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<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

We're excited to start off our 9th Annual Conference with Lachlan Murdoch. Lachlan has been here for four years in a row, two years virtually, two years live. Thanks for being here.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Thank you, Michael.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

We really appreciate it and for everyone tuning in – can you turn the echo down a bit? – thanks for being there online as well. So, Lachlan, there's been a ton of changes in the past year, most of them we'd argue not that great. While the key drivers for FOX have stayed the same, streaming strategies fade in and out. Can you share with us how you see the media ecosystem evolving and how you position FOX for that world view?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Great. Well, first of all, Michael and Robert, thank you very much for having me. It's great to be here in New York with so many of your clients and partners and friends in person and, of course, everyone that's joining us virtually. So, thank you and I appreciate everyone getting up early in the morning for this as well. So we – it has been an incredible couple of years. And the media landscape has probably accelerated its rate of change as we've gone through COVID, as people have been forced to think about how we work differently and about how consumers view our products in [an] increasingly diverse way.

But I think that for us it's been a very positive – had a very positive impact because we only spun out the new FOX from the older larger FOX when we sold our assets to Disney three years ago. And so, we rightsized the company from the beginning. We were out of movie studios and expensive – it was a tough couple of years beyond movie studios and theme parks. So we're really well positioned, I think, going into this. But nevertheless, we used it as an opportunity to continue to kind of refine our strategy and kind of perfect, as much as possible, our execution.

And so where we are today is really a company that's really focused on live news, live sports, entertainment but entertainment in a focused way. Obviously, the growth in entertainment for us is an acquisition we only made recently in Tubi, which has gone from strength to strength. So all of our assets are really firing on all cylinders, which is a perfect position to be in sort of uncertain choppy times.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, because you've chosen not to invest in SVOD after the Disney deal that you mentioned, can you review for us what your priorities are for the company? How you're going to grow EBITDA and cash flow, two important metrics that we like to focus on?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yes, absolutely. And I don't mean to have – or sort of turn from one of you guys. So I don't mean to be rude.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

I was thinking like we should sit in front of you almost.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Yes, exactly.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So well, look, in the last quarter obviously, I think we grew advertising revenues by 9%. We grew our subscription revenue by 5%. And so I think we've proven that we can continue to drive top line revenue growth very aggressively with the asset set that we have. We just completed our upfront. That upfront kind of process goes for several weeks, but we had our upfront presentation in New York on Monday, which was very successful.

And we're really able to highlight the theme of our upfront [which] was Only FOX. Only FOX is really focused on advertisers and our clients in an entirely ad-supported way. So whether that's how we serve our clients in news or entertainment or in sports – it's going to be a massive sport year coming up for us which is really exciting – or digitally with Tubi, we're super serving advertising clients.

So we think we'll continue to drive those top line advertising revenues. On the subscription side, we are focused on the MVPD ecosystem. We think it's an economic model that serves consumers and media very well for a long time. So we'll continue to invest in that. We're continuing to keep the biggest sports events exclusive to our broadcast partners and affiliates and our cable distributors. So, I think with balancing that strategy, we're going to be able to drive advertising revenue contingent on the ad market and subscription revenue pretty aggressively over the next couple of years.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Lachlan, when you think about the company, I think you can boil down strategy and the opportunities and risks as the following. You made a bet on the ecosystem so the question is - what's the future of sports and news content within that ecosystem, right? How do you see the prioritization of your content playing out in the next five years or so in terms of the ecosystem?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, as you know, in this last quarter we grew subscriptions, as I mentioned, 5%. A lot of our growth came from retransmission from the broadcast side. But having said that, over the next – we had very – we did that despite the that we had very few renewals this year in the cycle. Whereas over the next two years, we have two-thirds of our distribution deals with cable companies, two-thirds of our deals come up over the next two years. And I think that puts us in a really good position, particularly in a year when you have the Super Bowl and you have the FIFA World Cup to continue to drive subscription rate at the highest sort of industry level.

