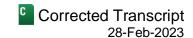


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Paramount Global (PARA)

Deutsche Bank Media, Internet & Telecom Conference



CORPORATE PARTICIPANTS

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

OTHER PARTICIPANTS

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. I'm going to get started here on our next one. So, I'm really pleased to introduce Naveen Chopra, who's the Chief Financial Officer at Paramount. Naveen, welcome.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Thank you. Thanks for having us. And thank you for your perfect timing. It's snowing in New York today out here. So, you guys [indiscernible] (00:00:19).

QUESTION AND ANSWER SECTION

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

It's perfect here. So, maybe just I'll start off with a strategy question. Where is Paramount today in terms of executing the streaming strategy? What are the major accomplishments that you guys have had so far? And what are you focused on over the next one or two years?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah, sure. Look, I think it's important understand that we're still relatively early in our streaming journey. A lot of people don't realize this, but Paramount+ launched almost exactly two years ago. So, we're much younger than most of the other major global streaming services. But despite that fact, I think we have clearly proven over that relatively short period of time that we have a very powerful consumer value proposition, and that's content-driven and it's evidenced by the fact that if you look at what's happened in the first two years of Paramount+, we have added more subscribers on an absolute basis than any other major streaming service.

We finished 2022 with a revenue run rate for our direct-to-consumer businesses of [ph] \$5.5 million (00:01:34) versus where we started a couple of years ago, which is significantly lower than that. And that included Paramount+ that is still growing at 81% from a top line perspective. So, there's no doubt that we got something that is very much working in the minds of the consumer and it's driving traction, engagement, et cetera.

Our focus now is going from that top line growth to starting to deliver on the path to profitability for streaming. And that means that we have to do a couple of things. Number one, we're very focused on continued revenue and particularly ARPU growth. There's a variety of levers that we will be executing against over the course of the next few quarters to drive that. I'm sure we'll talk about some of those.

And then we're also focused on the expense side of the equation and really starting to drive leverage against the investments that we've been making in content, marketing and the like, and that includes doing things like integrating Showtime and Paramount+, which unlocks opportunity, frankly, on both the top end and the bottom line. So, I think we're very proud of what we've accomplished in the first couple of years, but we're also very, very focused on ultimately turning streaming into a business that has profitability characteristics that we like. Yeah.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

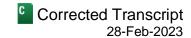
And Paramount has taken, I guess, a slightly different approach versus others when it comes to streaming. Now, it appears others are evolving their streaming strategies. I think as an example, you've kind of had this multiplatform strategy all along [indiscernible] (00:03:20) across your owned assets and also includes licensing. I think you guys were criticized for it for a while. Do you envision having to make any changes to the strategy going forward, just any thoughts around that would be great.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

It's a super interesting question, because – I think your observation is accurate. We had a different strategy when we started down the path with Paramount+. Some would have called it a contrarian strategy. And as you said, we

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were critiqued for it at the time. But it's a strategy that was rooted in the fact that we didn't have the luxury of unlimited financial resources with which to build out the streaming business. So, our approach from the beginning was, yes, we're going to invest in streaming, but we're going to have to do it in a way where it can ultimately deliver profitability and margins that we like in a reasonable period of time.

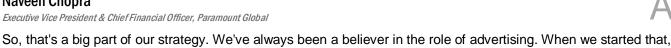
So, how do we do that? Well, we had to do a bunch of things differently, right, starting with, as you mentioned, really thinking about leveraging content across multiple platforms. Not everything had to be exclusive to streaming. You've seen us do that with our theatrical movies. You've seen us do it with some of our sports properties. You've seen us do it with original content, including content that may premiere on streaming and then have a life, a second window life, on some of our other platforms.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Right.

Naveen Chopra



a lot of people thought streaming is going to be all a subscription business and consumers aren't going to put up with advertising. Well, the industry point of view has evolved a lot on that. We've always embraced the idea of a balanced licensing approach as long as – as well as keeping content for use on our own platforms. Again, we never thought everything had to be exclusive to Paramount+. We took a different approach to international markets. We never said we've got to have a fully owned and operated service in hundred different markets around the globe. That's a very expensive proposition from our point of view.

