1	✓	✓	LYV	Live Nation Entertainment, Inc.	75	$ 11.1	$ 50.9	✗	✗
MTCH	Match Group, Inc.	73	$ 26.9	$ 103.4	✓	✓	NFLX	Netflix, Inc.	52	$ 208.6	$ 473.1	✗	✗
ROKU	Roku, Inc. Class A	83	$ 22.2	$ 178.3	✓	✓	ATUS	Altice USA, Inc. Class A	22	$ 19.5	$ 25.5	✗	✗
TMUS	T-Mobile US, Inc.	100	$ 136.8	$ 110.6	✓	✓							
Long Bias (Bench) / Passive							**Short Bias (Bench) / Passive**						
CHTR	Charter Communications, Inc. Class A	67	$ 125.3	$ 611.5	---	---	DIS	Walt Disney Company	100	$ 221.3	$ 122.5	---	---
SPOT	Spotify Technology SA	76	$ 42.6	$ 231.3	---	---	TTD	Trade Desk, Inc. Class A	72	$ 21.2	$ 453.2	---	---
VZ	Verizon Communications Inc.	85	$ 244.9	$ 59.2	---	---	SNAP	Snap, Inc. Class A	59	$ 35.7	$ 24.3	---	---
GOOGL	Alphabet Inc. Class A	90	$ 967.8	$ 1,422.9	---	---	FOXA	Fox Corporation Class A	42	$ 15.6	$ 26.2	---	---
FB	Facebook, Inc. Class A	93	$ 710.9	$ 249.5	---	---	T	AT&T Inc.	30	$ 199.8	$ 28.0	---	---
CMCSA	Comcast Corporation Class A	100	$ 208.8	$ 45.7	---	---	DISCA	Discovery, Inc. Class A	17	$ 10.8	$ 21.3	---	---
PINS	Pinterest, Inc. Class A	---	$ 23.1	$ 38.5	---	---	WMG	Warner Music Group Corp. Class A	---	$ 14.4	$ 28.2	---	---

Sentiment score as of 9/10/2020 market cap and price information as of 9/10/2020, short interest data as of 8/31/20.

Active Long or Short = Idea that has gone through research process, and have conviction in timing and fundamentals.

Bench Long or Short = Idea that is still going through research process, but have long/short bias based on initial thematic, policy or fundamental work.

*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.

Communications Sentiment Monitor

Internet, Media and Telecom

Internet Media & Services

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
CARG	1	2,520	1,289	33
YELP	4	1,522	1,122	26
ZNGA	7	10,206	19,719	183
JCOM	10	3,341	803	52
VRSN	14	23,800	691	143
EBAY	17	36,660	8,902	490
CARS	21	590	1,252	10
BCOR	24	455	403	4
GLUU	28	1,331	4,427	37
SSTK	31	1,927	367	17
ANGI	35	6,095	3,987	55
LPSN	38	3,542	926	46
TRUE	41	555	1,312	6
TWTR	45	36,937	19,318	744
SHOP	48	128,511	2,348	2,337
NFLX	52	232,640	7,315	3,644
Z	55	24,408	3,631	285
SNAP	59	39,346	24,240	565
CVNA	62	16,532	1,878	335
ETSY	66	15,714	4,044	474
STMP	69	4,450	338	81
MTCH	73	30,216	3,691	391
SPOT	76	46,139	2,021	522
GDDY	79	12,910	1,605	121
ROKU	83	24,984	9,681	1,537
ZG	86	24,415	699	55
GOOGL	90	1,012,015	1,775	2,704
FB	93	759,579	24,787	6,396
CSGP	97	34,068	240	191
IAC	100	9,808	1,448	182

Publishing

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
MDP	20	586	654	9
NYT	50	7,316	1,364	60
SCHL	60	730	218	5
JW.A	73	1,821	281	10
TPCO	80	431	118	1
NWSA	100	8,347	2,139	30

