Fox Corporation

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Michael Ng: Good afternoon, everybody. Welcome to the FOX fireside chat at the Goldman Sachs Communacopia and Technology Conference. My name is Mike Ng, and I cover FOX and media cable telecom here at Goldman. As a disclaimer, we won't be discussing the pending Roku transaction.

With that out of the way, I have the wonderful privilege of introducing John Nallen, who's the President and COO at FOX. First and foremost, thank you so much for being here, John. It's an absolute pleasure.

John Nallen: Thanks, Mike. Thanks for having us all.

Michael Ng: Great. To kick things off, we can talk a little bit about a big picture strategy question. FOX is entering fiscal '27 off of what has been a record year in fiscal '26, the launch of FOX One, Tubi reaching profitability, incredible underlying momentum at FOX News, the World Cup. So to kick things off, I was just wondering if you could talk about your key strategic priorities as we go into next year.

John Nallen: So maybe if I can do it in the lens of what we achieved in '26 and what we're looking forward to in '27. And despite your admonition, I will comment on Roku. But looking at '26, you're right. It was a record year across the board. We grew EBITDA 8%, hit $3.9 billion. We've talked about strategic priorities. We launched FOX One, had an incredible World Cup, the news cycle was extraordinarily active, the entertainment division that we don't talk a lot about had great ratings success, and Tubi, another strategic priority, ended the year with 35% top line growth in the fourth quarter, 35%. I mean that is very significant.

As we look into '27, our fiscal year, which just began, I really don't see the underlying trends for growth having changed much. If you look some of the indicators from an ad sales perspective, our upfront was the highest record we ever had, double-digit gains in volume across the board, pricing gains, and it was really just a superb outcome. In subs, I'm more constructive than most about where I think subs are headed and where we are, and the addition of FOX One has clearly been helpful in that regard.

The news cycle is going to continue to be active. Tubi has started the first quarter really on pace with how it ended the fourth, so incredible top line growth once again. And of course, we have the midterm elections and that's going to be an important element for FOX into fiscal '27.

But I would be remiss if I didn't at least comment on the top strategic priority that we've got ahead of us, which is closing the acquisition of Roku. This is going to be a transformational transaction for FOX.

We've announced this morning that the DOJ has made a second request, which was entirely expected. When we announced the transaction a few months ago, we said it would close in the first half of '27. We're not changing that at all -- calendar '27. We're not changing that at all. This was exactly as we expected. And it's going to take two companies that have their own growth profiles. And we think Roku now is at a real inflection point for growth, put them together and achieve both cost and revenue synergies on top, which is just going to end up as a superb transaction for the FOX and the Roku shareholders.

So I think FOX One, Tubi, Latin America, all strategic priorities as we look forward, but clearly, getting the $22 billion Roku transaction done – getting it done, integrated and affecting all the growth strategies as well is the real top priority for us.

Michael Ng: Great. That's all very clear. I wanted to ask about some of the comments you made last quarter as it relates to the NFL. You said that FOX's current agreement with the NFL currently remains unchanged through the 2029-'30 season, which ended, I think, some speculation about a very early renewal. As that formal opt-out window before the 2030 season approaches over the next couple of years, how do you assess FOX's position as a preferred partner for the NFL, given the reach of the broadcast network, the local stations and the digital platforms?

John Nallen: So, take the NFL as just a wide question. Our relationship with the NFL couldn't be stronger. And I put that to rest by -- if you look at during the off-season, we acquired two new windows coming into the '27 season. Week 10, we got a game from Munich to form a tripleheader on FOX that we haven't seen in a decade. Week 15, we've got a Saturday game that's brand-new to us. But as importantly, beginning Sunday, we will be the broadcaster of record for the NFL in Mexico for the next three seasons.

So we bring a mutual relationship for the NFL by using our platform, FOX News, not only the broadcast network, which is obvious, but to bring FOX News, the local television stations and Tubi to the plate for promoting the NFL and promoting FOX as well. NFL is a real asset for us. But our relationship with the NFL couldn't be stronger. It's one that's been- if you look at the last 30 years, we've produced over 100 games a season every season for the NFL. My expectation is that's going to continue for the foreseeable future.