We focused on some key flagship markets, and then we've taken more of a partnership approach in others where we don't have the same sort of local assets. So, there's multiple examples of this. Our franchise focus, that's something that is also a key part of our equation that you're now seeing others start to embrace as well. So, I think many other folks have now woken up, given that there's more of a profitability focus across the industry, and they said, wow, all these different things that we happen to have been doing, they make sense and they are ultimately important parts of the equation for how you build a profitable streaming business.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

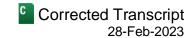
Yeah. Let's talk about content. Paramount+ had great success in 2022 with titles like Top Gun and Tulsa King and 1923 to name a few. How does the content slate look for 2023 and how do you expect it to drive Paramount+'s sub growth over the course of the year?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Well, you said, 2022 was an incredible year for us in terms of sub growth, revenue growth and it was all content driven. And some of the examples that you mentioned are notable because that content represents a diversity of what we call different content lanes, right? So, we had success with original content. The 1923, the 1883 examples you mentioned. We've had success with our theatrical movies, not just Top Gun, but things like Smile, Orphan: First Kill, et cetera, and we had a lot of success with our sports properties. The NFL, UEFA continue to be big drivers on Paramount+. So, it is very broad and it's about having something for everybody in the household.

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And 2023 I think is going to be even bigger and better. And that starts with more of the favorite original content that our consumers have clearly gotten very enthusiastic about. So, new seasons of 1923, we just launched the latest season of Star Trek: Picard. We'll have another season of Mayor of Kingstown. So, those will continue to deliver.

We will also be adding new original content, more than I could catalog here now, but there's – we got a very exciting thriller called Rabbit Hole that stars Kiefer Sutherland, that'll be launching shortly. We've got another Taylor Sheridan series called Lioness that includes Nicole Kidman that we're very excited about. And we'll be actually revitalizing some well-known Paramount IP. We've got a series based on the iconic Fatal Attraction movie that will be coming to Paramount+. So that'll be a fun one as well.

So in addition to that, our theatrical slate in 2023 is unbelievable. We're talking about a new Mission Impossible movie. We'll have another Transformers movie. We'll have Dungeons & Dragons. We will have the next PAW Patrol movie. We're going to be relaunching the Teenage Mutant Ninja Turtles franchise. So it's a killer movie slate and that will all ultimately come to Paramount+.

And then, of course, we're going to be integrating Showtime with Paramount+ this year and so that means a lot of the well-known Showtime franchises, whether that's the next season of Billions or the origin story for Dexter that will all now have a home on Paramount+. So, you put all that together and the slate for 2023 looks even better than what we had in 2022.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah. That sums that well. You mentioned the integration of Paramount+ and Showtime. Can you explain just the timing, why now and also walk through the benefits you expect from integrating those two products?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Well, I think ultimately, integrating those two services is kind of just the next leg in the journey for Paramount+ and it has benefits both to consumers and to our financial model. So, I'll touch on each of those for a moment.

From a consumer perspective, we've actually had bundles with Paramount+ and Showtime in the market for a little while. And then outside the United States, we've already had Showtime integrated in Paramount+. And what we've learned from those data points is that that integrated content offering is highly accretive from a customer engagement and retention perspective. So, that's something that we're obviously excited about leaning into because we know customers like it and they spend more time with our service.

We're also excited about what the integration will allow us to do from a content perspective and you'll see us, I think, reinvigorate the Showtime content slate. I mean, it's a phenomenal studio. And what we will be able to do with franchises like Dexter, Billions, Yellowjackets, and then thinking about how we take some of the historical Showtime audiences and create new franchises for them, I think is going to be really exciting. So, from a consumer perspective, there's a lot to love.

