

# Foxtel Group Strategy Day

September 30, 2021

**FOXTEL** GROUP

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# Overview & Strategy

Patrick Delany





# Today's presenters



Patrick Delany  
Chief Executive Officer



Julian Ogrin  
CEO, Kayo Sports,  
BINGE & Flash



Les Wigan  
Chief Technology &  
Operations Officer



Hilary Perchard  
Chief Customer,  
Marketing & Revenue  
Officer



Amanda Laing  
Chief Commercial &  
Content Officer



Stuart Hutton  
Chief Financial Officer

# FOXTEL GROUP

FOXTEL

Kayo

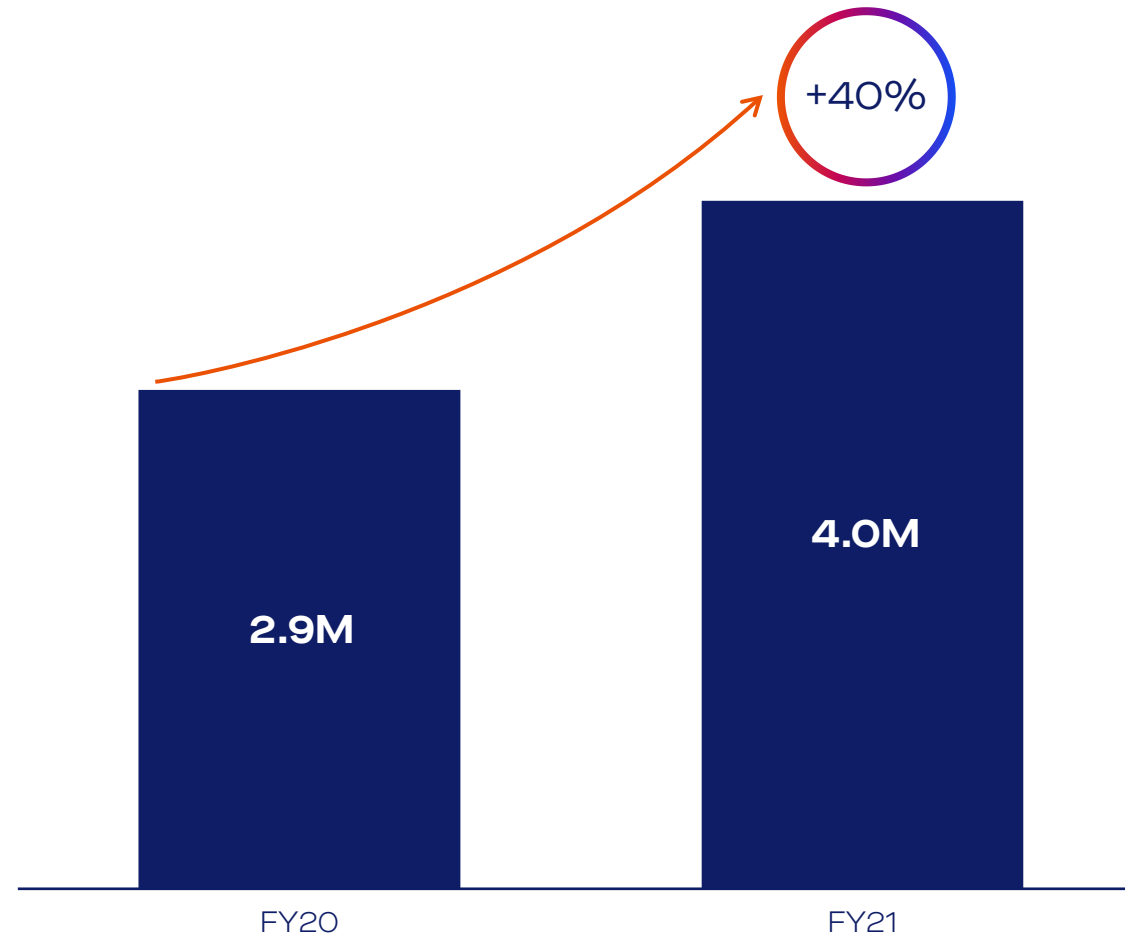
BINGE

FLASH



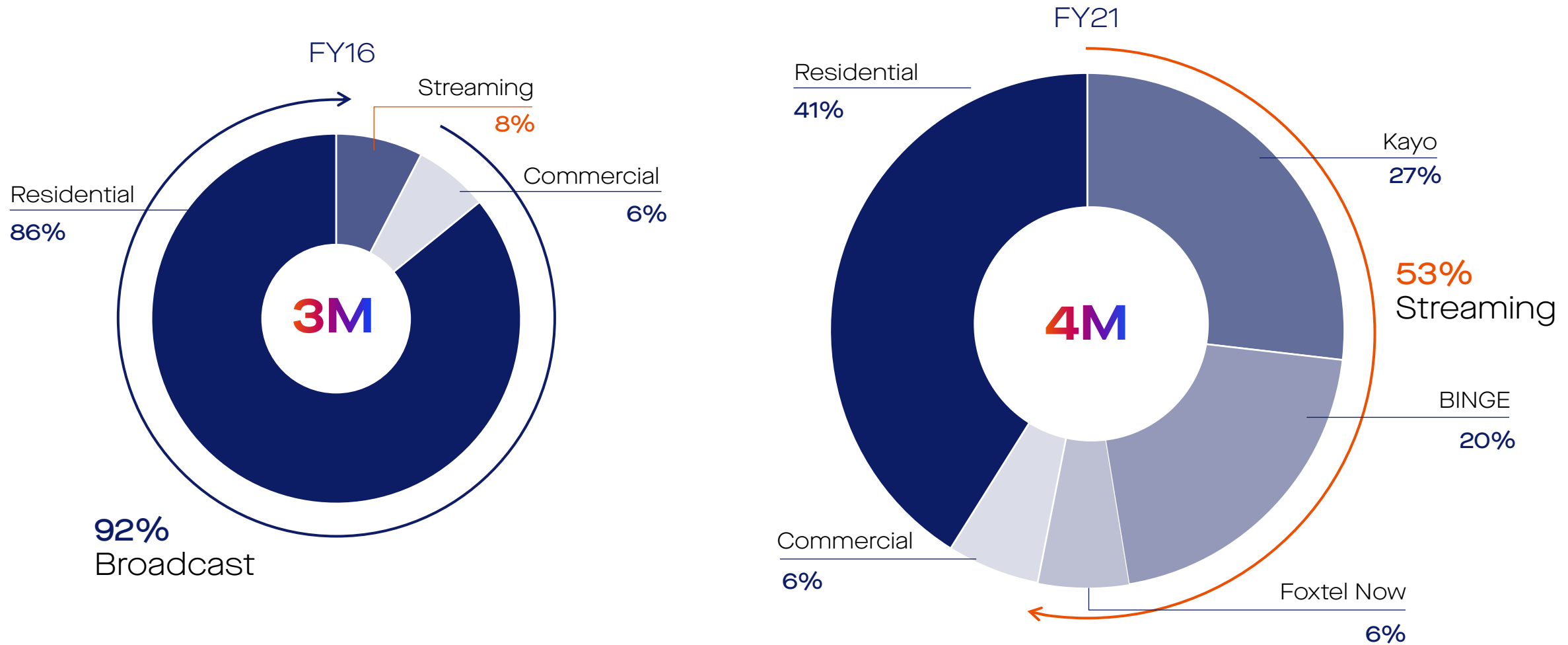
FOXTEL  
media

# Record number of subscribers



Total closing subscribers as at 30 June 2020 and 30 June 2021, which includes 2.8M and 3.9M paid subscribers, respectively, across residential and commercial broadcast and streaming platforms, with the remainder being trialists on streaming platforms.

# More than 50% of subscribers are streaming



Total closing subscribers as at Financial Year End 30 June, includes paid and trialist subscribers.



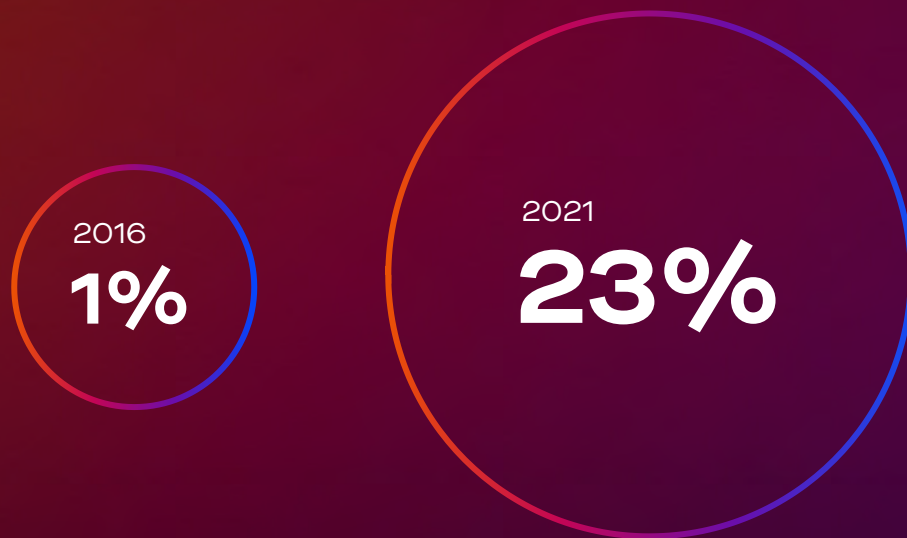
A Foxtel Group product is in  
**nearly half**  
of Australian households  
with subscription TV

Source: FiftyFive5 Research, June 2021. The figure represents the number of Australian households which use any FOXTEL Group product as a proportion of the number of Australian households which use any subscription TV product. Subscription TV includes paid TV and paid video services.



# Subscribers streaming **more than ever**

Streaming as a % of total viewing minutes

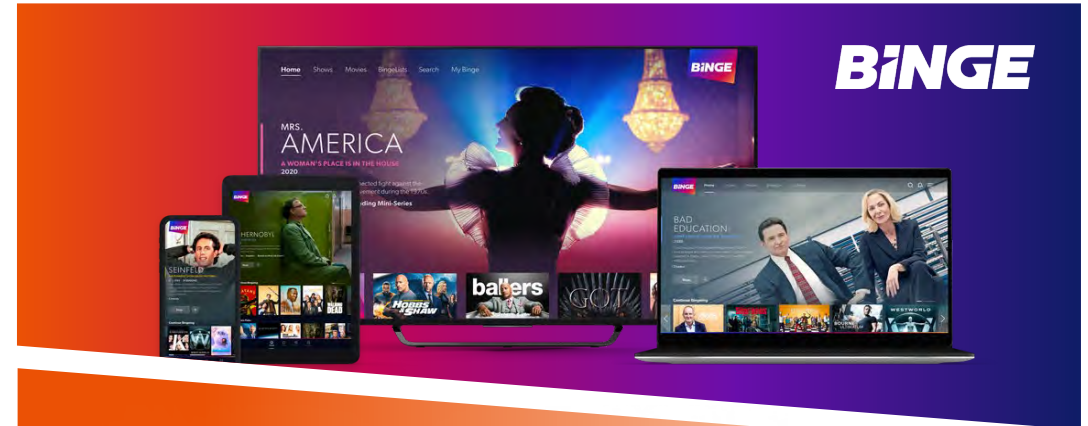
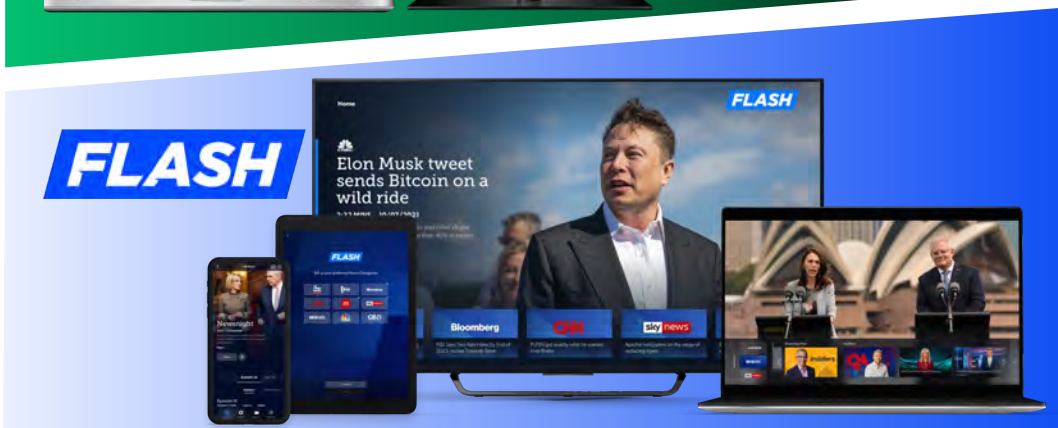


## Purpose-built platforms for streaming

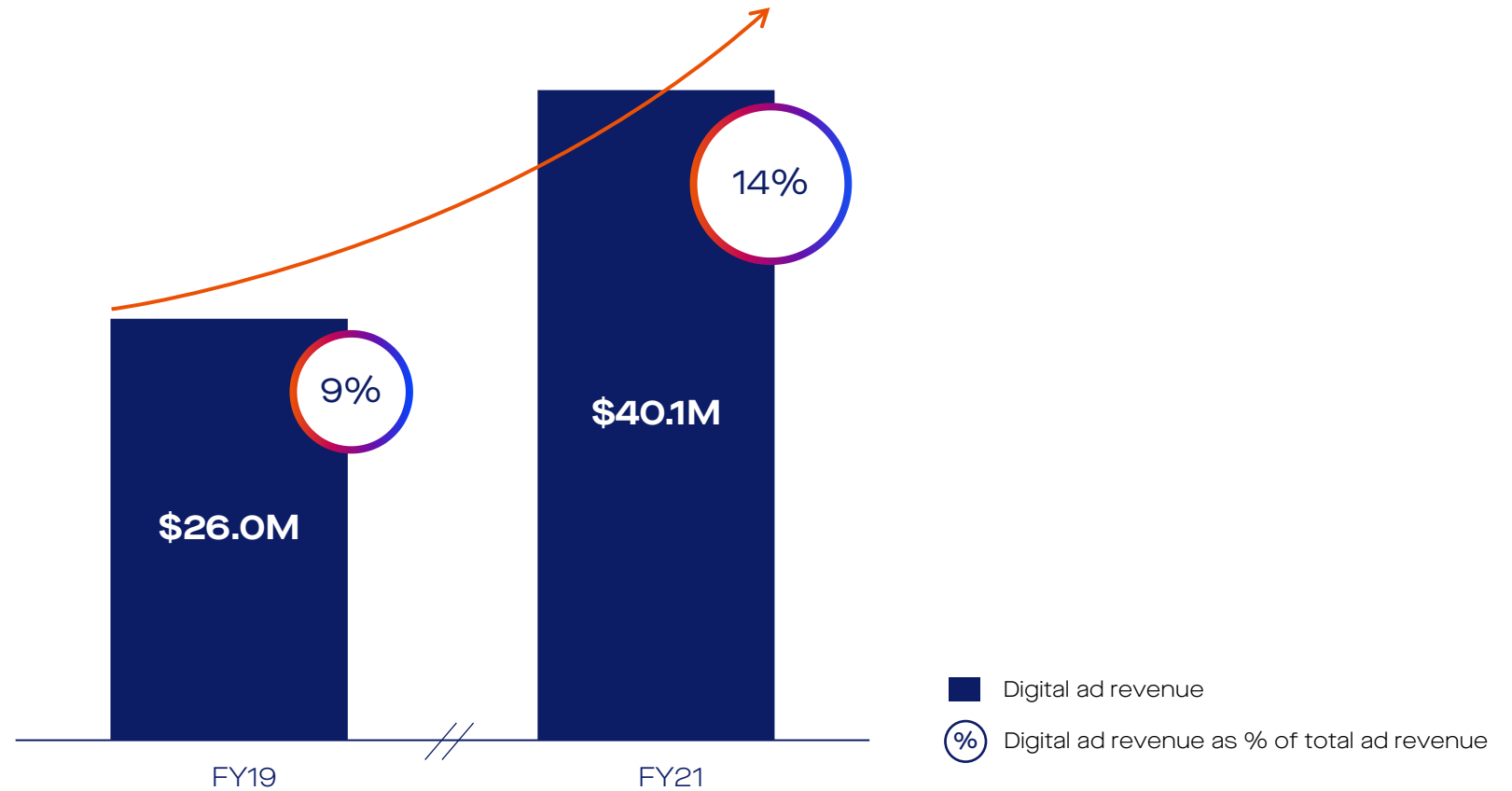


Total monthly minutes viewed on a Streaming platform as a percentage of the total monthly minutes viewed across Streaming and Broadcast. Comparison of July 2016 vs July 2021.

