

**FOX Corporation**

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Benjamin Swinburne: Good morning. I'm Ben Swinburne, Morgan Stanley's Media Analyst. Quick disclosure statement. For important disclosures, please see the Morgan Stanley research disclosure website at [morganstanley.com/researchdisclosures](https://morganstanley.com/researchdisclosures). If you have any questions, please reach out to your Morgan Stanley sales rep. Very excited to welcome to the conference, back again and in person, Lachlan Murdoch, Chairman and CEO at FOX Corporation, as our keynote speaker this morning. Lachlan, good to see you. Thanks for being here.

Lachlan Murdoch: Ben, thank you very much for having me.

Benjamin Swinburne: Real people.

Lachlan Murdoch: It's great to see everyone in person. So thank you for being here.

Benjamin Swinburne: So I want to organize our conversation across kind of two broad themes. One is the ability for the company to generate cash flow and grow the business and then how you guys are thinking about allocating capital over time. And I was looking back, actually, the company was sort of created after the Disney sale back in 2019 at our estimates. And despite a pandemic and probably greater cord-cutting than we expected, actually, our estimates -- you're basically in line to actually ahead of where we thought you'd be sitting here today. So...

Lachlan Murdoch: So you weren't positive enough?

Benjamin Swinburne: I wasn't positive enough apparently. Positive, but not positive enough. I guess the question for you, Lachlan, is the market has been underestimating kind of the ability for your core assets to grow given all the known headwinds of the pay TV ecosystem. So what do you attribute the ability to grow the business through all these difficult times that the market maybe is overlooking?

Lachlan Murdoch: Yes. Well, it's certainly been an extraordinary couple of years for everyone. Before I address your question on the -- thank you very much for having me. I should ask how many of these fireside chats have you done this week?

Benjamin Swinburne: Why? Could you tell that it's been a lot?

Lachlan Murdoch: Has it been a lot?

Benjamin Swinburne: I can't keep count. I don't know, probably 20, 25. So...

Lachlan Murdoch: And give me some tips. Who is the best? Who's your favorite so far?

Benjamin Swinburne: I can't pick among my children, they're all the same.

Lachlan Murdoch: So look, it's been an extraordinary couple of years. And since we -- I think actually someone reminded me this morning that we spun Fox out of the assets that we sold at Disney only three years ago. So the company, I think, next Saturday is three years old and it's in its latest sort of era, its latest form. And so what we talked about when we spun the company out is our ability to focus on a small set of very valuable and important brands and really focus primarily on live news and live sports.

And our thesis for that, and we had an Investor Day, I think, in May of 2019. I think it was May. Our thesis for that was that in a streaming world, live news and live sport as media becomes more fragmented, would be more valuable, and we have a higher ability to monetize live news and live sport and then certainly, then in sort of scripted entertainment.

And that thesis has proved out to be entirely true. When you're able to focus on a smaller bouquet of channels, we're able to use all of our leverage and all of that engagement from our audience in a very focused, a very concrete way. And because of that, we've been able to drive retransmission pricing and distribution revenue quite dramatically. It's also helped us probably more than we even imagined three years ago from an advertising perspective.

And I'm sure we'll talk more about that. But in news and sports, in particularly, we're able to increase our share of the advertising dollars. So that's the first category. I think we're -- if the strategy was undervalued on or was misunderstood, it's that -- the whole thesis and strategic position of the company has proved to be very, very strong, and we've executed well against that.

I think the second part is when we sold our entertainment assets to Disney, we did that knowing -- we looked at the marketplace and we said, this is going to be a very tough direct-to-consumer SVOD environment that's coming. We'd like to give our scale in entertainment production to Disney. We thought that would help Disney with their aspirations. And really took us out of that market. We then came from that position to really focusing on advertising video on demand.

And I think with the strength of Tubi, the business we bought now two years ago, it's gone really incredibly well. So that's the second element, I think, of what's changed in the company in the last few years, is the strength of our AVOD strategy.

Benjamin Swinburne: We're going to talk, I think, about all those businesses as we move through this. I wanted to ask you, the one thing investors always bring up is the fact that the company generates its cash flows primarily from the U.S. linear bundle. And there are things that are happening to that bundle that are out of your control.

