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Fox Corporation

FOX FY2026 Q3 Earnings Call

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CORPORATE SPEAKERS:

Gabrielle Brown

Fox Corporation.; Chief Investor Relations Officer

Lachlan Murdoch

Fox Corporation.; Executive Chair and Chief Executive Officer

Steven Tomsic

Fox Corporation.; Chief Financial Officer

PARTICIPANTS:

Michael Morris

Guggenheim Securities; Analyst

Michael Ng

Goldman Sachs Group, Inc.; Managing Director

Sean Diffley

Morgan Stanley; Managing Director

Bryan Kraft

Deutsche Bank AG; Analyst

Steven Cahall

Wells Fargo Securities; Analyst

PRESENTATION:

Operator: Thank you for standing by, ladies and gentlemen. Welcome to the Fox Corporation Third Quarter Fiscal Year 2026 Earnings Conference Call.

(Operator Instructions)

As a reminder, this conference is being recorded.

I'll now turn the conference over to Chief Investor Relations Officer, Ms. Gabrielle Brown. Please go ahead, Ms. Brown.

Gabrielle Brown: Thank you, Operator. Good morning. And welcome to our Fiscal 2026 Third Quarter Earnings Call.

Joining me on the call today are Lachlan Murdoch, Executive Chair and Chief Executive Officer; John Nallen, President and Chief Operating Officer; and Steve Tomsic, our Chief Financial Officer.

First, Lachlan and Steve will give some prepared remarks on the most recent quarter, and then we'll take questions from the investment community.

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Please note that this call may include forward-looking statements regarding Fox Corporation's financial performance and operating results. These statements are based on management's current expectations, and actual results could differ from what is stated as a result of certain factors identified on today's call and in the company's SEC filings.

Additionally, this call will include certain non-GAAP financial measures including adjusted EPS and adjusted EBITDA, or EBITDA as we refer to it on this call. Reconciliations of non-GAAP financial measures are included in our earnings release and our SEC filings which are available in the Investor Relations section of our website.

We also refer to free cash flow which we define as net cash provided by operating activities, less capital expenditures.

And with that, I'm pleased to turn the call over to Lachlan.

Lachlan Murdoch: Thank you, Gaby. And thank you all for joining us this morning.

It's a busy day for us here at FOX. This morning, we reported our fiscal third quarter results. And later today, we will host our annual Upfront presentation where our advertising partners will experience firsthand the power of our programming and the platform we provide for them across our family of Fox Corporation brands. And as you will hear today, all signs point to a healthy Upfront for FOX.

From global news and live sports to high-quality free entertainment and essential local news coverage, FOX turns audience engagement and passion into performance for our advertising and distribution partners alike. This performance was demonstrated again in our fiscal third quarter, where our financial results continue to reflect the unabated momentum across the business.

We reported \$4 billion of revenue and EBITDA growth of 11% to just over \$950 million reflecting strong core top line delivery from ongoing advertising trends and distribution revenue growth.

Distribution revenue grew 3% during the quarter, benefiting from the continued early success of FOX One where both new subscriber additions which we are confident are additive to the ecosystem and subscriber retention outperformed our expectations.

Advertising revenue, as expected, declined due to the absence of last year's Super Bowl broadcast. However, excluding the Super Bowl impact, advertising revenue would have grown double digits driven by strength across the company, and that momentum continues into our fiscal fourth quarter.

The strength of these trends is most evident at FOX News which achieved its highest third quarter advertising revenue ever. In rapidly changing and consequential news cycles, audiences turned to FOX News for compelling, accurate and timely reporting. This is easily and clearly reflected to the FOX News

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channel, finishing the quarter as the most watched cable network in both total day and Prime and the sequential momentum is growing.

For example, FOX News finished April with year-on-year total audience growth which contributed to FOX News being the second most watched network in Monday through Friday Prime in all of television, surpassing all but one broadcast network.

FOX News Digital also delivered strong results in the quarter, with both YouTube and social media views up double digits over the prior year.

FOX Sports delivered major wins during a slightly less hectic time of the year for our sports calendar. The World Baseball Classic across FOX was a resounding success with average ratings across the series up over 150% versus the 2023 tournament and more than 10 million viewers tuned in for the final.

That trend continued as Major League Baseball's opening weekend on FOX scored ratings 45% over last year and IndyCar raced to its best start in years, growing ratings 37% as of quarter end.

Earlier in the quarter, we concluded a strong NFL season, highlighted by over 170 million viewers tuning in to regular season NFL games on FOX during the 2025-2026 season culminating with the NFC Championship game which averaged more than 46 million viewers, not bad.