# Our business is IP-led



# Strong digital advertising growth



# Local partner of choice for studios and global apps



# Foxtel Group strategy

1

Grow through  
streaming

2

Strengthen  
Foxtel

3

Win with  
world class  
content and  
technology

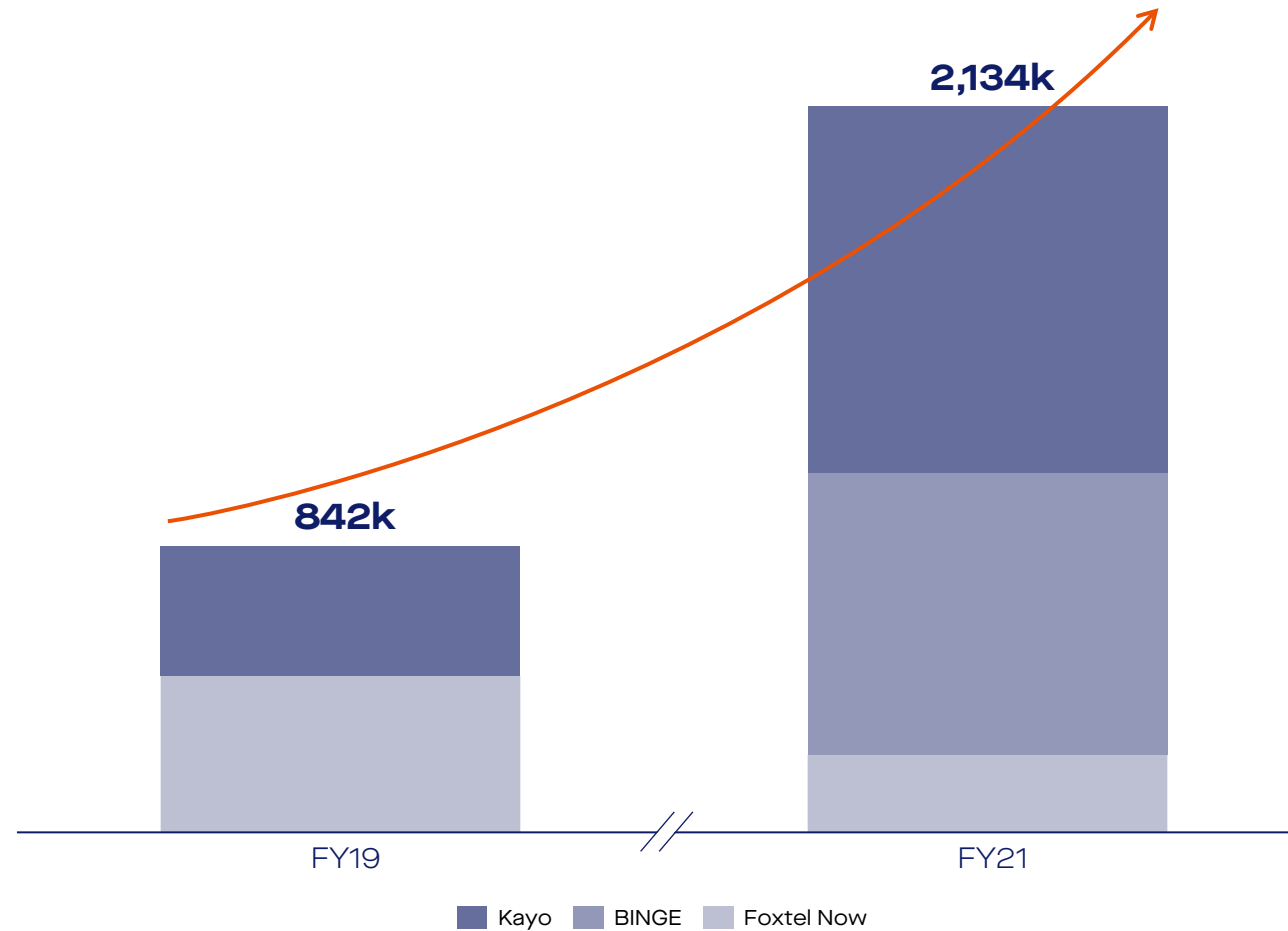




Grow  
through  
streaming

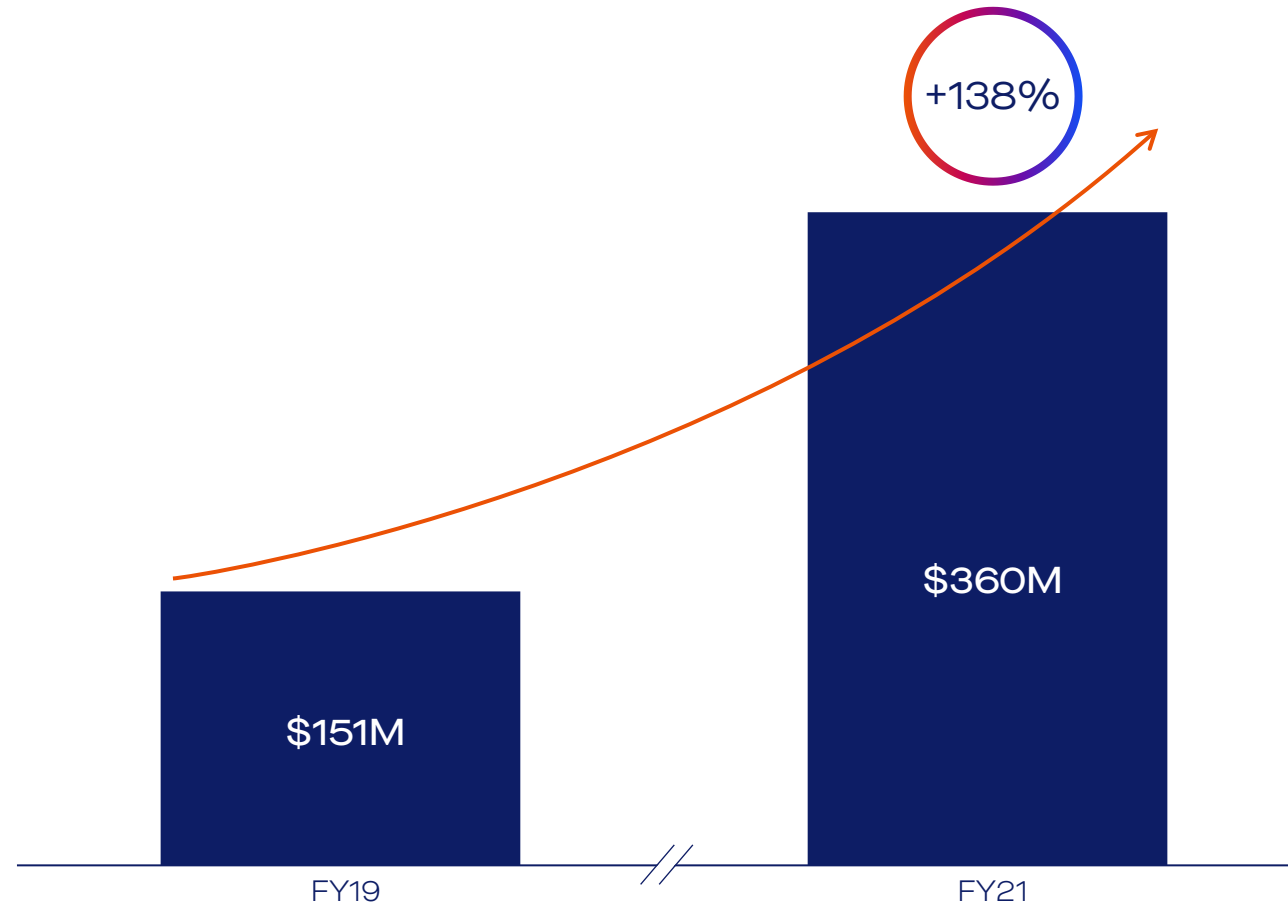


# 2.1M+ total streaming subscribers



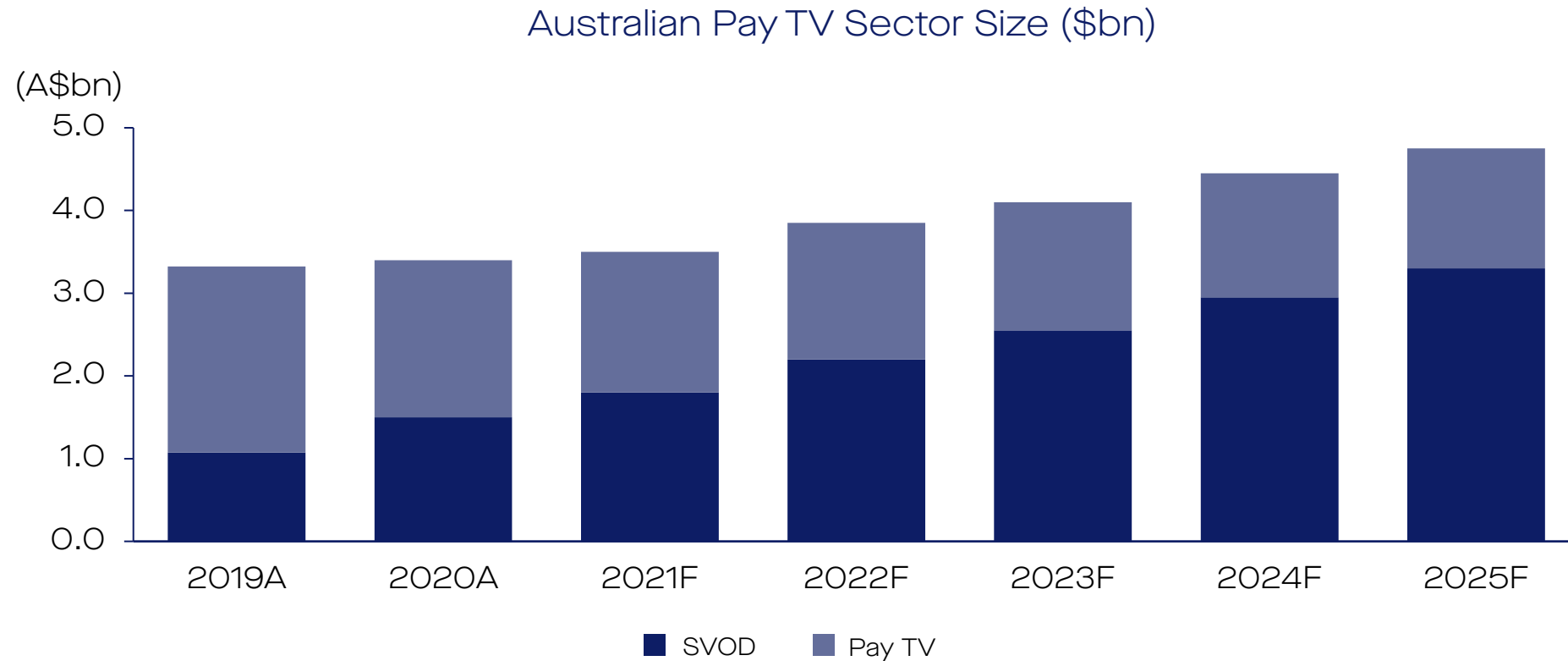
Total closing streaming subscribers as at 30 June 2019 and 30 June 2021, which includes 777K and 2,006K paid subscribers, respectively, with the remainder being trialists.

# Record streaming revenue



Financial Year End 30 June. All figures presented in A\$ under US GAAP.  
Total streaming revenue includes subscription and advertising revenue for FOXTEL NOW, BINGE, Kayo and other streaming products, of which 0% and 5% is advertising revenue for FY19 and FY21, respectively.

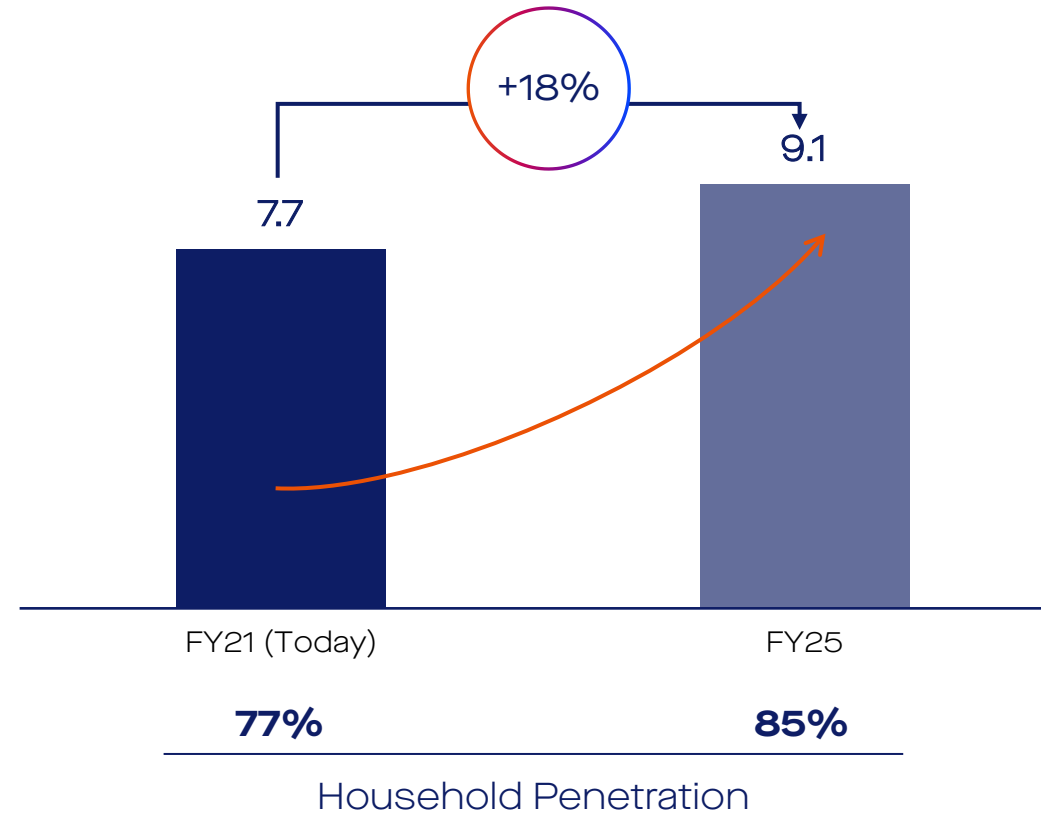
# SVOD driving growth in total Pay TV Sector size



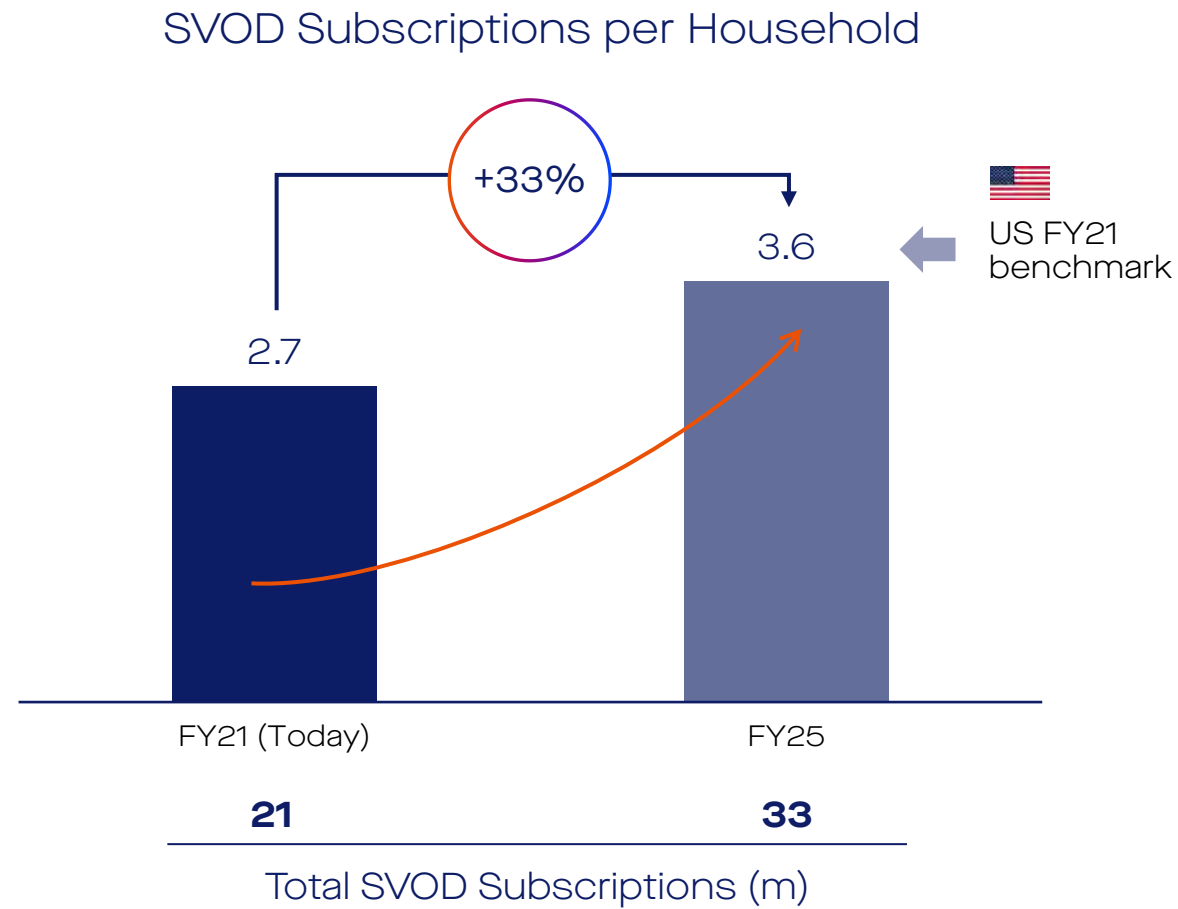
Source: PwC The Australian Entertainment and Media Network 2021 – 2025 (July 2021). Pay TV sector relates to paid subscription 'premium box', which covers satellite and traditional cable services and not SVOD or Free-to-Air television.

