# Fox Corporation | UBS Global TMT Virtual Conference 2021

John Hodulik:

Good morning everybody, and welcome back. Welcome to the third day of the UBS Global TMT Conference. I'm John Hodulik, a media telecom analyst here in the U.S. Very pleased to introduce our next guest, who is the CFO of Fox, Steve Tomsic. Steve, thanks for being this morning.

Steven Tomsic:

Hey, John, thanks for having us back.

John Hodulik:

Absolutely. So we've got about 40 to 45 minutes for questions, I've got the app up and running, so if anybody has a question, just please log in, and shoot it over to me, and I'll weave it into the discussion. So Steve, as I always do late in the year, can you give us a sense of the focus of the company, and the priorities as we look out into 2022?

Steven Tomsic:

Yeah. Listen, this sets up, I think, a lot of topics that you'll want to talk about over the course of the next 40 minutes or so. So when you look at the establishment of Fox, and how we've developed it since we spun, it really rotates around the migration of audiences to three core themes. One being sports, one being news, and the other being streaming. And so we think we've got leadership positions in all three of those pieces. And so with respect to sports, obviously we did the NFL deal, which shores up probably the single best sports property in the country through to the 2030s, and we also did the UEFA deal that we announced a few weeks ago. As we think forward about sports, obviously with the portfolio of rights pretty stable for us for a reasonably long period of time going forward, it really is about the adjacencies around sport.

Steven Tomsic:

And so we think long and hard about how we can maximize our position in sports betting. And then if we flip across to news, obviously I think we've not only reasserted leadership in the cable news space, but in fact, I think we've gone next level on that. And so it's important for us to continue on that. But also develop that news franchise, we no longer call it the Fox News Channel internally anymore, it's Fox News Media. And so that encompasses things like Dot Com, it encompasses things like Nation, Weather, and the various others, sort of smaller businesses, or nascent businesses at the moment, whether it be the books business, or the radio business, but we continue to grow all of those.

Steven Tomsic:

And then the third piece of the puzzle is Tubi. Which we've owned for a little under two years, and has had explosive growth. And so we called out on our earnings call that we're going to continue to invest in that business, because it'd be crazy not to with the explosive growth that we've seen. And so as we shape into calendar year 2022, and if you indulge me into February of 2023, it becomes a really banner year for Fox, will be the focus for a long period of the year. We've got, if I look at calendar year '22, we'll go past the retransmission targets that we set ourselves on invest today, which was 2.65 billion dollars.

Steven Tomsic:

We start the next phase of affiliate renewals, where we expect to get step changes in rate card pricing for our core assets there, so it's an important moment for us. The midterm elections come around again, and we expect that to be a pretty hard fought battle ground, and we expect that our local stations will really benefit from that. We have a World Cup towards the end of that calendar year, which then to flows into a Super Bowl in February. And we lose Thursday Night Football, which obviously releases a ton of capacity to the P&L. And so obviously Tubi will continue to grow over that period, and so we think that it really, really sets up well for us over the course of the next 12 to 18 months, given sort of the concentration in those core assets that we have and the leadership position that we have.

John Hodulik:

It really does. It looks like '22, especially as we get in further into the year is setting up really well. Why don't we talk about some of the growth initiatives, and then we'll focus more on the core business? So first, on the D2C side, how do you guys think about expanding distribution of sort of each of the digital assets?

Steven Tomsic:

Yeah, from a distribution perspective, I think it's more about expansion of those businesses, as opposed to expansion of the distribution in that narrower sense of the word. If I look at sort of the headline assets that we have in the digital space, and it's becoming quite a broad portfolio for us, Tubi probably leads it. And that's less about sort of expanding distribution, because it already has distribution ubiquity today, but it's more about building the asset from a product perspective, and a content perspective. If you look at FoxNews.com, it's less about the distribution, again, it's more about how do we build more content, how do we build more and more verticals into that site? And it's a really important site for us, and a really important revenue driver for us. Nation is a little bit about both. It's about continuing to broaden the physical distribution of that asset, but it's increasingly about developing the content that's going to appeal to a broader church. And I'm sure you want to get into that over the course of the call.

John Hodulik:

Yeah.