And so – but to do that, right, we have to make sure we're super serving those distributors and we're continuing to put in exclusive content. We're not diluting the product that we're giving affiliates or giving cable operators. In fact, we're investing in those products so we can drive those rates.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

I mean you just mentioned it, so maybe just to expand upon it. Like how does your strategy differ in terms of keeping that premium content and all the sports exclusive and not sharing it with any over-the-top service?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, it's a really important question and actually goes back years, right. And it's sort of when we make decisions, I hope we're informed by history and lessons that we've learned and different things that led us to this point. And so when we sold the entertainment assets, the majority of our entertainment assets to Disney, we really were making a decision that we're not going to be in entertainment, video on demand or SVOD, subscription video on demand, in a significant way.

We said we're going to sell to Disney to give them scale so that they can beef up Disney+ and have the scale to win with Disney+. But that we were stepping out of that market, right. And so we've been, by the way, very happily on the sidelines watching this sort of blood bath which is going on in the SVOD market. And what that's meant is we haven't had to spend billions of dollars propping up an SVOD service, but we also haven't felt the need to artificially put sports into an SVOD service to keep subscription levels up, right. And I think that's been very important. So the reason why we're really able to keep sports our highest, our best quality content, exclusive to the MVPD ecosystem is really because we haven't had to sort of artificially keep a loss-making SVOD service inflated. And I think that's very important, right.

So again, it's not like a strategic decision that's just this week's strategy, it’s actually something we've been led to over three years and we're very carefully and very intentionally being able to put ourselves in this, I think, enviable position.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Yes. You mentioned how fast you grew last quarter without a lot of big renewals. Do you think the next few years we'll start separating your strategy out in terms of financially from the others? Because that's where our assumption is, right? What your strategy is going to lead to higher affiliate fee growth than people who basically taking their best content will lead you over the top, right, and the markets will show that in terms of the results?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yes, absolutely. And our argument is, as we continue to invest in the product for our distributors, and frankly we deserve a higher share of wallet from them, if other broadcasters are taking content non-exclusively outside of that bundle, they don't deserve the level of subscription that we do. And so I think that's something we expect to see over the next couple of years.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So later today after you, we have Perry Sook, we'll ask the same question and Chris Ripley, and I think they'll confirm your point of view of that…

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

By the way, Perry is terrific, and we really do see these guys as our partners in this business. And our job is to provide them with the best quality content and not to see them as a competitor or just a client of some sort. The distributors really are our partners in this ecosystem.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Okay. So, I think we all can agree, sports have been the glue to the pay TV bundle and we continue to believe that. And now that Amazon is making sports a bigger priority, as you very well know, with Thursday Football and Apple reportedly close to Sunday Ticket deal, how should we think about FOX's ability to compete with new digital bidders on sports rights negotiations going forward from here?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

We are – how should we think about how we're going to compete with new digital bidders? We're going to let Tom Brady negotiate all our contracts and we're not worried about losing a thing. So, we've just gone through the NFL negotiation. Obviously, Amazon picked up Thursday Night Football. That was actually a positive for us.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

We're very sad about that actually.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Sure. And so if I look at how that netted out, where we finished, we have a long-term extension, which sort of ensures the success, the future of FOX Sports for over the next decade. At the same time, we were able to exit and exit a year early from a loss-making contract in Thursday Night Football. So I think there are more potential competitors in the marketplace, but I think it's in a way - I think the NFL is being smart in how they've allocated their rights in a way that net and certainly for us has been positive.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Do you think it owes as a liability not to have, even if it's a loss-making, streaming service, to go for sports rights and look at what the ESPN do with the NHL, where they borrow these rights, they dump the rights that they don't need on ESPN+ or something? So, do you think at all as a point we're not having more surface as a problem in bidding for rights?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

I think you can partner with people, right. I think because we're a smaller company and we're, I think, pretty flexible and nimble, we can work with people if we need a platform to bid with us on rights. And also because we're not competing on SVOD with a digital player, I think that makes those partnerships easier in many ways. So actually, I think, again, we're well positioned, I think net, it's a positive not to have an SVOD service where we have to place those rights.

