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<<Robert Fishman, Analyst, MoffettNathanson LLC>>

All right. Good morning, everyone. Good morning. Good morning. Thank you for being here. I’m Robert Fishman. We’re excited to welcome Lachlan Murdoch back at the conference. Looking back on the past year, since you were here, lots to discuss as you heard from all my questions on the earnings call.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Those who didn’t listen to the earnings call, Robert asked like seven questions in the first – in his first go, the first minute.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Yeah.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Which I loved, all the other analysts were upset that you’d taken all their questions, you left nothing before them. So you did a great job.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Right. All right.

<<Steven Tomsic, Chief Financial Officer>>

Well, do you know where Robert worked before MoffettNathanson? I’m not saying.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Let’s dig in.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, thank you for having me. Thank you.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

No, it’s great. So, let’s go back. It’s been a very busy and interesting year for FOX so far. So, let’s start with the proposal to bring News Corp and FOX together. Initially, it was announced back in October and then ended up getting withdrawn in January. Anything that you can share further about what went into that initial decision and then the reasons for ending up withdrawing it a few months later?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Sure. Thank you, Robert. And I can't believe that's this year, it feels like much longer ago. The - first, it's more to say that there was no concrete proposal to bring the companies together. We never got that far. What happened was, we suggested to the independent directors of both Boards in News Corp and FOX, that it was worth considering what the merits of a combination would be and that's really what it was. So, there was no actually concrete proposal that anyone in at the end of the day got to decide upon. But the thinking behind that, right, the germination of that idea was really how do we broaden our geographic spread.

FOX in particular, News Corp is a global company. FOX is really focused in the United States, which has served us incredibly well. But as we look to expand, we look to grow, a combination with News Corp we thought conceivably would broaden or would broaden our geographic spread. We also are always looking at how we further engage with our audience, right? And we are FOX. We are deeply invested in news and sports, the news and sports verticals, and again, that, that serve us incredibly well.

But how do we deepen that engagement? And of course, a combination with News Corp, which is also very strong in both news and sports would've made a tremendous amount of sense. Also on paper, again, without a concrete proposal to judge, it's hard to know this, but it looked like a transaction could be very accretive to all shareholders.

So that's why we proposed the two Boards to consider it but do it appropriately in the best way of governance with just their independent committees. In the middle of that process CoStar made a bid for one of News Corp, very valuable assets in a Realtor. And that bid had it gone forward, would've taken some time, would it needed regulatory approval, would've taken a long time to close, and it made accommodation just far too complicated. So, we've decided to pull back.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. As you know, we've been steadfast in our support of FOX on valuation, not even alone, but valuation so supportive. Can you talk a bit about has your view changed about the future of your strategy, sports and news, given the shifting pay TV landscape, right? So, is there any change in your strategy you set up a couple years ago, given what you've seen happen?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Look, strategy it always moves, right? If you fix a strategy and you don't adjust it, right, and you don't consider adjustments as you move forward, obviously you said the ecosystem is changing quickly, right, rapidly, and so you have to be flexible in terms of how you compete within that, that ecosystem. But when you think about the media ecosystem, and there's a lot of talking and we're bundled into or connected with other media companies obviously, you just – you heard a terrific presentation from Disney just before, but the ecosystem's very complex, right, and very complicated.

So, when we look at the media ecosystem, we believe that we've chosen, right, to live an existing part of the ecosystem that's radically different from the rest of the media ecosystem, from the way I look at it. If you – and we've chosen that when we've sold our entertainment assets to Disney, we proactively were choosing to live in the part of the media ecosystem, which we think is the best, which is in news, live news and in live sport as our primary focus.

So, I guess the analogy, if you want to extend that is like, if you've got the global ecosystem and it's complicated and sometimes challenged, you've got the jungle where you have the howling monkeys and the pumas and the boa constrictors, and you've got beachfront, right? And we like to think we're in the beachfront, we're where audiences are moving, we're where advertisers value the most, where our distributors value the most and we could see continued growth in our part of the ecosystem.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. Great. So, let's switch over to the biggest driver.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

I should just finish on that.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Yeah.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Because that's the – that was the first part of Michael's question. The – when you then look at why we think it's so – where we exist is so, is so important. It's frankly because our brands in those – it's not just that it's news and sports, and we have the strongest news brands. We have the strongest sports brand, they're tremendous businesses. We're at the beginning of a three-year distribution cycle. In the first year of that cycle, we've seen pricing fixed at or above our expectations to be frank.

