Fox Corporation

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John Hodulik: Great. Again, thanks, everyone, for coming. We'll begin our next session. I'm very pleased to have with me here today Steve Tomsic, the CFO of FOX. Steve, thanks for being here.

Steven Tomsic: Thanks for having us back, John.

John Hodulik: We've got about 30 minutes for Q&A and I've got the iPad here, so if anybody has any questions, I can -- you can download the app and submit them and I'll work them into the conversation. Steve, always this time of year we try to get a sense for what companies are thinking about for '24. As you look out into the new year, can you talk about the company's priorities?

Steven Tomsic: Yeah. Listen, I think FOX -- it sounds repetitive, and I think I said similar things at the conference last year, but FOX has been pretty resolute around a strategy that we think distinguishes our company from many of our peers. As part of -- we separated the company a little over 5 years ago, which now seems like ancient history, but the strategy remains hyper relevant today. We are in the live sports/live news kind of business and we think the reason why we're in that business is, A) because we think we can lead in those 2 categories and have demonstrated that over a long period of time now. B), it monetizes super well because the advertisers covet it and so do the distributors. And C), it's the most compelling programming that's available in the market.

You'll see us in '24, the priorities will remain largely the same which is continuing to deliver on that promise from a programming perspective to our customers whether they be the end audience that watches the programming or speaking to the media audience, which is the advertisers and distributors. '24 begins to become a really big year for us, particularly on the news side. Sports is relatively similar to what we're seeing this year but '24 is a huge year from a news perspective. You've got the presidential elections and the primaries that weigh into that. '24 from a sports perspective, we have a new property for us which is the UEFA Championships which will be in the summer. And then that builds through '24 and then into '25 we have our next Super Bowl. You'll see us continuing to focus on those 2 categories.

And as we focus on that, we'll obviously focus on the monetization of that, so we'll have our usual progress with respect to affiliate renewals and we expect to be able to achieve our objectives there. There will be usual advertising, trying to grow the advertising book across the whole portfolio. And then as we look -- so that's the core of the business.

And then we look out from that, we're very excited about the growth opportunities with our digital assets and in particular Tubi, Nation, Weather, and even USFL, which is not digital per se, but part of the growth portfolio. It's a lot to get done, but we feel like the focus that's paid off for us over the last 5 years will continue to pay off.

John Hodulik: Relative to peers, and as you mentioned, most of your linear programming, including sports, is still exclusive to TV, not available on sort of a D2C platform. Will this continue to be the case? And are you guys confident that that's the best approach to take?

Steven Tomsic: I think -- the notion or the term linear programming is now almost used in the pejorative which we don't define ourselves by being a linear programmer. When you sat down to watch the Niners against the Eagles yesterday, you didn't think, I'm sitting down to watch a lovely piece of linear programming, right? You're thinking about --

John Hodulik: I did though.

Steven Tomsic: You were thinking, I'm here to watch a really, really important sports game. And it's the same with our news service, our general entertainment business. We don't define ourselves by the delivery mechanism or the way it's scheduled. Linear -- sports and news are the opposite of entertainment in some respects. Because entertainment, there's no doubt that streaming has delivered a better user experience. It's on demand, you watch it when you want, you watch it how you want. Sports is the opposite. Sports and news is the opposite. The actual content expects the viewer to be on demand because it happens when it happens. People don't watch replays of the news. People don't watch replays. Generally speaking, they don't watch.

From a delivery mechanism, we still believe that the way we deliver our programming, which is largely through traditional MVPDs and digital MVPDs, is the best way that we serve the end audience because it's the most integrated. No one has all the sports. No one has all the news. The best way to deliver that integrated sports experience to the end consumer is through the bundles that we serve at the moment. The best way for us to monetize that content continues to be to take affiliate fees from distributors in return for some pretty incredible programming and pretty incredible programming investment, and continue to take advertising revenue for advertisers who cover those kinds of audiences.

As distribution evolves, we're not going to stick our head in the sand and say, this is the only way we'll distribute our content. But we firmly believe that the bundle and being able to watch news and sports as part of a collective offering is going to be the predominant way people watch. Now, whether that bundle remains MVPDs that are facilities-based, the virtual MVPDs, or some other version of that, is to be seen. We'll assess that. If the right commercial opportunities present themselves to evolve the way we serve our clients, then absolutely, we're attentive to it. But at the moment, we think we've got the optimized way of serving the consumer and the optimized way to monetize that.

