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Fox Corporation

FOX FY2026 Q4 Earnings Call

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Lachlan Murdoch
Fox Corporation; Executive Chair and Chief Executive Officer
Steven Tomsic
Fox Corporation; Chief Financial Officer

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David Karnovsky
JP Morgan; Analyst
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Goldman Sachs Group, Inc.; Managing Director
Peter Supino
Wolfe; Analyst
Sean Diffley
Morgan Stanley; Managing Director

PRESENTATION:

Operator: Thank you for standing by, ladies and gentlemen. Welcome to the Fox Corporation Fourth 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, Pauly. Good morning and welcome to our Fiscal 2026 Fourth 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.

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 today.

Fiscal 2026 was a notable year for FOX. We successfully launched our direct-to-consumer streaming service, FOX One; broadcast the FIFA Men's World Cup to record audiences in the U.S.; continued to keep America informed through a dynamic and fast-moving news cycle; enhanced Tubi's position as a leading streaming service; and announced the next chapter in FOX's digital evolution with our pending acquisition of Roku.

These milestones were underpinned by a year of record financial performance. Revenue grew by 5% to over $17 billion driven by record advertising and distribution revenue while EBITDA grew 8% to a record $3.9 billion. These are excellent results, made even more impressive by comparison to the especially strong prior year, which benefited from the Super Bowl and the presidential election.
We closed the year with outstanding top and bottom line momentum.

Our fiscal fourth quarter total revenue increased 28% to $4.2 billion, and EBITDA improved 27% to $1.2 billion. On the distribution side, revenue in the fourth quarter increased 5%, supported in part by the strong momentum of FOX One, which continues to exceed our expectations. Advertising revenue during the quarter was notably strong, increasing 78%, with growth fueled by continued strength at Tubi, healthy advertising trends across the broader FOX portfolio, and our broadcast of the first stages of the 2026 FIFA Men's World Cup.

At a time when audiences are increasingly fragmented, the World Cup demonstrated the unique power of FOX to deliver live premium sports that bring people together at scale. I am proud of what the team achieved through the broadcast of the entire World Cup across the entirety of FOX.

As we have shown time and again, we excel at mobilizing the whole company to deliver outstanding experiences for viewers, advertisers and distributors.

What is not explicit on-screen, or in the financial results, is the intense amount of skillful work – preparation, promotion, production, marketing, and ad sales – that goes on behind the scenes. We had thousands of colleagues directly involved in the production of all of our programming over the course of the tournament.

We deployed all of our platforms – including the Stations, the Network, FOX Sports, FOX News, FOX One, Tubi and our other digital assets – to proactively drive record-breaking broadcasts from FOX.

From the flawless simulcast of the opening matches on Tubi right through to the historic Final, we brought the 104 matches and shoulder programming to American homes and watch parties like no other World Cup before.

The success of the World Cup led FOX to top all networks in live event sports consumption in fiscal ’26, a remarkable achievement given that the next-highest-rated broadcast network benefited from both the Super Bowl and the Winter Olympics.

The tournament also proved to be a customer acquisition opportunity for FOX One, driving incremental subscriber acquisition and strong retention rates that surpassed our expectations.

Importantly, through FOX One, we continue to see minimal cannibalization of our traditional Pay-TV business, reinforcing our strategy of targeting the cord-less population which has delivered meaningful additional distribution revenue across the company.

We are a nimble, purposeful company, expert at delivering complex events at scale. We’ll demonstrate this expertise again as we begin another broadcast season of the NFL on FOX starting next month.

In advance of the season, we have had recent thorough and productive discussions with the League, and, as a result, we will not be making any amendments to our existing contractual relationship which extends through the completion of the 2029 season. We’ll be ready to engage with the NFL on the “opt-out” seasons and beyond at a date closer to the 2030 season which has been the customary timetable.

While our sports calendar had most of the attention in the quarter, FOX News remained the leader in live news, finishing the quarter and the year as both the most watched cable network in Total Day and in Primetime, while continuing to reinforce its leadership position with market share levels well ahead of all of its competitors combined.

This robust audience engagement, combined with the addition of another 400 new advertisers to the platform during the year, helped drive record revenue at FOX News Media in both the fourth quarter and the fiscal year.

Tubi delivered its most streamed and highest revenue quarter ever. Fourth quarter revenue growth accelerated to 35%, fueled by a 17% increase in total viewing time. Tubi's World Cup Hub attracted over 20 million viewers across the tournament while, additionally, the simulcast of 2 early round matches generated two of the highest traffic days in the platform's history in addition to promoting the tournament in the broadest possible way. That momentum helped Tubi close the fiscal year with 110 million monthly active users.