We have growth assets like Tubi, that, that fit very well within the ecosystem that, that give us a lot of growth and are exciting. And I hope we get a chance to talk about Tubi later this morning.
And beyond all that, like we have an incredibly strong balance sheet, which allows us both to invest in those businesses, organically invest in those businesses, to look at kind of a strategic M&A and also, which is equally important to us to return value to shareholders in the form of significant dividends and a buyback. So when you add all that up together, we feel very confident and happy with the – to be able to compete and continue to grow in where we sit in the landscape.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. So, it's a great setup for the next set of questions coming. So, let's dive in on the biggest driver of the company's cash flows, which is FOX News. Clearly gotten a lot of attention again over the past couple of months. After the Dominion settlement, will FOX News leadership do anything differently to not place shareholders in future jeopardy of more litigation?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, the question is how do we not get sued? Well, yeah, it's a great question. We could be CNN, right? Last week, we can look at factually, CNN had a town hall with the former President where he made a lot of allegations about the 2000 election. If you believe, and I haven't seen a lawsuit yet, maybe there's one coming, but I'm not going to hold my breath.

If you believe it's newsworthy to have a former President, also a candidate for the next Presidential election, if you believe it's that, that's newsworthy in 2003, well, certainly was newsworthy in 2020 – sorry, 2023 and 2020, to report on similar allegations. So, what happened in the Dominion case though, was we were denied our ability to rely on our First Amendment defense. And we were denied an ability to rely on newsworthiness, which meant almost by definition we're going to be in a multi-year, prolonged legal battle, which we'd ultimately win.
But it was a, the distraction to the company, a distraction to our growth plans, our management, it would've been extraordinarily costly, which is why we decided to settle. But ultimately, it was a difficult decision to make, but the right decision because I don't believe FOX News or any of our hosts engaged in any defamation during the whole period, but it was the right business decision to settle.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

And can I follow that on the removal of Tucker Carlson from FOX News, any additional color on the reasons? And other more opportunities to better monetize FOX News and national advertisers, right? So, it's two separate questions, but we're very aware who's advertising at FOX primetime, right, so?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, the first question…

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Is any shedding more light on the reasons the color for the removal of Tucker Carlson.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

The second question is advertising.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Yeah.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, I'm not – the answer is I'm not going to go into programming decisions at FOX News, short of saying that all of our programming decisions are made with the long-term interests of the FOX News brand and the FOX News business at heart. So, we make those decisions really thinking broadly or long-term in terms of what's the best thing for the company in the long-term.

And we've done it before, right? Bill O'Reilly was a superstar. Megyn Kelly was a superstar. Glenn Beck was a superstar. And we're able to move forward from with programming decisions that ultimately result in the long-term growth and profitability of the business. So that's number one.

From an advertising point of view, the businesses – the whole business is incredibly strong, including still at 8:00 and we're seeing advertising, if anything, strengthened at FOX News rather than weaken.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. So you touched on this a little bit earlier, but can you talk a little bit more about FOX News' negotiating power to seek higher affiliate fees from distributors despite the recent development?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, FOX News' ability to drive affiliate fees is because of the decisions we make at FOX News, and not despite of those decisions. So, we proactively make decisions, as I said, for the long-term interest of the business, and we will continue to do so. So, when I think about what that results in, what the actual outcome of that is and why we continue to garner and justify the most premium pricing in the market is because of the strength of the whole channel.