# SVOD growth from more subscribing households ...

SVOD Subscribing Households (millions)



# ... and more subscriptions per household



# Foxtel Group is **strongly positioned** to capture the benefits of streaming

Australia's transition to streaming is now a positive for the Foxtel Group

Growing sector  
with the ability  
for greater  
penetration

Breadth of  
choice and  
opportunity  
for multiple  
subscriptions  
per household

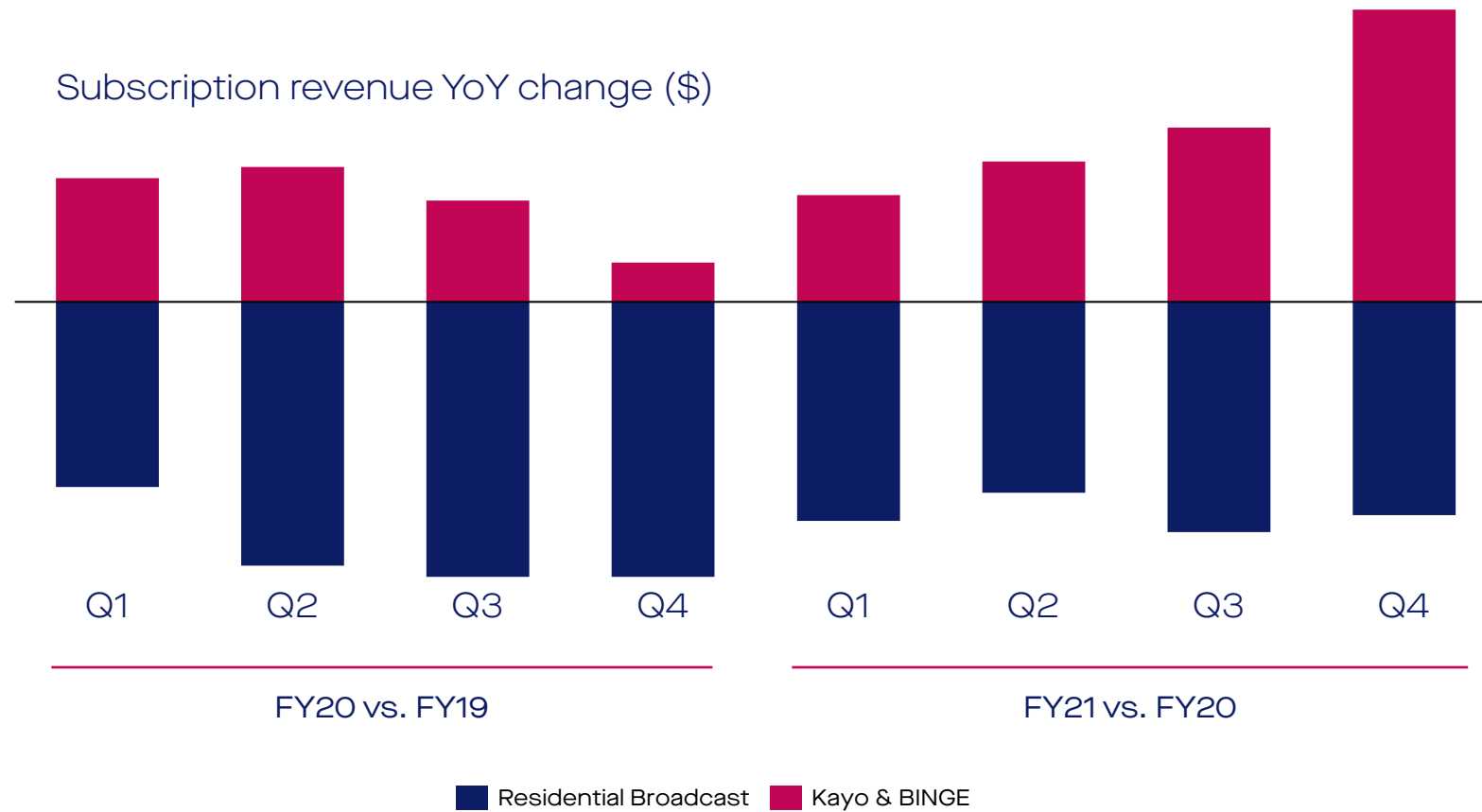
Variety of flexible  
price points to  
suit subscriber  
needs

Lower  
subscriber  
acquisition  
costs and a  
reduced cost  
to serve

Clear demand  
for a local  
champion to  
aggregate



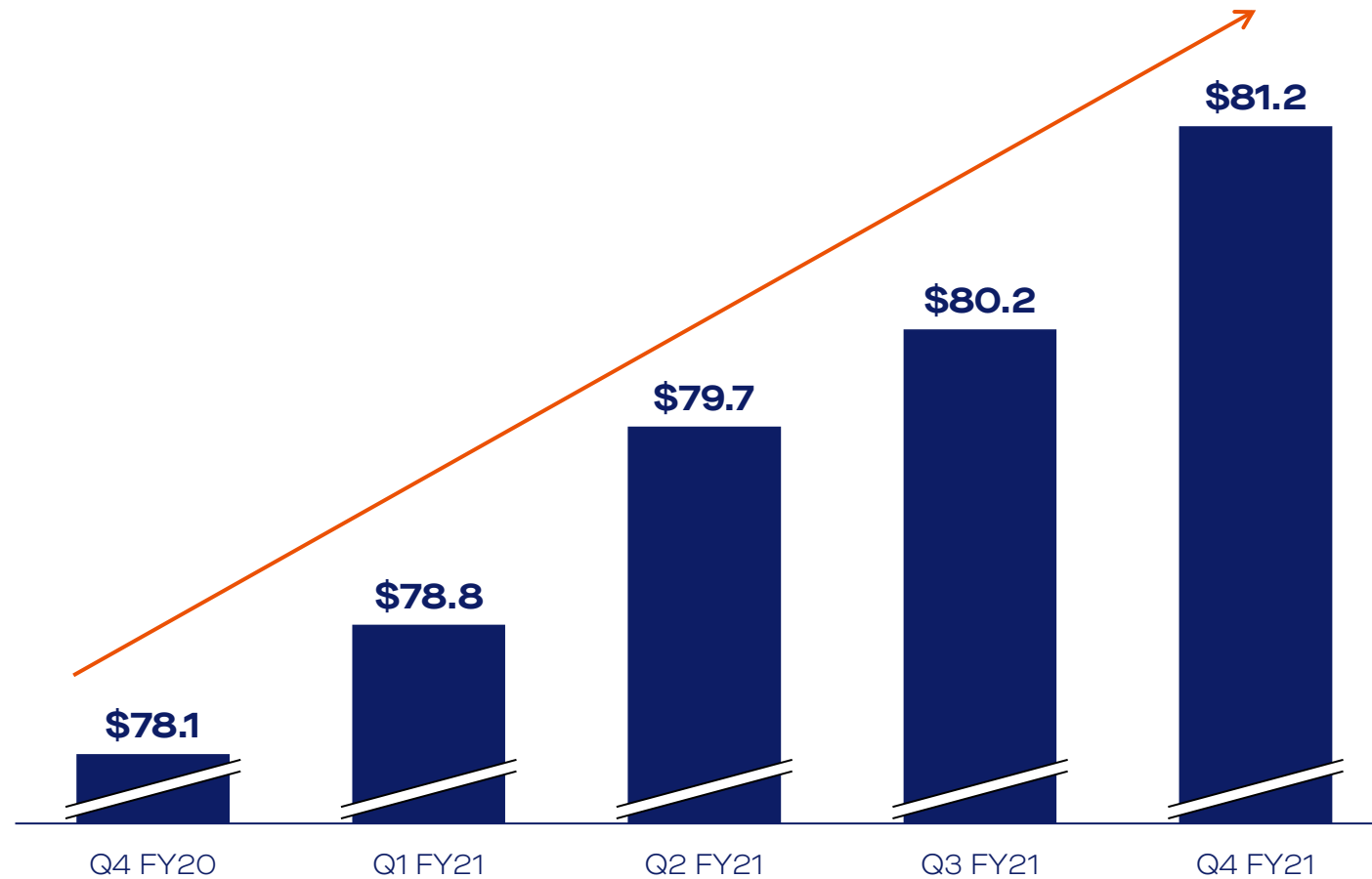
# New streaming products providing scalable revenue





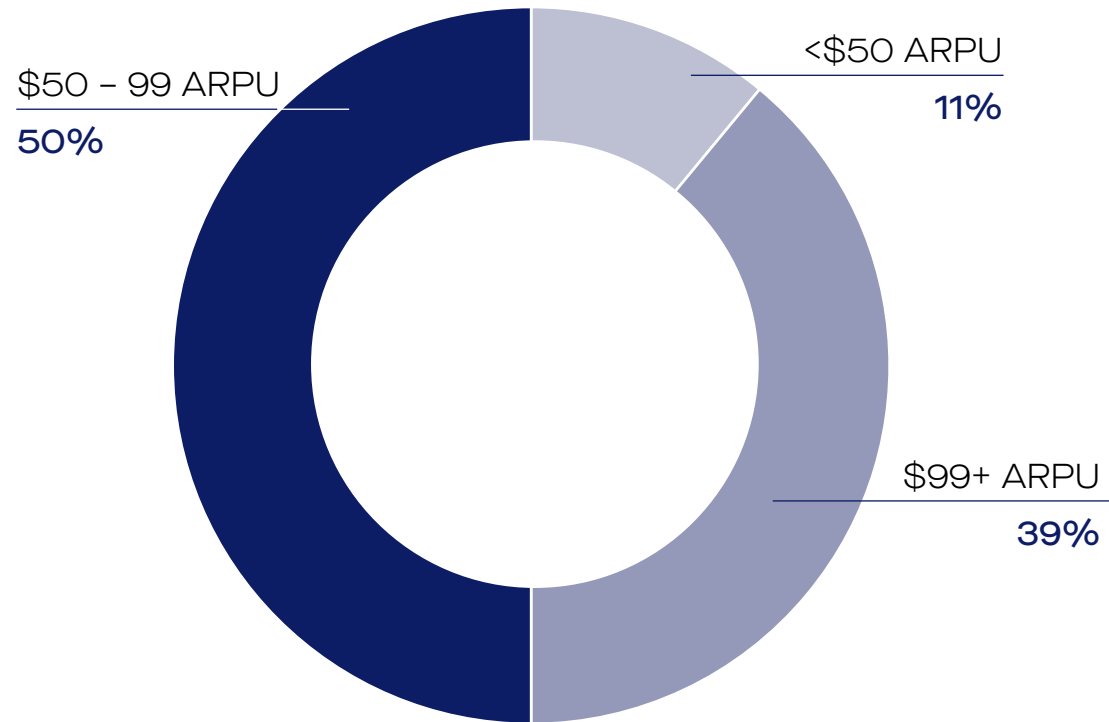
Strengthen  
Foxtel

# Residential Broadcast ARPU has risen for 4 consecutive quarters

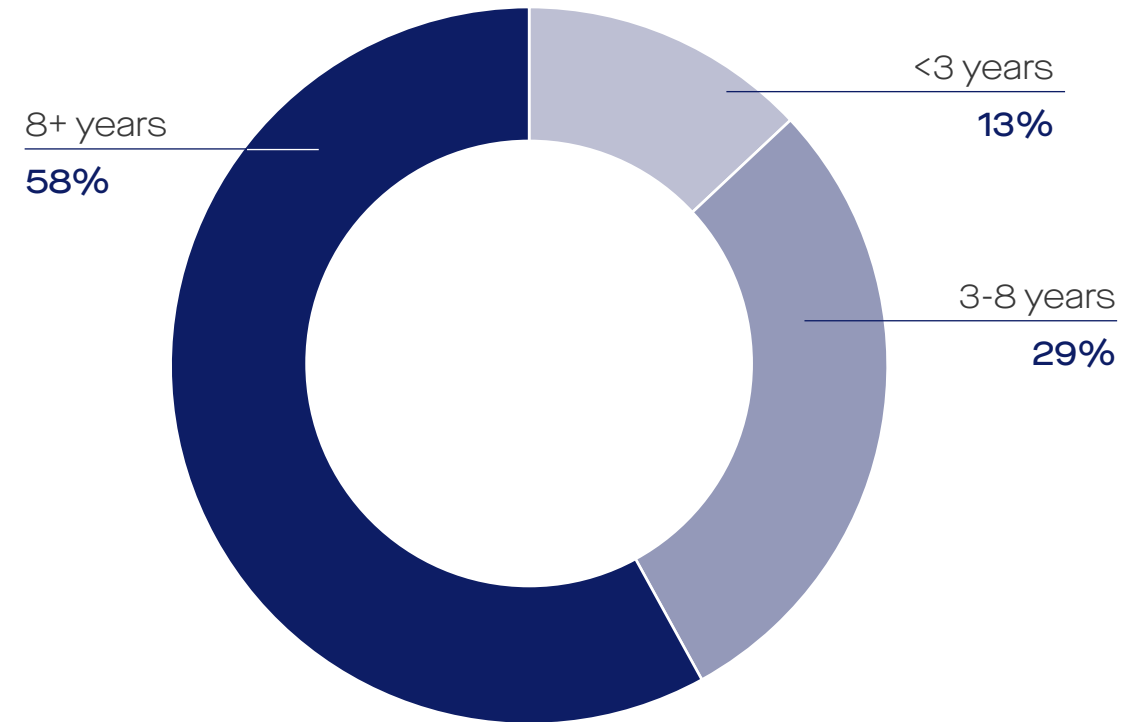


# Stabilising revenue with **premium,** **long-tenured customer base**

Residential Broadcast subscriber ARPU



Residential Broadcast subscriber tenure



Total closing Residential Broadcast subscribers as at June 2021.



Win with  
world class  
content &  
technology

# Premium aggregator of diverse entertainment

## Major studios

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## Partner channels

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## Free to air channels

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## Local & global apps

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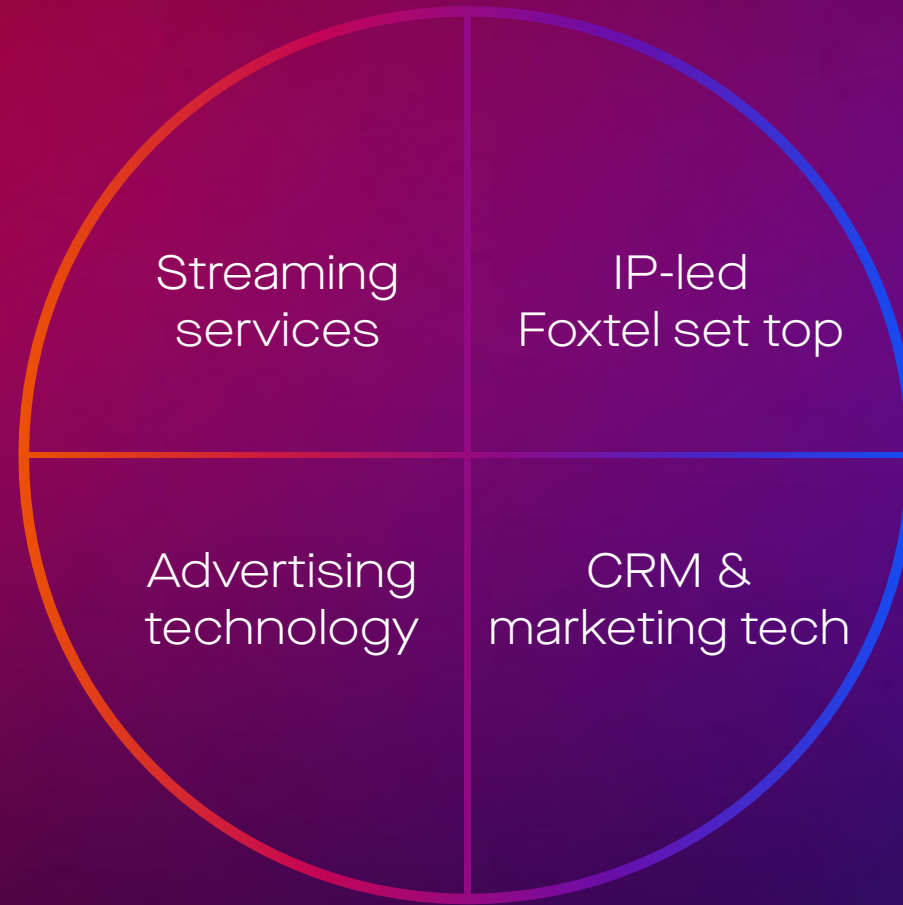




# Leading Australian and international sports live and on demand



# We are a technology-led streaming company



With a **scalable core** for growth

# Three-year ambitions

**5 million+**

Subscribers

**c. A\$3 billion**

Revenue growth  
Opportunity for margin expansion

**~4%**

Capex to Revenue

# Strategy to achieve our ambitions

1

Grow through  
streaming

- 
- Launch additional streaming products
  - Introduce new digital advertising products

2

Strengthen  
Foxtel

- 
- Offer existing customers more value
  - Further reduce cost to sell and serve

