INVESTOR DAY

MAY **09/2019**

Fox Corporation

2019 Investor Day

Thursday, May 9, 2019 - 8:30 AM Eastern

CORPORATE PARTICIPANTS

Rupert Murdoch - *Chairman*

Lachlan Murdoch - *Executive Chairman and Chief Executive Officer*

John Nallen - *Chief Operating Officer*

Suzanne Scott - *Chief Executive Officer, FOX News*

Eric Shanks - *Executive Producer and Chief Executive Officer, FOX Sports*

Charlie Collier - *Chief Executive Officer, FOX Entertainment*

Jack Abernethy - *Chief Executive Officer, FOX Television Stations*

Steve Tomsic - *Chief Financial Officer*

Joe Dorrego - *Chief Investor Relations Officer*

PRESENTATION

Moderator
Ladies and gentlemen, please take your seats. The program is about to begin. Please note that today's presentation may include certain forward-looking statements regarding, among other things, Fox Corporation's financial performance, operating results, and strategy. These statements are based on management's current expectations, and actual results could differ materially from what is stated as a result of certain factors identified in the presentation and the company's SEC filings. Also note, the use in this presentation of certain non-GAAP financial measures, such as total segment operating income before depreciation and amortization or EBITDA, as it is referred to, reconciliations of which are available on our website.

Ladies and gentlemen, please be seated. Welcome to the Fox Corporation 2019 Investor Day.

Rupert Murdoch
Good morning, and thank you for joining us. I'm Rupert Murdoch, Chairman of Fox Corporation. Fox was formed on March the 19th upon the acquisition of 21st Century Fox by The Walt Disney Company. That rebirth began a new journey for all of us at Fox and started, really, with a little newspaper many years ago in Australia.

Over time, Fox grew to become one of the most recognized and influential global media companies. However, over the last few years, a good deal of our efforts have really focused on simplifying our whole structure, as we anticipated this shift. We could see the shift coming in media and the danger to the industry.

When we announced the transaction with Disney and the birth of Fox, I stated publicly that we were pivoting at a pivotal moment while staying true, of course, to our principles and our purpose. The Disney deal gave us a unique opportunity to create a distinctive, focused company for future growth, and the value we unlocked in the transaction gives Fox a starting point to now begin a new growth story through such renowned and established brands, as FOX News, as FOX Business, and as FOX Sports.

We have recommitted to provide great entertainment, storytelling, breaking news, challenging opinion, and of course, captivating sports. The strength of these Fox brands in the United States coupled with our strong balance sheet, our robust cash flow, and entrepreneurial DNA and our dynamic leadership team make the prospects for Fox extraordinarily exciting for us all.

Under Lachlan's proven leadership as a Chief Executive Officer, we will strengthen and expand Fox, a company that is well-positioned to not only weather but to benefit from the rapidly changing media landscape with a focus on delivering the content that most Americans are passionate about.

As you look back on how we got here today, we have demonstrated that investors who have joined us have prospered. I hope that by the end of this sessions this morning you will join us for the next chapter of our exciting journey, as we continue to focus on fundamental trends, innovation, creativity, and of course, shareholder value.

So, welcome to Fox. Thank you.

(VIDEO PRESENTATION)

Moderator
Please welcome Executive Chairman and Chief Executive Officer, Lachlan Murdoch.

Lachlan Murdoch
Well, good morning. Today, Fox Corporation's first-ever Investor Day has certainly been a long time coming. On behalf of all of the Fox team, I would like to say thank you for joining us here and online.

It's only been seven weeks since the spin of Fox, and we're pleased to finally have this opportunity to present the company to you. To begin with, I'll pick up on my father's comments, but first, I must acknowledge the huge contribution he has made and continues to make to this company.

Through his extraordinary vision, his keen focus on our audiences, and his entrepreneurial risk-taking, 21st Century Fox delivered tremendous returns for shareholders. On behalf of the Fox team, we express our gratitude for his leadership and the bold and decisive actions he's taken that have led us here today.

He's instilled this company with a deep aversion to complacency, a rich sense of curiosity, and a strong instinct to stand apart from the pack. This was underscored brilliantly through his decision to transform the media landscape through our sale of various assets to Disney and the resulting creation of a more focused and more agile Fox.

The elegance of the transaction is that it addressed two clear objectives. Our entertainment assets gain scale through their combination with Disney while our news, sports, and broadcasting assets are reinvented into a simpler, stronger Fox.

In doing so, we have created a company extremely well-positioned for growth. The roots of all these businesses really began only in 1985 with the acquisition and subsequent transformation of a relatively tired movie studio that was short on cash and lacking ambition. Today, we have an abundance of both.

But back then, we saw an opportunity to create a media company around the Fox brand. That vision spawned the creation of the FOX Network, the FOX Station Group, FOX Sports, and ultimately, FOX News. These businesses form the core of Fox today.

It has to be said Fox is the best brand you could ever want. It's important to note that our assets were, with the exception of the stations, all built from the ground up. They were not acquired but grown from a relatively narrow base of a nascent Fox television business.

Now, decades later, we have the opportunity to begin a new chapter of growth at a time both when the nature of the live content is more valuable than ever and when the financial output of the entire enterprise is fundamentally stronger. Today, we want to introduce you to this new Fox and explain what truly sets us apart.

We start with a structure that's insanely simple. Half of our revenue is from contracted, growing, affiliate relationships, and half is from advertising, of which about 70% come from live news and sport. Shortly, John Nallen will take you through these revenue lines, including some of our aspirations for them going forward.

The entire management team is excited about the road ahead. The creation of Fox, both from conception and over the past many months of preparation and molding, was designed to endow it with strong assets and unique positions to successfully compete in this rapidly evolving media landscape.

Our work has been focused on designing a new company that aspires to continue the growth of the past, providing compelling content to our audiences, and delivering substantial returns for shareholders.

Over the course of today, you will hear directly from our leadership team. It’s a team that I’m very proud of. Now, it’s a cliché, but in designing the operating structure and management of the company, I literally started with a blank sheet of paper. The result from our structure to our team to our collaborative culture is extraordinary.

One benefit of the process we have gone through is that everyone is rowing in the same direction. I can’t tell you just how important this is. While each of our leaders will take you through their respective individual businesses, you will see we share a common vision of the company, how we run it, and what we want to collectively achieve.

Today, you will hear some consistent themes. Here are a few of the key principles of Fox, and these are not just my expectations but what we have all signed up to. Fox will continue to be a growth company that invests in both organic and external opportunities. During a time of dramatic change in our industry, we are endowed with a balance sheet that allows us strategic options, but we will be disciplined in deploying our capital, whether for acquisitions of businesses, programming, or expanding our capabilities.

We’ll make traditional and innovative investments within the framework of maintaining an efficient capital structure, and we will take measured risks where we believe they will make an acceptable return on capital. But, Fox is a focused company, and we won’t get distracted by ideas that are not correlated to our core businesses or strategic direction.

Our 2013 spin out of News Corporation was about achieving better focus on complementary businesses at both 21st Century Fox and News Corporation. Our Fox spin has refined that focus even further. I can see no logic in reversing the benefits of those defining actions.

That is one reason we chose not to reacquire our Regional Sports Networks from Disney. It is also the reason why we will not reunite with News Corporation. We do owe News Corporation a debt of gratitude from imbuing us with a valuable culture over many years.

The spin of Fox and the reimagination of our leaner management has allowed us to return to our roots; an agile, imaginative, entrepreneurial, sometimes contrarian company. It’s a culture we respect and we must protect.

We see ourselves as a sort of start-up but with America’s strongest media brands and most enviable balance sheet. We outpunch competitors in the amount of live television we deliver to American households.

We call this “The Power of Now”, and what you’ll see from us is a consistent focus to differentiate through appointment viewing, sport, news, and entertainment content that brings groups together, sparks conversations, and triggers water cooler or social media moments. That is what it means to capture and capitalize on the Power of Now.

You'll hear more about this from each of our presenters. When there is breaking news, America tunes into Fox. When the World Series is on, America tunes into Fox, and when a Masked Singer is revealed, America tunes into Fox.

Consumers value the shared experience and drama of live and appointment events, whether that's breaking news or opinion, a tight playoff game, or a great wrestling match. There are very few moments on TV that can guarantee such mass audiences tuning in at precisely the same time. Advertisers seek those dependable, predictable live audiences when marketing their products.

That is our expertise. It is what we do best, and so, standing apart from the mob and focusing even more on the Power of Now is a clear priority of ours. It's the core of the pivot my father referred to in his comments.

Fox Corporation's notable strategic advantages are also reflected in our financial profile, which we will tap to deliver long-term growth. And while our balance sheet is something we are very protective of, we are, of course, in a strong position to return value for shareholders, which is today why I am pleased to announce the declaration of our first semi-annual dividend of $0.23 per share. Going forward, we expect to declare our semi-annual dividend in February and in August.

But, for our all our financial health, we do not believe the strength or simplicity of Fox allows us to be complacent. The media landscape is changing rapidly, but this presents some challenges and even more opportunities. As a streamlined company, our plan is to maximize our revenue from this more focused portfolio of domestic assets, and we're off to a great start.

FOX Sports is partnering with new leagues. FOX Business will continue its impressive momentum while being revamped and refreshed. FoxNews.com and FOX Nation will continue their growth with company-wide support. FOX Entertainment, through a new approach and creative incubators like SideCar, will spark better network programming, and our stations will continue to invest in our communities, driving engagement through local news.

Our audiences are with us. In sports, Fox dominates with unmatched rights, live event viewership, and streaming minutes. Shortly, Eric Shanks will explain how we deliver record-setting broadcasts across platforms, from the World Cup and the US Open to the Major League Baseball All Star game.

In 2018, the NFL on Fox averaged more than 18 million viewers per game. We value our sports partnerships, including with Major League Baseball, with the NFL, with NASCAR, FIFA, and our college conferences, and we are looking forward to adding WWE's flagship *Smackdown Live* to Fox in October.

We're always looking toward the future, broadening our sports lineup and anticipating major growth opportunities in the world of eSports and sports betting. Many of you will have already seen our announcement of a partnership with The Stars Group. Eric will have more on that later, but we are incredibly excited by the opportunity to partner with an established player like TSG to deepen our relationships with our biggest fans.

We bring the same innovation to news, where we also dominate. FOX News was, again, the number one network on basic cable in both primetime and total day viewing this past fiscal year and marked 17 consecutive years as the number one network in cable news. The channel is the fifth most watched network in all of television, behind only Fox and the other three broadcasters.

But it is wrong to focus solely on FOX News' linear strengths. Suzanne Scott will explain how we are extending our engagement and capturing a huge digital audience through FoxNews.com and FOX Nation.

Our network programming has always stood out, embraced change, and connected with viewers. This will remain a hallmark at Fox and especially so with Charlie Collier at the helm of entertainment. Today, Charlie will tell you about a new day one at FOX Entertainment, where he is singularly focused on finding the best programming for our network and maximizing profitability there.

You see, without an associated television studio, the FOX network can be an entirely demand-driven programmer. We are now free to commission the best content from any studio. Under our old structure, we were more supply driven. This change broadens the pool we can program from and will lead to a better, broader, more competitive schedule.

We also deliver far fewer hours of national programming to our affiliates, compared to other broadcast networks, which allow our stations more dayparts to meaningfully engage their communities through local news and other programming.

The FOX Television Stations Group operates 28 broadcast stations and has tremendous scale and reach across the country. Our stations focused on the top 25 DMAs distribute sport, entertainment, and syndicated content and next year will produce over 1,000 hours of local news every week.

This local news commitment is central to the success of our company as a whole. Jack Abernethy will explain how the integration of our assets, news, sports, entertainment, and local further drives engagement with our audiences and unlocks opportunities company-wide.

Now, when we talk about engagement, we are not simply talking about ratings. Of course, ratings are critically important and stand as one of our key metrics in running the business, but when we talk about engagement with our audience, we are also talking about the quality and depth of our relationships within communities.

Take FOX News as just one example, where our TV ratings are matched by our strength in digital. We have a reach of 200 million people per month across multiple platforms. We are America's number one brand in news.

In fact, Americans trust FOX News above any other news source. That's why our viewers keep coming back. Users of our mobile app interact with us about 175 times per month, and that's just when they're not watching the channel or on FoxNews.com.

Our viewers are hungry for more. The point is that we are only beginning to monetize this engagement at anything near its true potential. New technologies, competitors, and shifting consumer preferences have redrawn the media map.