And I should also add FOX Business News and now FOX Weather. So, we look at a couple of statistics, right? A recent survey had well, FOX News has been number one in news, cable news for 21 years. We've been number one – I'm sorry, I have my back to everyone on this side of the audience, we have number one in all of cable for seven years. A recent survey of news viewers, FOX News is the most trusted news provider by I think 42%. CNN and MSNBC were I think relatively 22% and 18%, so practically double each of our competitors' trustworthiness in news. And then we look at, I should show you, we look at our – I'll tell you, we look at ratings the same way you look at stock prices and perhaps not in a sophisticated way as you do, but currently, right, so since the changes Robert, you mentioned, right? We are in the 25 to 54 demo, which is the key demo for news, right? 18 to 49 is key for entertainment. 25-54 is the key demo for news. This is up to date from this morning.

FOX & Friends - number one. FOX & Friends first - number one, FOX & Friends - number one America’s Newsroom - number one, Faulkner Focus - number one, Outnumbered - number one, America Reports - number one, The Story - number one, The Five - number one, Special Report: Bret Baier - number one, Jesse Watters Primetime - number one, and of course, FOX News tonight at 8:00 p.m., so without Tucker - number one, Hannity - number one, Ingraham Angle - number one, Gutfeld! - number one, and FOX News @ Night – number one.

So, we look at the breadth of our programming and we’re very confident with the strength that we have in these numbers that we’re going to continue to drive premium pricing with our distributors.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

You talked about Tubi earlier, and as a big focus of your upfront on Monday, you announced the creation of now the Tubi Media Group. Can you help us think about the revenue growth profile of those assets? And maybe more importantly, the profit outlook at some point in terms of how profit could these businesses be?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

The revenue growth profile of Tubi is off the charts, right? It’s growing like a weed, right? And importantly, it’s growing like a weed first because our key metric, which is total viewing time, continues to grow and outpace revenue growth. So what that means is that we have more and more availabilities to offer our advertisers, our clients, and we have more room – dramatically more room to monetize that those availabilities further.

So, the growth profile is tremendous. I’m glad, look at the stare that Gaby has – I’m not allowed to say just how good it is, but the – so the online performance of business is going incredibly well. From – I think a second part of your question, Michael was around the investment in it with a business with this growth profile. And also, it’s positioned in how audiences are viewing television and how audiences are going to continue to view television going forward particularly we’re talking here, entertainment television, specifically entertainment television. It’s prudent and wise to continue to invest in this business at around the same level for the next couple of years, which has been the $200 million to $300 million range.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So you mentioned…

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Which I should – sorry, I should say is very modest compared to what some of our peers are spending on their subscription video on demand platforms.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, Michael alluded to how featured Tubi was as part of the upfront presentation. Can you maybe expand upon how it's different this year versus last year? How much is it being incorporated as part of the upfront?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

It's a great question. And there's a subtlety to it because we've put Tubi at the center of our upfronts, right? Anyone who was at our presentation on Monday would see that not only did Marianne Gambelli do a tremendous job talking about Tubi in her introduction to the whole upfront and really putting it front and center.

But then our first presentation from our key business units being sports and news and entertainment, the first presentation was from Tubi. And that was obviously very purposeful because it's a business we want to highlight, but it's also business that offers tremendous value to clients and advertisers. And we really want them to understand that and to know that. We don't though hard bun- and so Tubi will be part of all of our conversations. It's critical to know, and this is the subtlety though. We don't force bundle or staple Tubi revenue with the rest of our revenue. So, we don't go to clients and say, if you want to get into the FOX Sports, you have to be in Tubi. We don't do that because we think Tubi stands alone and the track record is that Tubi – Tubi stands alone in its value to clients and advertisers, and is able to grow with these really tremendous rates without having to force couple them and it's really is sort of new revenue to us.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

And where do you think those ad budgets are coming from that are they're driving Tubi?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, it's really interesting. They're incremental to us. They're not cannibalistic. In entertainment, and this is a disappointment sort of generally in the media environment, as you're seeing, so the subscription of video on demand services led by I suppose Netflix and Disney+ and others are bringing entertainment ratings down, particularly cable entertainment. But obviously you're seeing a deterioration of entertainment ratings.

And what that means is that, that clients traditional, big, national advertising clients aren't getting the reach anymore that they used to get just advertising nationally on entertainment, whether that's broadcast entertainment or cable entertainment. So, their traditional national ad buyers are becoming less and less efficient with less and less reach. So, you have to go and add additional reach onto those buys.

