15-Feb-2022

ViacomCBS, Inc. (VIAC)

Q4 2021 Earnings Call - Investor Event

CORPORATE PARTICIPANTS

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.

Shari Ellen Redstone
Non-Executive Chairman, ViacomCBS, Inc.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.

Thomas V. Ryan
President & Chief Executive Officer-ViacomCBS Streaming, ViacomCBS, Inc.

Tanya Giles
Chief Programming Officer-Streaming, ViacomCBS, Inc.

Brian Robbins
President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

George Cheeks
President & Chief Executive Officer-CBS & Chief Content Officer-News and Sports, Paramount+, ViacomCBS, Inc.

Chris McCarthy
President & Chief Executive Officer-Media Networks & Chief Content Officer-Unscripted Entertainment and Adult Animation, Paramount+, ViacomCBS, Inc.

David Nevins
Chief Content Officer-Scripted Originals, Paramount+ & Chairman & Chief Executive Officer-Showtime Networks Inc., ViacomCBS, Inc.

Maria Panayiotis Kyriacou
President-ViacomCBS Networks International Australia, Israel and UK, ViacomCBS, Inc.

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

OTHER PARTICIPANTS

Michael Morris
Analyst, Guggenheim Securities LLC

Bryan Kraft
Analyst, Deutsche Bank Securities, Inc.

Brett Feldman
Analyst, Goldman Sachs & Co. LLC

Benjamin Swinburne
Analyst, Morgan Stanley & Co. LLC

Rich Greenfield
Analyst, Lightshed Ventures

John C. Hodulik
Analyst, UBS Securities LLC

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Steven Cahall
Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Anthony DiClemente

Executive Vice President-Investor Relations, ViacomCBS, Inc.

Good afternoon. My name is Anthony DiClemente, Head of Investor Relations. It is my pleasure to welcome you to our Investor Event and Fourth Quarter and Full Year 2021 Earnings Presentation.

Before we begin, please note that in addition to our earnings release, we have trending schedules containing supplemental information available on our website. We would like to remind you that certain statements made in today's presentation are forward-looking statements that involve risks and uncertainties. These risks and uncertainties are discussed in more detail in our filings with the SEC.

Some of today's financial remarks will focus on adjusted results. Reconciliations of these non-GAAP financial measures can be found in our earnings release or in our trending schedules, which contain supplemental information and in each case can be found in the Investor Relations section of our website.

With that being said, I would like to thank you for taking the time to join us this afternoon. And now, sit back, relax and enjoy the show.

[Video Presentation] (00:01:08-00:03:23)

Shari Ellen Redstone

Non-Executive Chairman, ViacomCBS, Inc.

Good afternoon from Kaufman Studios, the original New York home of Paramount Studios. Thank you for joining us and welcome to our investor event. I've never been more excited about the future of this company than I am today. And during today's program, you will see exactly why because we are on the ascent and we are reaching for new heights. Today, we will show you that with the power of our people, the power of our content, and the power of our platforms, we are built to grow to drive shareholder value and to lead our industry forward.

Two years after we brought together Viacom and CBS and one year since we last convened, we are keeping our promises. We are consistently outperforming our goals ahead of schedule, from growth in our subscriber base to growth in brand recognition and growth in operating revenue. We are doing it all faster than anyone expected, and we are delivering win after win after win.

This does not happen by accident. We are winning with one team loaded with talent, creativity and expertise, and one integrated company that is greater than the sum of its parts. We are winning with hits that connect with audiences across all demographics and in markets around the world, and we are winning with our unique differentiated streaming services in free, pay and premium. And of course, I have to give a call out to Paramount+, which in less than a year has established itself as a leading brand in the industry.

Our strategy has always been to harness the strength of our traditional business to build something new with our world-class content fueling our growth. This is what sets us apart as a company and positions us to succeed. We are making the right investments in the right content in the right places, and we are confident based on our track record of successes over the past two years that we can deliver the return on investment that you expect and deserve. We have set in motion a virtuous cycle. Our legacy business powers our transformation, and our transformation enhances and expands our legacy.

We have so much to be proud of, so much to be optimistic about, and we are just getting started. The opportunity we see ahead across our brands is my dad's vision come to life, one powerful company that creates content that keeps audiences wanting more. And Paramount was always at the core of this vision. For more than 100 years, Paramount Studios has been known for cinematic excellence, but Paramount is also an idea, a promise to be the best. It is the idea that inspired us to bring together the best in entertainment across CBS, BET, MTV, Nickelodeon, Showtime and more. And it is the idea that inspired our businesses and our brands to define and redefine entertainment again and again for generation after generation.

Indeed, Paramount has always represented brilliant storytelling for audiences around the globe on the big screen, the small screen, and every device in between. It is what we are, it is who we are and it is who we are destined to be. And that is why today, we are thrilled to announce that ViacomCBS has become Paramount Global or simply Paramount.

This afternoon, we invite you to take a closer look at how far we have come, where we are going, and most importantly, how we plan to get there. We want you to take note of the extraordinary progress we have made over the past two years in all the momentum we have gathered and know that there is no higher priority for us and no higher priority for me than unlocking a maximizing value for all of our shareholders.

As I said, I have never had more reasons to be excited about the future of this company, Paramount. And now, I am proud to introduce our President and CEO, Bob Bakish.

Robert Marc Bakish

President, Chief Executive Officer & Director, ViacomCBS, Inc.

I'm as excited as you are to talk about this company we lead, this company we love, Paramount. The iconic peak of Paramount represents our history as pioneers of the Golden Age of Hollywood. Today, as we embrace this powerful name, we're also pioneers of an exciting new future. And with the momentum we have, Paramount is already reaching new heights.

For more than two decades now, I've witnessed the power of Paramount and all it represents. I've seen, for example, the global impact of Paramount's gripping films like the Mission: Impossible franchise, which sold out time and time again in theaters all around the world. I've seen during my international years how the Paramount channel quickly became among our biggest branded networks in the markets outside United States, and I've seen more recently the audience expanding impact have spiked being rebranded as the Paramount Network in the US, thanks to movies and mega hits like Yellowstone and more.

And now, I think we all see more and more every day the incredible momentum of Paramount+, our flagship streaming service. Our momentum is building. And as it grows, as we take Paramount+ and our other streaming businesses to the next level, the size of the opportunity we see ahead is matched only by the scale of our ambition to seize it.

We can't talk about our momentum without talking about streaming. Just look at the facts. On our paid streaming platforms, we just wrapped our best quarter ever for new subscribers. In fact, our company added 9.4 million new streaming subscribers in Q4 alone, 80% of them on Paramount+. And on Pluto TV, our free, ad-supported streaming television platform, we delivered out-of-this-world results as well. Pluto gained a record 10 million monthly active users in Q4, spreading its reach to an audience of nearly 65 million monthly actives. And for full year 2021, it generated over $1 billion in revenue, almost 5 times what it delivered just two years ago.

When it comes to realizing our streaming goals, we're moving fast and gaining even more speed. Already, we are one full year ahead of schedule posting subscriber results we didn't expect to see until next January. And by the end of 2022, we're on track to hit our 2024 subscriber goal, two full years ahead of schedule. This momentum has us leading the industry on multiple fronts.

In Q4, we had the fastest subscriber growth in streaming, and Pluto TV continued to lead its category both in MAUs and revenue. Furthermore, Paramount+ was named the fastest growing brand of 2021 not just in streaming, mind you, but in any industry. And it's not just streaming where we see this momentum. We're firing on all cylinders with number one hits across theatrical, broadcast, cable and streaming. In Q4 alone, we had the top four entertainment programs on all of television, with CBS's NCIS, THE EQUALIZER and FBI, and Paramount Network's Yellowstone. And we had number one shows across countless categories, including the number one comedy with YOUNG SHELDON, the number one news program in 60 MINUTES, the number one kid show in Nickelodeon's PAW Patrol, the number one competition reality show in cable with MTV's THE CHALLENGE, the number one premium show, Showtime's Dexter: New Blood. And this quarter, we became the first studio with two number one films at the Box Office with Scream and Jackass Forever, both of which will debut on Paramount+ in March.

