CORPORATE PARTICIPANTS

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Thanks for being here, Naveen. First time. We really appreciate your appearance today. So thank you.

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Thanks for having us.

QUESTION AND ANSWER SECTION

So, it'll be [ph] Robert and I tag teaming you. I thought, because it's your first time and we've never met face-to-face, we want to hear more about your own history to start, right? So, you came two years ago from Amazon to a company known as — formerly known as ViacomCBS. What did you see as the opportunity at that time and how has that decision played out since you made that jump?

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Well, I really just wanted to get an early look at Top Gun. That was my primary motivation.

And [ph] Masters tickets.

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Still haven't done that one.

Okay.
Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

No, in all seriousness, most of my career has been spent somewhere in this intersection of media and technology and that typically means that you're sort of on the forefront of changes in viewing behavior, consumption patterns, et cetera. And what I learned in all of those experiences was that the people who seem to be capturing the most value in all those transitions were the people who owned content.

And even during my time at Amazon, where you've got a company that has tremendous resources, there was still not the ability to create the content assets that you have with a large scale diversified media company. Sure, we could write some checks and we could make a handful of scripted series, but there was no library. There were no theatrical movies. It was very limited sports. There was no franchises, no kids content.

And so for me, when the opportunity arose to join Bob, Shari, and the rest of the team at what was then ViacomCBS, it was kind of a no brainer because the company has all of those content assets. And I knew that as these businesses evolve and transition, that's where the value is going to be created.

And when I look back at the last, it'll be two years in August, I'm even more bullish about that opportunity than I was when I made that decision because I think we've already been able to prove a lot of people wrong in terms of the growth that we've delivered on the streaming side. There were a lot of folks who felt the company is too late, too small, whatever. I think we put a lot of those or we answered a lot of those questions. And I think there's tremendous upside going forward as well. So – and a lot of it has to do with that combination of this incredible set of content assets from the traditional business and then marrying that with streaming.

So, maybe let's build on that. So, let's talk about Paramount's top priorities from here. Clearly, you're still in the earlier days of the DTC pivot. But you're also managing a complex set of traditional media assets. So, just maybe update us on where the priorities are for the company from here.

It's actually very simple. I boil our priorities down to, number one, continuing to make great content that appeals to diverse audiences and can be utilized across multiple platforms and revenue streams. Number two, it's about continuing to grow our streaming businesses and capitalize on the early momentum that we've been able to deliver there. Number three, continuing to operate the traditional side of the business in a way that generates significant levels of earnings and cash flow. And I think if we can do all three of those things, we can create a lot of value for shareholders.

And in that answer I was going to pivot, this week there's some news that an investor named Warren Buffett took a stake in Paramount. And the question is, he's incredibly long-term, great value investor. When you think about someone like what he's looking at cash flows, hidden asset value, long run, turnaround, so when you think about what something like he sees, what do you think he sees in the market at this point he seems to be ignoring just generally?
Naveen Chopra  
*Executive Vice President & Chief Financial Officer, Paramount Global*

Yeah. Well, look, I think we've always believed there's a lot of upside in this company, so it's certainly exciting to see someone with Berkshire's track record see a lot of the same opportunity. And, look, I think the market as a whole is starting to understand that you can't just compare Paramount to what we call legacy pure-play streaming companies and that, in fact, this combination of traditional media and streaming does yield a different model, it does yield different economics, and I don't think that's been reflected in how our companies have been valued over the last couple of years. So I think that's an opportunity for all investors.

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**Q**

So, can you talk about maybe a little bit more about the balancing act, right? And so, when you think about investing behind those different parts of the priorities, how do you preserve the economics of the legacy business while also allocating capital to streaming and just maintaining that equilibrium?

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**A**

Naveen Chopra  
*Executive Vice President & Chief Financial Officer, Paramount Global*

Well, that question really goes right to the crux of our strategy, which is to say when we make content investments, we are focused on investing in things that can be utilized across our different businesses. It's not just linear or just streaming. And that's really important because that allows us to build a business in a way that we don't have a streaming service that is entirely dependent on expensive exclusive originals. It also means that the traditional side of the business can benefit from reduced content investment as audience behavior continues to evolve. And there are a lot of examples of how we put that sort of strategy into action. I'll mention a couple.

