

The Sunday Brief: CES Thoughts and Fourth Quarter Earnings Questions

Greetings from Las Vegas and Missouri. Pictured are the participants at last Tuesday's CES Sunday Brief dinner held at Gordon Ramsay's Pub at Caesar's Palace. A terrific conversation and agreement to reconvene in May in Charlotte. Pictured (left to right) is Stuart Chowning (Telgoo5), Rusty Lhamon (Sercomm), David Barden (Bank of America Securities), Jim, Chip Barker (ACN) and Greg Savage (BlueConnects).



This week, we will have a condensed market commentary to make room for our CES thoughts as well as questions for fourth quarter earnings. As of Friday afternoon, here's the earnings call schedule for each of the Fab Five and Telco Top Five:

Company	Earnings Date	Before Open/ After Close
Verizon	Wednesday, 1/24	before market open
AT&T	Wednesday, 1/24	before market open
Comcast	Thursday, 1/25	before market open
T-Mobile	Thursday, 1/25	after market close
Google	Tuesday, 1/30	after market close
Apple	Thursday, 2/1	after market close
Facebook	Thursday, 2/1	after market close
Charter	Friday, 2/2	before market open
Microsoft	TBD	TBD
Amazon	TBD	TBD

The Fortnight That Was

FAB FIVE		Shares outstanding (end of yr unless noted)			Stock Price (last trading day of year)			Equity Value (\$B)			2024 YTD PERFORMANCE							
Stock Name	Symbol	Dec-21	Dec-22	Sep-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	12-Jan	% change	Value Gained/Lost (\$B)	Current market cap	29-Dec	5-Jan	1-wk change	2-wk change
Apple	AAPL	16,319.4	15,821.9	15,552.8	\$ 177.57	\$ 129.93	\$ 192.53	\$ 2,898	\$ 2,056	\$ 2,994	\$ 185.92	-3%	\$ (103)	\$ 2,892	\$ 974	\$ (177)	\$ 74	\$ (103)
Alphabet (Google)	GOOG	661.0	12,807.0	12,516.0	\$ 2,893.59	\$ 88.73	\$ 140.93	\$ 1,913	\$ 1,136	\$ 1,764	\$ 144.24	2%	\$ 41	\$ 1,805	\$ 653	\$ (44)	\$ 86	\$ 41
Microsoft	MSFT	7,496.9	7,443.8	7,432.3	\$ 336.32	\$ 239.82	\$ 376.04	\$ 2,521	\$ 1,785	\$ 2,795	\$ 388.47	3%	\$ 92	\$ 2,887	\$ 1,012	\$ (62)	\$ 154	\$ 92
Amazon	AMZN	508.8	10,247.3	10,334.0	\$ 3,334.34	\$ 84.00	\$ 151.94	\$ 1,697	\$ 861	\$ 1,570	\$ 154.62	2%	\$ 28	\$ 1,598	\$ 702	\$ (69)	\$ 97	\$ 28
Facebook/ Meta	FB	2,765.9	2,592.6	2,569.9	\$ 336.35	\$ 120.34	\$ 353.96	\$ 930	\$ 312	\$ 910	\$ 374.49	6%	\$ 53	\$ 962	\$ 600	\$ (5)	\$ 58	\$ 53
Totals								\$ 9,959	\$ 6,150	\$ 10,033			\$ 111	\$ 10,144	\$ 3,942	\$ (357)	\$ 468	\$ 111
Change								\$ 2,467	\$ (3,809)	\$ 3,883					\$ (42)			
Cumulative Change								\$ 6,626	\$ 2,817	\$ 6,700								
TELCO TOP FIVE		Shares outstanding (end of yr unless noted)			Stock Price (last trading day of year)			Equity Value (\$B)			2024 YTD PERFORMANCE							
Stock Name	Symbol	Dec-21	Dec-22	Sep-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	12-Jan	% change	Value Gained/Lost (\$B)	Current market cap	29-Dec	5-Jan	1-wk change	2-wk change
AT&T	T	7,126.0	7,129.9	7,150.0	\$ 24.60	\$ 18.41	\$ 16.78	\$ 175	\$ 131	\$ 120	\$ 16.48	-2%	\$ (2)	\$ 118	\$ (12)	\$ 5	\$ (7)	\$ (2)
Verizon	VZ	4,197.8	4,199.9	4,204.1	\$ 51.96	\$ 39.40	\$ 37.70	\$ 218	\$ 165	\$ 158	\$ 38.56	2%	\$ 4	\$ 162	\$ (7)	\$ 11	\$ (7)	\$ 4
T-Mobile	TMUS	1,249.3	1,219.4	1,156.5	\$ 115.98	\$ 140.00	\$ 160.33	\$ 145	\$ 171	\$ 185	\$ 162.54	1%	\$ 3	\$ 188	\$ 24	\$ 4	\$ (1)	\$ 3
Comcast	CMCSA	4,533.2	4,216.1	4,025.1	\$ 50.33	\$ 34.97	\$ 43.85	\$ 228	\$ 147	\$ 176	\$ 42.99	-2%	\$ (3)	\$ 173	\$ 36	\$ (3)	\$ (0)	\$ (3)
Charter	CHTR	172.7	152.7	147.9	\$ 651.97	\$ 339.10	\$ 388.68	\$ 113	\$ 52	\$ 57	\$ 364.90	-6%	\$ (4)	\$ 54	\$ 7	\$ (2)	\$ (1)	\$ (4)
Totals								\$ 879	\$ 667	\$ 698			\$ (3)	\$ 695	\$ 48	\$ 13	\$ (16)	\$ (3)
Change								\$ (106)	\$ (212)	\$ 31					\$ 8			
Cumulative Change since 1/1/2019								\$ 196	\$ (16)	\$ 15								
Relative market cap								11.33	9.23	14.38				14.60				

