

Fox Corporation

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Robert Fishman: All right, we're going to get going. Good morning, everyone. Thank you for being here. I'm Robert Fishman, and we are very excited to have John Nallen back again this year. Thank you so much for being back. We have lots to dig into since we had the opportunity to chat last year. You also have one more year under your belt since getting promoted. Congrats again for that.

John Nallen: Thanks.

Robert Fishman: So, let's jump in. With all the changes going on around you, because there has been a lot over this past year, including the month-long Warner Brothers Discovery bidding war saga, maybe just talk to us how you would characterize where FOX is currently positioned within this larger, broader media ecosystem?

John Nallen: So, well first, thanks for having us again, and it's great to be here with you. Look, I'd say we're in a really good spot from a FOX perspective. Probably two things that are emblematic of where we are is focus and momentum. Those are two. Your note the other day covered those points. By the way, I disagree with your note that we're at fair value.

Robert Fishman: We can talk about that.

John Nallen: But – we can talk about that.

Robert Fishman: Yeah.

John Nallen: But the intense focus we have around live news and live sports, and increasingly around AVOD, with Tubi really does, it just doesn't distract us. We're really intensely focused on what's going on there. If you take that coupled with the momentum we're seeing across FOX News with, and I'm sure we'll talk about each of these as we go through it, the ratings gains that we've seen across FOX Sports with the World Cup coming up and a very successful football season, great Baseball Classic that we had going on. Across the stations where we're seeing increasingly better signs of the base market, and obviously, the elections coming up, which will be a boon for them.

Tubi goes from strength to strength. The kind of numbers they're posting are – can't be rivaled by a lot of other AVOD companies that we see out there. And then you couple that with the pristine balance sheet that we have. It just provides us a lot of flexibility around what we can do and how we can deliver value to the shareholders. So, I think we're in a different spot than the rest of the market is, the rest of the peers are, with this intense focus on what we're doing and no distractions.

Robert Fishman: Okay. You just mentioned the balance sheet, and it is a question that usually ends up towards the end of these sessions, but I think it is important to talk about the balance sheet and the context of the flexibility that it brings you when considering the overall company's position. So, you guys have talked about looking at accretive M&A opportunities, and the fact that you've actually repurchased more shares than you expected since initially forming the new FOX. So just talk to us a little bit more about how important scale is for the future of FOX given your current position, and what's been going on around you, and how investors should expect anything more in terms of the recent tuck-ins that you have been making over the past couple years.

John Nallen: So, you're right. If we look at, I mean, the general questions around capital allocation for us at FOX, and we've deployed most of our excess capital toward shareholder returns since we're close to \$10 billion in capital returns covered with buybacks and dividends. You're right, from an acquisition standpoint, we've been really selective in what we've done. Tubi is probably the biggest acquisition that we made, and that sub \$1 billion from an acquisition standpoint.

But the place that gets lost a bit is the use of capital to organically invest, and we've been very active there. Take Tubi as an example. We've invested heavily in Tubi over the last few years to see and match the growth that it's been able to achieve, and basically the turning point it's on right now. Latin America is another place, FOX Nation, FOX Weather. Some of our other digital initiatives are places where it's not massive capital, but the returns that we've seen have been very significant.

So, we play very well in building businesses. Having said that, I've said this consistently at your conferences and others, we are on the lookout for an accretive acquisition that is of size for the company. Now, scale for scale's sake is not what we're after. We're after for something that's aligned with what we're doing, that's kind of in a sweet spot of our knowledge base and what we do. So, we're not going after a pharmaceutical company or an automotive company. We're looking in the space that we play. And look, growing the enterprise is a real objective of ours. So, I'm hopeful we find that sweet spot acquisition to grow the enterprise. But to date, and FOX has been around for a while now, we're very disciplined on what we do. There hasn't been anything that's emerged for us to say, hey, that's it. Let's lean into that one.

Robert Fishman: Okay. You talk about sweet spots, so let's shift to sports for a second. With all the ongoing press reports, and there has been many, about an early NFL renewal. We know clearly the importance the NFL plays to all media partners and especially FOX given the long history that you have with the league. Can you just talk maybe broadly or as specifically as you want about how FOX could offset higher rights fees if you would reach a deal to extend with the NFL? And would that come with probably an increase in payments? If you want to touch on, you just got a couple extra games. So how does this broader NFL conversation factor into the long-term planning?