And we find with Tubi, we've done this research for a lot of our clients, for these traditional national clients, we add anywhere between 75% and 95% more reach to a traditional linear ad buy when you add Tubi to that. And that's because Tubi's audience is younger. It's very diverse and obviously very, very engaged with the product. So, it's a great asset for us to have it but it's a great asset for our advertisers and clients to utilize and they are.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, it's a great setup for our next topic talking about reach. So, let's shift to FOX Sports. Can you discuss how FOX's strategy to keep all of its premium content, including, and especially the NFL exclusive to the pay TV, impacts your relationships and the negotiations with the distributors that, that, and your affiliates that, that you talked about earlier?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, FOX has a perhaps more and more unique strategy in that we are keeping our premium sports, and NFL being the most premium for us, we're keeping our premium sports on our broadcast network, which means that it's exclusive to the broadcast and cable environment where our cable – where our channels are retransmitted.

And we think that's very important because we think that the traditional pay TV ecosystem is still the ecosystem that serves consumers best, serves the leagues best with the most reach and serves advertising clients. And so, we're going to continue to do that because we're – that's unique, we think we can push or and be improving in our results premium rates and premium retransmission revenue.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Is that true also from a net retrans basis too that your – the stations that are FOX affiliates, when they go into their own negotiations, do you think they're getting treated differently than the ones who are maybe representing networks that have lead content over the top as well?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yes. And certainly, we are – when we do those negotiations, which is obviously a large amount of the time. And so, when we are able to go to a distributor and say, look, we're not competing with you, right? We're not asking our audience, our viewers to choose between your distribution, your pay TV platform, and our own subscription video on demand platform.

And so, we are adding value, exclusive value to your platform people. The only way to watch America's game of the week on Sunday afternoon is through your platform in your market. And we think that's tremendously valuable to them and so do they.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, what we've been waiting to see, we call the people who leak the rights top cheaters, because they're basically getting paid two ways. At what point, do you think there'll be some type of penalty besides slowing affiliate fees? Some – do you think there's going to be any kind of sea change in what distributors pay for when more and more of the rights go over the top?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Okay. I think it's a share of wallet, right? And so obviously a consumer is going to only spend so much on their pay TV bundle, right? Whether it's pay TV bundle or pay TV bundle in with the combined with video on demand subscription, video on demand offerings. So, there's only so much share of the wallet you can get.

And what we've found is, and what's been very successful talking with our distributors is that if our sport is exclusive, we deserve a higher share of the wallet, right? So, we have to take that value from somewhere, and frankly, we're taking it from our competitors that are spreading out their premium sports content on too many platforms.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So maybe just to follow-up on that, and again you alluded to it a little bit earlier, but anything more you can talk about that pricing increase that you are getting maybe ahead of your expectations that you mentioned to offset what we all know that the higher levels of cord cutting.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, on the pricing, we – as I mentioned a few minutes ago, we are one-year into a three-year cycle, right, where we renew all of our distributors. And what we're seeing in that cycle is we're absolutely, we've set a price both for retransmission and our cable channels in the market that exceeds our expectations. So, we are driving, I think, best in class pricing increases and our brands because where we sit in the ecosystem talked about that's what gives us the ability to do that. On the – so 100% we are sort of best-in-class premium pricing. What happens in the cable ecosystem overall, obviously we're seeing declines of over 7%. That's something we can't control that side of ledger, but absolutely we can garner within that the highest pricing increases.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, this is a frequent question for Bob Iger but now it's going to be one for you, Lachlan.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

That's common. That makes me nervous.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

No, you've been clear with your strategy, and it's optimized for the world we're living in today.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

How does Bob answer the question?

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

He’s like, well, this is the best strategy we have today, because consumers choose the bundle. But at some point, how do you think about the option to take your sports content in the years ahead over the top, given that you have these rights and the rights are valuable?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yeah, that’s a great question. The true answer question is what’s the best for the consumer, right? And at the moment, if you look at – if you want to watch all the sports you can possibly watch, if you want to get every sport in America, you’re a mad, you’re crazy sports fan. You want to pay the lowest price for it with the least amount of friction of having to swap in and out of multiple different services and different boxes on your TV, the best and if you’re – so for the consumer, I’ll go onto the leagues, but the best service you have today is a traditional cable pay TV bundle, right, or satellite cable – pay TV bundle that today is serving the consumer the best, right?