The Fab Five got off to another strong start in 2024, with first week jitters more than offset by second week bulls. When trading ended on Friday, the group had gained \$111 billion to start the year (week 1 = -\$357 billion; week 2 = +\$468 billion). Meanwhile, the Telco Top Five has lost \$3 billion to date in 2024 with three of the five stocks starting off in the hole (week 1 = +13 billion; week 2 = -\$16 billion).

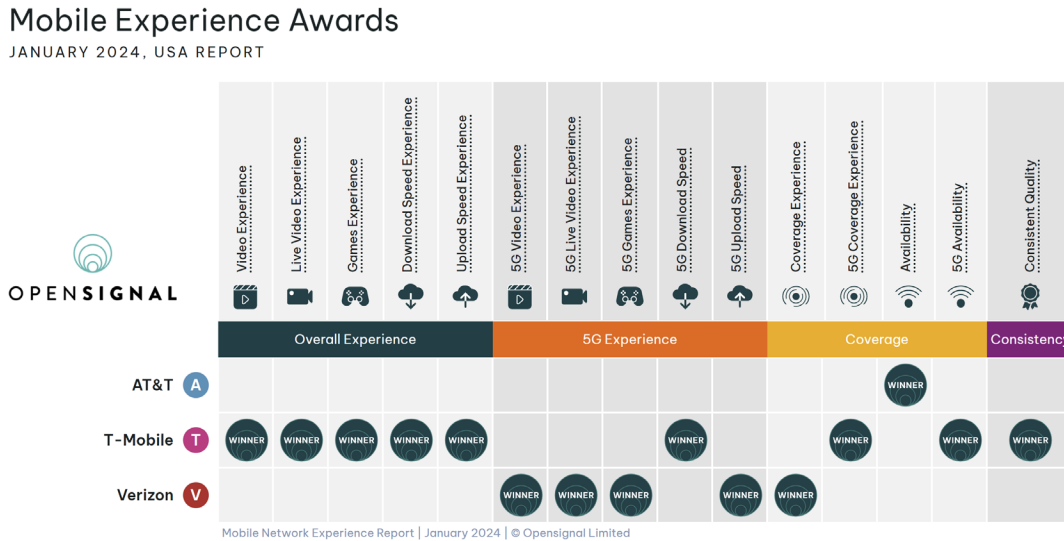
Microsoft briefly overtook Apple as the most valuable tech company in the world last week, and the two ended up with a mere \$5 billion (of \$2.289 trillion) difference in value. T-Mobile continued its leadership as [the most valuable telco in the world](#).