Tubi and FOX One are the result of a successful strategy and skilled execution. Our pending acquisition of Roku is an extension of these. This transaction will bolster our position in connected TV distribution and advertising, which have compelling long-term growth profiles.

FOX has deep digital resources and skills most notably seen in our consumer-facing products such as Tubi, FOX One, FOX Nation and FOX News and FOX Sports Digital.

We have developed these businesses across their growth path to become important digital brands.
For example, from when we acquired Tubi in its early stages, we have turned it into a leading streaming platform with 10 times the revenue from when we started.

The addition of Roku to FOX will expand our digital footprint and offerings even further. Roku brings us streaming at scale through its open, partner-friendly platform that makes it a leading TV streaming platform in the U.S. Together, FOX and Roku combine premium live content, deep market relationships, scaled distribution, and leading platform capabilities, including subscriptions, to respond to the evolving needs of consumers and advertisers.

I know I speak for Anthony in saying that we are eager to get the transaction closed and for our teams to get started. While we are early in the approval process, the transaction is on track, and we expect closing in the first half of calendar 2027.

We have had an outstanding Fiscal 2026, and Fiscal 2027 is also off to an excellent start.

The success of the World Cup, combined with the early stages of the midterm political cycle, has driven continued advertising momentum across our national, local and digital portfolio during our fiscal first quarter.

The healthy advertising environment we saw throughout fiscal 2026 has carried into the new year, culminating in one of the strongest upfronts in our history, with double-digit growth in volume.
These results underscore the strength of the FOX portfolio and our unmatched ability to deliver premium, highly engaged audiences at scale across linear, digital, and streaming platforms, while also delivering sustained growth and shareholder value.

I'll now turn it over to Steve to discuss the financials.

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

Fox Corporation

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FOX has just delivered an exceptionally strong fiscal 2026, highlighted by record annual revenue of over $17 billion and record EBITDA of $3.9 billion.

Advertising revenue across the company grew 7% which is particularly noteworthy when measured against last year’s Super Bowl 59 and presidential election cycle. This growth was led by our broadcast of the 2026 FIFA Men’s World Cup along with continued growth at Tubi.

Despite it being a relatively light year of renewals, distribution revenue increased 4% led by 5% growth at our Cable segment.

Content and other revenue was up 4%, primarily due to higher sports sublicensing revenue at our Cable segment.

Total expenses increased 4%, mainly a result of World Cup rights and production costs, FOX One first year costs and higher digital content costs.

Net income attributable to stockholders was $1.7 billion or $3.84 per share as compared to the $2.3 billion or $4.91 per share reported in fiscal 2025.

Excluding non-core items, full year adjusted net income was $2.4 billion and adjusted EPS was $5.42 per share, up 13% compared to the $4.78 per share reported in the prior year.

Our financial delivery has been strong throughout fiscal 2026 and we ended the year with tremendous momentum with our fiscal fourth quarter results headlined by 28% growth in total revenue and 27% growth in EBITDA.

This was driven by a 78% increase in advertising revenue, primarily a result of this year’s broadcast of the World Cup and accelerating growth at Tubi.

Distribution revenue grew 5%, once again demonstrating the strength of our brands and focused portfolio of channels.

Content and other revenue was $262 million as compared to the $269 million reported in the prior year quarter, primarily due to the timing of sports sublicensing revenue.

Expenses increased 28% driven by higher sports programming rights amortization and production costs led by the World Cup, as well as costs associated with the launch of FOX One.

Net income attributable to FOX stockholders was $691 million or $1.61 per share as compared to the $717 million or $1.57 per share reported in the prior year period.

Excluding non-core items, adjusted net income was $765 million and adjusted EPS was $1.79 up 41% compared to the $1.27 per share recorded in the prior year period.

Now let's turn to the quarterly results of our operating segments.

Starting with the Cable Network Programming segment where revenue grew 9% and EBITDA declined 3%. Cable advertising revenue grew 22% over the prior year, driven by this year's broadcast of the World Cup. Cable distribution revenue grew 7% over the prior year quarter, as pricing gains from our affiliate renewals outpaced the impact from net subscriber declines, which remained consistent with the prior quarter at under 6.5% across our third-party distributors, before taking into account the meaningful positive contribution from FOX One.

Cable content and other revenue declined 39% due to the timing of sports sublicensing revenue. Revenue growth at the Cable segment was more than offset by a 20% increase in expenses, primarily attributable to an increase in sports programming rights amortization and production costs led by the World Cup.

