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<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Hi. Welcome back. Thanks for being here. This is our last session of the two-day conference, and we're really excited to have Lachlan Murdoch with us. Lachlan, thank you so much for being here. We really do appreciate it.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Michael, thank you very much for having me. I hear it's been a fantastic conference so it's a pleasure to be here.

Q&A

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Thank you, thank you. We're going to close strong with you. So two years ago, you had your Investor Day. I remember you presented at our conference in New York literally the day after. Looking back in the two years, what's been the biggest surprises, both positively and negatively, impacting Fox that may have surprised you?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Gee, biggest surprises. Well, I think twofold. One, we put together new Fox very purposefully, and we really chose the assets that we were keeping from the assets we sold to Disney and really built a business around live news and live sport and obviously, very strong entertainment as well but really focused on live news and live sport. And I think on twofold, the surprise there was: one, how strategically how well that's done and how that strategic sort of thesis has proven out over the last couple of years. We've just reported our very strong results based on those businesses.

But I think also tactically and this is a negative surprise but it turned out, I don't want to say well for us, but we got through it successfully was COVID, with a more nimble, a more focused company, not reliant on a lot of general entertainment programming or theatrical movie releases or theme parks. We were able to sort of manage the COVID storm, I think, pretty successfully.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And unlike almost every other company that we cover in media, Fox has chosen not to create entertainment-based SVOD channel. What have you prioritized to focus on instead? And why is that the right course of action for you?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So if you think about what we did, is we looked at the rapidly evolving media landscape a couple of years ago, and we could see the required investments, deep investment in entertainment subscription video-on-demand. And the deep rivers of red ink that were going to flow from companies who chose to compete, particularly companies that might not have had the scale as sort of the natural leaders in that industry. And so when we looked at that, we thought what's the best thing for our shareholders, right, and our stakeholders moving forward? And we decided it was to help enable a winner in the subscription video-on-demand battlefield.

And we could see that putting our entertainment assets alongside Disney's entertainment assets, you'd really create a winner in the SVOD marketplace. And by doing that then, we were able to then carve out parts of the company that will be focused not on entertainment, on video-on-demand but on both news, live news and live sport but also on advertising video-on-demand. And so we were able to pivot and find a fantastic entrepreneurial, rapidly growing company in Tubi, which has been very successful from an advertising video-on-demand perspective.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And then my last question and then we'll turn it to Robert is you mentioned the focus on live sports and live news, we like that. But as cord-cutting continues, how will that focus of live news and live sports differentiate you and help you versus your peers?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well, look, the main thing is that we have – we can use all of our leverage to really drive our affiliate fees and retransmission based on the exclusive quality of our live news and live sports. So we think we'll stand out with industry-leading affiliate revenue growth for a number of years. It's not a good time to be – to expand any leverage you have in terms of your distribution on general entertainment cable programming. It's much better to be must-have content in brands like FOX News and FOX Sports.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, great. So before we dive into your cable networks and television assets, we'd like to focus on sports gambling a little bit. I know this is a big focus of yours. So first of all, we're wondering if you can share any updates on the Flutter relationship, understanding that you guys are in arbitration process now. But even more broadly, how do you think about FOX's long-term goals for sports betting?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

I'll start with the second half of the question and then I'll come back to the first half. We see the sports wagering opportunity in the United States as just a huge opportunity for us. Our aspiration, and I think we've achieved this today from a media perspective of being sort of the leading business engaged and in all aspects of the sports wagering opportunity that's emerging as

each state legalizes wagering. So you'll see us continue to invest in this marketplace. Last week, we announced the acquisition of OutKick, which is a leading sports opinion, sort of omnichannel. It's podcasting, it's the website. It's Clay Travis' media sort of personality radio.