The NFL has been a key partner with FOX for more than 30 years, in what is a mutually beneficial relationship. To underscore this relationship with the NFL, yesterday, FOX acquired rights to two additional NFL games in national windows for this coming season.

And looking ahead, FOX will shortly be home to the world's biggest sporting event of the year, the FIFA Men's World Cup. We are proud to bring the first World Cup to the United States in over 30 years to our audience this summer.

This year's tournament with an expanded schedule encompassing 104 matches over five weeks, will see FOX deliver the most matches ever on U.S. broadcast television. Tubi will also be part of our coverage as we simulcast the opening matches including the first USA match and will be home to our FIFA World Cup hub, where Tubi's nearly 100 million monthly active users can engage with a broad assortment of soccer content. This added exposure from the World Cup builds on Tubi's strong third quarter where revenue grew a healthy 23%.

Engagement was also solid with a 19% increase in total view time maintaining strong momentum from library content, Tubi originals and creator led titles.

Tubi now features more than 220 creators with over 17,000 episodes with plans to further expand its creator universe as this content attracts younger audiences and drives higher retention.

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Just like we have seen at the start of each sporting season, we also expect the World Cup on FOX to be a positive for FOX One. Trends across FOX One continue to be encouraging with strong consumption across both our news and sports offerings.

Finally, from an entertainment perspective, our refreshed mid-season slate introduced several great new shows led by *Fear Factor*, *Memory of a Killer* and *Best Medicine*. These attracted robust audiences consuming live on the network and were amplified with meaningful levels of delayed digital streaming.

In addition, at today's Upfront, we'll be announcing the launch of several new shows for the upcoming year including *Baywatch* and *The Interrogator*.

FOX's third quarter results once again underscore the strength of our brands and our leadership in live program positioning us to deliver record EBITDA this fiscal year.

As we look ahead, this strength will be showcased through the upcoming Men's World Cup and the looming midterm election cycle. These events will supplement our outstanding core sports and entertainment schedules, our continued rapid growth of Tubi, and our leading national and local news coverage where we continue to make significant investments in the work of our dedicated journalists.

We have solid momentum and our financial position is strong supported by a robust balance sheet. We remain committed to delivering value for our shareholders in a thoughtful and disciplined manner, and we will continue to explore every opportunity to maximize that value over the long term.

And with that, I will turn the call over to Steve to take you through the details of the quarter.

Steven Tomsic: Thanks, Lachlan. And good morning, everyone.

FOX delivered another strong quarter financially, highlighted by our fiscal third quarter total company revenue of \$4 billion and adjusted EBITDA growth of 11% to \$954 million, a record third quarter for FOX.

Distribution revenue grew 3% over the prior year, driven by 5% growth at our Cable segment.

As expected, advertising revenue on a headline basis was down 24% as we lapped last year's broadcast of Super Bowl LIX. As Lachlan mentioned, excluding the impact of the Super Bowl and other NFL postseason schedule changes, our total company advertising revenue would have grown double digits over the prior year quarter.

Content and other revenue was up 12%, primarily due to higher sports sublicensing revenue in our Cable segment. Meanwhile, total expenses fell 14%, mainly a result of the NFL post season schedule differences I just mentioned.

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Net income attributable to FOX stockholders was \$166 million or \$0.38 per share as compared to the \$346 million or \$0.75 per share reported in the prior year period. Excluding noncore items, adjusted net income was \$570 million and adjusted EPS was \$1.32, up 20% compared to the \$1.10 per share recorded in the prior year.

Now let's turn to our operating segments.

Starting with the Cable segment, which delivered 6% revenue growth and 1% adjusted EBITDA growth to \$884 million. Cable distribution revenue grew 5% over the prior year quarter as pricing gains outpaced the impact from net subscriber declines, which remained stable at under 6.5% across our third-party distributors before taking into account a meaningful positive contribution from FOX One.

Cable advertising revenue was up 5% versus the prior year, driven by strength in national pricing at News and the benefit of the World Baseball Classic at Sports. Cable content and other revenue increased 24%, driven by higher sports sublicensing revenue. Revenue growth at our Cable segment was partially offset by a 13% increase in expenses, primarily attributable to higher sports rights amortization.

Turning to our Television segment which reported \$2.2 billion in quarterly revenue. As anticipated, advertising revenue in our Television segment declined 30% as underlying growth led by Tubi, along with the benefit from this year's additional NFL Wild Card game was more than offset by the absence of Super Bowl LIX which generated over \$800 million in gross advertising revenue in the prior year quarter.