We've talked about the leakage in streaming entertainment, but even in sports, even this week, Apple signed some baseball rights to put on Apple TV Plus. How do you and the management team think about navigating that because that's probably going to be a continual source of volatility to the business that's sort of outside of your control?

Lachlan Murdoch: So we -- I would say about five years ago, maybe six years ago, we were doing a huge amount of work. Started five, six years going and went up into the Disney transaction in understanding what we thought was going to happen with direct-to-consumer and particularly with our video streaming. And that led us to the -- as I discussed just a minute ago, led us to the Disney deal.

And so the research we did then, which is sort of, I think, proven out now is that most U.S. households, right, on average, will take about three to four streaming services, right, at any one time. And that's proven out to be true over the last few years. Having said that, the difference in the last few years now is like, I think, 82% of U.S. households now have an SVOD service.

But the top two to three of those services, if you say that, I'm taking three to four each, the top two to three are already taken, right? It's either Netflix sort of number one, about 63% or 64% of the households. I think Amazon Prime is about 60% of households. Disney+ and others maybe in the third place.

And so this -- all this fight that's going on sort of gladiatorial kind of bloodshed, is really for that last position, right, in the three to four services that people will take. And so the billions of dollars that's being spent by multiple aspirants is all for that last position.

And so we are extraordinarily -- I want to say that -- we're happy to be sort of sitting on the sidelines. We knew we took ourselves out of the SVOD market when we sold to Disney. We sold them all of our content libraries. And so now we're in the bleachers, watching this bloodshed that's going on. So we -- that's how we're navigating it. We're enjoying the show, and we're not spending billions and billions of dollars trying to chase the fourth position in SVOD.

Benjamin Swinburne: Yes. Yes. We've been hearing all week from all the aspirants chasing #4 on the stage.

Lachlan Murdoch: Yes, it's tough. It's going to be -- it's tough.

Benjamin Swinburne: So let's talk about FOX News, which is, I think, the largest driver of your business from a cash flow and value point of view. Probably one of the most attractive return on capital businesses, I think, that we've seen in media.

Usually, that brings in competition and there is competition for Fox. But at the same time, it seems like the competitive moat there is pretty deep. What's your perspective on that business and why you continue to drive the kind of profitability and not see the competition come in and really impact the business in a substantial way?

Lachlan Murdoch: So first, we -- competition is great. The competition makes you better. But we're not competing anymore with other news channels. We're really competing with the broadcast networks. FOX News turned 25 years old this year. It's gone by relatively quickly in a series of huge news cycles. The last 20 years of those 25 years, we've been the #1 news channel in America.

The last six years, we've been the #1 cable channel, like so -- of any cable channel, including entertainment and sports and documentaries. So #1 for the last six years. That's in total day and prime time, all people in the advertising demographic 25 to 54. So it's been an incredibly impressive performance.

So the moat that we've built, the competitive mode or the challenges of launching against that sort of success and we've continued to grow. I think actually in the State of the Union -- it seems like months ago, but a week ago -- State of the Union, we did -- 7.2 million people watched the State of the Union on FOX News. The next highest rated channel was ABC for -- with 6 million people. So increasingly, we -- our competition actually is the broadcast networks, not a cable channel or a news channel.

Benjamin Swinburne: Why are you able to continue to drive affiliate fees for Fox News? Especially, we had all the cable company CEOs here this week, and they're pushing back as much as possible on video prices. That business is getting harder and harder for them. What's allowing you to drive rate and grow the revenues even with cord-cutting?

Lachlan Murdoch: Yes. Look, I think we are an essential part of the bundle, I think both actually, frankly, with our sports portfolio and FOX News specifically. An essential partner, a growingly important part of the cable bundle.

When we look at the pricing and distribution, we're competing now on ratings with the broadcast networks. So we don't compare ourselves in pricing to other cable channels. So it's really almost a broadcast retransmission pricing. And I should say this, so we have the utmost confidence that we'll continue to have the leading -- industry-leading pricing growth at FOX News.

Benjamin Swinburne: And can you remind us, Lachlan, of just the renewal cycle coming up in terms of timing?

Lachlan Murdoch: Yes. So this year was a pretty -- I don't want to say a slow year, but less renewals. I think it was like 5% or a single-digit percentage of renewals for cable distribution for us. But in the next two years, we have over 2/3, almost 70% of our renewals coming up over two years. So it's a tremendous opportunity for us again to kind of capture our audience share and ratings success and translate that into pricing.

