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<<Michael Nathanson>>

Okay. So we're going to get started. On behalf of Craig and I, thank you, again, for your support. Can't say enough. We really appreciate it. We know that people have choices and we really, really are so happy that everyone supports us in this room. So thank you for that. I also want to thank Lachlan Murdoch for being here, fresh off a new Investor Day, the upfront, a new company. He is the Non-Executive Chairman, right? Executive Chairman and CEO of FOX, new FOX as we call it. And this is first time he's going to be presenting about the company after Investor Day. So Lachlan, thanks for being here.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Great. Michael, thank you very much for having me.

<<Michael Nathanson>>

Yes. So now we're going to sink into these chairs and if you can't see they're really low, exactly.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

kind of like a lazy boy, right?

<<Michael Nathanson>>

Yes. There's going to be on notes to fix next year, is higher chairs. Okay. So this morning, we had Bob Iger here, and we know that this is a really interesting time in the history of media, with your family playing a critical role in shaping the future. So can you help us understand what was the key moment or reason that drove the creation of new FOX and the exit of old FOX?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. Absolutely. And when I agreed to come today, you didn't tell me I'd be following Bob. He's an incredible executive and has done a really brilliant job with Disney. And obviously, his first approach to us when he called us and called my father first and said would we be interested in entering this transaction with Disney. And that was the seminal moment, but of course, what led up to that moment was us thinking for a long time about the need for both sort of focus in the industry, particularly when you have a company with lots of disparate assets, the need to focus, but also the need, particularly, within the entertainment assets for scale.

And so when Bob called, I think a few of those things sort of triggered immediately.

<<Michael Nathanson>>

Got it. Okay. And can you discuss your vision for how this new company will be different strategically and culturally from the last company?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. So when we think about – probably this is to the last question, so you think about focus and scale. If we go back in our history, if you remember, when we spun-out News Corporation in 2013, that deal was all about focus. The management team running businesses predominantly, twin assets, were very different skill sets and very different experience than the people running the television and entertainment assets. And so we spun-out News [Corp] and it did give both businesses a tremendous amount of focus.

But then later, few years later, when we had our run at a merger with Time Warner, that was about scale and that was really about saying – particularly entertainment assets in this world is changing so rapidly, the entertainment assets are really part of scale. What happened then though was the price got too expensive, and really, it was a – if we'd entered that transaction, had we kept increasing our offer, we decided to pull back, it was really to the benefit of Time Warner shareholders, not to the benefit of FOX shareholders. So we decided there is a point where we should stop.

I think in the Disney deal, we get the best of both worlds. We give our assets a scale under – with a merger with Disney, our entertainment assets, but our news and live sport and the network assets and TV stations all get this incredible focus. And so the way we've structured that is we've actually – and I'm sure everyone in this room I know are very sophisticated and will understanding the structure of the deal, but what we did is we spun-out new FOX, which we call FOX, the new FOX, we spun it out the day before Disney bought the other assets.

And so what that meant is, we literally had a blank sheet of paper and how we wanted to structure the company. And so we reorganized the management, we flattened some management layers, and we were able to pick from the sort of shared services and corporate management team exactly who we wanted to bring to us to FOX. And that's given us a tremendous opportunity to reset the culture, to be focused on being so entrepreneurial with very collaborative culture and really focused on growth.

<<Unidentified Company Representative>>

And you gave everyone stock, right, so everyone is now a shareholder in the company, which wasn't the case previously, right?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So what happened, we have a shareholder alignment plan, really to align our employees with all of our shareholders. And to be honest, it started as a plan for the – when you go through these transitions for the top few hundred people in the company, right? Who are the people in critical positions that you need to incentivize to both stay through this transition and who we needed to maintain or retain in the company.

And so it's really designed for the top few hundred people. Having said that, with the – once we allocated all other shares, there was a portion – a large portion left over. And the Board came back to me and said, "Who should we give this – these shares to? And really, should we keep it in reserve for recruitment, recruiting new executives or people?" And I thought about it for not very long and realized that actually it makes sense to give it to all employees. And so we gave people – if anyone in the company, if you'd been in the company, for instance, not a huge amount of shares but not immaterial, to people – if you're up to 10 years, you got $1,000 per share, and this was a surprise to everyone.

You got a $1,000 worth of shares. If you been in the company up to 20 years, you got $2,000 and beyond $3,000 worth of shares. And it's given great sense, again, throughout the whole company, of people having ownership in this new business.

