

Fox Corporation

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Benjamin Swinburne: All right. We're going to get started. For important disclosures, please see the Morgan Stanley research disclosure website at morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative. And I'm really excited to welcome back to the conference, Lachlan Murdoch, Executive Chairman and CEO of Fox Corporation. Lachlan, thank you for coming back.

Lachlan Murdoch: Thank you very much, Ben. Thanks for having me back. Can I take a quick opportunity to congratulate you on two things. One, for building such a great conference because I know you put your heart and soul into this, and it's been amazing. Every year, all of us have come, but also congratulate you on your new role as well.

Benjamin Swinburne: Well, thank you very much. I appreciate it.

Lachlan Murdoch: And is it true that you're going to be interviewing your boss later in the conference?

Benjamin Swinburne: It is true. Future boss.

Lachlan Murdoch: So, one word of advice - you should go hard, you should have a couple of tough questions.

Benjamin Swinburne: That's a good idea. I will take that back under consideration.

Lachlan Murdoch: All right. I'll be watching.

Benjamin Swinburne: I think I'm blushing on the phone. I appreciate that. All right. Well, back to you. I'm asking the questions here one last time.

Benjamin Swinburne: So, look, let's talk about FOX and sort of the strategic priorities and the long-term vision for the company. FOX had a very nice couple of years. I know the last few months have been choppy, but I wanted to ask you about kind of the strategic priorities for the company and where you're most excited in terms of long-term growth for FOX?

Lachlan Murdoch: Yes. Great. Well, first of all, last few months have been tremendous. The stocks had a choppy period as a lot of stocks have, but the business is firing on all cylinders. I think we've had across different sort of verticals in Sports and in News, on Tubi, we've had record revenue and record profitability in many of those businesses, if not all. So, the business is really firing, and we're incredibly happy with the position that we're in. In terms of strategic priorities, let say like two or three strategic priorities over the next couple of years.

For us- well, first of all, as of today or as of this weekend, obviously, the news cycle is incredibly important and it's obviously resonating with a lot of people. When there's major news stories, news organizations really have to stand up and that's not always easy. It's something that actually

requires a tremendous amount of skill and investment and effort over many years to be able to cover major news stories, particularly international news stories as well as we can. So, our continuing to do that is very important to us.

I just saw some -- a note this morning actually before I came on stage that FOX News on Saturday had its highest rating Saturday in over 23 years. And so that effort that you put in that investment, you put into news and news gathering is important and does resonate with all audiences.

Other priorities for us are definitely our move into digital platforms, whether that's a direct-to-consumer with FOX One, which is an aggregator of all of our content, direct-to-consumer is very important and very key to us. I'm sure we'll talk about that later on over the next few minutes.

And Tubi. Tubi was a contrarian acquisition. A lot of people thought we were crazy buying an advertising video-on-demand business. People at the time asked me and asked, well, how many subscribers do you have on Tubi? And so, it's not about subscribers. It's about our advertising and our advertising revenue. And that business continues to grow and continues to drive and improve further profitability. So, I'd say those, sitting here this morning, are our three priorities over the next little while.

Benjamin Swinburne: So FOX has benefited quite a bit, Lachlan, from a focused portfolio. You guys talked about sports and news. That's been sort of the message since you became a company in 2019. What adjacencies are you and the team kind of most excited to expand into? And are there areas that you are determined not to go into given some of the economics out there you see?

Lachlan Murdoch: Sure. Yes. So, let me answer that in the question in reverse. First of all, what we're not going to do, you won't see us investing substantially in businesses that are reliant on the traditional cable subscription ecosystem. We- you'll see us instead invest in businesses that further our reach in news and sports, further the engagement with our consumers and our viewers that are interested in live news and live sports. And we've already done that to date.

We've -- our digital business, what a lot of people don't realize is that FOX News, the linear channel that they think about and FOX Business and FOX Weather, the linear channels, but our digital business, FOX News Digital is the #1 digital news site in America. And it's the #1 digital news on social media across all of America. And we're pushing further and further into that, not from- just from a platform and distribution point of view, but from -- really from an organic content point of view in those- on those sort of social and digital platforms.