Benjamin Swinburne: And I know that most of the revenue comes from distribution, but the advertising business has been a success there. Are there -- historically, there have been advertisers or groups of advertisers that have been reluctant to appear on Fox network. Are you still facing those challenges? Is the audience under-monetized at all at this point? Or have you powered through all that pretty much?

Lachlan Murdoch: Well, I always tell you guys internally our audience is under-monetized. So I should stick to that. So the difference over the last few years since the start of Fox News in this new form. I think we talked about the advertising to distribution was about 50-50, right? It's about 50% of our revenue is advertising revenue, about 50% of our revenue is distribution subscription revenue and retransmission. That shifted with the strength as we -- and we talked about the strength of our distribution business and in pricing.

That shifted down to about, I think, about 45%, 55%, right, advertising to distribution revenue. But advertising remains very, very strong. I think with FOX news specifically, if the question is about FOX News, when you have such a large share and we've taken share from others, we now represent Middle America in a way that we have more Democrats and Independents watching Fox News then watch on MSNBC or CNN.

And so -- and that's a tremendous position to be in. And advertisers have noticed that and we've a broader array of advertisers than we've ever had before. I think we've grown about -- I think about 30% in advertising.

Benjamin Swinburne: Great. What are you guys trying to accomplish with FOX Nation and sort of extending FOX News digitally to sort of drive the business beyond the bundle?

Lachlan Murdoch: There's two things. There was FOX Nation, and we've also launched a service called FOX Weather, and they're quite different. Where FOX Nation is a video-on-demand subscription service, which is sort of a super fan service of documentaries and other shows for our viewers. And we think that's an important service that we give them.

FOX Weather, which we've also launched, is a free fast channel that's sort of ubiquitously available across Roku and Amazon and YouTube TV now. It's on all of our owned and operated platforms. And that's really an advertising play to capture -- to operate a platform for advertisers that we can use with Fox News, with FOX Business, now with FOX Weather to capture the broadest array of advertisers possible.

Benjamin Swinburne: And how do you guys manage the cost structure there? I mean, you're not exposed to the scripted pressures we talked about, but talent costs everywhere. We were talking about sports broadcasters before this. But talent costs everywhere are escalating. Is this a business where you can drive margin over the long term at FOX News?

Lachlan Murdoch: The answer is I think FOX News has the best margins in the news business, maybe in the -- one of the best media business in this country. And so our goal is to maintain industry-leading margins, and we're doing that with some of the new services that we're offering, whether it's FOX Digital. I think FOX Digital now is about 25% of the advertising on FOX News, which is very healthy and is a growing segment for us. With the podcasting, with FOX Weather, it's -- Sirius Radio, that business has become more and more robust and more diverse. So -- Yes. So it's going extremely well.

Benjamin Swinburne: Great. Let's talk about FOX Broadcast. That's a business that is like all linear television, facing declines in people watching TV. How do you make sure that FOX stays relevant and sort of grows that business the best you can, given all the fragmentation in video out there?

Lachlan Murdoch: Yes. Look, the best way to remain relevant is to have a great programming, right? And we have great programmers and whether it's in reality, which obviously -- reality, you have a lower cost per hour, more hours. So The Masked Singer continues to be an incredibly strong franchise.

We need more hit reality shows like The Masked Singer. But also even in dramas, drama is a tough genre on broadcast television right now. But you have 9-1-1 and 9-1-1: Lone Star, and shows like that continue to be successful and engage large audiences in ways that advertisers need.

So you have to have culturally important sort of dramas and the reality that people talk about, right? That's the #1 thing you can do. But then when we look at that business, we say what do we do with that engaged audience and how we monetize it in existing ways with advertising, but also in new ways. How do we use that incredibly valuable beach-front property that so many people are still tuning into, to launch new businesses and find new ways to monetize it.

Benjamin Swinburne: You guys have been reporting at the Broadcast business, faster distribution growth than we've seen from some of the other players. I mean, disclosures from them have gotten tougher because of all the streaming businesses that have been built. But it seems like your ability to drive rate at FOX on retrans is stronger than others. What do you attribute that to?

Lachlan Murdoch: Look, I think two things. I think when the company was bigger, you have a certain amount of leverage, right, in your retrans negotiations. With a bigger company, when you have more channels and you're launching cable channels or you have -- you're trying to care of FX and FXM and NatGeo and NatGeo Wild. That leverage when you come up to do renegotiations gets spread around a lot of different corporate priorities.