Fox is embracing this change and innovating where we see a meaningful market. This spring, we debuted pay-per-view functionality on the FOX Sports app to great success. This augments the functionality we provide to consumers directly through FOX Now, the FOX Sports app, FoxNews.com, and our new FOX Nation service.

We will harness the opportunities created by our industry's disruption with a portfolio of powerful brands that resonate in any distribution model. We are unencumbered by assets, strategies, and attitudes that are not built for today's ecosystem.

The urgency and excitement we feel about the company is the same urgency and excitement viewers feel about our content. Fox Corporation is about returning to our roots. We are lean, bold, and ready to challenge others and lead in a rapidly evolving industry. Our balance sheet, our remarkable cash flow, and our strategic focus puts Fox at the apex of our peers in American media.

in the sessions that follow, my colleagues will address specific business trends and how we're responding to market dynamics. You'll hear from Suzanne, Eric, Charlie, and Jack on our operating businesses. Each of these leaders are passionate about success.

In the final session, Steve Tomsic will pull the financial pieces together, including some comments on the third-quarter results we issued last night. Then, we'll end the day with a Q&A session shared by John, Steve, and myself. So, we ask that you hold your questions until then.

My hope is that after today you will walk away with a shared sense of excitement about the future of Fox. Thank you, all, for being here and for your continued support of Fox. With that, I'd like to introduce someone most of you know, our Chief Operating Officer, John Nallen.

John Nallen
Thanks, Lachlan. Good morning and thanks for taking the time to join us. I'll spend my time giving you some overall perspectives on Fox, and I'll define the characteristics that support its investment thesis.

As Lachlan indicated, the outcome of the spin transaction was the creation of a focused and financially healthy Fox Corporation. It's a company that is not at all complex. Fifty percent of our revenues are from subscriptions, including retransmission consent, and nearly 50% from national and local advertising. Our principle cost is programming, which represents approximately 75% of our entire cost base, and within that programming cost, nearly two-thirds represents the cost of sports rights.

We're now entirely a US business. So, currency fluctuations, random acts of foreign governments, cross-border tax, and income flows have disappeared from our radar.

And Fox has margin and growth attributes that are coveted in our industry. We're not a capital-intensive company. We have a free cash flow profile that over-delivers when converting EBITDA to cash, and we have a very balanced debt maturity portfolio.

From a management perspective, we're operating Fox in our hallmark lean fashion and with the mindset of collaborators and owners throughout the organization. In fact, every one of our 7,600 Fox colleagues is an owner, having received a grant of time-vested stock on the day of the spin from Lachlan and the Board.

So, drilling down a bit, as I indicated, 50% of our revenues are from subscriptions or affiliate revenue. Our offering to distributors and their customers is now well-refined. Some of the most compelling and exclusive programming in America in a limited and high-impact package of channels and services under the banner of three powerful brands; FOX, FOX Sports, and FOX News.

In assessing the distribution of our brands, you should note that we continue to believe that a package of channels and services, a bundle, will be the dominant form of distribution for the foreseeable future. Aggregated consumer products drive pricing up and consumption down. It's as true for the bundled Happy Meal as it is for television. But the bundle has and will continue to evolve, particularly with such large cap entrants as Google, AT&T, Dish, Sony, and Disney and Comcast's Hulu emerging not only with innovative offerings but with sizable growth plans.

Our brands have been crucial to the early growth of every one of these new entrants, underscoring the relevance and strength of our content and its resilience in the face of changing distribution models. So, we're quite comfortable with the distribution of our brands on the traditional and emerging digital distributors.

I'll comment on the direction of the market in a moment, but first, let me give you our view on direct-to-consumer offerings from Fox. Currently, apart from FOX Nation, we do not see a near-term meaningful market in a Fox-only D-to-C offering against which to deploy our capital.

That said, we're deeply engaged in the digital market. Our consumers have a variety of ways to digitally interact with our brands across platforms and devices, including through our authenticated apps and our distributors' digital platforms. At 21CF, we were actively developing a D-to-C suite offering, and Fox has retained those capabilities and technologies in the spinoff.

And we most recently deployed them for FOX Nation and for the expansion of our FOX Sports app, but we just don't see a substantial or profitable a la carte market in the near-term for a Fox Corporate bundle.

So, with the method of distribution established, the distribution revenue portion of our business is quite predictable, once you make assumptions about price and volume. Now, these assumptions are made so much easier at Fox, given the consolidation among our distribution partners, where collectively just seven cable and satellite distributors and television station groups account for the overwhelming majority of our annual affiliate revenues.

In almost every relationship we have with a distributor, we go to market with all of our brands concurrently. The one or two exceptions to this rule will be fully aligned in the near-term, as those older deals expire.

You'll see later this morning, there's a regular cadence to our renewals, which will help you forecast both the growth and the gap years and quarters. That's just the way the business works. We target our renewals with any distributor to be in three-to-five-year cycles, recognizing future milestone events that need to be factored into any renewal.

We have a track record of successful renewals and the team that has driven that success continues with us at Fox. However, there's a meaningful difference in that team's approach, as we enter into renewal cycles for Fox alone. We are no longer lending the potency of our marquee brands toward any other initiative or new brand or channel development.

The purity of this sustained value opportunity from our Fox brands is a critical Fox asset, as we're not tethered to any properties that are just getting harder to defend. This frees us up to capture the full value of all of our brands across broadcast and cable.

So first, on the broadcast side, we plan to meaningfully accelerate our growth of both direct retransmission revenue and non-O&O revenues. We believe the broadcast economics we receive are quite underpriced, relative to the quality of the content we are providing, and this is especially the case considering the strategic investments we've made in Thursday Night Football, WWE, and in extending our exclusive rights to broadcast the World Series.

We believe these investments, coupled with our standalone strength, will have Fox lead all other networks in the rate of growth of total retrans revenue.

And second at our cable brands; FOX News, FOX Business, and our national sports networks, we're comfortable in achieving continued strong price growth. Importantly, given the more moderate cost step-ups in these businesses, the growth and affiliate fees here provide a substantial contribution to EBITDA.

Now, as far as subscriber volumes, everyone has a point of view. We are naturally planning our business around net subscriber erosion, led by the traditional distributors, particularly the satellite providers. However, we see the new digital entrants capturing an increasing share of the market, led by Hulu and YouTube.

Over the next three-to-four-year period, average analyst estimates have the DMVPD pool growing to 16 million subscribers. This will result in one of the digital distributors replacing a traditional player in our top four. And as volumes move, if a consumer wants a full bundle or a slimmed-down version to accompany other services, that's fine with us, because we're generally indifferent from a revenue standpoint between traditional and digital distributors.

Now, moving onto advertising revenues. National and local advertising represent substantially all of the remaining 50% of our revenue. Clearly, we don't have the contractual visibility in advertising that we have in affiliate fees, but we do believe we're in a unique position, given that approximately 70% of our total advertising revenue, including local, is attributable to live news and sports, two categories of television that are virtually unaffected by time-shifted viewing.

Now, let me give you an example to illustrate this from some internal research we did. In 1998, if an advertiser purchased one unit and one episode of every series that was nominated for the Emmys in comedy and drama, that buy would've generated 329 million impressions. That number in absolute is less important than its relativity, and I use the Emmys because I think, for a benchmark, they represent a general consensus of the best scripted entertainment produced in any given year.

Now, if the same advertiser went to their agency and ordered the same buy in 2018 when 70% of comedy and drama nominees weren't even supported by advertising, you would've generated only 31 million impressions. So, in a generation, more than 90% of an advertiser's ability to reach consumers via the highest-quality scripted content has evaporated.

So, let's contrast that to live programming, and the simplest proxy for me over this period is premium sports. In 1998, if an advertiser bought a unit in 20 major sporting events that year, they would've amassed 467 million impressions. In 2018, those same events would've delivered 438 million impressions, a fairly modest decline of 6%.

This slide underscores the Power of Now, particularly in sports and news. It also underscores our confidence in the future of Fox. I also looked at a roster of network advertisers from last year, and I compared it to 10 years ago. The similarities far outweighed the differences.

Our top 25 advertisers represented 50% of our revenues then and now, and the lists are dominated by the same categories: telcos, fast food, autos, financial services, and beverage companies. The names are also very familiar: AT&T, Verizon, Visa, Coca-Cola, Anheuser Busch, and McDonalds, to name several.

This consistency speaks to the importance of broadcast TV for these brands. For the same reason, new brands have entered our top 25: Google, Microsoft, and Samsung are highly active right across our linear and digital sports and entertainment schedules. Who left the 25? Principally, the film studios, as they move marketing dollars into digital platforms.

Right now, the ad market on a national and local level for Fox is quite buoyant, positioning us well as we head into our upfront process next week. We've already had a series of meetings with major agencies and advertisers, leading to this upfront, and we've had an outstanding response to the development slate at FOX Entertainment and to the importance of live programming for their brands. With the economy in good shape, and continued GDP growth, we're optimistic to deliver top-of-the-market pricing coming out of the upfront.

On the cost side of our business, the spin of Fox afforded us the opportunity to start as a restructured company. We've always run our operating businesses and functional organizations as flat and streamlined, and that continues here at Fox. We had over a year to plan for the spin, and the leadership was carefully selected from 21CF to run our scaled-down combined operations in such areas as affiliate sales headed by Mike Biard, national advertising led by Marianne Gambelli, technology under Paul Cheesbrough, and other corporate functions with chosen leaders.

As a leadership team, we'll continue to focus on the efficiency of our cost base, but we feel we're in a fairly sound position out of the gate. You should also know that this team's own financial interest is directly aligned with yours with a substantial amount of our compensation being performance-based, principally tied to multi-year financial targets.

Our largest cost category, sports rights, has increased for the last 25 years, consistent with other media rights holders. Most of our major rights are locked in until at least 2022, and we'll continue to be disciplined in our approach to rights renewals and acquisitions. Today, you'll hear from Commissioners Manfred and Goodell, and get a view on how they perceive Fox as a long-term partner and a steward of their most valuable intellectual property, their live broadcasts.

Now, shifting toward our capital strategy. Given the exceptional cashflow characteristics of Fox, not one analyst report, nor shareholder interaction has gone by for me, for Lachlan, or for Steve without the question of Fox's capital allocation philosophy being raised, but the answer first needs to consider how we're managing Fox from a strategic standpoint.

As I said at the outset, we're focused on Fox being a growth company over the long-term. We're not running this company to sell it. We're running it for growth with the scorecard being how well we deliver shareholder returns over the long-term. So, we'll deploy our capital to achieve the greatest long-term return for shareholders.

Our approach will be what you'd expect and what you've seen from us at 21CF, a balance of organic investments, accretive M&A, and returns of capital. But, the emphasis in any of these key areas will naturally change during cycles, as we balance business conditions, market opportunities, and a commitment to a solid investment-grade credit rating as part of our conservative financial policy.

Lachlan referred to our long track record of building successful businesses, including all the businesses in Fox today, and we prefer to build businesses over acquiring them. Inherently, building may require short-term investments that flow through the P&L.

Investments toward the development of FOX Nation and in program development initiatives at FOX Entertainment are cases in point, and in building and managing our businesses, we know how to make choices. For example, we've made a strategic decision to move from the UFC, opting instead to point that capital to partner with the WWE on *Smackdown Live*, which appeals to a broader Fox audience.

As we navigate the future, you can expect us to continue to take a selective, opportunistic, and disciplined approach when it comes to M&A spending. I'd argue that that discipline was on full display when we concluded not to participate in Disney's sale of the RSNs.

At this very moment, we do not have a major acquisition opportunity on the horizon, so you all anxiously ask, what are they going to do? And when that question is asked of us, it's shaded with a concern that we'll do something far out of our zone.

No. What we'll do is stay close to our Venn diagram of existing expertise. Our intended acquisition of very select TV stations, our recent investment in Caffeine, and the TSG transaction we announced last night are examples of staying inside the circles of our competencies.

On the specific topic of capital returns through buybacks, despite legislative proposals, we believe buybacks are an essential and important part of our toolkit. However, at this early point in our development, we would much rather sustained long-term growth flowing from a durable set of businesses, rather than solely from a reduced share count.

That said, I'll remind you that we have a substantial track record of returning excess capital at the appropriate phase in a cycle. During the four-year period through 2017, this Fox leadership team repurchased more than $15 billion of 21CF's shares, reducing that share count by over 21%.