John Nallen: Yeah, so let me take the NFL writ large. And in the last 48 hours nothing has happened, meaning, we had our earnings release. Lachlan commented on the fact that we haven't had substantive discussions with the NFL. None of that has changed, so you should take his remarks as being unchanged from where we are today. But two points, clearly, when input costs for any company come in, you look to your top line to monetize them. And that's where we would be looking if rights costs came with an increase. Our – look 50% of our revenue is advertising, 50% of our revenue is distribution. We're a very simple company, and we would seek to monetize any rights costs through those two revenue avenues.

Ultimately, with one of them at least, it ends up down the chain to the consumer, but that's the way it's historically been. We've renewed five contracts with the NFL. You've seen our rates increase

virtually every time as a result of that. I don't expect history to change all that much on the first instance. On the second, the press reports, and clearly from sister publications, have been out. We just find it as a distraction. It's an incredible distraction which the evidence speaks for itself.

Over the weekend, we were able to secure, with the media committee's approval, two new national windows. These are accretive to EBITDA on an advertising basis only. So, this is not – we didn't need to go out and buy games to just have them. Clearly these are accretive to the business. And I think it's just further evidence of the fact that the relationship we've had with the NFL for 30 years is strong despite what you read in the press reports. So, if there is a point coming up for engagement on both sides, we'll both approach it the way we've approached it over the last 30 years.

Robert Fishman: Okay. That's very helpful. If we think a little bit broader about sports rights, can you talk about how FOX One and Tubi, which we'll get into in a little bit more detail, how do those platforms change your calculation when thinking about the ROI of sports investments and the rights that you have to bid for, thinking about Men's World Cup or MLB or NASCAR over the next couple years?

John Nallen: So, the simple answer to that is not much, but to dive in a bit, if you take each of those platforms, Tubi is not a platform for us to be the first position for our sports rights. It will always be FOX Sports and FS1 where we will put those on. But to put sports on Tubi like we've done with the NFL in the past, and we have two games for the World Cup coming up, the opening match and the first U.S. match, is just a fantastic way to drive top-of-funnel engagement into Tubi and to get much more brand awareness for Tubi in the market. So, it's much more a marketing approach by putting sports on Tubi than it is fundamentally Tubi being a sports platform. In fact, there's very little advertising that Tubi gets because they're just simulcasting the broadcast of FOX Sports on air and creating additional reach for us, there's no revenue opportunity for Tubi coming out of that. There is for the company, but not for Tubi.

If you then look at FOX One, what sports does for FOX One, and it's done at the start of the college and NFL season, start of baseball season, World Baseball Classic, and will do again with the start of the World Cup shortly, is creates a great marketing opportunity, first, to bring new subscribers to FOX One, and we've seen this at every one of those inflection points that I mentioned. Having that bouquet of sports is also a great retention tool, so it helps reduce churn, and we've seen that, and I'm sure we'll talk about FOX One.

So, when we look at the acquisition of rights, we don't necessarily look at a direct benefit from Tubi and FOX One, but these indirect benefits of retention, brand awareness, marketing are really important to those rights decisions.

Robert Fishman: Okay. Let's shift gears to FOX News now, which is an important contributor to FOX One as well. The competitive landscape around FOX News is also potentially changing with this Paramount Skydance set to take ownership of CNN. If you can help us understand how a reimagined CNN, could impact FOX News and what that means for your own strategy. Clearly, FOX News is operating from a position of strength right now, as you just talked about on the earnings call. But how do you think about these other competitive forces around you?

John Nallen: I think first you do have to set the stage for what FOX News is. I mean, its scale is very significant in the ecosystem now. Number one cable channel, at times the number one channel on television. We've seen great increases recently from a trend on the ratings, we were up high single digits in March, repeated that again in April. So, the strength is not abating on FOX News. I'm not suggesting at all that we're not mindful of all the competition, whether that's linear or digital, that we have on FOX News, but we are dealing from a position of strength.