It’s probably the lowest price when you add them all up. You have tremendous amount of reach. It’s very simple to change channels between the sports. You get everything all in one place. Having said that, technologies changed and consumers change, behaviors change. And so as that changes, we think if you have premium sports, number one sports business, number one news business in the country, we will be on every scaled platform not relying on what technology that’s delivered in, right? So just whatever technology it is, whether it’s a streaming service, whether it’s a cable TV service, whether a satellite service or some other service to map that we haven’t invented yet. Our brands will be integral to any of those businesses at scale, regardless of the technology. So, we feel very well positioned there.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So maybe just the follow-up to hit it home a little bit further, are you willing to work with other sports networks to make that central hub for sports to find that place online to find all the different rights in one place?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

I think you have to put the consumer first. So, the answer is yes. If we can offer consumers, the best possible experience where they can engage with the best content, we’re absolutely open to those conversations. Today, that is the pay TV bundle, that will change over time.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

We’ve known it for a while. We keep going back to the thesis that the virtual buildout has not evolved the way we all thought, right? The virtual buildout, it’s too big, the bundle. Price is too high. We keep waiting for someone to slim it back to what people actually want, which is sports and news.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yes. Well, we used to call it the - but it never caught on, but the skinny bundle, right? Not that skinny bundle, the core bundle, right? So, the skinny bundle, the core bundle. What do people watch 95% of the time or 90% of the time, can you create that bundle without all the add-ons? But it hasn't happened…

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

As sports fan, it's totally frustrating to go from app to app to app to app to app. Okay. So, can you discuss your appetite to bid on new sports rights like the NBA, who will be here tomorrow, and why the leagues will look to partner with you instead of digital bidders who have a bigger balance sheet? But why do they choose to partner with you some appetite for more sports? And what are you offering leagues that they can't find people who have bigger balance sheets?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, NBA is easy. I hate to disappoint your guests tomorrow, but we are highly unlikely to bid on NBA. We look at our sports portfolio and try to balance it overall. And in doing so, I think it's highly unlikely that we would bid on the NBA. But overall, why would sports leagues choose to partner with us as opposed to people with bigger balance sheets, maybe not more healthy balance sheets, but bigger balance sheets. And the answer to that is really reach, right? Broadcast is still the best place for sports to be. And frankly, if I were an NFL owner or an NBA owner, team owner, I would want to be on broadcast TV.

When we had Thursday Night Football three years ago, and it was simulcast, right? So, we had it live on FOX Thursday Night Football, and we simulcast it with the NFL network and with Amazon. Those games that were simulcast, 95% of the viewing was on broadcast TV was on FOX, 5% was shared between Amazon and Thursday Night Football. Then when we moved on from Thursday Night Football and gave it up and when we released it a year early, and it went on Amazon last year for the first year, Amazon's reach is down on average. If we look at the average of our season the year before, 42%, if I'm a – and by the way, that includes local market broadcast, so it's less than 42% on the app.

If I were an NFL owner, that's a disaster for me. And so, sports leagues, their owners really need to think carefully about the value of their sports as national sports, as national brands, reaching as many Americans as possible. And that's why your question, Michael, if I were a sports owner or commissioner of a sports, I'd want to be on broadcast, make sure I'm on broadcast more than anything else.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, you do have some sports rights that are coming due over the next couple years - WWE, World Cup, Pac-12, and NASCAR to name a few. How do you measure, as you just mentioned with NBA, when do you have too much sports or how do you evaluate those decisions as they're coming up?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