Currently, we do not have a share buyback authorization in place. This is not the result of a policy or strategy but is simply because our Board was only recently formed and is considering the technical aspects of this topic. Specifically, and as we announced at the time of the spin, the Board is evaluating whether to authorize the repurchase of Class A, Class B, or some combination of the two based on the interest of all the stockholders, while ensuring protections for minority shareholders.

We expect the Board to reach a conclusion on our buyback framework in advance of our annual general meeting in November, and that's also when the temporary Pill protection will sunset. If there's a judgment to activate buybacks earlier, the Board will consider alternate options.

So wrapping up, we obviously believe the long-term investment case for Fox is compelling, and it's driven by sustainable subscription and advertising revenue growth, a manageable cost base with an advantaged position for key sports rights renewals, exceptional cashflow enhanced by favorable long-term tax attributes, and a balanced approach to capital allocation; all of this wrapped up in a rigorous emphasis on long-term shareholder value creation.

Now, there's still a lot to cover this morning. And Steve will drill down a bit more financially in the final session of the program. So, I'll get out of the way, so you can hear from the rest of the team. Thanks again for taking the time.

(VIDEO PRESENTATION)

Moderator
Please welcome CEO of FOX News, Suzanne Scott.

Suzanne Scott
Good morning. Good morning. It's a great pleasure to be here today, and this is the best time for Fox. And I'm here to tell you why. We are in a new era of media with a brand and business that has few peers.

Our audience gives us the incredible honor of telling the story of their lives, the story of America and the world. There are moments where it seems as if a nation we have stood still to watch together, mourn together, and celebrate together, and it's the coverage of these moments on every platform that has created an unbreakable bond between FOX News and the audience. If you take one thing away from this presentation today, please know that America is watching.

My name is Suzanne Scott. I've been with FOX News for more than 23 years, having started in the programming division as an assistant and having moved through the organization, working at every level. Like most of you here, I'm a numbers person. My career has been focused on ratings and developing new shows and talents and programs for our linear FOX News channel.

And now, I'm the proud CEO of FOX News. And I'm very thankful to Rupert and Lachlan for this privilege. In addition to driving successful TV ratings and digital traffic and direct-to-consumer subscribers, I also oversee the entire P&L and focus on strong financial results while continuing to drive profitable growth for the future.

FOX News is an important part of the company's DNA. It's an important part of my DNA. I'm thrilled to have this opportunity today to discuss our great business and this important franchise of media assets.

Earlier, Rupert, Lachlan, and John touched on the power of now. We believe the power of now and the power of live will drive the success of FOX News going forward as well as our sports and entertainment assets, and you'll be hearing more from those leaders in a bit.

We've grown our business by expanding not only our affiliate and ad sales revenue but also by innovating and seeking new revenue opportunities and maximizing profitability. We've done this on both traditional and new media platforms. We have had tremendous accomplishments at FOX News, and I'm excited to tell you about all the great opportunities that lie ahead.

The FOX News you know today started nearly 23 years ago as a small, linear cable channel, but when we think of our business now, we refer to it as FOX News Media. Over the years, we have fundamentally transformed the business. Now, we are a nationally recognized, multi-media brand with two fully distributed cable networks and robust businesses across digital, mobile, social, and most recently, direct-to-consumer.

Today, we are truly agnostic to the form in which our content is consumed. The unrivaled strength of our brand and its passionate audience have allowed us to expand our reach while maintaining relevance across all these platforms. We have created new monetization models to capitalize on the ever-expanding choices consumers have to watch, interact, listen, read, and engage with our content.

Through all of these various touchpoints, we reach over 200 million people each month with over half coming from platforms outside of our linear cable networks. Whether it's our digital investment in the last two years that has enabled FoxNews.com to move ahead of all digital news competition or our recent direct-to-consumer investment in FOX Nation, we find that our audiences are ravenous for our content anywhere and everywhere we can provide it, and we have built a business that is both cost efficient with a focus on profitability.

Here is how and why we succeed, and I will walk you through each of these points in greater detail over the next several slides.

As I mentioned, we are a scaled news business that reaches our audiences live across all platforms. We win against our linear TV competition not just in cable news but in all of cable. We know trust is absolutely key to our success, and we earn that trust every day, not taking it for granted. We have live, engaged, upscale audiences that are highly valuable for us and our advertising partners.

FOX News produces, owns, and has complete control over all of our multi-platform programming. This allows us to keep costs under control and to monetize effectively across all mediums. Our opportunities for growth are limitless. We are the clear leader in linear news and business.

As Lachlan said earlier, we have surpassed the competition in cable news, having been winning for 17 years, and for the last three years, we've been the leader across all of cable and continue to rank as the number one cable channel this year. And we have seen remarkable growth in our audiences.

We have remained consistently ahead of our cable news competitors, and since we overtook CNN in 2002, we've remained number one across all administrations, Democrat and Republican, showing that our rating dominance is independent of who is in the White House or on Capitol Hill.

FOX News is the place Americans turn to when news breaks. Looking across the last decade, we have beat cable and broadcast averages for the biggest news events. This winning streak has continued through recent events like the Kavanaugh Supreme Court hearing, the mid-term elections, and most recently, with the release of the Mueller report.

When it comes to major news events, FOX News is the consumers' network of choice and our news strength will be a major source of Fox's affiliate fee growth as we go forward. We are number one in total viewing across all of cable, all dayparts, all genres of programming from ESPN to HGTV.

From morning to night, we dominate. *Fox and Friends,* through our daytime news programs to our powerful primetime lineup, and on weekends, we continue our dominance. Our roster of primetime opinion hosts and first-class journalists, like the incredibly talented Maria Bartiromo, who you're going to get to see in a little later, deliver the best in news and the best in opinion on television, 24 hours a day, seven days a week, 52 days (sic) a year.

FOX News is the number one cable network across the entire country in each of the six defined Nielsen regions. We deliver smart journalism and compelling analysis the audiences crave, so they can stay on top of the news cycle, regardless of their political persuasion. And we got here because the audience trusts us. We are the most trusted brand and source of news and opinion across both cable and broadcast. This is why viewers overwhelming turn to us in real-time during live, breaking news events.

FOX News has a highly engaged audience. Over 90% of TV news content is consumed live, and that is truly the power of now. Consumers engage with our content for long periods of time, creating enormous value for our advertisers. In a world of shortening attention spans, FOX News channel has an average length of tune of 32 minutes.

This is higher than broadcast news, including *60 Minutes*, network morning news, and even higher than sports and entertainment brands like ESPN, TBS, and TNT. Consumers spend, on average, 31 minutes with FOX News digital. This is more than all competitors, including CNN and *The New York Times*.

Our highly engaged audience also has a high median income. This is exactly what advertisers look for, upscale and engaged audiences with lots of disposable income that drive product sales. Our audience's emotional connection to FOX News translates directly to our advertisers, delivering a halo effect that drives brands' trust, awareness, and intent to purchase, making FOX News one of the most valuable, effective marketing platforms in all of media.

Our ability to consistently deliver live, large, and upscale and engaged audiences has resulted in consistent and stable growth in our advertising revenue. This fiscal year is on track to be our highest advertising revenue year ever, and going forward, we expect advertising to continue to be a driver of business across all platforms.

Fox has a history of innovation. We at FOX News stay number one by innovating every day, growing our business with an eye toward increasing revenue. In the 23 years I've been at FOX News, technology and consumption options have dramatically changed, and we have capitalized on these changes and expanded our business.

We have been able to expand platforms by leveraging our world-class news gathering talent, staff, and operations without having to build duplicate infrastructures. One hundred percent of our costs are under our control, which allows us to manage cost structure and leverage content efficiently. As we expand our business further, we will leverage these strengths and wisely invest in growth, including FOX News digital, FOX Business, and emerging platforms.

A few years ago, FOX News embarked on a multi-year, multi-phase investment across non-linear platforms to engage our audiences everywhere they sought out news. This included a big investment and complete overhaul of FoxNews.com, and that investment is paying off big.

In 2018, we were number one in the entire digital news marketplace in engagement with 34 billion total minutes spent on FoxNews.com, surpassing *The New York Times* and The

Washington Post as well as all other cable and broadcast news brands. Our unique visitors grew 56% since 2016, and we currently reach over 100 million people each month, and based on our current trajectory, we expect to overtake CNN.com.

We are also winning on social, where we are the most engaged news brand, and just 10 years after the launch of FOX News, we launched FOX Business. Through a steady investment, we have grown to be the number one most watched business network in market hours, against a longstanding and well-entrenched competitor.

But we're not done. We're in the midst of a multi-platform brand refresh that will launch in the marketplace in the fall of 2019. It will first have a sharp focus on digital investment and FoxBusiness.com, mirroring the successful strategy we deployed for FoxNews.com.

We are also investing in new platforms and technologies. We are a social media powerhouse, and when Facebook approached us to partner, we created a social first news product called FOX News Update. Anchored by Shepard Smith, Carley Shimkus, and Ed Henry, FOX News Update packages the latest news, headlines, and videos. As with all things FOX News, we quickly rose to the top. In fact, FOX News Update is the leader in followers and engagement.

Additionally, we believe audio represents another growth opportunity for FOX News. FOX News has been in the audio business with satellite and terrestrial radio deals in place for almost 20 years, reaching over 34 million listeners each week. We see digital audio as a rapidly expanding opportunity to grow our reach and revenue. We launched FOX News on all major Smart speaker devices, and our podcasts have been downloaded nearly 23 million times in the most recent quarter.

We launched the first-ever direct-to-consumer news brand FOX Nation, geared towards the FOX News superfan. We've seen incredible growth in subscribers with a high conversion rate and a high content engagement. Here is a quick snapshot of the thousands of hours of compelling content we offer, everything from daily shows to quality long-form documentaries, all fronted by some of our biggest stars.

(VIDEO PRESENTATION)

We're really excited about it, and if you missed our successful Founders Program last fall, you can sign up right now for $5.99 a month.

With focused investments such as these, our revenue from non-linear platforms has more than doubled in the last four years, and we believe we have just scratched the surface. FOX News has built an engine for live, trusted content that can officially fuel growth across new platforms and services in a way that few other media companies can.

Remember what I said earlier? America is watching, and FOX News is much more than a successful cable network. We are a multi-platform media business, anchored by the most trusted brand in news with the most passionate, engaged, and loyal audiences across every platform, and we are going to continue to grow our portfolio. And we are going to continue to expand our business with our audiences, and we are going to tap into the growth opportunities that lie ahead, creating new value for all stakeholders.

This is the power of Fox. This is the Power of Now. Thank you.

(VIDEO PRESENTATION)

Moderator
Please welcome CEO and Executive Producer of FOX Sports, Eric Shanks.

Eric Shanks
Good morning. The thing I love most about my job is that you never know when sports is going to provide you a moment that can never be duplicated. There will never be another October 25th, 1986, when a routine ground ball got by Bill Buckner. There will never be another February 3rd, 2008, when David Tyree made one of the most unlikely catches ever, and there will never be another November 2nd, 2016, when the Cubs finally won the World Series.

There will never be another now, and it's that simple idea that there will never be another now that makes our business so special, so valuable, and so much fun. Nothing else in the world can match the ability of live sports to bring so many people together as it happens.

You see it now, or you regret missing it forever. And at every event we produce, FOX Sports unleashes the power of now with our famous Fox attitude to unite fans forever.

Hi. My name is Eric Shanks, and I'm very proud to be here today to tell you our story. Fox is the industry leader in live sports event viewing. It's the most popular, the most valuable, and the most compelling content in all of media, and we lead in live event viewing because we've assembled a rights portfolio that is absolutely second to none.

And while others may be the leaders in talking about sports, we are the leaders in delivering the games that actually drive the value of this business. Our rights and particularly our clear leadership in both football and baseball gives us a commanding position during the periods of the highest consumer spending. That's the weekend and the fall.

But we're not content to rely solely on our traditional advertising and affiliate revenue streams. We're taking ownership of our content. We're investing in new digital experiences, and we're moving aggressively to take advantage of the opportunities around legal sports wagering. All of this puts us in a perfect position for growth, both through our longstanding partnerships and expanding into new business.

Now, we believe that the single most essential trend in our business is the evolution of two distinct video marketplaces. There's an on-demand marketplace that is really all about consumer choice, flexibility, and oftentimes ad avoidance. And there's a live marketplace that is all about content viewed in real-time that delivers unmatched scale.

So, it no longer makes sense to think of our business in terms of broadcast and cable or we think even as linear and digital because our live sports content moves easily across platforms. In fact, our content lives so seamlessly across platforms that we're now able to sell one commercial reel across all platforms at a higher CPM than was previously achieved by selling linear and digital separately.