Whether that's – and we'll probably talk about this later as well, whether that's from the revenue that we're generating or just the amount of news consumption that we're seeing. I mean, obviously big stories over the last month or two in the Iran war, the White House Correspondents' Dinner, the King's visit, and today, the China visit that we'll be there, just drives incredible viewership to FOX News because of how they cover it.

So whatever competition comes our way, we'll be ready and mindful of it, but I'm not suggesting that we're pivoting FOX News in any way because of what's out there from a competitive standpoint.

Robert Fishman: Okay. One piece of FOX News that, I think, is often overlooked is the strength of its engagement, not just in digital overall, but specifically on YouTube. So maybe help us understand how this expands FOX News' overall reach, and anything you can share about are these viewers more casual, younger cord cutters, or is this the more typical FOX News, older audience?

John Nallen: No, it's a younger audience on YouTube. FOX News is the number one news brand on YouTube by a mile. Last quarter, for example, FOX News Media had two billion views on YouTube, which was colossal. April was our third largest month for views on YouTube. So, like I said, on the linear side, it's not that FOX News is abating. And there is a bit of a flywheel to it in that we've got consumption from the linear channel. When people aren't on the linear channel, they go to either FOX News Digital or YouTube, and we see traffic coming back from YouTube to the linear channel and FOX News Digital.

So those three platforms are working pretty well in tandem with each other, but the consumption that we see on YouTube just by definition is younger. And it attracts a different audience, but it's a meaningful part of the viewership and the portfolio of FOX News.

Robert Fishman: Okay. So, we just talked about cord-cutting. So, if we shift over to the distribution side of the house, cord-cutting trends have improved the past few quarters. You guys have talked about it again on your earnings calls. We think, and, obviously this is clear, YouTube TV and Charter have been a big contributor to that success or improvement. When you think about the long-term views on cord-cutting, I know we've had this chat over the years, how do you as FOX think about where these trends can go, and are continued improvements a part of your realistic forecast?

John Nallen: Yes, we've had this discussion quite a lot. And I'm bullish. I'm much more bullish than maybe some of the other participants in the conference. We've seen 6.5% and better declines over the last several quarters in the traditional market, and I'm including the vMVPDs in that because you have to look at them separate for the moment. Great strength coming out of a couple of those players like YouTube TV. Charter is doing great work - all of our distributors are doing great work around it.

But those numbers are meaningfully reduced when we now include the results of FOX One. FOX One has been a real contributor to ameliorating the decline that we've seen in subs, and I expect this trend to continue.

I do expect also that the trend, the core trend, that 6.5%, is not perpetual. That we will see a slowing down of the rate of erosion. And part of it comes from the innovations that we're seeing by distributors. And things like skinny bundles, different offerings are really opportunities to hold more people inside of the traditional ecosystem than we've seen before. So, I'm – as I look out, I don't have a death knell on where the linear business is going. I'm more constructive than most on it.

Robert Fishman: Okay. You talked about FOX One, what we've talked about a couple times. So anything you can share in terms of how it is performing, either versus those initial expectations or where we are on a subscriber standpoint? I think that the critical question that we're struggling with or love to better understand is how much incremental revenue or profits even at this point is it starting to drive or as we think about where the opportunity is over the next couple years for it?

John Nallen: So, the way to measure incrementality is whether it's cannibalistic. And every indication we have, including recent studies, is that a tiny piece of the sub base that we now have at FOX One has come from traditional cable, and that the overwhelming majority of subscribers were previously not cable or cable subscribers, they were cordless. So that is pure incremental to us from a revenue standpoint, and that's encouraging.

As we promised when I talked to you last year and we promised to our distributors, the focus of FOX One is on the cordless community. So, you don't see advertising for FOX One on our traditional linear, you don't see it on an NFL game or college football or a baseball game, you don't see it on FS1, you don't see it on FOX News. You see it all through – all of the gains that we've received is through marketing in digital venues, and that's where we've seen the growth. We continue to do that. And you'll see us marketing even more coming up as we lead into the World Cup to try to get more subscribers into the platform.

Overall, the results of FOX One are above our expectations. Meaningfully, two points. One is that churn, and they're correlated, churn is far less than what we expected. Given our sports calendar, you would think that churn would've been higher. But what we see is a significant consumption of our viewers in off sports periods in news. And obviously you'd expect during the week, heavy news consumption, on the weekend, much more sports consumption, but heavy news consumption.

