Fox Corporation

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Doug Mitchelson: I think we're on the clock, so I think we'll get started. Kicking it off, returning the conference here at Credit Suisse to New York City with our first presentation. Very pleased to have with us Steven Tomsic, Chief Financial Officer of Fox Corp. I'm Doug Mitchelson, media and telecommunications analyst here at Credit Suisse.

Steven, thank you very much for coming today.

Steve Tomsic: Thanks for having us.

Doug Mitchelson: So look, I wanted to get started – because Fox Corp's only a couple months old, how would you describe sort of the overarching strategy of the company?

Steve Tomsic: Yeah. So I think we're 11 weeks old today, so not even a full fiscal quarter.

I think to explain the strategy, it's probably – it's worthwhile going back to sort of the incarnation of the Disney transaction with 21st Century Fox and how that created two very different companies that are equipped in different ways to meet the challenges of the media industry and the opportunities.

So when we did the Disney transaction, we took our entertainment assets and the film studio, the TV studio, and created a business with Disney that has got true scale in a market that is increasingly becoming global, increasingly becoming platform driven as opposed to advertising driven, and that has become sort of at the forefront of the way Disney wants to play the industry.

That same transaction also created this really, really elegant model for Fox Corporation; elegant in the sense that it is incredibly simple. So two main revenue streams; 50% of it is affiliate, 50% of it is advertising driven. Elegantly simple in terms of its focus on live programming and it's focus on sport and news in particular. And within that, you think about it, it is really, really high impact loyal programming that is not time shifted because it's driven by live viewership and therefore is probably the most – positions it as being in the most durable sector of the advertising market, because people are going to continue to watch sport live, are going to continue to watch news live.

We have two of the five most-watched networks in all of America. And so as a result of that, we have a pretty privileged position with our distribution partners. We're always going to be carried by the vast majority of distributors. We're going to be carried on their most widely distributed tiers. And then we're also going to be carried not only by the traditional players, but we're going to be increasingly carried by sort of the newer models that are coming through. And because the content is just so high impact, so loyal, so highly relevant, it gives us pricing power in the market and so, therefore, we think that there's a lot of room for growth in driving affiliate.

And then you look at that package of assets and the financial profile that sits with it, the business throws off a significant amount of cash, not least of which is because we've got a tax asset that helps us with free cash flow. And as a result of that, we're really well positioned to sort of take the opportunity that that package of assets, the audience that we deliver with that package of assets to invest in growth – because the top line is still growing significantly, right? And so we've got a really, really neat package that allows us to compete in this new media landscape.

And the beauty of it also is that, as I talked about, there's this push for global scale with the Disneys, the AT&Ts, the Netflixes, the Amazons of this world. One of the beauties of our model is it's fiercely parochial in terms of the kind of content that we serve up. And so people watch – so we've got serious national scale and serious local scale with our TV stations and that's sufficient scale to compete with the content we drive. So people aren't wanting to watch Fox News in Spain or in South Africa. They're wanting to watch Fox News in America and so we've got – we don't need to have the global scale for our model to work here on a national basis. And here, we really, really flood our corner with the scale that we do have.

Doug Mitchelson: So I think you started to head down this path a little bit, but I was curious how you would outline at this point the key priorities of the company. So you've given us sort of the setup. What are the key priorities for the management team looking forward?

Steve Tomsic: Sure. So we've spent a lot of time – before Fox was officially spun out in March, we spent a lot of time planning for Fox Corporation. And so we're now through that planning phase and it's now all about execution. And particularly over the next – I want to talk about this over the next sort of 12 to 18 months. This is really about executing against our plans. And so if you work it through – I know now you're going to want to talk about upfronts, but we feel in a really, really strong position from an advertising perspective going into the next 12 months with the programming we have and where the market's at.