<<Michael Nathanson>>

Okay. And we think about imagining the old structure versus new structure. What are your biggest changes or priorities imagining this? It seems like a much easier. Nothing is easy, but it's more focused than what was a massive sprawling enterprise, right?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. So we are focused today entirely, domestically, entirely within America. We really have four sort of – well, there is three plus one underlying, but let's call it four operating sort of businesses. We have our news business, our sports business, we have the TV network and we have the station groups that kind of works as a sort of foundation for all the others, frankly.

And then on top of that, you have a big digital group, you have advertising sales, affiliate sales, general counsel and a CFO, and that's your management. So it is like a dozen of us, and we get together all the time, both regularly and sort of normal sort of course of business, but offsite and thinking about strategy and setting the culture of the business. So it's very refreshing to be in a business that is so focused, and so it's a simple business to run. It's actually quite simple.

<<Michael Nathanson>>

Can you not worry about currency, exchange rates and guidance? So there's always an investor concern that I pick up about controlled companies and the fear that controlled company will not be shareholder friendly. This is not controlled because you don't control all the vote, but how do you assuage fears from people who are worried that their views, their feelings, their goals are not going to be managed properly in a company that's more of a family than totally independent?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

I think you just have to look at our track record, right? And if you look at the deals that we've done over the past decade, they are not only shareholder friendly and are focused on shareholder value but ultimately when we came to, whenever it was, 18 months ago, deciding to sell the business or a large portion of the business to Disney, we – the way we took it as a family as well to the way we look at this, we've looked at, what was the value that Disney could monetize out of our entertainment assets?

And we realized they can monetize those assets faster and a better rate than we can, right? And maybe we could get the same level over some years, and I think we could have, but for all shareholders that was a better deal for you. Then what we were able to do because we had control, we were able to negotiate what we think was a very favorable deal. I'm not sure we could have done that if we didn't have controlling shareholders.

<<Michael Nathanson>>

And even your answer before that, not chasing Time Warner, right? The idea of Time Warner was the right strategic idea, right? You basically saw some things that other people hadn't seen, which you needed scale three or four years ago. Again, by not chasing it is a sign that you could have bid it to 110, but it would not made sense to you?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

That's exactly right. But we know the entertainment business well enough. We did our math very diligently, and we knew the price we could afford to pay and what would be accretive to shareholders, and we knew the price beyond at which they will be dilutive, and that's when we stopped. The reverse of that probably is if you look at the – our decision not to bid for the RSNs, the regional sports networks, that we sold to Disney. Now we could have bought those back considerably less value for what we sold them for, but we looked at them and said, "That's not our strategy now." And we were able to walk away from deals like that as well.

<<Michael Nathanson>>

And how many times in the past you had tried buying some stations? So Jack Abernethy on the Investor Day talked about the value of the stations, especially with heavy restoration relative to RSNs as an asset class.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Entirely different. They are like poles apart. Our TV stations, we focus – I'm sorry to have my back to everyone. Our TV stations, we focus on the top 25 markets in The United States. We tend – our stations tend to be in NFL markets, predominately AFC markets, where we have our – which aligns with our NFL sports rights. And what we've done over the last several years in the bigger company is we have used our retransmission consent rights to actually support many of our emerging cable channels.

So whether it's supporting National Geographic or supporting FX or FXX and FXM, some of these smaller cable channels. Now as a focused company, we don't have to spread out the leverage that we get from retransmission. We can focus it on revenue back to us from the stations. And so we see retransmission in the stations as very much a growth business for us.

And then in terms of acquisitions, I don't think you'll see us going out and buying a big station group. We like our footprint, and we're very careful about it and how we structure it. You might see us swap some stations or buy a station here or there to maximize the efficiency in our footprint, but not double the size of the station group.

<<Michael Nathanson>>

Okay. At the Investor Day, I thought you were very helpful laying out priorities for free cash flows. You approximately are relatively under leverage rate quickly because of your very advantaged tax commission. So can you help everyone in this room think about how you prioritize growing dividends, shareholder buybacks, where you also want to be in a growth cycle to add things like The Stars Group which we'll get to in a second, but so how are you balancing that allocation free cash flow?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So the premise of your question, which is exactly right, is this businesses strong enough to offer a tremendous amount of cash. The additional part of that or one of the factors in that is that we have this tax shield. And the way the transaction was structured, we have $350 million tax shield per year for the next 15 years, which means we have generated $350 million more dollars for the cash than we would have otherwise.