Entertainment & Broadcast Media

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
AMCX	1	1,263	1,110	27
MSGN	4	519	486	5
SIRI	8	24,523	25,081	144
WWE	13	3,140	581	25
DISCA	17	10,903	3,950	86
CNK	21	1,184	6,878	85
AMC	25	508	6,528	33
SBGI	29	1,377	1,098	22
VIAC	33	17,052	9,701	260
FWONA	38	7,955	147	5
FOXA	42	16,733	4,452	118
LGF.A	46	2,046	1,001	9
NXST	50	4,055	351	32
TGNA	54	2,511	1,454	17
MCS	58	235	564	8
GTN	67	1,355	640	9
EROS	67	365	3,959	12
HMTV	71	350	35	0
LYV	75	11,675	2,336	121
EA	79	38,346	2,065	281
IMAX	83	683	989	13
SSP	88	948	486	5
TTWO	92	18,993	1,296	210
ATVI	96	63,818	6,497	527
DIS	100	222,829	10,720	1,340

Advertising & Marketing

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
OMC	1	10,651	1,979	106
NLSN	7	5,059	3,069	46
SCOR	14	152	304	1
RUBI	22	797	2,020	14
IPG	29	6,539	3,767	67
GRPN	36	610	2,545	59
QUOT	43	697	483	4
NCMI	50	218	757	2
BOMN	57	447	116	2
LAMR	64	6,936	582	39
TTD	72	25,953	1,180	541
OUT	79	2,198	1,765	27
CCO	86	477	2,159	2
RAMP	93	3,453	614	31
QNST	100	868	334	4

Telecommunication Services

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
GSAT	5	512	5,595	2
GTT	5	296	475	3
VSAT	10	2,319	579	22
CTL	20	10,921	10,745	112
CCOI	20	2,860	406	30
CBB	25	763	457	7
T	30	202,991	32,793	970
CNSL	45	419	464	3
VOD	45	35,552	3,580	54
WOW	45	455	290	2
WIFI	50	454	466	6
USM	55	2,540	146	5
ATNI	60	788	50	3
GOGO	65	817	6,171	34
ORBC	70	280	479	2
TDS	75	2,101	622	13
SHEN	80	2,222	166	8
VZ	85	246,007	13,451	782
IRDM	90	3,481	733	20
GLIBA	95	8,844	583	46
TMUS	100	143,252	4,495	499

Cable/Satellite TV & Infrastructure

Ticker	Score	Mkt Cap	Average Daily Volume Shares (tho)	$ Millions
DISH	1	15,118	2,576	85
LILAK	11	1,899	1,382	12
ATUS	22	15,144	5,500	143
CCI	33	73,467	1,910	315
CABO	45	11,145	35	63
LBRDA	56	26,260	120	16
CHTR	67	130,133	917	542
LORL	78	569	155	3
AMT	89	107,411	1,651	418
CMCSA	100	212,143	17,543	764

Sentiment Score:

- Short Interest
- Sell-Side Rank/ANR
- Relative Value
- Relative Performance

1 = Contrarian Buy

- High short-interest
- Low sell-side rank
- Relative earnings multiple to S&P 500
- Underperformed S&P 500 on rolling 90-day basis

100 = Contrarian Sell

- Low short-interest
- High sell-side rank
- Relative earnings to S&P 500 greater than one-year prior
- Outperformed S&P 500 on rolling 90-day basis

Data updated as of 8/10/2020 incorporates short interest data updated as of 7/31/2020)

Key Thematic Takeaways

[1] ## Digital Video and OTT Adoption Nearing Unit Saturation

Digital video viewership in the U.S. has doubled over the last decade to 230 million or 80% of total TV viewers, while OTT penetration is 66%. Netflix (NFLX) has been the horse to ride during this phase of rapid growth, but new entrants will begin to take wallet and mind share away from first movers.

[2] ## More OTT Entrants Will Accelerate the Decline in Pay-TV

Cable/satellite television has the worst value proposition and lowest net promotor score (NPS) of all video services. With wallet share on entertainment expense fixed, growth in lower cost SVOD and vMVPD options will come at the expense of Pay-TV subscriptions.

[3] ## Video ARPU Deflating Across The Industry; OTT Fragmentation

The number of revenue generating units (RGUs) is growing significantly faster than the addressable market in dollars. We are forecasting a ~10% per year decline in video ARPU industry-wide, which will weigh further on expensive Pay-TV subscriptions and begin to challenge premium SVOD services ability to raise price.

[4] ## OTT Will Take Accelerating Share of TV Ad Spend

Companies spend ~$70 billion per year on TV advertising in the U.S. The trend has been remarkably durable in the face of rating declines and viewership shift to OTT services. As the Pay-TV ecosystem crumbles, we believe AVOD services will begin to take share of TV ad spend at an accelerating rate. While legacy media will be able to recapture a portion of this lost share via their own OTT offerings, a significant portion will accrue to the Roku and Amazon.