Turning to our Television segment, which delivered 45% revenue growth and 129% EBITDA growth. Advertising revenue at our Television segment grew 108% over the prior year, led by the current year broadcast of the World Cup, higher political advertising revenue at our Television stations and continued growth at Tubi which was EBITDA positive in each quarter of fiscal 2026.

Television distribution revenue was essentially flat compared to the prior year. Television content and other revenue was up 14%, primarily due to higher content revenues tied to our Entertainment production studios. Expenses at the Television segment increased 27% primarily reflecting higher sports programming rights amortization and production costs, led by the broadcast of World Cup.

Turning to Cash Flow, where we generated robust quarterly free cash flow of $726 million. As expected, quarterly free cash flow was impacted by the timing of working capital related to the World Cup, where rights payments for the tournament landed in Fiscal 2026, while advertising receivables will be collected early in Fiscal 2027.

Before we get to capital allocation and balance sheet it is worth noting some key items for this coming fiscal year.

From a cyclical event perspective, we will continue to have the benefit of the World Cup in the first quarter of 2027 with total tournament revenues weighted towards fiscal 2026 versus 2027 and with 2027 revenues strongly weighted towards our Television segment which carried the majority of the knockout stage matches.

The other major cyclical tailwind will be the midterm elections which are expected to boost advertising revenues particularly at our local stations and Tubi within our TV segment.

From a distribution revenue perspective, we return to more normalized levels of renewals in fiscal 2027, which will be more skewed towards TV. We continue to expect both our cable and TV segments to contribute to distribution revenue growth in Fiscal 2027.

With the performance of Tubi and FOX One running ahead of expectations, the level of investment in digital-led growth initiatives moderated in fiscal 26 versus the prior year and we expect to see continued bottom-line improvement in this portfolio going into fiscal 2027.

In terms of capital allocation, in fiscal 2026 we repurchased an additional $2 billion through our share buyback program and distributed approximately $243 million in dividend payments. As Lachlan mentioned, underscoring our commitment to return capital to shareholders, today we announced an increase in our semi-annual dividend to $0.29 cents per share.

With the payment of this dividend and our share repurchase activity, we will have cumulatively returned $10.7 billion of capital to our shareholders since the spin. This includes $8.6 billion of share repurchases representing approximately 36% of our total shares outstanding since the launch of the buyback program in November 2019.

This is all supported by the strength of our balance sheet – where we ended the quarter with approximately $4.2 billion in cash and $6.6 billion in debt.

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

Gabrielle Brown: Great. Thanks, Steve. And now we would be happy to take questions from the investment community. Please note that we are limited in what we can say regarding FOX's pending Roku transaction at this time. We have filed materials about the transaction, including the merger agreement with the SEC. When we file the registration statement for the transaction, it will provide additional information. For today, we would ask that questions focus on FOX's standalone results.

Operator: (Operator Instructions) One moment, please, for the first question. We have a question from John Hodulik of UBS. Please go ahead.

John Hodulik: Thanks, and good morning, everyone. Lachlan, any color you can provide on the underlying ad market? Some of your peers during earnings season here have sort of talked about sort of mixed results. Maybe first on the linear side, what you saw on the upfront in terms of pricing and then sort of overall demand for sports and news inventory. And then any comments you could provide on the health of the CTV market? You had some positive trends there with Tubi, but just anything you could provide in terms of pricing and fill rates.

And then lastly, just a quick clarification on your comments on the NFL. I guess at this point, we shouldn't expect a change in pricing of those rights until 2030. And if you could provide any color in terms of how that came to be. I think there's a lot of expectations that you would see a price increase either up for this season or for next season. So, any color there would be great too. Thanks.

Lachlan Murdoch: Great, thanks, John, and good morning. So first on the ad market, we are seeing a very strong ad market for us. And I can't speak for the total ad market, but certainly for our businesses and really across our entire portfolio. We are very pleased with the strength of the demand for impressions across Sports, News, the local stations, Tubi, and also Entertainment.

So, it's a strong market. Our upfronts, we completed some time ago with double digit volume growth across Sports, News and Tubi. And we achieved rates of change which we believe are sort of leading amongst our peers. It's always difficult to tell, but certainly that's what our sort of front-facing sort of ad sales team is telling us. They believe we've both achieved this double-digit volume growth, in addition to leading our rates of change. So, we're pleased with that.

When I look at the categories that we're benefiting from, I think of the 10 categories that we track, we're up in sort of 8 of the 10 categories in the upfront. So, entertainment, financial, auto, pharma, dining, retail, technology, and telecom, they all have very strong upfronts for us.

