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Corporate Speakers:
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QUESTION AND ANSWER

Bryan Kraft: I want to introduce John Nallen, CFO of Twenty-First Century Fox. So John, thank you for joining us today.

John Nallen: Thanks Bryan, thanks for having us; we appreciate it.

Bryan Kraft: Why don't we just get right into Q&A? Start with the domestic television business. Domestic affiliate revenue is the Company's largest profit growth driver. You've recently completed a major renewal with a successful outcome; one of your largest NBPDs. As you look forward to future renewals, how do you think about the pricing power? Are you going to have as much as you've had historically? And along those same lines, what are some of the opportunities that you have to offer incremental value to NBPDs, for example, additional right structures?

John Nallen: There's two -- I'm sure we'll talk about volume later, but on pricing, it's an area that we've got a high degree of confidence around because what we did many years ago, and many of you know this story, but we got out of this small brand business. We used to be in channels that, in this day and age really, they just don't matter to consumers; like the Reality Channel, the Fuel channel, Soccer channel. And we flipped those into brands that we decided to concentrate in, like FX, FOX Sports 1, NatGeo WILD.

We got into a business domestically, at least, where there are five brands that we go to market with; Big Fox, FOX Sports, Fox News, NatGeo, FX. It's a simple proposition with a lot of investment behind it. It supports our pricing when we're in with a bundle of products that are that strong. So from a pricing standpoint as is relates to our content and what we're offering, we feel very good that the market would support what we're looking for.

Secondarily, we've got pretty good visibility; when we do these renewals, they're multiyear renewals where a market price has been set. Not all of our deals come up once; we get probably 20% a year come up for renewal. But once that's done, we've set the price for the next three or four years for our products. So by the time the next year comes up, it's not like we're blazing new ground with absolutely no visibility. There's a market price that's been set by the distributer from the year before. From a pricing standpoint, we feel pretty good about where we are and that we can sustain the kind of growth that we've been recently achieving.

Bryan Kraft: You mentioned the volume side of the business. I think overall, subs have been actually growing a bit because of some of the less distributed networks that you have. All companies before distributed networks have seen pressure on subs; we're now at a point where we have new entrance into the market through virtual NBPDs. How do you think about the volume outlook for the business as we look forward?

John Nallen: I think for the first time in any of these meetings I can say I'm incredibly optimistic, because, if you think about, there are nine big-cap companies that are chasing the paid TV market now. Between Sony, DISH, AT&T, Amazon, Google -- the four big media companies, including ourselves, behind Hulu. That's a lot of capital that's being pointed to an industry that people were concerned about where growth was coming from.

Obviously, there's two things that are going happen. One is, existing cable subs will move from the traditional big bundle to these core bundles. But secondarily, the optimism is really can they attract people who have left the system into these core bundles? For us, in the first category, we're agnostic. Somebody moves from a traditional cable to a BMBPD, we're getting paid the same price, if not more. It's more the opportunity to add volume from the 20 million broadband homes, the [cord nevers], the cord shavers, whoever comes in, because in every one of those platforms, we're in. It goes back to my first point about the investment we made to make sure that we've got a really robust package of offerings to these and every one of those, including the RSNs, in every one of those packages, we're in them.

I think it's a real exciting time for us, for companies like ourselves who are active in every one of these. It's also exciting because of the innovation that's going to come out from this. The BMBPDs are going to spark each other, and it's going to iterate back to the traditional cable and satellite because they're going to have to react; they're going to have to provide a product that's responsive from a competitive standpoint to what the BMBPDs are now offering in the market. So I'm really optimistic about where volume is headed in the US.

Bryan Kraft: I don't know if you want to make a prediction, do you think we'll actually grow ATV subs starting this year or next year for the industry?

John Nallen: It's going to be hard; you may, but I'm not sure it's for the right reason yet because likely what will happen -- and we'll know this for a year or two -- you'll have a lot of samplers, people who have a core bundle, who will want to try out the DIRECTV NOW, the Hulu package, the Google package. And in their home, they will have two packages for a while and will then see churn from one or the other as they navigate where they want to be. So in that case, you actually do have volume growth, but it’s temporary because eventually one will drop off and go to the other.