At the Investor Day we laid out sort of the maturity profile of our affiliate renewals, and so it's really, really important for us to execute on driving pricing in the affiliate renewals. We've made it pretty clear that that is going to skew, particularly in the first couple of years, towards really driving retransmission comp and reverse comp, which we now call programming fees. And so it's really important for us to drive growth there. We've made it clear that sort of on a run rate rolling 12-month basis we're at about $1.650 billion in retrans revenue going into September just gone. We expect that to grow by another $1 billion by calendar year 2022. And so a lot of the setup for that growth happens in the next 12 to 18 months given just the way that maturity profile rolls.

And if you then roll into each of the operating businesses and where their priorities are, like Fox News is an absolute. Fox News is no longer just this prime time editorial linear news business. Fox News is sprouting to become sort of a media organization within itself. And so it's important that we execute not only to be sort of – we're coming into a presidential election and so it's not only important for us to continue to sort of consolidate our position in terms of news leadership going into that election, but to build that asset right out. So we've got Fox Nation that is still very much in its sort of its nascent component in terms of its development. So there's a big sort of – we've got Fox Business that really is going through a refresh at the moment. And so there's a huge portfolio of work around the Fox News media business to drive that to the next level in terms of development.

Sports, it starts now. It's just a continuum of driving sports. We've got the U.S. Open coming through now, the Women's World Cup, and then that crescendos into next year when we have Super Bowl. And so really, really important to sort of maintain our position and grow our position in sport because we know that there's an NFL renewal coming. We want to be best place to drive that renewal.

Entertainment is a bit of a reset. I think that's been pretty widely publicized. We've got new leadership running the entertainment component of the business. It's now untethered from having sort of a sister TV studio and so it's really important to get off to a good start in that untethered world.

And then finally, local TV stations. Obviously, that can be a cyclical business. Every second year there's a political cycle and so we're on a – kind of like on a downcycle going into the next 12 months. But while that's happening, we need to consolidate our position there, look for opportunities for growth, improve our digital – sort of our local digital profile on a local basis.

And so there are lots of priorities within the business where – we've also – with respect to the sports piece, there's the – we're in the infancy having made an investment in The Stars Group with sports wagering and so there's an opportunity that we need to execute on there. I don't think you'll see the benefit of that in the next 12 months, but certainly the set up for that over the next 12 months is really important for us.

So, there are lots of elements to what we need to deliver over the next 12 to 18 months, but being able to tick each one of those off would be the signals for what is a good year for us if we're sitting here – maybe not this time next year, but this time the year after.

Doug Mitchelson: So I think we'll dig into a number of those in more detail, but I wanted to start with – you touched on a couple of them, but the investments you outlined at the Analyst Day, you sort of indicated there was three discrete areas you wanted to invest in totaling around $200 million to $250 million. We spent a little time just trying to absorb sort of that ourselves and update our model Sunday night. And so I think we have it all in there, but I'm interested, given the setup for a good revenue story, good free cash flow conversion, but you're aggressively going after investments. You want to talk about those three discrete areas?

Steve Tomsic: Yeah. So we're not complacent about how the business develops over time, and we don't want us to be seen – if you fast-forward five years' time, what does the business look like, you certainly want to fuel the growth in the two main revenue streams you have now, which is affiliate and advertising. And so our investment in WWE absolutely speaks to that, right? It's about fortifying the network which helps – we took Thursday Night Football last season, so this is the second season we'll have Thursday Night Football. We'll have WWE coming online for us in October of this year. And that really puts wood into the furnace – or coal into the furnace in terms of driving retrans growth over the next two to three years, and as part of getting to that $1 billion of incremental retrans that we talk about by calendar year 2022.

Not only that, though. You've got to think about WWE in the context of it's replacing in many respects our investment in UFC, and we think WWE just suits us better. It's 50 weeks a year of consistent programming. You know what you're going to get. And it ties really well with the audience flow that we have across the rest of our portfolio. So, that was a bit of a no-brainer for us.

Fox Nation goes to the point I was talking to you about, which is around just broadening the business that is the Fox News media business. And so I think Fox News is increasingly – it's no longer just a linear network, right? It is a fiercely loyal community of people that like the style of programming, the tone of the programming and where it's pitched. And so Fox Nation appeals to that. It is not sort of a replication of the linear feed that's on a TV everywhere basis. It is truly a supplemental and complementary offering. And we intend to build that out because we think we're pushing on an open door in terms of the audience and the subscribers. In fact, there's probably – as Netflix calls it, they're more members. They're kind of members to sort of this Fox News community.