Take a movie like Lost City, which was released earlier this spring, did better than most expectations in the box office. We then used our fast follow strategy to bring it to Paramount+ 45 days later, so, just launched on Paramount+ I think in the last couple of weeks, and it's doing very well there as a driver of both starts and engagement.

Another example, on the television world, take a show like Evil, which began on CBS, did its first season on CBS, was actually then licensed externally to some third-party streamers. And then we brought it back to Paramount+ for Season 2. And, again, it brought that audience with it, grew its audience and has performed very well from both an engagement and acquisition perspective on Paramount+.

So, it's that ability to move content through these different parts of the business to generate revenue across multiple platforms, across multiple windows that makes the whole economic model work rather than trying to choose upfront, say, we're going to spend x amount on streaming, x amount on linear. We want stuff that can travel across all these platforms.

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**Q**

And given how strong you've launched out of the gate, you mentioned some of those titles, but what do you see driving the growth in DTC and the confidence you have going forward? Is it all the above, all the different types of contents or any unique piece of content or it's just everything you're offering?
Well, content is definitely part of the equation, but there are other elements as well. Certainly, what we're doing from a distribution perspective and really continuing to pursue broad, ubiquitous distribution is important, and we get the benefit of a TAM that I think is very large and growing.

So, if I kind of hit each of those just for a second, on the content side, we've always had a view that the opportunity in streaming is to be much broader than what's been done to-date. And if you think about a lot of the larger legacy streaming services, they've primarily been built on the back of scripted dramas, right? And we know that from our many years in the traditional television world that while, yeah, consumers love scripted drama, they also spend a lot of time watching sports, watching movies, watching kids content, watching news, watching unscripted programming.

And so, our thesis was if we can bring all of that type of content together with scripted drama as well into a unified streaming service that, that would be a powerful draw. And that's proven to be the case when we look at the data on engagement in Paramount+, it's very balanced across all of those different verticals.

Right.

 Obviously, if you have a big new show in one particular week, you might see a spike there. But when you look at it over multi-month period of time, that content proposition is really working.

And then, on the distribution side, we've embraced all types of partnerships to help amplify our content, our brands, our IP, awareness of Paramount+, we're doing that both here domestically and internationally. And I think that's definitely going to continue to be a growth driver for us in terms of helping accelerate both awareness and subscriber growth.

And then, as far as the TAM goes, we have always believed that the combination of free, pay and what I call hybrid gives us access to a very large TAM and one that is likely growing over time. And we do that through the combination of Pluto, obviously, our free ad-supported streaming television service. We do it through Paramount+ as a pay service, and then I mentioned hybrid, which we have in the form of Paramount+ Essential, which is a lower priced subscription where we also generate advertising revenue.

So, you put all those things together, broad content, very broad approach to distribution, a large TAM, and I think there's a lot of growth ahead of us for streaming.

Can I follow up on the distribution point specifically? So, if we think about the subscriber growth in three buckets, right, direct to your own platforms, the DTC distribution partners like Amazon, Roku, and then the more traditional distribution partners, the T-Mo deal that you struck and Sky relationship. Can you help us think about which of
those buckets are most important and maybe just the different economic profile of getting subscribers in those different buckets?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Well, the short answer is they’re all important and they all work together. So, if we just step through them, the true direct-to-consumer channel, that's obviously one that we like because we can use it virtually anywhere, has the highest ARPU, and we get to own that relationship directly with the customer. So, there are a lot of benefits that come from that.

We also like the channels model, whether that's with an Amazon or a Roku or an Apple or other entrants that I think you'll start to see in that space over time. That's a very nice way of getting access to a lot of eyeballs that exist on those platforms. Yes, we do sacrifice a little bit of ARPU in those channels, but we make up for it in volume, so it’s a nice model. And we've been able to successfully evolve the way that we can acquire data and communicate with customers in those channels. I think in the early days of that model, that was a challenge, but it's definitely improving.

And then, the third approach are what we think of as the hard bundles that we utilize, particularly as part of our international growth strategy. In that model, it's a way of growing subscribers very quickly. So, we like it as a way of sort of launching and building awareness in new markets. It's very economically efficient because there's virtually no acquisition cost for those subscribers. The churn rate tends to be significantly lower than any of the other channels because you are bundling your service with something else. So, it tends to mimic whatever the churn is on that service.