And as we look ahead, powered by our phenomenal Paramount content engine, we see a huge global opportunity in streaming, a much larger potential market that can be captured by television and film alone. We're excited about that opportunity and our ability not just to compete but to thrive, and thereby create significant value for both consumers and shareholders. Why? Because we have a differentiated playbook for streaming success, one that leans into our particular strength that we are broad. And broad in four key ways: across our content, our streaming business model, our mix of platforms and our global reach. This breadth positions us to access a larger accessible market, penetrate it more quickly, and do it all efficiently and sustainably.

So, let's break that down, starting with our bingeworthy, buzzworthy content that's not just rich and deep, but broad and varied. On Paramount+, we take the Plus seriously. We're home to the most diverse content offering in streaming. That enables us to serve the whole household, every generation. From grandparents who were gripped by The Godfather when it premiered in 1972, to preschoolers who were just as excited about PAW Patrol: The Movie in 2022, and we don't just serve the whole household, we serve the whole country, coast to coast. We capture a broad range of households by income and geography. And increasingly, that's a model we're applying all over the world, creating hits in more than a dozen languages.

Over the next year, you'll see us building on that foundation, expanding our success across key genre lanes, scripted and unscripted, sports, news, and events, kids and family, and movies of all kinds. And speaking of movies, I'm pleased to announce that starting with our 2024 releases, Paramount+ will become the streaming home for all new Paramount movies following their theatrical runs. You'll see a similar breadth in our streaming business model, the second source of our advantage. We're proud of our strength in both pay and free streaming, including leading the US market in free, ad-supported streaming television with Pluto TV. We meet consumers, where they're at, serving different segments in different ways and reaching a larger total addressable market in the process. And with the benefit of dual revenue streams in both advertising and subscription, we're maximizing the revenue pool.

Reaching the largest addressable market goes right to the heart of our third advantage, our broad set of platforms spanning linear television, theatrical and streaming. Some see our legacy in each of these platforms as a hindrance in our streaming path. We see it as exactly the opposite. Paramount's reach, recognition and relationships are core reasons why our streaming strategy is working. Our existing platforms allow us to launch and grow shows and fandoms for streaming. They help us promote and make the most of our content investments across platforms. They increase the range of value creating commercial partnerships we can build, and they drive our ability to scale quickly for the future. And that's important because the future is global.

The breadth of our global reach is our fourth source of competitive advantage. Some companies only license outside the United States. We, operate. We have been a truly global operating company for decades with teams on the ground in more than 30 markets. And we have the studios, the franchises, the talent, and the production capabilities to move global audiences with locally relevant content driven by more than a dozen production hubs around the world. We're poised to replicate the success to an even bigger, bolder effect in streaming.

Now, we know being broad isn't an end in itself. What matters is that being broad is a means of capturing significant financial benefits. It's a means of maximizing our streaming revenue and accelerating its growth. It's a means of leveraging investment more effectively and running operations more efficiently. It's a means of moving further faster than ever before and turning streaming into a sustainable business for the future. And know this, we are committed to that future, to creating that value. We know the opportunity at hand is massive and we've got the passion, the ambition, and the discipline to deliver.

As of today, we're raising our guidance, signaling our conviction that consistent execution of our strategy will deliver performance to match. In fact, we anticipate reaching 100 million subscribers by 2024 compared to the 65 million to 75 million we shared last year. Naveen will expand on this and much more in his presentation. And to set the stage, our colleagues are about to show you exactly how in every way we're raising the bar for ourselves, setting our ambitions higher than ever before.

In closing, let me just say how proud I am of the progress our teams across the company have made, and I'm equally excited about the new heights that lie ahead for Paramount. When we spoke to you last year, some of you thought we were on an impossible mission. But today, as you can see, it's not only possible, it's happening.

Here to share more is someone who knows a thing or two about making the impossible possible. Please welcome the one and only, Tom Cruise.

[Video Presentation] (00:18:45-00:21:46)

Thomas V. Ryan

President & Chief Executive Officer-ViacomCBS Streaming, ViacomCBS, Inc.

I'm Tom Ryan, President and CEO of Streaming. I live the acrobatics of Tom Cruise, but I do want to talk about strategy for the expansion and evolution of Paramount+. Let's start with our expansion, where we're leveraging our global footprint to bring Paramount+ to new markets with enormous potential.

In just one year, we launched the service in 25 markets across Latin America, Canada and Australia. And in 2022, we're building on that momentum, expanding to some of the biggest markets in the world. We'll launch in the UK, South Korea and the Caribbean by this summer and will continue with a focus on Europe, Italy, Germany, France, Switzerland and Austria in the second half of the year.

To scale most effectively, we're creating customized go-to-market plans for each region with tailored partnerships, marketing and distribution strategies and even product offerings. We're deploying hard bundles where we work with a local provider to give their customers immediate access to Paramount+ as well as direct-to-consumer and à la carte distribution or sometimes a hybrid of all three. We're taking the annual plan we rolled out in the US and expanding it internationally. At the same time, we're creating brand new offerings like mobile-only plans for markets where value is key and mobile devices dominate streaming consumption.

To do all this, we're leaning on our long-time global presence and a vast network of relationships with partners all over the world. Last year, we doubled down on strategic partnerships, closing deals with T-Mobile in the United States and Sky in Europe to name just two examples. Today, we're proud to announce a new partnership, this one in France with Canal+, one of the largest providers in the market. Through this hard bundle partnership, Canal+ subscribers will get access to Paramount+ immediately at launch, allowing us to gain a big foothold and a strong launch pad. These kinds of partnerships and hyper-tailored strategies will help us continue to scale quickly and economically, reinforcing our competitive position.

Across our streaming services and SkyShowtime, our innovative joint venture with Comcast that serves territories encompassing 90 million homes, primarily in Eastern Europe, will be in more than 60 markets by the end of the year with more than 60 partners. Beginning in 2023, we'll turn our sights to Asia, Africa and the Middle East, building on our momentum to bring Paramount+ to every region of the world.

Our global expansion underscores an important lesson in streaming. The stories we create are only as powerful as the audience they reach. So, in addition to expanding the service to more people, we're also enhancing the service itself. We're constantly asking ourselves how do we make this experience better, smoother, more personalized? Not just how do we serve users, how do we delight them?

Just a year in, we've made tremendous strides. We continue to serve a broad diversity of taste through programming that's tailored to the individual and personalized with a distinct editorial voice. Increasingly, viewers are spending more time streaming outside of our top titles and watching a greater variety of series and movies each month. And we're continuing to innovate. We've revamped our brand hubs and introduced collection pages and we've used innovations from across our platforms to create an even richer experience on Paramount+.

With Pluto TV for example, we pioneered lean-back linear channels that allow users to simply fall into a show. It's easy entertainment that demands nothing of the viewer because our programming team does the work and it drives effortless discovery and engagement bringing the best of our deep catalog to the fore.

Now, we've launched 20 linear franchise and genre channels in the US on Paramount+. So, if you love animation or TV classics, you can jump straight in and discover something new. Just a few weeks in, the adoption of linear channels has grown quickly and the people who use this feature are spending 40% more time on the service than they were before.

Simply put, viewers are more easily finding content to love. Our goal with these product enhancements is to give people every reason to explore and enjoy the full breadth of our content on Paramount+ to make the experience so engaging, it becomes part of your daily routine.

So, let's talk about how we're helping subscribers access even more of our amazing streaming services right there in the Paramount+ app. Our existing bundle of Paramount+ and Showtime has performed very well out of the gate. That's because users can access two premium content offerings with streamlined sign-up, but viewed in distinct apps.