To that extent or to that end, we also bought a business called Red Seat Ventures, which is a podcasting business over a year ago now. Red Seat Ventures has done tremendously well for us, puts us in this creator economy with podcasters. I think we did over -- or just under 3 billion YouTube views in 2025, and its audio downloads are up 97% year-on-year. So those new businesses for us, making sure that our content is in front of our consumers wherever they are and however they want to engage with us, is incredibly important. And we're making very positive steps towards that end.

Benjamin Swinburne: When I think about FOX and even going back to 21st Century Fox, even going back to News Corp, you guys have always been investing and harvesting cash flow to some degree kind of simultaneously. I think some of the areas right now would include FOX One, Tubi, some other net investments. But how are you thinking about balancing sort of free cash flow maximization with investing in sort of your core growth strategies?

Lachlan Murdoch: Sure. Well, look, we're blessed. It's not all luck, it's by design and work that we have a tremendous balance sheet. And so how we then utilize that balance sheet, obviously, we look at the tools that we have. There has been modest sort of M&A activity. You'll probably see more of that. We don't have anything at hand right now to announce, but we'd like to do more M&A at a more sort of substantial level.

We're continuing to do our buybacks. We had, I think, up to \$12 billion buyback capacity over a period. I think we've done about \$8.5 billion, \$8.6 billion. So, we have now over \$2.5 billion -- close to \$2.5 billion of buyback authority to go. We announced a \$1.5 billion accelerated share repurchase and we're effectively close to completing that. And now we're back in the market buying shares on the open market as well. So if you look at M&A, you look at returning value to shareholders, returning capital to shareholders, whether it's through buybacks or through dividends, I think since the spin, we've returned \$10 billion of capital to shareholders, and that's a path I think we're going to continue.

Benjamin Swinburne: Okay. Great. As you can imagine, there's been a lot of investor focus on the Warner Bros. Discovery process, which appears to maybe be coming to a conclusion, at least with an announced agreement with Paramount and WBD. What's the discussion inside FOX around scale? It's obviously a big topic. And any other implications that this particular combination, if it closes, might have on your company?

Lachlan Murdoch: Sure. So, there's two parts to that question. First is a broader question on scale and then how does that -- how does a Warner Bros. acquisition presumably by Paramount affect us and how we think about it. From the broader question on scale, we don't- for us, I'm not saying this is necessarily true for everyone, but we don't believe in scale for scale's sake, right? We don't think -- you just need to get bigger to be better. In fact, we've seen a number of occasions, and we've executed deals on a number of occasions where smaller scale has worked better for us, right, whether it was the sale of our entertainment assets to Disney, which gave us a focused live news, live sports, highly engaged, concentrated brands strategy, which has proven incredibly successful in the last six years or before that, when we spun out and split the company between a newspaper company News Corp. and FOX. That transaction also worked for both entities incredibly well, allowing them to focus.

So our history and our education of this by doing it has proven that scale is not necessarily good for scale's sake. Sometimes, in fact, the opposite. But where we will make acquisitions and where we will grow are in areas that are strategic, right, that, again, will extend our engagement with our audience, extend our reach within our core sort of verticals, and we'll continue to do that.

As far as the Warner Bros. being acquired by presumably Paramount, we wish them the best of luck, and we've seen this as regardless whether it was Netflix acquiring Warner Bros. Discovery or Paramount acquiring Warner Bros. Discovery, there will be conditions put on this transaction we would expect which would require a producer of that size to continue to sell their content to third-party platforms, and we think that's very important, and we would expect that to be a condition put upon any transaction.

Benjamin Swinburne: Any comment on how CNN may or may not change vis-a-vis its competitive position with FOX News? I know you guys have obviously been winning in news ratings for a long time.

Lachlan Murdoch: No, we have been winning, and we win amongst sort of strong competition. And so, whether under the Ellisons, I think CNN obviously will be a strong competitor, as we would expect, but we like competition, and we've proven over many years now that we can- running news is hard. I think we have something like, I digress, but at FOX News alone, FOX News has been going over 30 years, and something like 100 of the staff at FOX News have been there the whole time. They're deeply engaged, they're deeply kind of committed to the business, have tremendous skills, and it shows up in the ratings.