And that business is FanDuel's number one affiliate business, right? He drive a tremendous amount of traffic towards FanDuel. And so you'll see us continue to make smart investments in the space. In terms of our largest partnership and our most important partnership, which is with Flutter, which is the owner of FanDuel, it's been a great relationship. It continues to be a great relationship. We work very closely together both with Peter Jackson, the CEO, but also with all of his executives. And that hasn't changed at all despite the fact that we're in arbitration with them over the mechanics of our option into the FanDuel business. We have an option for 18% – 18.6% of FanDuel and it's a valuable option to us. It's obviously important to them. And so we've chosen to go into arbitration to be very – to be crystal clear on how we believe the mechanics of that option work.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay, great. And so given the opportunity that you just laid out for the entire industry, it's clearly a very competitive marketplace right now. So curious if you can touch on FOX Bet as part of that and where FOX Bet plays in as this industry evolves very quickly.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So FOX Bet, you have to look at FOX Bet as a massive sort of funnel that starts with the engagement we have through the FOX Sports brand and also more broadly with the FOX brand overall with our audiences. And for those that are sports fans, they come through our channels. We can drive them very successfully with a free-to-play game that we created a couple of years ago called FOX Bet Super 6. FOX Bet Super 6 runs a number of competitions that are free to play. They are a lot of fun. They drive a lot of engagement back into sports, which is a virtuous sort of cycle.

And people come to that game, they play it and then we can drop those people down, as the funnel gets narrower, down into FOX Bet. And ultimately, below FOX Bet, they drop down into other sort of gaming – other games as well that are sort of more the sort of poker style games as well. And so that's how the funnel works, and it's important that we're engaged and we participate at all levels of that. Now we can always turn the spotlight on the funnel in different directions, right? We can always – you can take the engagement of our FOX viewers, the engagement they have on FOX Bet Super 6 and you can turn that into other brands as well, such as, for instance, FanDuel.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. And given the marketing spend that needs to happen to drive awareness, I'm curious, how does FOX Sports 1 and FOX Sports 2 play into this quickly evolving industry?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

They play a very large part, as does, by the way, FOX News, as does FOX Entertainment. FOX Bet Super 6 launched Masked Singer competition, a free-to-play competition around guessing what happens on next week's episode of The Masked Singer. FOX News, very successfully, has run sort of trivia competitions on FOX Bet Super 6 as well. And so as a sort of smaller, sort of more focused company really with four key businesses in FOX News, FOX Entertainment, FOX Sports and our sort of suite of our television stations, we're really able to pivot those stations around our priorities in any given period. And so with FOX Bet Super 6 over the last year, that's been a big focus, where everyone, not just FOX Sports, not just FOX Sports 1 and FOX Sports 2 but the whole company can drive a business like FOX Bet.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So sticking with FOX and FOX Sports, we've seen Thursday Night Football leave FOX, the NHL came up. FOX appears they didn't want it. How do we think about the right level of sports content on FOX Broadcasting and FS1, FS2, to maintain your affiliate fee growth momentum while balancing profitability?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So we did look at the NHL, and ultimately, we thought it would be a good fit, a nice fit but not a must-have for us. And so we – but we couldn't get to the – from a profitability point of view, we couldn't responsibly get to the price that was paid for the NHL. So we'll continue to look at – we look at all sports rights that come up, that we feel are significant enough to move the needle for us, particularly when it comes to affiliate fees. And so we'll continue to sort of evaluate the marketplace as rights become available. But we feel today that we have a very good suite of rights, and we can currently drive affiliate revenue solely on the existing suite of valuable exclusive rights that we currently have.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Lachlan, you also dropped – you sold the U.S. Open rights to NBC, right? So that's interesting in itself, right? That's another sign of maybe the math not working and the way the math wanted to work for some of these tertiary rights.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well, I think the U.S. Open was – is unique in a way, it's highly, highly valuable. But it's one weekend, right? And we didn't have a calendar of other premium golfing events to pair with it. And so if you talk to a distributor and we're negotiating with them on affiliate fees, having one weekend, even though it's a tremendously powerful weekend, very valuable, NBC is very happy to take it off our hands. But for us, having simply one weekend was not enough to help us in an affiliate negotiation with a cable operator.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And with Thursday Night Football leaving, how much flexibility do you have to put maybe wrestling in or college football in? So how are you thinking about the gap that's going to happen two seasons from now on Thursday?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think we currently, and this is a great time to kind of answer this question, because we've just gone through our upfront sort of planning for the network, which includes obviously, all the development, a review of all the development that our network executives have been working hard at. A lot of the development is done over the course of a year, but development that starts with scripts and concepts a couple of years ago, a few years ago, at least. And so as you review that and order pilots over these last few weeks, you can really see that the network development under Charlie Collier, both from a scripted and an unscripted perspective, is as strong as I've ever seen. It's a trend.