And when you put all those three together, they actually help one another as well. One example of that is we're going to be launching a hard bundle in the UK next month, very big partnership with Sky. That will involve a lot of marketing, a lot of awareness based on the availability of the service to Sky customers, which will then fuel our direct-to-consumer business in the UK. It will fuel the channels business in the UK. And those things start to help one another. So, it's really the combination of those three channels that we're excited about.

One of the debates about the three channels was the lack of good data, right? So, can you talk a bit about maybe what's changed there because like that was always a concern? If you go through a channel store, how much are you seeing in terms of either credit card data, consumer behavior data? So, can you talk about how maybe you're smoothing that through?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. I mean, as you said, in the early days, I think that was an issue. And I think what both of the parties in those relationships have recognized is that our incentives are mutually aligned, like they participate in the economics of the service. They need the customers to stick around. How do you do that? Well, you got to have ways of communicating with those customers. You've got to be able to collect data about what are they watching, what drives engagement, what doesn't. And there are ways to do that without literally having to give us the email address of a particular customer and so, which is obviously something that they need to protect for various reasons. So that's something that has evolved and we make very clear in new partnerships that we establish that that's something we have to have access to.
So you touched on one of the Sky relationships already. Can you expand upon the joint venture piece of the Sky relationship in Europe and just maybe talk about whether this is more like a test run and if there's broader global ambitions here?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Well, just for those who are not familiar with it, the name of that joint venture is SkyShowtime. And it's a joint venture that we have with Comcast, mostly focused on smaller European markets. So it will eventually address about 20 different markets in Europe, which include about 90 million homes. It's a combination of content from Universal, from Paramount, Showtime, Sky, Nickelodeon. So, it's a very powerful content offering when you stitch those two things together.

And one of the reasons that we entered into that JV is because it allows us to address some of these markets where it doesn't make sense to do so on a pure O&O basis. And the reason it may not make sense to do so is that some of those markets just don't have the scale to generate returns on the investments that are required. In some cases, the economic structure of how content is made available in those markets makes it challenging to invest too aggressively from a streaming perspective, might be the availability of free content over the air or whatever. Every market is a little bit different.

And then in some cases, we don't have access to the same local content capabilities that we have in other markets. And in that case, being able to partner with somebody who can help add scale to that is valuable.

So, we like that model in certain situations. It's not our default model. Our default is we want to be able to go into these markets with our O&O services, but there are markets where it makes sense. Another example of that is actually India. There are a lot of skeptics out there about whether you can actually generate a return on streaming in India.

I would say healthy skeptics. Healthy skepticism.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Fair enough.

Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

But that has certainly played into how we've thought about a smarter way to play in that market. We have a JV that we've been a part of actually for several years called Viacom18...
Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...in India. Our partner in that JV is Reliance, which is obviously a hugely influential player in the Indian marketplace. The JV was originally established to help us monetize our linear channels in India, then expanded into AVOD with a service called Voot that I think has over 100 million users at this point.

And we recently announced that the JV is going to raise significant amount of incremental capital so that it can start to build out an SVOD offering. And I think that's going to be a very powerful offering in the market. With Reliance's involvement, there'll be great local content...

Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...unrivaled distribution capabilities, and you don't really bet against Reliance...

Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...in the Indian market. And for us, we're able to participate in that without investing any incremental capital. So, for the skeptics, I think it is a very smart way to plan.

You also have two new executives [ph] involved. You have Uday Shankar, who built Hotstar...

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah.

...and you have James Murdoch. So, it seems like a win-win...
Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Smart folks to align with.

Exactly. And I was going to say, post-Netflix, the past couple of quarters, we've been focused on the ROI of incremental markets, right? Like, we've been wondering about the ROI building out around the world and I kind of almost have now pivoted back to what you've done with SkyShowtime is perhaps it's not a crazy idea if you want to really look at ROI, right? So, I know you've focused on Europe, and talked about maybe the ability to move into other markets besides India, you've talked about it. So, does that become now – as the world's kind of reassessing the ROI of these businesses, do you think differently about partnerships?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Well, as I said, it's a great model for some markets, but not all.

Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

If I look at a market like the UK as an example...

Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...that's a place where we have tremendous assets through the combination of we've been in there as a pay television provider for many years. Our brands are well-known. We have free-to-air...

Channel 5.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...channel in the market. We've got tons of local content. So, in that case, it doesn't really make sense to share the economics...
Yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...with somebody else.

So, as I said, every market is a little bit different. We start with the view that we want to get the full value out of this. But if it looks like we're missing some of the pieces that would enable us to do that, then we look at partnerships.

Q

Are you testing ROI? Is that how you just like you basically look at the overall TAM of market and the cost of play is, is that what you do with your business, and, say, look, here's what the model shows us, right, so it's all [indiscernible] (00:19:00)

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. I mean, we have models for streaming by service, by market, and we use those to inform not only are we going to go it alone or are we going to partner, but it informs what type of content we're going to invest in. And the strategy is not identical in every single market because the environment is a little different.

Q

So, maybe just building off that, and I mean, I think the takeaway from the earnings call and what we're hearing today is there's no real change in plan to your investing going forward on DTC. So, just curious, there's been some conversations after Netflix reduced their margin targets on $30 billion of revenue. Just talk about the confidence that you have in that ROI analysis that you're doing to still achieving your mid-20% longer term DTC margins?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Well, this really goes to understanding the differences between what we're doing with streaming versus a pure-play SVOD business, because there's really nothing that's happened over the last few weeks that changes our strategy. If anything, I think it validates what we're doing. And those differences show up, as I like to say, up and down the P&L.

So, on the revenue side, there have been a lot of concerns about the size of the TAM and how many subs are there really, et cetera. Those are concerns really about a pure SVOD business.

Our model is built on the combination of SVOD ad-supported and hybrid, which means we have the ability to access more subscribers and to potentially generate more ARPU out of those subscribers than a pure SVOD model. So, big benefit on the top line.
Then you go to sort of the next most important line on the P&L, which is the content expense. And that's where we have tremendous advantages. I've talked already about the ability to share content across platforms and what that does in terms of benefiting the ability to amortize content expense. We've talked about the benefit of broad, diverse content as opposed to just high-end, scripted originals.

But there's other benefits that are material from an economic perspective as well, including the fact that we have a very deep, very broad library of content that we fully own and control, right? And the pure-play streamers don't typically have that. That's content that is really important from an engagement and retention perspective that we can use on Paramount+ at very, very low cost, and in fact, have now learned that we can use it on our own services, while simultaneously licensing it to third-parties on a non-exclusive basis. So that is a big lever in the overall economic model of streaming.

Then you go to the next biggest line on the P&L, which is the marketing side of it. What do you have to spend to acquire and retain customers? And again, combining streaming with a traditional media company gives us big advantages there. We have a great stable of well-known IP, big franchises that have built-in audiences. So that means when we launch a new show like Sonic, right? So we've got multiple Sonic movies. We're expanding that as a franchise. There'll be live action versions of Sonic. That audience will find that content. We don't have to go spend the tens of millions of dollars that you would if it's an entirely new piece of IP.

Same deal with when we do PAW Patrol or when we do Star Trek: Strange New Worlds, which just came out. That show is doing very, very well in its early days because that audience already is looking and seeking for that content.

And then, also, from a marketing perspective, we've got these built-in promotional platforms that are incredibly valuable. I've talked in the past about how we launched Halo off the back of the AFC Championship on CBS. Look at how we launched 1883. That was done coming off of Yellowstone, biggest show on television right now. So by the time we moved it over to Paramount+ as an exclusive, it already had an audience that was going to follow it.

So when you put those things together, right, big difference on the top line, big difference on the content investment required, big difference on the marketing investment required, you can see how our model generates better margins at comparable scale than a pure-play SVOD business. And that's the distinction that I think investors really need to understand about our strategy.