Benjamin Swinburne: Right. The other big topic that I'm hearing from folks on FOX has been around sports rights and in particular, the NFL. You and I were chatting when the NBA had a really successful renewal a year or two ago. And there's some concern in the market that the NFL may look to negotiate or renegotiate their deals with FOX and the other broadcasters early, maybe even this year, and that could pressure your earnings outlook. What's your answer to that concern? How do you approach and describe your relationship with the NFL and your overall sports portfolio?

- Lachlan Murdoch: Sure. So, first of all, our relationship with the NFL is very strong. We've had a great relationship with the NFL for over 30 years. And for over 30 years, that relationship has been mutually beneficial to both FOX and to the NFL. And so we would be- we would certainly look to continuing that mutually beneficial relationship going forward. That said, we have not had any material conversations with the NFL about a renewal yet. But that said, we have four more years on our contract before any kind of presumed opt-out would take effect. So we feel comfortable with where we are. We think we're paying a market price for the NFL today. The prices were renegotiated only three years ago. They went up, I think, over 100% three years ago. So, we think our current pricing is at market. But to the extent that there was any incremental cost for the NFL programming, I think the key thing for people to realize, that incremental cost would flow through to local affiliates, to our distributors and ultimately, to consumers and the fans.
- Benjamin Swinburne: Okay. That's actually a good segue. I wanted to shift gears over to distribution and talk a little bit about both the traditional business and FOX One. So, on your last earnings call, Lachlan, you highlighted subscriber declines and now we're talking about the kind of traditional U.S. bundle, improving to just over 6% year-on-year. I know that's still a healthy decline, but that's a decent improvement from a couple of years ago. What do you think is driving that? And how sustainable is it that you might see a continued moderation of sub losses in your mind?
- Lachlan Murdoch: Yes. So, we've seen now multiple consecutive quarters of improving sub decline, but the lessening of subscriber erosion in the traditional pay-TV subscriber ecosystem. And so that's very positive. And as you said, I think you said just over 6%. I might say just under 6.5%, but you can kind of pick the middle ground there. And it's a- and that excludes, by the way, the subscribers that we have for FOX One, our direct-to-consumer service, which is created internally. It is- they are pay-TV digital subscribers. So, we've excluded that number, which would improve that 6.5%. But we've excluded that because it's such early days, and we don't know about the seasonality within those subs, so we didn't want to confuse the number with these additional subscribers. It's too early to say whether this improvement in subscriber declines is from skinny bundles or skinny bundles alone. Skinny bundles, what I mean is people who are just platform providers, distributors are now offering sports bundles or entertainment bundles or sort of news bundles. It's too early to say whether it's from that alone or we're finding some kind of more resistance to churn or to subscriber erosion as we get to a more core cable user. It could probably be a combination of both.
- Benjamin Swinburne: Got it. Okay. While you guys have been absorbing those declines, you've been able to grow your distribution revenues. Obviously, that's a function primarily of pricing. Look, the industry is constantly changing. There's a lot of big shifts that are structural, but what's FOX's confidence in your ability to continue to drive pricing power as you go through continued renewals, which I think you have some coming up soon.
- Lachlan Murdoch: Yes. No, I have strong confidence that we'll continue to drive subscription pricing. It's part of the benefit of having this sort of core set of channels that are highly watched, highly sort of respected and valued brands. If you have- and this actually goes to your scale question in the beginning- if you have a lot of scale and you buy a lot of channels, but the channels that no one wants to watch, you spend all your leverage in your distribution negotiations, trying to protect the weaker channels, right? And so you lose leverage in being able to drive pricing. Because we're so focused, we're really being able to drive pricing and really share of wallet for the cable subscriber over our competitors. And we have great confidence we'll be able to continue to do that. I think in this last quarter, we grew pricing by about 4%.
- Benjamin Swinburne: Yes. That's great. There's -- as you mentioned, the skinny bundles are a big factor in the market. They're probably helping potentially the subscriber erosion trends. But there has been some question as to whether FOX might feel some negative impact from some new skinny bundles coming, particularly from YouTube, which is rapidly growing to be one of the largest MVPDs out there. Can you talk a little bit about how your networks, particularly FOX News, does or does not get impacted by, for example, a sports bundle that YouTube have been publicly talking about?