Steven Tomsic:

And then we've got Weather, which is a bit of everything. Weather's literally weeks old, and we're really encouraged with how that started, but that's both about building the service, which is launched, and looks really great at the moment, but it's about continuing to build that service, and building distribution for that. But that is a different asset for us, because it truly is a FAST channel and a D2C service that is kind of divorced from the legacy system. And then you've got the slew of other digital assets that we have, including Credible, where again, it's less about that distribution footprint, and more about building more and more products into that sort of financial marketplace, and developing that into a full service fintech business for us. We've got strategies for each and every one of those assets, and we think we're on a pretty clear path with all of those, and got really, really strong momentum in each one of those.

John Hodulik:

Great. Well, why don't we dig into each one of those briefly, obviously a ton of momentum in Tubi, with doubling of the revenue stream there. Can you talk about the increased content spend that you guys had previously talked about, and give us a sense for how much of the spend is incremental to the business, versus a shift from linear?

Steven Tomsic:

Taking the second question first, I think a lot of people ask the question about, is the Tubi Ad revenue truly incremental to our business? Or are we just sort of-

John Hodulik:

Right.

Steven Tomsic:

Shifting the deck chairs? That's absolutely not the case. For us it's truly incremental. Tubi runs its own race internally in the business. And so Tubi is sold very specifically as its own asset, and it's also a different demo from the broader portfolio, and so every dollar we collect from Tubi is truly incremental to the broader advertising portfolio that we have. One thing I would say is, one of the benefits and one of the fastest, I guess, synergies that we got out of doing the Tubi deal was being able to plug into our ad sales force, and that has been a significant driver of that monetization in the first five or six quarters that we've had the asset.

Steven Tomsic:

But from a content perspective, listen, right now, it already maps about 37,000 titles on the service, so it really is that mass market sort of free ad supported network of the future, and so it already fills that role in the ecosystem. Where we want to take the content, the size of the library really counts, from a user experience perspective, but we increasingly want to invest in either licensed content, because most of those 37,000 titles are revenue share titles. And so, you will see us do more content licensing deals, where we think that we can price that content more efficiently than a revenue shared deal.

Steven Tomsic:

And you're going to see us continue to do more Tubi Originals, but they're not going to be the SVOD kind of very expensive titles that are essentially sort of marketing for those SVOD services. It's a free platform, and the economics have to sort of work in that free platform environment. But we've seen it work already with the titles that we've had, whether that be sort of the good value titles like Twisted House Sitter, where we're already cash-on-cash positive with those.

Steven Tomsic:

And we've also had the recent animation, which is the called the Freak Brothers, with John Goodman and Woody Harrelson, that's performed super well, it's the most watch series that we've got on the platform at the moment. And not only is it watched on the platform, but it allows our linear assets to talk about something on Tubi, because at the moment, most of it's been one way, which is the Fox linear assets finding a home on Tubi, and this is the first example where the sports guys can have fun with the Freak Brothers kind of content. And so you'll see us continue to do more and more of that, and that's where a reasonable amount of the investment is going, when we talked about the 200 to 300 million of net EBITDA investment in the business for fiscal '22, but we're going to do it in a measured way. We're not building Game of Thrones at multimillion dollars an episode, it's more about these much more considered investments that fill the gaps around the big library that we have there.

John Hodulik:

Gotcha. What about sports? Does sports make sense for the platform?

Steven Tomsic:

Yeah, it does. With respect to our sports portfolio, we potentially have all the rights that the others have to be able to exploit our NFL rights, or other sports rights on a linear basis, or on a digital D2C basis. For us, we choose not to do that, because we think the monetization model works best as we have it now, versus sort of putting it all on a streaming platform day one.

Steven Tomsic:

But we think sports has a valid role to play in Tubi. So you've seen us put Fox Sports on Tubi, but it's not the live game, it's a lot of the shoulder programming, or a lot of highlights rights that goes on to Tubi, you've got an NFL channel on Tubi, an MLB channel on Tubi. So we absolutely think it has a home, and it absolutely plays into growing the single most important metric for Tubi, which is total view time, and sports has an absolute role to play in that. But I think it'll be sometime before you see the live Sunday afternoon game on Tubi, as opposed to sort of the shoulder programming. Because we just think that the monetization model-

John Hodulik:

Yeah.

Steven Tomsic:

Works best the way we have it already.