And so we think – like the anecdote we give – and there was a Washington Post article about the Fox Nation Summit that we had in Arizona, which talks to the loyalty of that audience. But we had an impromptu sort of build of a Fox Nation tent at the NASCAR race in Talladega. No one knew we were going to do something around Fox Nation at this race. And at the start of sort of building Fox Nation we had a Founders Program where people could – in different tiers of spend that they could come in and you could get a sort of a commemorative coin or a Fox Nation watch or whatnot. And so people go to this race and, all of a sudden, they see this Fox Nation tent at the race, and they come in and they have a look around. And lo and behold, you've got these people who bought this coin months and months earlier that it's still in their pocket, holding the Fox Nation coin. So that's the level of attachment and loyalty that people have to this brand that we think is just so underexploited, that Fox Nation is a pretty obvious choice for us.

And then the final piece, which is around – and that is really a different revenue stream in the sense that it is direct subscription revenue to us. And then the final piece is around entertainment which has a couple of elements to it. One is we are untethered from the studio and so, therefore, we are truly an open market buyer of programming. At its zenith, I think around 80% of our network entertainment programming was being supplied by the sister studio, so it really was a captive customer in that relationship. And so now we're free to go and get the best content in the market.

The market wants to be on our platform because they know it's going to be cross-promoted by some of the most popular events on U.S. TV, right? So it's pretty rare that you can get cross-promoted by Thursday Night Football going into WWE on Fridays, and to college football onto Saturday into big Sunday afternoon football, and then that culminates in animation Sunday. And so having those tent-pole properties to cross-promote these new shows gives those new shows the best chance of success, which means that we think we can get the best economic terms with our suppliers in order to sort of get the best product on the best terms and with us having an ownership stake in it.

And again, not only does it fortify the network, which therefore helps us get incremental retrans growth, but it also gives us in success. And we think that if we're going to dedicate what we think is pretty valuable and pretty rare airtime to these shows, we believe in the shows, and if we believe in the shows then we want equity in the success of that show. And so again, that's about rounding out and sort of maturing the overall revenue profile of the business.

You're not going to see the return on that because, obviously, with the equity participation in those shows, you've got to sort of wait for those shows to be successful in later windows, but we're pretty confident that that does come through. And we're pretty confident that there is always going to be a place for creative product on our network. And we don't think that just because we're competing on the entertainment side with these, what have now become sort of global behemoths, that they have a mortgage over creativity. We think creativity will find many ways to sort of demonstrate itself, and so we think we're pretty well positioned there.

Doug Mitchelson: So you mentioned advertising as the number one – well, it's the first thing you mentioned in terms of your execution list. How are the upfronts going? We're hearing from advertisers. They like to think that CPMs are going to be up 11% to 13% for broadcast prime time. The sellers at the networks think the numbers are really high teens. There's always a gap between what you hear from the sellers and the buyers. How are the upfronts going for Fox? And in particular, because you're really coming to the upfronts almost with sort of a new look and feel versus last year.

Steve Tomsic: Yeah, yeah. And it is definitely a new look and feel. Like you would've seen – I don't know if you read our upfront a couple of weeks ago, but it is definitely a different look and feel. Charlie at the head of the network. We've got Marianne Gambelli who now runs ad sales nationally across sports, news and entertainment, which is the first time that we've had that construct in the company.

I won't give you where we think pricing is going to land on the upfronts, but we feel very confident about where it's at. Like right now the scatter market is super strong. We're doing sort of 30%-ish premiums versus where the last year upfront was, so we think the bid in the market is really, really strong. And we're coming to the market sort of with – it feels like we're coming to the market with four aces in our hand, right? Like we've got the Super Bowl. We've got Thursday Night Football on top of Sunday, and we've got WWE. And we think – like everyone goes into the new broadcast season thinking that their fresh slate is the best slate, but we feel pretty good about our slate.