Michael Ng: And maybe just zooming out a little bit and asking about broader sports rights and the broader sports rights portfolio. You know, FOX has been very disciplined in their approach to acquiring sports rights, anchoring around the NFL, but also the MLB, Big Ten, NASCAR, other major events. With the big technology companies, the streamers continuing to compete aggressively for some of those premium sports rights, how do you assess the completeness of FOX's rights portfolio today? How are you thinking about perhaps things that may be coming up as an example, perhaps the World Cup?

John Nallen: So, our rights portfolio is really strong. If you look, it's anchored by a foundational group of rights, the NFL, College Football, Major League Baseball, IndyCar, which is recent to our portfolio and NASCAR. We have a core -- a bunch of other sports around it, but those are the core elements of the rights portfolio. If you look at the timing of those rights, the NFL, we have firm until the 2029 season, baseball through the '28 season. And then if you take college football and the motorsports, we go to the mid-30s in the portfolio as far as expirations.

So, you asked earlier about strategic priorities. Clearly, the renewal of these rights with baseball coming up as the earliest is going to be a key aspect of the entirety of FOX to renew what are core rights to us. As far as the World Cup, clearly, and a shout out to our sports group, we had an incredible World Cup spanning our Q4 and our current Q1.

The next set of rights will come up for two cycles, the ‘30 cycle in Iberia and the ‘34 cycle in Saudi. And of course, we're interested in being the broadcaster in America for the World Cup. But to the point in your question, we're disciplined about how we look at these sports rights overall, and we need to get a return so we'll see how the bidding for those rights go. But look, if we can perform as well or close to as well as we did with the World Cup this year in the next two cycles, we'd be pleased to be the broadcaster for it.

Michael Ng: Very clear. If I could please pivot to FOX One. It launched as a direct-to-consumer product aimed at cord-cutters and cord-nevers with- I think the company talking about very minimal cannibalization of the traditional ecosystem, and that was by design. What are some of the underlying engagement trends, retention trends that you're seeing in FOX One right now? How are you structuring carriage agreements and distribution agreements to make sure that FOX One continues to be additive to the overall affiliate fee revenue pool?

John Nallen: So zooming out a bit on FOX One, the promise of FOX One to our pay-TV distributors was and is that we're not going to compete with you, right? We're pleased for the pay-TV to be our major distribution arm, pay-TV system, whether that's digital or MVPD. And as a result, we're not going to do anything to encourage people to leave pay-TV and come over to FOX One. And what you've seen is through the promotion and marketing that we've done for FOX One, they've all been -- it's all been addressed toward the cord-cutters, the cordless community.

In fact, the stats we know very clearly, 97% of FOX One acquisitions are from subscribers that do not have a pay-TV subscription. Only 3% have some neutrality to us, having moved from pay-TV over to FOX One, very small. So, as we look at FOX One, what we said early on is we expect in the 3 to 5 years, 3 million to 5 million subscribers. We're not at all reducing or changing that outlook. But I can say that the trends on FOX One are above our expectations.

And what was clearly a benefit to us was the World Cup. We had a number -- a good number of customer acquisitions coming into the World Cup. We've lost some of those coming out of the World Cup, which is as expected. But as College Football, NFL and post-season baseball season comes about, those are great opportunities for us on both customer acquisition and bringing back customers that have left the platform. So it really will be probably through the end of this football season that we'll be able to get a full sense of the cycle of how FOX One performs on a year in, year out basis. But I would say -- we're also very pleased with the engagement level outside of sports that FOX One subscribers have on to FOX News as well. So in those times, which is clearly every time except the weekend, we see a high level of engagement of FOX Sports subscribers on to FOX News Channel. And that just helps with the retention side of it.

Michael Ng: Right. Super interesting. Can I ask about the go-to-market and bundling strategy for FOX One? You have the ESPN bundle. You have some other early partnerships. You have a partnership with Amazon, who's playing a role in distribution. What do you look for in bundling or distribution partners? And how do you evaluate the next set of partners to help grow the business?