And the highest end of our marketplace has come to be almost completely defined by live sports. Twenty years ago, only 25 of the 100 most-watched telecasts of the year were live sports, but by last year, that figure had ballooned to a remarkable 88 of the top 100, of which 63 of those were NFL games. Live sports now truly stands alone as the only type of content that allows marketers to build reach quickly.

And FOX Sports has more of those big events than any other sports or entertainment brand in the business. Over the last two years, which normalizes for the Olympics, FOX Sports produced 33 events that averaged at least 20 million viewers. No other sports or entertainment division comes even close, and we are launching the first year of our new company with the Super Bowl, the NFC package, the NFC Championship, the World Series, and the World Cup. We believe there's not a better portfolio on the planet to underpin the company's ability to achieve sustained affiliate revenue growth.

The strength of sports carries over into advertising as well. Our view is that marketers will always be able to use national television to build reach incrementally in content that is essentially fungible. If you want to build reach, 500,000, a million at a time in the 50th airing of an off-network sitcom, that will always be likely available to you. But if you want to build reach in chunks of five, 10, 20 million at a time and do it in original content of the highest quality, FOX Sports is the most powerful option.

I believe that television is at its best and its most valuable when it brings people and the country together. So, one of the lenses we use to evaluate programming is how valuable is that programming to multiple members of the household, and that's why we have strategically acquired the five live sports properties most likely to be viewed by parents and kids together. Number one is WWE *Smackdown*, then the men's World Cup, the women's World Cup, the NFL, and college football.

In an environment where media use is increasingly solitary, it's that shared experience that makes us more valuable in paid TV consideration to advertisers and fans alike. Over the last two calendar years, live sports have generated over a half a trillion minutes of consumption on the FOX broadcast network, and that's clearly the most live sports event viewing on any single network. And viewing of live events on FOX and FOX Sports 1 combined is effectively equal to the total live event viewing of ESPN and ABC, and it's well ahead of the other major competitors up there.

Now, we couldn't get there without our partnerships with the National Football League and Major League Baseball. They provide the cornerstones of our brand, and I'm delighted that the executives who lead our two biggest partners, Roger Goodell and Rob Manfred are with us today to talk about the present and the future of our relationships.

It was back in 1994 that we were literally born to produce the NFL, and 25 years later, we are by far the number one home of television's most popular programming. Our Sunday afternoon, *America's Game of the Week*, has been TV's most-watched show in any daypart for 10 straight years.

Thursday Night Football is the number two show in primetime, and it's the most effective way for advertisers to reach viewers when they're deciding how to spend their weekend. FOX broadcasts nearly 40% of all regular season NFL viewing, and this year, our season will culminate with the biggest event in media, Super Bowl LIV.

Being the primary steward of football in America is a great honor, and we don't take it lightly. It's a great responsibility, and although we have a lot of fun on Sundays, and you guys all see it, the result that shows up on your screen, it may seem simple. But it requires a level of expertise that we've built over 25 years that is not replicated just by writing a check.

FOX attitude doesn't just happen. So, we wanted to give you a taste of what goes into bringing Sunday football to life on FOX. Let's take a look.

(VIDEO PRESENTATION)

We do have a lot of fun on Sundays. 2019 is also our 24th season in partnership with Major League Baseball, and we've never been more bullish about the future of the game, so much so that last year we extended our long-standing relationship to ensure that the World Series and the All-Star game will remain on FOX for at least 10 more seasons.

The World Series annually out-delivers top primetime competition, like *This is Us* and the *Big Bang Theory*, and baseball's All-Star game remains the most popular all-star game in all of sports. And it's a staple of our summertime programming.

We're also proud to have collegiate sports relationships, and they're growing every year. In fact, in the two seasons since we've had the Big 10, viewing of college football on FOX has more than doubled. We're the home of the biggest soccer events on the planet with our relationship with FIFA. We've got the number one package in motor sports, the US Open Golf Championship coming up, and starting this October, we will welcome *WWE Smackdown Live* to the FOX primetime lineup every Friday for the next five years.

The media industry is practically defined by change and uncertainty, but at FOX Sports, we pride ourselves on a base of stability that gives us the freedom to build new businesses. Our viewers know where they can find their favorite teams. Our league partners know that they can trust us to be a responsible steward of their product. Our advertisers know they can rely on the stability of our delivery.

So, in a turbulent media ecosystem, FOX Sports has become a safe harbor, and all of our major live rights are secured for at least four more seasons. And our activity in the live rights market over the last 18 months; during which time we secured the rights to *Thursday Night Football*, the WWE, and extended our Major League Baseball deal; should send a clear signal to the marketplace that FOX is going to remain an active but disciplined bidder for strategic rights opportunities.

This fall, with the WWE joining our NFL and college football content as well as the World Series in October, we're going to create a four-day lineup that no other company can possibly match. So, if you were starting a media company completely from scratch, and you could choose to have a dominant position in any type of content at any time of the year, what could be better than to be the leaders in premium live sports Thursday through Sunday during the months from back-to-school through Christmas?

Well, that's exactly what we have, and our value proposition to all of our partners is clear. FOX Sports delivers the most valuable moments in media at the most valuable time of the year during the most valuable part of the week.

But even with the most powerful rights in the business, we refuse to be complacent, and our bosses, quite frankly, don't let us be complacent. We're always keeping a watchful eye for growth opportunities. So, earlier this week, we announced our new partnership with Vince McMahon's XFL, which upon launch in 2020 is going to be America's only spring football league. Our XFL relationship also includes a profit participation component that will allow us to benefit as we grow the league.

This year, we expanded our relationship with the Premier Boxing Champions, which gets us into the pay-per-view business for the first time, and our inaugural fight just a couple of months ago generated over $25 million in buys. And a material percentage of those buys are coming through the FOX Sports app and the FOX Now app. By having a pay-per-view business, it gives us an ability to peak the peaks on big boxing events, using our FOX Sports brand and FOX marketing.

And our belief in the power of now extends to the world of videogaming and eSports, where our investment in the real-time social broadcasting platform, Caffeine, gives us the opportunity to capitalize on any gaming content that is popular at that moment and monetize that audience through both advertising and digital goods.

But of all of our new revenue opportunities, perhaps the most ambitious and most exciting one is the one that Lachlan mentioned earlier. It's the formation of a fully integrated partnership with The Stars Group that we're calling FOX Bet. It's the first national media and sports wagering partnership of its kind in the United States.

The opportunity presented to us by legal sports wagering and iGaming we think is simply massive, and FOX Bet will be a trailblazer in using the strength of a major media company to develop this enormous potential with digital first products. We expect that by 2025 sports wagering in this country will be close to a $7 billion market, and there's going to be an additional billion dollars of marketing and sponsorship on top of that.

So, in time, the expansion of legal wagering will drive fan engagement and in turn viewership and will become a growth category for sports advertising at both the national and local levels. We think we could not have a better partner in this exciting new venture then The Stars Group. They have expertly employed their proprietary technology and operating expertise of more than 15 years to build the Sky Bet platform in the UK into the UK's leading online wagering brand.

We will bring the irreverent and informative FOX attitude and our recognizable FOX talent to develop new players for both free-to-play gaming nationally and live wagering in states that have already legalized sports wagering. Our research indicates that 27% of Americans would consider using a FOX Sports branded wagering platform. That's a figure that's 50% higher than the largest daily fantasy sports operators and larger than any casino brand.

And we think that's meaningful because TSG's analysis of the UK market shows a strong correlation between consideration and market share. The agreement announced yesterday provides significant strategic and economic alignment, and it allows for the ability to convert our long-term commercial partnership into a 50/50 joint venture partnership in the future.

Also, as part of our agreement, FOX has made a substantial investment in The Stars Group, which is a public company. We acquired 4.99% of TSG's common stock, which should illustrate the depth of our long-term commitment to the success of FOX Bet.

We're entering the space aggressively, ambitiously, but also responsibly and with great care to respect both the interests for the betting audience and the non-betting fan alike. We're going to be up and running by this football season, and in a complicated gaming marketplace filled with brands that are largely unfamiliar to American sports fans, FOX Bet will stand out as a brand that the fan at home knows and trusts.

FOX Sports is the perfect brand to epitomize the power of now because we have the strongest portfolio of the most valuable content in media. We have secure, long-term relationships with our most important partners. We present those partners with expertise, innovation, and an attitude that is uniquely Fox. We're ready to take advantage of new growth opportunities and because live sports have emerged as the most powerful disrupter of the on-demand world.

FOX Sports is the sports media brand of the future, and our future is now.

We really appreciate you guys coming today. Next up, after a short break, FOX Business' very own Maria Bartiromo is going to host our two cornerstone partners for a very special interview. We have Rob Manfred, Commissioner of Major League Baseball, and the NFL Commissioner Roger Goodell. Thank you, guys, very much.

Moderator
Ladies and gentlemen, at this time, we will be taking a short program break.

(Video Presentation)

Presenter
Ladies and gentlemen, the CEO of FOX Entertainment, Charlie Collier.

Charlie Collier
Thank you. Thank you very much. I actually patched it up with the Family Guy team, they were very attached to the old management. So, we're in good shape. It's such a pleasure to be here with you, particularly at such a profoundly interesting and exciting time to be a part of this company.

At FOX Entertainment, we have been focused on the ultra-rare chance for our new Day One. And we've been hard at work on what it means to be a media company, what it means to be a broadcaster, and frankly what it means to be FOX in 2019 and beyond. And having been here since mid-November, I can tell you that everyone at FOX Entertainment is energized and has adopted a start-up mentality as we grow this business.

FOX Entertainment is focused on growth. We are well-positioned to relaunch FOX Broadcasting now as a part of FOX Entertainment and to do so with a portfolio of assets and capabilities that ordinary start-ups can only dream about, having unparalleled live events as the foundation upon which we build our start-up company.

It's not just powerful. It's also a metaphor for the overall sports and entertainment strategy we have in place at Fox. And this is a theme I'll touch on a few times today and one of the highlights of our many strategic attributes as we relaunch what was FOX Broadcaster, FBC.

I should also note that this strategic base is one that has me and so many others in the creative community believing that FOX Entertainment is uniquely well-positioned for leadership and, again, for growth.

It's driven by several key differentiators, first among them, today FOX, -particularly on the entertainment side, is simply a more focused and more nimble company. Given everything that is transpiring in today's media ecosystem, we believe there has never been a better time to be able to focus and to redefine what a fully distributed broadcast entertainment company can mean to viewers and to consumers, to affiliates, and to popular culture.

Second, we never take for granted that we stand on the shoulders of the broadcast network's tremendous distribution advantages. There is still no larger stage, no bigger storefront window for creators and viewers and advertisers than broadcast.

FOX is a mainstay for simultaneous viewing of some of the biggest popular culture events. This makes us a welcome home, of course, for marquis sporting events and also for talent seeking to showcase week after week stories for audiences at the largest scale.

Third, more than ever FOX Entertainment enjoys a close working relationship with our colleagues at FOX Sports. Eric Shanks and his team do a phenomenal job making sure that FOX is home of America's biggest sporting events. And we're blessed with their tremendous in-house assets and partnerships, assets for which most other entertainment networks would need to spend so aggressively just to approximate comparable reach.

The Super Bowl, the World Series, the NFC Championship game, Big Ten events like Michigan/Ohio State, the World Cup, and so many more--they are all airing on our shared network platform. So, each of these directly benefits our entertainment strategy and elevates our programming of market-leading shows like *9-1-1* and *Empire*, *Last Man Standing*, and our live entertainment such as this year's Emmy Awards, iHeartRadio Music Awards, the Teen Choice Awards, and so many more.

If you think about it, our approach is pretty simple, and yet it totally sets us apart. Between FOX Entertainment and FOX Sports we provide the most blockbuster, live content anywhere. And this makes us the destination for massive live and near-live audiences, which translates to an extremely attractive promotional platform for our key initiatives across both units.

There is still huge undeniable power in the shared experience, and we have all that in spades at FOX. It's strategically constructed for today. And whenever I step back and ask, "If I were blessed to have one of the four broadcast platforms, and if I were able to build a new Day One, knowing the challenges of today's marketplace, where would I start?" And the answer is, "I would start with these exact assets."