Under Charlie, the network has gone from fourth place to first place in a very short period of time. He did it within a year. So that development team is incredibly strong. They'll be looking at and excited to program Thursday nights. And so we're not – the other thing to remember is that for us, the FOX Network, we're only two hours a night, right between 8:00 p.m. and 10 p.m. So it's – we're talking about programming two hours, which I think is – they're certainly looking forward to getting that time back.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And then my last one on sports is, yep, baseball is signed, NFL is done. You've got those rights in the bag. What are the next set of rights that come due for you that we should be paying attention to?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think over the next few years, you've got some – you got the soccer rights coming up. You have a series of a next – sort of almost each year going forward, you have a series of college football rights coming up, I think, 2022 and 2023 and 2024. So it will be sort of soccer and college football are going to be the most significant rights packages that come up over the next few years.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And then last – this is true last one. What can we read, given what's been done recently on sports rights, for your – for the most – I guess, for your passion to re-sign some of these packages that are coming due?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sorry, repeat the question.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Is there anything that we can read from the recent actions on NFL or NHL or U.S. Open about your passion to retain these future set of rights that you guys identified, either soccer or college football.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

We love sports, and we're very passionate about sports. We're very passionate producers of sport. I think we've understood, for as long as I can remember in the company, the passion that the fans have, that our viewers have for sport, that emotional engagement with sport, and it's a very powerful connection that our viewers have with ultimately the games that we produce. We're in a business where for us, you need the biggest and the best sports to move the needle with our audiences and with our distributors. That's why we know we're focused on sports like the NFL, like Major League Baseball. And we're very happy to have long-term partnerships with both of them.

This year, clearly, a key focus for us was to extend our rights with our – we've signed a new deal with the NFL, which I think gives us certainty and visibility now for over a decade into the future that we're going to be the major partner with the NFL. We decided to focus our attention on the Sunday afternoon NFC package. It's the premium package in sort of all of sports and certainly for the NFL. It's been the number one rating package for the last, I think, it's the last 15 years. And our number one priority this year was to retain that package going forward. In doing so, we passed on extending our Thursday Night Football package, as you just mentioned in the last question, and that was really so we could really use the investment that we were putting into Thursday night and concentrate it on Sunday.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So you're teasing me up for the next question, so thank you. So on affiliate fees, given the backdrop that they just alluded to with locking up the NFL, and following up on my question on the earnings call. Coming back to this, so we have this view that exclusivity that you will have with the NFL and keeping that within the pay TV ecosystem will benefit FOX. Clearly, there's been some chatter from other distributors about cuts to affiliate fees for anyone not looking to keep that within the exclusive ecosystem. So just curious, how do you think FOX is now positioned with that backdrop, given how long your current contract is with the NFL?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Thanks, Robert. Look, I think we're extremely well positioned. We – our success and our future is very much aligned with the success and the future of our affiliates. And so we think it's important to keep premium exclusive content, in the context of this question, the NFL, but it's true for all premium exclusive content on broadcast TV and ultimately to the benefit of our affiliates and their cable distributors. That's very important to us. I don't – well, I think I understand. I was going to say I don't understand it. I think I do understand why if you were in the subscription video-on-demand business with general entertainment and you were trying to