And that's totally understandable, right? That's not a bad thing. But when you have a smaller business and a more focused business, you can use all that leverage and apply it to the business that's generated that leverage. And the TV stations and the retrans that we've generated from them is entirely applicable to that feature, right, that we were able to say, look, the stations, the sports

that we put on those stations, deserve really the greatest retrans that they can achieve and that we can get in the industry.

And that will continue because one of our differentiators and our strategy is to continue putting live sport exclusively on -- through our network and onto our stations. And that's different from others. Others are using sports to drive people to their SVOD services and in some cases, AVOD services. We don't believe that. We think live sports on broadcast TV is still the greatest opportunity for us to monetize that engagement.

Benjamin Swinburne: You've talked about how sports and news is sort of core to the strategy, but you are still doing scripted and that business is highly competitive. It sounds like you're still committed to that market. Do you see a reason to continue to invest in scripted or are you thinking about taking more ownership in stuff that runs on the network, on the entertainment side?

Lachlan Murdoch: Yes. So look, scripted entertainment is important for the network. I think, again, when you look at FOX, it's different from the other networks, and we only network two hours of programming per night. So it's a much smaller sliver of our stations and on our kind of our ecosystem than others have.

But scripted is -- scripted and unscripted and then sort of a reality TV is important to bind the ecosystem, the stations, actually, frankly, what FOX News does with our news stations, what FOX Sports does, the network and scripting entertainment, in particular, is important in that.

Having said that, it's a tough business now. People aren't used to anymore or don't want to tune in to a drama 9:00 p.m. on a Tuesday night or they don't want to have to schedule it. And so how we distribute that scripted entertainment? You watch it on FOX Live, you can watch it the next day on Hulu. We monetize it on Hulu as well.

How we syndicate that scripted entertainment, where we can own the rights to that entertainment internationally, and others, and they'll have ownership in that, is very important. Because of that, we bought 50% of Gordon Ramsay's business -- Ramsay's Studios. So we're partners with one of the great talents in unscripted entertainment.

We've also bought a small business called MarVista. We bought TMZ. And so these are small bets, but there are ways for us to continue to own or increasingly own our own content that we're broadcasting.

Benjamin Swinburne: So let's talk about sports. It's such a huge part of what FOX brings to the viewer and to your distributors. For a while, I felt like investors were reluctant to own the stock until they had line of sight on the NFL deal, which was done -- almost a year ago, I guess, it was announced.

What's your strategy around securing exclusive sports rights because they're obviously expensive. We're not seeing any slowdown in the inflation, but it's so core to what you guys offer in the marketplace.

Lachlan Murdoch: Yes. So you have to look at sports. We're willing to give up some sports to -- and to be able to afford others, right? And you have to look at it in terms of how do we build -- how do we continue to build the value and our value proposition to our cable distributors and to our TV stations and through retransmission. And so we look at it as holistics, the whole, and say, well, we can pass on the UFC when UFC came up last time around.

Benjamin Swinburne: It used to be on FOX.

Lachlan Murdoch: It used to be on FOX, UFC. It was very hard for us to monetize it. A lot of advertisers were worried about -- I don't know if this is still true, I haven't followed it, but for us, it was difficult to monetize from an advertising point of view.

Thursday Night Football, right? For different reasons, we had Thursday Night Football, and we gave up Thursday Night Football to really focus on Sunday afternoon. We knew the pricing for the NFL was going to go through the roof. And so how do we put all of our firepower on one franchise that we felt we must continue to own. And so we gave up on Thursday to focus on Sunday.

And so -- and what all that comes down to, again, is what's your value proposition. And for us, having Sunday Night Football, having the America's game of the week, was what our cable distributors and what our TV partners and our O&Os and affiliates cared about most.

And having Thursday Night Football in addition to that didn't move the needle that much. It's really Sunday that was important. So that's how we sort of manage the cost and look at what we can purchase. So as we look at the -- we look at all the rights that come up that are available, and we really need to look at what's going to really add value. But from a distribution perspective, really almost before an advertising perspective.