John Hodulik:

Got it. So we had Bob Bakish from Viacom on yesterday, and we talked a lot about the FAST market Pluto, and there appears to be a monetization gap between Tubi and Pluto. Can you give us a sense of why this may be the case, and do you expect it to close over time?

Steven Tomsic:

Yeah, so it's hard for us to be apologetic for our monetization of Tubi.

Steven Tomsic:

We've owned it for I think about six quarters. We bought it, and it was doing run rate revenue of $145 million. We bought it for $500 million, right? If you look at the full year of ownership that we closed out 30 June 21, we took that revenue to a touch under $400 million. A lot of that has come from better TVT, total view time. So bigger audiences watching more.

Steven Tomsic:

The other part that came though, was us being able to take our ad sales force and drive fill rate, but we're going to be very careful. I think we'll be careful and cautious with respect to ad load for Tubi, because for us at the moment, it's still very much in growth phase. We want people to develop the habit of going to Tubi and spending long amounts of time with Tubi.

Steven Tomsic:

So for us, monetization is super important, and as I said, the growth that we've seen at Tubi has even exceeded our own expectations for the asset. But this is a long, long game for us, and we're not going to play tit for tat with Pluto about who wrote more revenue last quarter of last year. It's about, how do we build an enduring sustainable asset with Tubi. And so, we're careful with how much monetization we take, but we've had incredible growth with the asset. And in fact, the momentum that we are seeing there is extraordinary. November, the month we've just closed, has been record rates of TVT, we're north of 300 million hours in the month, and we've done another record revenue month. And so we feel totally comfortable with where our monetization is for Tubi, but we're going to be measured about it to make sure that we don't disturb the user experience too early.

John Hodulik:

Great cover, just last on Tubi how-

Steven Tomsic:

Yeah, and one other point John, it's really important to make with Tubi, it goes to the frustration... I'm sure we'll talk about capital allocation as we always do, but when we look at Tubi, and at the moment, if you look at '21, it was a slight drag on EBITDA. It'll be a bigger drag on fiscal '22 EBITDA. The people that do the lazy version of valuation, which is to just slap a multiple on our business, is actually attributing negative value for Tubi. If you would've valued this on any kind of revenue multiple, you would see that we've delivered enormous value from this asset over a pretty short period of time.

John Hodulik:

Right, makes sense. And here's the last thing on Tubi, any international aspirations for the service?

Steven Tomsic:

Yeah, so we're internationally right now in Canada, Mexico, Australia, and New Zealand. We will continue to build that, but the absolute focus, and the near-term opportunity and priority is the United States. And so the focus, we absolutely will build out the international portfolio, but for right now, we don't want to stray too far away from the focus of being able to seize the opportunity here domestically.

John Hodulik:

Yeah. So turning to Fox Nation, fiscal 1Q was the best quarter from an engagement and sub-retention standpoint. Any sense on how big that business can get for you guys?

Steven Tomsic:

Yeah. Listen, I think for us, it serves multiple purposes. I think it'd be fair to say we're transitioning from... It started off as a shoulder service for the super fans. So, people who were Fox News devotees, who just wanted something more to consume, and you would've seen the way that we've programmed Nation, that we're starting to broaden that out, because I think the first 6 to 12 months of the service was relatively thin. But again, a lot of the broadening out has been with assets that are familiar to the Fox News fan. So it was taking primetime anytime by being able to watch primetime the next morning with Tucker doing originals for the service, and Dan Bongino... So we've done a lot to provide more and more content to drive engagement, drive retention, drive user subscriber acquisition. But now we're starting to broaden what is on the service. And so you're seeing we've done a reboot of the COP series, which will appeal to a broader church than just the narrow Fox News devotee, and we'll continue to build on that. The other thing it gives us is that optionality on D2C. And so we've got all the attributes in place from a Fox News perspective, from a technology perspective, a billing and subscriber perspective, to be able to create that optionality. Now, we're not going to pull the trigger on that anytime soon, but it does give us that base to work from. But in and of itself, Nation... We'll continue to build that, cause we've seen really nice momentum, particularly over the last 6 to 12 months.

John Hodulik:

And then maybe turn to Fox Weather. You said it's off to a great start. How is it trended versus expectations? And again, if you could give us a little bit of the thought process behind a launch.