Having said that, I think for the World Cup at the end of the year, we are going to put like a catch-up service with all of the World Cup soccer games on Tubi. It won't be the live games, but it will be sort of catch-up as soon as the whistle is blown at full time for the super fans. So, I think we can be pretty flexible in terms of how we sort of super serve our consumers, but at the same time while retaining the most exclusive rights for our distribution partners.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, you just mentioned your big announcement that you made in the last quarter. So, with the Tom Brady announcement, anything you do want to clarify because there's been a lot reported in terms of the deal? And just more broadly, what this means for FOX and your commitment to the NFL.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, look, the important thing with Tom is that – and this is what got me really engaged and excited about the opportunity when we started to talk to him about coming over – is that he's going to be in addition to being a senior analyst on the America's Game of the Week on Sundays, he's really going to be sort of our partner in sports and in FOX in the NFL, right. And so, he's going to be an ambassador to FOX. He's going to be working with advertisers and clients. He's going to be engaged in the marketing. And so, I really see Tom as he will be a tremendous analyst, but he's really going to be a partner of ours in the business.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So, the question we've been all worrying about is if cord cutting accelerates, you have the fixed cost of sports. Will you be able to properly generate the ROIs that you've thought? So, in acceleration of cord cutting, there'll be pressure on ROI. So how do you offset that rate of cord cutting? Maybe you want to talk a bit about the length of your renewal cycle. Because I think you guys are very strategic about trying to pair that up. But the feedback from the market is always, gosh, cord cutting accelerates, what's FOX going to do, right? So how do you think about the ability to offset cord cutting and drive ROI on the sports contract side?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, I think we can – so as you know, sort of this year or this quarter, the cable penetration dropping by about 5%, right. And at that level and at the levels of sort of most analysts, consensus analyst levels even higher than that, we can absolutely keep pace with that in terms of our renewal cycles and our rate increases. So, when we model out and we look at – and you do when you do a 10-year football deal, you do sort of project out what cable universe is going to be, how much revenue we can achieve and through – not just to retain it, but to grow through our distribution agreements. And at those levels, we can very easily continue to grow our subscription revenue side.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Your cycles are three or four-year cycles, right? So your point is over a 10-year contract, you'll have 2 ½, 3 bites at the apple to reset prices?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

That’s right.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, on the last quarter earnings call, you sounded pretty pleased with the early performance of USFL. So just wondering if you could talk bigger picture. How does a deal like this strategically help the general sports rights inflation given your interest in the league?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So USFL as a spring football league, people have tried this before and hasn't always worked out well. And it's early days, right. So, we're very pleased with the early success. We've structured it differently than anyone structured springly before. We brought a couple of partners in to help fund it. We own 100% and control 100% of the league. We control all of the franchises, the teams today. And we've created a hub in Birmingham to play all the games. So, we kept costs and the complexity of running a league like this incredibly low. And that's important because you're in this for a few years to really get traction and start to grow. It was important that we partnered with NBC to broadcast the games because that gives us absolutely the most reach possible for these games, for people to start to watch and engage in the sport.

This first year, because both for us and for NBC, you have a lot of other programming commitments so the kickoff times of the games are a bit of a mess, right. They're all over the place to really fit into the schedule so we can show them live. That's something that gets cleaned up next year. And then ultimately you move out of Birmingham, you start to play more games in the cities where the franchises are based. So we see this as really a few years in terms of launching the league.