The – and so that does help us deleverage very quickly. So as we look forward, we plan to be absolutely a growth company. This is a company – our history has been to grow our businesses. We tend to be better at starting businesses organically and investing in them as opposed to buying them, although we've also been successful in buying businesses as well. And so that's obviously one of the core uses of cash going forward. I should say, we don't have anything – the business we sold now.

So we don't have anything immediately up the horizon on any sort of significant scale. The – but of course other – we announced our dividend policy $0.23 a share, semi-annual dividend, last week, and we also announced that our Board is considering a share buyback authorization. If they were to approve it, we would be announcing it at our Annual Meeting at end of the year.

<<Michael Nathanson>>

September, around that time. Okay. All right. So one of the themes at this conference is the launching of direct-to-consumer products, right? So everyone is launching direct-to-consumer products. How do you approach in this new world of DTC?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. Direct-to-consumer is really important and when we look at our different assets, we look at direct-to-consumer into each of our audiences. And so the most, I think exciting space for us is with FOX Nation, which is our direct-to-consumer platform that's growing out of FOX News. FOX Nation is documentaries, it's longer format, deep dives, it's very different to the channel; but it taps into the incredibly passionate FOX News audience.

We just started that. It's very early days. One of the remarkable things about FOX Nation is the number of people that signed up before we launched. It's an incredibly engaged audience that we have. And when you look in there we can go into new categories of content, right? There's people – our audience are interested in – you actually see this, when our host launched a cookbook, right, or one book on their dog or their pet, they go straight to the top of The New York Times Best Seller list.

And so it shows the appetite within our audience for other types of content that's not just news and entertainment. And then – sorry, I should say, on FOX Sports, we've launched a pay- per-view functionality that we can use to monetize some of our sports rights more efficiently. And then on the entertainment side, really, we sold our library – our entertainment library to Disney as part of the deal. And so we don't envisage anytime soon having a pure entertainment direct-to-consumer offer.

<<Michael Nathanson>>

Yes, I heard that John Nallen is pretty strict. We're not launching DTC products in FOX Broadcast?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes, FOX Broadcast, right. And I think you can say the reason for that is, we effectively sort of took upfront a lot of the monetization of that library by selling it to Disney rather than try to build up business on direct-to-consumer. In some ways, our entertainment direct-to-consumer strategy is to put our assets with Disney and hopefully it does. I'm sure Disney will do very well with those.

<<Michael Nathanson>>

Right. So following along the FOX Network, what are the substantial operational impacts to the network now that you are unaligned to your point, right? So for every event, FOX TV studio or FOX broadcast network, now they are separating, right? So what is the impact on the network financially and operationally from not owning a studio? Is that a good thing or a bad thing?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Well the studio was very profitable – and the reason it was profitable is that – as we had the businesses combined, we actually ran them together. So the Chief Executive of the Network was the same as the same person that ran the TV studio. And what that meant over time – I'm not sure that was the best structure in retrospect because that – what that meant over time was that the Network was a very supply-driven network.

So the choices that we made to program the network really came from what was the best programming on the shelf of the – at the studio. And in doing so, we maximized profits at the studio, but to some extent at the detriment of the network. Now without having associated studio, we're free to choose our programming from all of the independent – all the players – predominantly the independent players, and that means we're very much a demand-driven network now.

And I think that will give us much more breadth of content, and we've already seeing that. We had our upfront yesterday afternoon, and Charlie Collier, who is running the Network now, has really gotten off to a straight start, and particularly our dramas this year are very strong.

<<Michael Nathanson>>

One of things you were clear about was you now will get equity in new show - in the shows. You talked a bit about how perhaps you're going to get studio economics for that limiting the studios. So how is that changing?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. So I think it's important for everyone to realize that from advertising alone, right, none of our shows make a profit – well, a couple of them make a tiny profit. And so the way we make money from television on the network is three ways: one, driving audience into the stations and the stations are highly profitable; number two, through retransmission consent, so when you add in the retransmission money as opposed to just the advertising dollars that doubles our revenue, significantly increases the revenue; and the third is through ownership of the show, right, through the long tail.

And so what we decided to do is because of the network hours, the schedule is beachfront property. It's incredibly scarce, which makes it incredibly valuable. And so we won't put a show on unless we take ownership of the IP as well. So – which generally turns into a 50-50 production joint venture with the studios that making the show, and that gives us the upside from a value point of view without the overhead that the studios carry.