Can I ask you one question on that, which is yesterday, we looked at the state of the world and what we did was looked at Nielsen's tracking of Netflix consumption, and you see that acquired content, Netflix is a big part of their day in, day out usage. Two of the biggest shows are shows that – NCIS and CSI, shows that you're familiar with, right? Longer term, why does it make sense? I know you just explained, hey, we're different, but given the value of that to Netflix and that type of kind of easy consumption, longer term, how do you feel about licensing to third-parties, right? So, you've done it to here, you've been able to do it. But now that you're scaling, does it still make sense, right?
Well, there are some elements of our licensing strategy that are evolving. So, the two things that are changing are number one, we're no longer licensing big franchise IP to third-parties. Back in the day when Paramount didn't have its own streaming service, that was the best way to monetize content. Today, that doesn't necessarily make sense. And so, without commenting on any specific titles, you'll see that as some of those things come up, we'll keep them for our owned and operated platforms.

The other thing we're doing a little bit differently is less original production for third-parties. The reality is that's a pretty low-margin business anyway, and it doesn't make sense strategically to enable our competitors with that content. Now, there are reasons we'll still do some of it, but it's not something that we're looking to get terribly aggressive about.

I'm smiling because we asked – the previous version of Paramount, we asked one of the signs of the company is like, what's the ROI because the cash dynamics were you were front-loading the expense.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global  

Yeah. It's not a good working capital.

Right. So that's a huge working capital, you started changing that.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global  

So, we get a big strategic benefit by dialing that back without really a consequence from a financial perspective.

Right. So, maybe being an arms dealer is not the best business, for example.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global  

Yeah. I wouldn't say arms dealer. I mean, A, because, you can't generate the kind of value that you can if you do this more strategically. And as you're building streaming, you want your core franchise IP for your own platforms.

But the other thing to remember is there are large elements of our licensing business that don't change even as we invest more aggressively in streaming growth because a lot of that business is about things like first run syndicated television, it's about home entertainment, it's about consumer products, it's about licensing to international linear network.

From Sky. Yeah.
Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

It's about events and recreation, which we think is actually a very interesting growth opportunity. Those parts of the business will maintain and likely grow over time as we continue to develop our franchises and our IP.

So, yes, we're dialing back on the franchises. We're dialing back on the original production. But licensing will still be a big part of our business. And it's another one of those ingredients where you say, okay, in combination with streaming, that's how you make the overall economics of the business work. And if you don't have that, if all you've got is a streaming piece, it's much tougher.

So, just following up on that and back to the margin question earlier, how important is Pluto as part of this, right? It's not something we've talked about explicitly yet. But when you think about the economic model on Pluto, clearly, very different than SVOD. And then just how do we think about the incremental advertising coming to Pluto for Paramount?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. So, starting with the margin piece of it, we do see Pluto as a sizable part of our broader D2C business over time. As you know, we've talked about our goal of delivering over $9 billion of D2C revenue by the end of 2024 and Pluto is a meaningful piece of that. It's also helpful from a margin perspective because, in general, the margins on the ad-supported business have the ability to exceed the margins on SVOD. And so, from a blended margin perspective, I think it can be quite beneficial and another reason why I think our model can generate better margins than the pure SVOD approach.

In terms of the second part of your question, in terms of how much is incremental versus not, the reality is streaming advertising has both kind of replacement characteristics as well as incremental characteristics vis-à-vis the linear world. It's obviously replacement because viewership is evolving over time, but it's incremental because, number one, the TAM is significantly larger, like we're launching Pluto in, for example, in markets – international markets, where we can generate significantly more revenue than we ever did in the linear world.

And it's also incremental because, the linear business probably has more stability than a lot of people understand and which isn't to say it's not changing over time. But there are still large numbers of consumers that utilize both linear television and streaming services. And as long as that continues to be the case, being able to monetize subscription and advertising in streaming and linear is obviously incremental to our economics.

What do you expect the impact's going to be from Disney coming into the space, HBO Max getting into advertising side, Netflix is talking about advertising? So you guys were early. It's been a real strength for you, but what do you think the impact is of other platforms now going to advertising [ph] for (00:29:53) supply/demand?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. I mean, in some ways it's validation of our strategy...
Right.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...so we like that. But I also think this is one of those strategies that is in some ways easier said than done. There are certain assets and infrastructure that you need to have in place to really be able to monetize a lot of this inventory. And what I mean by that is, number one, you've got to be able to sell this inventory across a combination of programmatic and direct channels. That's a lesson we learned very well in our experience with Pluto. The business, when it was acquired, was primarily dependent on programmatic channels, and it was really the marrying of that with our direct sales channel that helped light that business up. And so, combining those things is complex, both from an infrastructure perspective, but very important from a monetization perspective.