We'll launch a new program after this year's NFC Championship. That lead-in--and there's proof--that lead-in says it will likely amass over 40 million viewers all at once, live and viewing as a community. And we'll launch a new season of a returning favorite series behind the Super Bowl. That will provide a lead-in of 100 million viewers communally viewing live and present. It's simply beyond compare to dropping a full season of episodes all at once and waiting for viewers to select them individually. We're winning with respect to monetizable scale and cultural impact.

Fourth, we're passionate about the content we choose to produce, and almost as important we're now able to focus on the content we don't have to produce. I see scarcity of schedule as one of FOX's greatest assets. We deliver fewer hours of weekly programming to FOX affiliates than our peer broadcasters, which allows us to focus on doing fewer things better. And to state the obvious on the aggregate, we certainly do fewer programs than the streamers. And I say that proudly.

We know the stories that our audiences appreciate. We have scale where we can know and value all of our creators personally and take great care of them. And we know how to launch programming using the amazing, often-live sports local and entertainment assets we have in our portfolio. It's this intense focus that grants FOX the most attractive and youngest demographic in broadcast. We do better than our competitor platforms, in our view. We bring to life the contemporary and relevant stories in near- or real-time.

For FOX Entertainment, that is another very real example of the power of now. If there's a story we want to tell, we can have it on the air in front of millions of viewers in a relevant time frame or fashion, whether it's culture-piercing content or compelling sports moments or the important news on a local and national level. People are still coming en masse to broadcast first, and it boils down to reach and immediacy and impact. And even today, no other platform but broadcast can provide such a potent combination.

I also want to emphasize what makes FOX FOX. Wrapped up in our start-up mentality and our passion for storytelling is a willingness to take creative risks and say "yes" at the right time when other companies won't. This appetite is a hallmark of the Murdochs' success. They know how to push and lead change.

I have to ask, does anyone here watch *The Masked Singer*? Hey, we got a few. All right. Well, that's great. Thank you. It's America's number-one new show across all of television. I didn't peg you as *The Masked Singer* crowd, I've got to admit. It is a perfect example of a bold FOX green light, a green light for a seemingly crazy idea. And yet, it's another reminder of the rewards of risk-taking.

The show is outrageous, and I suppose technically it could have wound up on any platform. But, certainly in today's context, you have to note that it didn't. It was a bold FOX bet that paid off, one that was nurtured and launched and built around the NFL schedule, further illustrating how sports and entertainment on FOX can join forces and effectively cross-promote the biggest TV ideas. We transition viewers between our content areas of excellence, and the result is success across both divisions.

For those of you who don't watch, here's a quick example.

(Video presentation)

See, you really should be watching. So, platforming *The Masked Singer*'s launch across our collective assets unquestionably helped deliver *The Masked Singer* as the number-one new show on television this year. And we have every intention of building upon and replicating the success.

Again, if you don't watch the show, or you aren't keeping track of audience trends, on the demo that we all get paid to deliver, what are the top three shows in America on broadcast? *The Masked Singer, This is Us*, and the *Big Bang Theory*. It's that successful, it's our strategy, and it's working.

And speaking of strategy, we've received countless questions about the impact of our separation from 20th Century Fox Television, or TCFTV. And I'm here to tell you we view our independence as a strategic strength. As a result, we now have greater flexibility to enter into co-production agreements across the industry, drawing out some of the most talented creators and building partnerships that may have been restricted by the prior corporate structure.

Greg Berlanti has his deal at Warner Brothers, for instance. He is one of the most prolific, sought-after producers, defining today's landscape of young adult television. And with our studio priorities at the fore, prior to the Disney transaction we never would have been able to fully bring them into the fold.

Well, today we're announcing in New York with our advertisers that Greg, among others, will be joining work that represents so much of what our new strategy is all about and really highlights the benefits of our independence.

Further, our new strategy and structure gives FOX the opportunity to participate in the ownership upside of these shows without the margin strain from the studio overhead. So simply put, we can realize many of the benefits without the same level of infrastructure cost, the macro point being we can now do what's best for the network and its bottom line versus servicing overall deals and balancing studio priorities.

Additionally, please don't discount the power of greater focus in our program development. Consider the networks for which 22 hours a week--22 hours a week--of prime time and the context of vertical integration is what must be produced and promoted and scheduled and managed.

The fewer hours we program at FOX empowers us to be much more discerning when considering the entertainment content we green-light. Again, I firmly believe FOX's schedule scarcity and local station power is both a friend and a differentiator for FOX. And this is the case both as a content provider and as a disciplined program investor.

And then, there is the creative that separates us from everyone else. Over the last 30 years, FOX has been responsible for some of the most recognizable pop culture-defining content and characters in television history, *The Simpsons*, *24*, *American Ido*l, *House*, *Family Guy*, *Empire*. As we think about the future and our new Day One, we are extremely confident and so excited to write the next chapter in FOX's storied history. From where I sit, the future is bright for this unique and very monetizable platform. We will thrive amidst the consolidation and the clutter.

The primary reason for our confidence has everything to do with the fact that creativity and telling the right stories at the right time in the right moment--it's in this company's DNA. Add to that our new-found ability to open our doors to a diversity of creators and partners, and we, more than any other network, are able to selectively shop around for our programming, building creative partnerships with a variety of studios. And of course, that doesn't even include the content that we're quietly nurturing in-house.

We're also excited about the nontraditional levers that we're using at FOX Entertainment to deliver exceptional growth and to enhance profitability. In this pilot season alone, while we still proudly partner with TCFTV, of course--in fact, we think they will be great partners for a long, long time--our slate now includes pilots and script deals with studios as diverse as Warner Brothers, Universal Television, eOne, Sony. And again, we participate meaningfully, owning at least half of each of these series.

And by the way, as of today this ownership stake applies to all the new series that we license from TCFTV as well. And here is a fact to recall, and it is certainly actually a notion I have preached--well, my staff will tell you always--and it's the fact that should give you confidence in FOX and our creative ability.

The fact is the no one--not one of us--not us, not Netflix, not Disney, no one can corner the market on creativity. No single platform network nor creator has a monopoly when it comes to storytelling, no matter how much debt one accumulates, no matter how much scale, that's--I knew that would kill in this room much better than *The Masked Singer*. Thank you very much.

Think about how impossible it is to corner the market on creativity. Look, I cut my teeth at AMC, a relatively small enterprise to the likes of Netflix and HBO and others. But even with relatively little scale, we were integral to the current golden age of television, winning awards and green-lighting and owning the biggest show on television for the better part of this decade.

There were countless other examples across our industry. Here's the fact. Hits come from great creative choices anywhere. And we believe our willingness at FOX to foster creative risk-taking and embrace unconventional thinking, to build an environment where we nurture creators and treat them really well, all supported by a platform with more reach and more live viewing and promotional assets greater than others--it all makes Fox's leadership and growth potential undeniable.

There is something so powerful about having a new and nimble operating model, and we're focused on the meaning and opportunity behind FOX Entertainment as the home of FOX Broadcasting. And I take that subtle shift--it's a strategic shift, the move from FOX Broadcast into FOX Entertainment--I take it very seriously.

And I think it will unlock tremendous value. It means that in addition to being a broadcast leader we are actively bolting on capabilities that will allow FOX Entertainment new growth. We're going to invest with discipline. And I'm somewhat obsessed by the notion and the reality that we can build capabilities that will scale without the equivalent expense that has long plagued the studio world.

And a great example of this is SideCar. It's a business we opened earlier this year. And it's what we're calling a content development accelerator. SideCar is led by seasoned executive, proven producer, and noted tastemaker, Gail Berman.

This company offers creators another door through which to enter our network. It is purposely located off the studio lot but remains as focused on Fox's goals as any internal developer. SideCar quietly and efficiently diversifies Fox, and it attracts talent and partners in ways that the broadcast network alone might not be able.

Further, it brings production capabilities to Fox without needing to add onerous overhead the way you have seen traditional studios do in the past. And similarly, we've added quite quietly some IP scouts, both at Fox and SideCar, to cover the publishing world. And we've built new forays into owned animated product. And that is a huge area of upside for FOX Entertainment, by the way, both linearly and in the world of digital distribution. And we've fortified our digital partnerships and social strategies without needing to sacrifice our financial discipline and start-up intensity.

On the unscripted side, we've also begun to establish in-house production capabilities. And moving forward, this decision gives us a stronger ownership position and greater creative control over our programming, while keeping production cost down and generating additional revenue. As a result of this initiative, *The Masked Singer*, for instance, will be produced in-house, and our budget will be significantly below that of season one. And this will also serve to add to our production quality and bring cost controls in-house.

I'm focused on the growth of FOX Entertainment and the FOX Network. And with that as our goal, I'd like to take a moment to lay out more closely the financial profile you can expect from us on a go-forward basis.

From a topline perspective, our revenue is comprised primarily of retransmission consent fees and advertising and on the retrans front, we expect to achieve industry-leading growth. We'll benefit not just from the power of FOX Sports but from the creative leverage entertainment brings, given the successful initiative that FOX that you know well, some of which I've discussed today.

And while the power of sports is undeniable and a huge source of pride for us, we are not looking to turn FOX into ESPN, as I read in a recent report. My division proudly works with sports and local stations and, of course, across entertainment. And sitting atop the network as I do, we see unique, compounding benefits from the way the FOX assets complement one another.

The advantage of being a broadcast network is that we are home to programming that appeals to mass communal audiences. It's a balance of high-profile sports and compelling entertainment and critical local content. All of them are key to our ability to sustain competitive advantage and growth.

Our advertising revenues and streaming relationships are bolstered by the sought-after and engaged audiences to which our programming caters. And from a cost perspective, excluding sports rights which Eric has touched upon, we have a predictable programming overall cost base.

Longer term, to echo something I mentioned, we expect FOX Entertainment to benefit from the upside of equity ownership in co-production arrangements, across scripted, animation and unscripted, accruing value throughout the lifetime of a commissioned series.

The true beauty of this profit model is its simplicity. We don't need expansive infrastructure nor expensive studio. In fact, we think we're unique and stronger today, enjoying most of the capabilities without many of the trappings.

Finally, I'd be remiss if I didn't highlight the professional team we've assembled to oversee these new and exciting businesses. I am so fortunate to be surrounded by a high caliber group of people who share our leader's entrepreneurial vision and drive. It's a group poised to innovate and to challenge once again. It's a group focused on this remarkable new Day One.

I think about the following question every day--and if you ask my management team, you'll hear that I ask everyone around me to consider the same questions over and over again--and the big question is, what would you do with a new Day One? What would you do with a start-up company that happens to have the Super Bowl, the Emmys, the U.S. Open, the World Series, the Men's and Women's World Cup, WWE, *9-1-1*, *Empire*, *The Masked Singer*, and so many more?

I mean, think about it. It's a huge opportunity. And I love our chances to build breakthrough hits that really pierce popular culture using this base of assets and this high barrier-to-entry platform that will help us cut through the clutter and, simply put, continue to grow.

So thank you very much for hosting us this--letting me join you this afternoon. And with that, I will conclude my Day One remarks just about before they become Day Two remarks. So, thank you very much--appreciate your time. Thank you.

(Video presentation)

Moderator
Please welcome CEO of FOX Television Stations, Jack Abernethy.

Jack Abernethy
You've just seen the best of news, sports, and entertainment. This tremendous content and our local programming come together on a FOX TV station. In the truest sense, we are the last mile. These enduring local businesses are built on a legacy of trust, based on one-to-one relationships with newscasters, reporters, salespeople, and those who serve communities, especially in emergencies.

This trust and familiarity fuels a powerful and durable platform that informs, entertains, and sells products. I believe FTS has an enviable footprint, a winning strategy, a cost base that we control, and future prospects.

Let me provide some more color. FOX TV Stations Group is the biggest O and O group, comprised of 28 stations with deep ties in 17 local markets, representing 38 percent of the country but most importantly 9 of the top 10 markets, 14 of the top 20, with all but 2 in the top 25 DMAs. And we have a second station, or duopoly, in 11 markets. We have more time to program than CBS and NBC and ABC affiliates, which is a big advantage financially and allows us to establish better branding, community connections, and advertiser effectiveness.

A FOX affiliation is more valuable than any other network affiliation. When well managed, FOX affiliate stations should be significantly more profitable than any other big four affiliated station. Clearly, a FOX station benefits from the entertainment and sports programming provided by the Network.

In addition, because FOX broadcasts the fewest network hours among the big four, stations can leverage the tremendous promotional platform provided by FOX and funnel audiences into local programming in which the station retains essentially all the advertising revenue.