So that's from an upfront perspective. Now moving into where we are today, we're seeing that momentum and that strength continue into the first quarter. So, we are very pleased.

The CTV market remains very competitive. There's a lot of new inventory available in that market. But in that segment, Tubi has seen a 35% revenue growth, so it has competed exceedingly well despite the heavy competition. And we're seeing that momentum continue in the first quarter.

On the NFL, you're correct. We don’t see any changes to our contractual terms until the 2030 season, but I can’t really give you any color in terms of the background on how we’ve come to that but thank you for the question.

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

Michael Morris: Thank you. Good morning and thanks for all the work on the World Cup. It was a very enjoyable event as a fan.

I want to ask you about that. First of all, can you help us any more with the size of the contribution to add revenue and profitability, both in the fiscal fourth quarter and what you're expecting from a contribution perspective in the fiscal first quarter? And then bigger picture, Lachlan, maybe for you, I'd love to hear how the strength of a unique event like the World Cup in the U.S. and North America, which is not recurring, does help the business on a sustainable basis. How do you keep momentum for this and from this and what else does this fuel for FOX going forward post World Cup?

Lachlan Murdoch: Thanks Mike. I'm glad you enjoyed the world cup as a fan. We also enjoyed it as a business even more.

Look, as you allude to in your question, it really was a unique event. And I think in addition to the, which I think speaks to the second part of your question, in addition to the strength of FOX, our focus, our ability to amplify the World Cup across our entire portfolio, a tremendous amount of planning and work went into this. I think it illustrated that really only FOX can take events like these and amplify them in a way that's frankly unique in the market. So, we're very pleased with the World Cup.

Obviously though, it's an American World Cup. It came in the summer months without a lot of sports competition, and it had tremendous enthusiasm by both our viewers and fans, but also by our clients and advertising partners. So, the stars really aligned to deliver a tremendous result for both FIFA and for fans and for us. I think that goes to the second part of your question, how we move forward.

I think we can show all sports leagues the value of FOX and the value of what we bring. Obviously, leagues are intent and focused on monetizing their IP and their properties the most efficiently. But it's important to realize the strength of the marketing, the reach, the planning, the production that we put behind events like these.

Operator: We have a question from Michael Ng of Goldman Sachs, please go ahead

Michael Ng: Hey, good morning. Thank you very much for the question. I have two as well.

Just first on Tubi and the very strong 35% year-over-year growth. Maybe you could just help us break that down between benefits from things like the World Cup, World Cup Hub versus underlying. And then could you just remind us what the digital loss number or digital investment number was for fiscal '25 so we can model off of that? And could you just comment on the free cash flow outlook for next year? Thank you.

Lachlan Murdoch: Great. Thanks, Mike. Good morning. I'll talk to the Tubi momentum and Steve can talk to investment and to use your word wisely losses but it's a really, really important and sort of discipline investment in our digital categories.

So, Tubi grew, as you mentioned, 35%. That momentum's continued into the first quarter. That's driven off a number of things. Obviously, it's a total viewing time, which grew 17%. That's the key metric, if we can continue to grow the engagement and the viewing time, the impressions and ad revenue flow from that.

Why? If you take a step back and think about why Tubi has been so successful in addition to its sort of really industry-leading library and sort of user interface and platform. It's that I think it's close to 70% of Tubi's viewers are cordless, right, are either cord nevers or cord cutters. And this far exceeds any of our competitors in the marketplace.

So, we have the largest cohort of cordless, which means very hard to reach audience, viewers, for the advertising market. So, when you add Tubi to a media buy, you really are getting, expanding your reach dramatically, and it's a very valuable position to be in.

In addition to that, you have to remember that Tubi's viewing is like 96% of video on demand. Someone is actually choosing, proactively choosing to watch that content in their living room or in their home. It's not a FAST channel, or driven by FAST channels, which is much more akin to a linear stream, which makes its advertising even more valuable for the high engagement with the consumer. So, we're very pleased with Tubi, and we're pleased to see its momentum continue into the new fiscal year. Steve?

Steve Tomsic: Thanks, Lachlan. Hey, Mike. Just in terms of the digital investments, just to remind people, in fiscal '25, we were just under $300 million in digital investments. This current year, just picking up the comments Lachlan had about Tubi in the outperformance there, plus the incredible outperformance we saw at FOX One, so that that digital investment number collectively come in at less than $200 million in the most recent fiscal year, so fiscal '26, and we'd expect, as I mentioned in my remarks, for that improvement to continue going into fiscal '27.