John Nallen: So let me take them in turn, bundling versus distribution partners or channel stores, really. So from a bundling standpoint, we have a limited number of bundles right now for FOX One, led by the ESPN bundle. And if you look at the customer acquisitions that we've had for FOX One, if I look at the totality, very few have come from a bundled product. And that was a bit of an education for us, but what seems to be happening is FOX One's subscribers are self-bundling. They're taking FOX and then picking and choosing the other products that they want to complete, whether it's Paramount+, Peacock, Netflix, whatever it is that they're bundling on. So it's not a bundle offering that is attracting people to what is the ultimate skinny bundle, which is FOX One. That's not the case in channel stores from a customer acquisition standpoint. Because, as I referred to earlier, the whole promotion and marketing of FOX One is digitally centered, it's not surprising that we get a very high percentage of customer acquisitions from digital channel stores, Amazon and Roku being the top two.

So again, if I look at the profile of customer acquisitions in FOX One, I'd see a much heavier profile of acquisitions coming from digital channel stores than it will from bundles. I would say one comment overall on the distribution world is we were seeing in the pay-TV universe, up until the last quarter, 6% to 6.5% declines in subs, but that is meaningfully offset by the additions that have come from non-pay-TV from FOX One. So, as I said earlier, I'm more constructive than most on subs and I think just the traction we're getting on FOX One is what gives me that confidence.

Michael Ng: That's very clear and very sensible once you lay it out like that. Maybe shifting gears to FOX News. FOX News Channel absolutely continues to lead cable news in ratings. But the digital commentary, podcasting, those types of mediums are also rapidly growing. How is FOX News Media approaching digital distribution across YouTube, social platforms, streaming to capture those younger audiences while preserving the linear network leadership and the anchors of the economics of the overall business?

John Nallen: Well, you're right that the flagship brand of FOX News Media are the linear channels, FOX News and FOX Business in particular. That's the core of it. But for many years, the team at FOX News Media has been looking for adjacencies to what we do in the linear channel. And that started with products like FOX Nation, FOX Weather, the channels on Sirius, which are some of the top channels that SiriusXM has, so that we've added to FOX News Media's both revenue stream and engagement levels by that.

More recently, FOX News has leaned in very heavily on the digital and social side, very heavily, such that now on YouTube, FOX News is the #1 news brand. It just is by and far and it's not the channel. It's basically clips that we take from shows and segments that are heavily curated that are put on to YouTube, but hopefully create a bit of a flywheel of engagement back to other products inside of FOX. Facebook, TikTok and X, FOX News is also the #1 brand news brand. So this more recent phenomena by FOX News of really leaning into digital has paid off, such that the brand is elevated above all other news brands in the digital and social space.

Michael Ng: Would love to talk a little bit about the linear business. And perhaps we can start with how FOX feels about upcoming affiliate renewals, carriage renewals. As you enter into fiscal '27, you have a larger renewal weighted towards the broadcast stations. How do you think about FOX's ability to sustain favorable terms as you head into these carriage negotiations? How does the breadth of the business strengthen your negotiation leverage here?

John Nallen: Yes, so distribution, look, I've always said we have a very simple business. In our top line, half of our revenue is advertising, half of our revenue is distribution so it's not that complex. It is complex under the hood, but it's not that complex when you look at the business overall. So from a distribution portfolio standpoint, in the fourth quarter we grew revenue about 5%, grew revenue 5% in distribution, which is different than some of our peers. And that will oscillate quarter-by-quarter, depending upon renewals. But when we look at all of '27, our expectation is we will have growth both at cable and broadcast in the distribution revenue across the whole year.

I'm pleased that a week ago, we completed -- you said we're heavily weighted towards broadcast. A week ago, we completed the multiyear renewal with Nexstar with no drama. We have pending distribution renewals going on that hopefully end up in the same place where we come to conferences and tell you that we've completed them and there's no drama behind that. But it's -- the distribution business for us, because of the power of the FOX channels, in particular, broadcast and FOX News, it comes out of mutual partnership, meaning as opposed to leverage, it's much more about we need our distributors and given the FOX product, they need our product. So we look for a sensible outcome to these negotiations. And so far, that's worked out.