Verizon's change in market capitalization during the fourth quarter has been a surprise. For the 13-week period ending January 5th, Big Red has added approximately \$47 billion in market value. T-Mobile, even with increased share repurchases, added a mere \$5 billion over the same period, while Comcast has lost \$38 billion. This either indicates

increased institutional investing (likely growth and income or even value funds given Verizon's ~7% dividend yield) or reaction to transactional data that shows the myPlan (now with ad-supported Max + Netflix for \$10/ mo.) structure is working.

One additional reason for the stock price growth has been Verizon's ability to apply price increases to their legacy base. Here is Verizon's [announcement](#) and FAQ on the late August increase (note: this will be the first read of the sequential impact of that action) as well as last week's [thorough assessment](#) by *The Mobile Report* on the rumored 2024 increase.

Eventually, this steady cadence of increases results in higher churn. We find the timing of the 2024 increase particularly interesting given the release of Opensignal's USA Mobile Experience Report ([here](#)) which was not kind to either AT&T or Verizon. Awards for January 2024 are as follows:



We took a thorough look through the report and think that the props for Verizon's 5G coverage are a bit overdone. Big Red's 5G availability was a measly 9% (vs T-Mobile's 64% and AT&T's 15%). When you get it, it's great, but most times, wireless customers are left on their LTE network.

We can attest to this figure given our current trial of Spectrum Mobile (which rides on Verizon's network). In Kansas City, LTE coverage is great but demonstrably slower than 5G. And, since Spectrum Mobile's (LTE) data is deprioritized relative to many premium Verizon plans (but better than some offered by Xfinity Mobile – see Light reading article [here](#)), LTE can get very slow (< 1 Mbps download speeds common in many KC northland locations). We think that additional price increase might tip the scales to one of Verizon's MVNOs but expect short-term profitability promises might be driving the short-term value pop.

Meanwhile, the annual carousel of rate increases is occurring in the cable world. Comcast price increases of \$3-4/ mo. for Internet-only subscribers accompanies the content-driven increases in traditional video services. [This PC Magazine article](#) does a great job of summarizing the increases.

Not to be outdone, Spectrum is increasing prices on a variety of services. Per this [Cord Cutters News Article](#):

- Spectrum Internet Assist pricing goes up \$5/ mo. to \$24.99
- Regional Sports Network Fees increased 11% to \$25.75/ mo.
- Advanced Wi-Fi (now included by many of their competitors) rises from \$2 to \$7/ mo.
- HD Box rental fees increased 14% to 12.50/ mo.
- Assorted "add on" TV Packages (including Latino) increase from \$3-15/ mo.

Using the Kansas City market as an example, this would drive the promotional (first 12 months) cost of the TV Select Signature package to \$90.74/ mo. This rises to \$105.74/ mo. starting in month 13. While Disney+ is included in that rate,

that's still ~\$33 higher than the equivalent (\$72.99/mo.) YouTube TV rate (and all of this excludes the impact of increased HD Box costs).

Needless to say, it's going to get messy in the traditional Multichannel Video Programming Distributor (MVPD) market as competitive pressures increase. What is interesting is that Spectrum took their current data price increase through the Advanced Wi-Fi product rather than the baseline internet fee (if they follow 2023's price change pattern, however, that increase may be coming mid-2024). After their promotional rate expires, Spectrum One customers are going to notice the Wi-Fi pricing change the most (\$49.99/ mo. Internet + Wi-Fi + mobile promotion turns into \$116.99/ mo. starting in month 13).

Finally, as a follow up to the [previous Brief's](#) discussion of the [New York Times/ OpenAI/ Microsoft lawsuit](#), Open AI posted a [blog post](#) that disclosed that they were in active discussions with many content partners (which included the [New York Times](#) up to December 19). They also discussed their view of the merits of the [Times](#) case ("without merit").

As we mentioned in the previous [Brief](#), the [Times](#) is important because they continue to be the newspaper of record – it's the largest, highest quality chronicle of news in the world. Combining or replacing their coverage of the Cuban Missile Crisis with lesser data sources (e.g., [Pravda](#)) simply because the economic terms were unattractive will reduce the value of ChatGPT significantly. More on all of this in a lengthy but informative Bloomberg article [here](#).