So, when you take all those properties, we feel as though we've got really an unfair hand in terms of what we're bringing to the market and we think the market's pretty hot at the moment, so we feel really strong about the advertising upfront.

I wouldn't say that's our number one priority, but we definitely feel good about where that's going.

Doug Mitchelson: Sports I think is going to be very interesting. I mean there was a fear a couple years ago that there was sort of too much sports inventory coming to market, but that seemed to settle out and now everyone's sort of cheering for NFL ratings. So it's—

Steve Tomsic: I think in a world where so much of the non-sports programming has shifted to non-ad-supported platforms, sport becomes the truly unique avenue to build a brand with a big audience in one hit. And so I think that really bodes well. It's part of the strategy of the company that we've sort of shifted away from that non-ad-supported part of the world and really have focused in on sort of the real importance of viewership now.

Doug Mitchelson: So it's maybe an unfair question, but when I think about our advertising forecast for Fox, the pitch is, because it's live news and sports, you should be a share gainer. And you're starting to get to the upfront and maybe you have some sense of whether that's going to play out or not. But is it fair to take whatever I think industry ad growth is going to be for national TV and then add some extra for Fox? Should I be doing that in my model?

Steve Tomsic: Well, I don't want to get into sort of building your model for you, Doug, because I'm sure you're adept at it. But no, listen, I think there is a natural kind of breakaway, which is as more and more of the non-sport content flips to non-ad-supported platforms, it's going to leave more available for companies like ours to take share, because we've got the best houses on the block competing for the inventory and the spend that increasingly needs our programming to deliver that audience. And so we think we're – I think there's a natural mathematical sort of result of that, which is we probably do end up taking share. And I don't want to get to the point of sort of what's the percentage points and what are the percentage points of growth, but we think we're really well placed to drive – sort of take a disproportionate share of the growth.

Doug Mitchelson: So does OpenAP and those initiatives – I mean I'm just wondering if there's anything else in advertising that's interesting. And as you sort of bring this to market for the first time, any sort of shifts in ad loads? Anything around the sports betting deal you did? Anything around OpenAP and whether that's more or less relevant to the new company? Is there anything else in advertising that you think is interesting?

Steve Tomsic: I think there's a couple of points to pick out. And people should be aware there's a low cyclicality in our advertising because we do – we're really merchants in big events and so there are going to be swings and roundabouts in advertising year on year. So we're coming off a World Cup last year. We had an NFC playoff game last year and we had a massive midterm election political spend last year. So that all comes out of our advertising revenue going into 2020, but then we pick up Super Bowl. And so just so people are aware of the cyclicality that goes into our numbers.

In terms of sort of the nontraditional, sort of picking up on the nontraditional points of advertising, digital advertising in terms of our overall advertising pie is about 10% and growing. OpenAP is part of that and we're believers in it in terms of monetizing particularly some of the cable networks in the portfolio. And we're going to introduce Fox News into that sort of environment in the coming months. But sort of our targeted – sort of more targeted advertising comes through our digital platforms which, as I said, is about 10% of the overall pie. I don't think – or of our overall pie.

I don't think you'll see much in the way of ad loads change for us. There's always sort of the innovations that we're doing in terms of presenting different ways for advertisers to try and stick out of the crowd. And so there'll be certain things that we do, like offering advertisers the opportunity that if they take a package with a show then they'll get – and then they can get sponsorship rights if we offer that show on an SVOD basis for the first couple of – so we offer the first couple of episodes on [indiscernible] and on an SVOD basis. So therefore, the advertiser can get sort of premium positioning there. We'll offer things like a shorter ad break going into the first ad break to try and create some more scarcity. But this is largely around driving CPMs higher and giving advertisers certain preferential treatment on product. But I don't think – fundamentally, I don't think you'll see too much change in the way we present sort of the inventory to the market.

Doug Mitchelson: So you started to touch on the change in entertainment programming strategy. How would you say it's evolving overall? I mean is there sort of a particular look and feel that's different for the shows that are going to be on the network going forward, an emphasis towards comedies versus dramas, cheaper programming? How would you—?