Michael Ng: To that point, one of the things that we've been hearing is that the pay-TV operators have been kind of more so focused on packaging than just driving -- or just having it be a broader discussion around rates. So I wanted to ask you about packaging and skinny bundles and how you think that might impact the linear business for you guys?

John Nallen: So we've always given our distributors the flexibility to innovate and to experiment with different packages. And it's only recently in the last couple of years that the distributors have leaned forward with skinny bundles into the market. And for us, the ones that matter the most are the news and sports packages and that FOX is distributed mostly on those.

I would say that if I still look at our pay-TV distribution and subscriber count, skinny bundles are a very small piece of the remits. And partially, that's because they've just started. But second, I think it may be because of pricing. If you take the news and sports skinny bundle for YouTube TV, for example, it's $72. The full package is $83. So that same $11 gap is on DIRECTV's news and sports against full package. So I think the gap in pricing is still not enough to drive subscribers out of the larger bundle into the skinny package, which is why we continue to see the kind of growth we see at YouTube TV is all at the full bundle package.

So, we encourage skinny bundles because it's hard to imagine a skinny bundle that doesn't have FOX News and FOX Sports inside of it. But up until now, and maybe that will -- a year from now, when we talk about this at the conference that will change, it's not been a particularly big part of our business.

Michael Ng: Why don't we switch gears and talk a little bit about Tubi. FOX has been very early, very front-footed on free ad-supported TV, though I would certainly acknowledge that a lot of the consumption on Tubi happens on demand. The asset business reached a very important profitability milestone last fiscal year - $1.5 billion of annual revenue, over 110 million monthly active users. How do you think about the long-term growth prospects for Tubi, the operating margin trajectory of the business? And if you could just touch on the connected TV industry as a whole, which seems like it's just becoming a little bit more competitive.

John Nallen: So, as I said earlier, Tubi is a top strategic priority for us. They- we had in Tubi fourth quarter growth, 35%, as I said, first quarter is pacing around the same level of growth. What we see as we go forward in Tubi is a top line that's accelerating faster, much faster, than the cost component of the business. So the leverage we're getting out of the business from top line to its contribution to EBITDA gets more and more significant. If you look at what happened in '25, we posted a $200 million EBITDA investment into Tubi, and it was profitable in '26. In '27 and '28, we'll see those -- that leverage in the business really coming in, such that we expect at maturity, and this business is still nascent, 20% to 25% EBITDA margins coming out of the business. And again, it's the leverage where the cost of the business doesn't require a pace of investment in it that the top line achieves on its own. So Tubi is an important part.

Now your point on connected TV and connected TV advertising is clearly we're seeing- there's a lot of inventory in the market, and that impacts pricing. But we've been very efficient at Tubi to hold pricing. We haven't had pricing gains, but we haven't had rollbacks, either, because we're very disciplined about the pricing of the Tubi product to the advertisers that come to the platform. But more and more inventory is going to come to that market. We just have to continue the discipline that we have.

Michael Ng: Great. And if we could just talk about the advertising market more broadly, as you mentioned early on, right, the upfront cycle was a very strong one, double-digit volume growth across sports, news, Tubi. And eight of the ten tracked categories have shown growth. As we move through fiscal '27, how is the scatter market doing? Are there any differences as you just work through the verticals of sports, news, general entertainment, Tubi?

John Nallen: All right. Yes, so writ large, as I said, upfront was just superb for us. The categories you mentioned, eight of the top ten, particularly we saw in technology, which had a lot of AI spending, telecom, entertainment that had a lot of wagering spending. And of course, as you'd expect, pharma had a lot of volume coming out of it. Those would be the top four of the top ten coming out of it.

If I look then at our own verticals, sports, I'm sure you've heard this from other peer companies today, just the sports market is red hot. NFL, college football, post-season baseball for us has just been very strong. News, while we don't participate very heavily in the upfront, just as an indicator, scatter pricing for news national is 50% above where upfront was a year ago.