The other thing that I think is very important in this world is being able to combine inventory across broadcast, cable, streaming, free streaming, paid streaming into a single proposition for an advertiser. That's definitely the way advertisers want to buy today. You saw upfront yesterday, it's a big part of our messaging to advertisers. We stitch all this together as part of our EyeQ platform that we can go and create a one-stop shop for advertisers where they can get access to millions and millions of homes and they can optimize their buys based on what is the right combination of linear and streaming inventory.

And from our perspective, it gives us the ability to package what is becoming increasingly scarce linear inventory with digital video inventory, which is a way to differentiate that inventory versus what some other platforms will be able to offer. So, we think we've got a very unique mix to bring to the table there.

So, maybe just following up right on that point, how does sports play into this, right? So, in terms of being a differentiating asset for you both on the traditional TV media side, but also how is sports growing in importance for Paramount+ going forward?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Sports is important to both the traditional world and to streaming. And the simple reason for that is that if you look at television viewing as a whole, two-thirds of time spent on television is still in the linear world, one-third is streaming. Now, that's obviously changing over time, but the implication of that is whether you are a distributor like us, whether you're an advertiser looking to take advantage of the eyeballs and engagement in sports, or whether you're a rights holder of one of those leagues, you want the greatest possible reach, which means the only way to accomplish that is to make sure that you're distributing that content across both the linear and streaming ecosystems.

And I think that's why when you look at most of the sports rights deals that have been done over the last couple of years, they include a combination of both linear and streaming rights. It's very important for us. It's been the case in our NFL deal. It's what we do with UEFA. We've done it with golf. We're doing it with sports rights that we're acquiring outside of the United States. And we think that's a powerful model because those rights are not inexpensive...
Right.

**Naveen Chopra**  
*Executive Vice President & Chief Financial Officer, Paramount Global*

...but the ability to utilize them on free-to-air channels to – in some cases, use them even on pay television channels and of course to use them on streaming is really valuable. Interestingly, when we look at sports on Paramount+, it is actually one of the categories that drives the highest LTV users, because those people come in for sports. But then, we have the ability to introduce them to other types of content and they tend to become very sticky as a result.

Can I just ask you, so we had Lachlan Murdoch here yesterday and they've taken the opposite approach. Is there any negative reaction on the distribution side of linear? So, it's helping you a lot in streaming. Is there any blowback on the distribution side by taking the best content and putting on your own service?

**Naveen Chopra**  
*Executive Vice President & Chief Financial Officer, Paramount Global*

Well, you do have to be smart about it.

Right.

**Naveen Chopra**  
*Executive Vice President & Chief Financial Officer, Paramount Global*

And when I look at, for instance, the relationships that we have with our affiliates who, in the past, obviously, had that content exclusively, now it's available on Paramount+, we've developed our streaming proposition in a way that they can participate in those economics. And so, it helps align our incentives in a world where, obviously, viewing behavior is shifting more in favor of streaming. So, I think if you can do it that way, then you can manage that tension.

So given, I would say, the guidance of TV media stability, I guess, factoring in sports as clearly a big piece of the expenses there, how do you think about the other inputs to achieving the goal? Like maybe just help us think about what the flexibility on some of the other costs are to help continue that stability for TV media?

**Naveen Chopra**  
*Executive Vice President & Chief Financial Officer, Paramount Global*

Yeah. Well, stability for the traditional business comes from a few places. Number one, I think the top line is more resilient, as I said earlier, than some people give it credit for, which is in part due to the fact that, as there have
been changes in linear viewership, we've been able to offset a lot of that through increases in price and that's true both in the advertising side of that business, but also in the affiliate side.

And then on the cost side of the equation, there are a number of levers that we have available to us that we have already started to take advantage of and you'll see us doing more in the future. So, when you think about programming investments, programming expense, we are continuing to evolve the mix of programming on the linear side of the business. So, you'll see less high-end scripted stuff there and you'll see more reality and other types of programming that can be done at lower cost.

You will see us do more international production and taking advantage of lower cost of production outside of the United States. You'll see us utilizing what we call global formats where effectively from a single production, we can create multiple shows. That's something that has proven to be very successful for us, and we'll continue to do.