Steve Tomsic: I think you'll find a greater consistency in the audience flow you see across the overall Fox portfolio. And so that – you'll definitely see a push towards middle America kind of programming that is kind of natural for us, because it plays off sort of using our tent-pole programming to drive mass audiences and sort of that middle America audience into the entertainment side of the business.

But obviously we've got – we've had amazing success this past season with *The Masked Singer*, so we're going to push on that open door, and we'll bring that in for two seasons next year. And that's a classic example of that, right? It's sort of – like in concept you would've thought this is an absurd idea. But many of these reality shows are an absurd idea in concept and then, lo and behold, everybody watches it and you sort of think what a genius you are and so we will continue to drive that.

We've got more non – we've got the *MasterChef* franchise that comes back in terms of non-scripted. We've got the Justin Timberlake produced *Spin the Wheel*. We've got *Ultimate Tag* coming through which is the Watt Brothers sort of reality show or competition show. So there's lots of things coming through. Again, though, the focus will be pointing those – that programming, using sort of the power of all this cross-promotion to cross-promote into middle America, which is the viewership of the super powerful tent-pole properties that we have in the first place. So it's a consistency of programming through the schedule and across the portfolio.

Doug Mitchelson: As you [indiscernible] programming, and you I think mentioned that you own 50% of the equity – and I think it was probably from new shows coming on this season, and you'll let me know if that's sort of accurate or not accurate. How do studios respond when you say, okay, we're open for business and we'll take the best show from everybody, but we want to half the economics?

Steve Tomsic: It is 50% of a new show. We don't get a free 50% carry in things like *The Simpsons* and whatnot, so it is 50% of the new shows. And it's part of the conversation. I think with the exception of one show, which was largely our choice rather than the choice of the supplier, all the new shows that are coming onto the entertainment side of the network this coming year we will have an equity position in.

And listen, it's part of the conversation with the supplier of that programming. The supplier of that programming understands the value of – if you want to break a new show in the biggest market in the world, it's pretty hard to compete with what Fox offers you in terms of – it's now a truly independent broadcast network. You get the cross-promotion power of all these big sports assets. You're not going to be hidden away in some SVOD catalog. You're going to be front and center of sort of all the cross-promotion and power that we can deliver to a show, so you're enthusiastic about being able to participate in that environment. And so if part of that is the economics of co-sharing the equity in the show, then so far so good in terms of being part of that environment and getting that kickstart for your show. And in some respects, like it's not just that one show. Like many of these shows end up with spinoffs and so you can create a franchise within the Fox environment. So it's a pretty attractive space for sort of our programming suppliers to partner with us.

Doug Mitchelson: And you sort of mentioned that it'll be sort of a couple years before you get the payoff on the new show, I mean the shows coming in with the equity stakes. Back to building my model for me. So just curious. All this stuff flows through the P&L. You're investing a healthy amount developing new programming and so I think we sort of naturally wonder, well, is next year more spent on developing new programming, or is it sort of the same amount every year and then you wait for the backend revenues to kick in?

Steve Tomsic: No. So we said – and it was $200 million to $250 million. So I won't call out how much of the $200 million to $250 million goes here and there, so in terms of WWE, Nation and Entertainment. But we called it out as being $200 million to $250 million of what we call EBITDA investment, right? So we would anticipate that the $200 million to $250 million from an EBITDA perspective ameliorates over time, because you're starting to see a return on that investment come back in terms of incremental revenue while the spend remains broadly consistent. And so that's the way you should be thinking about it, which is the $200 million to $250 million is we're investing some of the profitability of the company into these ventures with the hope and the expectation that that drives incremental EBITDA as these investments come to fruition.

Doug Mitchelson: Great. So why don't we move over to affiliate revenue.

Steve Tomsic: Yeah.

Doug Mitchelson: You mentioned the $1 billion growth in retrans and so we could all do the math on what that means for sort of a per-subscriber affiliate rate. Where's the limit? Where do you think fair value for television station retrans gets you over time, particularly because you say you want to keep investing in sports to create even more value?