From a financial perspective, it helps us both top line and bottom line. On the top line, obviously, improvements in engagement, customer retention, et cetera, help drive revenue growth, but it also helps support what we want to do from a pricing perspective. We're going to be increasing the price of Paramount+ later this year. And the fact that we have Showtime content integrated there and we know that customers are willing to pay for that is

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encouraging. In fact, since we've had the Showtime bundle in the market, even though it's at a higher price than the base Paramount+ service, we're seeing an increasing percentage of our new customers take that bundle. So, it's a pretty sizable chunk of new customer adds today. So, clearly that combination helps drive pricing.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah.

Naveen Chopra Executive Vice President & Chief Financial Officer, Paramount Global And then from a cost perspective, it's going to unlock our ability to find significant savings on both content,

marketing and operations. I mentioned on our earnings call, we think there's about \$700 million of future expense savings that we can capture by integrating Paramount+ and Showtime. Some of that will happen later this year, and then the rest will realize over time. And that's heavily content driven. You need less content [indiscernible] (00:12:44) you do to program two services. And as you reduce the amount of content, you also get to take down the marketing investment, because that tends to be title related.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah.

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

And our strategy is to lean more into franchises, which are just fundamentally more efficient from a marketing perspective, because you don't have to build as much awareness as you do with entirely new IP. And then ultimately, once we bring the apps and all the different platforms together, there'll be some savings from a technology and an operations perspective. So, we're excited about all that. And both that top line and expense opportunity are important ingredients in that path to profitability that we're obviously focused on.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah. And you mentioned the price increases, so I think you're planning \$1 on the Paramount+ essential tier and \$2 on the premium tier that will include Showtime content. I think most other streaming services have also recently raised price or are planning to. So, pricing power clearly a focus. How much pricing power do you think you have with Paramount+ and how do you think about price elasticity of demand for the product?

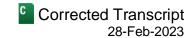
Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Well, it's obviously something that we've studied very carefully. I'd be getting questions since the launch of Paramount+ about when do you guys think you might do something with price and I always said we're going to do this very thoughtfully. And so, we've done a bunch of analysis, conjoint analysis and the like with our own subscriber base, with people outside of our subscriber base. We've studied some of the historical trends from other streaming services that have executed price increases.

And we learned a couple of things. Number one, we learned that Paramount+ has an incredible value proposition relative to our competitors. And I think that will likely be enhanced by, as you pointed out, this sort of general

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upward trajectory of pricing in the industry. And then the integration of Showtime content into Paramount+ will further add to that value proposition. So we feel very good about that.

We have also learned that once consumers experience our content, they tend to get very sticky. We look at this data quite frequently in terms of what is the churn rate for a customer that watches one show versus a customer who watches two shows versus a customer who watches three shows. And the slope of that line is pretty steep. So once we get people into even a couple of our shows, we really, really like the churn characteristics of the business.

So what that says to us is the risk in pricing is less about churn, because we know that if we can get people into the service and get them to sample our content, most likely they're going to stick around for a long period of time. So, that means we do have some pricing power with respect to the install base. And then when you think about a price increase, it means you just got to figure out a way to make sure you still have healthy volume at the top of the funnel in terms of new customer acquisitions.

And that's where we have a lot of different mechanisms that we can bring to bear, our partnerships, our bundles. We use introductory pricing. We have annual plans that we have a lower cost ad-supported plan. All of these things ensure that it's still relatively frictionless for a consumer to experience Paramount+. And then once they do that, they tend to become very sticky. So, that's how we're thinking about it. And I said I think the value proposition will still be very, very strong and the impact of all that on our financial model, particularly around ARPU and revenue growth, is tremendous.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Regarding your guidance, how will the Showtime integration with Paramount+ impact the pre-existing guidance that you have out there for \$9 billion in D2C revenue and over \$6 billion in content expense in 2024?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. So, talk about each of those. With respect to our 2024 D2C revenue goal, there's kind of some puts and takes in terms of how things are evolving. There's no doubt that the weakness in the macro advertising environment has created some headwind around revenue growth. Advertising is a meaningful component of our D2C growth strategy. But on the other hand, we're ahead of our plans when it comes to Paramount+ revenue growth, and that's driven frankly by both better than expected subscriber growth and better than expected ARPU. So that's obviously a tailwind against those goals.