Television distribution revenue was down 1% which continues to be in line with our expectation for TV distribution revenue to be about flat for the full year before returning to growth in fiscal '27. Television content and other revenue was up 2% year-over-year, primarily due to higher content revenue tied to our entertainment production studios. Meanwhile, expenses at the Television segment fell 24%, led by lower sports programming rights amortization and production costs due to the absence of last year's Super Bowl.

As a result, EBITDA at our Television segment was \$191 million, more than 3x the level posted in the prior year quarter.

Turning to cash flow, where we generated quarterly free cash flow of \$1.77 billion. This strong quarterly free cash flow delivery is consistent with the seasonality of our working capital cycle, where the first half of our fiscal year reflects the concentration of payments for sports rights and buildup of advertising-related receivables, both of which reversed in the second half of our fiscal year.

In terms of capital allocation, fiscal year-to-date, we have repurchased an additional \$1.95 billion through our share buyback program. This brings the total cumulative amount repurchased to over \$8.5 billion or approximately 36% of our total shares outstanding since the launch of the buyback program in 2019. This includes the \$1.5 billion accelerated share repurchase transaction which is now complete. These capital returns are supported by the strength of our balance sheet where we ended the quarter with approximately \$3.6 billion in cash and \$6.6 billion in debt.

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And with that, I'll turn the call back over to Gaby.

Gabrielle Brown: Great. Thanks, Steve. And now we'd be happy to take questions from the investment community.

Operator: (Operator Instructions) We have a question from Michael Morris of Guggenheim.

Michael Morris: I'll try to keep it to one topic, if I could. So first, congratulations on the agreement that you just announced with the NFL for the additional games. Can you share any more detail on those games when they're going to air and where they're coming from?

And then more broadly on the topic, there was an article recently in The Journal saying that Rupert Murdoch expressed concern to the administration about games moving -- NFL games moving to streaming services. Does this new agreement mitigate that concern at all?

And more broadly, can you just share any update on negotiations to extend the agreement, just the article did raise some concern about elevated tension between FOX and the league. So it would be great to get your perspective on that.

Lachlan Murdoch: Thanks, Mike. It's Lachlan. Let me, I guess, start in order of how you asked the question.

So, we're announcing this morning that we've acquired these rights -- these two additional regular season games. The first will appear in week 10, they're both national games. The first will appear in week 10, that will give us, I think, it's the overseas game from Munich. That will give us a triple header that Sunday, which I think will be the first triple header on broadcast TV in history so we're very excited for that.

And the second game will be Saturday game in week 15. So those are two games we've acquired.

And I think the important note to take here, and this goes to your second question, is there is no tension really with the NFL. We're partners for 30 years. We look forward to being partners for the next 30 years.

And as we've noted before, we have four years left on our current deal. We've read the speculation that the NFL would like to renegotiate and extend the current -- our current deal or the current deals that are in the marketplace, but we've had no substantive discussions with the NFL about that. So, it's hard apart from what we read in the press around speculation around that. I wouldn't want to add to that speculation at all.

Having said that, we'd like to sort of broaden and deepen our relationship with the NFL. But we'll only do so in a disciplined way, you know, really take some -- creates value, a long-term shareholder value for our shareholders.

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Operator: We have a question from Michael Ng of Goldman Sachs.

Michael Ng: I wanted to ask about cable network distribution revenue growth. The 5% growth when I think many investors wonder if cable network distribution can grow sustainably above zero. So maybe you could just talk a little bit about the FOX One contributions, has the success of FOX One kind of given you confidence that cable distribution could grow mid-single digits, perhaps on a multiyear basis? And maybe anything on seasonality that you would call out?

Lachlan Murdoch: Thanks, Mike. So let me start and then Steve can answer the tough part.

So, no, look, we are from a cable -- in all seriousness from a cable distribution perspective, we feel we're in the best place we've probably been for some time. That's based on two things.

One is we're seeing a amelioration of sort of sub declines, stabilizing of sub declines now for a few quarters in a row below 6.5% in sub erosion. We think that's a very positive trend.

And it's important to note that does not include our FOX One subscriber additions. We've decided to take a very conservative approach and not include FOX One subscribers in that 6.5% because it's still early days for FOX One. We want to see at least, at the very least, sort of a full cycle flow through so we understand there any seasonality that could be in the FOX One subscriber base.

Although having said that, we're really not seeing a tremendous amount of churn within FOX One to date. So, we're very pleased with that.

The other side of that equation is, obviously, is the strength of our brands. Our brands continue to be the most coveted and sort of valuable in the cable universe, and whether that's FOX Sports or FOX News, the brands are in a tremendous position.