[5] ## Entering an Era of Content Protectionism

After years of speculation, we have finally entered the era of content protectionism. Enabled by innovation in video distribution, supported by the billions of dollars spent for vertical and horizontal M&A and led by Disney, legacy media is on a path to convert billions in licensing revenue to recurring, subscription revenue via direct-to-consumer (DTC).

Theme Exposure Matrix

Long ✓
Short ✗

Ticker	Broadband	OTT	AVOD	Audience Fragmentation	OTT Competition	vMVPD	Content	Linear TV	MVPD/DBS	Position Monitor Long/Short
CHTR	✓	✗	✗	✗	-	✓	-	✓	✓	Long
ROKU	-	✓	✓	✓	✓	✓	-	✗	✗	Long
GOOGL	-	✓	✓	✓	-	✓	✓	✗	✗	Long
FB	-	✓	✓	✓	✗	-	✓	-	-	Long
DIS	-	✓	✓	-	✓	✓	✓	✓	-	Long
DISCA	-	-	-	✗	-	✗	✓	✓	-	Long
NFLX	-	✗	✓	✓	✓	✓	✗	✓	-	Short
ATUS	✗	✓	✓	✓	-	✓	-	✗	✗	Short
AMCX	-	-	-	-	-	-	✗	✗	-	Short
CBS	-	✓	-	✓	✓	-	✗	✗	-	Short
CMCSA	✗	✗	-	✓	✗	-	✗	✗	✗	Short
T	✓	✗	-	✓	✗	✗	✗	✗	✗	Short
DISH	-	✓	-	✓	✓	✗	✓	✗	✗	Short

Many Different Ways to Express Themes Long/Short

We want to be long diversified portfolios of proprietary content, broadband, audience fragmentation and OTT competition (i.e., short NFLX). We want to be short linear TV and traditional video distribution (MVPD). While consolidation has made gaining direct exposure to these factors difficult, some companies are more uniquely exposed than others.

Hedgeye Macro Overlay

#QUAD1

Goldilocks. Maximum gross exposure, wide net exposure.

Asset Class Overweight(s): Equities, Credit

Asset Class Underweight(s): Fixed Income, USD

Equity Sector Overweight(s): Tech, Consumer Discretionary, Industrials, Materials

Equity Sector Underweight(s): Utilities, Consumer Staples, Energy, Health Care

Equity Style Factor Overweight(s): High Beta, Cyclicals, Momentum

Equity Style Factor Underweight(s): Low Beta, Defensives, Dividend Yield

Fixed Income Overweight(s): Convertibles, High Yield Credit, Leveraged Loans, BDCs

Fixed Income Underweight(s): TIPS, Short Duration Treasuries, MBS, Medium Duration Treasuries

#QUAD2

Reflation. Maximum gross exposure, wide net exposure.

Asset Class Overweight(s): Equities, Credit, Commodities

Asset Class Underweight(s): Fixed Income, USD

Equity Sector Overweight(s): Tech, Consumer Discretionary, Industrials, Energy

Equity Sector Underweights(s): Telecom, Utilities, Consumer Staples, REITS

Equity Style Factor Overweight(s): Momentum, Growth, Small Caps

Equity Style Factor Underweight(s): Low Beta, Value, Dividend Yield

Fixed Income Overweight(s): BDCs, Convertibles, Preferreds, Leveraged Loans

Fixed Income Underweight(s): Long Duration Treasuries, Munis, Investment Grade Credit, Medium Duration Treasuries

#QUAD3

Stagnation-to-stagflation. Moderate gross exposure, tight net exposure.

Asset Class Overweight(s): Fixed Income, Commodities

Asset Class Underweight(s): Equities, Credit

Equity Sector Overweight(s): Utilities, Tech, Energy, REITS

Equity Sector Underweight(s): Financials, Materials, Telecom, Consumer Staples

Equity Style Factor Overweight(s): Low Beta, Quality, Large Cap Growth

Equity Style Factor Underweight(s): Dividend Yield, Small Caps, Value

Fixed Income Overweight(s): Munis, Long Duration Treasuries, TIPS, Investment Grade Credit

Fixed Income Underweight(s): BDCs, Preferreds, Convertibles, Leveraged Loans

#QUAD4

Deflation. Minimum gross exposure, market neutral exposure.