Steven Tomsic:

Yeah. So Fox... it's funny because we have such a strong leadership position with Fox News, and we have such a special relationship with the Fox News audience, and that loyalty, that I think we underestimated the capability and the capacity of the brand to go to places where most news services are already at. So we didn't even have a sports tab on the foxnews.com website until a little while ago. And as soon as we put it on, it really resonated well with the audience. And lo and behold, weather, which is part and parcel of news... We really left it untapped and untouched until we developed Fox Weather. And so really, weather was a pretty straightforward thing for us, because we've got a lot of weather assets in the company because it's all around the local news sites.

Steven Tomsic:

It was relatively incremental to do from a distribution perspective because of the new site that we have in Tempe in Phoenix, which allows us to do these FAST channels really cost effectively. And so it was really about assembling those assets, and creating a channel, and a broader weather service for the app. And the other most important, I said obviously, is a cross promotion capacity. So you would've seen Fox News promoting, and you would've seen Fox Weather promo. On our sports assets, particularly with the world series, which was just going into the launch of Fox Weather. And so, we're immensely pleased. The product looks fantastic. The FAST channel looks great. We put it on our business channel from six until eight over this past weekend, and as Lachlan mentioned on the earnings call, it quickly shot to very high up on the Apple app list, and we had more than a million downloads in that first week.

Steven Tomsic:

So really, really early days, but everything is super encouraging, and it's yet another proof point for us of just anything that we do authentically and sincerely with the Fox News brand, and play that to the Fox News audience, we'll always find a home for us. And so it's just another proof point of that.

John Hodulik:

Got it. Now putting it all together, you talked about the $200 to $300 million of incremental EBITDA losses for the digital investments in fiscal '22, and includes the new content on Tubi, and the Fox Nation expansion, Fox Weather launch. And is this a peak year of losses? Or how should we expect that to trend as we look beyond fiscal '22?

Steven Tomsic:

Yeah. So it's a net EBITDA investment. So we would expect that these investments begin to pay off in terms of generating revenue to ameliorate the size of that deficit. But we did just south of $3.1 billion of EBITDA last year, given the change in the industry, and given the opportunity set that we uniquely have with the span of assets that we have, it feels like $200 to 300 million, a relatively modest investment, to try and exploit what could be really, really strong growth potential for us. And so, yes, we'll begin to ameliorate that investment as the revenue begins to kick in from those investments. But it's pretty measured in the grand scheme of our portfolio.

John Hodulik:

Got it. Okay. Now let's turn [inaudible] to sports betting. Obviously, a lot of players targeting the space. Can you talk about how you see the market, how big the market could be, how important it could be for you? And maybe just how many players you expect to succeed, that are pursuing this (could be) massive opportunity here in the US.

Steven Tomsic:

Yeah, listen, there's lots of speculation around how big the market will become. And that's a two part question, which is, "Well, how many states legalize, and how quickly do they legalize, and then how much appetite is there for the consumer to gamble on sports?" And I think with the markets that have legalized, the second is not in doubt. Which is, there's a huge amount of interest in being able to do this, and it helps with engagement. I'm not going to speculate on what the number is, because there's wide fluctuations, but it's in the TAM is in the double digit billions of dollars.

Steven Tomsic:

We've got a partnership with one of the strongest global operators of sports betting, and betting assets generally with Flutter. And so, as a company, I think when we look at the media companies in the United States... And I think somewhat this comes from our heritage of having operated assets in Australia and the United Kingdom with sports betting. And betting generally is probably more developed than it is here.

John Hodulik:

Sure.

Steven Tomsic:

We saw this opportunity really early, and we were very forward in taking positions in it. And we think it could be really big for us. And not only is big in the sense of it being a big business in and of itself, but it has absolute adjacencies for us from our core business perspective, because it helps drive engagement and viewership of our sports linear assets.

Steven Tomsic:

And the other piece to it is, it's becoming an important category as an advertising category for us. And so, it's crazy for us not to play in it, because it's such a close adjacency for us. And we've seen how these markets develop in international jurisdictions, and we see no reason why the United States can't achieve its relativity compared to those other markets. How that market shakes up between players... you can see over time, you have a handful of players, maybe up to 10 that can find a home. But there'll probably be tiers of players in the final washup of the market. But the final washup of the market is years out. This is a decades long play to get to some sense of where the market stabilizes.