<<Michael Nathanson>>

Right. And that therefore you can create value without having to invest tons of money?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Sure. Still have to pick good shows. That’s the hard part.

<<Michael Nathanson>>

We do follow – I guess you can comment you thought that historically the shows being picked from a more conglomerate view versus a network potential…

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. Well, we would keep shows on air on the network if we knew that keeping them on air made more money for the studio, right? And now we don’t have that conflict.

<<Michael Nathanson>>

Okay. On of the things you did last week was, you gave us guidance on retrans which was a surprise. So you laid out a billion dollar increase in retrans by account year 2020.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

2022.

<<Michael Nathanson>>

So that’s going to be 2022. Okay. The question is, I think I would ask the first question last week, can you still hit those numbers with the subscriber declines we’re seeing and maybe a deceleration? And talk a bit about the pricing power you really would have? And how important is P versus Q in this equation?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. So we believe we’re going to hit the numbers barring something extraordinary that we don’t see in the future. So the – I’m sure you know the rate of decline in cable subscriptions is sort of just under 2%. We – and that’s a mixture of satellite, which is a much higher rate of decline. Obviously, the traditional MVPDs, which is a more moderate rate of decline, and then obviously, the new digital players that are growing and actually growing very strongly. And then particularly, I know you had Bob, this morning – Hulu is doing very well. And so – and we’re on all of those services with the minor exception on Sling, FOX News – is not Sling, but that will be fixed in this next round of negotiations. And so our programming is important to any – even skinny or core bundle, and so we are on every single platform. And so you can assume that we will be declining at no worse than the industry rate of decline.

Now within that, though, is that as a more focused company, as I explained before, we are entirely focused on maximizing a smaller number of channels, but each of those channels, whether it’s the retransmission where we’ll find this billion dollars by 2022 or on the cable side through FOX News our renewals, that we can grow affiliate revenue and retransmission revenue at an industry-leading pace.

<<Michael Nathanson>>

Given all the investments you made in sports, in sports your FOX Network looks like ESPN. You maybe have more in terms of quality of shows you have – products you have. In the long run, do you think that the retrans long-term range is being paid like ESPN for the sports or is it kind of the CBS benchmark for retrans. So how do you think about like what's the north star when you think about the investment you've made? I think – where is the right level thinking about what's the balancing in retransmission?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. Well, for retransmission, which is on the broadcast side, right, we were careful not to give guidance on the specific dollar number. I think one other – and I know CBS does. And from our point of view, if we put a number out there, it makes our negotiation – it adds a level of complexity to the negotiation with the MVPDs. So we'd prefer not to put a number on it, but to talk about the gross billion dollars by 2022 in extra retransmission revenue.

What we have done to get there though is we have moved sports rights from cable to broadcast. So for instance, we dropped the UFC from FOX Sports One, and we took that money and we effectively used that to buy WWE, which is on Friday nights on the broadcast network. WWE will absolutely help us drive retransmission revenue on the broadcast network and the stations. But, I don't want to say damages our FOX Sports One but we had to replace it with other programming on FOX Sports One. So our focus is really on retrans and less on some of the other cable channels affiliate fees.

<<Michael Nathanson>>

And last week, I don't know who said it at the Investor Day, there was a news flash where you mentioned that the affiliate rates for reverse compensation, sort of rates paid by station owners to FOX are now all on flat fees structure and not on a per sub-rate card. So how that shifted your negotiations with your affiliates that you no longer have to factor in pay-TV declines for big subsets of your retrans, right?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes. We have great partnerships with our affiliates, but this is important to us so we can forecast going forward that we had a flat fee for this reverse retrans, which is the retransmission revenue we get from – not from our owned and operated stations but from our affiliates. So this was important for us. What it effectively means is that with the – if you want to think of it on a per subscriber basis, we have – if the subscriber universe continues to decline at this rate, it's effectively a step-up in the per subscriber amount fee that we get each year.

<<Michael Nathanson>>

So I think your big part of retrans is not to [inaudible].

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Yes absolutely. Yes.