Starting this summer, we're making Showtime even easier to access in one app experience. The Showtime service will still be available separately if that's your preference. But within Paramount+, it will be seamless to sign up for Showtime and easier than ever to discover great shows. You'll be able to simply upgrade your Paramount+ subscription to a bundle that includes the Showtime service and then view all that content in a single-user experience. And then, when you're done watching Mayor of Kingstown, you'll be able to move immediately to the next season of Billions without ever leaving the Paramount+ app.

Less than a year after launch, we're expanding into new markets and making our product easier to explore and more seamless to operate and it's all for one reason, to build a home worthy of our content.

To tell you more about our global content strategy, please welcome our Chief Programming Officer, Tanya Giles.

Tanya Giles

Chief Programming Officer-Streaming, ViacomCBS, Inc.

Thanks, Tom. It's a good thing you're building a worthy home because our content is unrivalled. On Paramount+, we've got something for everyone. Take a look.

[Video Presentation] (00:28:21-00:29:29)

That's a mountain of entertainment. In fact, as Bob mentioned, we have the broadest diversity of content of any streaming service out there. We've got movies, kids and family programming, news, sports and events, unscripted TV, adult animation, and scripted shows of all types. Our Q4 growth didn't come from one or two of these lanes. Every single lane helped deliver those subscribers.

Just look at the top 10 acquisition drivers from last year: movies, sports, drama, comedy, kids. These are the titles that draw people to the service. And when we look at what keeps people engaged, the range gets even broader. Reality shows with deep libraries and original series and franchises that give fans more of what they love.

As Bob said, our content reaches audiences of all ages, coastal and central, streaming obsessed and streaming curious across the US and around the world. We are super serving the whole household, from preschoolers to rabid sports fans to news junkies. When more people in a given household watch more shows, those subscriptions only get more valuable. The more profiles an account has and the more titles watched, the higher the retention and the lower the churn. And much of our growth is coming from those hard-to-reach younger audiences where there's enormous potential. We serve the whole country too, with the broadest range of households by income and a geographic spread that covers not just the East and West Coasts, but the center of the country where Paramount+ over indexes compared to other streaming services.

Now, the breadth of our content is just one piece of the puzzle. Through the breadth of our platforms, we also meet users wherever they're spending their time, whether that's a big theatrical release, linear TV, ad-supporting streaming or social media and use those opportunities to cross promote and introduce our content to new audiences.

1883, for example, is a runaway hit and not just because it's totally gripping entertainment, we put the full power of our company behind it. We started with Yellowstone, one of the most popular series of all time. To capitalize on its built-in fan base, we leveraged our platforms, linear and streaming, free and pay sampling 1883 on Pluto TV and Paramount Network right after Yellowstone. The same day, we released it on Paramount+. And that wasn't just any day, but Sunday, when NFL fans were deeply engaged on the service.

Thanks to all this and a powerful strategic marketing campaign that leaned heavily on our in-house assets and capabilities, 1883 has been gaining enormous momentum week after week. It's now Paramount+'s biggest hit ever. And I am so excited for the next chapter of this Dutton family drama coming later this year. And this is just the beginning. There is so much more as you'll hear later about in the show from our creator himself, Taylor Sheridan.

1883 is only one example of a programming strategy that leverages the quality and breadth of our content and platforms. And it's working. The number of titles streamed per user has seen huge growth quarter-after-quarter and year-over-year. And users who stream our original content are exploring even more than their peers.

Now, even though we're proud of where we are, we are not standing still. And you'll now hear from our content leaders, as we look to the future of our programming strategy, we are doubling down on our differentiators. First, we are taking our broad content offering and deepening it with more content across key lanes, building especially on our treasure trove of IP to create lasting hit franchises.

Second, we are continuing to bring viewers from show to show, linear to streaming and back again across our broad set of platforms. And finally, we are leveraging our global reach, which has long been a defining feature of our company to serve international markets, feed our entire global content line and scale Paramount+ in the process.

Before we dive into each content lane, I want to show you just what's possible with stunning creative talent and the right strategy behind it. It's an iconic franchise with vibrant characters and gripping storylines coming exclusively to Paramount+ in just a few weeks, Halo. In fact, we are so excited about season one. I am thrilled to announce we are greenlighting season two.

To tell you more, please welcome the Master Chief himself, Pablo Schreiber.

Unverified Participant

Thanks, Tanya. My name is Pablo Schreiber and I play the iconic super-soldier Master Chief John-117. It has been literally a dream come true to put on Chief's helmet and Mjolnir armor and take the fight to the covenant. Bringing this series to life has been a labor of love for so many of us for so long, and I'm so excited to show you the results in just a few weeks. Whether you're a sci-fi geek or a die-hard fan of the Halo franchise or if you just love great television, boy, we have something for you. Well, actually, we do have something for you. Please enjoy a sneak peak of the Halo universe like you've never seen it before. Let's finish this fight.

[Video Presentation] (00:35:36-00:36:36)

Brian Robbins

President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

Good afternoon, everyone, I'm Brian Robbins, Chief Content Officer, Movies and Kids & Family for Paramount+. Paramount Pictures' films and Nickelodeon's kids and family content are crucial to our streaming strategy. Last year, Paramount Pictures achieved new milestones for Paramount+, including A Quiet Place Part II, which in addition to being a Box Office success, was the number one film acquisition driver on the platform and a day-and-date release of PAW Patrol: The Movie, the most streamed movie title on Paramount+ ever. And what we haven't started this year is one of Paramount Pictures' best theatrical slates ever. Let's have a look.

[Video Presentation] (00:37:36-00:40:51)

The star power you just saw, Tom Cruise, Sandra Bullock, Brad Pitt, Margot Robbie, Idris Elba, and Jim Carrey, they are guarantee to have audiences lining up to see these films in theaters. And then these films will make their way to Paramount+ as the home for the biggest must-see motion pictures. But in streaming, a film must plug in to a greater strategy. It's not enough on its own. Consumers expect quality and quantity. They expect world building and innovation in storytelling. Paramount Pictures, which is armed with so many beloved franchises recognized around the world will deliver on all this and the home for all of our fantastic films will be Paramount+.

Take the Transformers franchise from us and our partners at Hasbro, it has grossed $5 billion globally from films alone and a multiple of that at retail and we are excited that the next chapter begins with the release of the 7 Transformers: Rise of the Beasts in 2023 where we're tapping into two incredible talents, director Steven Caple Jr. and star, Anthony Ramos, this film will be the first of three installments. But before all that, coming this fall, we will be releasing a new animated series for kids and families from Nickelodeon that offers a fresh take on the iconic brand. And in 2024, we'll extend the franchise further with a CG animated Transformers theatrical film.

With built in awareness and existing fandoms, we are replicating this success with Sonic the Hedgehog, a beloved global hero for over 30 years now, which recently became a part of the iconic film franchises in the Paramount family. And on April 8, the highly anticipated sequel to Sonic will premiere in theaters. And we are excited to announce today that Paramount and Sega are developing the first ever original Sonic series for Paramount+ next year. This live action series will feature the character Knuckles, voiced by Idris Elba. Paramount and Sega are also developing a third Sonic theatrical film, and all of this content will make Paramount+ the home for this incredibly popular franchise. And in our cannon of home-grown franchises is the Quiet Place, with two major hit movies earning $650 million in global Box Office. The suspense of A Quiet Place goes way beyond just the average family and we are excited to show you just how deep the horror gets.

And here's my friend John Krasinski to tell you more about that.

[Video Presentation] (00:43:45-00:45:12)

Thank you, John. Talent like John with massive loyal fan bases will follow them for theaters to Paramount+. And over the next 24 months, that's what you're going to see. From blockbusters like Top Gun, Lost City, Dungeons & Dragons and Mission: Impossible to Babylon from Academy Award winning director, Damien Chazelle, starring Brad Pitt and Margot Robbie to the recently announced collaboration from creative visionaries Matt Stone and Trey Parker, the masterminds behind South Park, and music superstar Kendrick Lamar, and all of these will make their way to Paramount+. And as Bob said, we're thrilled that starting with our 2024 releases, Paramount+ will become the home for all Paramount theatrical movies.