Steve Tomsic: So it's a great question and it's one that comes up often. We aren't anywhere near a limit in terms of getting fair affiliate pricing for what – and we called out retrans as a separate item because – part of that was because so much of the growth in that number is based on these fixed fees we get for reverse comp, the programming fees that we have with our non-O&Os that come to us. So we feel pretty confident about that number because it's less driven by whatever happens with the subscriber universe.

But when we think about sort of limits on – or how much headroom we've got in terms of affiliate fee, you look at it at two levels. One is the level that you called out which is how much do you think you can get retrans to. We think that for the quality of programming, the audiences we deliver and the attachment of those audiences we're kind of nowhere near the limit there.

And then we look at it from – when we are repping our own portfolio of channels, which now with virtually all of our deals we're negotiating them as a suite as opposed to channel by channel. We think of it as a suite, which includes news, the national sports nets as well as retrans. Again, that overall bouquet of channels is nowhere near sort of where we think we can get the overall affiliate pricing to. It's not going to happen overnight. You don't just double and triple rates overnight, but we expect to be able to drive growth pretty aggressively in terms of rate well into the foreseeable future.

Doug Mitchelson: And you mentioned sort of the lesser risk on the programming revenue because of lack of being tied to pay TV subs. There's some consternation among investors given accelerating core cutting. I think it's sort of just under 2% right now. I think our number is 1.7% for March and getting a bit worse for the rest of the year. Any update from your standpoint on subscriber trends and does this increasing pace of core cutting impact your strategy or how you shape your forecast meaningfully?

Steve Tomsic: No. We called out at the Investor Day that we're around sort of sub-2% in terms of – so it's consistent with kind of where your numbers are at. And from sort of a prudent forecasting perspective, our internal model has got sort of a continuation of that kind of trend in our internal model. So that doesn't change the way we sort of approach the world and approach our programming investment and our investment in sort of our own platform.

What I would say, like there's not going to be in an inexorable decline in terms of people either paying directly or paying through distributors for our content. What we are fundamentally believers in is two things. One is that we've got the best content on the block that has got absolute intrinsic demand across sort of masses of America in terms of people wanting to have access to our programming. The second thing we believe in is that, ultimately, there will always be a place for a pretty – maybe broad is not the right word, but there'll be a place for a bundle in which our content will be a core component of it.

Now we're seeing sort of the transition pains of the traditional bundle sort of coming under pressure and now you're seeing sort of these digital MVPDs have come through to pick up some of the slack as the decay in the traditional has sort of come through.

You're now hearing that you've got Disney+ coming through so the WarnerMedia will have their own version of it. So you're going to see a proliferation in over-the-top direct-to-consumer products which will be ripe to be reaggregated and re-bundled, right? And we think we're going to be a core component on whatever those bundles look like. Because the ultimate test is that the underlying demand for our programming is second to none with the assets that we have. And so we think we're always got a home in terms of either it's affiliate fee or in subscription revenue and so we will continue to invest to fortify that programming base to make sure that we always have that home and we'll always be part of sort of the inner core of bundles.

Doug Mitchelson: I wanted to shift to ask you about sort of the growth prospects for each of the three main business lines and starting with Fox News. Back to sort of building my model, what's the outlook for long-term growth? I think there's a lot of investor confidence in next year because of the elections. And then people start to wonder about demographics, or to the extent there's a shift in Washington, is politics less in the news than it is today and are there any growth challenges in the future for Fox News?

Steve Tomsic: Yeah. I don't want to – you don't want to sound complacent about Fox News because I think the other piece that people often ask is – you're also worried about a competitive threat to Fox News. And so we don't want to come across as being complacent or having too much management hubris about the prospects for Fox News.

But I think – one thing we tried to do at the Investor Day, and I think we probably need to reinforce at events like this, is just how broad Fox News has become. Because I think people – and our overall news play. So it's not just Fox News, but it's all of the – we do a thousand hours a week of local news across our local sort of portfolio. And so from a competitive perspective, we have than 3,000 people in our news business, right, and so it's hard for people to replicate that. It is a huge investment.

