Ben Swinburne: Afternoon, everybody. Welcome back. A quick disclosure, for important disclosures please see the Morgan Stanley research disclosure website, at MorganStanley.com/ResearchDisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

Very excited to welcome to the conference our next keynote speaker. Lachlan Murdoch is the Chairman and CEO at Fox Corporation. Lachlan is coming to us from LA. Lachlan, it's great to see you. Thanks for joining us today.

Lachlan Murdoch: Hey, Ben. Great to see you as well. I wish we were together in person, but thank you for having me.

Ben Swinburne: We'll do what we have to do, here. Hopefully, next year.

Maybe to start, it's sort of hard to believe that your investor day as Fox Corporation was sort of born, was actually less than two years ago. And a lot has happened since then. And I'm wondering if you could talk to us about the last nearly two years, and what's happened with Fox and the industry, and how that impacts your outlook and how you run the -- you know, think about strategy and growing your company.

Lachlan Murdoch: Yep, sure. It is. It's crazy to think it was less than two years ago. There's a lot of water under the bridge, and you know, a lot of impacts in the media world. And obviously for everyone's business and businesses. So it is amazing to think back at that.

But when we do, and when we say, look, why did we create new Fox when we sold the assets to Disney. What were we trying to achieve? And we spelled it out that day, which a smaller, more focused, nimble company with strong brands, a portfolio of very defined -- a smaller portfolio of very strong brands that would be incredibly resilient and offer a tremendous growth profile for us.

And then what's transpired since then, you know, where we've had a global pandemic unexpectedly, we've had worsening until recently, they were myriad a little bit, but worsening subscriber declines in the cable universe than we had originally thought we
would have a couple years ago. And this tremendously insane news cycle, all of these things are hitting us at once. And yet we've seen that through all of that, our thesis would prove right.

We've used the power of our brands, we've consolidated, we've been nimble, and I think we've had industry-leading growth in revenue both on an affiliate and an advertising perspective.

Ben Swinburne:
You know, I often think about your company. It's highly cash-generative, which is certainly attractive to investors. It gives you a lot to play with as you look forward. But I've always felt like the big question is, what does the company want to be when it grows up long-term, you know. Not that it's a new -- these are new assets, but you have opportunities to diversify the company, given your balance sheet and your cash flow generation. So what kind of diversification strategies are you trying to put in place? Where are you focused in terms of taking the core business and using that to build a growth company, which I think is what you really tried to nail back in -- at your investor day?

Lachlan Murdoch:
Sure. So you know, we have a tremendous balance sheet and very strong cash flows. Obviously, the margins in our businesses, particular obviously in Fox News are sort of industry-leading. And you know, we've used that in two different ways this year. We've made strategic acquisitions such as Tubi, and we've talked about it before. That business, we ended up closing in the early days of COVID, you know, probably around this time -- well, certainly around this time last year. Revenues have doubled since we bought Tubi and it's grown from strength to strength in ever metric that we judge it by, and we follow.

And we've also continued, which we've felt to be important for our shareholders and our stakeholders, particularly this year with a relatively aggressive share buyback, in order to return some capital to our shareholders.

And as we go forward, we'll -- I think we aim to complete a billion dollars worth of that share buyback this fiscal year. And so as we go forward, we continue to look at M&A opportunities. I think you'll see us focus for pretty obvious reasons on businesses that are less exposed or not exposed to the cable ecosystem, and try to find businesses that will have tailwinds to them as opposed to headwinds.

Ben Swinburne:
So you may have heard this, but direct-to-consumer and streaming is all the rage these days. We've talked about that at this conference quite a bit. And we've seen some pretty incredible re-rating of companies in the market on the back of this. I often get into debates with investors about whether Fox should be doing more, less, something different than you're doing. You mentioned Tubi. What's interesting, from your point of view, on digital broadly as Fox looks to extend its brands? And you know, I'd also love to hear what's not interesting or attractive.

Lachlan Murdoch:
Well, first of all, let me answer that question in two ways or two stages. The first part is, why does the market focus on direct-to-consumer, right. And you know, the re -- think like if you're a traditional scaled media business in this country or anywhere, and that's because traditional entertainment assets are at risk of being marginalized as the cable universe declines.
It's exactly the reason why when we set up Fox, you know, we envisioned it as a business as entirely focused on live news and live sports. And live news and live sports are the two underpinning genres of programming that really drive the cable bundle, and we feel will drive the cable bundle for a long time to come.