John Hodulik:

I'm sure. On the last earnings call you guys suggested that the company plans to get licensed to take bets. How long will this take and why does it make sense to run your own sportsbook versus to partner with others?

Steven Tomsic:

Yeah, so the license, I think it goes back to, if you look at our position with the sports betting assets we have. So we have a 50% option over FOX Bet, and we have an 18.6% option over FanDuel. And those options are valuable to us, obviously from a financial perspective, but our play here isn't some sort of quick flip of the intrinsic value of those financial options. We're in this as a long-term player. I'm cautious about you sort of saying, well, why would Fox want to be an operator? Fox doesn't want to be an operator in and of ourselves. We don't have that expertise in house. So it'll always be in partnership. And we think that with Flutter we've got a great partner to partner with. But the license thing is all about taking that next step of wanting to be sort of riding arm and arm with our partner in these assets and being able to develop them in partnership, and being fully committed to that rather than sort of these financial options, which I think the street has a hard time valuing.

Steven Tomsic:

And so I think if we're in there directly it's probably easier for the street to get their head around the true value of the assets. How long it takes is a bit of a, how long is a piece of string? Because it's a state-by-state licensing regime, and so we need to go through that. But I think really there's an inevitability to it if we want to be true partners in these assets and we do. And so it is really not a question of whether we will, it's a question of when do we do it and that's the rationale behind it.

John Hodulik:

Right. And then lastly just on sports betting is a good segue to the sort of traditional business and advertising. Just, you mentioned it just before the opportunity in sports betting, any sort of figures you can give us that give us a sense of how big that could be for you guys, especially given all the sports rights that you own? And where it's legal you must be really seeing those revenues start to flow, and any [crosstalk].

Steven Tomsic:

No, absolutely. It's becoming an important category. At the moment the state-by-state sort of fragmented nature of it makes it less of an advertising category with respect to the national linear assets that we have. But it's more important from a local perspective. And I would right now it's a nine digit category for us. And so it's become really, really important. A lot of that will flow to our local business, but I would also hasten to add that we've also seen in other markets that this has gotten out of hand and there's actually too much advertising from sports betting that is in the sports broadcast.

Steven Tomsic:

There's actually potentially too much editorial. Like in Australia you had where book makers were part of the editorial on screen for a football match. And so we definitely have the mindset of self-regulation and we'll put internal caps on ourselves in terms of how much saturation, and we intend to lead the industry in doing that. Because the first place you want to be is self-regulation because if you are left to regulation then you'll end up in a much worse place. But there's no doubt that this is going to be an important advertising category. And this fiscal year we will write north of a hundred million dollars on it predominantly locally but some national money there.

John Hodulik:

Actually, before we go into advertising and we're on the topic of sports, what's the vision behind the USFL? Could you give us a sense for the new league you guys are launching, just your vision of the future and how that could create value for you?

Steven Tomsic:

Yeah. So USFL is really exciting for us. We think that there is absolute consumer demand for a spring league. It's not meant to be a competitor to the NFL, obviously. And so the USFL comes with sort of the legacy brands and team logos and all the rest. So there's going to be a familiarity with it to start with. But it serves two purposes or two or three purposes for us. One is it builds another sort of sporting property for us in the spring. And remember we have a pretty significant fall schedule where you would've heard ad nauseum Eric talking about the fact that Fox owns the fall. So to have this sort of spring asset was really important from a linear programming perspective.

Steven Tomsic:

The other piece to it is that we own it. And so the benefits of we don't rent the asset like we rent virtually all the other sporting businesses that we have the rights for. We will own this asset. And so in success it becomes potentially a very, very lucrative asset for us to own. And yet it's another asset that becomes quite interesting for us from a sports betting perspective. And so it ticks a number of boxes for us. We think we can do it in a pretty cost effective way and the money that's going to go into getting that league launched is part of that $200 to $300 million. So it's not going to be incremental to that. And so listen, we think we're really excited about the opportunity there. And so we can't wait for the spring to come and see how we go.

John Hodulik:

Yeah. And you're right about the multiples. I mean, F1 and what's implied for UFC inside Endeavor are pretty lofty multiples.