John Hodulik: How is that approach, and focusing more on these existing distribution channels, how has that been paying dividends in terms of your recent renewals on the affiliate side?

Steven Tomsic: You see it on both sides. You can see it both on the advertising side I think we get best-in-market rates for our content from a CPN perspective. And you see it with our affiliate renewals. We had, in '23/'24, fiscal '23/fiscal '24 we had about 35% in each year of our affiliate book coming up for renewal. Our fiscal -- we started this now, and in terms of that 35% that we had this fiscal year, virtually all of that has been renewed. And you've seen that happen without us going up dark, without acrimonious public debates about value of content versus value of distribution. It speaks to the fact that we're delivering something of immense value to the distributor and the end audience. You see that appear in terms of what I think will be best-in-class affiliate rate growth, whether it be cable affiliate or re-trans growth. We're seeing the fruits of that and so it behooves us to respect the end consumer and respect the monetization that sits in between them.

John Hodulik: A sort of shock to the system was Charter's recent deal with Disney. I think some programmers have been awaiting this for a while, that some of those longer tail networks or sort of less watched networks were being dropped. And that seems to have kicked off that process. I mean what implications do you think that this has for your business as it's currently positioned?

Steven Tomsic: I think -- we only know as much about the renewal as what's publicly available. But listen, I think the message that renewal tells us and I think tells the ecosystem is what we've been trying to say for the last 5 years. Which is, there's clearly been a prioritization by the distributors for sports and it looks like the economics have been prioritized towards sports as well as opposed to or in preference to general entertainment content where so much of that content is linked to SVOD platforms.

We think that ultimately the bundle needs to shrink in order to serve the end consumer and we think that losing some of those long tail networks can only be helpful to create a bundle that speaks to what the consumers are looking for. And it looks like Charter has been given the flexibility to be able to combine both what you termed to be classic linear programming as well as SVOD services into one.

Now it's really -- the ball goes back into Charter's court in terms of assembling an offer at the right price with the right blend of services, whether they be the live services which are typically delivered linearly like ours, and we're the best of that breed, in combination with more contemporary SVOD services. If Charter can deliver that package using sections across the industry, it would be fantastic for FOX. Because it's helpful for the subscriber universe, but the proof will be in the eating of the pudding. It's like how does Charter deliver that in terms of a price point to retain their subscribers? But we think ultimately it speaks to the strength of the programming that we've prioritized within that bundle and perhaps the strength of being able to deliver something.

At the moment, the consumer is in -- when you look at what the consumer is being asked to deal with from a consumer choice, it's like take the classic bundle, but it's way overpriced because there's a bunch of stuff that they don't want. Or they go into the world of D2C which is super fragmented, super unintegrated, super unfriendly. If we can build something that fits in the middle, which is truly integrated at a really sharp price point, I think it's going to be fantastic for FOX.

John Hodulik: It seems like the Charter model is include all the SVOD services, but then drop all the long tails or any duplicative networks.

Steven Tomsic: Exactly, it's duplicative content. I think we're very -- we're encouraged by that sign.

John Hodulik: That should eventually, given the savings you get from bundling, a lot of people -- you think there's 3.3 SVOD services per household, bundling those in for your service, there's some real savings there even though the price may not come down. But I do think that there are some positive trends, that this should lead to positive trends in terms of cord cutting in the U.S. But if it doesn't, if you see a continued transition out of the bundle towards streaming, how will the strategy at FOX evolve to stay in front of that?

Steven Tomsic: John, if we do see that -- listen, our -- we are -- I think people somehow have tagged us with being defined by the distribution, our means of distribution. We're distribution agnostic. As long -- our view is, we have some of the most compelling content in the country with our news and sports. How that content gets to the end consumer, whether it be through the 2 key versions now or whether that evolves, we'll follow that to the end consumer. It's incumbent on us to be able to continue to produce that content and have something super compelling. And then it's incumbent on us to get the right commercial terms for that. Don't think of us as just sitting on our hands saying, if it's not this model, then we're bust. Our distribution will evolve as the customer wants our distribution to evolve. But at the moment, we think we're best serving them with the suite of distribution that's available to them today.