Benjamin Swinburne: Sure. That makes sense. I believe you've got some digital rights with the NFL deal Lachlan -- what's -- how do you guys think about leveraging that? Are there scenarios where you would look to stream NFL games outside of the bundle? Or is that unlikely? Because we're seeing that from some of your competitors.

Lachlan Murdoch: Yes. So we have the same rights that our competitors have. So that was an important part of the deal and NFL was very transparent about that, that we all receive the same rights and the same flexibility to place those rights on different platforms.

We don't believe it helps us to put those rights under a streaming service or free on over-the-air. We think it's very important that those rights remain exclusive to the broadcast environment. And that's one of the key reasons why we can drive our retransmission rate so aggressively because we're doing that when our competitors aren't.

And so really, when distributors look at retransmission, they can see that we provide a premium to them that other broadcasters are not doing at the moment. Now having said that, because we're not in this fight over SVOD, we're not tempted to move these rights.

We're not trying to support subscription numbers in an SVOD business. So we have the flexibility and the freedom to do that. That's not to say one day the strategy couldn't change some years down the road. And we certainly have the rights to do so if we felt we needed to.

Benjamin Swinburne: You mentioned the NFL going up through the roof. The Big Ten is up relatively soon. They've been a longtime partner of FOX. As a Big Ten fan, Big Noon seems to have done really well as a window that Eric and the team helped create. What are your expectations around that rights renewal? You feel confident that you guys can keep it in the family at a reasonable cost?

Lachlan Murdoch: Yes, 100%. It's an important part of our sports offering in a portfolio. We are -- it's a long-term relationship, and we're confident we're going to keep the rights. I can't tell you if they come up this year. I can't tell you what the increase will be that's because I don't know, but they're a valuable partner and a valuable part of our portfolio. But we're confident we'll keep the rights.

Benjamin Swinburne: And Lachlan, you mentioned the Thursday Night Football decision to sort of walk away or let those rights go elsewhere and they're going to be on Amazon this fall. Is there any risk to your ability to drive retransmission fees? Because those were on as you went through your last cycle and now that product is going to be elsewhere.

Lachlan Murdoch: Because of losing Thursday Night Football? And that was really the decision kind of matrix we went through. And so what we're spending on Thursday Night Football, and it was an investment for us. You don't make the rights fees back from advertising, retransmission. How much you allocate retransmission to any -- not just Thursday Night Football -- but any sports contract that you have is important.

And so when we looked at it honestly, we felt we could continue to drive our retransmission rates based solely on Sunday Afternoon Football and America's Game of the Week. And that Thursday was an add-on that didn't give us certainly enough incremental leverage. So we're entirely confident actually moving to Sunday, solely to Sunday, was absolutely the right strategic move. It's finally good for our audiences to focus on Sunday, and I think we'll prove out well in the future.

Benjamin Swinburne: Okay. Maybe just to wrap up on the broadcast front, or generally on TV wanted to ask about advertising. It's been strong through the back part of last year. Any update today on sort of the national and local ad trends you guys are seeing in the business?

Lachlan Murdoch: Sure. And then maybe some macro observations. So on the -- so currently today, on the advertising front, advertising is very strong in three areas and softer in one. Very strong in news. News advertising is robust. Sports, we're -- most of our sports advertising comes in the fall, right? Most of it is post-season baseball and NFL. So we're in the lighter period for sports advertising, but there's a lot of demand in sports advertising. Our scatter pricing for both news and sports is the 20% to 25% over our upfront pricing. And we're now really focused on the new upfront season, which we're seeing a lot of demand.

We have a unique year coming ahead of us, in that we have both the NFL -- I'm sorry, the NFL with the Super Bowl, which has always -- helps you in your upfronts. And we have the World Cup Soccer in November and December. So we have a great sports lineup that's really driving -- helping drive a lot of that demand.

I also mentioned news and all the different aspects of news or -- and the scale of that market is driving a lot of demand and advertiser interest. So from an upfront point of view, we're feeling incredibly strong going into the upfront season.

In addition, because it's not really sold in the upfront, but it's a huge political year, right? I think in the last midterm election cycle 4 years ago, 3.5 years ago now, I think the record midterm advertising revenue that we achieved was about \$180 million in the midterm election 3.5 years ago.

We think we'll -- in this year, the early indications are we'll easily surpass that. And I just want to make sure people don't mistake the midterm versus the presidential election because the presidential election two years ago was \$350 million, \$360 million on our stations.