3

Win with world  
class content and  
technology

- 
- Continue to transform costs, streamlining across platform
  - Grow revenue through content aggregation



# Strategy for growth



# Grow through Streaming

Julian Ogrin



# Kayo

**~1.1M**  
total subscribers

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**50+**  
sports live and on-demand

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**Purpose-built**  
for live sport streaming



# 50+

## sports

# Kayo product





# 68%

of total Kayo viewership  
is on a **TV-sized screen**

# Kayo product



# Kayo product suite



2 streams, HD



3 streams, HD

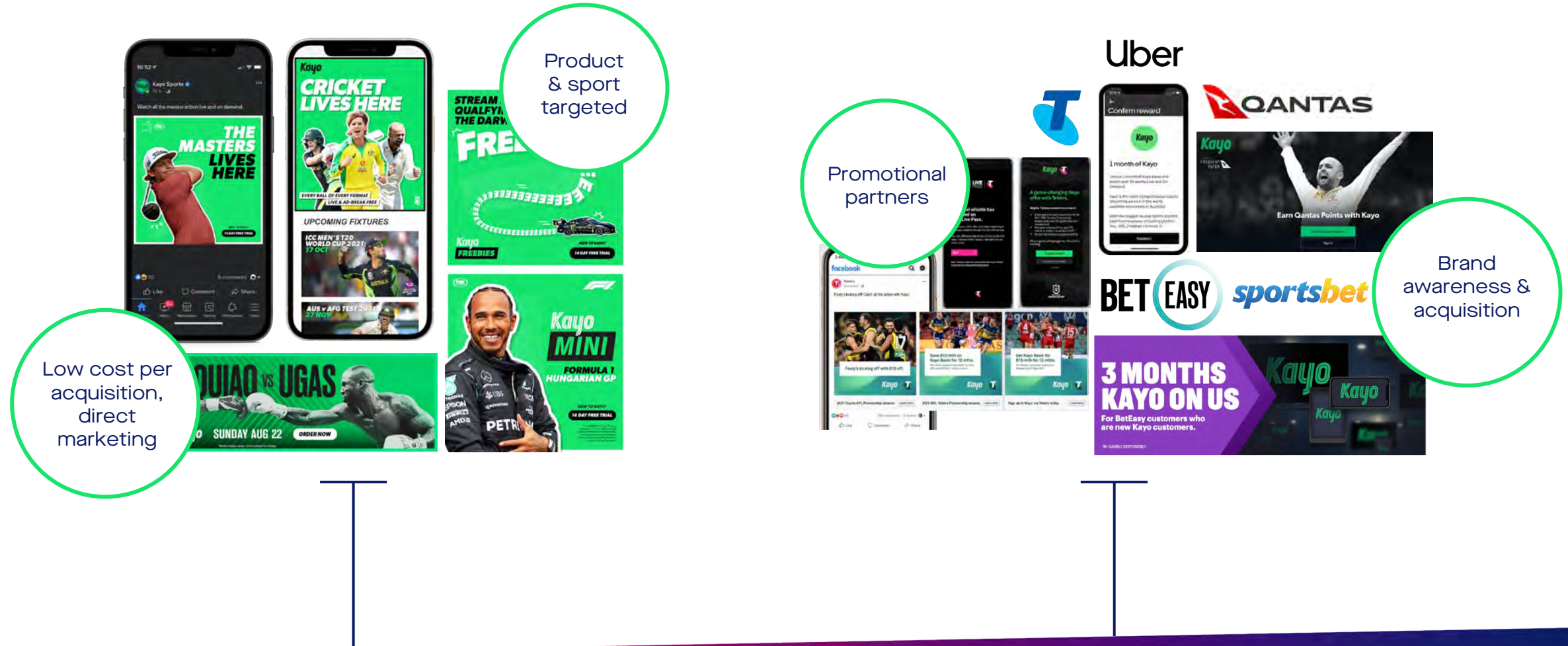


Pay-per-view  
(boxing, UFC, WWE)

Monetised through ads

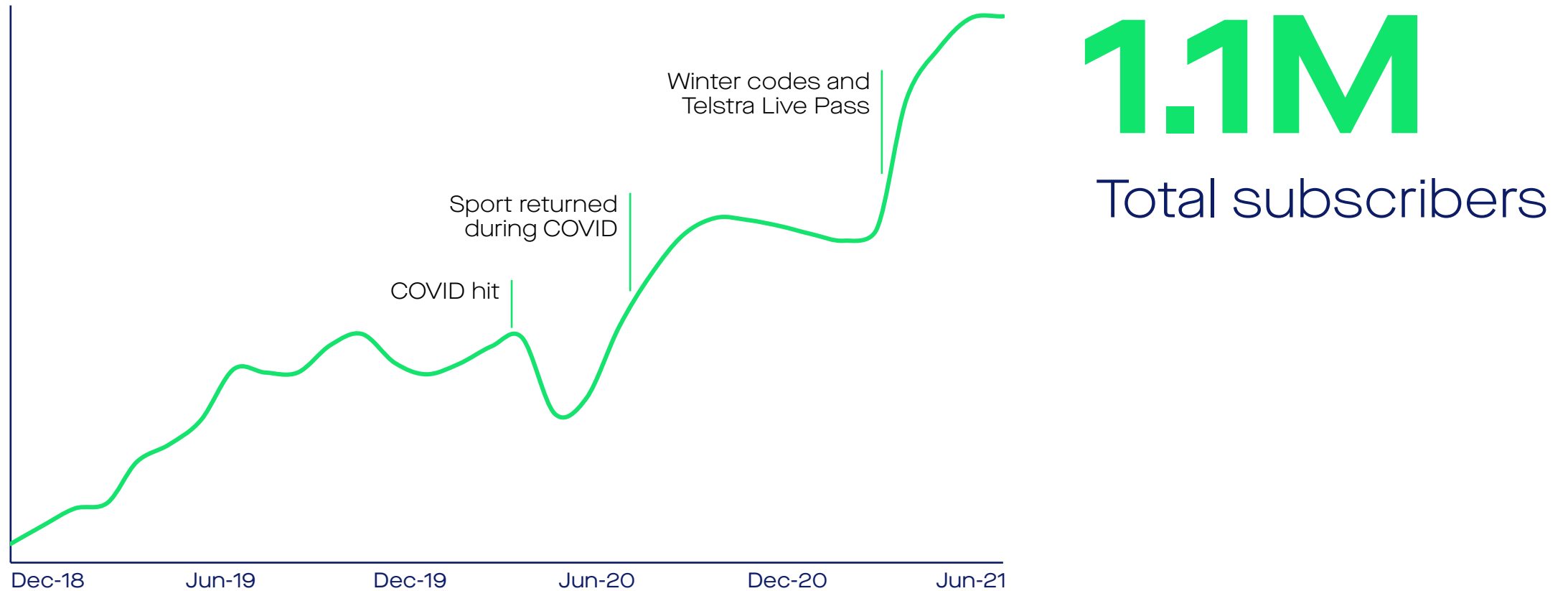


# Kayo sales strategy and channel partners



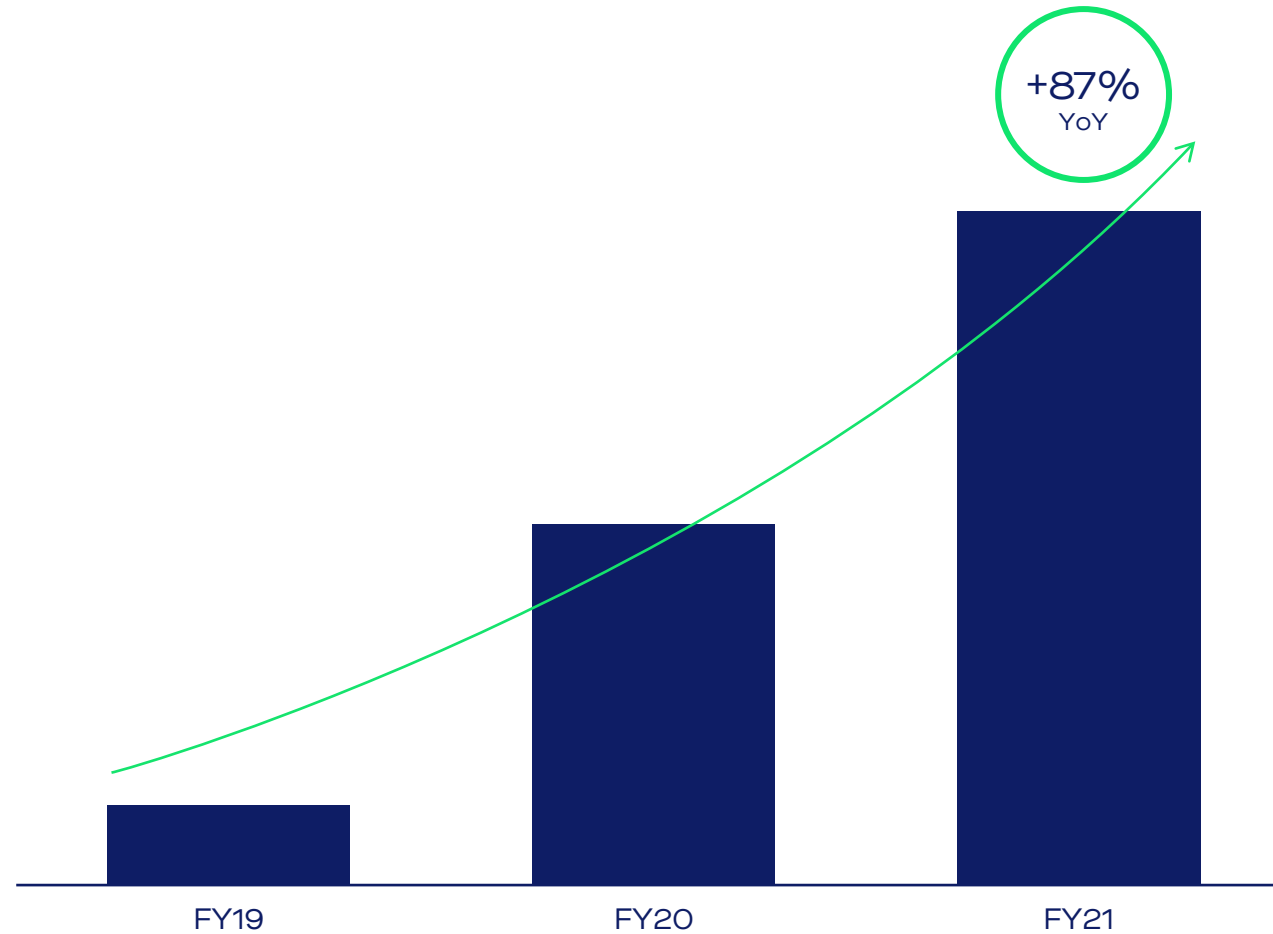


# Kayo is growing and engaging sports fans



Total closing Kayo subscribers as at 30 June 2021, which includes 1,054K paid subscribers, with the remaining 25K being trialists.

# Strong Kayo subscription revenue growth



Financial Year End 30 June. Includes Kayo subscription revenue only.

62%

of Kayo subscribers  
watch 3 or more  
sports

23%

watch more  
than 8

# Kayo marketing



# **BINGE**

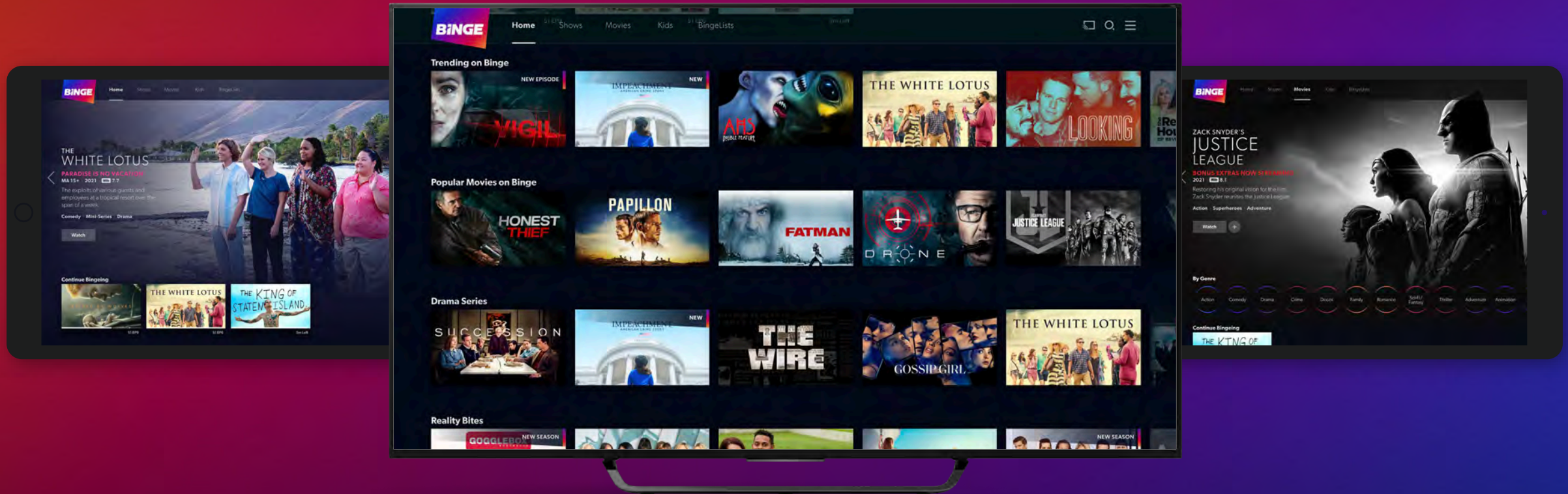
**10,000+**  
hours of content

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**~830K**  
total subscribers