Now, just as Paramount Pictures has established itself as the premiere studio brand for generations of audiences, Nickelodeon is kids and family, with the most brand loyal audience on the planet. And because with streaming, once families subscribe, they stay subscribed. Viewers who come in for kids and family content reduce churn by double digits, creating even stronger long-term value. And with 25 million US homes with kids 2 to 11 and millions of more globally and Paramount+ being one of the top providers of kids content, well, from where we sit, the upside is enormous.

Start with the SpongeBob universe. It's the number one most streamed property on the platform, with 13 seasons and 2 brand new spin off shows, Kamp Koral and Patrick Star plus, we are announcing today three new character-driven movies exclusively for Paramount+ and a big theatrical temple in the works. We will also usher in a new era of Turtlemania for 2023 with the theatrical release of a new Teenage Mutant Ninja Turtle's movie from

Seth Rogen, who's taking the property back to its original DNA of comedy and action. And we will fast follow this series with a villain-driven turtles film exclusively from Paramount+.

And as we build up our homegrown franchises, we're also bringing new ones into the fold. This fall, I am excited for Monster High, where we will reintroduce these classic monsters to a whole new generation of kids with a live action musical movie and a new animated series, and also a hot toy line from our partners at Mattel. And later this month, we have the Paramount+ debut of Big Nate, the first adaptation of the bestselling book series known and read by almost any fourth grader you will find. Check it out.

[Video Presentation] (00:48:14-00:48:53)

And now, when it comes to preschool, it doesn't get any bigger than PAW Patrol. So, in the wake of PAW Patrol: The Movie success on Paramount+, we've green lit the sequel The Mighty Movie for theaters in 2023, and we're pairing it with the first ever spin-off TV series of PAW for Nickelodeon and Paramount+. And the success in one preschool franchise has crescendo effects across the whole portfolio, which will also include these Paramount+ titles, a movie from Blue's Clues, Blue's Big Adventure, bowing this year; and in 2023, a full-length Baby Shark movie based on the most viewed YouTube video of all time and our high-rated Nick series. And we're announcing today the return of Dora the Explorer with a new animated series for preschoolers and a live action series in the same spirit as the recent theatrical for older kids. So, with all this great content lined up, we're in the best position.

Unverified Participant

Brian. Hey, Brian.

Brian Robbins

President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

Hey, Miranda. This is a total surprise and completely unrehearsed.

Unverified Participant

Oh, totally unrehearsed. I am actually close by, though, shooting Season 2 of iCarly, so I just thought I'd pop over to make sure we get a good plug in here for our show and to remind everyone how big it was last summer.

Brian Robbins

President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

Oh, 100%. I mean, iCarly was the top comedy acquisition driver on Paramount+ last year; it drove billions of impressions on social media. Thanks to you. And like you said, you are taping the new season right now that's going to premiere later this year.

Unverified Participant

Yeah. It's been such a great homecoming for all of us, and we're just so grateful to all the fans of the show, and I've even sort of enjoyed being a meme again. Anyway, thanks for the plug. I've got to get back to set. We're doing this whole unresolved issues thing between Carly and Freddie. So, thanks for indulging me, and thanks again to everyone. Thanks, Brian.

Brian Robbins

President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

Thanks for coming by. That was awesome.

Unverified Participant

Bye.

Brian Robbins

President and Chief Executive Officer-Paramount Pictures and Nickelodeon & Chief Content Officer-Movies and Kids & Family, Paramount+, ViacomCBS, Inc.

Thank you, Miranda. Not only was iCarly a huge hit in its own right, but it also opened the door for Paramount+ to program more young adult content, another huge opportunity for us, the incredibly influential YA audience of 100 million, 13 to 34 year olds drives 3 trillion in spending power. They are huge consumers of content, with an average of five SVOD subscriptions each, and they dominate social, and their endorsement is the most effective marketing campaign you can ever imagine.

So, for them, we're launching a full slate of YA targeted films and series powered in part by Awesomeness, the studio behind the recent YA hits To All the Boys, Pen15 and The Perfect Date. And our films include the recently released The In Between, starring YA icon Joey King from The Kissing Booth and upcoming films like Honor Society, a high school comedy that's a cross between election and mean girls, starring Angourie Rice from Mare of Easttown, and Gaten Matarazzo from Stranger Things. And also Hush, Hush based on the New York Times bestselling book series, Fantasy Football from LeBron James' Springhill Company starring Marsai Martin, and the return of MTV's Teen Wolf with a new movie featuring the original cast that will set up a new werewolf series called Wolf Pack based on the acclaimed books by Edo van Belkom.

So all of this, this is just what I can squeeze in my allotted time. There are so much more, so much more content, creativity and innovations coming and pulling it all together, Paramount's legendary list of beloved IP and the high-profile star power throughout our ecosystem and the generation defining hits birthed by Nickelodeon, all make Paramount+ the home to the biggest, most iconic franchises serving everyone from preschoolers to boomers and generations X, Y and Z.

So, if you're a fan of any of these, then you must have Paramount+ If you're a fan of any of these, then you must have Paramount+, and what's more, these titles will live across films and series, in consumer products, fueling global fandoms and driving subscriptions, engagement and retention. And when it comes to global fandoms there is nothing like Star Trek fandom, and here to talk about what's next in that universe is JJ Abrams.

[Video Presentation] (00:53:35-00:56:56)

George Cheeks

President & Chief Executive Officer-CBS & Chief Content Officer-News and Sports, Paramount+, ViacomCBS, Inc.

I'm George Cheeks, Chief Content Officer for News and Sports on Paramount+. And this is the legendary San Siro, the home of Inter Milan and AC Milan, and the setting for many thrilling UEFA Champions League and Serie A matches. You can watch them all on Paramount+. We have many of the biggest franchises in live sports. It's a true differentiator for the service.

Now to talk about that, let's hear from two voices of the most popular sport on Paramount+. From our Inside the NFL studio in New York, an all-time NFL great, Julian Edelman, and from our Champions League studio, the incredible host of the UEFA Champions League on CBS Sports, Kate Abdo. And who better to talk about the success of football on Paramount+ than one of the faces of our critically acclaimed coverage. Take it away.

[Video Presentation] (00:57:49-01:00:07)

Like Kate and Julian said, whether we're talking about football or football, Paramount+ is winning because we have something nobody else does, a sports ecosystem where Paramount+ and CBS Sports work together to drive subscriptions and engagement. We have television's most valuable property, the NFL, and it's performing better than ever for us.

Take our Thanksgiving Day game. More than 40 million fans tuned in, making it the most watched regular season game in 31 years and the most streamed regular season game ever on Paramount+. This record-breaking momentum continued into the playoffs, with our most streamed non-Super Bowl weekend ever.

Now, in the span of just one football season, the NFL on Paramount+ has increased by 88% in active subscribers and by 67% in minutes streamed, and there's so much more to come, thanks to our historic multi-platform deal that extends our relationship with the NFL through 2033. We're also America's home to the world's most popular sport, and look at the sheer tonnage of our exclusive rights in soccer. The 2021-22 UEFA Champions League season alone continues to deliver record-breaking audiences for Paramount+ and we're expanding our coverage internationally. Paramount+ recently landed English Premier League rights for Mexico and Central America. In Chile, Paramount+ will stream the Chilean national football team qualifying matches for the 2026 FIFA World Cup. And Paramount+ and Network Ten will present the top Australian leagues and the Australian national team matches in territory.

Paramount+ also is the home of the full CBS News portfolio. This includes our recently rebranded 24/7 streaming news service that will feature new original programs from CBS's top on air news talent, a slate of upcoming docu-series from leading journalists and filmmakers, as well as on-demand access to the network's iconic news franchises.

Now, as Bob said, one of our key differentiators is our broad collection of businesses, from television to theatrical, working together to drive global streaming. Our company has the world's biggest broadcast footprint, with powerhouse networks around the world, including the top-rated broadcaster in Argentina, Telefe; the top network in Chile, Chilevisión; Channel 5 in the UK; and Australia's Network Ten. Each network offers up a powerful, owned marketing platform, with massive reach to fuel the growth of Paramount+.