<<Michael Nathanson>>

And that was the big acknowledgment at Investor Day. Okay. So one of the pushbacks we get on FOX is, we're looking to start about rising sports contemplation and losing rights to digital competition as new deals can do. Are those concerns unfounded?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

No, look, I don't think so. Look, sports rights – the critical sports rights, the best sports rights, the prices or the valuations are increasing. There's a reason for that. It's the best content on television. I know Eric Shanks is in the audience today from FOX Sports. But basically if you look at – I'm trying to remember from yesterday, it was 18 million people with the average watching one of our NFL broadcasts. I think it is the only place you can reach, marketers can reach – expand the reach in a live environment in one show.

And so it's the most valuable content on television by a very long way. And so the leagues know that and the leagues will use that to drive higher monetization. Now we are in a very lucky position because we have extended our Major League Baseball deal now out 10 years. So we did an early extension. We had three years to go on our baseball deal.

We extended that by seven more years. So we have 10 years locked in Major League Baseball content. And then as we know the NFL comes up in a couple of years, and that will be a negotiation when we think that we have, we know that we have, a tremendous relationship with Roger Goodell and his team. We are their number one partner, and we offer them the widest possible audience for their product.

<<Michael Nathanson>>

Do you think that gives you the advantage over digital?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

I think the digital players are definitely learning about the business. They are making investments carefully. I think as of today, they can't offer the scale that's needed to be, if you want to have a football game on the weekend and you want it available to all Americans to view and have it to be part of the social fabric of America, you can't do that yet on digital – but broadcast can.

<<Michael Nathanson>>

Let me turn now to FOX News, which is the biggest driver of profit. You've got to go through another affiliate cycle. [Inaudible] FOX News resets over the- the end of 2021. How much upside can you see? Where's fair market for this network? It's the number one cable network night in and night out. How should we in the room think about upside and rate cards? Or how would you think about upside and rate cards?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

There is a very significant upside to their current rate card. Obviously you have to factor in as deals are renewed over time. So they sort of phase in. But as old deals come off each of the new distribution deals have significant increases.

<<Michael Nathanson>>

I do want to talk a bit about FOX News in the old days, the retrans cycle was different than the rest of the company and has that changed?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So FOX News was very – was run completely separately. And so it had its own distribution team and its own advertising team. And so part of the new structure, in fact, before we closed the deal with Disney, we have now one advertising team across the whole company, which offers not just cost synergies, because it wasn't designed to drive cost, but actually designed for real revenue synergies across the company.

So it's the first time that we've had a team that can sell both news, sport and entertainment under one umbrella, one roof. The exception of that is of course local, so that the local stations have their own local sales teams. And similarly on news, on affiliation fees and that transmission, we brought that all under one house. And so Mike Biard who runs all our affiliate revenue, he can now use FOX News, FOX Business, retransmission from the stations, FOX Sports 1 and 2, and then use those together and maximize leverage to drive value.

<<Michael Nathanson>>

[Question Inaudible]

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

No, it was quite completely different. I don't think they even talked to each other very much.

<<Michael Nathanson>>

[Question Inaudible] So one of the things we argue is that we haven't seen the true potential of affiliate fee growth at FOX because now you have everything on [inaudible] terms.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

And again, what we talked about a few minutes ago, we could go out and buy or try to launch Andrew Hayman cable channel, right? But all that would do is we would take our leverage that we're taking from retransmission and maybe FOX News and use that on a channel that perhaps isn't needed or no one particularly wants. And we feel that at least as of today, we will drive much more value for shareholders by focusing on our current assets and really driving the revenue and the profitability as it goes along.

<<Michael Nathanson>>

[Inaudible] Let me ask about FOX News in this question. It's clearly an unprecedented time in political history, so putting aside everyone's personal politics, do you worry that the channel is too aligned with one political view? Or that you're at risk if President Trump loses the next election? How do you feel about that?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

FOX News has been the number one news channel in the country for 17 years. So it would be number one across multiple administrations and a dizzying array of news cycles and ups and downs. So we're very confident that we can maintain that lead under other administrations going forward. And there will be other ones as time goes. The fact is actually that you generally do better in opposition. As an opinion of voice or publisher, then you do in alignment or in agreement with the government. And in fact if you look at the ratings, it's our competitors who've done relatively better under the Trump administration rather than us. So I think the main beneficiary has been MSNBC. So it'd be our great question for them.