And then on the cost side of the equation, the integration of Paramount+ and Showtime does mean that I think we will spend less than we previously anticipated in D2C content expenses in that period of time. So, we haven't issued any new guidance or updated or anything of that nature, but it kind of give you a little bit of a sense of some of the puts and takes in that equation.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

So, the \$6 billion assumed they remain separate services...

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

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Exactly.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc. [indiscernible] (00:18:24). Okay. Great. And I guess just maybe to talk about costs for a moment. You talked

about the \$700 million in Showtime-related cost savings. What else are you doing from a cost perspective this year? Are there other opportunities you have to shrink the cost structure?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. I mean, we're always doing things to unlock new efficiencies. I wouldn't want anyone to think that the Showtime cost savings is sort of the full extent of what we're doing. We've talked about different elements of this over the last few quarters, quite frankly. We've done significant kind of restructuring around our approach to marketing where we have unlocked savings both in labor and non-labor. We've centralized more of that function. We've figured out how to leverage our owned and operated platforms even more so that we're less dependent on having to buy outside media.

We've done some restructuring in our ad sales organization, so that's now driven around key holding companies as opposed – advertising holding companies as opposed to individual teams for each of our different advertising platforms. There's some significant savings that's unlocked there. We're still in the process of realigning our international organization. We used to have, quite frankly, kind of small little companies in each of our different markets and we clearly were not getting the leverage on a global basis in a lot of functions, whether it's programming, marketing, et cetera. So, there's a lot of opportunity there that we're unlocking.

And on the traditional linear side of the business, we've also been, I think, quite innovative in thinking about how we program linear channels, how we change the mix of programming, how we create more cost-effective formats, how we change the cost of producing content, which is all critical to maintaining the earnings and cash flow generation from that part of the business. So, all of those are ongoing. They're all material and they're incremental to what we're doing with Showtime.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. Maybe let's shift to international for a moment. How is the shift from a single tier to multiple tiers in international markets going to drive success in that business?

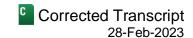
Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. That's, I think, an exciting opportunity for us. We'll be starting to do some of that in 2023. There'll be more in subsequent years. And just for those who are not familiar, we have, to date, had basically a single tier in our for Paramount+ outside the United States, whereas obviously in the US, we have both an ad-supported tier and premium tier Paramount+, and we've historically had Showtime bundle as well.

Outside the US, it's all one at a single price point. And we will start to evolve that later this year. It will be a little different in each market. So, we will be adding lower-priced tiers, in some cases, ad-supported tiers, in some cases mobile tiers. We will be increasing the price of sort of our base tier and we will be adding premium tiers. And again, not every market will have all three of those things because it does depend on the local market dynamics as well as our content offering in each of those markets. There are markets where, for instance, we

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have premium sports and there are markets where we don't. And so, in the markets where we have premium sports, there's more of an opportunity to drive higher ARPU premium tiers, et cetera.

And going from single tier to multi-tier has two big financial benefits for us. Number one, it allows us to serve a much broader audience, particularly with the addition of lower-priced tiers that we have not had historically. Number two, when you put that together with increases in sort of the base price and the addition of premium tiers, our expectation is that blended ARPU in most of these markets will actually grow. So, more subs, higher blended ARPU, obviously a good formula from a revenue growth perspective.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. And you mentioned ARPU, I mean aside from price increases, can you talk about all the levers that you see driving Paramount+ ARPU growth going forward?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Sure. I think it's probably helpful to think about that – think about ARPU in the domestic market and the international markets independently only because the levers are slightly different.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

In the domestic market, I think of kind of three key levers that will help drive ARPU. One, you mentioned pricing. But in addition to pricing, I think there is a benefit from mix, particularly as we integrate Showtime and Paramount+. We think that will create even more appeal at the higher price point for Paramount+ than what exists today. And then we expect to see continued advertising growth on the platform. Paramount+ advertising has actually continued to grow at a very healthy clip and I expect that will continue, particularly as the ad market starts to recover.