And then on the non-content side of it, I think there are still opportunities to take advantage of our scale, to share resources, to consolidate, and that's definitely going to be part of our model going forward.

You talked about the stability of advertising all these years and it's funny because I have always [ph] – we've used coverage (00:37:20) during the upfront and people always have that debate of like how many more years this can go? But can you give us an update just on given all the macro headwinds that we're all very aware of, the current state of advertising for both digital and for linear, what are you seeing today happening in the marketplace?

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Look, we feel very good about our position in the marketplace. You saw the upfront yesterday and I think that whole ability to marry the linear world, great content, and the streaming world is a very, very strong proposition, particularly given this market environment. And I describe that market environment by saying that there are definitely some pockets where we see some real strength, right? So, categories like travel, like entertainment, like sports are doing very well and we hope that continues. We're very bullish about international. That's also been a place of strength for us. And in the second half of this year, political should be a very, very nice tailwind as well. So, lots of momentum in those areas.

There are places where the market is a little choppier, mostly related to supply chain issues. And so, you've got some categories where advertisers have pulled back. And so, visibility on that is a little trickier because obviously it's been tough to handicap some of the supply chain stuff. But it goes both ways.

Especially auto. We heard from [indiscernible] (00:38:56) autos still feels like it's going to take a bit longer to unclog the supply chain.

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

That's true. It's definitely one of the categories that's been struggling a bit.
Okay.

And maybe just expand upon, for the upfront, specifically, how does Pluto play into those discussions? Like is it an all-encompassing strategy or are you still carving out Pluto specifically?

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

We try to more and more sell our inventory and build our relationships with the advertiser across all of these platforms. And so the right way to think about it is we want to work with the advertisers to understand what is the audience that they want to reach, and then we can put together a package of inventory across cable, broadcast, Paramount+, Pluto that allows them to target that audience in the most efficient manner possible.

And as Pluto opened up a new TAM for you, like we cover digital names. [ph] Anthony (00:39:51) did as well. You've got programmatic. You've got performance and you have SMBs. So, are you seeing a new crop of advertisers who would never buy ViacomCBS before because of the price points or the performance aspects coming into the market?

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Yes. But I wouldn't say that's like the biggest driver yet. It could be over time. I think the real opportunity we've created in Pluto is actually to take Pluto upmarket, if you will, right, by packaging it with a lot of the high value and increasingly scarce linear inventory, by improving the content portfolio on Pluto. So, it's a destination that advertisers want to be a part of. So, that's really been the formula going forward. There is obviously a part of Pluto that is more dependent on performance than other things, and that's something that we will continue to use to kind of fill in the rest of the business.

So, it's a reach extension. That's clearly like it's easier to add on to improve reach.

Naveen Chopra
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. I mean, there's a lot of things that we can do to extend reach with Pluto, particularly as we look at moving it outside of the United States. Those are markets that are very, very ripe. We just announced an exciting deal in the Nordic territory yesterday where you've actually got a local broadcaster that has had the dominant AVOD service there that we're now combining that service with Pluto TV. So, we kind of get the best of both worlds. Our ability to monetize, to bring in a global experience, their ability to include local content, local sales expertise.
Right. So, let’s come back to the reason why came to ViacomCBS, Top Gun. So the strong reception at CinemaCon from your upcoming slate, theatrical slate and Top Gun, clearly, front and center of that. Just if you can share with us updated thoughts on how you approach the exclusive theatrical window. I think it’s clearly still an interesting question that’s being debated, but it looks like the pendulum has swung back towards somewhere in the middle. So, is it still a title-by-title decision or is there an overarching strategy going forward?

**Naveen Chopra**  
*Executive Vice President & Chief Financial Officer, Paramount Global*

**A**  
Well, first of all, Top Gun is awesome, so go see it. I’m a huge fan of the original, and it lives up. So, my first goal in coming here has been fulfilled. The movie strategy has evolved over the course of the last couple of years. And I think what we’ve learned is that we really like this 45-day fast follow as sort of the default. And the reason we like it is that it allows us to capture the vast majority of the box office revenue. And we’ve looked at all the data on this and, there isn’t that much revenue being generated by most movies in the box office post 45 days.