# BINGE product



# BINGE product suite

**BINGE**

**BASIC**



1 stream, SD

**BINGE**

**STANDARD**



2 streams, HD

**BINGE**

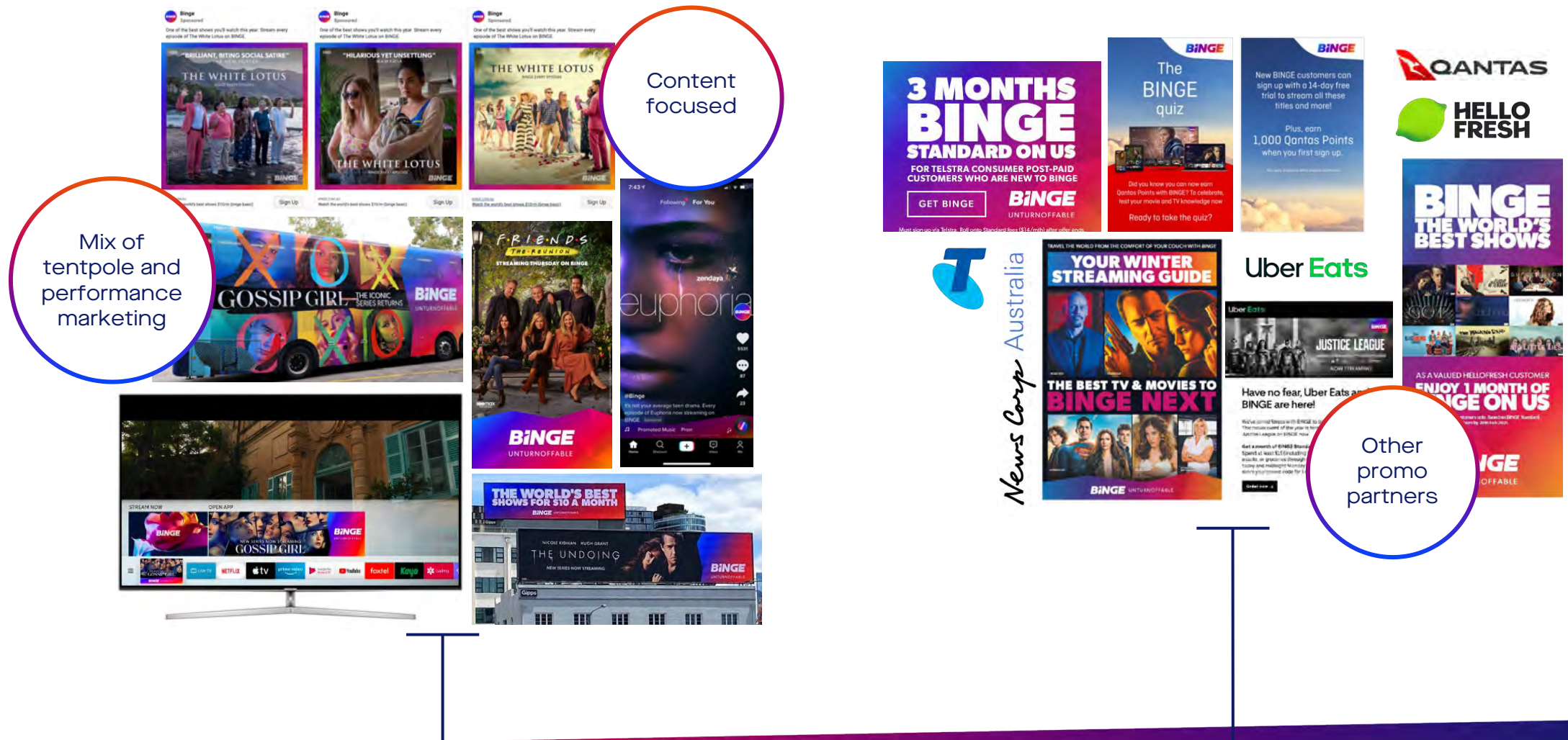
**PREMIUM**



4 streams, HD

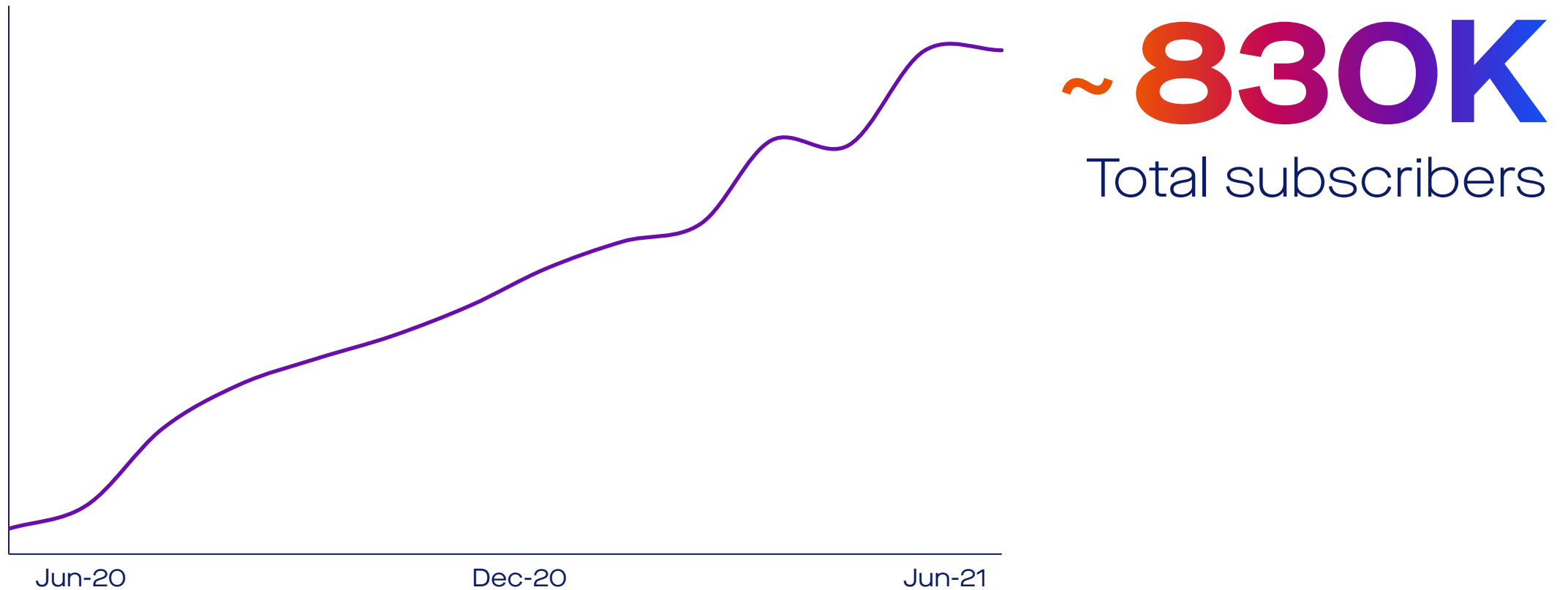


# BINGE sales strategy and channel partners



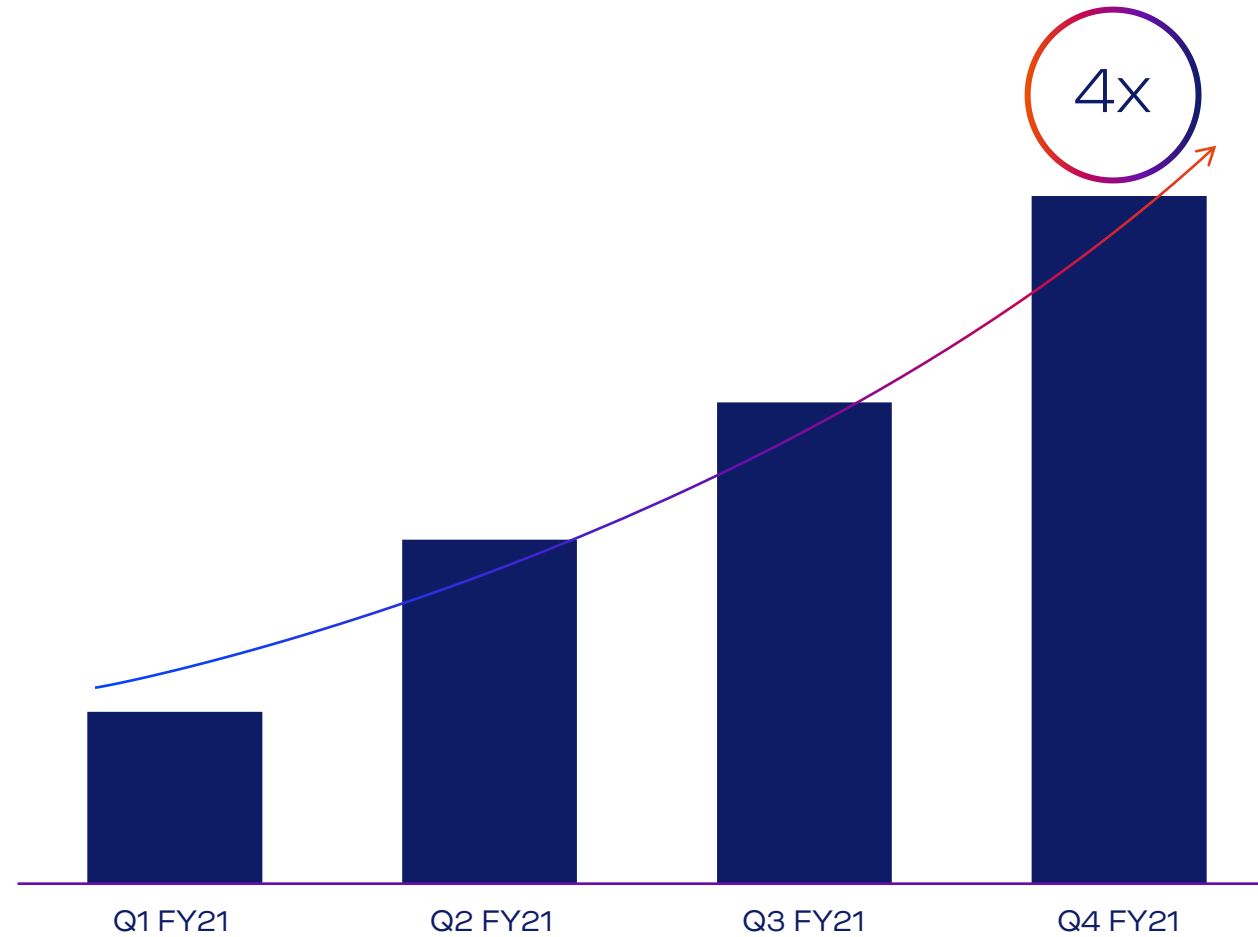


# BINGE has grown rapidly in its first year



Total closing BINGE subscribers as at 30 June 2021, which includes 733K paid subscribers, with the remainder being trialists.

# BINGE subscription revenue growth since launch



Financial Year End 30 June 2021. Includes BINGE subscription revenue only.

# BINGE subscribers come for **new releases**, but stay for the **binge-worthy bests**

## New releases driving acquisition



Vigil



Mare of Easttown



Friends: The Reunion



Zack Snyder's Justice League



The Undoing



The Act



Mr. Inbetween



A Discovery of Witches



Superstore

## Deep library driving retention



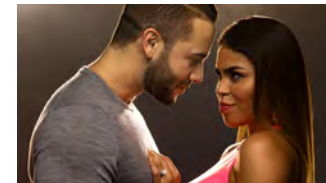
Game of Thrones



The Walking Dead



Keeping Up With the Kardashians



90 Day Fiancé



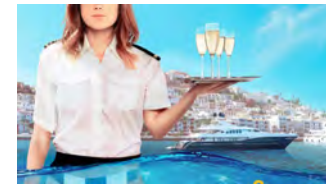
Sex and the City



Modern Family



NCIS



Below Deck



Real Housewives



# 56%

of BINGE subscribers  
**watch 3 or more  
series in a month**

# 24%

watch **more than  
8 in a month**

# **FLASH**

**The biggest news  
brands on a leading  
streaming platform**

## **First of its kind**

Dedicated live news streaming  
service offering live and on demand

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## **A clear opportunity**

Ability to serve segments  
across news consumers

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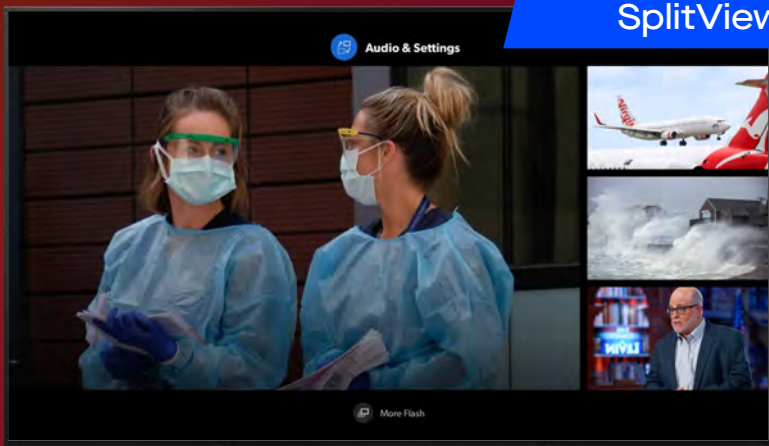
## **Breadth of partners**

Global and local news sources, offering  
diversity of opinion and perspective



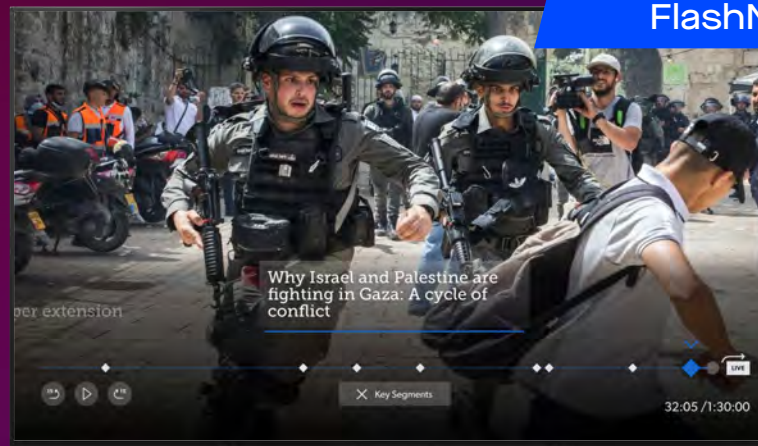
# Flash product

## SplitView



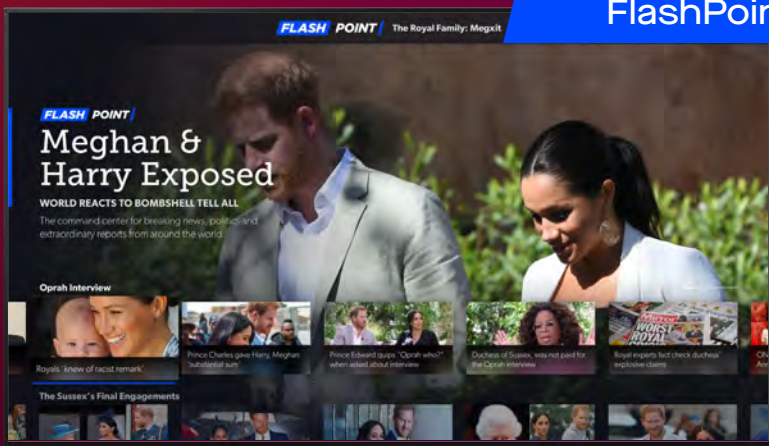
Follow unfolding events from multiple perspectives with multi-screen viewing.

## FlashNav



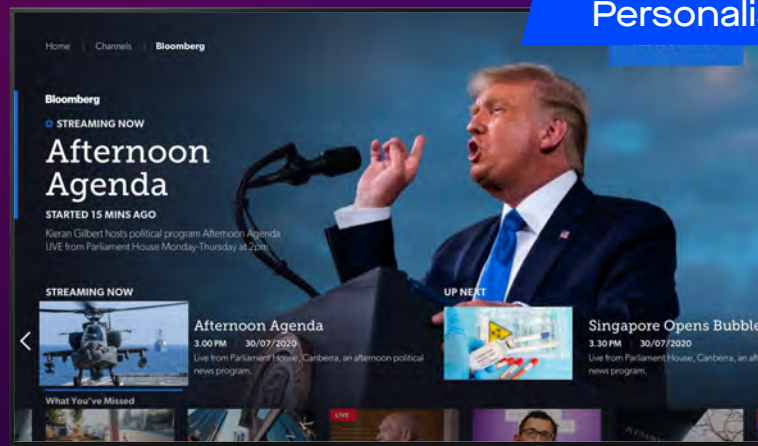
Jump to the big moments in news

## FlashPoint



Deep dive into the stories that matter to you

## Personalisation



Curate content and notifications based on channel, category or topic

# World Class Technology Les Wigan





A tech stack with **21st century streaming, ad tech, and customer lifecycle capability**



Scalability

Reliability

Customer-  
centric

# Investing in major technology projects

## Converge

streaming tech  
stacks and  
operations

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Provide best in class  
Kayo and BINGE  
experience on Foxtel  
products

## Grow

audience and  
targeted advertising  
capability

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Leverage 4M and  
growing subscriber base to  
generate new and diverse  
advertising revenue

## Digitise

Foxtel customer  
management and  
marketing systems

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Improve customer  
experience, engagement  
and retention, and  
reduce cost to serve

## Merge

and modernise  
broadcast  
infrastructure

---

Increase resilience  
and reduce costs with  
latest cloud-based  
technology

# Technology at the Foxtel Group

- 1 Highly scalable, reliable, and customer-centric streaming tech stack
- 2 Modernising existing platforms and systems that support core Foxtel products
- 3 Proven track record in delivery

# Strengthen Foxtel Hilary Perchard





# FOXTEL

**1.6M+**

Residential  
Broadcast subscribers

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Differentiated, premium,  
aggregated experience

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Net revenue and customer lifetime value

**Differentiated,  
premium, aggregated  
experience**

Net revenue  
and customer  
lifetime value

# Revolutionary new iQ5 set top enables a streaming-led future



## Fully self-install

- Plug and play, instant viewing
- IP enabled, no cable or satellite hardware required
- Opens Foxtel experience up to new customers

## Sales and service efficiency

- Simplified back-end billing
- Lower cost to sell and serve, no truck roll

## Streaming enabled

- Leverages our investment in streaming
- All your apps in one ecosystem

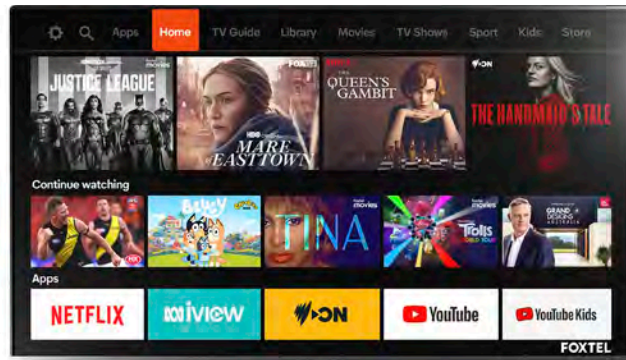


# Enabling a better customer experience

## Content our subscribers love

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Live and on demand, from Foxtel and global apps – providing the best of linear and VOD



## Premium features and service

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Enhanced viewing experience with even more features – voice remote, record, personalization, enhanced search, UHD, the best service