On CBS, for example, we promote Paramount+ in every hour of network programming. Last year, it added up to 4 billion on air impressions and 1,500 spots across CBS. And our networks continue to produce hit after hit, hits that find new audiences on Paramount+ all over the world. One of Network Ten's most successful Australian drama series, Five Bedrooms, moved to Paramount+. Five Bedrooms is now one of the biggest shows on the service, helping to drive early subscription growth in Australia, where we vastly exceeded our subscriber estimates.

In Latin America, our teams also are turning local broadcast hits into Paramount+ originals, like the megahit MasterChef on Telefe, spinning off into Hands Off Chef on Paramount+. Two CBS series, Evil and SEAL Team, became Paramount+ originals last year, and quickly became two of the most watched original series on the service in the US. They both have been renewed for another season, and today we're excited to announce plans for a SEAL Team movie event exclusively for Paramount+.

Now, we continue to add CBS hits on Paramount+, from dramas like FBI, which has vaulted into one of the service's top shows, to comedies like Ghosts, which is the number one new comedy on broadcast and the number one comedy series on Paramount+; from primetime entertainment, to news, to NFL on CBS. Bottom line, different audiences watch premium content in different ways. We can draw the biggest broadcast audiences and engage a unique and additive audience on streaming, as we continue to grow Paramount+ and build more franchises. And CBS will take our globally popular franchises and turn them into local Paramount+ originals.

Today we're announcing NCIS: Sydney, a uniquely Australian spin on the hit US show, coming next year to Paramount+ in Australia. The new series will be filmed in one of the world's most scenic harbor cities. It will feature local stories and local creative talent, including Shane Brennan, creator of NCIS: LA, who's an Australian himself. It all adds up to the very best in live sports, breaking news, key entertainment franchises, and broadcast networks driving Paramount+ with audiences all around the world.

Now I'd like to pass it over to my colleague and friend, Chris McCarthy.

Chris McCarthy

President & Chief Executive Officer-Media Networks & Chief Content Officer-Unscripted Entertainment and Adult Animation, Paramount+, ViacomCBS, Inc.

Thanks, George, and hi, everyone. I'm Chris McCarthy, the Chief Content Officer for Adult Animation and Reality Programming for Paramount+, and I'm excited to be here today to talk to you about both genres, as well as the global power of IP.

Adult animation and reality content share a lot in common, larger than life characters, outrageous situations, and laugh-out-loud moments that resonate. They show exaggerated truths that we can all relate to and that's why they're so incredibly popular all over the world. And they both hold a special place for us. We're credited with creating reality TV with the launch of The Real World and with South Park and Beavis and Butt-Head, we help to bring adult animation into the mainstream and around the world over 25 years ago. And to this day, we are global leaders in both. And as we accelerate our expansion with Paramount+ globally, we're doubling down.

Let me give you an example. Jersey Shore was an instant phenomenon when we launched it in the US. So, we franchised it with local cast all over the world. With Acapulco Shore and Rio Shore, we used them to launch Paramount+ in Mexico and Brazil and they quickly became the number one series in those markets.

And I'm excited to announce today that we're renewing both of those series and to further accelerate our launches globally, we're adding seven new Shores around the world. You see, this is one of our global competitive advantages, globally known reality IP with local cast executions. It allows us to customize our offering in new markets with incredible efficiency. Now that's what I call a Shore thing.

That takes me to The Challenge. The IP that created reality competition is now about to create a new reality first. Behind me is the location in Argentina, where we're shooting the first-ever globally connected competition series. And because it takes place in one location, we're creating five series for nearly two-thirds the cost. Take a look at The Challenge: War of the Worlds.

[Video Presentation] (01:07:26-01:08:39)

And that's just the beginning. Take a look at the scope and scale of what we have going on. It truly puts us in a leadership position.

Now let's talk about the power of adult animation. South Park and Beavis and Butt-Head are some of the most beloved and universally recognized IPs in the world. Last year, South Park was the number one adult animated series in the US. And around the world, over 50 billion minutes of the show was consumed, which means at any given time, more than 100,000 people are watching South Park. And I'm thrilled to say, as we celebrate the 25th anniversary, the series is coming home.

It all started last year as we launched two new streaming movies on Paramount+, which were top performers in the US and number one in our international markets. Now, we'll build on that momentum with two new South Park movies every year for the next six years and I'm excited to announce here, for the first time ever, that Paramount+ International will become the exclusive home to the full South Park library of 310 episodes as we launch the series this year. Plus, starting in 2024, new episodes of the South Park series will have their US and international streaming premieres on Paramount+, followed by the full catalog coming home to the US in 2025, making Paramount+ the global exclusive SVOD home to South Park.

Now, we're also welcoming home Beavis and Butt-Head this July with a brand new movie set 20 years into the future, which is sure to reignite the franchise for old and new fans alike. And we'll build on that momentum with a new series set in the present day. Those are just a few of the great animated projects we have coming, as we continue to build out our global IP to power Paramount+'s expansion.

Now speaking of the power of IP to attract and capture millions of fans, last year, Yellowstone became a phenomenon, not just in the US, where it's number one on linear, but also internationally, where Paramount+ is its SVOD home. To build on that momentum, we franchised the series in real time, starting with the origin story, 1883. It just launched in December and it became an instant global hit. In fact, as you heard earlier from Tanya, it's Paramount+'s biggest hit ever.

Clearly, we're only at the beginning of unleashing the full potential of this IP. And here to tell you more about that is our creative partner, Taylor Sheridan.

[Video Presentation] (01:10:54 -01:14:03)

David Nevins

Chief Content Officer-Scripted Originals, Paramount+ & Chairman & Chief Executive Officer-Showtime Networks Inc., ViacomCBS, Inc.

I'm David Nevins, Chief Content Officer of Scripted Originals for Paramount+. Behind me is a London soundstage, where we make the kind of global scripted originals that are helping to power Paramount+. We make shows that resonate across the country and around the world, and we make them in every market for every market.

It's a two-way street, with US-made shows that we're rolling out around the world, and internationally produced shows that we're bringing to the US and markets everywhere. We are creating groundbreaking new IP, even as we lean into the franchises that fans love, and we bring the highest level of acting, writing, and cinematography, the best of Hollywood to everything we do. The result is entertainment that's addictive. It's what entices subscribers and keeps them coming back for more, the kind of shows you can relax with on a Saturday afternoon or just before bedtime and the kind of shows that can [ph] fill the call (01:14:57) for a suspenseful Friday night at home.

Take The Offer, one of Hollywood's wildest stories how the iconic film The Godfather almost didn't happen. It's a riveting limited series starring Miles Teller, Juno Temple, Matthew Goode, and Giovanni Ribisi. Here's a peak.

[Video Presentation] (01:15:13-01:16:20)

Next comes Grease: Rise of the Pink Ladies, a splashy musical prequel to a classic film with proven multi-generational appeal, but updated for today with cutting-edge music and choreography. Have a look at this just produced dance sequel.

[Video Presentation] (01:16:35-01:18:13)

And coming later this year, we've got Kiefer Sutherland in an edge-of-your-seat psychological thriller, Rabbit Hole. From the creators of The Good Fight and Evil comes a true story of a woman who realizes her father was the infamous real-life Happy Face serial killer; and titles from the Paramount library ripe for updating, like Fatal Attraction, starring Lizzy Caplan and Joshua Jackson. For us, it's absolutely essential how well these shows will play internationally, because Paramount+ is designed for a global audience.

And to tell you more about our international production plans, let me throw it over to my London colleague, Maria Kyriacou.

Maria Panayiotis Kyriacou

President-ViacomCBS Networks International Australia, Israel and UK, ViacomCBS, Inc.