So midterms are significantly lower than presidential, but we still think we'll be driving significant local revenue through that -- through those mid-term elections. I did mention, I should say that those are two areas of news and sports, where it's very strong.

Our Tubi is going from strength to strength. I have a lot of digital -- the huge interest in digital advertising, I think the thing with Tubi that's so important is it's video on-demand. So our -- by definition, our viewers have actually actively -- are actively watching. They've actively chosen to watch that program. And we're running the lowest ad loads in the AVOD marketplace. So the ads are very impactful with very high engagement.

The soft area -- and this is -- in a funny way, it's helping us, but because entertainment as an industry, right, and broadcast entertainment is softer, we're the beneficiaries of that because all broadcast entertainment is softer, I believe. And we're capturing, as advertisers move from entertainment, they're coming to news, sports, and increasingly to digital.

Benjamin Swinburne: Got it. I was going to shift to -- away from sort of your primary operating assets to where you guys have made capital allocation decisions, and you jumped ahead on me to Tubi, which I wanted to hit on next. Why is Tubi an attractive growth opportunity for FOX? And if we look out over the next few years, could this be a meaningful EBITDA contributor to the business?

Lachlan Murdoch: So -- It's a huge opportunity for us and is a huge growth engine for FOX. And the reason why is -- look, coming off of my comments from the last question, it's a beneficiary of a lot of this fragmentation of media. A lot of the people move in from broadcast or cable entertainment into other forms of entertainment. Tubi is, I think, the best positioned to capture that shift in -- both in audiences and then obviously from audiences in advertising and advertising revenue and advertising share.

Why is it in such a good position to do that? It's got incredibly intelligent and a dedicated staff and advocates that really see it as an opposite of me and like our culture. We're media people. We think purely in terms of great narratives and great stories and making TV shows and movies and things, great news.

They're technologists, right? They understand the importance of building this technology over many years, building the ad tech, building the AI, the discovery engines that come with this. And they understand -- and by the way, they're then incredibly clever in how that's monetized. So the ad load for one of us, here in San Francisco, watching Tubi is different from the ad load of someone somewhere else watching, maybe in Texas, right?

The ad load is different. The ad load might be different if you're a new subscriber -- new viewer. We don't have subscribers, new viewer in the first month or the first two months of watching than if you've been watching -- than if you're a regular viewer and you've watched many, many hours of Tubi.

So the ad load is entirely dynamic and is really designed to keep people loyal and keep people engaged and that support. So from a technology point of view, it's incredibly sophisticated and really driven by a truly incredible and impressive team.

From an old media point of view, and an old media guy, they've got a library of 40,000 titles on Tubi. And I think that compares to sort of Netflix 10,000 titles or something. So I'm not sure those numbers are exactly right. But it's a real step change in terms of offering the broadest range of library titles anywhere that's on -- that's available, certainly available free.

Your second part of your question, long answer, was -- will be, I think, you said, three years? Did you say three years or five years? Sorry.

Benjamin Swinburne: I said three, but you can tell us whatever you think.

Lachlan Murdoch: Look, I think it's such a large opportunity for us. And Tubi turned cash flow positive after we bought it. And we actually decided to continue to invest in Tubi because we think the -- even after we bought it, the more we understood it, not that we didn't understand it well before, but we see this as a massive opportunity for us. And it would be wrong for us not to continue to invest in it for the near term.

Benjamin Swinburne: Okay. So more of a revenue driver.

Lachlan Murdoch: Yes. We don't want to take our foot off the gas yet.

Benjamin Swinburne: Another area that you guys are certainly involved in is sports betting. I know it's a big part of the strategic focus for the company. But how should investors think about how the growth in sports betting in the U.S. translates into value for FOX over time?

Lachlan Murdoch: So we think sports betting is a huge opportunity. And we think it's virtuous cycle too because we can find ways to monetize our engagement with our audiences in new ways. And we're doing that, by the way, in other ways outside of sports betting as well.

We think of -- I said our traditional split, roughly 50-50, between advertising and subscription distribution revenue, we're trying more and more to grow new revenue streams that are truly incremental to the old. And sports betting is just one of those, but we think it's a tremendous opportunity. But we also think it actually helps in the engagement of our audiences, right?