And then on the international side of the business, the dynamics are a little bit different. We talked about one, which is the introduction of multiple tiers, so that will benefit ARPU. There's also a geographic mix component to it. To date, a heavy proportion of our subs have been in markets that have lower ARPU relative to some of the more developed markets, whereas you look at places that we launched in 2022, the UK, France, Germany, Italy, et cetera, those tend to be higher ARPU markets.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

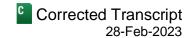
Right.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

So in 2023, more of our subs will be coming from those markets than in the past. So, that will be beneficial to ARPU. And then we also have sort of a channel mix benefit internationally because in a lot of these markets, as

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you know, we really embrace what we call hard bundles as a strategy for accelerating our launch in these markets. And that has the benefit of driving awareness, relatively fast subscriber growth, but there is a bit of a compromise from an ARPU perspective.

As we move forward, the whole point of that strategy is, you use those hard bundles to catalyze growth in the more traditional direct-to-consumer channels. We're already starting to see that happen. And so, that also has an ARPU benefit in international market. So, multiple different drivers there, but ultimately, we like the trajectory on ARPU both domestically and internationally.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. And last year included a lot of expansion for Paramount+ through wholesale relationships, including the hard bundles you did with Sky, Canal+, Walmart and others. Is there still more work to do on the distribution side, whether it's domestic or international, or is the distribution footprint essentially complete now?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Well, we've always believed in what you've heard us describe as ubiquitous distribution. It's another part of that kind of differentiated strategy that we really believe in. There are a lot of folks not that long ago who were questioning does it actually make sense to have all these sort of partner-oriented distribution channels? We've always believed they are valuable. They've definitely been a driver of the growth that we've seen to date. That includes things like the partnership we have with Walmart here in the US. We continue to be very happy with that. That was certainly a contributor to the growth that we saw in Q4 and we have even bigger expectations for that going forward.

And we've continued to supplement with other interesting partnerships. You may have seen we announced a partnership with Delta at CES where Paramount+ will become kind of a featured streaming service on Delta's new high-speed in-air Wi-Fi. That'll be launching relatively soon. And I think that's going to do wonders in terms of driving awareness and sampling of Paramount+, so we're very excited about that.

And internationally, our distribution strategy has – as I said, it's been different from market to market. In some markets, we've taken an approach where we said we're going to rely very, very heavily on partners or almost exclusively on partners, and sometimes that's taking a JV form. Sometimes it's more of a commercial licensing relationship. And then in other markets, we've had more of an omni-channel approach where we said we're going to have a direct business as well as partnerships, and that's true in the UK, it's true in many other both European and Latin American markets.

And when I look at 2023 and beyond, I think it's really continuing to exercise against that strategy, which is to say it's less about kind of lighting up new markets and really about now starting to build and monetize within the markets that we launched in 2022, many of which actually launched relatively late in the year. And so, we'll be capitalizing on those hard bundle launches, the partnerships, the marketing, new content slate, and really driving both subscriber and ARPU growth as we talked about. So that's really kind of our focus for the near term.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Beyond content, is there a lot of opportunity to sort of go back into these countries now and really hone the model in order to create value?



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Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

No doubt. I mean, there is opportunity, as I said. I mean, growing ARPU is a huge focus for us in these markets as well as I think getting even more efficient on the content side of the equation because much like we have in the US, we're learning what works, and we're increasingly thinking about our slate on a global basis. So we're combining what we learn about what's working in the United States with what's working internationally and we're finding content where we can get the most global appeal because obviously that maximizes ROI on the content investments that we're making. It's not to say local content is not important, still has a very critical role. But the more that you can do with global content, obviously, the more powerful your financial model could be.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Right.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

So that's definitely an opportunity that we're focused on.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. Churn is obviously something that's a big focus and streaming services tends to be higher than traditional pay TV services. How far away is Paramount+'s churn rate from the level at which you think it needs to be in order for the service to really scale in a way that positions it to be able to replace the secular declining linear TV business over time?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Look, I think I'm very encouraged by what I've seen in churn with Paramount+. And what I mean by that is the trend lines are exactly where we want them to be, which says churn has improved on both a year-over-year basis and a sequential basis pretty consistently since the launch of Paramount+. And therefore, Q4 was yet another record low churn, which is what you like to see as the service continued to mature, content slate expands, and we get better and better at both attracting and programming the service for consumers. And we expect that trajectory will continue.