So absolutely, if you own a movie studio or you own a big TV studio or you own entertainment cable channels, get into a D2C future as quickly as you can, is incredibly important to protect those assets or save those assets. We feel like we're in a better position, being focused on live news and live sport. And we sold that obviously through the pandemic. The value of those brands through the pandemic has never been -- has never been more obvious.

Having said that, we are driving headstrong, head first, into a direct-to-consumer world. The acquisition of Tubi is an example of that. We don't want to compete in a subscription video-on-demand world, and it's really because we don't have the entertainment assets to do so, or nor do we need to. But we believe we can really win in the advertising video on demand world. And you know, Tubi is being incredibly aggressive. They've been incredibly smart with how they've -- they've built that business, and we believe they're in a position to win.

In additional to that, what we are doing is followed like -- Fox Nation, it's very strong. All of our digital assets are very strong and have come through this year, you know, with a pretty significant growth. I'm thinking digital advertising this year, it will exceed $1.2 billion, which you know, for a company our size is a terrific result.

Ben Swinburne: Sure. Let me ask you a little bit more about Tubi. It's something we're all -- you know, always trying to get more disclosure out of you guys, given the growth rates. But what's the opportunity here? You guys didn't buy this that long ago. I've got to think you think the opportunity is even larger today. And I don't know if you have a sense of this yet, or maybe too early, but what is the margin structure of a successful AVOD business look like over time?

Lachlan Murdoch: So, for us it's important -- like we're -- I won't say we're proud of the fact, but we are -- Tubi is actually profitable today. I think that's a bad thing. I think we want to reinvest the profits of Tubi back into the business. We want it to be, and we believe it will be, a very significant growth driver for our business. But ultimately, as it matures, you get to a -- you know, you've got most of the analysts, world, banking world, believes SVOD can get a to a 20% to 30% margin. I imagine you can get the same in AVOD. But we're not thinking about that yet. We're driving the business. We have, you know, huge aspirations for it. And we'll continue to invest those profits back into it.

But short of losing the -- we're not in the SVOD corral. We're losing a -- or those companies are losing, investing billions of dollars, right, to fight out their position. I think we can win in a much more clever and careful way in AVOD.

Ben Swinburne: What does Fox do for Tubi's growth? You know, when you think about integrating Tubi or integrating the Fox Network and Fox News and trying to bring all the assets together. Does that make this a bigger and better business longer term?

Lachlan Murdoch: Well, I think that there are -- there are great sort of revenue synergies and sort of
opportunities, both from an operational point of view, content point of view. We're a tremendous marketing platform for Tubi, which we're really starting to see the benefits of. But in addition to that, you know, from an advertising sales point of view, we really combined the advertising sales team -- Tubi, before we bought them, to be honest, was mostly selling programmatically. We now have the entire strength and breadth of the Fox sales team selling Tubi. It's part of -- it was part of our quasi-up-front last year. And now, you know, a year into it, it's going to be a very significant part of our up-front coming up for the summer.

And it's showing real results already.

Ben Swinburne: Got it. Let's talk a little bit about Fox News which is sort of the engine from a cash flow point of view. A lot going on at that business over the last few months. A lot of press about relative rankings. We were speaking with Jason Kilar this morning about CNN, and news has been really strong and people are leaning into it. For investors in Fox who are anxious about Fox News' leadership position, and relevance as we look forward, what's your message?

Lachlan Murdoch: Look, it's pretty simple. We've been in this business a long time. I think we have a -- what do we do, we bring this -- a crystal-clear sort of vision to it. We don't get emotional and we don't -- we don't manage the business, or drive the business based on incomplete sort of data sets, right. And so what we talked about before, and we've said publicly in the media, we always expected going into any election, that you'll see a dip in audience when you come out of that election cycle. And we saw that.

We saw that about the same, to the same levels of MSNBC and CNN did in the last election cycle. That happened exactly as we projected, and you know, you can look back and you can see we were entirely accurate with that.