Lachlan Murdoch: And Mike, I didn't answer your part about the Tubi World Cup revenue. It was an important revenue, good revenue, but it's relatively small in the context of the overall revenue growth at Tubi.

Operator: We have a question from Peter Supino of Wolfe Research.

Peter Supino: Hi, good morning. Another one on Tubi. I wondered if you could discuss ad sales at Tubi from the perspective of sellout and CPM trends and whether you can share levels, especially on sellout, to give us a sense of how that's going, and obviously, it relates to your proposed acquisition of Roku, even though the question isn't directly about Roku.

And as a brief second one, if you could talk about FOX One subscriber retention, how important has been bundling FOX One to your churn rate? Thank you.

Lachlan Murdoch: Thanks, Peter. So, let me start with Tubi.

So, as we mentioned, the CTV ad market remains very active and very competitive, which means very price-sensitive. Tubi, though, has always been priced very efficiently for the current environment. And so, while I think other platforms in the market have had to reduce price to compete or compete for volume in the market, Tubi has not had to drop its rates of change or of our advertising rate in order to compete. But that's partially because we're already a tremendously efficient advertising vehicle for people.

So, on the second question on FOX One, bundling is important for FOX One. We will continue to bundle FOX One where it makes sense for consumers. Consumers are either self-bundling obviously as they choose their streaming services, but where it makes sense, we will continue to bundle to make it more efficient for consumers and more effective for consumers where there's a natural fit for FOX One with another provider. So that will continue.

And the pleasing thing with FOX One, in addition to the fact that the subscribers to date are truly incremental. We've seen that through our data and our numbers. We are not churning any traditional MVPD customers which are incredibly valuable to us. We are huge supporters of the MVPD marketplace.

And so, these are new subscribers, incremental subscribers that come from outside the traditional ecosystem. And so that's very encouraging. But the second thing that's encouraging is that churn has been well below our expectations and looks like it's continuing that in our first quarter.

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

Sean Diffley: Great, thanks very much, team. Two, if I may.

First on political, any thoughts on how ad revs are shaping up into this cycle relative to prior? And then on capital allocation, obviously, Roku deal announced you're still buying back stock. Anything we should think about in terms of being able to buy back more stock over the course of the next fiscal year? Thanks.

Lachlan Murdoch: Sure. Hey, Sean. So, I'll answer political and Steve can talk to the rest of the question.

So political ad sales, it looks like, well, I'll start by saying the independent political ad tracking firms are estimating over $11 billion of political ad spending in the upcoming mid-term election. This combined with what we're already seeing in an off-cycle year, strong political revenue, we believe this will be a record mid-term cycle for us.

Just to put that in context, in the presidential election, so not the mid-term cycle, but the presidential election in 2024, we saw over we saw over $400 million of political revenue. And then two years before that, the last midterm cycle, we did over $260 million in revenue. And we would expect this midterm cycle to beat that and be a record cycle.

Steve Tomsic: Yes. So, Sean, in terms of capital allocations, we ended the year with the balance sheet exactly where we expected it to be as we were planning out the Roku transaction.

You remember, the Roku sort of the coordinates on the deal from a leverage perspective see us close the deal at about net leverage of 2.8 times. And so, the structure of that deal gives us an incredible amount of capital allocation flexibility. So, you should expect that our buyback program continues unabated through the pendency of the transaction and beyond.

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

Operator: We have a question from David Karnovsky of JP Morgan. Please go ahead.

David Karnovsky: Lachlan, I appreciate you can't give comments around the NFL conversations, but can you maybe shed any light into what your thinking was around engaging with the league now versus entering a more open market after '29? And then when we look at the rights landscape, there's a lot in the pipeline in the next couple of years, including some things that you're the incumbent on like MLB or World Cup, just assuming the NFL would opt out, how are you thinking about your rights portfolio ahead of them?

Lachlan Murdoch: Thanks, David. So, you know, we always error on the side of not going into specific about discussions with our partners but suffice to say that our relationship with the NFL is an incredibly positive one. We engage with them all the time.

Obviously, we’ve been talking with them over the last period about the future of our rights, certainly for the next four years and then beyond, beyond the opt-out period. But we feel we continue to have a great relationship with them and in a good place. When we sit down and talk about the contractual extension of our rights after 2029 into 2030 season, or 2029 season, I think, we'll do that much closer to that day.

And, I point to - in fact we might have talked about it on the last earnings call - that in Mexico, we've just taken the NFL rights for Mexico, and we continue to promote and amplify their games and the league, which we've been doing for the last 30 years. So, we're very pleased with the relationship, and we think we can see a clear path forward, certainly for the 2029 season and also beyond.

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.