Steven Tomsic:

Absolutely.

John Hodulik:

So all right, turning more towards your traditional business, maybe starting with cable, that despite the tough ratings comps you've been able to go grow cable advertising in recent quarters. Can you talk about what's driving the strength and do you expect that to continue?

Steven Tomsic:

Yeah. So listen, cable advertising for us splits into two broad categories. One is sport. One is news. Sport has been relatively consistent over the last couple of years and sort of the swings and roundabouts between year-on-year changes in sport is largely there's some CPM increase, but it's also driven by schedule changes in terms of what's on FS1 and 2 versus what's on the network, and when those games get played. We've had amazing growth though in cable news advertising. And that if I look at, I think you're alluding to sort of where we were calendar Q4 last year versus calendar Q4 the prior year where sort of across cable advertising we did north of 30% growth in cable advertising, which is phenomenal. But it was Q4 last year remember was the height of the election cycle.

Steven Tomsic:

And we wrote some political revenue, but I would expect that this Q4, if you took out the political revenue that we wrote last year, which was about $30 million bucks for Fox News, we're going to be ahead of that number Q4 this year versus Q4 last year in calendar terms. And that's being driven by a really strong linear position with Fox News, but also a really strong digital advertising, particularly at Foxnews.com. And so seeing great sort of programmatic results on Foxnews.com. And then on the linear channel, even though the ratings we're comparing to a pretty tough comp from a ratings perspective, the monetization's been great. Our direct response rates have never been higher and sort of the universe of advertisers across the portfolio continues to broaden.

Steven Tomsic:

So Fox News, I think it feels in increasingly like Fox News is becoming the fifth network and you see it with the ratings dominance with cable news, but increasingly we're competing with broadcast news. Right? You've got Gutfeld that we introduced in the late night slot, that consistently knocks over virtually all the other late night shows with the exception, I think of Colbert. And so we've got a really important franchise there. And so that advertising revenue continues to be upside for us. And we'll continue to build out that business.

John Hodulik:

And you mentioned the political situation and we've got, as you said earlier, we've got the midterms coming up in '22. And obviously I'd say that this past November Republicans fared fairly well, so the base is engaged, more states are in play. I think the money being raised is going to be just off the charts. I mean, how do you look at the opportunity as we head into the fall next year in terms of, I guess, both on the news side and the local side?

Steven Tomsic:

Yeah.

John Hodulik:

In terms of political advertising?

Steven Tomsic:

Yeah. If you look the battle lines have already been drawn in Georgia

John Hodulik:

Yep.

Steven Tomsic:

Everything points to '22 being blockbuster for midterms. I think it will again, it feels like it's going to look a lot like calendar year '20 for us, which is you're going to have... The whole new cycle is pretty up there at the moment. Right? You've got geopolitical issues. You still got COVID and now you've got sort of national politics as well. So it looks like that kind of viewership is going to continue on all the way into November of next year. And from a revenue perspective, listen everything points to be another huge year [inaudible].

Steven Tomsic:

Always hard to work out how big a year it's going to be, but some data points for you. If you look back to the most recent midterm, so three and a half years ago, we did $180 million of political revenue. And at that point in time, that was the biggest election year we'd ever had, whether it be presidential or midterm. We then went into the most recent presidential and we doubled that. And so I think there the sort of data points that we are looking at as being the sort of the monetization potential and listen, who knows how big it could be. I don't think it matters sort of, we've talked about this ad nauseum going into the most recent election, whether it's Democrat or Republican, our viewership is super engaged in the political debate. And so whoever wins or loses, I don't think it matters. I just think it's just going to be a very, very big year for us. And so yet another reason why Fox News is going to be center in terms of the media consumption next year.

John Hodulik:

That makes sense. And it seems this has subsided. Certainly the questions that we've been getting have subsided, but how do you think about sort of potential competition coming into the space? I mean, I think that after the last administration left there was a lot of noise about it. But it seems to have died. Is that what you're seeing on your side or how do you think of sort of competition [crosstalk]?