While skinny bundles are helping the ecosystem, we believe, that's also early days. Skinny bundles really launched 12 to 18 months ago. We're watching that with interest, but all the signs are very positive about the evolving ecosystem.

Steven Tomsic: Yes. Thanks, Lachlan.

So, Mike, in terms of trajectory, I think to sort of echo Lachlan's point, I think you're going to find there's a lot more heterogeneity in the performance of cable networks going forward. And so you've got -- in the old days, used to just be cable and satellite, and then we have the virtual MVPDs. Now we've got FOX One as our own sort of owned and operated service and the emergence of genre bundles. And so we think that bodes well for our networks which it must have both from a broadcast perspective as well as our sort of main line cable nets. And so we think that serves us really well.

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As Lachlan mentioned, FOX One was a significant contributor to our sub growth or sort of the subscriber trends, and that's fed into our revenues in terms of both cable affiliate and TV. But we'll sort of shy away from sort of whether it's mid-singles, but I think we're seeing pricing growth that we enacted about a year ago coming through.

This coming year, we're lighter on cable versus TV pricing. So, we've got about just north of a third of our distribution income up for renewal in fiscal '27. And that's skewed towards TV. But we feel very good about where we're at in terms of both cable distribution revenue growth as well as TV distribution growth in fiscal '27.

Operator: We have a question from Sean Diffley of Morgan Stanley.

Sean Diffley: So, advertising trends are very strong, up double digits ex Super Bowl. I was hoping you could parse out national versus local trends and the new category call-outs?

And then as it relates to the World Cup, how should we think about the financial impact across the company and how you plan to harness the event across the portfolio including Tubi and FOX One?

Lachlan Murdoch: Thanks, Sean.

So, you're right, advertising trends remain strong across the entire portfolio, whether that's Sports, News, Entertainment, Tubi and also strengthening trends of the -- in the local stations.

We, you know, feel that going into this Upfront, and obviously, we have our Upfront presentation today, but we're seeing a similar market which is a very healthy market that we saw sort of around this time last year. So, we think that bodes well for a very healthy Upfront.

We're seeing low options being taken up, very low options so it's a strong marketplace. We're not seeing cancellations and we're seeing healthy scatter prices.

So, most categories are growing. I think you asked some shoutouts to some of the categories like pharmaceutical, we think is growing, we'll grow on the Upfront, the tech segment and also finance.

When we add to this political revenue that we'll start to see flowing towards the autumn, I think there were some market third-parties of estimates of \$11 billion being the political ad market this midterm which would be a midterm record. We'll do obviously well out of that with our stations in key battleground states.

For example, at Florida and Georgia, and also benefiting from a lot of the issue money flowing into states like California. And we're actually already seeing record political revenue for an off year.

So, the combination of a strong underlying ad market leading in these Upfronts and also the political revenue that's already beginning to flow in, gives us great confidence in the ad markets moving forward.

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In terms of the World Cup, Steve is raising his hand. So, we'll let Steve about this, we are very pleased with the World Cup performance. There's a great deal of anticipation and excitement around the FIFA World Cup, both from our audiences and from our advertising partners.

We're -- as I mentioned in my earlier comments, we're really very proud to bring the World Cup to the United States in this 250th year, and it's going to be a very successful competition.

It will be -- it will assist, I think, the additive to FOX One. Obviously that amount of sort of sports content on FOX One will be additive to FOX One. And it will be a great -- the two games Tubi has simulcast won't impact Tubi's revenue because that revenue will be recognized by FOX Sports, but it will certainly help to our -- be additive to Tubi's sort of brand and audience metrics.

Steven Tomsic: And Sean, just in terms of how that shakes out for us, as Lachlan said, we're going to light it up across all the assets of the company.

The way you should think about it is it's basically a 50-50 in terms of where the tournament spreads financially. So Q4 of this current fiscal year into Q1 of our next fiscal year, and then from a revenue/EBITDA perspective, you should be thinking more on the broadcast side from a revenue perspective as well as being EBITDA accretive and then on the cable net side, less revenue and probably not EBITDA accretive. But on an overall company basis, absolutely EBITDA accretive.

Operator: We have a question from Bryan Kraft at Deutsche Bank.

Bryan Kraft: I guess I had one on FOX One, if I could, and then just wondering your sports betting investments.

So, on FOX One, you commented a little bit on the churn. I was wondering if you could talk about what you've seen in terms of sign-ups related to the spring sports, so Major League Baseball and NASCAR, some of the other stuff like Indy. And do you have any -- do you think you have any line of sight to FOX One potentially fully offsetting the traditional pay TV declines at some point?

And then on the sports betting side, just wondering if you could provide an update on your strategy and your plans regarding those investments in FanDuel and Flutter, and how you plan to leverage those longer term?