What we didn't foresee was the news cycle post- the election. The president not accepting the results, the second impeachment trial, and then of course the riots in Washington, D.C. So just while our audience was disappointed with the election results and taking a pause, and we started to see that dip, we saw our competitors and MSNBC and CNN have these big spikes with those news cycles.

Well now, as we've seen, now that -- and as we projected, those spikes have now come back down to earth. I think CNN last week had its worst share since the week before the election. And that happens with CNN quite a lot. What happens is that they still have a tremendous news brand, and news viewers come to CNN that aren't traditional news viewers or regular news viewers, when there's a big news story. So you can see them up particularly around the Washington D.C. riot -- the D.C. riots had this big spike.

That's come back down to earth, and I think in February, and this has improved, we went through February but we won. We're number one again in prime time and we're sort of neck-and-neck with MSNBC in total daytime viewers. So that's what we've seen.

Now, looking forward, so we feel incredibly confident and pleased with that position, as we thought. Now, going forward, again, if history is any lesson, you know, the main beneficiary of the Trump administration, from a ratings point of view, was MSNBC. MSNBC had the biggest lift relative to where it was before, and relative to its peers,
through the Trump administration. We think that -- and that's because they're in sort of loyal opposition, right. They called out the president when he needed to be called out. That's what -- what our job is now with the Biden administration. And you know, you'll see our ratings really improve from here and will do so for at least the next four years.

Ben Swinburne: And I -- I'd imagine that you know, sort of on your right, that flank must feel reasonably - - reasonably confident there at this point. That was another concern as to whether we might see some new entrants on the right side.

Lachlan Murdoch: Yeah, look, I think we're very happy with where we're positioned. We -- and we've always said we're going to have more competition. It's you know, insane to think that we would have the center and right of the political sort of news and opinion and analysis on our own. And we welcome that competition. But that's different from saying that we have to change our programming or change our direction because of that.

You know, we very much focus on the center-right. We think that's where America is, you know. 75 million people voted for a Republican president, sometimes in spite of a -- of his -- you know, his personality at times. And so they believe in those politics and they feel strongly about those political and policy positions. And that's what we represent.

And so you know, we're going to stick to the center-right. We think that's where our audience is.

Ben Swinburne: And maybe lastly, just on Fox News, I think there are parts of this business that have grown that maybe are less clear to all of us -- things like the audio business and the digital business, and a lot of investors, I think, are concerned about your exposure to the bundle and cord-cutting. Can you, I don't know, flesh out at all the opportunity for Fox News as a business, to grow -- particularly grow EBITDA -- if we're dealing with kind of 5% cord cutting for the foreseeable future?

Lachlan Murdoch: Yeah. So for the business to grow, the first thing to say, the best thing about the news business is you're entirely in control of your costs, right. Where there's no -- there's no IP or other content costs that we're buying or that we have long-term contracts with. So we're entirely in control of our cost base. And it's why we've been able to maintain such high margins for so long.

The second part is, though, is growing that business. Obviously, we feel a tremendous upside with advertising growth. We split our advertising between direct response and traditional, traditional agency advertising. That continues to grow. I know we'll talk about -- I'm sure you'll have some questions later about advertising growth, but we're seeing tremendous advertising strength, particularly since the election.

And then -- and then in the new businesses that we launch, we have, you know, you think of it as a news ecosystem, of new businesses and revenue streams based off of the one news gathering organization. And you know, it's a lot of headlines around Fox News, around our opinion hosts. The real engine, though, is an international news-gathering organization that's relatively unparalleled. And so off of that, we'll have podcasting, we have the radio business. The dot-com business is -- which is both sort of desktop and obviously on mobile, is incredibly strong. We've launched Fox News internationally.
through apps, just recently, which is beginning to grow, it's still small. And then Fox Nation as a subscription video-on-demand business.

And all of those new businesses we've been able to do for sort of incremental, low-incremental cost. And you'll see each of those grow and add to the whole.

Ben Swinburne: Got it. Before we get into advertising, I do want to ask you about the NFL, which I was planning to ask you about anyway before a lot of these press articles have come out. I'm sure, Lachlan, you're limited in what you can tell us. But there's no media company that has -- where the NFL is as substantial, you know, as it is to Fox from a dollar point of view.