We're incredibly pleased with how it started. And obviously, strategically – by the way, we've structured it financially that it's not a burden to us – if you can get the ratings that are proven to an NHL ratings or some baseball or basketball ratings, I think that's a net positive, right. And we'll actually, frankly, add to the sports choices.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Can I just go back a bit to the cord cutting question I've asked in the past? Have you been surprised, even at this point, that we've not seen better virtual bundles of sports and news, right? Like you would think that there's a market need for just smaller bundles focused on sports or news? And do you see any signs of that changing where basically there's either YouTube or Hulu or someone's trying to figure out a new virtual bundle because it seems like the bundles we're getting are bigger and bigger and more expensive, right, it's kind of defeating the purpose.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, remember a few years ago or longer, five or six years ago, when we were all talking about the core bundle, skinny bundles, I like to call them. Core bundles, because you can get fewer channels, you can still get 90% of what consumers want to view. And I think if anything, we're disappointed that the digital MVPDs have moved away from those core bundles. And as they've added channels, they've added cost and had to increase pricing. And so, we've seen over the last couple of years, obviously, the digital players take price increases, right.

And obviously, that has an impact on growth for them. So selfishly, because we have channels that are essential in a core bundle, that's an important part of our positioning. It's impossible to envisage a bundle that doesn't have the number one news channel in the country and the quality and breadth of our sports content. And so we'd like to see the market come back to a core bundle, if possible. We really haven't seen that as you've said. And it doesn't have to be only news or only sport. There are obviously other channels that would fit into a core bundle that I think would make a pretty compelling consumer proposition.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Yes. In many ways, the decision you made to sell the rest of FOX was, in some part, maybe a bet on the world is going to have to change. You don't need all these excess channels focus on the core. We're still waiting for that to happen.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

And for us, and again it goes back, obviously, to some of the early questions around subscribers and how we're going to drive growth. Because we are so focused on only a core set of assets and sports, news, the stations who have entertainment and new business in Hulu, but because we're so focused on that, we don't have legacy cable channels that we're trying to defend, right.

And so, I think other companies, when they make these strategic decisions rightly trying to defend some of their legacy businesses, we don't have that conundrum. And I think that puts us in a great position. It's one of the reasons why, again, a few years ago, when Disney bought the RSNs from us and sell them, a lot of people and a lot of smart bankers and even investors, we should buy RSNs back, and we can get them back at $0.50 on the dollar from what we sold before.

And – but what we realized, being kind of intimately with the intimate knowledge of the business is that those RSNs would require the rest of the company defending them, right, and then sort of supporting their distribution and their reach. And that's not the position we want to be. And we can use all of our leverage to drive our subscription fees and advertising for really fees across the stations and across our cable networks.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

All right. So, let's switch over to the biggest driver of your affiliate fees, FOX News. So how do you think FOX News is currently positioned relative to traditional competition and some of the newer networks that caused some of the worries the last election?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, the biggest driver of our affiliate fees is actually our station retransmission group and how we're able to drive retransmission at pricing. And that's what's driven our growth this year even in a year when we've had so few kind of renewals. But having said that, for the cable bundle, FOX News is essential and is now achieving broadcast ratings.

And so, when we look at how we continue to improve and continue to innovate and refine FOX News, we're not looking at CNN or MSNBC. I think, I get these numbers wrong, but I go through ratings every morning. But the other morning, we beat one of the others, MSNBC by 113%, and then the other one, we beat by 160%. So, we're so far ahead of them in the market that our competitive set is the broadcast networks.

And so, when you look at just the innovations that we've done this year with *Jesse Watters* at 7:00 p.m. – has over three million, averaging over three million viewers; *Gutfeld!* – being the new king of late night on a cable channel with 30% less households than its competitors; *The Five*, again achieving being the number one show in cable news at 5:00 o’clock when hot levels are down.