Lachlan Murdoch: Sure. So, we're not impacted is the short answer. I don't want to get into the specifics of different distribution contracts, which are confidential. But we sell to all of our distributors, we sell as a bundle, right? We sell a bundle of our channels, they're highly valuable channels. And we're big believers in the cable bundle, in the core cable bundle as being the most efficient and valuable to consumers.

Having said that, we allow distributors to go to market in a flexible way, right, within reason. We have to be an appropriately flexible way. And so you can- so YouTube or others can sell a sports bundle. You have to remember, sports bundle includes the local TV stations because they're the ones that kind of ultimately hold those rights. So, it's a sports bundle or a news bundle or an entertainment bundle, you can go to market in an efficient way, in an appropriate way, dividing that content up, but we get paid as if it's one bundle.

Benjamin Swinburne: Okay. That's helpful. FOX One was launched, I think, in August of last year, August, September time frame. You have said it's exceeding expectations. We don't know exactly what those expectations were, but it sounds like it's off to a good start. With a little bit of learnings now in the market, how are you feeling about the long-term opportunity and sort of the strategy around sort of investing behind this direct-to-consumer offering?

Lachlan Murdoch: Yes. So, we launched FOX One, right, I think it was last August before the college football season and obviously, the professional football season. It has exceeded all of our expectations, both from a subscriber perspective, subscriber growth perspective, well ahead of its plan. And also just from a -- because of that, it flows into an investment perspective, it's ahead of our expectations financially as well.

What have we learned from that? I think we are -- we've built a tremendous team, obviously sort of technologists and experts in streaming, but bundling is very important with a lot of these products. Our sales through Amazon, for example, have been incredibly successful. And then what we're seeing from a user perspective, really the news viewer is particularly valuable, right? Our news viewers in the FOX -- watching FOX One watch like 3.5 days per week, which is a tremendous amount. I challenge most streaming services to have that high sort of loyalty during the week, 3.5 days a week. They watch over 10 hours of programming per week, over 10 hours and over 6 shows, I think it's over 6 shows per week. So, we're really seeing that news viewer being incredibly valuable to the FOX One platform.

Benjamin Swinburne: Great. I'm sure FOX One is part of your discussions with your distribution partners. Can you talk about a little bit how it may have either positively or negatively impacted those discussions, particularly as you go into these renewals coming up with FOX One in the portfolio?

Lachlan Murdoch: So, look, I think from our perspective, FOX has been the most pro cable, pro pay television bundle of any content company. And for FOX One, we have been extremely focused on not creating churn. We don't want any churn from a traditional cable subscriber from one of our distribution partners onto FOX One. And it actually doesn't make financial sense to us. And so because of that, what you've seen, you've seen no promotion of FOX One in linear news, linear FOX News or linear FOX Sports, none at all. And we believe because of that, we haven't churned or it's a very small percentage of people who might have churned from traditional cable into FOX One. And that's very important. And that means we haven't put exclusive content. We're not promoting it in a way that will create churn, and that's incredibly important. But in addition to that, what we've offered all of our distributors is that if you're a cable subscriber on any of our distribution or a YouTube subscriber, you can get FOX One as part of your subscription. So we offer FOX One free to any of our distribution partners, which I think helps them as well.

Benjamin Swinburne: Okay. Let's shift over to the other major revenue stream of the company, which is advertising. It's been quite strong for FOX. Let's start with FOX News. I think you've added a lot of new advertisers over the last kind of 1.5 years. Scatter pricing is strong. Any update, and sort of what do you think about the durability of that growth as we look into the rest of '26?

Lachlan Murdoch: Advertising has been incredibly strong. I think advertisers have recognized that the FOX News now because of FOX News' reach and audience, we're competing against the broadcast networks. We are not competing against CNN or MSNBC or someone else for a news audience. Our audience is just too large. The reach is too great. So, we're really competing with the broadcast networks, but we're competing against them with an unfair advantage, an advantage that's fair enough to have, but that our CPMs are much lower. So for an advertiser who wants to get their national reach across demographics, across all political spectrum, we have more Democrats, we have more Independents watching FOX News than our competitors. If you want that, you can get it at almost half the cost you can get it for on a broadcast network. So, we're seeing advertisers really flow to us. I think it was over 200 new advertisers so that's very positive. Of course, that only works if you have great ratings, and the ratings continue to be strong. I mentioned this past Saturday, even before the news of this weekend in the Middle East, I think State of the Union address last week, we had about 70%- I think we had 9 million people watch our State of the Union broadcast, which is the biggest ever, 11 million, if you include the shoulder programming, which is about 70% of the cable news audience. So, the ratings are incredibly strong. That flows to advertising and advertisers are really awake to that.