Asset Class Overweight(s): Fixed Income, USD

Asset Class Underweight(s): Equities, Credit, Commodities

Equity Sector Overweight(s): Consumer Staples, Health Care, REITS, Utilities

Equity Sector Underweight(s): Tech, Energy, Industrials, Financials

Equity Style Factor Overweight(s): Low Beta, Dividend Yield, Defensives
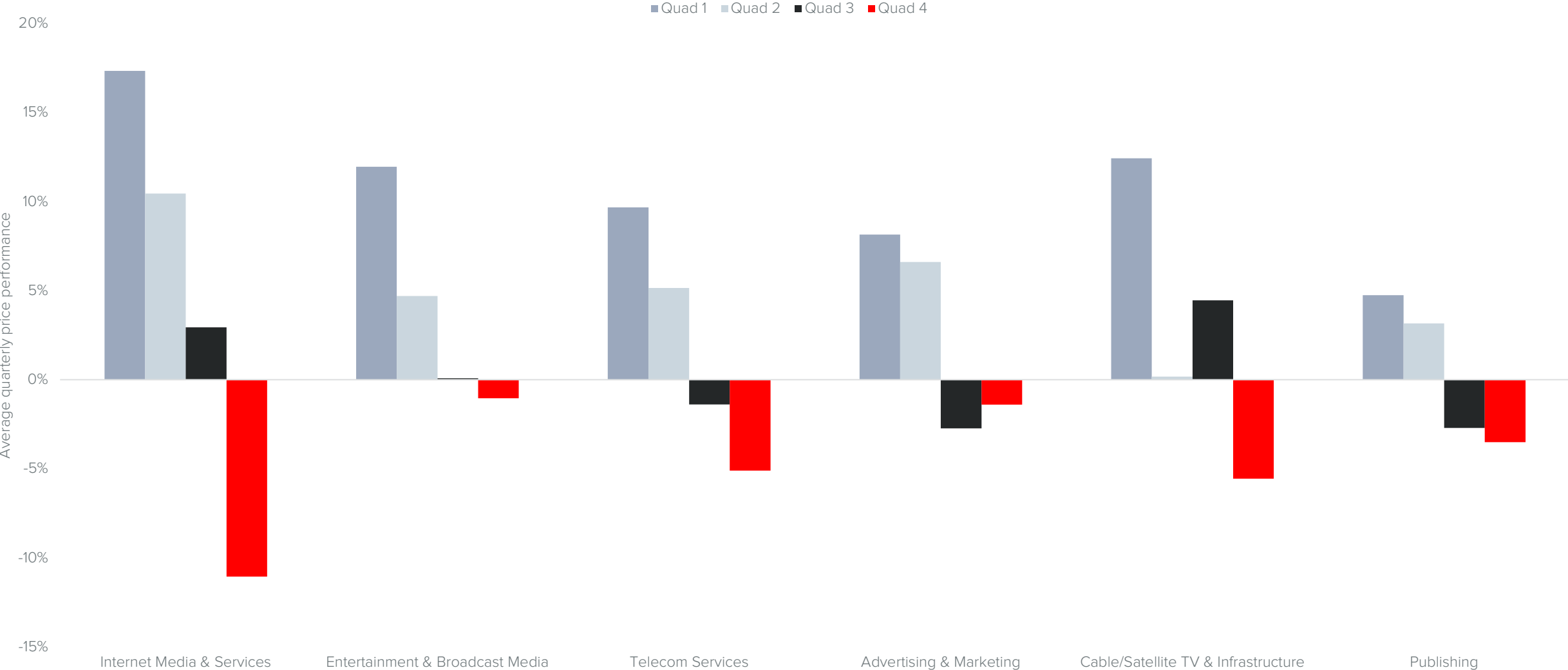
Equity Style Factor Underweight(s): Momentum, High Beta, Growth

Fixed Income Overweight(s): Long Duration Treasuries, Medium Duration Treasuries, Munis, MBS

Fixed Income Underweight(s): Convertibles, TIPS, Leveraged Loans, High Yield Credit

Communications Performance Back-test by Quad

Internet, Media and Telecom

Best Cartoons in the Industry!

HEDGEYE

Internet, Media and Telecom