So what's your approach at Fox to this renewal, and can you tell us at all about what it means to Thursday Night Football, you know, not to be on Fox anymore?

Lachlan Murdoch: Yeah. Well, I can't get into the details, but you're right. We are really NFL's -- in terms of numbers of hours, and sort of numbers of viewers, where they're by far the number one partner with both Thursday and Sunday afternoon. You know, from what I know about the overall sort of negotiation, I read in the Wall Street Journal and other great publications, but it does feel like we're getting towards the end of this negotiation. It's been going a while.

I don't think it's for us. I can only speak for ourselves, there's no imminent announcement. It feels like we're still apart, you know, on a number of issues. So there's no imminent announcement, certainly not on our deal. We've got a ways to go. But the NFL is a terrific partner, they've been a great partner of ours for 25 years. We're looking forward again to the end of this negotiation and being a partner with them for another 25 years.

In respect to Thursday Night Football, when we picked up Thursday night, we did so because it offered a great programming platform for a business that we knew would be spinning off and would have sort of a young, a new Fox. And so it's offered us a tremendous platform to promote and launch shows like 9-1-1, like The Masked Singer, which are franchises that will be ours for a long time to come.

But it's also something we knew would give us some optionality going forward, right. So in this negotiation, balancing whether we have Thursday and Sunday, whether we just kept Thursday, or the most likely scenario is just keep Sunday. And it's offered us that optionality as we've worked through our future with the NFL.

Ben Swinburne: Maybe one last question, I'll see if I can get you to answer. I think a year ago the conventional wisdom is that these might be shorter-term deals than we've seen in the past. We're hearing about you know, four, five, six years. What's it -- what is attractive to Fox to do a deal that's 10, 11 years long, given these are big dollars?

Lachlan Murdoch: These are big dollars. But historically they've -- they've gone up in each renewal, not down. And so you know, I think a longer-term deal makes sense. You know, it's -- if you go too long, you know, it's hard to project out and see what the world looks like in the distant future. But we feel pretty comfortable. We obviously run different scenarios and sensitivities around the pay TV ecosystem, and what our businesses will look like
during the length of the term. And you know, we're pretty comfortable in the range where we are.

Ben Swinburne:  Great. Hopefully, we'll have more specifics to ask you about in the not-too-distant future. So thank you for humoring me.

Two more topics I want to hit on before we run out of time. You mentioned advertising earlier. It does feel like the economy is getting a little bit of momentum. That's obviously important to the ad market. But what are you guys seeing at Fox from an advertising point of view here, sitting here in early March?

Lachlan Murdoch:  Sure. So let me start with -- let me start with national and then if I remember, we'll talk for a minute about local advertising.

So nationally, we're seeing great strength. You know, our -- and this is a really important Ben, you'll appreciate this -- a really important time of year for us, because we are now heading into our kind of pre-upfront discussions with our advertising partners. We then get into this year has been like the new fronts, the sort of digital advertising up-fronts. And then we get into the upfront.

And so seeing strength in this part of the season is a very, very positive sign. You know, we're seeing scatter -- there's not a lot of scatter out there. We have more scatter I think than others, because we in our last upfront, which was you know, in the middle of the -- the early stages of the pandemic, we held back some advertising. That was -- turns out to be a smart thing to do. And so we've been in sale more than some others.

And we're seeing scatter pricing on the entertainment side of the business, up to 50% above the upfront pricing. We're seeing it up to 20% in news above the upfront pricing and a similar level, 20% or mid-single-digits in sport.

So the strength of that market is a very positive sign I believe, into an upfront.

Locally, you know, you have -- we've -- if we look at the quarter we're in today, it's a funny quarter. It's right before really we had the -- there's a bit of COVID impact in that last year. But you've got to strip out, so we're sort of pacing down. But if you strip out political impacts and you strip out -- sorry, in this quarter particularly, you strip out the Super Bowl, right, because the Super Bowl absorbs a lot of spending -- we're sort of flat pacing for the quarter if you strip those things out, right.