We do it constantly and in real time as rights emerge, we look at all our renewals very seriously. We have tremendous partners. WWE and NASCAR have been tremendous partners of ours for a long time, particularly along with NASCAR. And we value those relationships. But we have to balance the portfolio. We – if you look at sports that we have passed on, that's as important as the ones that we've renewed, it shows, I think, the discipline of our approach. UFC, we used to broadcast UFC, we don't broadcast UFC anymore. We gave up those rights. Golf, we used to broadcast golf – some golf. We passed on those rights. And we look at the value of them both to our distribution partners and also from an advertising perspective.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Can you answer us that question and how it relates to what you're doing with USFL, maybe what you're learning, building out your own league, and how that may inform your decision to go forward with certain types of investments in sports?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Sure. So, we're an entrepreneurial company. We like to build businesses. I think in most of our – the majority of the lion share of our successes have been building businesses as opposed to acquiring businesses. And the USFL is a great example of that. USFL is a tremendous model. We're in our second season, it's doing very well. And we felt there was a – an opportunity in the market for a spring sports league, which NFL football league, which is proving, right? So we'll continue to see how that goes. We'll continue to invest in it. Importantly, it's broadcast with a broadcast partner NBC. So, again, that gives it the most possible reach we can give it through afforded success.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, let's shift over to sports betting for a second. Now that the FanDuel arbitration is finally behind us, we actually had FanDuel, Flutter here yesterday. Can you speak to the overall relationship with Flutter and including how you feel about their upcoming U.S. listing?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, I'm very excited about the U.S. listing. I think it's a tremendously run company, we now believe like our value and our relationship with Flutter is really as an option holder in their FanDuel business, and people forget, as a shareholder in Flutter today. So, we have two exposures to their business today. We have the 18.6% option in FanDuel. We think their U.S. listing obviously will reflect – be reflective of the value that FanDuel has as the leader in sports betting in this country. Our 18.6% option is a 10-year option that we think is tremendously valuable. We also, some people forget this, as part of our relationship with Flutter, we invested in Flutter.

I think our investment today, this is a few years ago, our investment today is worth over $875 million that's sitting on the balance sheet that no one really looks at. But Steve's not hiding it anywhere. It's there. If you do the math. And so – and their U.S. listing, I think we'll just – will further empower tthem and drive those investments, both in our option and in the core stock.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Anything you want to add in terms of FOX Bet and the features…

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, in August, the both sides in FOX Bet can decide to move on from that partnership. And I think, ultimately, mutually, we're going to try to focus on our shareholdings in Flutter and our option in FanDuel.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Can you talk a bit, let's go to the network and the entertainment side for a second. You have the cancellation of 9-1-1 and a few other shows in FOX Network. Should we think about a change in programming strategy to lean even more heavily on sports and unscripted and away from scripted content and is that the case? Because you don't own a piece of the economics of scripted. So, give us a sentence and know this has been evolving strategy for you and Charlie Collier left Rob Wade's there now. So how do you think about programming primetime and the economics of that?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, the core part of that question, the first part you have to answer in that question for people to understand is that the FOX Entertainment network is unlike the other networks in the United States, and that it's two hours a night, right? So, we don't have the headache or the option or the opportunity or the challenge of programming the whole day for our affiliates, we program only two hours a night. That, by the way, gives our affiliates in our own stations tremendous opportunities, which I'm perhaps I can come to later. But we're only two hours a night. And so, within those two hours, the balance between unscripted reality, obviously sports is important, but unscripted reality and scripted dramas and comedies really depends on the economics and on creative choices.

So, in our upfront, we do have some scripted shows that are – that we're launching. And then we balanced our returning scripted shows, purely on the economics. So, 9-1-1 was very expensive. As shows age, they get more expensive and so you have to refresh them with younger shows. So, 9-1-1, we've canceled, but 9-1-1: Lone Star, which is a spinoff that's very successful, which is younger, a younger show, it remains on the schedule. And that's purely because it's great to be number one in broadcast networks, but we also need to do it at the right – with the right economics and the right cost.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, you hit on the TV stations. I'm wondering, can you further expand on the strategic value of owning the broadcast network combined with that overlooked TV station portfolio that you have?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Sure. So, the broadcast network and the TV stations they fit very symbolically together. They – the network, obviously with the sports that we deliver on the network, overlays our footprint for the TV stations incredibly well, we've designed the TV station group around the NFC, right? So, I think we have 14 of – 15 of 16 NFC markets that we broadcast on any given Sunday, it fits perfectly with our local stations, which obviously drives that local revenue. The fact that we keep our program into those two hours a night allows our local stations to produce and deliver a tremendous amount of local news into the local markets. We think local news is overlooked.