So, it's not like our subscribers on FOX One are solely focused on our sports offering and we risk high churn because of that. Seeing this engagement, and we promote news to our FOX One subscribers - they know what's there, is helpful in retaining those subs from a churn perspective. So, it's above our expectations, and I expect the growth of FOX One to continue.

Robert Fishman: Okay. When we think about how FOX has maintained its affiliate fee, now renamed distribution revenues, clearly, FOX One has played some incremental impact, as you just talked about. But even stripping that out, it's clear that FOX has been a notable outlier within the overall pay-TV ecosystem to get those affiliate fee dollars. So, when we think about how skinny bundles that you touched on before, like YouTube TV Sports enters into that market and potentially grows its scale, does that shift the balance of future negotiations because FOX and FOX Sports are the only ones included and not FOX News. So, help us think about how we, as investors and thinking about the projections of this affiliate fee line should feel comfortable over the next couple of years with all those changes?

John Nallen: You should feel comfortable. But the background to that is, look, there is innovation in distribution happening and that's encouraging. The models that we had historically are changing and to see DIRECTV, YouTube TV and others, Charter, come out with skinnier products are encouraging to us because we permit a certain level of flexibility with our distributors on how they can offer our products, up to a certain level. So that there are times where FOX News is in a bundle and FOX Sports is in a bundle. But if you look at the overall profile of the subscriber count in any distributor, our full suite is in there. And you should expect that our full suite will continue to be in there.

The skinny bundles thus far are small take-up. It's – YouTube TV has only been out there for a month. DIRECTV has been out there for a little longer. But at this point, they're still beginning

only the promotion of it. Price points are important as against the full bundle, right, where the skinny bundle sits. And I think from a consumer standpoint, you're touching at a point on some of these skinny bundles where the full bundle differential is not big enough for them to stay with the full bundle. And again, that's good for us. But I think allowing the flexibility that we do to the distributors is good for the market but recognize that still – and I would say a year from now when I come and sit with you and beyond that, that in the totality of any distributor's products, our full offering will be in there.

Robert Fishman: Okay. Let's shift over to advertising, a big week for that with the Upfront presentations. And it's obviously with all of the uncertain backdrop that you touched on from the FOX News perspective. So how do you see that overall advertising playing out for FOX? Again, we just heard the update on earnings that things are stronger than we would have expected. But given the context of that uncertain backdrop, how to think about the Upfront commitments that maybe you've already started to have some initial conversations around? And how much does the increased flexibility around those commitments play into it? Because I think that's evolved over the past few years with all of the changes.

John Nallen: So, if you look at the Upfront for us, it's focused on three businesses but each at different levels or maybe four but certainly through Sports, our Entertainment business and Tubi are the primary places where we touch. And Entertainment, remember, is a much smaller business for us than it used to be. So, the amount of Upfront even dollars that gets allocated to Entertainment is a much smaller business than probably anybody else given we're only two hours of prime time and then rest of the market. But the – you described an uncertain backdrop, which is not what we're seeing. We're seeing great strength. Every indication, scatter pricing is up, cancellations are low. The mood is good from what we're seeing from advertisers.

So, we're going into the Upfront from – with not just the position of strength but the fact that things are healthy. It's for us, at least, it's a healthy environment. I come back to my opening comment, we're focused. We're not selling a very wide suite of products out into the market and these products work really well together. On the News side, which I didn't touch on, is a small piece of the Upfront. Most of its sale is "scatter and direct response." So, you won't see a dramatic upfront coming out of that. But just taking it writ large, the advertising market for us is very healthy right now and I expect that's continuing through 2027.

Robert Fishman: So, you did touch on at the beginning too. We do have midterm elections. I think everyone is pretty aware of that coming up. So, when thinking about how FOX News is positioned within that, not from the upfront side but just in terms of capturing the attention that it gets. How do we think about FOX's news position because most of the dollars usually go towards local but FOX News obviously plays an important role within – thinking about the political landscape. So, help us understand how FOX News is positioned with the upcoming elections, please?