Currently, the FCC allows companies to own stations that cover up to 39 percent of the country with a discount for UHF stations. Our stations cover just 25 percent on a discounted basis, well below the cap limits. As a result, we will continue to assess our station footprint and consider expanding in the right markets if the markets become available at the right price.

When you look at the markets in which we own television stations, you will note consistent characteristics which we would look for in potential acquisitions. Our stations' footprints overlap key sports markets with 14 of 17 being home to an NFL team and 13 home to a Major League Baseball team, and 12 in the Big Ten, Pac-12 or Big 12 NCAA footprints.

In addition, FOX Television Stations are battleground states that benefit from heavy political spending every other year.

From a programming standpoint, our focus is on live, local, and what we call day and date, which include talk shows, entertainment shows, game shows, and court shows.

These are programs that are experienced as though they are happening now. So, the power of now works for us because our local advertising is dependent on live ratings with small amounts of time shifting, which provides a much better environment for advertising. When you extrapolate the live viewing metrics to the FTS programming mix, you will see that approximately 80 percent is viewed live.

The primary driver of our success is local news, which you can see accounts for 40 percent of our hours. Why local news? Well, according to the 2018 Poynter Media Trust Survey, a large majority--or 76 percent--of Americans trust local news more than any other news source. And a recent Pew study asked open-endedly, what were people's most preferred local news source? Our stations fared very well in that survey, ranking number one in Dallas, San Francisco, Detroit, Phoenix, and in Washington, D.C., where our FOX station was tied for first with *The Washington Post*, well ahead of all other news sources.

To build on this advantage that we hold, we consistently expanded news hours over the years and will be producing over 1,000 hours a week in fiscal 2020. At current levels, we are the leading producer of news within the Fox corporation.

Generally, our news expansions replace a repeated show or a sitcom, making the lineup fresher and more consistent. More importantly, local news generates the highest return on investment of all local programming options. Local news delivers a consistent and predictable live audience with local advertisers, which is what local advertisers seek.

At the same time, since all local news programming is produced internally, FTS maintains complete control over the cost base. While the number of news hours produced has increased over 15 percent since fiscal 2015, the cost to produce news has grown by approximately half that rate over the same period.

As a result, when factoring in only advertising revenues, our average direct profit margin of news programming is approximately 45 percent in non-political years, growing to 50 percent in political years. And in our strongest markets, local news margins exceed 50 percent in both non-political and political years, led by our Dallas station with margins in excess of 75 percent annually. These margins would be even higher if we were to factor in net retransmission consent revenues attributable to local news.

With that background, you can see clearly why we are keenly focused on expanding local news hours whenever and wherever possible. Most of our stations start news at 4 a.m. And some stations do as many as 12 hours per day, Monday through Friday. Not all are standard newscasts. We experiment with several new formats which focus on sports, politics, and entertainment with local celebrities.

And, although local news is the division's priority, we recognize the need to offer a broad array of programming. Our local time is rounded out with nationally syndicated day and date shows, produced by our studio partners, including time period winners like *TMZ*, *Wendy Williams*, and *Judge Judy*.

We also produce several of our own nationally syndicated shows at FOX TV stations, including *25 Words or Less*, a game show hosted by Meredith Vieira which will launch across the country next fall. And while we value our studio partnerships, our success with our own production demonstrate a good talent, a good idea, and people who can execute is all that we need. There are no bricks and mortar required. And so, the development costs on our internally produced shows tend to be very low, and our experience proves that there's no direct correlation between the cost of a show and that show's success.

Our stations also produce local day and date shows. Just one example, in Philadelphia we do a five-day-a-week quiz show called *ClassH-Room*, which pits high school and middle school teachers against their students. This allows FOX Philadelphia face-to-face contact with hundreds of people each week and highlights the community connection unique to the FOX TV station.

This shift to news and day and date is working for us. If you look at where we program locally, from 5 A to 5 P, we are number one in our markets against the competition. In 2011 and 2012 with this strategy we passed CBS, and we've moved ahead of ABC in the current season.

As part of a smaller but stronger Fox Corporation, we have tremendous advantage going forward because there is now a unified mission and seamless integration across all divisions. Perhaps the strongest link is between FOX Sports and FTS, as we connect the local communities with the sports teams they are most passionate about.

As I mentioned earlier with sports, we have NFL teams in 14 of our markets. We also have Major League Baseball in 13. This allows us to fully maximize the value of these big events, but it also adds incremental value with shoulder programming, and all the local time has given us more flexibility than our network competitors.

We produce lucrative, pre- and post-game shows in our NFL cities with over 750 hours per season. We also cover pre-season football in five markets, and we're looking to expand. And when there are NFL playoff opportunities or World Series participants, we produce hours of extra programming that connect communities to these events, making the experience special and providing premium advertising opportunities for local businesses. No other TV network or any other media platform can offer that level of content when local communities crave it most.

But, our integration goes well beyond sports. On the entertainment side, we're just getting started with Charlie Collier and his team. You'll see our local entertainment reporters heavily promoting the series that will be broadcast on FOX, including the second season of the breakout hit, *The Masked Singer*.

Although externally less visible, we are fully integrated with FOX News. They provide our stations with the best political coverage and breaking news coverage, and vice versa, when local stories gain national attention. But even more importantly, our stations benefit from the FOX News resource-based and coverage depth. This is a personal source of pride for me, having helped drive this industry-leading growth engine from both the FOX News side and the FOX Station side for nearly 23 years.

FOX is a profitable and stable business, but we do experience significant financial swings due to the political cycles that occur in each odd-number fiscal year. Political sales have been a spectacular category for our stations. Our stations occupy crucial high-population states with critical election coverage impact.

We're evenly split between Republican and Democratic-voting states. The FOX O and O's are uniquely positioned to take advantage of this record-setting category with their massive local news presence delivering a diverse audience and highly desirable sports, including the NFL, NCAA football, and World Series, which is all contested in the peak of the political season going into the general election.

We finished this past midterm cycle with record gross political revenues with approximately $185 million fiscal year-to-date. This was 40 percent better than the previous record set in fiscal 2013 during the Obama-Romney election and nearly double the fiscal 2015 midterm cycle.

This map illustrates the 2020 battleground states in which we operate, with each one having the potential to decide the election outcome. Adding in Congressional battleground states, you include New York, California, and Illinois to the map. As a result, virtually every single O and O market will have a highly contested political election. Given our station footprint and the massive amount of political spend this past midterm cycle, we are very confident that the 2020 presidential cycle will bring in another windfall of revenue in fiscal 2021.

Another area of excitement for us is the legalization of sports gambling. As Eric mentioned, we expect the gambling category to explode, especially locally. So far, the FOX O and O stations in New York and Philadelphia have benefited greatly with spending from seven different brick-and-mortar and online casinos operating out of New Jersey and Pennsylvania.

We look forward to having the District of Columbia, New York, Connecticut, Michigan, and Virginia to be the new states with FOX O and O presences to launch online sports and gambling next. We expect betting to drive even more interest and intensity to our franchise programming and the local shows that surround them.

Finally, we believe there continues to be growth opportunities beyond traditional revenue streams. And we have been able to successfully monetize our excess spectrum over the last several years through the broadcast of digital subchannels and channel-sharing arrangements. Although not huge revenues, the margin on these businesses are very high with the incremental revenue generally falling to the bottom line.

However, when we turn our sites out longer term, perhaps the biggest incremental financial asset for us is in unlocking significantly more value from the vast high-quality spectrum that we own. This will be enabled by an exponential increase in spectrum capacity by employing the technology called ATSC 3.0.

Less of a capital issue, full implementation depends on a coordinated effort by broadcasters to make it operational nationally. And this is now happening. We announced a large rollout a few weeks ago at the NAB Convention, whereby 3.0 will be operational in at least 40 markets by 2020.

With a full national rollout, it is unclear where the best use of this incredible One-to-Many broadband pipe will be. We do not believe that the greatest use of this technology is to deliver a higher quality over the air signal. In fact, we believe the best use and greatest opportunities lay beyond the over the air TV and will prove to be the most lucrative.

Take autonomous vehicles, for example. ATSC 3.0 could take a pivotal role where it could send out targeted map and traffic data or provide large fleet-wide software updates, or for 5G where it could help or augment coverage or add capacity by shifting data off cellular networks.

If I sound bullish on the future prospect of local television--specifically FOX-affiliated stations--that is because I am. But you don't have to take my word for it, you can look at the marketplace and see that there are others that share my sentiment. Clearly, Nexstar believes in the future of this business and the power of the FOX affiliation, which is why it is acquiring Tribune.

It's not only traditional broadcast companies that share this view. Nontraditional sophisticated entrants are acquiring large station groups as well, including Apollo's acquisition of the Cox stations.

In summary, we are optimistic about the future of this business because FTS has an enviable station footprint, a winning program strategy, a cost base that we can control, and future growth prospects. We are aligned with our network partners in a nimble opportunistic company, ready to take advantage of the opportunities in front of us.

Thank you.

Presenter
Please welcome Chief Financial Officer, Steve Tomsic.

Steve Tomsic
Thank you. Good morning, all, and let me add my thanks to all of you for attending today. You have now heard from the leaders of each of our businesses who have described the opportunities that lie before us and our plans to drive growth from our unique platform of assets and brands.

We hope you leave today with a clearer perspective on the strength of attachment to our news service and from an enterprise perspective how expansive our news franchise is becoming, now extending well beyond the core linear channel.

The vast audience reach of our sports assets not only allow us to improve the traditional means of monetization but also provide a gateway to adjacent high-growth businesses, the restart of our entertainment business that stands on an unrivaled promotional platform and now has the freedom to pursue opportunities with a network-first mindset and the development of our TV stations that combine an expanding local programming schedule of deep community relevance with the distribution of big-event national programming.

So, as we wrap up this morning's formal presentation, let me now take you through how this all comes together from a financial perspective. Let me say at the outset the continuing the fine tradition of 21st Century Fox--and this continuity is a theme I'd like to pick up on later--we will not be providing formal guidance or projections.

I trust that throughout the morning we have provided you with useful information about our business, information that sets a great foundation for you to compare with your own views on the future trends that impact the key drivers of our business, such as affiliate and advertising revenue and programming costs.

Building on this, I will point out certain aspects of our business that are either unique to our collection of assets or within our control to help you develop a full financial picture of the company. I will at times use our third quarter results we published yesterday to bring some examples to life. However, our intention is to use the time we have this morning to talk about where we plan to take the business rather than review where we have just been.

Let’s start with momentum. With three-quarters of our fiscal year complete, it is clear that Fox Corporation has hit the ground running. We delivered year-to-date topline revenue growth of 14 percent, coming relatively equal in measure from growth in both affiliate and advertising revenue.

Breaking this down further, our total revenue from distributors, which includes both cable affiliate along with retransmission consent and reverse retransmission consent revenue, grew by 14 percent. This one single data point speaks volumes for the quality of assets assembled within our new company. Our broadcast network and FOX News represent two of the five most watched networks in all of U.S. television.

Their resonance and relevance to vast numbers of American viewers make them must-have components to virtually all video distributor offerings. We are therefore on the most widely distributed packages of all traditional MVPD services. And when it comes to virtual MVPDs--the emerging force in the distribution of video content--we are carried on all services that have any meaningful scale.

This privileged distribution position has provided maximum insulation to the cord shaving and cutting that is challenging the traditional MVPD universe. And we see this in our own metrics, where over the last 12 months to March, the aggregate number of subscribers to our two flagship cable networks, FOX News and FOX Sports 1, has seen a relatively small net reduction of less than 2 percent.

While our subscriber numbers remain robust, we continue to make real progress on achieving appropriate affiliate and retransmission rates and fees for our networks, the improvements to which are the core driver of affiliate revenue growth. With FOX News now well established as the number one network in all of cable, coupled with the programming investments we have made and are continuing to make in the broadcast network, we are confident that there is considerable head room for further rate growth.

However, the timing of this growth will be governed by affiliate contract renewals, which often lag our on-screen investments, and are inherently uneven. Our first records of this fiscal year provide a clear example of this pattern, with cable affiliate revenue growth in the first and second quarter of 13 percent and 11 percent respectively, before moderating as we lapsed prior rate resets in Q3.

To give you some insight into how this shapes into the future, let me share with you the pacing of renewals over the next three years. Using our anticipated volume of fiscal 2019 cable affiliate revenue as a base, 38 percent of this revenue is due for renewal next fiscal year, with another 26 percent due in fiscal 2021.