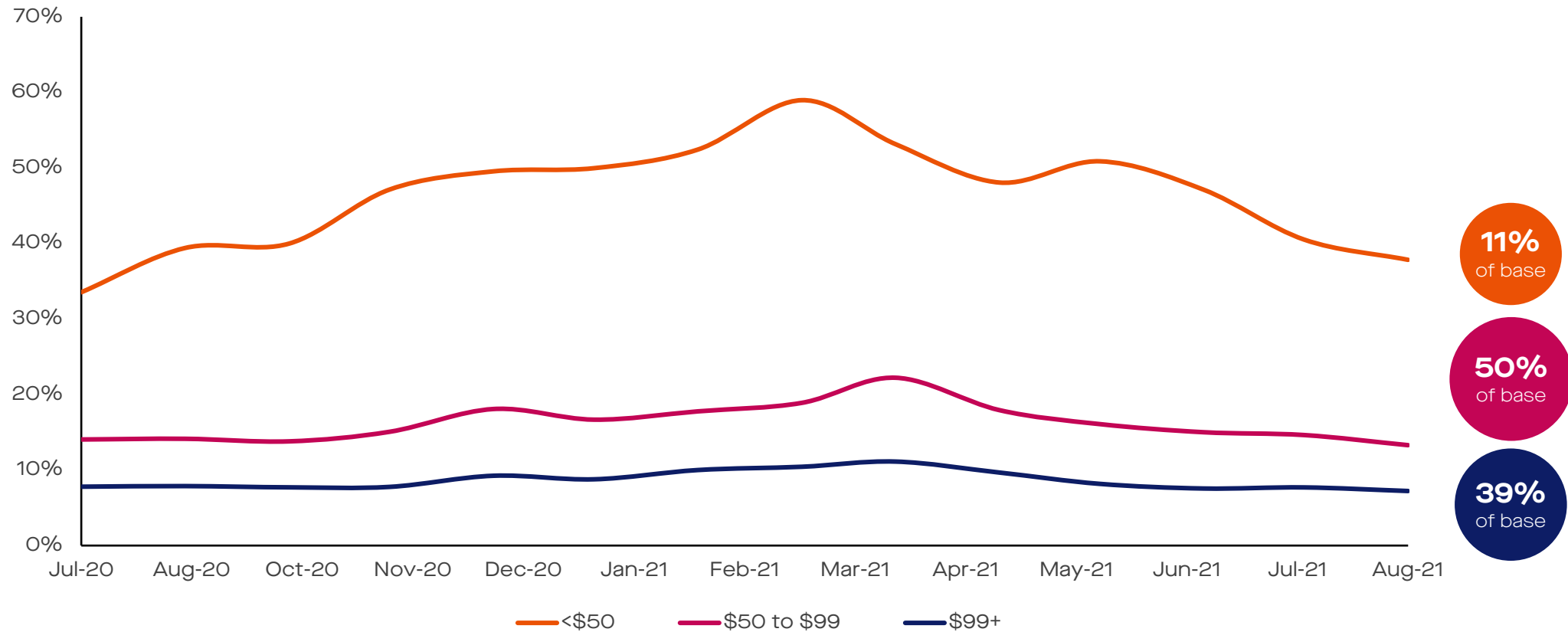


Differentiated,  
premium, aggregated  
experience

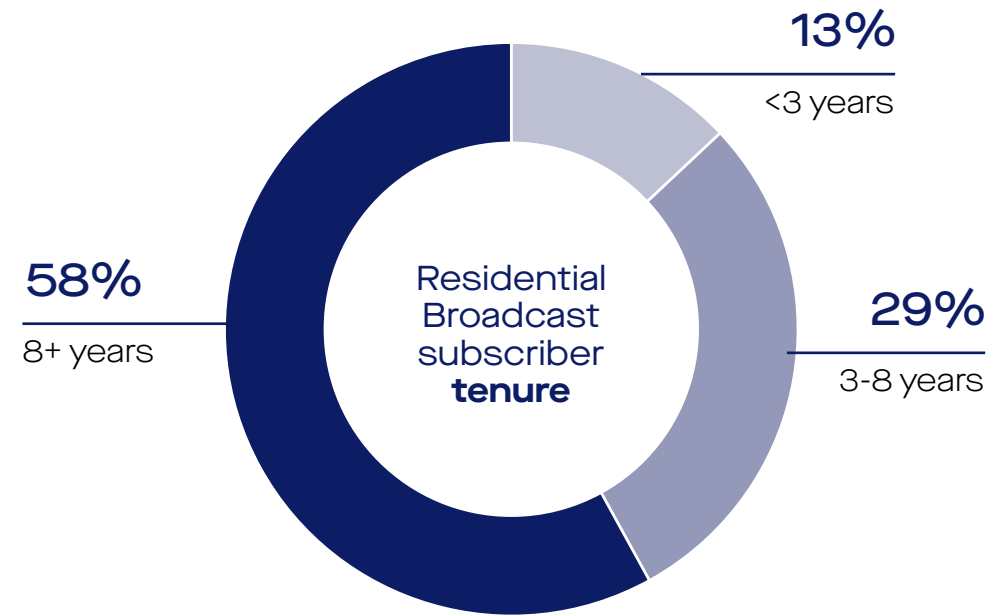
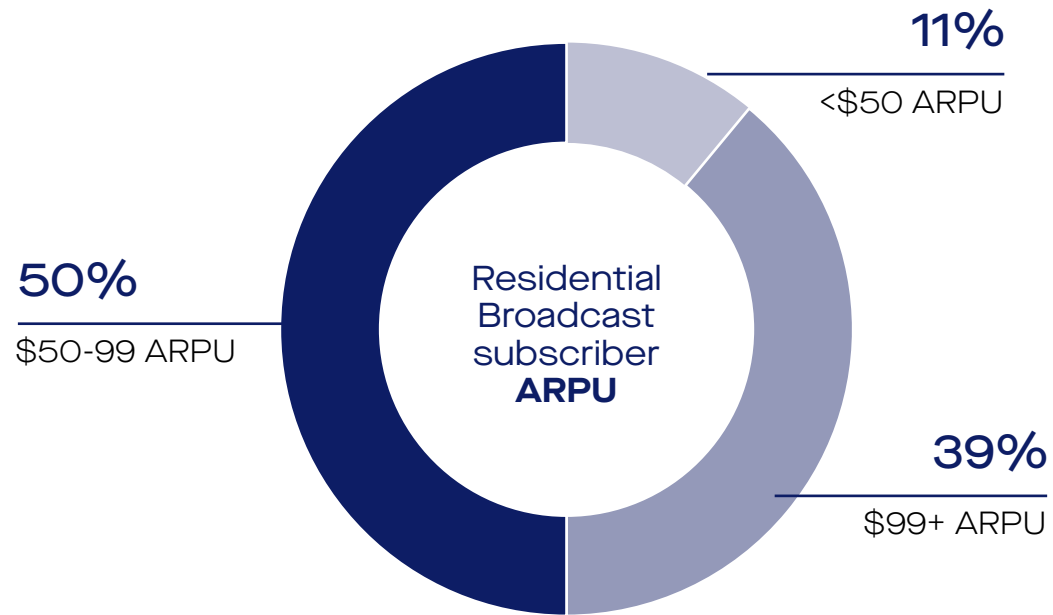
**Net revenue  
and customer  
lifetime value**

# Maintaining **strong retention rates** with premium subscribers

Residential Broadcast churn rate by subscriber ARPU



# Broadcast business has focused on **high lifetime value subscribers**

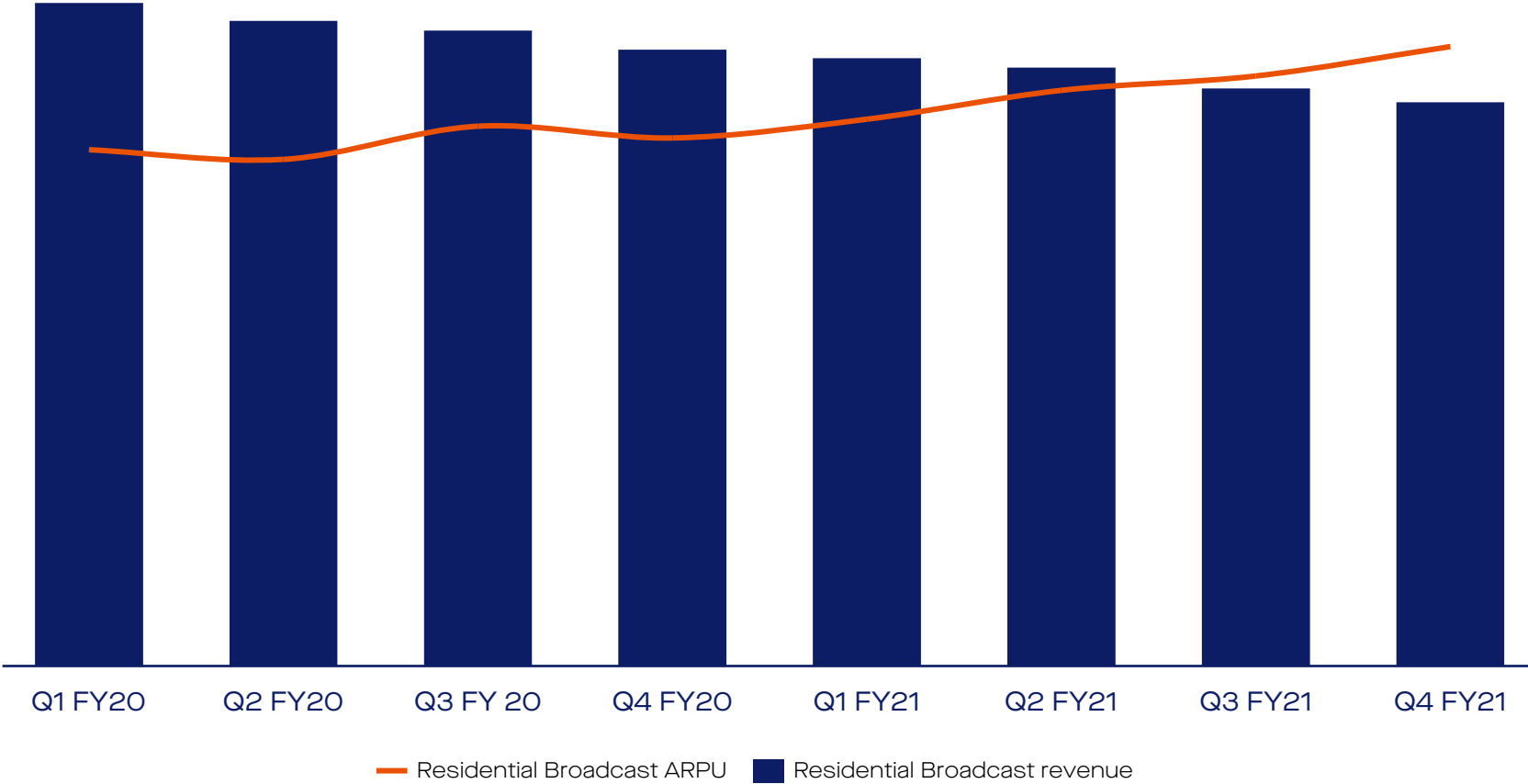


Total closing Residential Broadcast subscribers as at June 2021.

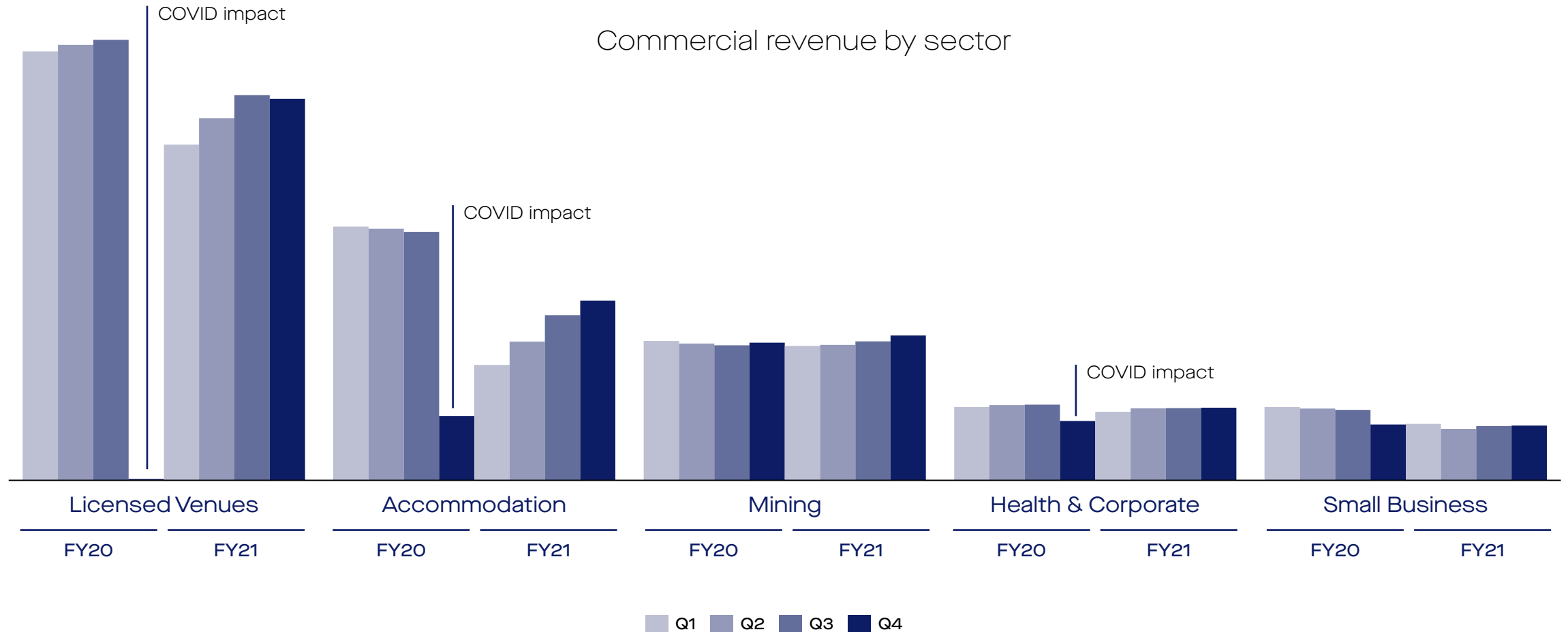


# Maximising value of the subscriber base has stabilised

## Residential Broadcast revenue declines



# Commercial business is **strong, stable and diverse**



# World Class Content

Amanda Laing





# 25 years

of delivering premium content to Australians, **all in one place**



# Securing deals with long-term partners with us from the start

**WARNER  
MEDIA**

**NBCUniversal**

**VIACOMCBS**

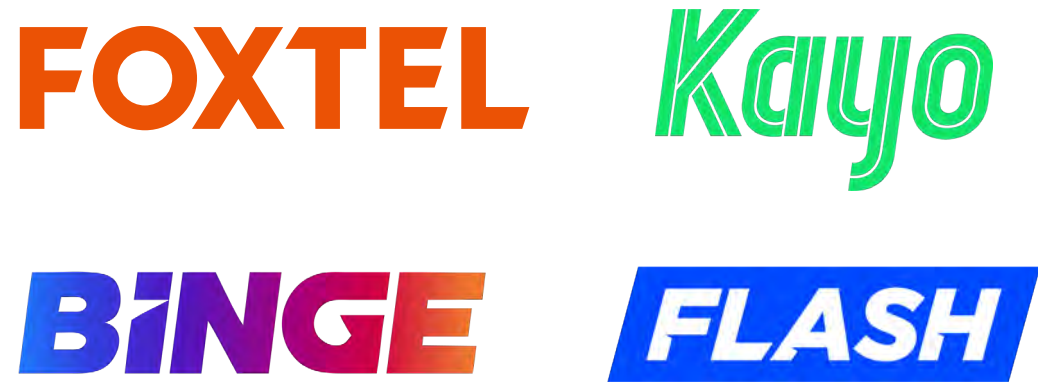
 **Discovery**

**B B C**

  
**SONY  
PICTURES**

  
**ROADSHOW  
ENTERTAINMENT**

# Group-wide content strategy



Foxtel Originals

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TV and movie studio deals

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Channel partners

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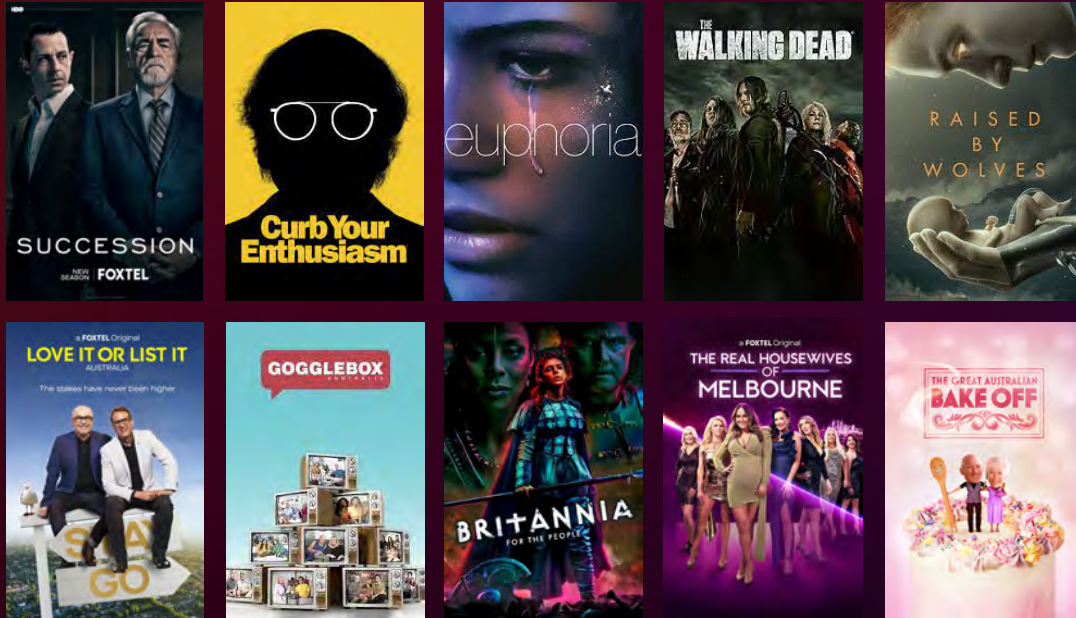
Local and global apps

