

## Internet/e-Commerce

## TikTok legislation back in focus

## Industry Overview

**New hearings focused on TikTok and its data practices**

On Mar 5, House Energy & Commerce Committee announced a legislative hearing aimed to protect US data and national security from foreign adversaries. The press release mentioned TikTok and concerns around company's privacy and data security practices and relationship with Chinese government. The session is scheduled for 7<sup>th</sup> Mar, (10am ET) and we are not sure who, if anyone, will be called to testify. Also, the hearing could have a classified executive session. In another regulatory development, Rep. Mike Gallagher, Chair of the House select China committee and Rep. Raja Krishnamoorthi, joined by more than a dozen other lawmakers, have introduced a new bill that would give ByteDance roughly six months to divest TikTok or face a ban on distribution in app stores or use of hosting services. There is a legislative hearing on this bill scheduled for Thursday (Mar 7) at 2pm ET.

**A potential positive for Meta and Snap**

TikTok has taken significant time share in social media over the last 5 years, with 98mins daily time per user on the platform per SensorTower, well above Instagram (61mins), Facebook (49mins) and Snap (20mins). As TikTok's primary activity is "looking for funny or entertaining content" (per GWI), we would expect any potential limitations on TikTok to be a usage benefit for Meta (Reels), YouTube (Shorts) and Snap (Spotlight), with perhaps the biggest percentage benefit for Snap's Spotlight, which we estimate captures less than 10mins of daily usage per DAU. Also, a potential TikTok ban could help advertising revenue sentiment, as we think improving DR capabilities and higher ad loads for TikTok could put downward pressure on industry ad pricing.

**Something to agree on in an election year?**

The legislative hearing and new bill to potentially ban the platform suggests to us a renewed desire to legislate TikTok, which could gain traction in an election year. Still, garnering enough support to pass new laws has been an uphill battle in a divided Congress, and we are not sure what has changed in 2024 (outside of election timing). Reacting to the news today, Snap stock was up more than 6% and Meta 1% from the lows during the morning trading hours but Meta sold off to close the day, with Snap up ~3.6% and Meta down ~1.6% (vs S&P down 1%). We view Meta as a biggest potential time spend and dollar beneficiary of any adverse TikTok legislation, as the Reels/AI driven ad ramp is still relatively early. However, Snap is seemingly more in need of a catalyst, and could see a bigger sentiment shift from any limitations on TikTok.

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DR: Direct Response

DAU: Daily Active User

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