Entertainment is posting about high single-digit percentage increases in scatter above last year's upfront. The reason I say last year's upfront is the upfront we just booked is just commencing at that point. And then Tubi has continued its growth as well. The place that we'll probably talk about it, but the place that it's all about one category right now is in our local business, and that's the midterm elections, and heavy political spending, and that's really the- it crowds out the story of the rest of the market because there's so much going on in the local political side.

Michael Ng: Great. I mean that's a natural segue. Talk a little bit about your expectations around this midterm political cycle. How are you positioning the local stations, FOX News' digital assets, Tubi, to capture the local spend on political this year?

John Nallen: Yes, it's going to be a big year. The most recent market soundings we've gotten is that nationally, there'll be something about $11.5 billion, $11.6 billion of spend, which will be a record for midterm elections. The two beneficiaries at our company are television stations and Tubi. It's not national spend like it would be in the presidential election, because it's not a national campaign. So those two are the most significant. There's significant races in our markets in the Senate. In the House, 9 of 16 of the battleground races are in our markets. There's 36 governor races going on so it just has to be in your market almost, whether it's directly or tangentially. And then besides the campaigns, there's a significant amount of issues money that's out there. Most notably for us is in California, with the wealth tax down-ballot issue that's on there. Just by reference, we did a touch over $400 million in revenue for the presidential election. And in '22, which was pure midterm, we did $260 million off of what was then a record. Now I don't have the comparable $11.6 billion to what it would be back then. But every indication I have is we'll have a record midterm book through both- and importantly, through both the local stations and Tubi because back in '22, Tubi would have not been a very significant participant in the midterms for us.

Michael Ng: Great. On capital allocation, FOX returned $2 billion to shareholders through buybacks in fiscal '26 while also raising the dividend. How do you balance deleveraging, sustaining the pace of repurchases, dividend growth and funding investments in direct-to-consumer streaming? How should we think about the leverage path and the timeline back to your target leverage over time and target capital structure?

John Nallen: So, the elephant in the room on the capital allocation is the fact that we've got a $22 billion acquisition to make, which is the largest acquisition we've ever done, and that's Roku. And it is really smartly crafted from a capital allocation standpoint, the way that acquisition is done. Because you've got two businesses that are highly cash generative. And while we'll start at closing at about a net 2.8x leverage, the deleveraging that occurs is rapid, such that it doesn't at all interfere with the rest of our capital allocation program.

So, we're continuing the buyback level at the $1 billion, $1.5 billion unabated. We are not interrupting it for this acquisition, and we have a healthy capital structure to do it inside of that. The dividend program will continue. And to the extent we need to make incremental investments into our business, we're able to do that, but we peaked our investments 18 months ago. When I look at the Tubi, FOX One, Latin America, the peak level of those investments are behind us. So the cash flow characteristics that come from this business and the rapid deleveraging give us a ton of flexibility around capital allocation.

Michael Ng: In the last few minutes we have here to close out, FOX has established itself as a live news and sports leader. It scaled Tubi, you've launched FOX One. Maybe going back to where we started over the next 24 to 36 months, maybe talk about some of the milestones and things that you plan to execute against to achieve the vision of what the company should be.

John Nallen: So clearly, we have a number of -- if I start with the top line, a number of renewals ahead of us so achieving those successfully for both parties is vitally important. Continuing the strength in the advertising book that we have. And luckily, we're in sectors that are less affected by issues going on in the advertising market than others. We clearly have some rights renewals that are going to be important over that horizon. And obviously, closing on the acquisition of Roku, achieving the synergies, both revenue and cost, will be clear, clear milestones for us as we look ahead.

Overall, you should take away that the management team at FOX is incredibly focused on not only the existing business, but the opportunity ahead of us with Roku. We've got really significant momentum in both of those businesses. Now we haven't been inside the hood of Roku, but we know our business intimately. And we know we've got incredible momentum in that business.

And I think the last part we have is not cockiness but confidence in our ability to deliver on the growth plans of both businesses. And I think that's a real hallmark of the management team and of Fox Corporation.

Michael Ng: Well, John, thank you so much for participating in the conference. It's been an absolute privilege to have you on stage here with us.

John Nallen: Thanks, Mike. Appreciate it.