drive subscribers, right, and maybe if you don't have the library – if you're not the size of Disney+ and you're not the size of Netflix, I can understand why you might feel like you need to put exclusive sport in those packages to help drive a subscription video-on-demand business. But that says more about the strength of their entertainment packaging, right, their entertainment of service than it does the sports service.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Got it. And so given the backdrop of cord-cutting that we all follow very closely, I'm curious, and you alluded to your strong results this past quarter, any update you can share with us about your confidence to hit your goal on affiliate fees in general or specifically around the retrans targets that you guys have laid out.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. No, we are working well towards our goal. We – I think in the quarter, for those who don't know, I think we called out about a 4.5% decline in the video subscribers, cable video subscribers. That's actually trending a little bit better than that 4.5% for the quarter. It's pacing more like 4.2%, 4.3%, which is better than expectations certainly from a lot of people were. But offsetting that is obviously sort of industry-leading rate increases that we've been able to achieve. I think going forward, over the next short period, you'll see that really being focused on retransmission fees. And so our – we don't have a lot of cable renewals up in the next 12 months, but you'll see certainly on retransmission, us be able to, again, drive industry-leading increases.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Lachlan, can I ask you a couple on FOX News? First is, when the year started, there was just concern about the – not the competition, the elevation of ratings versus 2020. What have you seen on the ratings front across the news category and has it met your expectations?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, it has. And I think I said in the earnings call, we were pleased. Some get frustrated, but we're actually pleased what we predicted and what we're very transparent in talking to the market about over the last two or three quarters is exactly what has transpired. And that is that with a couple of caveats which I'll mention, and that is that post the election cycle, we fully expected, and we've talked about this before the election, was that the news audience, as the news cycle became more normal post an election cycle, that news audiences in general would decline, right?

People are – news viewers are exhausted. It's been an incredibly busy news cycle. And that the audiences would pause or go back to sports, go back to entertainment and you see news audiences decline, right? But then some months after an election, they'd start to increase again. And that happens particularly when an audience is highly engaged with the FOX News audience. So actually you'd see a steeper decline for us. What was different and we didn't expect was that – which I suppose we should have is that in this hyper news cycle is that this would happen more

violently, right, than we expected. So we declined more than we thought we declined. And then in the news cycle that came post the election with January 6, with the President not accepting the results of the election, our competitors did better through that news cycle than we would, as you would expect. So we saw a more violent polarization of the audience. But now I'm happy to say, as we predicted, our audience has come back. Our competitors' audiences have declined quite dramatically.

And I think last week, we did a 42% share for total day in cable news and a 45% share, and we've actually beaten that the last couple of days, but last week, a 45% share in primetime. So the end results are the same. The general trend that we predicted was the same. It just happened more violently than we expected.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

And there's also a fearful narrative that you would have new competitors on the news side between Newsmax, One America News or even Trump starting his own network. So how do you look at the competitive dynamics now, maybe six months after that? That was the first of the worry.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think the answer is the same as what we've always given, which is look, we live in a competitive environment. We compete every day. We compete with CNN, MSNBC, other news sources. And so having competitors on the – to the right of us is natural. We are – our opinion on our channel is center right. That's the right place for it to be. That's where we think our audience is and we think that's where middle America is and we're happy with that positioning. That means that there's space to our left and to our right for new competitors to come in.

But we're confident in our journalism. We're confident in our reporting. We're very happy with our opinion host. And so I think you have to be willing to have competition and we see that very clearly.

Having said that, I think the thing that people don't appreciate about 24-hour news is the investment required to produce live news and opinion. Frankly, the opinion is the smaller part of the investment, but live news 24 hours a day, 7 days a week. And then you extend that into actually producing a world-class website foxnews.com, producing FOX News Radio, producing the podcasts. And so the breadth and depth of FOX News is very significant and would require obviously not only a huge investment to compete with but a huge depth of kind of management resources.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Right. You were clear to call out these two genres between news and opinion, right? So what role does both of those play? And is there ever a line which may be depending on the news clash, that you feel as an executive that you need to weigh in on?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well, maybe I'll slug in. I'll start with the last part of the question and then I'll come back to the beginning. Suzanne Scott is the CEO of FOX News. She's doing a tremendous job. My job as CEO of Fox Corporation is to support her and to work with her very closely. But she is the CEO and I couldn't be happier with how she's running the business. Ultimately, she makes the programming decisions, and as she works with the on-air talent and the producers to produce really, I think, some of the best television news in the world or the best television news and opinion anywhere. We balance and then go back to your first part of your question, I think we get the balance right.