But these core bundles are responsive to what a lot of the people who left the system were interested in, both from a price standpoint and from narrowing what they have, as well as the bells and whistles that are attached to them from the innovation standpoint. I got in trouble years ago for predicting numbers and volume, but again, I think optimism is where we are right now, but there’s hope for volume increase.

Bryan Kraft: That’s an interesting point on the sampling. One of the things I think that industry on is full season stacking rights. The MVPs want it, customers want it; I think increasingly networks want it because it helps to build audiences. How far along are you in retaining the full season stacking rights for all of your scripted shows?

John Nallen: I don’t want to say uniquely, because this is the way the industry is going, but from our standpoint, we’re very far along because so much of the programming on the FOX network and on FX is all of the original on FX, we own. So we really don’t have to go to anyone to go seek the right to provide full season stacking, because we have those rights.

Nearly 80% of the programming on the FOX Network is from our studio. 100% of FX is from our studio. And that volume at FOX will do nothing but increase, because right now as we look at pilots, 9 of the 10 pilots that FOX is looking at are from our studio. So the percentage is really in our favor for that. So from a full season stacking standpoint, and then really from a [sPOD] standpoint later on, we’re in a good position because we have such a big programming studio. This concept that John Nallen coined of peak TV -- we are the beneficiary on the studio side because we’re producing so much television.

Bryan Kraft: Do you think stacking rights for past seasons is going to become a right structure for MBPDs in the future? Or is that something that will likely remain in the [sPOD] window?

John Nallen: It’s going to take time, because it’s an industrial business rules issue, but our view is that prior seasons will be offered on a non-exclusive basis to everyone. Just like our linear channel is right now. We sell our linear channel non-exclusive to everyone. And eventually all the product that attaches to that linear network has got to be provided to the distributors, because it’s clunky for someone to sit there and watch EMPIRE current season and they want to go watch the prior season, they have to leave the system and go to another platform.

New login, new passwords, all of that -- it’s just clunky. So our philosophy is we want our programming more available, not less, and if there’s a way for us to introduce providing all of our product to the distributors, we’re all for it. But my business forward rule of point is that it’s hard for a distributor to go to a market and say, guess what? We've got all of current season stacked, we have all the prior seasons, but only from FOX. That's not a consumer proposition; they really want the entire ecosystem to provide it. So we really have to get the industry behind it, but in the meantime, we're all taking the opportunity when big opportunities come about to get value out of the [sPOD] market.

Bryan Kraft: It seems like a really hard transition to me, because everyone in the industry has different timing on their contracts.

John Nallen: But if you look at it, the [sPOD] players are doing it, right? Because they're producing product for themselves, they own the product outright, they can distribute it however they want. In the current model, it's clunky to use the phrase again, because we have to make sure participants are made whole and they get their value. And it's a difficult system, and then you need everyone to participate. So it will take time.

Bryan Kraft: Domestic advertising is close second in size to your affiliate revenue. Fox has benefited from recent ratings strength in the election, as well as we have the World Series. How should investors be thinking about the advertising outlook for the remainder of the calendar year, as that success actually creates some tough comparisons for you?

John Nallen: I guess the tough comp one is the one I smirk on when I talk to investors. We have a year when we have presidential political cycle. We have an epic seven game World Series, we have an over-time Super Bowl, and people say, well, are you going to comp against that? I won't.

NBC has the Super bowl next year, I don't plan for seven-game World Series, and there's no presidential election next year. So don't count on it, I don't. But from an advertising standpoint, 30% of our revenue is advertising. Half of that is from sports and news. So those are less affected by all of the issues that entertainment programming is affected by, and in fact, they command premium values -- particularly around the high level sports I just mentioned.

On the national side right now, entertainment, it's a very healthy market. The pricing is up very significantly above up-front, and there's demand; technology companies. Surprisingly to me, national retail is a hot category. Movies are big, particularly given the big ones that are coming out, including ours from this past weekend.