Benjamin Swinburne: I know the political advertising is a little bit down the road this year, but we have seen a lot of money shift from linear from broadcast to streaming or CTV. You guys play in both areas. What's your perspective on how quickly that money is migrating away from broadcast stations or linear in general, to businesses on the CTV side like Tubi, for example.

Lachlan Murdoch: So, first of all, there's a couple of broad terms in there. So, revenue is immigrating from linear to CTV, but it's flowing from linear entertainment, right? So broadcast and cable entertainment programming is moving from there into CTV, right? So sports and news, linear is incredibly strong, right, record revenues. CTV is also a broad term. It incorporates a lot of different products and platforms, and it also incorporates FAST channels, right? So FAST, linear-like stream channels, right?

What we have in Tubi, which is the beneficiary of this massive flow coming into CTV, we have -- we're AVOD. We're video-on-demand, advertising-supported video-on-demand. And that means that I think 95% of our viewing is someone choosing proactively in that moment to watch that show and to engage with that advertising, right, and watch those ads. So it creates an incredibly valuable proposition to advertisers to have that engagement. So, we are really the beneficiary of this flow from entertainment into CTV, but particularly into AVOD CTV, which we're the leader in.

Benjamin Swinburne: And any view on how political money may or may not follow that?

Lachlan Murdoch: It came the last election cycle. This year, we've already seen -- and not this fiscal year, we have seen record political revenues in a period where there's usually none, which we think bodes very well to the next fiscal year in November. We think there's going to be tremendous political advertising, which will impact for the first time, like we saw it, not for the first time, we saw it the first time in the last political cycle, we saw political advertising on Tubi because they're going to be incredibly targeted. They're young, they're diverse, they're - 70% of them are cord cutters. They're very hard to reach. So Tubi got significant political advertising dollars in the last cycle. FOX News got some national political advertising dollars, which is unusual. And of course, for our local stations, it will benefit them tremendously.

Benjamin Swinburne: Sure. Okay. Let's talk a little bit more about Tubi. I know we touched on it a couple of times. I think last quarter, what, 27% growth in view time, revenue growth, 19% and you're EBITDA positive now, at least over the last couple of quarters. So, what are the big drivers of that business in terms of really making that a meaningful contributor to the company's EBITDA long term?

Lachlan Murdoch: So, look, you mentioned in your question, TVT, total viewing time as what stands for, growth at 27%, that's critical, right? Growing that total viewing time. It's also a key indicator is the is the

service working, right? Do consumers like it? And every quarter -- every month, we're seeing that grow more and more. So the service is working, people like it, and then obviously, that brings to advertisers. So as long as we can continue to grow TVT, I'd like us to be able to -- it's a competitive market, to your last question, in this connected television advertising market.

So, there is pressure on rates. I'd like our rates to be stronger. But having said that, we're garnering kind of lion's share of that AVOD advertising sort of dollars. So, we're very confident we can continue to grow. It's also because we have the largest library. We have a large library, incredible technology. We're moving more and more into -- to increase the funnel of people that come to watch us.

We're doing -- we've created this creator verse where we're doing Mr. Beast and other sort of podcasters and people who are now on Tubi with exclusive content, which is fantastic. About 10% of our viewers will watch -- will come in and they'll watch some of this creator-generated content, and then they'll stay to watch Hollywood produced television shows and movies. So, the flywheel is working really very well.

Benjamin Swinburne: You mentioned a couple of them, but your engagement growth is better than a lot of the competitive set we're looking at. And it seems like the revenue growth also is -- is there anything else you'd add in terms of either the ad tech or the content strategy that you think is a real kind of differentiator of Tubi and what is a really crowded streaming market for consumers?