It's hard for people to replicate the trust that people have in that brand and the service they're going to get. And it's hard for people to break the habit of – if there's a massive story that's breaking, they just have muscle memory that goes to Fox News to watch what's going on in the world and so that is not easily broken.

And so I think too many people think it's sort of three hours of prime time, that anyone can get three talking heads and compete with Fox News. It is so much more than that. It is the linear channel from morning to midnight that is delivering consistent sort of audience and advertising revenue. But it's not just the linear channel. It's the Fox Business offshoot. It's our radio business. Like people don't realize that sort of our position on SiriusXM is probably – if not the most, it's probably in the top two or three most listened to services on SiriusXM. We now have Fox Nation, which we're really excited about building that into a big subscription sort of platform for us.

So we see Fox News as being sort of this sort of broad media business within the overall media business. And it's not – it's certainly not just prime time which gets all the kind of publicity. It is so much more than that. And so we think that there are so many sort of – I don't want to use that sort of – vectors of growth that we can sort of push on to drive Fox News forward in an aggressive way for a long, long time to come because we have created sort of this intense loyalty to that brand that we will build from.

I think in terms of if the White House goes in a different direction what happens, I'd argue that if the administration changes, I don't know if that has much effect because we've seen right through various administrations that Fox News has been able to maintain, and in fact grow, its position, whether it's republican or democrats. And in fact, you'd probably argue that the biggest beneficiary – which is kind of perverse – the biggest beneficiary of Trump being in office is MSNBC right in terms of the gains that they've achieved. So we don't think it's related at all to who's in office. There is just this huge appetite for news and it's hard to see that dissipating anytime soon.

Doug Mitchelson: On the sports side, the question we get often – often asked most is just around costs. So you have WWE this year. When we look forward on the sports cable networks in particular, are there other items that we should be thinking about adding to the cost structure, or is it sort of done for a while because there's nothing coming up for renewal?

Steve Tomsic: So there's not that many – the elephant in the room, which is the renewal that happens in 2023, but there is not – we increasingly – or we don't increasingly – we manage our sports business across the national broadcast network and the national cable networks as one piece, right? And so we think that at an aggregate the spend sort of bubbles up and down depending on when events get amortized in or not, right? So we had World Cup last year. We have the Super Bowl. That gives you a bigger kick in amort this year.

But we think there's – the overall massive rights that we have now and the cost of those rights in aggregate, it kind of feels about right. We think we've got the right level of sports investments for the amount we monetize in advertising and across affiliate. There is always going to be a debate internally about are we applying that money to the most effective sports rights that are on the market at any given point in time. And the way the world works is, if you want to trade in and out of sports, they rarely happen sort of when you want them to happen, so sometimes you're left with silo periods in terms of you would want more rights than what you currently do, and sometimes you end up with double ups. So you're carrying two sets of rights at the same time with the hope that you're going to jettison one because you're making conscious portfolio changes.

So we think in aggregate we feel good about where our sports position is, but we're obviously – we actively look at that and whether we've got the right sort of sports rights to suit where we want to take the business. And so that's something that happens, but there's nothing – I think the only major set of rights that comes due in the next couple of years is NHL, which we're currently not in. So it – but it's obviously an active debate internally in the shop.

Doug Mitchelson: So the elephant in the room?

Steve Tomsic: So listen, I think it speaks volumes in terms of our position to renew NFL. We don't know when the renewal will take place. That's completely out of our control. Obviously, it's up to when the NFL want to bring those rights to market. We've got two sets of rights. We've got Thursday Night Football and Sunday. They both come due – so their last – our sort of last game of the current tranche of rights is the Super Bowl in 2023. We would hope to have an outcome – in fact, our clear expectation is we'll get an outcome on what that renewal looks like well, well, well, well in advance of that taking place.