<<Michael Nathanson>>

[Inaudible] So given your international experience, your history internationally, do you think FOX News looks to expand around the world or is there enough opportunity here for the time being to stick to the US?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Let me answer that in two ways. The easy part of the answer is whether we expand around the world, we do have lots of people come to us and ask us to launch local versions of FOX News in different markets. I think that'd be a distraction for us as at this stage. And I'm not sure how the scale of the upside to do that. Also when you travel a lot of places in the world, they want – if they don't get FOX News now they want that American version of FOX News, because they understand it's the number one news channel in America. They want to see what America is watching.

And so, how we can maybe monetize that differently, maybe, a direct-to-consumer, linear to the FOX News Channel for international viewers. So we're thinking about those things, we don't have any immediate plans, but I think to fully answer your question, I should just talk about, why we see the lower fruit in America, right. And then, the FOX News audience. And we really do think of it now, not just as a linear audience, not an audience of that we only monetize through ratings and through advertising or affiliate fees. It's an audience that is so passionate about the brand that we feel we can find new ways to sort of engage with that audience and ultimately monetize them.

So that's where our focus is in the, obviously, the first step of that is FOX Nation. I should mention, I did briefly mention how we had many, many thousands of FOX Nation's subscribers sign up and some of them for one year, two years and three years subscriptions before we even launched a service. And as part of that sign up, if you were a founder of FOX Nation, the different levels, you could get a FOX Nation founders watch. You could get a coin like a medal, a FOX Nation medal. And this all happened last October, November when we launched the service. A couple of weeks ago, we do these FOX Nation sort of popups and we did actually in alignment with Sports, we did a FOX Nation popup tents at the Talladega, NASCAR race.

And we didn't promote it. We didn't tell anyone, FOX Nation was going to be there. It was just sort of a marketing event. People could sign up for FOX Nation. I think we probably gave away some merchandising anyway, but tent got mobbed, absolutely mobbed. And people who were there were taking out of their pockets their FOX Nation medals. And we're showing us their FOX Nation watches that they bought. And this is without being prompted that we're going to be there. So this suggests that they're carrying medals in their pockets, because they feel such a strong affinity to this brand all the time. So we do feel, and I'm I hope I'm not coming across overly enthusiastic but that audience and engaging with that audience is a tremendous opportunity for us.

<<Michael Nathanson>>

[Inaudible] One of the questions we get on FOX … is the age of the FOX Network viewer. [Indiscernible] Are you concerned about the underlying age of the linear network?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Not at all. Because I've been in news and originally sort of newspapers and then television for my whole life. News is innately older. And it's just, it's something that is natural when people are younger, they watch less news as they get older and we are either wiser or more worried or something we – people tend to watch more and more news. And so if you look at the audience, you can't just look at the age and that's a news will always skew old. But you have to look at the wealth and the education and the breadth of that audience. And on those metrics, we're incredibly strong. I should also mention that it is older viewers as well by and large that are still watching the most amount of television. The drop-off in viewership has been in the younger demographics where people are either playing games or streaming more.

<<Michael Nathanson>>

[Inaudible] So what did you learn on FS1, FS2 about the right balance between live sports, news and personalities on the cable networks. You mentioned dropping UFC, so how do you balance the investments in FS1 and FS2?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So, you'd love to have as much sport on as possible, but again, we are very disciplined in how we manage the sports portfolio. And so, between Major League Baseball between NASCAR, all the other sports and sort of shoulder programming, you can only – there's only so much you can air. So having opinion-driven and sort of panel-driven shows where people, talk about sports, talk about what happened on the weekend and talk about what's coming up is very important. But it also only works much like, frankly, the news business, if it has – if it's energized and people do have opinions and you can get the debates on the shows. And so that strategy under Eric Shanks has been incredibly successful and we'll continue with it.

<<Michael Nathanson>>

[Inaudible]So I buried the lead, we should've gone earlier and asked about the investment you made last week. The first thing you did out of the gate was the investment in The Stars Group. So do you want to talk a bit for people who don't know, what you guys did last week and what you see is the opportunity for sports gambling in the U.S. [indiscernible]?

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

So I think that our deal with The Stars Group, it's a little complex because it's wagering and it's obviously licensed. And so there were limitations in – there are important factors and how we structured the deal, which I can talk about. But again, one of the thing I like about this deal so much is again, it shows our ability to look to engage with our audience and to grow with them in a way that's not advertising and other affiliate fees. It's a new revenue stream that we're incredibly excited about and that frankly, we want to participate in aggressively.