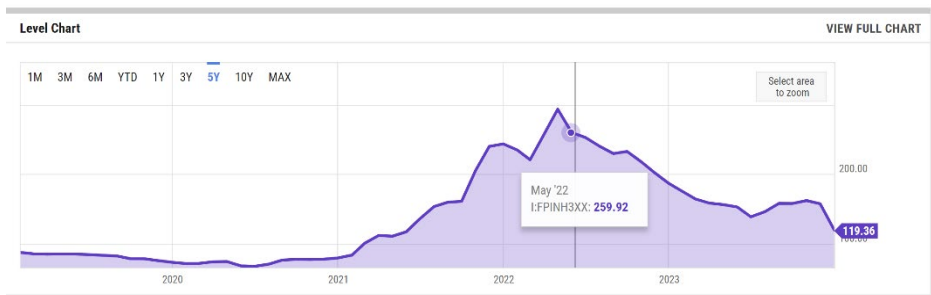
CES 2024 Wrap-up: Making Progress

This was one of the best CES shows we have attended. Per the Consumer Technology Association's [news release](#), there were over 135,000 attendees to this year's show, and over 4,300 exhibitors. It was also the 100th anniversary of the CTA (great website [here](#) for technology history buffs).

While most of our comments below deal with the impact on the telecommunications industry, it's probably good to start with what [wasn't](#) at this year's show:

1. **Smartphone launches.** Samsung's release of the next Galaxy device is on the 17th (link [here](#)). There was a very innovative new keyboard for iOS devices ([The Verge](#) article [here](#)), and some discussion of more secure alternatives to the Android operating system (described by [PC Magazine](#) [here](#)), but, unlike the debut of dual screens and even foldable/rollable technology that has been a part of previous shows, this one was really light on mobile.
2. **Meaningful mobile carrier presence.** Outside of the AT&T Fleet Management and Vodafone booths, carrier representation was scarce on the show floor. T-Mobile, Comcast, Charter, and Verizon all attended the show, but there were no keynotes along the lines of [Hans Vestberg's 2021 5G speech](#).
3. **Drones.** For 3-4 years prior to COVID, drone companies were everywhere. Post-COVID, their presence has been shrinking in tandem with the overall consumer drone marketplace. No [DJI](#), no [Skydio](#), and no [Autel](#). Per [Statista](#), the worldwide consumer drone market size is ~ \$4 billion and growing at 2-3% per year.

What was present at CES in 2024 was real progress with integrated, complex solutions. We spent some time talking with folks at the John Deere booth about what's transpired since their [groundbreaking 2023 announcement](#) of ExactSpray and See & Shot technologies. The short answer is "a lot." They have introduced about a dozen software and hardware enhancements and improved their camera recognition capabilities "significantly." Adoption has been better than expected, and they have a new "horizon" product they are working on for the 2025 show (we asked if it was going to be applying their 2023 technologies to irrigation, but there was no indication that this was the case).



We really like the Deere developments because they help the farmer's bottom line. Adoption increases when there is a clear economic equation. And less chemical waste is good for overall soil quality (and minimizes any negative runoff effects). Nearby is a graph of fertilizer prices over the last several years (data from the World Bank, chart [here](#)).

Since the beginning of 2021, the cost of fertilizer is up 40%, though significantly lower than a peak in early 2022. Downstream, that finds its way into food prices. Reduce the quantity used thanks to Deere and other technologies, and overall food costs come down. We were very encouraged by Deere's commitment to technological innovation (although we have some economic concerns with electric bulldozers).

Health care improvements also took center stage at this year's show. We were particularly impressed with the GyroGlove, a 3-Category Innovation Award Honoree for Accessibility & Aging Tech, Digital Health, and Wearable Technologies (see nearby picture). The GyroGlove is billed as "The World's Most Advanced Hand Stabilizer" and is designed for those with Parkinson's Disease and other tremor-causing disabilities. [This Engadget YouTube post](#) demonstrates the benefits better than we could. Simply amazing, and we will be eagerly awaiting the extension of this technology to other use cases.



Finally, we love robotics. South Korean automotive parts maker HL Mando won several awards at the show this year for their Parkie system (see demonstration video [here](#)). Valet parking without a valet key. We are confident that this will find its way into large events quickly (the company claims that they can increase available parking revenue by as much as 30%). How the system will handle peak demand is another matter. Using two lifts acting in tandem (one at each axle) is also very innovative. More to come on their development.