So if you're one of the six million people who have downloaded FOX Bet Super 6 and you're looking across picking six winners across a weekend at sports, you're not only going to watch your favorite team, the L.A. Rams, or the New England Patriots, I've got to take care of all our owners.

Yes. But your favorite team, you'll also watch other games, right? You also want to know if you're going to win FOX Bet Super 6, you're going to watch -- you're going to be more engaged and watch more -- watch until the end of games and watch more games and more matches. So we think there's a virtuous cycle there.

So the way sports betting sort of works for us is we're not a licensed company. So we're not directly involved in book making. But what we can do is we have a funnel in FOX Bet Super 6 which is a free-to-play game. We have six million people who use it. And they can come down and that funnel can come down and then bring them down to people who actually want to wager on a game and they want to bet \$5 or \$10 or something. And we can do that through either our own avenues with Fox Bet, which is a joint venture with Flutter, or through others, right? With FanDuel or others. And bring those people down into that and actually where they're wagering.

So we're the first, I think, media company in -- I think we're the most focused on it to date. We think the strategy is right. We're disappointed with the rollout of Fox Bet. As I said, we're not a wagering company. We don't control it for -- because we're not allowed to. And it's only rolled out in four states, which we're disappointed in and we'd like to see it rolled out in many more. But we're in active conversations with Flutter in terms of our relationship and how we handle it going forward.

Benjamin Swinburne: I was going to ask you about that. Any update on that relationship? You guys have got a lot of things to discuss. Obviously, there's your ability to buy into the U.S. FanDuel business, which is under some dispute. Is there anything you can tell us about your relationship with Flutter and whether there is something moving forward constructively?

Lachlan Murdoch: Yes, for those who don't know -- I don't want to bore people, but we had a joint venture with the Stars Group, which then Flutter bought. And the way it worked out, we still -- we maintained our 50% interest in Fox Bet, which we also have with Stars Group.

But when Flutter bought the Stars Group, we ended up with an 18.6% option into FanDuel in the U.S. So we think we're in a tremendous position of both having the 50% joint venture, that's sort of an operating joint venture and a huge option and valuable option, we believe, in FanDuel.

So there are conversations with Flutter in terms of how we move forward in this relationship and make it work for both parties, really involves all aspects of that. If there's a process where the conversations are aren't fruitful and mutually acceptable, then there's sort of an arbitration process we could trigger. But we're not at that stage yet.

Benjamin Swinburne: Okay. And is there a scenario where FOX might become a licensed platform and get into the sports betting business as a bookmaker? We've seen the valuations of the DraftKings of the world has come in a lot. Those businesses today are growing, but heavily free cash flow negative. Is that a business that FOX might look to get into directly?

Lachlan Murdoch: Absolutely. I think we'd always -- we don't want to be an operator of -- again, we don't want to be a bookmaker, right? We -- that's not our skill set in setting odds. So we'd always have a partner who understands bookmaking. But for us to fully monetize our position and really our strength in this marketplace, being licensed would be a logical step. I'm not sure it's a logical next step, but it's a logical step along the way. And for instance, if we were to exercise our 18.6% in FanDuel, we'd have to become licensed to certainly hold at that stake.

Benjamin Swinburne: Just to be an equity investor?

Lachlan Murdoch: Yes.

Benjamin Swinburne: Got you. I didn't realize that. Okay. All right. One more area where you guys are making an -- I think an interesting strategic bet is with the USFL. And we were chatting before with the baseball lockout. That may be the only major sport going on for a while. Why start a football league? And why is this interesting for FOX? Starts soon, I think, right?

Lachlan Murdoch: April 16. Everyone can watch the first game, the USFL. But we think a spring league is -- there's a gap in the market for football. We were incredibly excited by it. We're talking before, the NFL has actually been tremendously helpful in some thinking through and setting up the USFL. They haven't tried to obstruct it at all. In fact, the opposite that they've helped us.

It will be eight teams to start with, 43 games, 40 regular season games, two playoffs and a final. It's broadcast, which we brought partners in and ownership so that the financial risk to us is not significant. But the upside is -- upside and the opportunity is significant. It will -- we own all the IP where we own all the rights, all the trademarks. I think eventually down the road, you'll sell franchises, right? You sell teams off and it will be a more diverse ecosystem, but we're incredibly excited about it.