And so, it's a tremendous success of all of the hard work and sort of looking across the different day parts and different hours and just making good decisions and careful decisions in terms of growing our business. And so as the business is – again, it's more comparable to a broadcast network than a cable news network – we think we deserve broadcast rights fees in terms of subscription and distribution and also frankly broadcast level on advertising CPMs.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Right? So, my next question would be your confidence in driving growth, but in that answer – implicit answer is your belief that you should get retrans like fees. So, a big part of the growth going forward has to be the renewal cycle on FOX News, reaching much higher levels of monetization for affiliates. You know that's the core, and I've heard Steve Tomsic say too, we should be treated like a broadcast network. When you go out to your affiliate to your distributors, that's going to be the ask?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yeah. Absolutely.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. And then let me ask you this for FOX News is, when you line up the advertising monetization, it looks under monetized versus other networks. Do you think there is existing advertising like hesitancy due some of the content and prime time not to advertising FOX News? Like have you dug into potentially the under monetization and what closes that?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Well, I think as a cable network you historically don't monetize in the same way the broadcast networks being able to monetize their advertising spots. And I think that, if you look at it, I think since the New FOX was created, I think it's right to say our advertising revenues on FOX News are up about 30% and so we've gone from really from strength-to-strength each year. But when you look at FOX News, you have to look at how we rebranded the business, the division as FOX News Media a couple of years ago. And that wasn't just - what's the word? - just a nice name or a grander sounding name.

Actually, what we've done is, the FOX News Digital is a growing business is incredibly strong. Our audio business, both in cars with SiriusXM and with podcasting has grown huge. We've launched a book business. And so, all those other elements of it, we've just launched by, I should forget FOX Weather which incredibly powerful brand it's now distributed in every broadband home in America can get it. It will be part of our renewal cycle with traditional cable distributors. That would be a tremendous advertising platform for our partners, a really tremendous platform.

So, as we see growing FOX News, it's not – we're not only in the news business. We've broadened that into many other businesses and many other revenue streams, revenue opportunities. And when you talk to our fans in Middle America, people who are heavy FOX News viewers, they don't see us as just a news business either. They see us as an American media brand that speaks to them in a unique way.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So, can you share any update on FOX Nation as part of that strategy in terms of either subscribers or just engagement? And how important is FOX Nation for the future of the FOX News Media segment?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

FOX Nation is going incredibly well. I think there's a point in time, when you, I mean it's always hard to put your finger exactly on that point in time, but when you have an amount of content, fresh content that's ingested in the system every week, but also a library of content that you built up over a few years, there's important time where you sort of tip over to a point where the businesses starts to hum very well. And what we're seeing in FOX Nation is, I think, industry leading low churn rates around 7% and industry leading trial to conversion rates.

So people who are on a two week free trial, the number of them that are moving over as a paid subscriber is top of every metric. And so, we're incredibly pleased with how that works. But to put that in context, FOX Nation is a service which is designed to super serve our most loyal fans. But what that gives us though, it gives us an engagement, a further engagement with the people who are most loyal to FOX News, and it gives us a platform where we can go into new verticals. We can experiment with lifestyle and outdoors and a ton of other sort of content that we can, which is some of the most successful content on FOX Nation today. So, it is part of our strategy to diversify away from sort of a simple core news vertical.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

If I could switch over to broadcast FOX number for a second and I know this may be a question for Charlie Collier and you. But in the New FOX, there's been a debate in the investment community about what role does scripted entertainment play on FOX. So what's your current view of kind of the ideal programming mix in broadcast? And I know you had a $30 million dollar write-down last quarter, but even that, how does that factor into your view of the operating mix of scripted content versus reality program versus sports on the network is given the economic pressures in the business?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So, I think first of all, let me deal with the $30 million dollar write-down first because the reality is that doesn't factor into our kind of long-term thinking about scripted entertainment, right. And that's really because a $30 million dollar write-down is specifically due to COVID delays in production and having to shift the schedule and broadcast shows later in the year with different lead-ins and things. So that was I think a prudent write-down, but really related specifically to sort of COVID delays in production schedules.

I should say though, that as an industry, we are still operating on the entertainment side, certainly in Los Angeles. But we're really across all our productions with protocols, COVID protocols, that were designed at the height of the pandemic before vaccinations with potentially stronger strains of COVID-19. And so there were the absolutely the right protocols to put in place, but we're still operating under them now. And it does cause tremendous disruptions in production schedules when someone gets sick.