I think there's a lot of opportunity there. I would not say that we're sort of that steady state churn. But I think it is going to continue to improve as the content slate continues to expand, as we do things like integrate Showtime and Paramount+. I think we'll continue to see major benefits there. And as streaming service continues to mature, your revenue growth obviously starts to shift from being driven by new sub acquisition to being driven by improvements in ARPU and churn, and so that's very much part of how we think about the focus and how the business is going to have to evolve. And as I said, the slope of those lines is very encouraging.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Yeah. I think a lot of people would love to kind of hear an update, if there is one, on the ad market. I think a couple of weeks ago on your earnings call, Bob Bakish indicated that you're seeing some green shoots in the ad market

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in some major categories as well as in local. What are you seeing in the ad market now and has anything

changed at all since your earnings call?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Well, the short answer is not a whole lot has changed since the call was only two weeks ago. So, there's not a lot of new information per se. I think as has been well discussed among the industry, the domestic scatter market continues to be kind of slow. I think that's really news to anybody. But as Bob pointed out, there are some categories where we've seen some relative strength, things like food and beverage, pharma, travel, auto, and I think that a lot of that is probably related to kind of some post-pandemic dynamics, right?

You've got supply chains starting to open up. You're seeing inventories with cars starting to build. Consumers continue to have a pretty voracious appetite for travel. And so those dynamics I think are starting to show up in some of these categories. All that being said, I don't think it changes the fact that we think we're still going to be looking at the back half of the year before there's a noticeable recovery in the marketplace on a broad basis.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Right. Maybe let's talk about free cash flow and dividend for a second. Some market participants have concerns about lack of free cash flow generation currently and your leverage ratio being elevated as you're investing, and that includes some concerns over the sustainability of the dividend. Can you just maybe address these concerns, talk about liquidity, the outlook for improvement in free cash flow, and also how the balance sheet will deleverage from here?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Yeah. Well, thank you for asking that question, because I think it's really important that people understand the drivers of the free cash flow trends in our business because that tells you a lot about both the future trajectory and our strategy for sort of the short term, if you will.

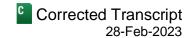
So, if you think about what has been happening with free cash flow for Paramount, it's overwhelmingly driven by two things: number one, the investments that we've been making in streaming; and number two, the broader advertising marketplace. And what is important about both of those things is they are fundamentally short term in nature, right?

The streaming investment, as you well know, we're now at our – 2023, I should say, will be our year at peak losses in DTC. So that means as we come out of 2023, we will see growth in both earnings and cash flow. And in fact, I think the growth in cash flow will be larger than the growth in earnings because of the dynamics around content amortization. So, we'll see a nice recovery there.

And then on the ad marketplace, that is a cyclical thing. We're a few quarters into a downturn and we continue to look to recovery in the back half of this year. So, the combination of those two things is really what gives us the confidence that we'll be able to deliver meaningful growth in earnings and free cash flow in 2024 and beyond.

Now, at the same time, we do pay attention to our balance sheet. We care about our credit rating. We care about being high-yield (sic) [investment grade] (00:35:37). And when I look at that lens, we're in a good position. We finished 2022 with over \$3 billion of cash on the balance sheet. We have no near-term debt maturities and we've

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got a \$3.5 billion revolver that remains completely undrawn. So, to the extent that we have to bridge anything in the short term, we've got the flexibility to do that. And we continue to be very thoughtful about capital allocation and making sure that we're balancing all of those objectives in a way that makes sense.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Okay. All right. Great. I think that wraps it up for us. We're running out of time. So, great. Thanks very much, Naveen.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Well, thanks again for having us, Bryan. Appreciate it. Good to see you.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

My pleasure.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Take care.

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