The fact that we had an Investor Day a few weeks ago and Commission Goodell was at our Investor Day, could not have been more praiseworthy about sort of NFL being on broadcast television, could not have been more praiseworthy of how Fox has handled the product means we feel like – if we're not the most important, we're probably the equal most important broadcast partner that the NFL has. It's a relationship I'm sure they don't take for granted. It's certainly not a relationship we take for granted. And so we think we couldn't be more well placed to renew those rights. When that happens and what that looks like is impossible for me to say, but I think we feel very confident that we're really well placed to renew.

Doug Mitchelson: You talked about the sports betting deal that you cut with The Stars Group at the Analyst Day and it's only a couple weeks, a few weeks later, but any sort of early takeaways or sort of new learnings with the ink now dry on that deal?

Steve Tomsic: No. But listen, I think – I want to emphasize how – because people ask about capital allocation and all the rest and we put the better part of $240 million into taking just under 5% of T0he Stars Group. And so this kind of deployment of capital and this partnership with The Stars Group, it just ticks so many boxes in terms of how we want to manage the business for growth going forward.

So we've got this unique opportunity with sports wagering, which if it does a fraction of what sports wagering has done in any other major Western market, is going to be a huge market in the U.S. It plays to our strength in terms of teeing off the big sports that we broadcast. It not only sort of leverages those sports, but it actually delivers back to those sports because of the fact that even if it's not – even if you don't have money invested in the game, if you just play it free to play a game, that will be part of the sort of package of products that the TSG partnership or Fox Bet is going to offer you're more invested in the game. So you're going to watch the game. You're going to stay watching the game longer. So it actually reverberates back to sort of our audience capture on the linear and digital platforms that we have.

And then it opens up a whole sort of new set of revenue streams for the business, whether it be – sort of the most modest aspects of it are the brand license fee which is really modest in terms of sort of the brand that we're delivering to them. And then the second piece around advertising revenue, which is largely going to be local to start with because it's not nationally – it's not a nationally licensed product as yet. And so – but again, a lot of that advertising revenue for us will be substitutional because we're already pretty fully sold on the properties they're going to buy against, but it does help you in terms of CPM because you've got that foundational bid.

But really, it gives us a free look of each – so you'll have these Fox Bet businesses all over sort of wherever sports wagering is made legal, where we have the opportunity to look at how successful those businesses are and take up to a 50% stake in those businesses. So in success this – we almost – I don't want to say it's a free look, but it is the option without the obligation to be able to invest in these businesses. And if we're even close to where sort of our projections are about where sports wagering could be in this country, then we think this is a really exciting opportunity for us.

Doug Mitchelson: So I hate to save the M&A question for the lightening round, but look, I mean the question is does Fox have the right asset mix. And you've talked a lot about how excited you are, how Fox is constructed. But the media landscape is evolving. Are there other businesses or companies that could make Fox a stronger company over time?

Steve Tomsic: So listen, we feel good about the portfolio where we are. Let me sort of take that capital allocation in this broader sense because I think people get hung up about it.

People have talked about why don't you have a buyback authorization and that really is a matter of time. The Board was only just formed before going public and so, therefore, it needs to go through constructing that authorization. So we'll have that this year.

In terms of how we allocate capital, The Stars Group deal is a classic – it's so emblematic of the kind of deals that we want to do in terms of growing the business from the core platform we have now. So whether that's sort of really driving of sports, news and entertainment; really driving off the capacity for us to aggregate audience en masse; and so being able to deliver that to an asset and being able to have an equity position in that asset or some sort of carry in that asset to benefit from what we deliver to that asset is really important to us.

I think we've made it clear to people that if there was an opportunity to buy local TV stations – I mean we want a [indiscernible], but to the extent that we can buy them at the margin in terms of fitting well with our portfolio, again, of being in good football markets, being in good college sports markets. If they're in really sort of hotly contested political markets all the better. So we'd look to tuck those in if there are opportunities available there.

So I think that's the lens. I mean John said we want to operate within that Venn diagram of the assets that we have sort of currently now. People should be thinking about us doing those kinds of investments where sort of it really builds on the platform that we have already.

Doug Mitchelson: All right. Well, thank you for sharing all your thoughts today, Steven.

Steve Tomsic: Thanks, Doug. A pleasure.