And so hopefully that changes and those protocols start to reflect the evolved COVID world that we're in today. But those like I said, they don't have an effect on our long-term thinking about our entertainment schedule. Having said that, you certainly going to see a mix of entertainment with unscripted programming, reality programming. Rob Wade's doing a tremendous job there as Michael Thorn is doing in entertainment.

I think through all of the different programming decisions that Charlie's made of last few years, the Entertainment network has remained profitable through all of that, which I'm not sure everyone can say. And so we'll be very careful on our cost base and the shows that we're airing. And it does become a mix of shows, mix of more expensive scripted entertainment, and less expensive unscripted. It's also one of the reasons why we acquired TMZ this year, they have a tremendous product and brand that they operate very efficiently, also one of the reasons why we bought MarVista who are experts in lower cost, efficient programming. And then obviously Bento Box on the animation side helps us develop animation in a cost-effective way.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Given that it's upfront week, we'll ask our obligated advertising question here, but how is FOX approaching ad sales in this probably more challenging environment, or not for you because of the sports and news focus, and then maybe also just touch on how Tubi plays into your broader advertising strategy?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yep. So obviously there's the national advertising and local advertising. Advertising is very healthy. And so we in this last quarter, we had 9% gain. We've been able to drive really right in CPM and pretty effectively. I think the areas, if there's any areas of concerns, automotive is still down. I think across for everyone, across the board with supply chain issues and other issues that they're faced, but that's been made up for in other categories. So that's a background to the upfront. The upfront, and again we had our presentation on Monday, but these negotiations that have been going on already for weeks is very strong, but it's hard to say whether that's just us or the market, because for us, we have a schedule where this year we have a Super Bowl, this year we have the FIFA World Cup. We also, on Thanksgiving weekend, we have I think a Texas game on Thursday night, the Dallas Cowboys game on Thursday night. We have U.S. versus England on Friday night the FIFA World Cup. We have Ohio versus Michigan on Saturday, College Football and on Sunday we have the America's Game Of The Week.

And in total, we project we'll reach over 85 million Americans that weekend in the biggest shopping weekend of the year. So, it's a second Super Bowl, right. So effectively we have two Super Bowls or 1.85 Super Bowls this year. So it's a tremendous position to be in and frankly our clients and partners understand the unique power of the assets that we have this year. And then I should also say just the other thing, sorry, Michael, to interrupt. But the other thing that, I wouldn't say exciting, but just happens every couple of years is obviously that the midterm election's coming up.

The last midterm election had a record $180 million dollar in advertising revenue for midterm, right. The recollection cycles are much higher than that, but we expect from what we were already seen with primary spending in the primaries, we expect this midterm election to blow through that $180 million dollar record in revenue pretty significantly, pretty substantially.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

What I was going to say is, while you avoided SVOD you focused on AVOD and bought Tubi, right? So you want to talk a bit about your strategy for Tubi and how Tubi is or is not integrated into how FOX goes to market in advertising?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Yep. And sorry Robert, that was the last part of your question I didn't answer. So Tubi is integrated and is a part of all of our advertising conversations but it's not a forced sale. And what I mean by that is that we know – because it's an important add on that gives our clients more reach – it gives them younger audiences, diverse audiences. It's a tremendous sort of incremental vibe for our clients but it's not forced together. And because of that we know the revenue in Tubi, which we project to be over $1 billion dollars within the next couple years, is truly incremental to FOX's revenue.

We're not taking revenue out of one pocket and putting it in another pocket, this is truly new revenue for us and revenue we would not have been able to enjoy, have we not acquired and now run Tubi. So, I think that's really important. We're not, it's not a shell game where we want to allocate revenue and so it's truly incremental. It's incredibly sophisticated in terms of the AI and the ad stack that Farhad and his team, we have created really over like a decade. So, they're way ahead in terms of sophistication in how they can manage their ad load, how they target their advertising, how they actually can increase or decrease the ad load depending on the actual viewer, right.