It's incredibly important. It's important to local markets, frankly, it's important to those communities. And we now produced over 1,200 hours of local news a week – local news. And that's very important. What that also does, obviously, it helps the ratings in those markets, particularly as entertainment is soft, softer, but when you enter these political cycles, big political cycles, it's a tremendous position to have to be the number one local news providers in those markets. And that garners attention to alot of the political revenue that we see every, well, it used to be every four-year big cycle. It's now every two years.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So, you mentioned before that people may be overlooking the value of the Flutter shares. We often think people overlook the value of the Studio Lot, which you kept in the Disney deal. If you talk a bit about the value in a lot and now your plans, right? So, the lot has a new development plan attached to it as well.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Look, the TV studio lots and TV studio soundstages are only going up in value, right? As you've seen the explosion of subscription video on demand, of scripted and unscripted content, we are the beneficiary of the – with our sort of physical infrastructure that we have in Los Angeles, and we can't – you couldn't build enough of them. We – they're not an empty day that they're not leased out to a television producer. It was actually – it's actually Disney that has - is the primary tenant on the lot and in those soundstages. And we only wish we could - that they could give us back some of their leases, because we'd continue to be able to charge premiums for that space. So, we think it's a tremendous asset. It's a long-term asset. We put in a proposed redevelopment of the lot, which it really keeps it grounded in television production. It's an important industry in Los Angeles, and it's really going to be the future that lot for many decades to come.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Very good. So maybe just kind of bringing it all together, wrapping it up, how can you give investors confidence that FOX's EBITDA and free cash flow, something that we focus on a lot, can continue to grow, or at least remain stable despite the secular pressures facing the broader ecosystem today?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, I think it goes back to the conversation the last half an hour. I think if you look at where we play, where we exist within this broader ecosystem, our focus on live news and live sport, give those businesses, tremendous leverage to drive both advertising revenue as audiences are shifting to news and sport out of – certainly out of linear entertainment. So, it gives us leverage with our advertisers, but also importantly with our affiliates and distribution partners. So, we'll be able to continue to drive premium pricing there. The addition to the company of Tubi has been incredibly important. Tubi is I think existed for about 12 years. We've owned it for about three years. Not only has the business I can't remember this, grown by four times or something.

Its growth is accelerating, which is tremendous to see. I think there's reasons for that. It has 55,000 hours of programming on Tubi. That's five times what Netflix has in their library. And it's free. And I think free is a great positioning market, particularly in uncertain economic times. So we see Tubi continuing to grow – continuing to be a really bright spot in the future of FOX.

We're in the beginning of this three-year cycle. And so, we're renewing our distribution partners and we're seeing it work. We're seeing the – our pricing power be set in the market with contracts and new deals. And we see that continuing over the next few years. So, the core business and I should say on FOX News, the FOX News remains listed the ratings of, I'd say they're probably even better now, 10 minutes later, but they're – I don't want to check, but the FOX News is going incredibly well. We're incredibly proud of the journalism at FOX News of all of our hard work and journalists there.

And FOX News will remain the number one news station, news channel in this country well into the foreseeable future. So, we're very, very happy with our existing core businesses and then – and the growth profile of those businesses. But just as importantly, our balance sheet is so strong that we're able to grow, we're able to grow both with prudent, careful, and disciplined organic investment in our businesses but also M&A.

We don't have any –a large M&A opportunities that we're considering today. But we have the ability to and we're constantly looking. So, we can grow organically, we can grow with M&A and for shareholders, we can return value and we can return capital to shareholders via our dividends and via our continuing share buyback. So, when you look across the spread and we think we're incredibly well positioned and we're going to continue to grow.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Awesome. Well, with that, Lachlan, thank you for being here, Steve, Dan, Gabby, thank you.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Thank you. Thank you.

<<Steven Tomsic, Chief Financial Officer>>

Thank you.