The next quarter, the fourth quarter, though, you're comparing against the depth of COVID, right. It was about this time of year last year when we sent all of our advertising sales reps home and clients really pulled a ton of money out of the market. I mean, if you remember, we had the conversations where we were being as flexible as possible to let them pull money, move it to sort of later in the year.

And so the comparisons locally between -- for the fourth quarter, are going to be pretty stagnant. We expect you'll see a pacing which is, you know, very, very positive and very strong, but you're comparing it to one of the worst advertising markets in recent memory last year.
Ben Swinburne: And I would imagine digital and Tubi are probably equally strong as national?

Lachlan Murdoch: Yeah, so digital -- let me -- digital, very, very strong. Tubi, you know, the last quarter I think it was a $100 million quarter for the first time ever. You remember when we bought the business, it was -- I think it was -- it did about 100 -- target was about $140 million in revenue. It's not even $100 million a quarter, and growing. This year, I think we've announced we should do over $300 million in revenue, and that's growing at a very strong rate. I think in the last earnings call, we called out a billion dollars in revenue in the next two to three years.

Ben Swinburne: Maybe our last topic, Lachlan, which is the sports betting market, a market you know well from your time in -- or in a certain News Corp., Fox assets and investments in the UK and Australia. Huge focus here on sports betting and the growth opportunity. We've seen valuations, obviously, move up. We don't have a great look on our side of the table into Fox Bet. So I'd love it if you could tell us a little bit about where that business is right now, and any kind of sizing or thinking about the opportunity there. And then I want to close with FanDuel.

Lachlan Murdoch: Great. So this feels like one of the speed dates, but I'll try. I've got a minute to go. I'll try to close the deal.

Ben Swinburne: We can go over.

Lachlan Murdoch: So the -- so Fox Bet has done very well, as you know. It was originally launched, the structured with the Stars Group, which was then bought by Flutter, and then which will lead us to the conversation about FanDuel. But Fox Bet itself is going well.

Lachlan Murdoch: What's going even better is the funnel that we've developed into Fox Bet, which is called Fox Bet Super Six. Fox Bet Super Six, this year we decided to give it a really strong push, and what we did is we brought the whole company together -- and this is one of the benefits going back to your original question about forming a company and our initial investor day two years ago -- the ability to bring the power of Fox Sports, Fox Entertainment, Fox TV Stations and Fox News all together into one sort of -- on one endeavor, was tremendous. And we all got together behind and met weekly on how to drive Fox Bet Super Six harder, and through the football season we achieved I think just shy, a few customers shy of 4.4 million users of Fox Bet Super Six.

And by the way, that's not just sports fans. It's news fans. We did promotions around the elections, around all sort of trivia, around all sorts of things. So that's worked incredibly well and it's incredibly valuable. And then you're rolling out Fox Bet in the individual states.

Do you want to talk to FanDuel now or do you have a specific question on --?

Ben Swinburne: I guess the question -- I'll give you the question I get, which is, you know, what are the puts and takes or the pros and cons of exercising your option this summer, or you know, I think you've got a 10-year window to do it. So how do you think about the timing?

Lachlan Murdoch: So if you think about the two assets, so we've got Fox Bet and we have -- and we have the 18.5% of FanDuel. We also, by the way, have 2.5% of Flutter, which is small
percentage-wise but it's valuable. I think it's worth $750 million.

So -- but the way we ended up with the 18.5% option at FanDuel, which is really a back-to-back option with their option to have with -- with Fastball, which was the KKR vehicle, is that you know, working with an operator -- we're not licensed. So FanDuel operates these brands. And we wanted to have our, you know, our -- we wanted to be completely aligned with our partners. And so by being aligned as having a 50% option in Fox Bet, but also having the option in FanDuel, was incredibly important to us. And we think, you know, drives a tremendous amount of value.

So the option is exercisable from the summer. It's a 10-year option with a, I think like a 5% escalator once the base price is fixed. We're not licensed today so we can't exercise that option without getting licensed. And I suppose when you would exercise the option really depends on what your capital needs are elsewhere, what other M&A we might be looking at in other parts of the business or new businesses. But it is a -- it is a tremendous option to have, and we're looking forward to working with Flutter for a long time to come.

Ben Swinburne: And Lachlan, I think on your earnings call you I thought suggested the value you can buy in at is the -- sort of the one we saw in that Fastball transaction. Is that the right way to think about it, or is there some uncertainty around that?