Lachlan Murdoch: All right. Thanks, Brian.

Look, on FOX One, look, overall, I think let me just say that we are very pleased with FOX One. And in almost every way, it has exceeded our expectations, but it's still early days so we're being sort of conservative in how we view it.

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Having said that, as we've come into the quieter summer period of spring period and summer period for us, we have seen very little churn, much lower churn than we had expected, and this obviously goes to the strength of the content and the platform.

It's important to note that over -- in the third quarter that we're reporting today, over half of their viewership on FOX One is News viewership and that goes to really the strength of that content and the user base. So, we're very pleased with that.

And obviously to your question, as we have sports added to FOX One, that's helped, obviously with bringing in new subscribers.

As to the sports betting opportunity, we remain bullish on FanDuel, and we retain our 2.5% option in Flutter. Sorry, our 2.5% equity stake in Flutter and our 18.6% option in FanDuel. We have over four years to exercise that option. We are going through, as we talked about before, a licensing process so that we can exercise. But we have four years to do that. But we are -- we're bullish on the FanDuel business.

Gabrielle Brown: Operator, we have time for one more question.

Operator: We have a question from Steven Cahall of Wells Fargo.

Steven Cahall: So first, just on FOX News, I guess as we think about the really big reach you've built over the last few years, is there any way to think about how much your pricing has come up structurally over that time? And I know the midterms will be probably another nice bump. But how do we think about just the general cycle of viewership that you have on FOX News over the next 12 months? Is it sort of down and then up as you get to the midterms? Or is it a little more stable in there.

And then just on net digital investments. I think this is something, Steve, that you've talked about kind of on a total company basis before. How are you thinking about net digital investments for fiscal '26 and fiscal '27. With the balance sheet, you have a ton of capacity to invest in things. I don't know if that's things like marketing around FOX One or Tubi, but would just love to know how you're thinking about that for the medium term?

Lachlan Murdoch: Great. Thanks, mate.

So, on FOX News, so from a pricing perspective on FOX News, we're seeing, obviously with strong ratings, particularly in April, now in April, but really through -- I think Q3, our share was about 57%. Ratings were down as we were competing against the presidential inauguration a year ago, but we're seeing very positive year-on-year growth in April. And so share and ratings are solid for us and we're seeing really advertisers respond to that.

I think in fiscal year '26, we added 200 new additional advertising clients, premium advertising clients. And that's on top of the previously announced 350 new advertising clients in fiscal '25. So over 500 new clients yearning to be on the platform. And what has that done? Well, that's really driven our CPMs up.

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Our CPMs and national pricing for FOX News are up over 45%. That's still a long way between the CPM pricing in FOX News and the broadcast networks that we compete against. So, we think there's actually a great upside opportunity for us as we endeavor to sort of narrow that gap between the number one cable network in the country. The number two that were sort of overall, I think one broadcast network is slightly ahead of us, but with pricing where there's a ton of upside.

On net digital investments, I'll let Steve go into the detail, but Tubi continues to grow. That's sort of our -- between Tubi and FOX One are the core of our digital investments, but we're seeing the investment in Tubi sort of moderate as it continues to sort of grow and expand.

The investment in Tubi is really a launch costs, marketing costs, some tech costs and we're seeing that ameliorate as it continues to grow. And that will be offsetting some of our broader digital investments which are pretty modest across the company.

Steven Tomsic: Yes. Thanks, Lachlan. Hey, Steve.

Just on investments, I think we've got a track record now of how thoughtful we've been on deploying capital. And so, if I look at it year-to-date, we're pacing better on investments than where we were year-to-date this time last year. And it's exactly what Lachlan said, we've had better than we anticipated success both at FOX One and Tubi. Tubi was again a little bit better than breakeven for Q3, which is a fantastic achievement. So that's three quarters in a row of being breakeven or better.

So, look, I gave a couple of numbers out over the course of this fiscal year so far. So, I think we started the year saying around \$350 million. Last year, we did sort of \$290 million. I'd expect the full year to be comfortable inside the \$290 million that we did last year, not anticipating any surprises for fiscal '27 in terms of an investment envelope.

But as I said, we've been thoughtful about it so far. So, if we see the opportunities, we won't be shy about investing in it. But we're really happy with where the investments are right now.

Gabrielle Brown: At this point, we are out of time. But if you have any further questions, please give me or Charlie Costanzo, a call. Thanks so much for joining us today.

Operator: Ladies and gentlemen, that does conclude the Fox Corporation Third Quarter Fiscal Year 2026 Earnings Conference Call. Thank you.