Meanwhile, in our television segment, due to the volume and timing of deals that fall due with third-party station groups, our TV affiliate revenue renewals are far more front-loaded, with 50 percent of estimated 2019 revenues renewing next fiscal year and a further 30 percent in fiscal 2021.

Given these relative contract maturity profiles, along with our increasing investment in broadcast television programming, we anticipate TV affiliate revenue growth to meaningfully outpace cable affiliate revenue growth in the short- to medium-term.

Notwithstanding the fact that we provide you with segment splits of affiliate revenue, we would encourage you to assess this in the aggregate, which reflects our practice to negotiate our networks and brands as a unified suite. To help you along that path, 42 percent of our aggregate affiliate revenue renews in fiscal 2020, moderating to 27 percent and 4 percent in 2021 and 2022 respectively.

With approximately three-quarters of our total affiliate revenue due for renewal over the next three years, we expect Fox Corporation to deliver industry-leading affiliate revenue growth for the foreseeable future.

As I mentioned, we anticipate this growth will be led by our TV segment. Here our trailing 12-month revenue currently stands at $1.65 billion. We expect to grow this by roughly $1 billion by calendar year 2022. This growth will be underpinned by our plan to grow the per-subscriber rate we achieved for our owned and operated channels, along with commensurately robust growth in the reverse retrans--or what we call programming fees--that we collect from third-party station groups.

These programming fees represent more than half of our TV segment affiliate revenue and are now all expressed as fixed absolute dollar amounts, providing greater certainty--and not per subscriber--thereby providing greater certainty around future revenue delivery. It is worth noting, given we all have a view on future Pay TV subscriber trends, as a rule of thumb every 1/2 percentage point change in our Pay TV subscribers would impact our total affiliate revenue by about $25 to $30 million annually.

Let me now turn to advertising revenue, which on a year-to-date basis is up 14 percent over prior year. Our advertising growth over the course of this year has been driven by two major forces; firstly, our inaugural broadcast season of *NFL Thursday Night Football*, which drove 6 percentage points of growth; and secondly, as Jack mentioned, the record year of political advertising achieved by our local TV stations during the 2018 midterm election cycle.

Outside of these two events, our advertising revenue is up 8 percent and 3 percent on a year-on-year basis for our cable and television segments respectively, with a robust amount across our key advertising categories.

As viewers migrate to digital platforms, new measurement and technology has enabled us to make substantial progress in monetizing our content wherever and whenever they watch. We are beginning to see this in our numbers with year-to-date digital advertising revenue, which represents nearly 10 percent of total advertising revenue, up approximately 30 percent. And we anticipate this continuing to be a key growth driver going forward.

Looking to the immediate future, in four days we have our annual upfront presentation, which, as John mentioned, we approach from a position of strength with entertainment scatter pricing currently up close to 30 percent versus last year’s up front, and with healthy demand across a broad range of advertising categories. Looking further out, as we have made clear over the course of this morning, we present big events of national importance. It’s a key pillar of our overall programming strategy, but it also creates peaks in our advertising revenue, making quarter-by-quarter comparability difficult.

Contrary to our distribution revenues, our advertising revenues are affected by unique events that will impact quarter-to-quarter ad revenue and programming amortization comps. The number of MLB post-season games, the Super Bowl, World Cups, NFL schedule, and political cycles are just a few of these cyclical events.

However, most of these events themselves are very predictable for many years to come for you to schedule out. As you can see on this chart, this cycle of key events will continue into the future. The FIFA Women's World Cup taking place in June and July of this year, WWE being introduced to our schedule in October, followed by our triannual broadcast of the Super Bowl next February, which we expect will deliver over $500 million of gross advertising across our portfolio across the day.

In fiscal 2021, we have the presidential election. And going even further out, the 2022 FIFA World Cup in Qatar will be played in November and December so will fall squarely within our fiscal 2023 numbers rather than straddling fiscal years as it has done in the past.

Our year-to-date revenue growth of 14 percent translated into EBITDA growth of 6 percent. In itself, this represents a healthy growth rate but is even more meritorious when considering this year's results include the first year net deficit of *Thursday Night Football* along with approximately $50 million in one-off programming write-downs.

When looking at our year-to-date numbers and the carve-out financials presented in our Form 10, it is important to note that they include allocations of 21CF overhead and shared services costs in accordance with SEC guidance.

As an independent company, Fox's cost structure will be different than these allocations. Let me give you a simple example to illustrate. Under the SEC guidance, the costs related to 21CF's Board of Directors was allocated on a formula basis between Fox and 21st Century Fox, yet in reality Fox will be incurring those full costs, not some smaller mathematically allocated share.

So, we will incur recurring costs as a result of becoming a standalone, publicly traded company and from establishing the corporate and operational support for our business, including shared services such as advertising and affiliate sales and shared technology platforms.

We estimate that the total recurring costs beyond the amounts formulaically allocated to our published financial statements should range between $225 and $250 million on an annual basis. Illustratively, if we take 75 percent of these incremental costs and apply them to our nine-month year-to-date fiscal 2019 reported EBITDA, our EBITDA for the period would be just shy of $1.8 billion.

Within our overall cost envelope, we anticipate normal run rate annual stock-based compensation expense of approximately $100 million per annum. And in addition, we had a distinct, nonrecurring initial equity grant under Fox's shareholder alignment plan, which will add approximately $55 million per annum in stock-based comp, but just over the next two fiscal years.

Looking forward to fiscal 2020, our cost base will be uniquely influenced by the incremental costs associated with the Super Bowl, which we expect will add almost $400 million in overall expenses. While we anticipate the Super Bowl will generate an EBITDA surplus, from a year-over-year comparison perspective, this will largely be neutralized by the combined effects of other cyclical events, such as an off-cycle political year, one less NFC divisional playoff game, and the FIFA World Cup.

You have heard throughout the morning of our growth initiatives, and fiscal 2020 will reflect investment in these. We will be investing approximately $200 to $250 million on a net P&L basis to organically grow our businesses, with among other things, the development of new content and marketing for FOX Nation and to support the strong growth in retransmission I mentioned earlier. Our investments include the initial year of WWE and the expansion of original programming, development, and co-production deals for entertainment.

Finally, while not a large impact on EBITDA, from a free cash flow perspective over the course of the next two years, we will be investing $150 to $200 million to establish a new broadcast center in Phoenix, Arizona.

Exploring free cash flow more deeply, let me remind you about some of the unique aspects of our financial structure that distinguish us from many of our peers, firstly, our unique tax position. The taxable nature of the Fox Corp spin meant that Fox Corp obtained a step up in the tax basis of its assets.

Without going into the arcane calculation of this basis step-up, the net result is that Fox Corp now has an estimated $23 billion of tax basis in its assets that is deductible over the next 15 years. Said another way, over the next 15 years we will benefit from an estimated annual tax deduction of $1.5 billion, which is a blended federal and state tax rate of 24 percent, results in a cash tax saving of approximately $360 million per annum for each of the next 15 years. The net present value of this tax asset is over $3 billion.

The tax accounting means you will not see this benefit run through our P&L or EPS. Here you should be assuming an effective tax rate of between 24 and 25 percent, reflecting our U.S.-dominant footprint with an assumed federal tax rate of 21 percent plus blended state and local taxes of 3 to 4 percent. From a free cash flow perspective, though, this tax benefit will be clear and present.

In addition to this tax shield, we anticipate relatively low working capital usage over the course of the full fiscal year. Although seasonally this would typically swing from a deficit in the first half, when we both have a concentration of scheduled sports rights payments and right-but-yet-to-collect our high season for advertising revenue. These factors typically reverse creating a working capital surplus in the second half.

We are a capital lite business, with underlying CapEx likely to run in the low- to mid-single digit percentage of revenue. We expect to be at the upper end of this range in the early years to support the development of our broadcast center, which I mentioned earlier.

We expect our tax asset, working capital, and low CapEx requirements to all combine to deliver extremely robust conversion of EBITDA to free cash flow, which represents one of the most powerful aspects of Fox's financial makeup.

Turning now from our tax asset to two other assets that have carried over to Fox Corp post-spin; firstly, the Fox lot, a 53-acre site located in Century City in the heart of West LA. The lot comprises a full-service film and television production facility with 15 sound stages along with 1.1 million rentable square feet of office space.

Under the terms of the Disney transaction, Disney will have preferential access to the sound stages and certain office space, meaning that for at least the first seven years of Disney's occupancy, the P&L contribution from the lot will be modest. However, with CBS having recently sold its Television City site--which is less than half the size of Fox studios--for $750 million, there's undeniable, and to a certain extent incalculable, asset value here.

Fox also earns more than 6 million shares in Roku, which translates into a 5 percent economic interest and 15 percent voting interest. The stake, which as of this morning had a value of approximately $400 million, provides useful insight into digital video distribution from the vantage point of one of the industry's leading players.

And finally on the topic of investments, let me provide some more financial detail on our partnership with the Stars Group that Lachlan and Eric described earlier. The partnership will see Fox license its brand to create FOX Bet, in return for which Fox will receive a long-term stream of brand license fees along with minimum marketing commitments and affiliate referral payments.

Having seen firsthand the growth potential in digital sports wagering in other international markets, we are confident that the U.S. will follow a similar trajectory. We also believe the power of our established brands and assets, combined with the best-in-class global digital betting operator, gives us a legitimate claim at market leadership in what promises to be a considerable market opportunity.

Demonstrating the conviction we have toward this opportunity, Fox will invest approximately $240 million to acquire a 4.99 percent stake in the Stars Group itself, a public company with a market cap of over $5 billion. We will also retain the option but not the obligation for up to 10 years to invest directly in the local U.S. FOX Bet branded businesses and take up to a 50 percent ownership stake, subject to state licensing laws.

Let's now traverse the balance sheet and talk about debt and liquidity. When the dust settled on the closing of the 21st Century Fox/Disney transaction, Fox Corporation had transferred to Disney $6.5 billion to cover its tax obligations. In round numbers, this was comprised of $5.8 billion as full and final settlement for the spin tax, while we also made a $700 million prepayment to cover Fox Corp's share of the divestiture tax, that is the tax Disney will incur on asset sales it agreed to make in securing regulatory approval for its merger with 21CF.

These required divestitures include the sale of the RSNs in the United States, along with sports assets in Brazil and Mexico. The final divestiture tax liabilities will not be known until the divestitures have been completed and tax returns filed, following which a final true-up amount will be settled.

In funding these tax payments to Disney, Fox Corp accessed the public debt markets in January of this year, raising $6.8 billion in a deal that was almost six times over-subscribed. This newly established debt complex has a weighted average duration of over 14 years, with no debt falling due until January 2022.

Our average cost of debt is just under 5 percent, and all-in, we expect our net run rate interest expense to be in the low $300 million per annum. We are committed to our solid investment grade rating and expect to operate within a gross leverage band of 2 1/4 to 3 times EBITDA, while maintaining a robust liquidity position, comprising minimum cash balances of $1.5 billion and supported by a $1 billion revolving credit facility.

In short, Fox Corp commences operations endowed with a strong balance sheet and free cash flow profile, which provide the strategic and financial flexibility to support our market-leading portfolio of businesses.

To end on the continuity theme I mentioned at the outset--and as John emphasized in his earlier remarks--we will continue to be disciplined in how we manage our balance sheet and deploy capital. In keeping with the rich heritage of this management team, we intend to be bold in allocating capital across our businesses and outside where we see opportunities for growth.

Yes, we will pay a dividend, commencing with the $0.23 per share semi-annual dividend that we declared this morning. And, yes, we plan to establish a buy-back authorization once our recently formed Board reaches a final conclusion on framework.

Let me break here. And while Lachlan, John, and I get set up to take questions, let me hand it back to Joe. Thank you.

Moderator
Please welcome Chief Investor Relations Officer, Joe Dorrego.

Joe Dorrego
It's good to be back here. While we get the stage set for Q&A, I'd like to acknowledge that we realize it has been a very hectic week with many of our peers reporting earnings. So, on behalf of our executive team, I'd like to thank all of you for taking the time today to attend or view the Fox Corporation Investor Day. I realize we've covered a lot of ground this morning, and I hope that you all walk away with a better appreciation for Fox.

Lachlan, John, Steve, and I will be at several conferences over the next few weeks to amplify the remarks you heard here today. But, in the meantime, while we're here on stage, we'll spend the next few minutes or so on questions from the audience. Of course, Dan Carey and I are always available for further follow-up.

Briefly, if you're looking to ask a question, we ask that you please raise your hand. We'll get a microphone to you. And if you could then identify yourself before asking the question, we'd appreciate that. That said, we'd like to open the floor for questions. We have Rich.