Lachlan Murdoch: Well, we're the only -- advertising-only streaming service, right, AVOD service, right? We don't have tiers. You can't get out of -- opt out of ads, you pay -- our proposition to the consumer is very clear, very strong. It's free. And it's a great proposition. It's simple. People understand it. We don't bombard you with trying to upsell you or move you into different tiers. So that's very strong. You have to remember that Tubi, which we've been very focused on advertising and obviously, the advertising tech that supports that. Tubi started as an ad tech company, right? They built the ad tech and then they realized they could license the content to feed it. And so, the culture there has been incredibly positive and the continued investment in the ad tech has been very strong. And by the way, AI and what we're doing with AI, driving that ad tech, driving engagement with consumers is also incredibly impressive and exciting.

Benjamin Swinburne: Okay. Maybe in the time we have left, Lachlan, you guys have been -- FOX and sort of the assets behind FOX and News Corp over the years have been very focused on sports betting in many different markets. I know you have a lot of experience that in Australia and the U.K. You've talked a lot about the value in your investment in Flutter and FanDuel. How does sports betting fit into your overall corporate strategy? And then I'd love to also hear your thoughts on the latest controversies or debates in the market around prediction markets and their impact on these businesses?

Lachlan Murdoch: Sure. So, with sports betting, we can remind the audience, we have like 2.5% of Flutter, the parent company. Below that, we have an 18.6% option in FanDuel, the American sort of FanDuel business. We're incredibly excited about that. We're going through -- we have five years to go for this option to exercise the option. And so we are moving forward with licensing. We need to be licensed, I think, in 26 or 27 states to be able to exercise that option, which we're confident we can do, although there's no rush because we have five years to do it.

So, we like that business. We like sports wagering in particular. And I think FanDuel is a great partner for us. Having said that, if you look at the emergencies you mentioned of the prediction markets and whether it's Kalshi or Polymarket. I saw that this morning on FOX News, I think Robinhood Prediction Markets was advertising. I know there's some other technology behind it. And so these people are tremendous advertisers. So, we're seeing a really kind of a surge of advertising dollars come on to, frankly, all of our platforms as there's a fight for position, right, and market share amongst these companies, and we really stand to benefit from a lot of that.

- Benjamin Swinburne: But does the prediction markets change how you view the opportunity long term for sports betting, particularly in the U.S. as an investor in Flutter and FanDuel?
- Lachlan Murdoch: No, I think everyone- I mean we saw this overseas a decade ago. I think whether it's sports betting, sports wagering or prediction markets, there have to be some guardrails and ideally, they are self-implemented sort of guardrails in terms of what you can bet on, how you can bet, where you can market because if you don't put the guardrails around that, governments and regulators will. So, I think the -- we're not really in the industry, but I think the industry will have to work out what guardrails that they put around, how they're allowing those bets to be made and how you market them.
- Benjamin Swinburne: Got it. Okay. All right. Well, we covered a lot of ground, and we're running out of time. Lachlan, thank you so much. Anything you want to wrap up with for the audience on FOX's position?
- Lachlan Murdoch: Sure. Look, in summary, we had a great quarter. In fact, we've had a great few years. The business is firing on all cylinders. We are going from strength to strength, whether it's FOX News, FOX Sports, Tubi, FOX One, we didn't talk about Entertainment. I'll be in trouble when I go back to L.A. And the entertainment business is actually doing tremendously. Rob Wade and his team have done a tremendous job driving those shows, the distribution of those shows and profitability in that business.
- But the final thing I should say just coming back to my original comment on news, news is hard, whether it's news competitors or just how we do news every day. I was in Tel Aviv a month ago, visiting our new- we have a big investment in a new FOX News Bureau in Tel Aviv, and it was amazing over the weekend to see Trey Yingst with really incredible coverage and that whole team that we've invested in and developed over many years, just over this new studio, this new bureau -- news Bureau for him and to see him broadcasting from that bureau as these missiles were crashing in Tel Aviv. So, it takes a lot of hard work. We're incredibly committed to them, and we're incredibly proud of the news coverage that we provide. We think it's an essential service.
- Benjamin Swinburne: Great. Well, Lachlan, thank you so much. Thank you, everybody.
- Lachlan Murdoch: Thank you everyone. Thank you.