John Nallen: So, I'll cover it from a company perspective and deal specifically with FOX News as well because this midterm election coming up, if the primaries and the current elections right now are any indication, it's going to be massive. There's – you would have heard numbers of \$11 billion of advertising spend across all media, digital, outdoor, radio, TV. A high concentration of that will be in linear television local. And that's basically all local market spending. We've got big races in Georgia, in Florida, Pennsylvania, increasingly in California, Michigan, big three races going on there that will command a significant amount of spending in markets that we're heavily invested in.

So, the big beneficiary – the two big beneficiaries of local election spending are going to be the Stations and Tubi because they just have to be. With that amount of spending going on, the digital participants are going to be beneficiaries of this. And Tubi sits in a place where it has a different

audience. It can personalize the advertising. So, for campaigns and issues that are looking to reach a particular audience, Tubi is going to be a great place for that as well. Interestingly, FOX News is not a direct beneficiary from the midterm elections.

It benefits from its coverage of what's going on around and benefits in growing an audience and therefore, growing ratings. But it's not – you're not going to see the governor in California advertising on any national and particularly on FOX News. So, we benefited FOX News from the viewership. We benefit at the local level from that local spend and we'll benefit at Tubi as well.

Robert Fishman: Okay. I'm curious if I can just follow up on that because are the incremental dollars or the dollars going towards Tubi truly incremental? Or are they actually shifting out of the local budgets? So maybe help us understand from two years ago, where did the dollars from Tubi come from or where you're expecting these dollars?

John Nallen: So shifting from the linear?

Robert Fishman: Correct. Yes.

John Nallen: No, what's happened, if you look at the spend against where it was two years ago, the overall spend is incremental. So there's a shift of – there's not a shift going on, there's just a movement of incremental dollars into digital. So we don't feel in any way that we're cannibalizing the linear local television business by moving money from there into Tubi. It will be incremental.

Robert Fishman: Got it. So, when thinking about total inventory within the streaming connected TV world, clearly, Netflix, Amazon have added a lot of inventory to this marketplace. When thinking about how FOX competes with premium entertainment, I understand that's a smaller piece of your overall pie but help us think about whether that's caused any pressure on FOX's overall CPMs? Or how we think about FOX's position given the focus that you keep talking about with Sports and News and Tubi? But maybe help us understand if that did impact any of the premium entertainment as well?

John Nallen: Yes. So, if I cover it from the Entertainment division and Tubi, just to contrast what's going on. For the Entertainment division, even scatter, we're seeing high single-digit premiums against prior Upfront pricing. So, we're seeing no pressure from the digital players on the revenue that we're generating on the Entertainment division. Tubi is different because there's a ton of CTV and digital inventory out there. And as these ad tiers become more significant, there's more inventory out there. Now, the place that you could get into trouble is to try to compete on price, right? To capture just more share, which we don't. Tubi is very disciplined, and we're very disciplined about not taking price down against what is pretty competitive. So different – our premium entertainment network, highly engaged, great audience, great advertising dollars that are coming in.

Tubi, well, look, we had 23% growth in revenue this past quarter. We're pacing at or above that in April and May. So Tubi's strength continues. I think any other company, digital company, we've talked about this, that posts 23%, 20-X% growth quarter-on-quarter, stock is not at fair value when you talk about that as an element. So, it's much more – my point to you is it's much more competitive in the connected place, but Tubi really sets itself out as a premium digital offering.

Robert Fishman: Another part that Tubi has leaned into is some other bold content bets, so they've leaned in on creator programming, podcasts, even exclusive content. You know, we saw that earlier this week at the Upfront presentation. So, maybe just help us think about how Tubi can continue to compete within this space. And if you can give us what we all look for when thinking about Tubi, what that payoff really is going to be, and your confidence around getting there now that you're already in the positive territory on the profit side. So maybe just set us up for where the vision of Tubi is going with all these other bets that they're making as well?

John Nallen: So still the biggest amount, highest amount of consumption on Tubi is on product that we- library product that we get from the big studios. That's still the biggest consumption. But in many ways, the Tubi originals are partially what I covered on sports. They're a way to establish the brand and create awareness and almost be a marketing alternative for Tubi without a tremendous amount of cost. The Tubi originals do not compare in cost to what you're seeing on the other big digital subscription. The SVOD guys were much more disciplined around what the cost is.