And that viewer's propensity or openness does the advertising so it's an incredibly sophisticated system. We think we're way ahead of our competitors and the pack in terms of the service with 42,000 titles and the technology. So going back to the advertising question, when we present it to our clients, they are very attracted to it and, and it is growing very strongly. I think, in the last quarter 50% up in revenue.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

A question I have, like steady state, what kind of business model or what kind of margin business do you think AVOD is? You know, we debate SVOD all the time, but we never really focus on what's AVOD steady state. Do you think margins would be, you know if SVOD is 20%, do you think there would be a better business than SVOD?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

It's definitely a better business than SVOD. So that's the easy part of the answer. What the margins will be, it's interesting. You know, we had profitable quarters, breaking quarters, in Tubi. We've chosen to invest in it because we think it's a really important business and really is part of the future of how people going to watch television and television entertainment and so it's the right thing to be investing in. Having said that, you can dip it into profitability tomorrow if you wanted to. But I think overall steady state, I think you're talking in that 20% to maybe 30% margin range.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So just following up on the Tubi, piece there's clearly some new entrants coming into to the broader streaming market with Disney+ and Netflix. So how do you see that impacting Tubi's position to continue to take share of that streaming advertising pie?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

So again, part of our upfront piece was this line Only FOX, right. And when you have a – I want to say sales line, you come up with a slogan, for lack of a better term without more coffee. When you come up with a slogan, the important thing for a slogan I guess it's got to be true and it's got to actually speak to different constituents and stakeholders within the business. And so, what we talked about when we're talking about Only FOX was that Only FOX is like entirely focused on our advertisers and our clients.

And what that means in terms of strategically for us as well, is that we are not kind of confusing the consumer message and the consumer proposition with different tiers with - Hey, here's a subscription tier that there's no advertising and you can pay a few dollars less and get advertising and not quite clear what that ad load is. And by the way, if you're in one tier, we'll try to push you into the other tier or some content will be in one tier and some will be in another. It's a very confusing, and I think frustrating proposition to the ultimate viewer, the ultimate consumer but also to advertisers and clients.

We are the only company that's 100% focused on kind of serving our viewers but serving our advertising clients. And then we are partners in their business, we want them to succeed and we want to offer them the best advertising platform for them. And so I think that's an important differentiator with Tubi. Because of that as well and because Tubi is not the primary viewing like 98% of the viewing is on-demand viewing. The ad load is very low and purposely so because it's a great consumer experience. Again, that's a positive for advertisers and positive for the viewers as well.

So, we think Tubi is in a tremendous position. We talked a little bit before the technology that they've created and they're the tech company first and probably so. I think as other players enter the market again, I think there'll be more, they'll have a hybrid models which are not great, but I think it'll increase the overall kind of marketplace for digital advertising. And if you can be streaming advertising, and if you can be at the top of that business, I think it'll actually ultimately help Tubi.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So drilling down a bit more of that what I wonder is, as you see people like Roku and Amazon who own operating systems and platforms realize they need to get even stronger in the AVOD market. Do you see that potentially as a risk for Tubi's growth where you no longer have distribution partners who are friends, but potentially friends you say they need to grow the advertising parts of their business?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

From a distributor's point of view, we've been able to work pretty closely with them all, they get a share of revenue on different platforms. So actually they've been tremendous partners and like being part of Tubi’s growth. So I don't see that. And I also, going back to Robert's question, I think when we – it was interesting because when we had piece of Hulu and we were watching Hulu's growth and when Hulu launched the ad free tier we were worried that everyone would take the ad free tier because actually you were making enough money with the advertising.