And again, it's a 24-hour news cycle. It's a crazy news cycle, so when we don't get it right, we're transparent about it and we correct it. But we get the balance right. And what – the proof is in the pudding in that if you look at FOX News, we have more independent voters than any other network.

The share that we are taking today and in the last months has been obscene, and the shares coming from the center or the center left. And that just goes to our programming. We have more diverse forces than any other network. We have hosts and we have guests and contributors from the entire political spectrum. And I think that's very important to us.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And last one would be on FOX Nation. Can you give us any update you have in terms of subscription or engagement? And how important is FOX Nation for the future of the FOX News Media business?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

FOX Nation is very important. It's – the focus on – so FOX Nation, the focus on FOX Nation has really been on developing the platform, both technologically and with sort of ingestion, week-by-week more and more content that's building up the FOX Nation library. The FOX Nation is – it's a service really for a superfan, right? We didn't want to replace FOX News, right, with FOX Nation.

It's just alongside FOX News for added content, more and more lifestyle content. Our FOX News viewers see us as more in the distant news and opinion channel. They really see us as a channel and a brand and then host to speak to them, speak to their hopes and desires. And FOX Nation allows us to give them longer-form content, to give them more lifestyle content and a deeper engagement with our host and our brand.

Now what's critical there is that FOX Nation has the technology and the platform, which is very robust and very stable, to expand as quickly as we sort of choose a tier. It's got billing information. It's got all of the subscriber management tools that you would expect with a fully fledged video-on-demand service. So as a platform going in the future, it's an important strategic asset for us.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Switching back to the FOX network. You mentioned it before, clearly, with upfronts coming up, but longer term, how do you think about the right mix of scripted programming, sports and layering in the success of the unscripted competition type shows on the FOX network?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think what's the right mix. Clearly, we're doing more and more unscripted programming. You can – when you have an unscripted hit, it's easier to scale, right, and to stretch. Where a scripted programming you're sort of locked into certain number of episodes within a series and planned a long time in advance.

So the mixture – if I think about the – I don't want to get ahead of Charlie's upfront, I think, which is next Monday. But I think we have a very good mixture between scripted and unscripted programming this year, this fall, and mid-season look very strong. But even more exciting is really the development that we're doing for beyond that time frame. So I think that the mixture is right and we'll continue to develop both sides of the house.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

And so we've been pretty clear in our research, at least, that we think the overall FOX company is receiving little to no credit for your FOX Television assets, including the stations. So I'm wondering how are you thinking about or the general management team around improving investors' understanding of where FOX can go and maybe even tying it back into the renewed relationship with the NFL and removing the losses on Thursday night there.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. So, again, I'll go back to the very sort of purposeful creation of sort of new FOX two years ago, was we were very thoughtful and purposeful into combining these assets into a new company. And the assets were obviously, FOX News and FOX Sports, but essential to that was FOX Entertainment as well and the TV stations, right, the local TV stations.