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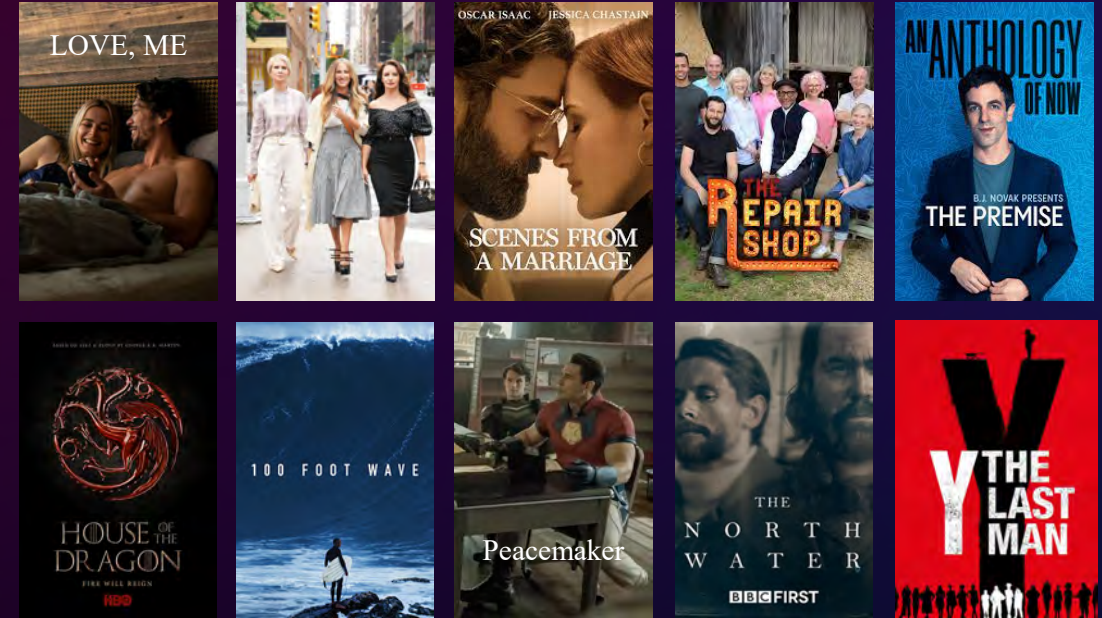
Australian and  
international sport

# A diverse and exciting pipeline of new and returning titles

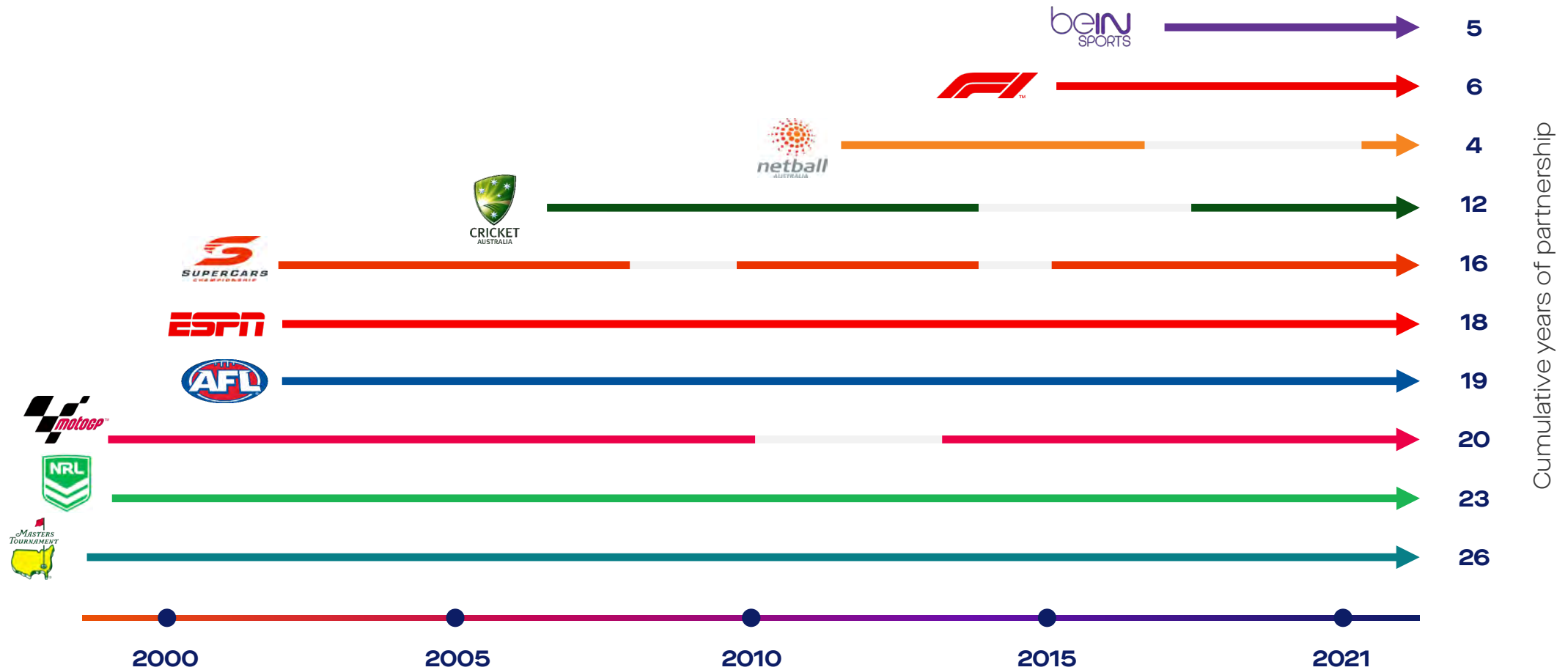
## Returning



## New

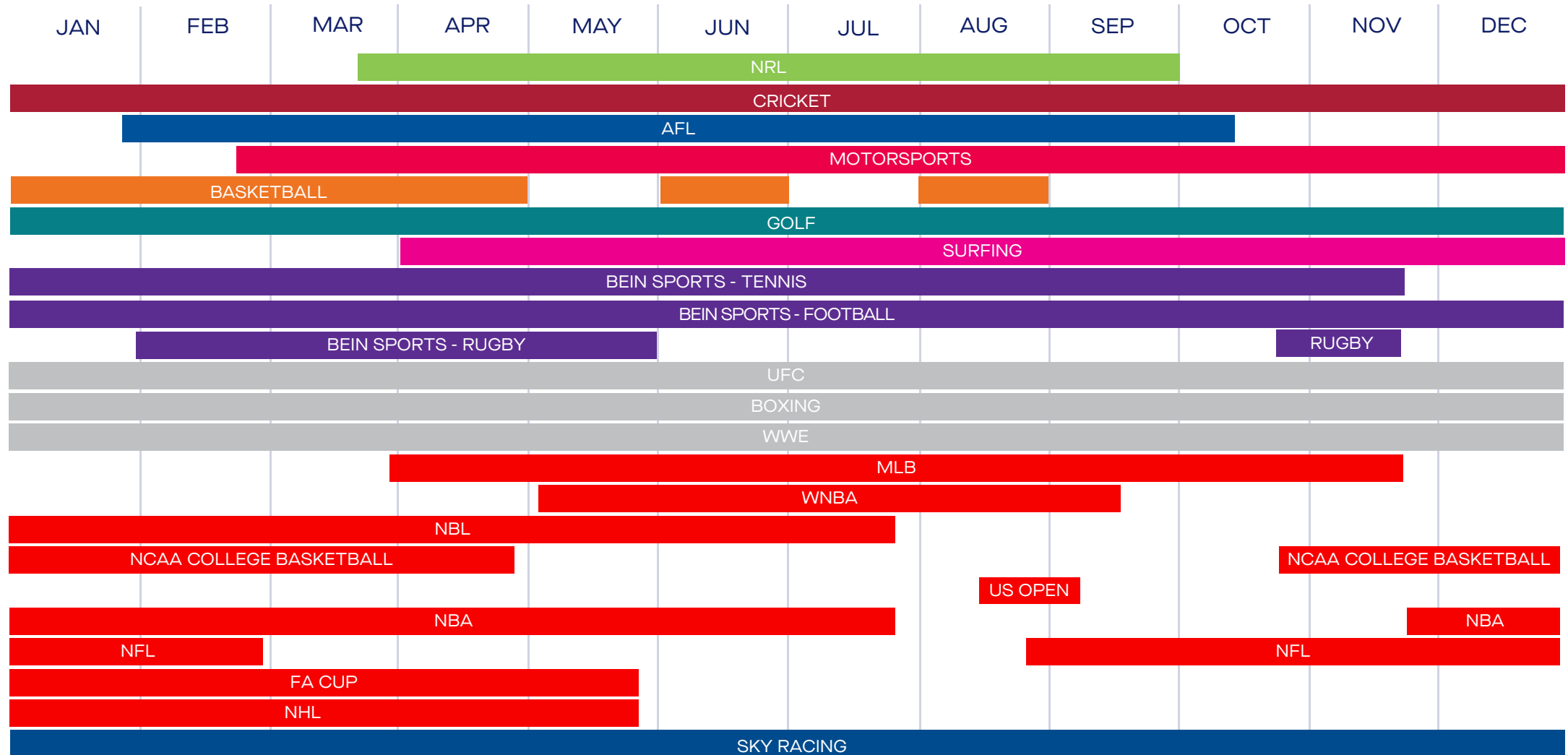


# The trusted long-term partner for sports





# A full slate of sports coverage year round



# Financial Overview

Stuart Hutton



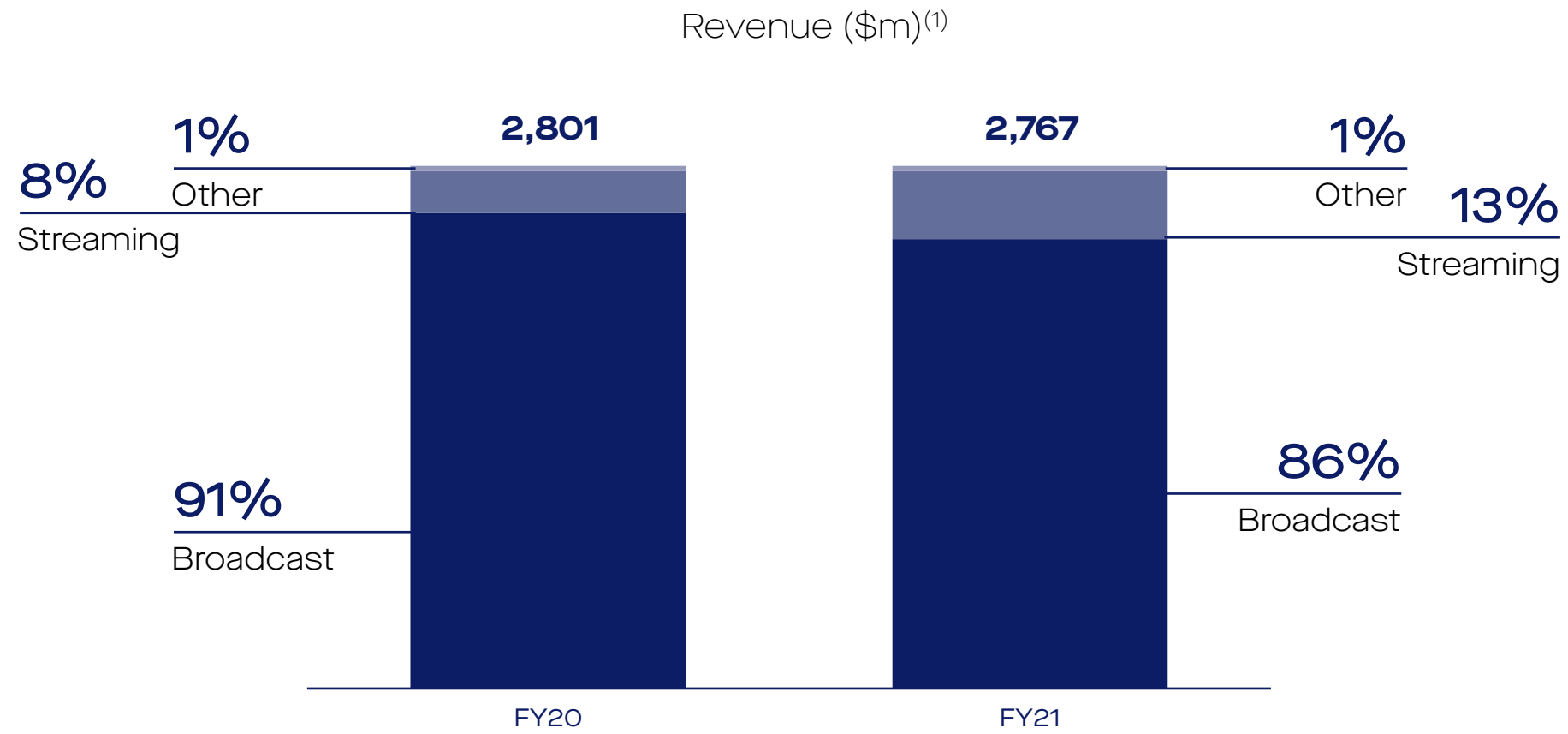
# Strong financial performance

**#1**  
Australian Media  
Company by  
Revenue<sup>(1)</sup>

**c.\$2.8bn**  
Revenue

**c.\$460m**  
EBITDA

# Revenue stabilised and repositioned for growth

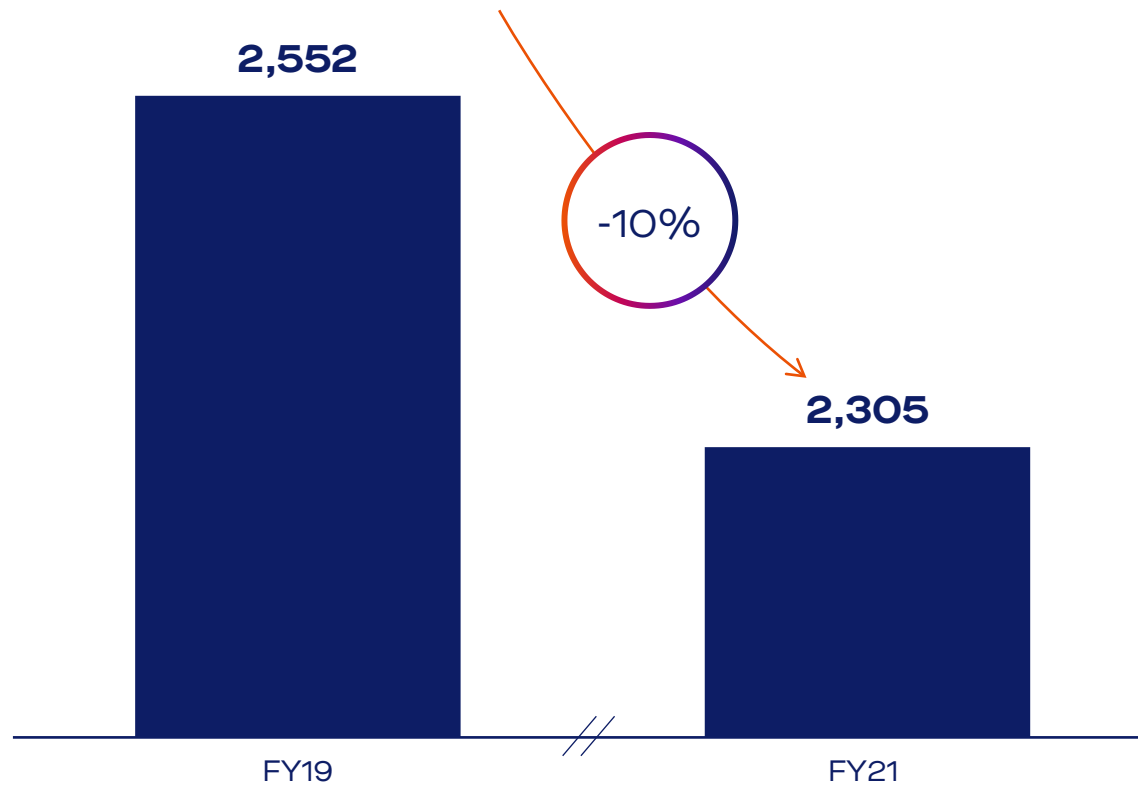


Financial Year End 30 June. All figures presented in A\$ under US GAAP.  
(1) Advertising revenue of \$261 million in FY20 comprised of c. 98% Broadcast and 2% Streaming and \$281 million in FY21 comprised c. 94% Broadcast and c. 6% Streaming. Broadcast revenue includes residential and commercial subscribers. Please refer to page 88 for further details on composition of FOXTEL revenue.