But there's an increasing viewership and awareness that comes out of the Tubi originals. With the creators, it's a brand-new initiative by us. We've got 200 creators on the platform now. We'll probably have 400 by the end of June. It's a good economic model for both of us, and some of these creators are seeing more consumption on YouTube- on Tubi, sorry, than they are on YouTube, which is a great sign for the audience in Tubi.

As far as the economics of it, look, we continue to see top line revenue growth along the lines I just mentioned. We have the ability to toggle the investment in Tubi really around two focused areas, content and marketing. But to the extent that we want to continue to bring, as I referred to earlier, top-of-funnel audiences and new audiences into Tubi, we'll continue to invest in those until we get to a point of saying, okay, that investment level on an absolute dollar basis is fine for Tubi to continue, as opposed to growing it at all.

So the outlook for Tubi, unchanged. We've said that we expect 20% margins, EBITDA margins from the business in the near-term, that's not going to be 2027, I can tell you that. But as we look out, that is absolutely still true north for us on Tubi.

Robert Fishman: Okay. Good stuff. So, when we think about some of the other investments that FOX has made at the beginning, we start to talk about one that has proven pretty successful has been the shift into sports betting. But clearly given the public market valuations, that has taken a step back. So maybe just share with us how you view FOX's FanDuel option at this point, given the rise in prediction markets that we've seen, and any update on FOX's willingness to go through a pretty difficult licensing process?

John Nallen: Lachlan touched on this a bit on the earnings call. Just as a reminder, we have our betting portfolio is a 2.5% investment in Flutter, Topco, and an 18.6% option in FanDuel, which we have until 2030 to exercise. There's really no compelling reason for us to today sit there and exercise the option when we have that kind of runway ahead of us. That kind of runway permits us also to go through the licensing process, which I've come to understand in going through it that you can't just get licensed and sit on it.

You need to get these collective licenses done and basically commence your exercise of the option. So we're going through the process. It is onerous, but it's a process others have gone through, so it's not, you know, there's a track record for it. And our expectation is to be fully licensed to be in a position to exercise that option whenever we want inside that four-year period.

Robert Fishman: Given the relationship with Flutter overall and FanDuel, how do you view a potential partnership with a prediction markets player today? Is that on the table as well?

John Nallen: Partnership in what sense?

Robert Fishman: I mean, Kalshi and Polymarket have some aggressive valuations out there right now, so they look to be – looking for marketing partnerships.

John Nallen: Okay.

Robert Fishman: Yeah.

John Nallen: Well, we do have a relationship with Kalshi. We just announced that, yes. Mainly through FOX News, but the relationship is intended to be additive to what FOX News is. It's not going to be in your face, kind of, you know I'm a Knicks fan, and every night I'm watching the Knicks, every 10 minutes there's another new betting odd that's coming up from DraftKings or FanDuel. You're not going to see that kind of relationship with the prediction markets and FOX News. It will be editorial, it will be integral to the storytelling that our journalists do on FOX News. But I think that partnership, that kind of partnership with the prediction markets is the extent of the partnerships that we can see going forward.

Robert Fishman: Okay. As we start to ramp up-wrap up, not ramp up, we are, listen, we talked about at the beginning that there are lots of other changes going on in the ecosystem. Others are even spinning off linear networks, we didn't touch on that specifically yet, or even retreating from entertainment programming. And again, you guys have shown that you're still in that game. So, when you think about the competitive advantage for where you sit today, you talk about the strength and focus, how does that play out over the next couple of years? I'm thinking about where the future of FOX is really going within this evolving ecosystem.

John Nallen: Yeah. I come back to my opening comment of focus and momentum, that I think it's a real company asset that we're focused on what we do. And as we look out, that position just gets stronger. I don't have any sense that, FOX News is going to, despite the competition we talked about earlier, FOX News is going to weaken its position, that FOX Sports is not going to continue the strength with all of the portfolio that we have of sports, that Tubi won't continue to grow in the kind of rates that I've referred to. Local stations will enjoy the benefit of the elections, and the Entertainment division will continue to put out great product, most of which you saw at the Upfront on Monday.

So, look, I don't have a crystal ball. I'll end the way I started, fair value is still to be achieved for FOX.

Robert Fishman: All right. I think we will end it there then. Thank you, John.

John Nallen: All right. Thank you.

Robert Fishman: Yeah.