On the local side, it's a little softer. I just heard comments mentioned that it was a little more robust than we're seeing it. To be honest, we're seeing it flat -- automotive is down, and different than national, local retail is down. And that doesn't surprise me, given what's going on in the retail market.

Again, what surprises me is that national retail is up. So as we look forward for ourselves, we have the Super Bowl, we had a 500 million day as we announced on Super Bowl Sunday. So we have the Super Bowl in Q3, from a organic comp standpoint, our entertainment network is comping against American Idols last season, last year. So we have a comp issue as we look at that, comp opportunity is the other side of it. But we still have great strength coming out of Fox News, out of FX -- those are doing quite well. So good national market, softer local market.

Bryan Kraft: Yes, Fox News has held up –

John Nallen: Very well, actually.

Bryan Kraft: One of the initiatives you had this year was to increase programming investment, both at FX and NatGeo. I realize it may be early to ask about the results, but maybe you can comment on the progress to date and what you're trying to achieve strategically with those two assets and that increased programming investment.

John Nallen: They're distinctly different, the two of them. FX has really become the premium, basic cable brand. I don't think there's much argument; I mean, people will argue with me, but there's not much argument in the consumer's mind that FX stands out as really just top programming, original programming. So, we increased the amount of original series on FX where we'll probably have 16 this year. Most recently, we had Feud, Legion, Taboo. We've got Fargo and Archer coming up.

It's the home of American Crime Story, American Horror Story -- all of that programming is so attached to FX and the FX Suite that investing in that made a lot of sense, because what it contributes to longer term is rises – the first thing we talked about, rises in pricing for the FX network because it should command that kind of pricing. So, that was really about continuing to fortify what is really an elite network. NatGeo was completely different in that the programming in NatGeo had really disconnected itself from the brand -- what was on NatGeo. And we had to make investments after we acquired from the society all their media properties into a venture we call NatGeo Partners.

We all agree that we had to reconnect the NatGeo programming to the promise of the brand; adventure, exploration, science -- and came out with some of the programming already. Story of God, MARS, we have Genius coming up shortly. But getting behind NatGeo, because it's really our only global brand. It's everywhere. In the Fox brand, in certain countries it's a little different than what you know Fox here.

The FOX Sports brand, slightly different than what we all know in the United States. But, NatGeo, that's the same brand on a global basis. And the programming that we developed for the NatGeo Channel domestically travels. It's the same programming that is shown in any market you decide to travel in. So, getting NatGeo back to a top – it's always top of mind, but to get it really in the core bundle is why we're investing in that brand.

And there's probably a little more investment to make. There's three, four, new series this year. We should be doing much more – we are planning to do much more with NatGeo. It's just a fabulous brand. It's been underexploited and it's really undervalued.

Bryan Kraft: You mentioned that it's the only global brand that you have. How close to being global is FX? Or do you consider that more of a domestic brand?

John Nallen: It's not as global brand, because we don't operate the FX brand in every market that we're in. NatGeo, we do. It's not to say there's not FX programming in every market we're in, but it may be on a brand that in Italy we call it FOX Life. It may be on another brand in Latin America that we do call FOX. So, not every market do we have the FX brand. But FX programming is everywhere.

Bryan Kraft: On the sports side, there were obviously some concerns this past season about NFL ratings being down. You've got the most important package of games, most attractive package of games and the highest level of NFL ad revenue. Are you concerned at all about the trends and do you have any insights on what may have been the root cause or causes of the ratings weaknesses?

John Nallen: I don't have data driven insights. I think everyone's antidotal about what caused the decline. If there's any solace, we were the least hit by this. We were down 6% in NFL ratings, regular season. The primetime evening blocks were the ones that were hit the hardest. And if we did a curve, the period up to the election was hit the hardest.

So, there are just anecdotal things about what's happening. But, I did hear [Les] just before this, and I agree with him. The NFL package is just superb programming. We have it until Super Bowl in 2023. And so, there's a long period of time still ahead of us with this. From an advertising standpoint, it's just fantastic to have that as part of the products we're offering. And if you just look at the past year, the Thanksgiving game, Cowboys/Redskins, was the most viewed Fox regular season telecast in history. The Super Bowl had over 110 million viewers. I mean, this is the kind of programming that we just don't have available elsewhere. So, let's see what next season brings. I know the league is working on some things to try to get more engaged in the games. But it's not one that we're so concerned about. You know, it's different with NatGeo where we had to fix something. I don’t think there’s anything we’re really looking to fix on the NFL package.