Lachlan Murdoch: Well, there's a couple of opinions around it. So there is, you know, our reading of the -- of this nature of the back-to-back option is that we really effectively step into Fastball's option. And you know, we believe that's exercised at the price that they -- that they sold to Flutter at, was it end of last year or beginning of this year. And so that's our reading of it, and the alternative is no worse than sort of market today. Still the 10-year option, and so there's a spread between what Flutter paid and market.

Ben Swinburne: And is getting licensed, is that an obstacle to exercising it, or is that just -- I guess paperwork is probably over-simplifying it. But --

Lachlan Murdoch: Yeah. I think -- I don't think it's a -- it's not a huge obstacle. I know people who've been through it, and -- but it is, you know, it's important. It's an important part of their regulatory process. But if you don't need to do it, you generally don't do it. And then you know, to create value we would do it at the right time.

Ben Swinburne: My last question to you is -- was going to be trying to get you to talk more about your buyback ambitions, particularly given your stock price. Your stock is up, I think, 15%-plus since I wrote that question down. So it's a little less interesting.

But on a relative basis, you're trading at a pretty substantial discount to the Viacom's and Discovery's of the world. I'm sure you are aware of that.

When you think about buybacks versus -- relative to diversification efforts, is there a framework or anything you would add from what we talked about earlier in our conversation? I know you touched on it back when we were chatting earlier.

Lachlan Murdoch: Well, look. When we announced our buyback, you know, I know everyone thinks that the market is overly skeptical when people announce a buyback, is a buyback going to be
completed, right. And there's always a -- you know, a level of skepticism saying, you know, buybacks announced. But a lot of companies don't actually complete them. And we were very transparent, and very honest, say that we're not going to announce the buyback unless we plan to complete it. So with this buyback, we'll have brought back a billion shares by the end of this fiscal year -- or sorry, a billion dollars' worth of shares. And I think that leaves us another sort of roughly 500 million after that, presumably in the next fiscal year.

Now that we have the structure in place, it took us a while to put the structure in place to do this buyback with our board. Now the structure is in place, and it's -- you know, it's a -- if it's the right thing to do, if the board decides it's the right thing to do, it's a fairly thing to continue to buy back beyond this current authorization. But you're right, you know, we always balance our use of capital to work out what the best deployment of it is, whether it's a buyback, whether it's investing organically in our operations, or as we've discussed, there are sort of a plethora of opportunities that are inorganic outside of the company to continue to grow.

And whether it's in the gaming space, or whether it's in a streaming space or elsewhere, it's certainly at the forefront of the management team's sort of considerations and mine. But as of now, you know, we will finish the billion dollars this fiscal year. I think we're - - we absolutely plan to at least finish the next 500 million in the next fiscal year, but we'll always balance that against other needs.

Ben Swinburne: Okay. Anything you want to end on as we wrap up, as you look out and come out of this pandemic with Fox?

Lachlan Murdoch: No, look, I think, you know, I think we've come out of the pandemic, having proven the thesis but behind the businesses as we formed it a couple years ago. One of the things that we talked about was that we would, I think, achieve a billion dollars in retransmission revenue by 2022. And you know, we're absolutely on track to achieve that. Even in light of a pandemic and subscriber declines at the level they're declining.

We are seeing them start to ameliorate, somewhat, by the way.

So we think the company is incredibly strong. We've got a strong balance sheet, and the management team that we know we really cherry-picked to run this business is working well together, is very focused. And you know, it was a good -- a good year not to own movie studios and theme parks and things, and we're coming out of the pandemic, you know, much stronger for it.

Ben Swinburne: Well great. I really enjoyed the conversation. I'm still going to try to drag you up to San Francisco next year. Hopefully, we can make that happen.

Lachlan Murdoch: I look forward to -- I look forward to it, Ben. And look, I do appreciate the opportunity to speak to you as always, and to speak to everyone on this call. So it's a great pleasure.

Ben Swinburne: Thank you, everybody, for joining us. Have a great rest of the day and we'll speak to you soon.

Lachlan Murdoch: Great. Thank you, Ben. Thanks, everyone.