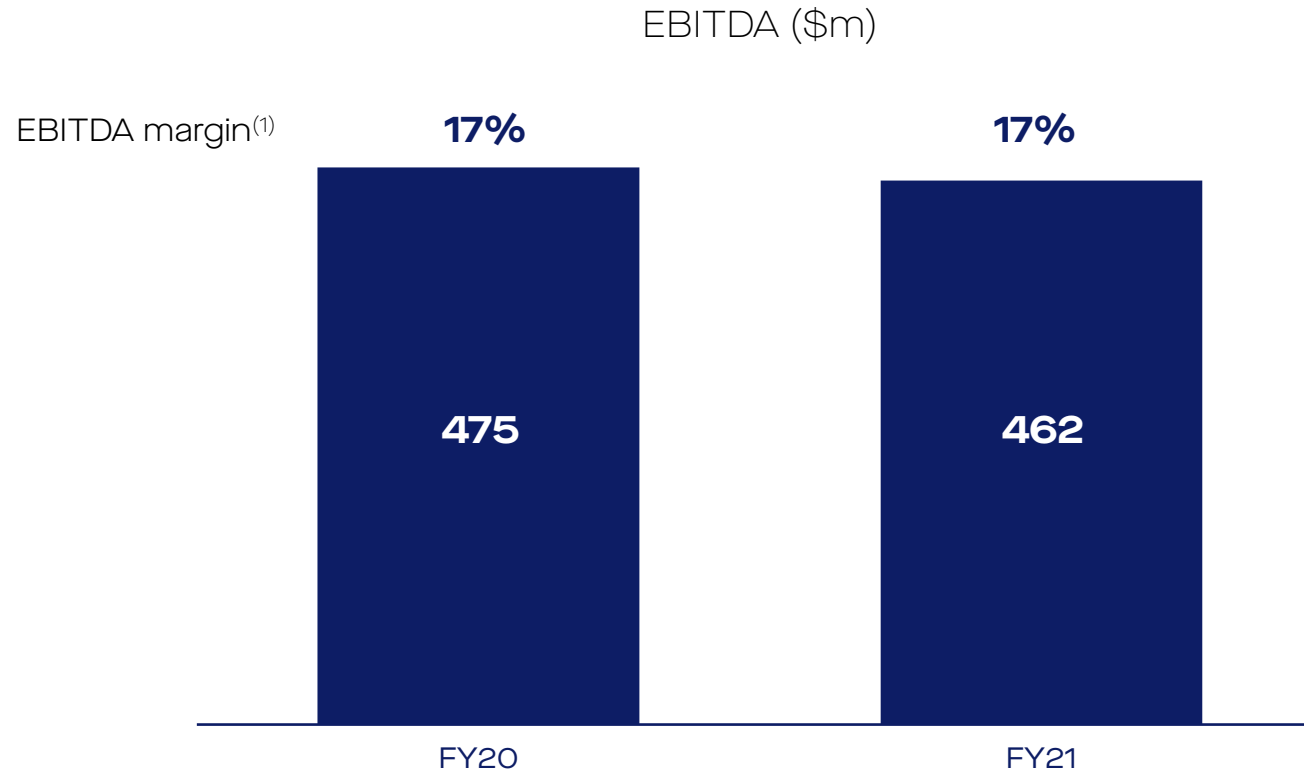
# Transforming the cost base

Total Expenses (\$m)



- Right-sized functional areas and consolidated capabilities
- Renegotiated rights and focused on premium sports and entertainment rights
- Lighter operational costs, right-sized for streaming era
- Streamlining and digitizing process flows – some savings reinvested in new streaming products
- Ongoing efficiency and investment in technology and operating model to deliver a stabilised cost base

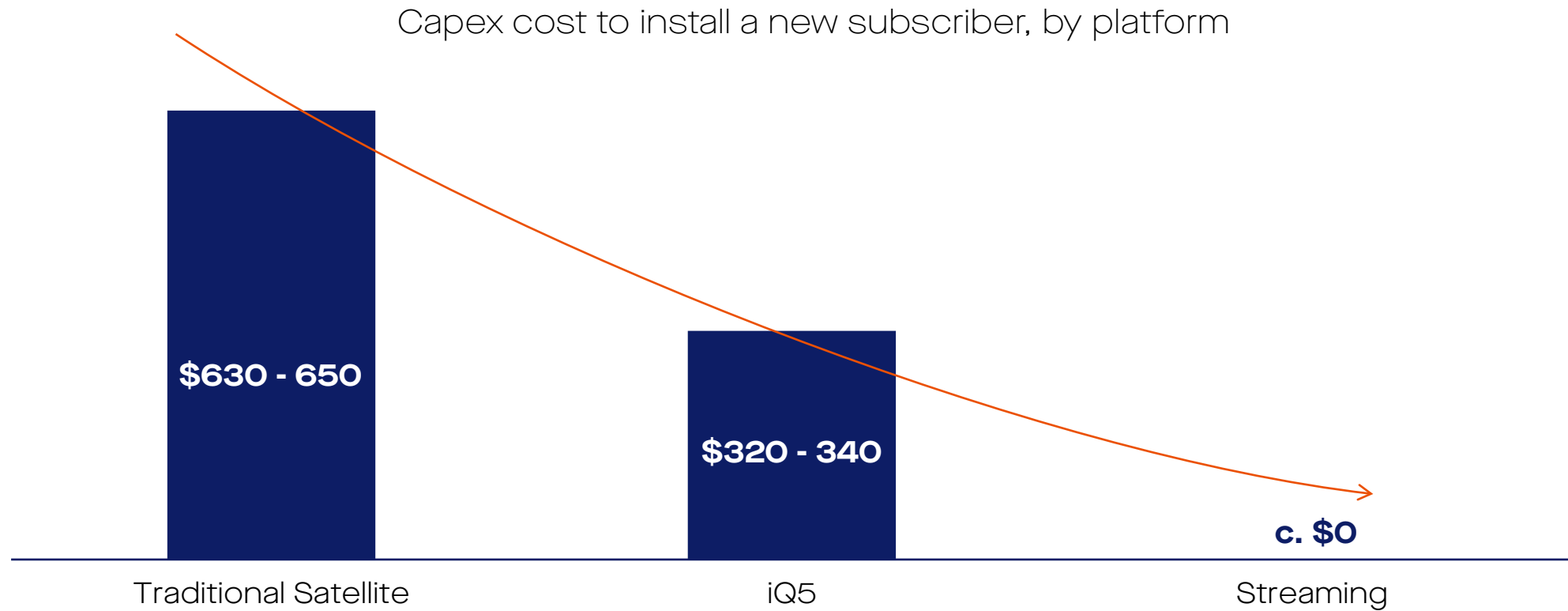
# Delivery of consistent EBITDA positioned for growth



Financial Year End 30 June. All figures presented in A\$ under US GAAP.

(1) News Corporation Subscription Video Services (SVS) Segment EBITDA margin for the fiscal years ended 30 June 2020 and 2021 were 17% and 17%, respectively. EBITDA Margin and SVS Segment EBITDA Margin are calculated by dividing EBITDA and SVS Segment EBITDA, respectively, by revenue for the applicable fiscal year. Refer to Slide 89 for a reconciliation of Foxtel EBITDA to News Corporation SVS Segment EBITDA calculated in accordance with US GAAP.

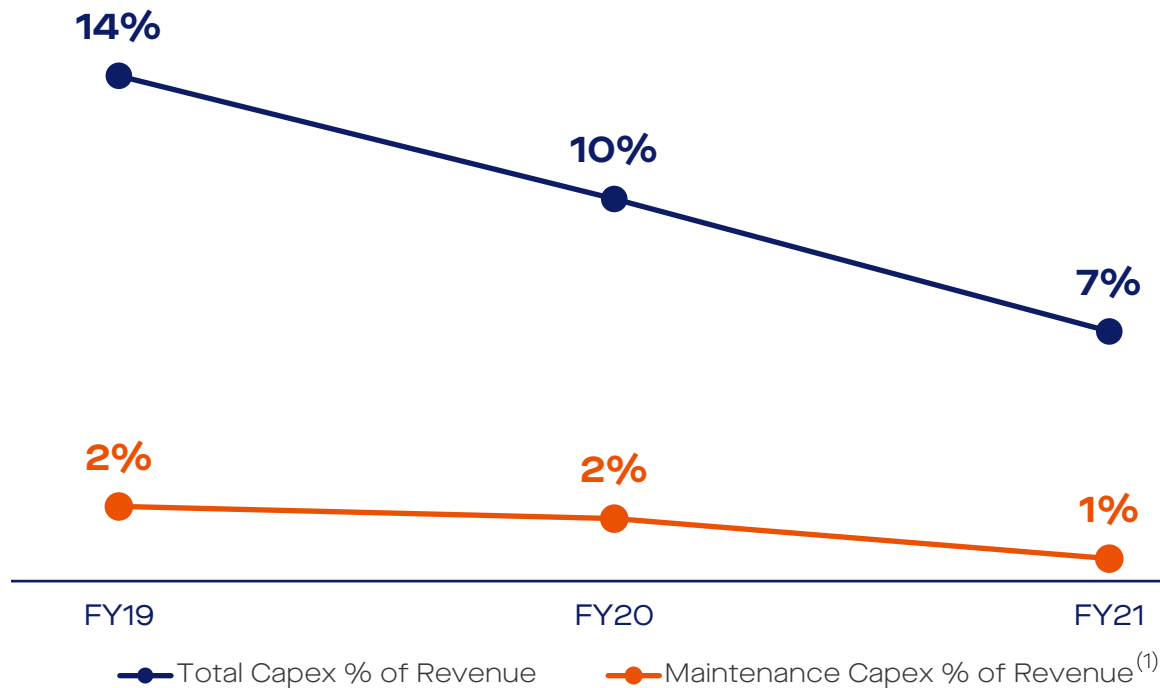
# As the business transforms to new technology, the cost to install a subscriber falls



Financial Year End 30 June 2021. Capex cost to install a new subscriber includes total box and installation expenses.

# Transition to a capital light model from digital strategy

Capital Expenditure as a Percentage of Revenue (%)



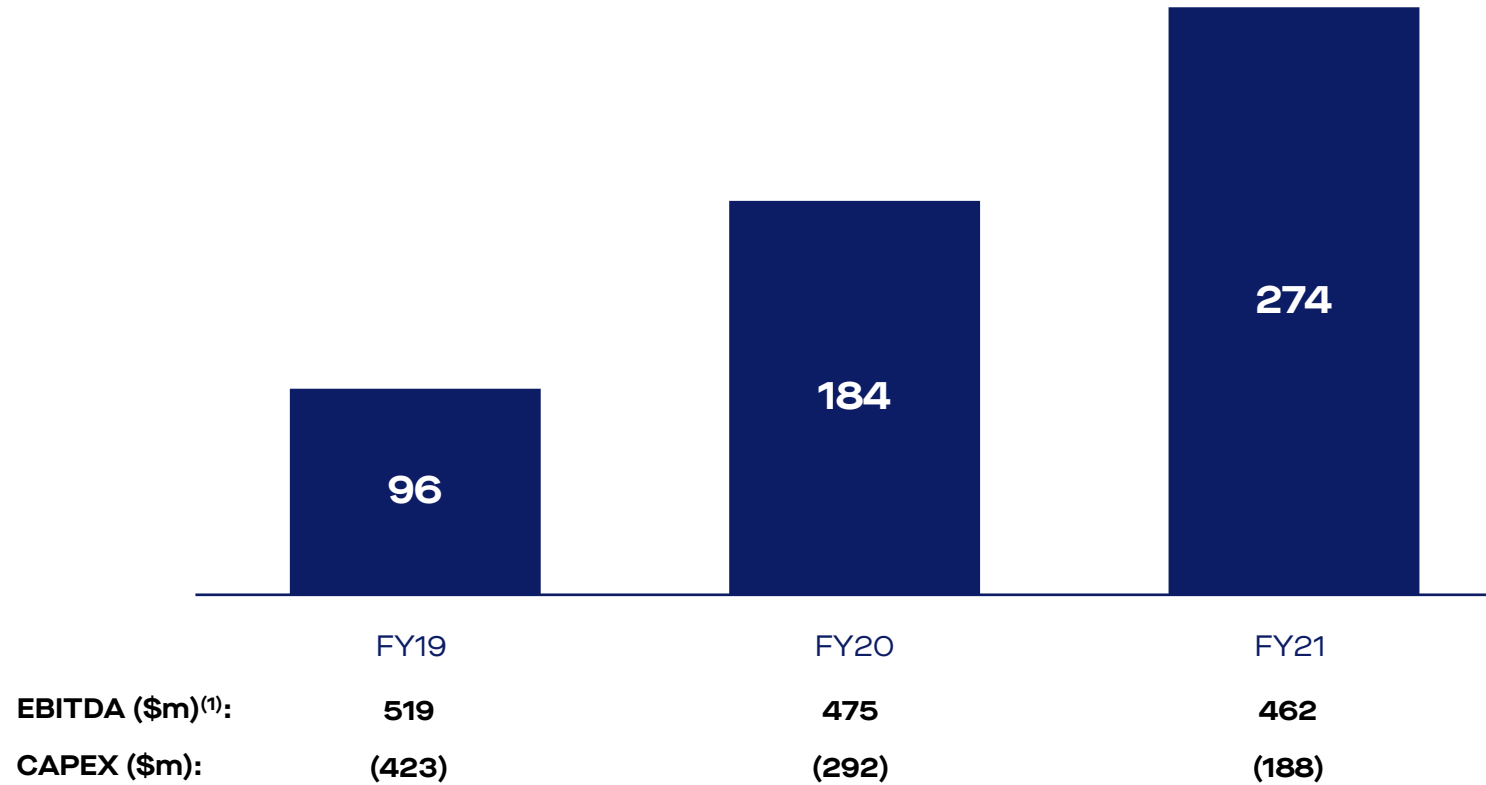
- Transition from traditional to digital technology lowering overall asset intensity
- Switch to iQ5 has materially reduced subscriber acquisition costs, with investment to continue as rollout progresses
- New streaming subscribers acquired with no additional capital investment as technology already in the home

Financial Year End 30 June. All figures presented in A\$ under US GAAP.

(1) Maintenance capex includes product, capability and platform capex and excludes installation costs

# Highly cash generative

EBITDA less Capex (\$m)



Financial Year End 30 June. All figures presented in A\$ under US GAAP

Note: Numbers may not sum due to rounding

(1) Refer to Slide 89 for a reconciliation of Foxtel EBITDA to News Corporation SVS Segment EBITDA calculated in accordance with US GAAP



# Summary & Takeaways

Patrick Delany



# Foxtel Group is repositioned for growth

Premium capital lite IP-led company with over **4 million subscribers**

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**Multiple and growing revenue streams** with strategic pricing flexibility

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**Diverse and innovative streaming products** growing rapidly

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Strengthened Foxtel business with **loyal, high value subscribers**

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Competitive position with premium sport and entertainment content combined with **long term partner relationships**

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**Transformed digital operations** with sustained efficiencies

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**High cash generation** supports investment in growth and returns



Q & A



# Appendix

# Foxtel Group Revenue

June Year End (A\$m)	FY20	FY21
Broadcast <sup>(1)</sup>	2,287	2,110
Streaming <sup>(2)</sup>	216	343
Subscription	2,504	2,453
Broadcast <sup>(1)</sup>	256	265
Streaming <sup>(2)</sup>	4	17
Advertising	261	281
Other	37	32
<b>Total Revenue</b>	<b>2,801</b>	<b>2,767</b>

Note: Numbers may not sum due to rounding. All figures presented in A\$ under US GAAP.

(1) Broadcast includes Residential and Commercial

(2) Streaming includes Kayo, FOXTEL NOW and BINGE and other streaming products



# EBITDA Reconciliation: US GAAP to IFRS

June Year End		FY19	FY20	FY21
News Corp Subscription Video Services US GAAP EBITDA <sup>(1)</sup>	(US\$m)	380.0	323.0	359.0
(Less: Impact of other businesses)	(US\$m)	(9.9)	(6.8)	(15.0)
(Less: Intercompany segment eliminations and other)	(US\$m)	1.6	1.8	-
FOXTEL US GAAP EBITDA <sup>(2)</sup>	(US\$m)	371.7	318.0	344.0
FOXTEL US GAAP EBITDA	(A\$m)	518.9	475.3	462.0
Lease Adjustment <sup>(3)</sup>	(A\$m)	-	96.5	51.9
FOXTEL IFRS EBITDA before restructuring and other costs	(A\$m)	518.9	571.8	513.9
Restructuring costs	(A\$m)	(9.6)	(19.3)	(10.1)
Other <sup>(4)</sup>	(A\$m)	(6.6)	1.3	3.0
FOXTEL IFRS EBITDA	(A\$m)	502.7	553.8	506.8

Note: Numbers may not sum due to rounding. Translation from USD to AUD based on sum of quarterly financial information at respective quarterly exchange rates as reported in News Corp's FY21 earnings release filed on Form 8-K (the FY21 Release).

(1) As reported in News Corp's Form 10-K filed with the SEC. Segment EBITDA is calculated on a US GAAP basis as revenues less operating expenses and selling, general and administrative expenses and does not include restructuring charges and certain other items as described in the FY21 Release

(2) A non-GAAP measure derived from News Corporation Subscription Video Services Segment EBITDA, a measure calculated in accordance with US GAAP

(3) IFRS and US GAAP have different classifications for certain transponder and property leases. Under US GAAP these are recognised as operating leases, with expense recognized within EBITDA. ASU 2016-02 was adopted in Fiscal 2020

(4) Consists primarily of differences in accounting for hedges between US GAAP and IFRS and gain/loss on disposal of assets

(5) Foxtel IFRS EBITDA is calculated on an IFRS basis as profit before depreciation, amortisation, net finance costs and income tax, as reported in the Foxtel Group's statutory accounts, excluding equity earnings of affiliates. Foxtel IFRS EBITDA includes restructuring charges and reflects the other accounting differences described in notes (3) and (4), which are not included in the calculation of News Corporation Subscription Video Services Segment EBITDA