And so the deal with The Stars Group, we looked around the world obviously with wagering, it's a bit messy, but state by state being legalized. We looked around the world and we thought, who is the – potentially the best partner we could have. And we also talked to the casino companies large and small. So we talked to everyone who we felt could deliver this. And we really ended up with The Stars Group. We probably started with them and then we ended with them because, they own a Sky Bet in Britain. They're doing a tremendous job with it and they understand, we felt more than anyone the combination between media and gaming is more complex and there's more art to it than just free advertising, right? And not just here's our brand and here's some advertising spots and away you go.

There is actually an integration with how we promote free games, fantasy games and then that leads down into the funnel where you get to wait to profit to wagering with money. So we're incredibly excited about that opportunity. We structured the deal in that it's effectively an option for us that we can take up to 30% state-by-state in the wagering business. So there's a national business, which can be free, but as its legalized state-by-state, we can take up to 30% of our partnership in each of those states. We can't go over 30% without becoming licensed. If we choose to be licensed, we can go to 50%. And that's a process we'd have to decide as a company and as a board. Likewise, because we could only get the 30% under the current structure, we also took a just under 5% stake in The Stars Group itself for about $236 million. And that just gave us ability to monetize this business that will be growing at both levels. And 5% was the highest, if you go, again, because of the license – licensing rules.

<<Michael Nathanson>>

What have you learned from Sky Bet in the UK? You guys were early into this back when you ran Sky[indiscernible]

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Look, I think we are, as Sky is, we are incredibly protective of our brand. And so in the partnership with The Stars Group, we have a tremendous amount of protections around the FOX Sports brand and how they can use it and that was very important to us. What we don't want to do is, scare our audience away or sell them or try to sell them into wagering too aggressively. And what's worked at Sky and I think what will work here again is a system where you're going to have a free bets, you can your free games, and people kind of have a lot of fun following their teams or their fantasy football leagues. But when you do get into betting, you're much better off having people bet low amounts of money that are affordable. Might be $5 or $10 on the football game on the weekend, but do it every weekend. And that's a more friendly model, it's a broader model. It's a model that fits the FOX brand most closely.

<<Michael Nathanson>>

Any questions from the room for Lachlan? And thank you.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Thank you very much.

<<Michael Nathanson>>

[Question Inaudible] Any questions for Lachlan? You can stand up and raise a hand.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

An easy crowd. Probably we spoke too long already.

Q&A

<Q>: [Indiscernible] One other question I have for you is as sports rights cycle comes due, are we now in a temporary lull, like look at FS1, FS2, there is not a lot you can buy right now. We are kind of in this holding pattern- is that a fair assessment? [indiscernible] …

<A – Lachlan Murdoch>: It's only the National Hockey League comes up. And then that's it. So I think everyone is waiting on the NFL renewals. .

<Q>: Okay.

<Q>: Beside reach what are the other assets you guys bring to the NFL? Does the production really matter? Is that something that could be fungible?

<A – Lachlan Murdoch>: Absolutely. And so, obviously reach is important to them. But if you look at the complexity, actually Eric is here, he can answer some of these questions. If you look at the complexity of broadcasting particularly on the Sunday afternoon Eric, where are you? Eric, how many games on Sunday?

<A – Eric Shanks>: About eight.

<A – Lachlan Murdoch>: Eight games. Every single Sunday of the season, it's like 200 people. Getting the cameras in, the trucks in, broadcasting, synching it with the halftime shows and pregame shows, leading in and out of your local news, which also a sport those games are very important. And I think the NFL, and I shouldn't speak for the NFL, you can talk to them tomorrow, but I think sports leagues understand the complexity of that and the importance of it. So if you look at some of the digital deals that have been done the small ones that have been done already, they're just taking other people's feeds. They're not producing a single piece of television. And so broadcast's scale is going to be important for quite a while.

<Q>: I think the fact that you had Roger Goodell and the commissioner of baseball, Manfred, was a sign of the value that they see.

<A – Lachlan Murdoch>: And, that's not to say, by the way the digital players won't be part of the negotiation. There'll be there for various rights, but we feel pretty comfortable in our positions.

<Q>: Can you share your thinking around the RSNs a little more?

<A – Lachlan Murdoch>: Sure, and I said – we looked at it seriously and we would have, not quite doubled the EBITDA on the company, but we would – as a first deal out of the out of box, would have been a very significant deal. We know the RSNs very well and obviously, and what we, knew was that to maintain their position in the market, and to maintain the affiliate relationships and their fees, we were using a tremendous amount of our leverage with retransmission to support the RSNs. And that's fine, if you want to be in the RSN business and

it's a tremendous amount of cash flow that comes out of those RSNs. But we've really felt that the leverage we have, particularly with the local stations was better used elsewhere.