Rich Greenfield
Hi, Rich Greenfield from BTIG.

Joe Dorrego
Hi, Rich. How are you doing?

Rich Greenfield
You can see me, John. Here, here, John.

John Nallen
Oh, there you are.

Rich Greenfield
Stand? You want me to stand up.

Joe Dorrego

Sure.

Rich Greenfield
So, I think the question that's on everyone's mind is looking at the cable and satellite universe. Certainly over the last few quarters it's obviously gotten worse. And I think one of you mentioned a 2 percent decline is what you've seen over the last 12 months--or at least maybe it was this quarter--I don't know the exact reference you mentioned. But, as you think about going forward, you're clearly going to have a lot of leverage with distributors, given the programming you just put up and the sports content you showed.

But, I'm just wondering, how do you think about the subscriber declines? We've seen declines peak out a couple years ago at 3 percent for the industry. You were doing better at that point. You and Disney in the last 12 hours have both said about 2 percent. Do you think it flatlines at 2 or 3 percent? Are you assuming in your long-term comments about retrans that it gets to 4 or 5? I'm just trying to understand what are you assuming. How bad do you think this industry is going to get, and how does that affect the commentary you gave in terms of long-term retrans revenue growth?

Lachlan Murdoch
Thank you for the question, Rich. I'm not surprised by that question from you, so it's a great question. The--look, you have to understand it was less than 2 percent declines. That's a mix, right, of, as you said, traditional DMVPDs or MVPDs, the satellite players. Satellite definitely appears to be declining at a faster pace--at least recently--than the terrestrial MVPDs.

And then, that's ameliorated by this incredible growth in the digital MVPDs. So, when you make assumptions going forward in terms of if that 2 percent or less than 2 percent accelerates or not, you're actually looking at multiple pieces of that ecosystem.

Now, we're in a--I think a very fortunate spot in that our programming, our channels, are on every service. And there's one exception to that, which is FOX News not being on Sling. But, we expect to correct that in our current negotiation with DISH. So, we feel that the growth for us won't be worse than the negative 2 percent, and then we can make that up very well with our rate increases from our affiliation partners.

Joe Dorrego
John?

John Hodulik
Great. Thanks. John Hodulik from UBS. Just a couple--first on the Stars deal. What are the gating items for Fox as it relates to the formation of the JV? And then if you do convert, what will be Fox's contribution? And then, a clarification on a comment from an earlier speaker, I think you mentioned some acceleration in retransmission growth. And obviously you put up a very solid number last night--29 percent growth. Were you suggesting that the growth could accelerate from here?

Lachlan Murdoch
I'll start obviously with the Stars Group deal. I think it's a terrific deal in how we've structured it. We--for us, the gating--so, it's a partnership today with the option to take it into a joint venture. and so state by state--and it's a complicated environment because the licensing laws at this stage will be different state by state.

So, we have an option to go--without getting licensed--to go up to 30 percent--and again some states might be less depending on licensing rules, but up to 30 percent--at cost at the time of our choosing in each of those--what will become joint ventures in each of those states. At the same time, we can run with the Stars Group to bring national free to play games currently. If we choose to get licensed down the road, we can go up to 50 percent of those joint ventures.

And the second question on retransmission growth, we think we've been under--I'm looking over at Mike Beard, our distribution (unintelligible) in the corner. We've flat-footed this, but we have tremendous room for growth from where our retransmission is today. We've used in the past that retransmission leverage to assist other assets in our portfolio that we don't have anymore, so we see our retransmission growth really accelerating from here on.

Steve Tomsic
Yeah. John, I called in the speech that right now we're tracking to $1,650,000,000 for the trailing 12 months, and we expect that to grow by about a billion dollars by--.

John Hodulik
--A billion dollars--.

Steve Tomsic
--Yeah, by 2022.

John Hodulik
Not (unintelligible).

Steve Tomsic
No.

Joe Dorrego
Jessica?

Jessica Reif
Advertising is roughly half of your revenue, but it's a small part of the cable network revenue, and your ratings have been phenomenal. Do you feel like you're under-monetizing particularly your news, which has always been a little bit more difficult? And on the broadcast side, you have had a change in management with a more traditional team. Could you talk about the outlook there? It also feels like you've kind of--there's a lot of upside on that side.

Lachlan Murdoch
I think both--thank you very much, Jessica. I think both questions go together. From an advertising point of view, and again (unintelligible) has joined us today. And by the way, after this session we're all going to adjourn for some sandwiches and refreshments in the foyer, and all of our executives will be there, and we can ask some of these questions directly.

But, from an advertising point of view, absolutely there is both more upside, both in our linear and in our digital advertising, and we're seeing great growth in digital. And we're also seeing great growth on our digital platforms like Foxnews.com.

So--and it's really the first time that Maryann has been able to pull together advertising across both news, sport, and entertainment. We didn't have that structure before, and so there's a tremendous revenue synergy in doing that and having everything under one leadership team.

I'm sorry, Jessica, the second question was?

Jessica Reif
(Unintelligible)

Lachlan Murdoch
--Absolutely. And we're also very focused today--currently--on FOX Business, so, the further we can go in FOX News--and FOX Business we're refreshing--and we think there's an opportunity there. Obviously, with advertising from a linear point of view, you have to look at your availabilities and how much time you have to sell, which is one of the reasons why we're expanding our portfolio of (unintelligible) distribution arms, again whether it's through foxnews.com, through FOX Nation as well.

Joe Dorrego
Michael.

Michael Nathanson
Thanks. I think one of the slides John put up earlier was that 17 percent of your cost base is entertainment programming. And now, you've added the NFL and World Wide Wrestling to prime time. I wonder, how does entertainment programming costs change, especially without a studio attached? Walk us through the next couple years. What type of growth should we see in prime time entertainment programming?

Lachlan Murdoch
I'll start, then I'll let you take it. So, for instance in October with WWE being on the schedule., that's one night less of entertainment programming that we have to invest in. But, having said that, there's large parts of our schedule that we want to refresh. I think I'm certainly incredibly impressed by Charlie and his leadership at the network, and their goal is absolutely to be number one and to continue to invest in entertainment. But, John (unintelligible).

John Nallen
Yeah, I think--just a couple of points, Michael, is in the old model, we paid a straight license fee to the studio who then, let's say on a new series incurred the deficit themselves. So, to the extent that we want to co-participate on anything that comes in our air--and I guess the view is if it comes in our air it's a hit, and therefore we want the ultimate value of it, or some piece of it--we would probably fund a little more of the license fee in the deficit because we'll be an owner of that.

In addition, what we found out--and I assume everyone does--is repeats are terrible. Once you put a repeat on, you've lost the audience. They are going directly to an S Spot or a streamer. So, to the extent we can dial up marginally some original programming in areas where we've had repeats, that will be an influence on the cost base and entertained (SP).

Lachlan Murdoch
Think about the value that FOX has created, particularly in animation. It's part of our brand that resonates very strongly with our audience. And so, moving forward, it would be certainly unwise not to want to participate in the growth of animation. So, it's one area, certainly, where this co-production will be very important.

Joe Dorrego
Doug? Thanks for lending us the auditorium, by the way.

Doug Mitchelson
Glad we could host you guys. Doug Mitchelson with Credit Suisse

Joe Dorrego
Hi, Doug.

Doug Mitchelson
Lachlan and John, the margins at the broadcast network have to be one of the big growth opportunities for the company, I would think. So, if you're successful in your entertainment and retrans efforts, do we look at the margins of the other big three--big four networks have? What is the margin upside at the network over time?

Lachlan Murdoch
I think we do look at the broadcast network and the stations as a combined business. Our network is different from the other networks in that we program only two hours a night. And that gives our stations an incredible ability to broadcast news that they control their entire advertising base from to--in markets where they really deepen--we talked about it a bit in the presentations--drive a lot of deep engagement and fantastic ratings within those hours.

And so, on one side the network being smaller and providing less hours, which can limit its profitability, at the same time benefits the stations greatly. So, I don't think you can quite compare the network on its own to the other networks on an apples-to-apples basis.

Doug Mitchelson
And to follow up on that, I think you're making it clear it's unlikely you would change the number of prime time programming hours at the broadcast network as a result of that?

Lachlan Murdoch
We--there's only so much sport you can put on, so between entertainment and reality--unscripted programming--between 8 o'clock and 10 o'clock, that's where our focus is now.

Doug Mitchelson
Thanks.

Joe Dorrego
I think we have time for one more question. Alexia?

Alexia Quadrani
Thank you. Alexia Quadrani from JP Morgan. Just going back to your comments on retransmission revenues, you saw tremendous growth in your numbers last night. And I think you highlighted reverse compensation being a big driver behind that. I would just love to hear more about how you say your relationship with your TV station affiliates is sort of evolving. You are making these big investments in the new Fox. And I'm wondering how you see the split of compensation changing over time to reflect that.

Lachlan Murdoch
So, reverse comp is growing extremely healthily. Part of the important factors in reverse comp which is a real value is that we are now paid a set fee. It's not based on a per-subscriber basis. And so, in a world, as Rich mentioned, where if you have a 2 percent decline in a subscriber base, we're actually getting a fixed fee, not a climbing fee, through reverse comp. So, do you have anything to add?

John Nallen
Well, I think if you look at my comments earlier is players on reverse comp now for us are very concentrated. They are big and important partners for us. But, I think they recognize both on the retrans they receive directly from the MVPDs--and therefore the investments we're making--that all boats have to rise here. And as a result, we think that they will command higher retrans and that the network should as well.

Lachlan Murdoch
I think we can have one more question because we've got a couple minutes.

Joe Dorrego
We have a question right here.

Jason Bazinet
It's Jason Bazinet at Citi. In your presentation, you talked about your preference for building businesses and also your history of taking big risk. And this is maybe a little bit controversial, but when I think--.

Lachlan Murdoch
--Always a mistake to ask for one more question. I changed my mind, I changed my mind.

Jason Bazinet
So, yeah. When I think about the sort of following that you have at FOX News on the conservative front, and I look at sort of the de-platforming that's going on and sort of the dominance of a lot of these bigger platforms, is there anyone inside the new Fox that is sort of thinking about that as a potential organic opportunity? Or is it something where the horse has left the barn, and these platforms are too big, and it's not even on the radar screen?

Lachlan Murdoch
So, Jason, explain that to me again--so, within FOX News?

Jason Bazinet
Or just in the overall company, it just seems to me that with the de-platforming going on--the powerful FOX News positioning that you have in the marketplace--that it seems like there could be a kernel of something where you could take a risk. It may not take a lot of money--but try and build something. I'm not saying it necessarily has to be--.

Lachlan Murdoch
--No, I think--look. I think, Jason, that's right. And that's not a controversial question at all. It's an excellent question. We see--and I tried to address this a little bit, perhaps clumsily in my presentation--but we see our audience as not a linear TV audience, and we see our future as not being just two revenue streams where you have affiliate revenue and you have advertising revenue.

And absolutely we think in both of those streams we can grow and grow aggressively. But, the ability to tap into that audience and tap into the passion around those brands to create new businesses--new technologies and new business models--we think is incredibly exciting. And FOX News is a great example of that because the strength of that brand and what it means to middle Americans--many, many Americans--is remarkable.

I always use the example of when our FOX News hosts write books--and they are books from history books to political books to cookbooks--they shoot to the top of the New York Times best-seller lists. And so clearly, our audience is engaged with us not just around the breaking news of the day or the opinion in prime time, but really about--they have an emotional engagement to the Fox brand in a much richer and more important way. And that's an engagement we can do much more with. We can be much more--we can strengthen--but at the same time we can monetize more efficiently. Thank you for the question.

Okay, I think we're out of time, but again we're all going to go--the management team and everyone who presented today is going to go join you for sandwiches.

In closing, I'd like to thank everyone once again for making the time to attend today. We really appreciate the opportunity to share our outlook on the comments of Fox Corporation. We look forward to continue to engage with you, the investment community, to provide further insight into the business, into our progress, and into the growth opportunities that lie ahead.

We are tremendously excited about the future. And to reiterate my comments from this morning, Fox is uniquely positioned to harness the opportunities created by this industry change and disruption with a dynamic portfolio of powerful brands that resonate in any distribution model. We are delivering audiences with content that they are most passionate about.

We hope that after spending time with us today, you will share our excitement. We appreciate all of your support. So, thank you very much, and we look forward to joining you outside.