Thank you, David. As you've said, Paramount+ is a truly global service in every way. Our production capabilities span more than 20 countries, from Argentina, to Israel, to my home here in London, giving us an incredible advantage. Here in the UK, we are thrilled to launch Paramount+ this summer, bringing all our shows and movies to British audiences, and bringing the remarkable talent that we have here to a global audience.

From a dramatization of the New York Times bestselling novel, A Gentleman in Moscow, to a prequel series of the British cult hit, Sexy Beast, we're excited about what's in store. As we expand Paramount+ into global markets, my colleagues around the world are creating new content, like our first Italian original, Miss Fallaci, and a thriller from Germany, The Chemistry of Death, and we're expanding our partnerships with international groups, including CJ Entertainment, the South Korean production company behind Parasite, starting with a thought-provoking new drama, Yonder. In fact, we already have more than 50 new international originals planned. Here's a quick look.

[Video Presentation] (01:19:54-01:20:38)

As a company, we've also become a leading producer of Spanish language content, with Telefe in Argentina and the recent acquisitions of Chilevisión, TeleColombia, and Estudios TeleMéxico, we premiere over 5,000 hours of content per year, and we use that scale to drive Paramount+, leading into hit shows like Los Enviados and Cecilia, which I can confirm have been picked up for second seasons.

And here to tell us about the new romantic comedy At Midnight is the incredibly talented Monica Barbaro.

Unverified Participant

Thanks, Maria. After playing a fighter pilot by the name of Phoenix in Paramount's highly anticipated Top Gun Maverick with the legendary Tom Cruise, I am thrilled to stay with the family. At this very moment, I'm in Mexico shooting a beautiful new film with Diego Boneta called At Midnight, which tells the story of Sophie and Alejandro, two ambitious people who meet at the right place but the wrong time. I play a career-driven movie star with a seemingly glamorous life, and my world collides with Alejandro, who, until now, has lived his life according to a thought-out predictable plan. It's been an incredible shoot so far, and we can't wait to share with you the magic we've gotten to experience on set every day.

Maria Panayiotis Kyriacou

President-ViacomCBS Networks International Australia, Israel and UK, ViacomCBS, Inc.

Thanks, Monica. Simply put, we tell great stories that transcend all countries and cultures. Back over to you, David.

David Nevins

Chief Content Officer-Scripted Originals, Paramount+ & Chairman & Chief Executive Officer-Showtime Networks Inc., ViacomCBS, Inc.

Thank you, Maria. As Maria said, the beating heart of what we do is tell great, captivating stories; stories that move us, provoke us, and make us think; stories that you can't stop talking about, and with hits like Your Honor and Yellowjackets, not to mention the huge worldwide success of the Dexter revival, SHOWTIME has been a great producer of fear of missing out series that become worldwide sensations, series that dominate the cultural conversation, and serve as a cornerstone for our Paramount+ service in markets around the world.

And as Tom said earlier, this includes US subscribers who will soon be able to easily access SHOWTIME within Paramount+. Looking ahead, we couldn't be more excited about these global hits in the making: The First Lady, an intimate view inside the lives of Michelle Obama, Betty Ford, and Eleanor Roosevelt, starring Viola Davis, Michelle Pfeiffer, and Gillian Anderson. Take a look.

[Video Presentation] (01:22:54-01:23:53)

From the creators of Billions comes another show from their universe exploring the contours of capitalism, it's Super Pumped: The Battle for Uber. If Billions is about the masters of that universe, Super Pumped is about the entrepreneurs. Here's a preview.

[Video Presentation] (01:24:08-01:25:07)

And I'm excited to announce that we're already at work on Season 2 of Super Pumped, which is going to be about the rise of Facebook. And today, we are also ordering Season 7 of Billions.

On the horizon, we have the iconic American Gigolo starring Jon Bernthal; Let the Right One In, an adaptation of the Scandinavian vampire saga starring Demián Bichir; and Ripley, a sumptuous take on the classic Patricia Highsmith mystery of an American tourist whose visit to Italy is interrupted by accusations of murder; premium shows, huge stars, addictive stories with global appeal. This is what it looks like when we supercharge our content engines to create shows the world can't get enough of, all on Paramount+, and we are just getting started.

Now, let me turn things back over to Bob.

Robert Marc Bakish

President, Chief Executive Officer & Director, ViacomCBS, Inc.

As you can see, across every genre lane, Paramount is reaching new heights with our powerful content engine. And that engine in turn is creating a compelling value creation opportunity for the company.

Here, to share more details on that, please welcome our Chief Financial Officer, Naveen Chopra.

Naveen Chopra

Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

Thanks, Bob, and hello, everyone. This afternoon, my colleagues have explained how we plan to take our flagship streaming service to new heights. Now, I'd like to explain how that strategy is driving our financial results today and into the future.

I'll start by sharing a few highlights from our Q4 results and recapping the remarkable year we had in streaming. Then, I'll talk about the future, starting with changes in our disclosures, which are important to understanding our future financial goals. I'll explain how our differentiated streaming playbook translates to a financially attractive business with healthy long-term margins. And then, we'll put some specifics around all of that, with updates on our long-term goals and expectations for 2022.

So, let's start with our Q4 results, which are covered in greater detail in the press release we issued earlier today. We added 9.4 million streaming subscribers in Q4, reaching a total of 56.1 million global subscribers across our services. Paramount+ continued to drive the vast majority of new subscribers in the quarter. But SHOWTIME OTT also had a record quarter of additions. In ad-supported streaming, Pluto TV continued to thrive, delivering its biggest quarter of MAU growth by adding 10 million MAUs to reach 64.4 million MAUs globally.

In combination, these services powered another quarter of exceptionally strong revenue growth. Global streaming revenue was up almost 50% year-over-year to $1.3 billion, benefiting from strong subscription revenue growth, which accelerated yet again to an impressive 84%.

At the same time, we saw a continued strength in our traditional businesses, with growth in both advertising and affiliate revenue. Our balance sheet also strengthened in Q4, where we sold non-core real estate assets and ended the year with $6.3 billion of cash on hand. Our net debt balance now reflects a $7 billion reduction since the merger of Viacom and CBS and provides ample firepower to seize the tremendous streaming opportunity before us.

And speaking of streaming, as you've heard throughout today's event, 2021 was indeed remarkable. Less than a year since the launch of Paramount+, our content, marketing and distribution engines drove explosive growth, adding more than 26 million global streaming subscribers across our platforms in 2021.

In turn, streaming subscription revenue grew nearly 80%. We know that kind of growth relies on great content to attract and retain a broad base of subscribers and we're seeing the formula working. In fact, if we look at our domestic Paramount+ business, as content selection expanded, the average monthly active rate moved higher in each of the past three quarters since launch. And as audiences spend more time with the service, churn also improved each quarter during the year. And as engagement and retention increase, so does the lifetime value of Paramount+ subscribers.

And to underscore what Bob and Tom shared, 2021 was also an out-of-this-world year for Pluto TV. In addition to crossing the $1 billion revenue threshold, Pluto TV experienced tremendous growth in users and watch time. Total global viewing hours increased over 50% to 4.8 billion, while viewing hours per domestic MAU grew a healthy 12%.

In a moment, I'm going to explain how our performance in 2021 guides our expectations for future streaming growth. But before doing so, let me explain changes we're making to our financial disclosures, which will improve the visibility of this direct-to-consumer growth, while highlighting the profitability of our traditional business.

Today, we published re-casted trending schedules on our website, presenting historical results through the lens of our three new segments, as shown here: first, a highly profitable and resilient TV Media business, which includes our global broadcast and cable network businesses and their associated studios that were reported separately in our legacy TV Entertainment and Cable Networks segments. It also includes Paramount TV Studios, which was previously part of the Filmed Entertainment segment; second, Filmed Entertainment, which is comprised of the Paramount Pictures and Nickelodeon Studios; and finally, a high-growth Direct-to-Consumer business, which includes the global operations of our D2C streaming services consisting of Paramount+, Pluto TV, SHOWTIME OTT, BET Plus, and Noggin, all in one segment.