<Q>: You guys kept a lot of real estate in Los Angeles in the deal with Disney, but some of that real estate is leased up for awhile how should investors think about the value of that today?

<A – Lachlan Murdoch>: It's a good question. I don't know what the value is, but it's valuable, right? Absolutely. I think, the deal with Disney, they initially, leased a large part of the majority of the studio space, and a third, I think, half of office space for seven years. And then they can choose to – if they'll actually earlier than that, they can choose to start giving us some space back. But they're renting it at cost. And so what we were renting it to ourselves internally before as part of the structure of this deal. So I don't see any reason why they would want to. I think it's a good deal for them from a real estate point of view. And so I don't think they will. I can't see them handing a lot of that space back.

Having said that over time, I think we can efficiently market that space to third parties at market rates. Studio space in Los Angeles is impossible to book at the moment. People with, there's been this incredible boom and particularly television productions and so you just cannot get studio space in the Los Angeles Basin today. So that's incredibly valuable for us to rent out in the future and obviously being in the heart of Century City, I think the office space will be very marketable and easy to monetize as well.

<Q>: [Inaudible] You had a CBS comp, and CBS TV comp with half the acreage [indiscernible]

<A – Lachlan Murdoch>: Not in as good a location.

<Q>: [Question Inaudible] Do advertising boycotts matter to FOX News? [indiscernible]

<A – Lachlan Murdoch>: So the advertising boycotts, we have far more revenue from affiliate revenue in FOX News. That's not to say we don't care about, our advertisers and our clients. And we believe we're one of the best places in America, if not the best place to advertise and market a product. The boycotts themselves and not having a financial impact of any significance. We've generally been able to move that time around or move those clients around where we can. So it hasn't had an impact on the financial health of the company. But the important thing as well from an editorial team, I grew up, if we've got a couple of minutes, I remember as a teenager, I think on a summer job or something going in, I was with my father in Australia. And I happened to be called in and he was meeting with one of our largest advertisers. I think actually our largest advertiser. And back then, there were more advertisers in the newspapers. This guy was very significant.

And in this meeting, this client said that he was going to pull all of his advertising if we didn't stop a journalist that was doing an investigation into a fraud case that was happening in this person's business. And without a pause or taking a breath, my father said, "Fine, I'll pull your advertisement." He ended up not pulling his advertising and we ended up continuing our investigation into what was a real fraud in the business. And, but I learned a lesson if I didn't know it already then, which is that, as journalists and running a news organization, advertisers don't tell our journalists what they can say or what they can write. And that's always going to be true. So luckily it's not having a financial impact, but even if it were, it wouldn't affect the way we program the channel.

<Q>: If you look at the TV side of the business, right in aggregate, that was $1 billion incremental retrans and reverse in the growth that is really high margin, I guess to make the question more flex, when you think back the old Fox's TV margins in the mid-to-high teens, but then station groups margins in the 30s. Where in the sliding scale you end up, if you hit those retrans numbers, like will you always do verification…

<A – Lachlan Murdoch>: So you're asking me in terms of margin or…

<Q>: Yes, maybe I'll ask another way. How detrimental was having to take your own studio's content right you said you were kind of trading profitability of the studio, how detrimental was that the margin in old Fox?

<A – Lachlan Murdoch>: In old Fox, that's a good question. I'm not sure, I'm answering the question, but the new, the billion dollars in retransmission revenue by 2022 will entirely drop to the bottom line and the sports costs that are driving that are already baked into the business. In the old Fox, I think it's impossible to know because it's a – where we made decisions to grow National Geographic or Nat Geo Wild channels. We ultimately sold those businesses to Disney for $70 billion. So, I think using that, that retransmission leverage to grow other parts of the business ultimately turned out incredibly well for shareholders. And ultimately those decisions turn out to be very accretive for shareholders. I think now in our smaller, focused company that leverage is going to be better spent can be more accretive for growth being focused on our existing set of assets, so I haven't given you a number if I think it's right.

<<Michael Nathanson>>

Lachlan, thank you so much. This was great. And thank you all.

<<Lachlan Murdoch, Executive Chairman & Chief Executive Officer>>

Thank you all.