John Hodulik: Disney has announced that they are going to launch ESPN Direct in '25. Maybe it's a little sooner. Is there room for FOX to do the same? And if so, are there -- people are starting to talk about bundling both on the SVOD side and potentially on the sports side. Is that something that you would expect to evolve if the world headed in that direction?

Steven Tomsic: We look at -- we did a calculus on all the potential distribution modes that could possibly emerge. I think with sports in this country, they are so fragmented. For the true sports fan, ESPN is a great service. I'm sure that when they launch ESPN flagship, it will be a fantastic product. But it's a sliver of the sports. And if you're a true sports fan, if you want to watch NFL in a given week, you've got Amazon Thursday, you've got us Sunday, you've got CBS Sunday, you've got NBC Sunday night, and you've got ESPN Monday. And NFL is the most important sport in the country, and so if you've got that level of fragmentation, no one sports service is going to satisfy you. Then when you look at it across if you're a sports fan, across multiple sports, you haven't got a hope. At the moment, the best way that that collective of sports comes together is in the virtual -- digital MVPDs and normal MVPDs.

If there is -- if you can conjure a way to bring all those sports services together, you bring together content from a lot of players that kind of looks like a digital MVPD. And it's probably going to be at a similar price point. We're obviously following it. We have a rights capability both on the Sports side and the News side to be able to deliver our services D2C. We have a pretty extensive technology build. We have Tubi from a streaming perspective. We've got Nation from a streaming perspective. We've got all the building blocks for us to go D2C if and when that becomes appropriate. But for now, we still think that the right strategy is where we're at.

John Hodulik: Got it. Maybe shifting to the sports rights portfolio, is that -- and you guys have shown a lot of discipline and willingness to change and pivot based on what rights are up for grabs and how expensive those rights are. Do you think you've got the right portfolio, most onerous sort of linear world as we sort of look out into what could potentially be a more sort of digitally led future?

Steven Tomsic: Yeah, listen, I think we've done a lot of optimizing of the portfolio over the last 5 years. The biggest gesture we made was obviously an enormous renewal of the NFL which gives us surety over the most important product for a long, long period of time.

John Hodulik: Dropping Thursday?

Steven Tomsic: Dropped Thursday. But we think that we're well served with the package we got with Sunday. We have MLB for a long period of time. We've got college football which has been on a tear this year for us for a long, long period of time, particularly the Big 10. We just renewed NASCAR for another 7 years. We think the key planks of our portfolio are in place. I think where we have -- we've made, we've also dropped certain things, like we dropped WWE. You mentioned we dropped Thursday night football. But we picked up. We did the UEFA championships which is a pickup. We have USFL that's coming through. We've made changes and we've made changes both on what we think serves the end consumer, we've made changes that sort of suit our value and economics. We think we've got a fantastic foundation or platform for a long, long period of time. I think we feel as though from a portfolio spend perspective, we've got that about right. And listen, we'll continue to optimize as rights come and go. But right now, we're probably in as good a position as we've been in, in terms of just having the surety of supply of the key programming that defines FOX Sports.

John Hodulik: There's a couple of big ones out there. You mentioned you guys have passed on WWE. It sort of in our mind thinks you created a little bit of -- freed up a little bit of budget. You have MBA coming up, there's a few others. You don't think as you look out to a digital, potentially more digitally-led world that you need to bulk up in terms of your portfolio at this point? Or it's about the right level of spend?

Steven Tomsic: We think we're at about the right level of spend and the right spread of rights. We look at everything. I think Lachlan said NBA is probably less likely for us, close to an outright no. I think we took away WWE because for us it was it was neither fish nor fowl. It wasn't brand-defining for FOX. It was a reasonable check to write when we were in deficit on a Friday night with that programming, but it wasn't something big. And it was also -- different versions of WWE were available in different parts of the ecosystem, so it wasn't unique to us. And we think we can program Friday nights in a really, really exciting kind of way once we get through WWE and we'll have more to say around that in the coming months. But no, I think whether it be serve the distribution platforms we have now, or whether distribution evolves to something different to what it is today, we think our sports portfolio will serve us super well.

John Hodulik: Maybe turning to the ad market, we had the ad panel kick off things this morning, which was not -- I wouldn't say there were that many surprises, but I wouldn't say it was terribly constructive on the overall linear TV advertising, except for sports, frankly. But your peers have talked about soft ad trends persisting into calendar 4Q. Can you give us an update in terms of how you're viewing the overall linear TV ad market as well as what you're seeing on the sports side?