And these assets have worked incredibly efficiently together to provide and build new businesses such as FOX Bet, such as Tubi. And so when we look at the platform that FOX Entertainment gives us, we think it's just a critical and important platform to the business going forward. And look, we're very pleased that under its current leadership, that Charlie was able to really take it from number four to number one in such a short period of time. So what does that mean? It means we have to do a better job at explaining to the street, to investors, how powerful that platform is. How these four key businesses fit together and are able to drive our new opportunities and our new businesses, such as Tubi and such as FOX Bet. And so they can see the benefit of having all that together and all the platforms together.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So again, you teed me up nicely. So you want to talk about how Tubi is playing a part in that? And with the upfront strategy, how Tubi is involved in the broader sales of advertising going forward?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. So Tubi's NewFront was last week, on Monday a week ago. And for those who haven't seen, I'm sure it's sort of – it's available online. It was a terrific presentation. It was the first of four, the Tubi NewFronts. A couple of days ago, we had the FOX News upfront, we've FOX Sports tomorrow and the entertainment network next week. And the Tubi NewFront went extremely well and they did a tremendous job of explaining the uniqueness and the power of that platform, particularly when sold with FOX.

Their audiences is relatively unduplicated for – on any broadcast network. So when we go and our sales people go and they sell broadcast as well as Tubi, they're really expanding their reach in a way that you really – you can't do as efficiently anywhere else. I think their average age of their viewer is like 37 years old, which is 20 years younger than the average broadcast viewer. 40% of their viewers identify as multicultural. And I think it's like 2/3 of Tubi's viewers don't watch another AVOD service. And so it's a really unique audience that, again, is unduplicated and gives us a tremendous amount of reach, which is why, frankly, advertisers are responding so well to it.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

You also announced on the earnings call, you're going to invest more in original content for Tubi. So can you give us a sense of what the vision is, the overall content vision is what Tubi will be in a couple of years?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. So Tubi, like they're very disciplined and they come from a – Farhad, really started to be years ago as an ad tech kind of platform. They started with ad tech. And then they worked out that they were to really monetize that ad tech, they could license or, in many cases, have revenue shares with content providers to drive their advertising revenues. So they've been very focused on efficiently driving advertising revenue through Tubi. And what that's meant is that they're focused on total view time, right? We run, I think, one of the industry's lowest sort of advertising loads on Tubi, which is tremendous for consumers.

And then we're very focused on total view time, right, how long people are viewing Tubi and how engaged they are. And so then when we look at programming strategy, we're still licensing programming. We're doing more of our program licensing outright. And then we're going to start to invest in original content. It will be both documentaries and movies and series.

But we'll do it in a way that with a very close eye on return on investment because we can track very specifically what's driving the total viewing time and really tying that directly to advertising

revenue. So what we're not doing is spending hundreds of millions of dollars trying to create the next House of Cards, right, or the next exclusive Marvel series that are really just lost leaders to bring subscribers in. We're not focused on subscribers. We're focused on advertising revenue and total viewing time, which allows us to be very efficient in how we invest in programming going forward and original programming going forward.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

And then I guess I'm curious, how does the programming strategy play into what the international opportunity is for Tubi? Clearly, I understand what we're early innings there. But as you own more of that content, does that play into where international can go? Or is international an opportunity unto itself, aside from the programming?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well, so international, at the moment, Tubi's focus is 100% – well, not – focus is primarily on the United States. We're in Canada. We're in Mexico and we're in Australia and New Zealand. But as you said, it is very early in those markets. Because our content is primarily licensed in some form, we have to license that content, that programming in each of those markets. And they'll grow from here organically as they roll out. We'll look at other markets, but again, we don't want to take the focus off the huge opportunity today that's in the United States.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

And Lachlan, when you think about how Pluto is built, they are tapping into Viacom and CBS's library for their AVOD monetization. Would Tubi be helped if you had access to an owned library of content?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well, I think – again, I think that the history has shown that being independent has really benefited Tubi. Tubi is worth – Tubi has 30,000 hours of library in its library. It's working with every major movie and television studio. And so history has shown that actually being independent has really benefited Tubi. The other thing that's benefited Tubi though is it's the only service today that is entirely focused on advertising video-on-demand. On being solely advertising video-on-demand. All the other services have a foot in both camps.