And it allows us to then move that content onto a streaming platform when it’s still fresh and new and can benefit from all of the marketing investment that was invested in the theatrical release. We’ve done that with a bunch of movies now. I mentioned Lost City earlier, we’ve done it with Scream, we’ve done it with Jackass. These were modest sized movies, but it worked really well because they did well on the box office and they’ve been successful drivers on Paramount+.

Now that being said, we do still look at it on a case-by-case movies. There are certain movies that are really made for the theatrical experience. Top Gun is a great example of that. You should see that movie in a theater and it will stay in the theater for a longer period of time. There are certain movies where if they’re targeted at specific audiences or obviously, in light of COVID, where we either had a short theatrical window or we went day and date, and I think that’s not going to be the norm, but there may still be cases where that makes sense.

It’s interesting because [ph] Robert (00:44:07) and I will tell you that the changing windows had been a debated idea for decades, right? But it took the pandemic to actually make it happen. It’s one of the benefits, probably, for the industry is your ability to actually...
...because as we said, the post 45 days, these windows weren't really generating a ton of value. And when we see what those titles can do on streaming, when they're brought over in a reasonable period of time, it's tremendous in terms of what it does for acquiring new customers and driving engagement.

It also plays to the strength of your assets, right? We've been wondering too, when does Netflix wake up and realize, hey, this is not a bad thing to build a window to boost awareness, build value, yeah.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. But I would say, even that, the theatrical strategy has evolved too...

Right.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

...because it's easy to say, the theatrical thing is great. You put a movie in the theater and you get a bunch of buzz and then you put it on streaming and you get a bunch of subscribers. Well, it's still got to be a movie that's going to work theatrically, right...

[indiscernible] (00:45:12)

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

... which increasingly relies on franchises, relies on great IP. So, it's not easy to kind of get into that business if you don't already have a lot of those assets.

So, then does that materially change your release schedule at Paramount? Like when you look at the old strategy, right, so [ph] does these (00:45:30) change the number of movies that you're green-lighting to go into theaters these days?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Well, as you said, it's about making the right movies. And you're probably – you've got to have movies that are big enough to attract a theatrical audience and justify some level of theatrical marketing to build the awareness. So, you're probably not going to make as many small movies. The big movies have to make financial sense. So, I think it's about finding that sweet spot, right, which is how many movies can you put through that channel that
don't cost so much that you can't ever really make a decent return on them, but are not so small that you can't build an audience that will work across multiple channels.

So maybe if we can end with one kind of big picture question. If we think about Paramount in a couple years, how different might that look versus what we see today and maybe just some big surprises that you don't think investors are currently giving you credit for today?

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

I think there'll be some things that look the same. We will continue to be a cornerstone provider of content for all types of audiences on a global basis. That's core to our strategy and our value proposition.

In terms of what will look different, I think streaming will obviously be a bigger part of the business than it is today. It has been growing at a very, very healthy clip. And we expect that to continue such that its scale is even larger.

In terms of potential surprises for people, I guess, the conventional wisdom is that, there are only two or three companies that will be top streaming providers. I think Paramount has the ability to be one of the top three or four streaming services out there. And I think we'll be able to do it in a way that we're able to demonstrate operating leverage in streaming, which I know is something shareholders are very interested in. So, as we put those things together, I think we'll be able to create some real upside for the business.

Yeah. I think the debate we all have is when we look at where Netflix got to in terms of their scale, it's the kind of the capital that they're not – they're not throwing up a lot of cash. So, that's – in your answer, potentially, this is a better business than what we've seen so far because what we see so far is a business at $30 billion.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Well, it comes back to kind of where I started, which is when you asked the question about Berkshire, which is, until very recently, the conventional wisdom was all these traditional legacy assets are just a boat anchor to growing in streaming. And you should shut them as quickly as possible and be all in on streaming. And I think what everyone is recognizing now is that, no, those assets are actually the things that allow you to build a streaming business that can actually generate profits and create value. And that's something that we're pressing our advantage on that pretty aggressively.

Unverified Participant

Cool. Well, Naveen, thank you for being here first time. First time, long time, we appreciate it.

Naveen Chopra  
Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Thanks for having us.
Unverified Participant

Thanks, everyone. Yeah, thank you.

Unverified Participant

Thank you.