Bryan Kraft: How are you approaching the evolution of the advertising model for your networks? Particularly when it comes to things like reducing ad loads, trying to leverage dynamic ad insertion, incorporating more data in targeting, and even native advertising.

John Nallen: It’s a big area. When 30% of your revenue is advertising, all of these areas are places that we’ve got dramatic emphasis on. And we’ve got a group called Fox Advanced Ad Products, who looks for ways and uses of technology to help us here. But by way of example, and I think many of you have heard us talk about it, we use this product that TrueX brought to us call Engagement Advertising.

The offline viewing of our programming in rank order is DVR, Hulu, apps, and cable VOD being the least. Probably 8% of our viewing is on cable VOD. In the first one, DVR, we get very little data. We get none, virtually. But, on Hulu and in our apps, we get a significant amount of data, which allows us to provide all the kinds of things you just mentioned about targeted advertising.

So, we’re able to experiment there. We did a couple of big projects with Target stores and with CoverGirl cosmetics around this, and the results were just superb. But, in the case of engagement advertising, we offer a consumer when they turn of the show, say look, spend a little more than 30 seconds engaging with this ad and the rest of it will be commercial free. Or, alternatively, you can sit here and watch, as you’re used to, all the commercial breaks. In January, 2/3 of the consumers that were offered that picked the engagement ad.

We received as much, if not more money for that smaller ad than we would have received for the entire pods that were running in that show at that time. And we were able to give great data back to the advertiser. So all of these initiatives, at the heart of them, are data. And the issue with that last category I mentioned, VOD, it's still a bit challenging in our markets to get locked into data when you're talking about so many different cable and satellite providers whose platforms are completely different. In Hulu, it's unique, in our apps, it's ours; it's a little harder, but we'll get there -- but it’s a little harder right now with VOD.

Bryan Kraft: Do you feel like there is progress being made, or do you don't it’s a snail’s pace?

John Nallen: No, there's progress being made. As part of the deal we did with Comcast, they're in many ways, a leader in this area -- particularly on their X1 platform. And our ability to access -- not necessarily specific data, but cohorts, where we know this household is a BMW household, this household is a sports household -- it's very helpful in dynamic ad insertion and targeting.

Bryan Kraft: And with DIRECTTV now recently joining the ranks of Slings and Sony View and Hulu Live coming soon, Google coming soon -- can you comment on, I guess, when you think the Hulu product will be available and just -- we talked about volume already, but how else do you think these are going to effect your business? Whether it's from a pricing stand point, because you're getting higher pricing, or maybe further evolution of the ad model, or maybe there are some other benefits that we're not thinking of?

John Nallen: As far as Hulu, I'll let them make their own announcements as full partners, and we all agreed that Hulu is the core business, they should focus on announcing its products. But, I think all of -- it's relatively soon that Hulu will enter the market. I've seen parts of the product. It's exciting, it's innovative, and I think that's the heart of the point with the DIRECTTV now's and the Slings and likely the YouTube product as well. And that it's something that the consumer hasn't really experienced before.

It will be pretty exciting for a consumer to see it. People have asked, then, is the natural evolution to offer your own product outside of that system on a direct to consumer offering? And the answer is yes, but it's never going to be the majority of activity or volume for our product.

Our activity, and for as long as I can see, the core of our affiliate revenue, consumer revenue, will come through a bundled package; either the big traditional bundle, or through the core bundles that are being offered. But it will not come -- there'll be money, but it will not come as our biggest revenue stream or even equal revenue stream if we're offering to any one of you a package of Fox product. Because in order for you to buy a package of Fox product, you need to buy CBS, NBC, ABC -- all the other product, and it's just hard.