Bottom line: A great show with lots of progress made on previous innovations and a few new ones to boot. The greatest innovation since our previous Vegas visit, however, was the completion of [Sphere](#). There are lots of articles on its construction (see the [Wall Street Journal](#) [here](#) and the [New York Times](#) take [here](#)), but it was stellar. Friends who went to two U2 shows there (and are avid concertgoers) proclaimed it to be the "concert venue unlike any other." 4300 exhibitors were trumped this year by the son of a technology pioneer. A hat tip to Jimmy Dolan (son of HBO and Cablevision founder Chuck Dolan) on a well-placed real estate bet.

Q4 Earnings Preview: A Few Things to Watch Closely

As we list above, we have quarterly (and, in most cases, annual) earnings announcements starting prior to our next [Brief](#). Here are several things we are watching:

1. **AT&T fiber net additions** and overall (sequential and annual) ARPU change. We have talked about this a lot, but AT&T is beginning to reach critical mass. [Here is the latest guidance from the company](#) on net additions (we think net additions will be closer to 290K), and we think that ARPU will grow even faster than 3Q's 2.3% sequential and 8.9% annual figures.

- Spectrum Mobile and Xfinity Mobile net additions** will be stronger than consensus estimates. With housing starts weak and fewer movers, why not sell a money-saving product to the base? Our guess is that Altice + Comcast + Spectrum top 1.2 million net additions in the fourth quarter.
- Where each carrier is in their Build Cycle.** In the October 29th Brief, we constructed the chart below which summarizes major build projects for each carrier. We are particularly interested in AT&T's C-Band progress (to improve their overall 5G reputation, set a 2024 C-Band POP coverage goal, etc.) and also Spectrum's remaining Rural Development Opportunity Fund capital required (while they may have completed 35-40% of their homes, we suspect that the route miles remaining are more like 65-70% and that these higher-cost builds have yet to be factored into overall capital intensity).

The Sunday Brief
Build Cycle Chart (Active and in Process)

Company	Network	Activity	Next Milestone	Notes
AT&T	residential wireline	FTTH to 30 million homes + businesses	20.7 million currently serviceable as of 3Q results	9.3 million additional HHP by end of 2025. From 10-yr anniversary blog post (April 2023), company has about 5 million left in build.
AT&T	wireless	C-Band (3.7-3.98 GHz) deployment	200 million POPs by end of 2023	No plans beyond the first 200 million POPs announced
AT&T	fixed wireless	AT&T Internet Air deployment	30 markets by end of 2023	Fill in technology only
Verizon	wireless	C-Band (3.7-3.98 GHz) deployment	250 million POPs by end of 2024	Milestone source = 2022 Investor Day. Spectrum cleared four months ahead of schedule.
Comcast	residential wireline	Hi-split upgrades and DOCSIS 4.0 deployment	Deployed in Co Springs, parts of Atlanta and Philadelphia end of 2023	No firm 2024 milestones established
Comcast	wireless	Philadelphia CBRS PAL deployment	Completion of CBRS deployment (2024)	3% of geographic footprint drives 60% of data traffic
T-Mobile	wireless	mid-band (2.5 GHz) deployment	300 million POPs by end of 2023	Target achieved in October 2023
Charter	residential wireline	Hi-split upgrades and DOCSIS 4.0 deployment	Hi-split to 8+ million HHP by end of 2023; all HHP get 5 Gbps / 1 Gbps by end of 2025	Multi-Gbps speeds available to 55+ million HHP by end of 2024 (source: Dec 2022 Investor Update)
Charter	residential wireline	RDOF deployments (FTTH)	300,000 HHP by end of 2023	Met 2023 goal in 3Q; likely 415-420K end of 2023

FTTH = Fiber to the Home
CBRS = Citizens Band Radio Spectrum
PAL = Priority Access License
RDOF = Rural Development Opportunity Fund

While not a part of the Telco Top Five, we remain highly interested in the futures of Lumen, Altice and Dish. It looks like the latter company has bought some runway with their EchoStar merger, but not sure what happens with Lumen and Altice.

That's it for this week. On January 28th, we will dive into Verizon, AT&T, T-Mobile and Comcast earnings. Until then, if you have friends who would like to be on the email distribution, please have them send an email to sundaybrief@gmail.com and we will include them on the list (or they can sign up directly through the website).

Happy New Year, and go [Chiefs](#) and Davidson College [Basketball!](#)