They have an advertising – some have an advertising video-on-demand service that then are pushing people towards a subscription video service. We're not confusing our audience that way. We're not trying to upsell them into a subscription service. We're only focused on advertising video-on-demand. So we're not trying to push you to CBS All Access. We're not trying to put you to a pay tier on Peacock. We just want you to come and enjoy the content that's there.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So promise last Tubi question. But as we think about where this is going and the guidance that you guys have provided of hitting \$1 billion there in advertising revenues, how much of that is incremental to your company, given the other backdrop that you just provided for us where you're not taking viewership away from your existing linear networks?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think today, it's 100% incremental. It's the – as I mentioned before, the Tubi audience is a different audience than the broadcast audience, not just the FOX broadcast audience but broadcast audience in general. It's much younger. It's extraordinarily diverse. I think they're less – certainly less likely to be – far less likely to be broadcast viewers. So the audience is incremental.

And what that means is that it allows our advertising partners to increase their reach tremendously when they're advertising across both. And so that gives us access to the bigger pools of advertising revenue than we would have purely in broadcast. So I think it's a win-win from a viewership point of view and a win-win from an advertising revenue point of view.

I should use this to mention that from a revenue point of view and we've started, we're in our pre-upfront conversations with advertising clients. And what we've seen to date is incredible strength in the ad markets. I think in the United States, there's a real optimism that as we come through the final stages of the pandemic that the economy will strengthen. And then certainly, the advertising market will really take off as brands start to market aggressively again in the fall.

And so we're seeing great strength in the market not just from a pricing point of view but also from a volume point of view. Marketers are really looking to us and saying, the budgets are bigger and more significant than we would have expected. So – and that ties in obviously with Tubi so that we were able to offer them both the broadcast, whether it's entertainment, news and sports but now also this tremendous digital platform with Tubi.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So taking that – looking out the next couple of years, Lachlan, how different will the shape of this company be with Tubi's growth and maybe the sports gambling opportunity? So will this be a meaningfully different company in two to three years from here?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. Look, I think Tubi is going to continue to grow. It will be bigger than the entertainment network certainly from a revenue perspective in the medium term. But overall, our digital revenues will continue to expand. I think in the third quarter, we surpassed \$1 billion of digital revenue. That's not including the digital MVPDs. We sort of categorize that sort of cable revenue still. But pure digital revenue, we did over \$1 billion over the first three quarters, which is very strong. And we think that will continue to grow, particularly as Tubi grows but also as FOX News Media grows across each digital platforms.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. So this is my last question. First is an editorial and then I want your reaction. Do you think – we think new FOX is incredibly cheap. We thought old FOX was incredibly cheap. And some of us would say we thought News Corp was very cheap as well. Given what we think is a misvaluation in the market and given that your family decided to sell FOX to Disney in 2019, surprised everyone, what can we learn about that decision as maybe a lesson for shareholders going forward about how you actually see value accretion in this industry?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. So the lesson is that we will always be focused on shareholder value and return for our shareholders, right? And what we've done with FOX and thank you for mentioning News Corporation as well, News Corporation's done a tremendous job. Robert Thomson's really led that business superbly well, and I think shareholders are seeing the return from all that hard work at FOX. Likewise, we set FOX up for success a couple of years ago. Going back to what we said at the beginning of this conversation, we're very purposeful in selecting and designing not only the assets that we put into new FOX but also the management team that we put into new FOX. I was lucky that I had a truly a blank sheet of paper, it's a cliché, but a blank sheet of paper and choosing which executives would come into this company. Which executives would drive the businesses the hardest, which executives would work the closest together, not only to drive their own business but to create new businesses out of our – out of the existing ones, and that's been working extremely well.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So Lachlan, we are coming up until 4:00 in the East Coast, which is Disney earnings night. Assets that you know well are going to report earnings. So we thank you, Robert and I, for giving us the time to talk to you. We really do and thanks for being here. We appreciate it.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well Michael, Robert, thank very much for having me. It's strange to do these without seeing an audience, but I appreciate the time that you've given me, and I look forward to catching up again soon. It's been a pleasure. Thank you.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Thanks. See you live one of these days. Thank you.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Thank you.