And the bundles have been the way that the American consumers are used to; you get a single bill, a single remote, single user interface, it drives consumption up, it takes pricing down. A Happy Meal is a great example of a bundle; it's a the kind of thing were will really see most of our activity longer-term and, as I said earlier, to see all of these companies come into the market, to a market when we sat here a few years ago, it was whoa is me around -- is it 2%, is it 2.5% of decline? To finally see brand new entrants to come in here to try to -- on a retail basis -- I mean, they are offering a retail, direct-to-consumer product to attract paid TV subscribers. We haven't seen that; it's the first new group of entrants we've seen in years, and now to see them coming almost one after the other, says there must be something to this market when you have that many big cap companies coming in here.

Bryan Kraft: How is the economics, or the pricing I should say, on the Virtual MVPD services from an affiliate stand point for you and for your networks, versus the traditional MVPDs?

John Nallen: They're at or better than what we have from a traditional cable operators now. And that's been the cases with any new entrant into this world. When satellite came in, they paid more than traditional cable. When telcos entered the market, they paid more than the others. So when these new entrants come in, they initially pay more, and then they get great volume. And as a result, the bigger guy get better pricing than the smaller guys. But as I said in my earlier remarks, right now the switching going from cable to VMPD, we don’t care at the moment, but the hope is that volume comes from other places.

Bryan Kraft: Why don't we talk about international a little bit? The international networks business has been an area of investment and significant growth over the past several years. That’s massed in part by, obviously, a currency impact, but putting that aside, you've got three major verticals; International Fox, International Star India, and Sky. If we start with Fox Internationals channels, how would you assess the affiliate advertisement growth opportunity in that business over the next few years? And what are the real key drivers behind that?

John Nallen: I think key drivers in FIC, which is X India, so take Star out of the equation. The main -- and it differs by market, so big markets for us; Latin America, Europe, Asia, X India. Still, the bigger driver is going to be affiliate in those, among the group, particularly in Latin America where we still see a lot of head room in paid TV household penetration.

So, we can see growth coming out of that market as those providers market and get -- because we are on the back of whatever the Globals, the Televisas, whatever they do in each of their markets on increasing subs. We've got great products in those markets. So in Latin America, I think it's paid TV penetration. You’re lumpy on advertising, because you'll get markets like Brazil, which are a bit soft right now, whereas in Mexico is on fire. So you can’t just have a blanket statement about international or even Latin America, because each country has a different issue.

Europe I’d say at the moment is probably the softest market at the moment. Primarily form advertising. UK is soft, a lot of it is Brexit woes, and I’m talking about the market in general and we’re pretty well aligned with the market. Italy, France with the elections. There’s just some real softness going on there. And then Asia is really – the opportunity there continues to be pay TV and affiliate, much like Latin America. Not so much advertising, because if we over index on affiliate in Asia, X India, it’s completely opposite for Star. So pay TV growth is why we’re in those markets. That’s the leading reason that we’re in there, because affiliate revenue can drive those businesses, and that’s still where we feel that the growth will come from.

Bryan Kraft: Latin America, I mean, I used to follow it more closely. I want to follow DIRECTTV, and it’s obviously a very strong secular growth continent with Brazil, Mexico being big drivers. Where do you think the continent in overall in terms of the growth curve on subs in Latin America? Is there still a long way to go do you think, or are some of the markets getting towards the top? Argentina is probably already there, but --

John Nallen: Right. I'd say Argentina, Colombia maybe. But the big markets, Mexico and Brazil, I think those are still, for us, are very big markets -- still a lot of growth, and you've got a vibrant pay TV market there. Great competition, so therefore, people are competing on pricing and innovation. And in those kind of markets, it spurs on growth. So in the markets we're deepest into in Latin America, we still think there's headroom.

Bryan Kraft: India is a pretty unique opportunity, given the size of the population combined with the secular growth characteristics in the market. Where are you in execution in the strategy in India? Where do you see the business long term?

John Nallen: You can spend the whole session on Star, Bryan. Longer term, for India, you almost have to look at short term to see the kinds of things that are both opportunities and speed bumps.