One of the important things, by the way, is that it's not just FOX broadcasting it. It's also NBC is our partner in broadcasting it. So you'll have a tremendous reach as well on two broadcasting and cable networks to really drive reach and viewership. So we're very excited about it. We think it's, over the medium term, a big opportunity.

Benjamin Swinburne: Yes. No, really interesting. And maybe just lastly on sort of strategic optionality. There's a group at FOX called Creative Labs. I was actually listening to a podcast with that team this week

that's looking at Web3, and blockchain, and NFTs and actually have done some things, I didn't realize, with, like, The Masked Singer and other shows on FOX. Why is that something as a technology or a product development area that FOX is interested in and focused on?

Lachlan Murdoch: I'm glad you asked this question. We are incredibly excited about the Web3 and really understanding how blockchain is going to really transform how we distribute content, but also how all media and then IP owners distribute content.

There's been a lot of talk about NFTs and tokens and things like that. That's just part of it, right? I think that's part of it, but how we utilize and understand blockchain and then also the different sort of piping around Web3 to deliver our content over time more efficiently to be able to monetize it with a longer tail, to be able to include our viewers and fans in ownership, it's an extraordinarily exciting opportunity.

We -- and as we -- and so we've been doing this now for well over a year, understanding it. We launched -- as a toe in the water, we understand it's early days. So with The Masked Singer, we launched the MaskVerse. And we had NFTs, and we understood -- we spent a lot of time with people in the industry understanding what it took to create a successful NFT and how the aftermarket is so important, that people can trade NFTs and then see -- and see real value going forward. And so we launched the MaskVerse in a series of NFTs. People created -- we had 350,000 people create new crypto and NFT wallets for the first time.

And so I think that showed us -- that was our first experiment with that. And so it showed us we've been in this thing, which is relatively cutting-edge product, right, and service, we can actually take it to scale to our audiences and make it significant and significantly large.

So with that, we thought what else can we do here, right? It's not just our own IP and our own content, but how do we -- if we create this expertise, what can we do? So we created a Blockchain Creative Labs, and we're now partnering with other creators to help them monetize their IP. So we are the exclusive partner with the WWE for their NFTs and IP monetizing this way.

We're doing a big launch at South by Southwest with Dolly Parton's, I think latest song with an NFT and the Dollyverse. So it's exciting. It's very early days. And again, you can't just think of it as just NFTs. It's really how blockchain is going to change the economics and the distribution models for people in the years ahead. But I think as a company, certainly as a media company, I think we're at the forefront of the thinking on that. We're very excited about it.

Benjamin Swinburne: And I guess something like Masked Singer or Krapopolis, it still allows you to really build passion and fandom around the IP you guys are building.

Lachlan Murdoch: Yes, absolutely. Absolutely.

Benjamin Swinburne: Great. We're rapidly approaching the end of our time here. I wanted to just wrap up Lachlan on sort of cash flow generation and how you think about your balance sheet and allocating capital. Obviously, investors are eager to see you guys buy back shares. You've been in the market doing that. But when you think about dividend growth and share repurchases, and how you want to run the balance sheet, how are you and the team thinking about that? And how does M&A fit in?

Lachlan Murdoch: Yes. So in the three years since we -- or the almost three years, next Saturday, since we launched new FOX, I think we've returned about \$3 billion of capital to shareholders. That's \$2.2 billion in share buybacks. And I think about \$800 million in dividends. We had \$4 billion -- so I

think it's -- we're going to continue to give capital back to our shareholders. We had a \$4 billion buyback authorization from our Board.

So we bought back \$2.2 billion. And so we have \$1.8 billion, \$1.9 billion to go in that authorization. We fully expect to utilize all that authorization. And obviously, after that, we'd have to go back to the Board for further authorization. So we -- short answer is we see ourselves continuing to return capital to shareholders.

From an M&A standpoint, in addition to being able to return capital, we think we can deploy capital creatively and well to drive value in the long term. Some of the deals we've done to date are relatively small, but we think are good ones. We're always looking for opportunities, and we'll continue to do that.

Benjamin Swinburne: Great. Well, thank you so much for being here. Good luck with the USFL.

Lachlan Murdoch: Thank you very much. Glad we got a fan. We got our first fan, so that's perfect.

Benjamin Swinburne: Please come back again next year.

Lachlan Murdoch: Ben, thank you very much. And thanks, everyone, for joining us this morning.

Benjamin Swinburne: Thank you, everybody.