Steven Tomsic:

So the competition, so there's the traditional competition, because we always compare ourselves and everyone compares you with MSNBC and CNN. And I think, listen, maybe the jury's decided on that now, given sort of where our share now amongst those three is now consistently well into the 50s and seen it go into the 60s. It used to be that people would go to other stations for international and national breaking news. The most recent example of that was Afghanistan. And there we saw Fox News get even more viewership, which has not been traditionally the case. So increasingly when something breaks either nationally or internationally, people turn to Fox News, even the impartials. And so that's really important for us.

Steven Tomsic:

I think the talk around people establishing another conservative news network in competition of Fox... We should never ... We don't have a hubris bone in our body. And so we're conscious that may or may not emerge, there's nothing to suggest it's emerging right now. But it's a big mountain to climb, it took us a billion dollars to get Fox News to break even. And Fox News is no longer just Fox News, three hours of primetime opinion. It's a full news service, it's a full digital service.

Steven Tomsic:

And so, listen, we think we've got a very, very powerful mode. And not only is it those full services, you got a incredible loyal audience and fan base there. And so to break that nexus is a really big hill to climb, so we feel really, really strongly about the position of Fox News sort of competitively at full stop.

John Hodulik:

Yeah. Aside from political, what are you seeing on terms of local TV advertising? It's a lot of worries about the supply constraints like if you saw... In the past you've cited some softness in auto. But just how are those trends and can you give us a sense of what you expect to see as we look into '22?

Steven Tomsic:

Yeah. I think there's been a lot of speculation about the vulnerability in the ad market at the moment with supply chain issues. And so if I just take it up a level, not just local, but if I look at where our portfolio is at, I think it goes back to the first thing I discussed, which is just the strength that we have around our core assets, particularly around sport and news. And so that vulnerability, we're just not seeing it from a macro perspective across the portfolio. With sports, we probably never had a better NFL advertising season that we're having right now, the same with college football. News has been super strong. I mentioned the DR pricing that we are getting, the broadening of the advertisers there. And so we're seeing premiums to upfront between 20% and 30% across those verticals.

Steven Tomsic:

I talked to you about Tubi, about the momentum there in November being a record month for us from an advertising perspective. So we are not seeing it on Tubi. The one place that we are seeing it is pretty, it's pretty narrow, which is the automobile at local. And that's not because the consumer's not there. It's because the cars aren't in the car dealerships. And so that sort of... The local buy for the dealership has dropped off for us from a local advertising perspective. But the slack from there is being picked up by the strength that we are seeing in sports wagering. And so listen from advertising, sort of revenue book perspective, we feel super strong at the moment. And I think it goes to having a pretty narrow portfolio of assets, but a concentration in leadership in those portfolio of assets, the advertisers just want to keep coming back to. And so we, I don't want to sound too conceited about it, but the portfolio is in really, really strong shape at the moment.

John Hodulik:

So obviously sports has been a big part of your... The strength of seeing both from dealership standpoint and advertising standpoint. And you mentioned this earlier, but you recently won the UEFA, the Euros, basically the Euros and the Nation's League, makes a lot of sense to me, I'm a big football fan, but can you give us a sense for the thought process behind this and why that make sense, given your sports portfolio?

Steven Tomsic:

Yeah, so it kind of, it's a similar story to, it's similar to sort of the USF, USFL, right? Like there's a lot of European Club Football that you can buy, but it runs into the same season that we're already ridiculously strong in, right? So it runs through the Fall and into the Winter. And so there's that piece to it. We want to extend, sort of, the period of time in any given year that we are truly relevant from a sports' perspective. And so with the UEFA, sort of National Team Championships, they happen over the summer period. And so it really works well with our schedule. And so we'll have Men's World Cup, Women's World Cup, and then we'll have the Euros in sort of successive years on top of the Latin American Football that we have. So it makes a lot of sense.

Steven Tomsic:

And then from a US consumer perspective, it feels like it's an easier sell to talk to the US consumer about England, Germany playing Brazil versus Argentina versus trying to convince them of a Lester City Crystal Palace Game, right? So we feel like that's going to, it's an easier thing for us to do. So, it works by on so many dimensions that it was a bit of a no brainer for us. And so now we can turn sort of, we own the Falls with respect to NFL and College Football and MLB post-season. And now we have the Summer of Soccer, which is sort of these big, high profile international competitions that we think are going to work really well for us.

John Hodulik:

So it certainly sounds like you guys didn't really look that hard at the EPL rates.