Steven Tomsic: I think we're different to our peers. We play in -- it goes to the strategy, which is sports, news, super resilient, super compelling from a content perspective, and really, really hard to compete. If you don't have the NFL, you don't have the NFL. If you don't have FOX News, you don't have FOX News. That's why we play in parts where can win. We see -- our portfolio mix is different to our peers. When we look at it, it's probably fair to say that in all of linear, general entertainment linear is the most challenged, and that is a very, very small part of our overall book. When we look at the overall portfolio, sports remains really solid for us. College football has been remarkable for us. And it followed having the Women's World Cup which was also fantastic for us. NFL remains strong. NFL, I would say we probably -- we sold a lot NFL in the upfront and probably got best in market CPNs in that and we continue to preserve that price integrity maybe a little bit better than upfront in terms of scatter pricing. I think with NFL, the matchups that FOX has had to date have been a bit more mixed and so therefore, it's really about -- it's less about market dynamics and more about audience dynamics. We have a fantastic slate of NFL programming from here through to playoffs and so we feel pretty excited about how that looks. MLB was okay from a cash perspective, but not so great from --

John Hodulik: A matchup standpoint.

Steven Tomsic: Matchup standpoint, and a game count standpoint. We kind of got hosed on that. But that comes and goes. Next year it might be a 7-game Dodgers/Yankees. We'll see. But that wasn't particularly good. On the news side, it's a bit more nuanced. News, we still are facing DR pricing headwinds. And it's somewhat related to the linear general entertainment which has moved towards taking DR as part of their ad sales. News suffers from that because DR is an important component of the news advertising book.

This quarter we'll have preemptions from the amazing coverage of what's going on in the Middle East at the moment. And then obviously, you've got some ratings headwinds at news. All in the mix, sort of news as a -- national news as a category remains pretty robust. But there are a bunch of other headwinds that are sort of fighting in against that. Tubi has been strong from a viewership perspective, but we're seeing a ton of inventory come through both from an AVOD perspective and digital at large. We still continue to drive super engagement at Tubi, but I think you'll see that the revenue growth will be a little bit more moderate in this coming quarter.

I think when I look at the overall book, nothing has really changed since most of this fiscal year actually. It's kind of like sports remains pretty solid. News is solid, but we have our own sort of unique issues there. General entertainment, which is a small part of our book. And then Tubi continues to grow well from an engagement perspective, but we'll see sort of that revenue moderation.

The final piece is local. And we're obviously comping against an enormous midterm election that we had in Q2 last year which obviously doesn't repeat itself. From a base-to-base perspective, I think we're about where we were last year. That's kind of being driven by the fact that auto has been strong. Encouragingly, retail has been strong over the last probably month or so. And then countervailing that is we continue to see a lot of movement in sports betting money away from our local stations and into more national placement. That's the book and almost it's dovetailed each year.

John Hodulik: Got it. That was comprehensive. In terms of the news side and the ratings, is this sort of just normal course of business when you have a big figure leave? And do you expect -- I mean ratings, we were just looking at it the other day, I mean ratings have come back a little bit, but they're still well off from where they were. And then you mentioned the preemptions because of the war. Should we think of this as something that should over time solve itself? Or are near term trends, is it something we're going to see in the numbers?

Steven Tomsic: Obviously, you'll see it. You saw it in the numbers in Q1. You'll see it in the numbers in Q2. For a whole bunch or reasons. It's not just ratings. It's preemptions. It's DR pricing. It's a bunch of reasons. You saw that in Q1. You'll see it in Q2 as well. When we look at the underlying health of the network, we made changes in the lineup in mid-July, on July 7, 8. And they have had pretty instant -- we've always been -- it's not hubris, but we are incredibly confident in the brand and the attachment of the audience to the brand. I think you'll see what I call a temporary reduction in ratings, but as we sort of wind into primary season and then into election season next year, we feel pretty confident about the slate.

And I think what people need to really understand with our FOX News service is it's not just the 3 hours of prime time. We are now pretty close to a full day daypart programming base. You think like The Five, which is consistently the highest rating news show full stop in cable news, the channel is consistently right in the top 4 amongst the broadcast networks. We feel pretty confident about the capacity of the brand and the network to withstand programming changes in primetime absolutely. And you look at the brand and you look at FOX News, we now call it -- we've been calling it FOX News Media since the spin, so it's not just even the linear network. It's the digital website, it's Nation, it's Weather, it's the audio service. When you look at that kind of collection and portfolio of news assets, it is by far and away the most well-placed news business in the country.