Taking a closer look at our segments under the new reporting structure, you'll notice the profitability of our TV Media segment, which generated nearly $23 billion in revenue and close to $6 billion in adjusted OIBDA last year. TV Media OIBDA was up 1% year-over-year and delivered a 26% OIBDA margin. In our D2C segment, revenue grew an impressive 83%. And as you know, we continue to invest behind this growth to capture a highly strategic market opportunity. And as a result of this investment, D2C operated at a loss of approximately $1 billion in 2021.

In addition to changes in our segment reporting, we're also evolving our revenue disclosures. Our new reporting segments feature four revenue types: advertising, affiliate and subscription, theatrical, and licensing and other. Our streaming revenues are now captured as advertising or affiliate and subscription revenue in either the D2C segment or the TV Media segment, if not directly related to our D2C services. And to offer a closer look at Direct-To-Consumer, we will also be publishing revenue and subscribers or monthly active users for Paramount+ and Pluto TV, respectively.

As shown on this chart, by year-end 2021, Paramount+ had 32.8 million global streaming subscribers. As Bob mentioned, Paramount+ has been the key driver of subscriber growth, representing over 80% of the 26.2 million global streaming additions we gained last year. Paramount+ generated $1.3 billion in revenue in 2021, up 115% year-over-year. Domestic paid ARPU approached $9 in Q4, reflecting a mix of essential, premium, and promotional subscribers.

In 2022, we expect both domestic ARPU and international ARPU to move higher. Domestic ARPU will benefit from improved ad monetization and the conversion of trial and promotional subs to full-paying subs. And international ARPU will improve, too, as we launch in large international markets with significantly higher average ARPUs than our current international sub base.

And on Pluto TV, you now know, we added over 21 million global MAUs in 2021, delivering almost 90% top-line growth. That's $1.1 billion in revenue. In the US, Pluto's efficient business model and impressive ARPU growth demonstrate increasingly strong margin potential. In fact, Pluto TV's global ARPU increased 17% year-over-year to $1.64, with domestic ARPU significantly higher at $2.54, up 44% year-over-year.

We're also simplifying the way we record Direct-To-Consumer content expense to more clearly present the actual cost to the company of our streaming investments. We are no longer recording intercompany licensing between segments. Instead, we're allocating content costs to each segment based on the relative value of the distribution windows exploited by each reporting segment. What does this change mean for D2C investment? Well, under our new reporting structure, D2C content expense would have been about $1 billion in 2020 and $2.2 billion in 2021. We think this combination of changes makes it easier to understand and value the future Paramount. It's a future we are very excited about, because it leverages the assets from our traditional media enterprise to build a large-scale global Direct-To-Consumer business with attractive long-term margins.

As Bob laid out, streaming unlocks a tremendous incremental market opportunity for Paramount compared to Pay TV. In fact, relative to our existing Pay TV footprint, which reaches 300 million households, our streaming strategy reaches more than double that amount, to well over 600 million broadband homes, excluding China and India. And this number will continue to grow, especially when adding mobile broadband users, a previously inaccessible segment, we'll soon be targeting with a mobile-only plan for Paramount+ in certain geographies.

Our broad approach to streaming positions us to capture an even greater portion of this growing addressable market with better long-term economics. Let me use three examples from our playbook to explain how our approach yields financial benefits and creates long-term value. First, within Paramount+ and across our ecosystem, we benefit from a combination of subscription and advertising revenue. This gives us multiple ways to grow beyond just subs and price. Our dual revenue stream model allows us to grow ARPU through enhanced engagement and monetization, and we can reach an even larger audience by appealing to the hundreds of millions of consumers, who prefer to pay a low or no subscription fee for their content.

Advertising has powered the media business model for decades. The power of broadcast television has been essential to cable television. Today, as we look ahead to the future, it adds incredible value to our streaming playbook as part of a hybrid subscription ad-supported model like Paramount+ and as a pure-ad supported service with Pluto TV.

Second, when it comes to distribution, we're also running with a differentiated playbook, combining the topnotch consumer experience and massive addressable market of streaming, with the attractive economics of the traditional cable model, at a time where our partners are focused on using streaming services to further leverage their broadband presence and expand customer offerings.

Take our hard bundle deal with Sky, or the deal we announced today with Canal+, where Paramount+ is instantly distributed to millions of Sky Cinema or Canal+ customers. While ARPU is lower than in our Direct-To-Consumer channel, it's higher than linear TV, subscribers scale very quickly, we incur no customer acquisition, billing, or support costs, and we eliminate the risk of churn when series reach end of season. This play is enabled by our longstanding relationships with global MVPDs and the differentiated value proposition of Paramount+. And of course, these hard bundle relationships let us maximize reach by complementing our higher ARPU direct channels and customers we acquire through streaming platforms like Amazon, Roku, and Apple.

Third, we have a unique opportunity to leverage our content investments across our broad platforms. It's the perfect illustration of how our so called legacy businesses enhance streaming economics. And it's not just a hunch. We measure return on investment on a show-by-show basis. Unlike a pure-play streamer, our ROI equation benefits from broad platforms like box office revenue, Pluto TV, third-party licensing, download to own, and consumer products among others.

Coupled with the lifetime value of each Paramount+ customer directly attributed to the title, this diversified model consistently demonstrates compelling ROI across many popular Paramount+ releases, which brings us back to our differentiated streaming playbook. These monetization opportunities improve the return on streaming content and are not available to a pure-play streamer. In our model, these traditional businesses are powerful sources of economic and promotional value. While high-impact Paramount+ exclusives, like Mayor of Kingstown and 1883, are important to our growth, they are only part of our success equation. Paramount+ is also powered by a deep portfolio of both shared and library content.

With strong momentum in our Direct-To-Consumer business and a differentiated streaming playbook, we're confident that the opportunity ahead is, as Bob said, matched only by the scale of our ambition to seize it. Just one year ago, we set a goal to reach 65 million to 75 million global streaming subscribers by year-end 2024. We now expect to surpass that goal by the end of 2022, two years ahead of schedule. Today, we are raising that goal to over 100 million global D2C subscribers by year-end 2024. This excludes subscribers we expect to serve with SkyShowtime, which will be reported separately by the JV.

At Pluto TV, engagement and ARPU have accelerated meaningfully in the past year, increasing our ability to monetize the 100 million to 120 million global MAUs we expect to reach by 2024. In this combination, higher subscribers and ARPU, as well as accelerated monetization improvements at Pluto TV, means our goal for 2024 D2C revenue has increased substantially. Last year, our goal for global streaming revenue was to exceed $7 billion in 2024. As you can see on the right side of this chart, that included $6 billion of revenue now captured in our D2C segment, with the remainder being digital video advertising now captured in our TV Media segment.

As a result of our momentum and incremental investments, we are raising our 2024 Direct-To-Consumer revenue goal to over $9 billion. That's $3 billion higher than the $6 billion which was embedded in our 2024 revenue goal just one year ago. The incremental D2C revenue consists of both more aggressive subscriber assumptions and ARPU improvement, driven by the combination of subscription price increases and growth in advertising monetization.

Now of course, our growth depends on delivering killer content. Last year, we told you we expected streaming content expense to exceed $5 billion in 2024. This included $4 billion of expense associated with our Direct-To-Consumer services. We now expect D2C content expense to grow from $2.2 billion last year to over $6 billion in 2024. Given these investments, we forecast D2C OIBDA losses will be greatest in 2023 but will improve in 2024, when our global D2C businesses will start to see the benefits of our full content slate, including Paramount Pay One movies. By then, we'll be launched in significantly more markets, advertising and subscription monetization will be higher, and the layering of content amortization expense will begin to stabilize. And longer term, our model suggests that the D2C segment will approach margins similar to our current TV Media business.