Steven Tomsic:

No, we're always, we look at everything, but we're kind of oversubscribed in the Fall from a sports' perspective. And so it was an easy decision for us.

John Hodulik:

Okay. Right. Maybe switching over to affiliate and then as you said, maybe we'll go to capital allocation, just... What's the outlook for renewals when that hits, you said that sort of kicks back in, you know late in '22. And actually subscriber trends too. So both the price and quantity have sort of held up, just thoughts about the renewal cycle and your guys' negotiating leverage at hand and just what you're seeing in terms of subscriber trends.

Steven Tomsic:

Yeah. So I'll take the latter first, John, which is, I think on subscriber trends. If you rewind back a year, 18 months ago, they'll kind of, the erosion rate was North of 6%. And that seems to now be floating in a range of four, four and a half, five. So, that range, so that is improved, but like it's a moving feast. And so we're hopeful that it continues to improve. But when we look at our affiliate revenue, I think the real big driver for us there is pricing power. And I think we feel more emboldened with that because like we've made a conscious decision with respect to the way we exploit our big linear assets. And those are really broadcast entertainment and re trans; sorry, broadcast and re trans, I should say, not, which is sports and entertainment and then Fox news.

Steven Tomsic:

And both of those we've kept behind what I'd call the traditional paywall. And some of our peers have chosen to have a bet each way by sort of having the traditional distribution as well as competing with that traditional distribution with over the top. And listen, it's incumbent on us, as we go into the renewal cycle, the next big renewal cycle to get the sort of the rate increases that justify the decision to keep those exploited in the current way we exploit those assets.

Steven Tomsic:

And so I think we made it pretty clear on the call that fiscal '22 is going to be, is relatively light on the renewal cycle. We've only got 5% of the book that comes to. And so you'll see sort of the rate of change sort of ease off over the course of fiscal '22, but then we fully expect to drive price growth in fiscal '23 and fiscal '24. And in each one of those, we've got sort of mid 30% of the book that comes due for renewing. And we do that. And quite deliberately, obviously we do that with sort of the certainty of a long term NFL deal, which is sort of, is the backbone for re trans. And we do that coming out of this sort of... A never been stronger Fox News Network. And so, all goes well for that, for us being able to take price in that sort of next big phase of renewals.

John Hodulik:

Perfect. And lastly, capital allocation, you have over $5 billion on the balance sheet. You know, how should we think of sort of uses of that? Is it right to think of it as basically a question of M&A opportunities versus share repurchases and again, as we look out to the next calendar year, how should we think of the pacing of potential buybacks?

Steven Tomsic:

Yeah. So listen, I think we've been pretty... There's no doubt like the amount of cash we have on the balance sheet is somewhat a legacy of raising capital at the start of COVID, sort of, just in case and fortunately, the just in case didn't happen. And so we are overs from the amount of cash that we have on the balance sheet. But if you look at the history of how we've deployed capital so far in terms of Fox, and we started off with a $2 billion buyback authorization, with going into the most recent quarter that we printed, we'd already used up $1,900,000,000. And so we've taken the authorization up, so we've got a total authorization, now $4 billion. If you look at where the stock price is and the implied EBITDA or adjusted EBITDA multiple on that, we think buying the stock is unbelievably good value at the moment.

And so, if you look at where we've deployed capital with $1,900,000,000 in cumulative buybacks through the quarter that we just released. We did $800 million of cumulative dividend payments as a company since the start of the company. And if you look at where we've spent money M&A wise, we've done $1,600,000,000 gross, but we've sold some assets along the way. So it's $1,100,000,000 net. And so we're going to be balanced about how we deploy capital. And so the other piece to all of this is we've got a debt maturity next month at $750 million, which will pay out of the cash on the balance sheet, but we're going to be balanced about, we're going to take; there are opportunity... We'll look at opportunity; M&A opportunities as they present themselves, but we also think that buying back stock is pretty good value. So, you should expect us to sort of be responsive to both sides of that.

John Hodulik:

Perfect. Well, that's all we have time for. Steve, always great talking to you. Super helpful. And we look forward to seeing you next year.

Steven Tomsic:

Thanks John. Hopefully next year in person.

John Hodulik:

Yeah, that'd be great. Thanks for joining. Take care.