John Hodulik: Any early read on the political spending as we head into the political cycle? I mean, obviously that's mostly on the local side, but what are you thinking that we'll see as things start to heat up?

Steven Tomsic: Listen, it's too early to say. We're pretty optimistic about what next year, next calendar year could look like. Typically, what happens is, you start to see -- you won't see it in Q1 or Q2, our Q1 and our Q2. You'll start to see some build in Q3 and Q4, but that's in sort of the tens of millions of dollars. And then it really, really starts to prime July through November. Last presidential cycle, across the company, we were at north of $350 million of political revenue. The vast majority of that went to our local stations. it isn't based on the political atmospherics, whether they be national presidential or whether they be local races, all points to it being another bumper political year for us.

John Hodulik: You mentioned some moderating growth. Maybe we'll turn a little bit to some of the digital initiatives. You mentioned some moderation in growth on the Tubi side. You probably mentioned this and it didn't register, but it is more consumption based or just the ad market? And sort of what other drivers for that? Because obviously, that theme is there's sort of more options for ad supported viewership online. Aside from Tubi and YouTube and there's going to be ad-supported or ads against Amazon content. Is that having an impact on the overall economics of that business?

Steven Tomsic: I think short term, probably yes. From an engagement perspective, we're continuing to see phenomenal growth in engagement. Our Q1 engagement was up 65% and our revenue growth was up 30%. I think what you're seeing with the emergence of more ad supported video is you're seeing pressure on the ad market that Tubi is not immune from. And that expresses itself both in terms of fill rate and CPN. I would say though, and I think it's a short-term phenomenon, because I think we've said for quite a bit of time now, it's really, really hard to drive engagement, how to change that on a dime. And while we've got really, really healthy growth in engagement, we don't want to do anything to interrupt that. We want to continue to fuel that and monetization will catch that over time.

I think with the proliferation of ad supported services, it's potentially in the medium term beneficial for Tubi. Because we think unlike sports and news where we think we get top CPNs in both of those categories, we're by no means getting top CPNs at Tubi. To the extent that these ad supported services validate that kind of inventory and are able to drive CPN growth fill rate, we think in the medium to long term that's super healthy for Tubi.

And the real heartbeat is driving engagement. Tubi is clearly -- if you look at the Neilsen gauge, Tubi is clearly the most significant AVOD platform out there. When I look at the curves between our primetime linear led advertising versus Tubi, Tubi has already sort of crossed that curve. It's a really important asset for us. Lachlan said it at acquisition time, we expect Tubi to be the digital broadcast network, and it's displaying all the signs for being that.

John Hodulik: What's driving that growth? IRR, the 65% number, do you expect -- I mean it probably moderates with just the law of large numbers, but what content is resonating or why do you guys think you guys are having -- and you're right, the gauge numbers validate that versus all the others --

Steven Tomsic: It's not just our -- [cross talk]. The beauty of it is, it's not one thing. It's the secret sauce is the obvious. Which is you've got this enormous expanse of targets, the north of 60,000 target on the platform. And unlike others, our sort of -- from a programming perspective, we're not wedded to any one studio. We're agnostic to where we source the programming from. And if anything, programming suppliers are more and more willing to license to Tubi first for monetization reasons that they have as they've embarked on their SVOD strategies.

And then from a distribution perspective, we're available everywhere. We're not beholden to trying to support a hardware device strategy. We're available on all the big platforms. It is ubiquity of content and ubiquity of distribution. And there is just absolutely no barriers to consumption. It's free. If anything, what we need to -- what we're starting to do is to be able to collect some information from the consumer to get them to sign up the service as opposed to being completely barrierless. That will help us with addressability which will go to CPNs and all the rest of it. But we think it's a simple recipe, but we're kind of uniquely able to execute on that recipe.

John Hodulik: I was going to go to -- all the digital investments in general have been a bit of a drag on the EBITDA. How should we think about that going forward? I think if I can remember the guide correctly, it was sort of 2 years at about the same level this year. At a certain point, is that -- and I think Tubi is part of it, and I don't believe Tubi at this point is profitable. I mean when do you start to sort of monetize that or see real EBITDA growth out of those initiatives?