So the market had this crazy speed bump that happened recently on this demonetization where the government overnight, didn't tell anyone, took 85 % of the currency -- declared it illegal. And the consumer product market basically shut down as people couldn't exchange in what is a cash economy, people couldn't exchange legal tender to get things done. So obviously with the consumer product shutting down, it shut down advertising for the market. And obviously us being quite big in the market, we're affected.

We told you we got hit by about $30 million at Star in the quarter that ended -- the December quarter. And there's an affect that's into this quarter as well, because it's not until next week, like the 13th of March, that the government is finally allowing unrestricted access to the funds. The economy presumably gets back. And it took the point of GDP off India's growth. There's a speed bump that long term you have to recognize that these are things that may pop up. But also if you look at short term as an indication of long term, in the last two years there's 20 million more TV households in India. There's a 180 million TV household growth. We're in a middle of a five year cycle where pay TV households will have doubled. Advertising will have nearly doubled during that period of time.

And with Star and the various parts of its business; Star traditional, regional, Star sports and Hotstar -- given that we're a market leader we over index in that growth. So when advertising lifts, we get a little more than what the advertising lift is because of our market share and our dominance in that market.

So our plans with Star TV are intact. I'm assuming in that, that there is no Geo Political issue, no economic disruption. That no one wakes up with some other rule in India that will disrupt the business. But it is one of our biggest growth drivers in the company. That's how important Star is to us. It truly is in longer term, the objectives that we set out for the business we still see as being able to achieve.

Bryan Kraft: You mentioned Hotstar. How should we think about that in the context in the major growth driver of the next five years? It seems like that product has gained a lot of traction. I know you mentioned some specifics in your earnings call.

John Nallen: So Hotstar, just as a sidebar for those that don't know, it's you pull it out of your pocket, it's our over the top service in India; it's free, ad supported. As of yesterday, had 135 million downloads; the biggest app download in India's history. By just version of usage, in January it had eight billion minutes viewed on it -- 10 times what it had six months earlier. So, just to talk about the momentum that this product has, it has become the second TV in the household. In an Indian household that only has one TV, this portable television that people have has allowed there to be a second TV.

And importantly, the product that's on it, similar to what I described on TCF TV, is all Stars' product. We produce 17,000 hours per year of our local Indian product, and that's what drives the market. That's what drives a Star's ratings, that's what drives the minutes on Hotstar. So longer term, yes, when I look at the growth of our business, Hotstar is a key piece of it in India, and it also has the opportunity to appeal to the Indian Diaspora where we sell our product currently in the UK, here on Dish in the US. This has the opportunity to be an over the top product for them as well. It's really the traction, and Reliance has launched a wireless product there called GEO, which is really caught fire in that market. There's line around the block for people to get these phones from Reliance, but one of the first apps that they turn on is Hotstar as part of this. So similar to what I described to pay TV growing, as wireless grows in India, so does our activities around Hotstar. So it is a big part of the growth drive.

Bryan Kraft: Curious if you have any observations on how Amazon and Netflix have impacted the market in India as they have entered and invested in that market?

John Nallen: Two different ways. One, Netflix not really. I'm not saying that disparaging; I can give you just a comparison. Netflix only has 6% of the viewing of Hotstar. So, if Hotstar was 100%, Netflix is only at 6% of that viewing. So, they haven't really made the dent. But Amazon, the impact that they have in the market is they're investing in very significantly in local product, which has been the hallmark of Starz success – it's notEnglish language, it's all Indian local language. So, much like the peak TV phenomenon here in the US, when another competitor comes in and more production happens you start to get an increase in cost every once in a while.

We haven't experienced it yet, because Starz is such a place that people want to come for their product to be on, but inevitably as there's more competition for producers, directors, lighting, all of that, costs will rise. But Amazon's got a slightly different strategy in that they are going local, and we've got our eyes on them.

Bryan Kraft: Let's see -- we've talked about some of the trends in the US International business. I guess, if you look at cable networks as a segment, how do you think about the operating leverage in that segment going forward, and the opportunity for the Martian expansion?

John Nallen: Let me go back to go forward, in that in the last four or five years, to the consternation of some of you from the room, we've invested heavily in these channels, in these brands. To be able to, and the foresight of doing that, you've got to give credit to Murdoch's, to Chase, and others, who may have seen these new entrants coming in to say that these are brands that must be on that product.