And while we were there, I'm not sure what it's done since, only about one-third of people took the ad free tier right. Two-thirds of people were happy to keep the advertising. And what that certainly taught me and taught us kind of corporately, is that free is a pretty good proposition for people, right. And so it's a great proposition for maybe people in Manhattan or Los Angeles or San Francisco don't understand that, but particularly going into a potentially recessionary period or certainly a high inflation, period free is a tremendous proposition. And some of these hybrid models, if you are – I don't know I'm making this up – if you're $19 dollars with no ads and you're $12 dollars but you have some ads, well, why don't you just have some ads and be zero and be free? Our proposition is the simplest and I think is really the most attractive to most Americans.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Okay. So, it it's taken is this long to get to sports gambling. Given the importance of sports in your traditional media portfolio, can you update us on how FOX is positioned in online sports betting and I mean, clearly you guys were very early to this with The Stars Group deal all the way back in 2019. So why has this been a focus of yours for so long?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

All the way back in 2019, it does seem like…

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Before the pandemic, before the inflation, yeah.

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

Pre-pandemic. So look, we were early to it. Part of our overall strategy is we have the largest reach and the best engagement certainly in news and sports, and also to a large degree entertainment, but how do we take that reach and that engagement and how do we monetize it in new ways, but in ways that are potentially very significant, very substantial.

And so clearly in sports and with the legalization of sports wagering state-by-state, clearly, that was something we saw very early as a huge opportunity for us. And so we did the deal with the Stars Group. I think we structured our part of that very well. Obviously, we're not licensed, so we structured it as sort of options into the business, but what we were charged with delivering was our huge audience that's engaged with waging, we do that in a fun way, right.

We do that with a free-to-play game which is FOX Bet Super 6. And now is over 6.6 million, I think, users have downloaded the app and use it particularly it goes through, obviously given cycle, depending on the sports cycle, but it's obviously tremendously popular, particularly with the – in the football season. And so that's worked incredibly well. We're frustrated with the fact that our piece with that, we have a big option in FanDuel 18.6%, but that the FOX Bet joint venture is only rolled out in four markets.

So we're frustrated that hasn't been rolled out in more markets. It's not something that we operate as not being a licensed player. And that's sort of the basis of a big part of the arbitration we're going through now with Flutter, and we expect to be through that arbitration in the summer.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

So, we have two closing questions. Let me ask you the first, which is, is there a growing frustration internally about not receiving credit for your growth, your assets, which can lead to a reevaluation of a company as a public standalone entity?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

No. So, I'm going to use an Australian phrase but you probably wouldn't understand. Just say we have big wraps on ourselves, which means we like our story, we can see the growth that's within the company, and we're excited for the next few years. And the management team as a whole is engaged, is energized and really focused on driving both revenue growth and EBITDA growth. I think being particularly this next year with the sports that we've outlined, the political cycle that we've outlined, our renewals with our distributors, two-thirds coming up over the next two years. So we're incredibly excited by the prospects for that company over the next few years.

And so I think that's what we're focused on. And it's really up to us to tell the story, to come thank you for having me here this morning, to be able to tell our story, because that's a really important part of getting people to understand the potential of FOX.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Thank you. Robert's last one.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

So, the last one to follow-up on that, is there maybe one big surprise or something that you think investors aren't giving you credit for today that we should be focused on?

<<Lachlan Murdoch, Executive Chair and Chief Executive Officer>>

I thought we did that on the earnings call at the end. So look, I think it shouldn't be a surprise. We've talked about really the breadth of the companies today. I think you'll continue to see Tubi win in the AVOD market. I think we can monetize some of our businesses better. I think if you look at FOX News Media, it's the new businesses, again, outside of the kind of linear channel in digital, in audio, less example, smaller, books and things like we can monetize the FOX News Media brands better that's pretty clear to me. And so there are all these things that we do on a day-to-day basis as we manage the business, that I'm, again, that I said, we're tremendously focused on and excited about.

So, there shouldn't be surprises because we're pretty transparent about them. But we just have to keep telling the story so thank you very much.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Thank you.

<<Robert Fishman, Analyst, MoffettNathanson LLC>>

Thanks a lot.

<<Michael Nathanson, Analyst, MoffettNathanson LLC>>

Thank you everyone.