Steven Tomsic: It's a drag on EBITDA, but I'd like to think it's a huge lift in terms of value. Tubi is the biggest component of that investment spend. And it would be crazy for us to dial that back given the success we're having in that platform. You should expect I think this year across the whole sort of growth portfolio, and in that portfolio you've got things like Tubi, Nation, Weather, USFL, sort of the whole constellation of assets there. Tubi is the most important. You should expect some of those others will begin to get closer to breakeven. Tubi I think we'll keep at a similar level to what we saw last year.

But then you're right, John, over the sort of median term, we would expect Tubi to pay for itself. Listen, there's a clear pathway there. We've had Tubi at EBITDA neutral in quarters gone by, but we choose to invest in growth. And I think given what we're seeing from a consumption perspective and a topline perspective, we're going to continue to invest in growth because we've reassessed the size of the opportunity. But obviously over time, we want this to sort of wash its face breakeven and then really show proper EBITDA contribution as opposed to being a deficit in EBITDA.

But when we look at valuation, Tubi cost us, from an EBITDA perspective last year, Tubi was minus $240 million. I would argue that that asset is worth -- press reports had it about a couple of billion dollars. Meanwhile, people are capitalizing, implicitly capitalizing the loss of [cross talk]. There's an enormous value swing as people sort of get their head around that.

John Hodulik: The investments in growth, is that more content? Subscriber acquisition? Or what are the investments there?

Steven Tomsic: All of the above, John. A lot of it is predominantly content. And with respect to Tubi specifically, it's about how you bring in -- we've got an enormous amount of revenue share titles which is where the predominance of consumption happens. But then we add to that with license spend where we take on risk as opposed to it being on consignment. And then you've seen us with a relatively modest investment of originals. But a bunch of - there’s the predominant type of the investment. And then you see us invest into user acquisition. And it's the same with Nation to be quite honest. Kind of content spend as well as user acquisition.

John Hodulik: Longer term -- I mean it seems like a lot of streaming companies have a target out there for longer term profitability. I think the fact is people just don't know. But is this a business that you can see your way to sort of 10% or sort of 20% plus type Netflix type margins? Or how should we think of longer term profitability of that piece?

Steven Tomsic: I won't give a number, but there's no reason why it can't achieve -- we're not investing in it just for the sake of driving topline revenue growth. We absolutely expect it to drive really, really strong IRRs. And the only way to drive strong IRR is being able to drive EBITDA margin and free cash flow generation over the median term. We expect Tubi and all of those assets to be able to deliver on that promise over the coming year.

John Hodulik: I think we have time for one more question. The theme of sort of M&A in the media space has reemerged I would say in the last -- it's gaining some momentum, but certainly in the last month. Actually, FOX almost, or it looks like it contemplated, a transaction with your sister company News Corp. How should we think of how FOX is currently positioned in the landscape? Do you need more scale? Do you need maybe more digital assets? Or how should we think of how FOX would play as you potentially see more consolidation?

Steven Tomsic: The way we approach M&A is not from a defensive perspective. Which is to say we've narrowed down the company and we've got a really, really focused company. And so, we don't need scale for scale's sake. In fact, the whole Disney, the evolution of the Disney transaction was to deliver scale where scale was required, which with Disney and its SVOD strategy, and deliver focus where we can be leaders in news and sports. We don't see M&A necessarily from a defensive perspective.

You look historically, and you look at our capital deployment and where we've gone with that, we've done $4.9 billion in buybacks since the spin, and we've done in round numbers about $1.5 billion in M&A. We want to grow the company and so if you had said to me, John, at a conference 5 years ago whether that would be the split, I would have had maybe the opposite. But we're super disciplined. I think it reflects how disciplined we are. We look at everything. 5 years ago, people were saying, you should be buying the RSNs. We had the common sense not to do that.

But listen, we're on the lookout for how we can grow core verticals which is Sports and News. And one of our core assets is the audience that is loyal and devoted to those brands and how we monetize those audiences in adjacent spaces. Sports betting is an obvious example of that. Our M&A filter is pretty broad, but our bar is incredibly high and so we'll only do something that we think is truly accretive from an earnings perspective as well as a value perspective.

John Hodulik: Sounds good. Makes a lot of sense. Steve, thanks for being here.

Steven Tomsic: Thanks for having us. Appreciate it.