Those that haven't invested in the brands, I think they're having a more challenging time getting on those platforms. So we spent, and continue to spend, on high quality programming. But, the step up that we had in that period was significant. I'm not -- when I look forward, I'm not seeing the kind of step-up, ramp-up, that we've done because from a volume standpoint, as I described on FX, we started this we were probably at 11 or 12 series a year. We're now at 16, probably get 17 next year.

NatGeo was, we were showing old Wild Kingdom Documentaries, and now we're showing premiere programming. So the businesses are different. Fox News has dramatic leverage improvement, because its cost base doesn't move tremendously. It might in a political year, just for coverage, but its cost base is not -- doesn't move all that significantly. Yet in the environment we're in right now, its affiliate and advertising revenue are growing dramatically. So, that leverage is very significant.

Bryan Kraft: So maybe we can touch on the Sky deal for a moment. How does increasing your ownership to 100% fit into the broader corporate strategy, and how do you expect it to be synergistic, both with the international channels and the US business?

John Nallen: I have to give the standard pre-warning that I'm limited in what I can say, but the Sky transaction I have minders in the room to make sure that I don't do anything wrong. But the Sky transaction is around a whole bunch of strategic elements of the Company. First, simplification. I've had so many discussions at these meetings with many of you around two topics, which is what are you going to do with Sky, and tell me about your capital allocation, where you're focused.

This acquisition deals with both of them together, because we know exactly where our capital is pointed and what our balance sheet is focused on as we look to the acquisition and shortly after. Here we are buying one of the top European brands – it's one of the most well-known brands in the markets that it's in. It provides us diversification, both from a revenue stream -- all of the sudden, we get direct-to-consumer revenue from 22 million households. That's not in our portfolio right now. We get technology, we get a center of excellence around direct-to-consumer activity that we will deploy around the world. And then from a financial standpoint, it takes all the boxes. It's highly accretive from a core EPS free cash flow standpoint. It pushes our balance sheet a bit, but its business and ours are highly cash generative. We're able to de-lever pretty quickly as a result of it. So, the business that Rupert founded, we've been at this for 20-some odd years in this position, which we know is not the natural end state, and we're looking forward to closing on it.

Bryan Kraft: In the filmed entertainment segment, you've had a very good first half of the year. Some of the recent releases have performed well; Logan performed well this past weekend. You've got Boss Baby coming up; I don't know what the expectations are on that -- looked kind of funny. But giving the upcoming flave, what's the outlook do you think for the second half of the fiscal year?

John Nallen: The warning I will give on the second half, which I gave on the earnings release, is where, to your very first question, we're comping against a very, very active last half of the year where we had just fantastic success out of Deadpool and The Martian. But we had Logan this weekend, and it's a $240 million global box office. International, it's the third largest opening we've had behind the first X-men and Avatar. I mean, this is a big film. So we're happy to have that.

Look, we had in the first half of the year, we had our challenges with Keeping Up With The Joneses, YM; there were certain ones that just didn't do as well as we expected. But for the back half, we've got a comedy with Amy Schumer and Goldie Hawn. We've got Assassin's Creed movie coming out. The next Planet of the Apes is in July, which is, I understand, is fantastic. The second Kingsman is a littler later than that. So, we've got some big tenfold films, and then traditionally, as with Fox, we've got a series of smaller films, the likes of which if you think back to Life of Pie, or Fault in Our Stars, or most recently, Hidden Figures, have the opportunity to do big things for us.

There's a small film that I'll just call Gifted that I'm hopeful is one that breaks out in that regard. But it's a business you can't look at – we've had this discussion before – you can't look at quarter by quarter. A long, multi-year period that you have to manage the cycle on, and you'll have clunkers during some periods, and real hits during others. But, as you know, we have new leadership at the studio with Stacy, and she's now assembled her team around her. And as we look forward to the pipeline, there's just exciting things coming.

Bryan Kraft: All right. Well, we're just about out of time, so why don't we stop there? Okay, John.

John Nallen: Thanks, Bryan.