I also want to provide some color on near-term expectations for each of our segments in 2022. At TV Media, we expect adjusted OIBDA to be similar to 2021, when adjusting for the benefit of Super Bowl LV in Q1 of last year. Similarly, we expect adjusted OIBDA at Filmed Entertainment to remain stable year-over-year, absent changes to our current film slate. And in D2C, we anticipate another year of very healthy subscriber growth led by Paramount+ and continued expansion at Pluto TV, all of which will translate to D2C revenue growth in excess of 60% for the full year. In fact, we expect D2C revenue growth in Q1 to accelerate beyond 2021's full-year D2C revenue growth rate.

As we grow, Direct-To-Consumer will see additional investments in content and international launches. As such, we anticipate an increase in OIBDA losses of approximately $500 million for the D2C segment in 2022. On a total company basis, consolidated OIBDA will show sequential increases in each quarter of 2022, including Q1.

Regarding the year-over-year trends, the first half of 2021 incorporated several non-comparable items, which benefited OIBDA in the period, including the Super Bowl, the impact of COVID on linear production and film releases, and the launch of Paramount+, which did not occur until March 4. Therefore, the first half of this year will show a material year-over-year decline in OIBDA, which will then flip to a significant year-over-year growth in the back half of the year, resulting in the full-year trends I just described.

We've covered a lot of ground today, and I know everyone is looking forward to the Q&A session. So on behalf of my colleagues, let me recap four key takeaways. First, in just one year, Paramount+ has outperformed all expectations. We have serious momentum and the credibility to establish ourselves as a scaled streaming player. Second, we are enhancing transparency. We want you to see and understand the evolution of both our D2C and traditional businesses. Third, we are taking our ambitions to new heights. We're investing in growth, with significantly higher goals for streaming subscribers and streaming revenue. Fourth, and most importantly, we are executing a differentiated streaming playbook that leverages our traditional businesses to yield faster growth and attractive long-term D2C margins.

With that, let me introduce Anthony DiClemente, Executive Vice President, Investor Relations, to lead us through Q&A.

Anthony DiClemente

Executive Vice President-Investor Relations, ViacomCBS, Inc.

Thanks, Naveen, and thanks to all of you for joining us. Here for today's discussion, we have Bob Bakish, our President and CEO; Naveen Chopra, our CFO; and Tom Ryan, President and CEO of Streaming. I also want to note that slides from today's presentation will be available on our website after we conclude. We're going to spend the next 30 minutes answering your questions. Our analysts are joining us by Zoom. In order to help us to get to as many of your questions as possible, I'd like to ask that you please limit yourself to one question.

QUESTION AND ANSWER SECTION

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

With that, let's open the line. Our first question will be coming from Mike Morris at Guggenheim. Mike, go ahead with your question.

Michael Morris
Analyst, Guggenheim Securities LLC
Q

Thank you, Anthony, and thank you for all of the information you guys just shared. I guess with my one question, I'd like to ask you about the path to the subscriber guidance that you have out there, the 100 million by 2024. Can you share any more details with us about what that path looks like over the next couple of years, whether there are different milestones that would accelerate or cause choppiness in that path? And can you give us any more details about how you see the geographic mix of that subscriber base evolving? Thanks.

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.
A

Sure. Hi, Mike. It's Naveen. I'll take that question. In terms of how we see our D2C business grow into 100 million, we do think there's going to be some relatively steady growth over the next few years. If I were to break that down a little bit more, I'd say a couple things.

Number one, in 2022, as I mentioned on the call, we do expect that we will exceed our prior guidance for 2024 subs, and in saying that, we mean exceed the high end of that guidance. So that gives you some sense of what we expect to see in 2022, and we expect a healthy rate of growth to continue in 2023 and 2024.

In terms of the geographic composition of subs, we obviously have global ambitions, which means that we expect both domestic subs and international subs to be important contributors to achieving that 100 million sub goal. If you think about our D2C subscriber base today, it does skew domestic. But as we progress and as we launch Paramount+ in more markets, the portion of overall subs that is made up from international will continue to grow. If I look forward to 2024, I would expect that domestic will still be the larger portion of our base. But you will see quarters over the next year, where the skew of new subscriber additions may be either domestic or more international.

Q4, as an example, where we saw a tremendous growth, was heavily driven out of the United States, but there will be quarters next year where we launch in new markets or we launch new partners, where more of that growth will skew international. But in the long run, both domestic and international are going to be important, because at the end of the day, we're building a global D2C business.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.
A

Mike, the only thing I want to add is that 100 million number does not include subscribers we expect from SkyShowtime. That's an unconsolidated joint venture and we obviously expect that to be in the many millions of subs.

Anthony DiClemente

Executive Vice President-Investor Relations, ViacomCBS, Inc.

A

Yeah, the Q4 sub growth was skewed domestic to be clear. Thanks, Mike. We'll take our next question from Bryan Kraft from Deutsche Bank. Bryan, go ahead with your question.

Bryan Kraft

Analyst, Deutsche Bank Securities, Inc.

Q

Hey, thanks, Anthony. Hey, Naveen. Hey, Bob. Naveen, can you just size the free cash flow investment into streaming investments over the next couple of years or maybe talk about the delta between EBITDA and free cash flow and when that might peak, just so we can help to model – help us model that?

And, Bob, you and Chris McCarthy have talked recently and Chris talked today about emphasizing the company's shift to leveraging franchises in a bigger way. Can you talk about how that's going to really be different going forward than it's been historically and what that means for the business and what you've seen so far and what gives you the conviction that that's going to really carry the subscriber growth that you're forecasting over the next few years? Thanks.

Naveen Chopra

Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

A

Hey, Bryan. So, the answer on free cash flow, I think, is relatively straightforward. If you think about 2022 as an example, we've given you some sense of what to expect on earnings. I think the year-over-year change on free cash flow will actually be more moderate than the change in earnings. And the reason for that is that we are seeing the benefit of significant working capital improvements that we've been able to make over the course of the last year and we expect to continue to do that. So, while there'd be incremental investment from an earnings perspective, cash flow impact should be a little more moderate.

Bob?

Robert Marc Bakish

President, Chief Executive Officer & Director, ViacomCBS, Inc.

A

Yeah. And with respect to your question on franchises, we are absolutely increasing our focuses on franchises with respect to our content investments. I think if you look at the company historically, probably most of that franchise work was done at Nickelodeon and you saw us look to move quickly and benefit from that in the launch of Paramount+ with The SpongeBob Movie and the first SpongeBob spinoff series, Kamp Koral.

Since that time, including today, what you see is a broader commitment to franchises, including strategies which span theatrical to series. You heard that today with respect to Sonic, you see that with respect to Yellowstone spawning 1883 and we have a whole range of these in place. So, it's really a philosophical change that connects with a one company mentality that crosses platforms and feeds streaming. That is the step-function change in our embracing franchises.

Anthony DiClemente

Executive Vice President-Investor Relations, ViacomCBS, Inc.

A

Great. Thank you, Bryan. We'll take our next question from Brett Feldman at Goldman Sachs. Brett, go ahead with your question.

Brett Feldman
Analyst, Goldman Sachs & Co. LLC
Q

Great. Can you hear me okay?

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.
A

Yes.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

Yeah, we can hear you fine.

Brett Feldman
Analyst, Goldman Sachs & Co. LLC
Q

Great. So, when you had outlined your initial expectation that you would be growing your content spending that you were allocating into the streaming business at the time from $1 billion to the $5 billion, you'd indicated that that was not necessarily all going to be incremental to the company. You've obviously had a tremendous amount of success with streaming products since then and you've come out and signaled a desire to invest even more.

So, the question would be, that additional $2 billion that you outlined by 2024, to what extent is that purely incremental and to what extent does it represent maybe a swifter reallocation away from your traditional TV Media business? And just any more color you can give about what's driving that additional investment other than just more content? For example, are you going to be leaning a bit more into local language content outside the US? Thank you.

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.
A

Yeah. Hey, Brett, let me try to give you some additional color on that. And I think the essence of the question you're asking is really what happens to total company content spend in combination with the incremental investment we're obviously making in D2C. And the answer to that is the following. While we're investing aggressively in the D2C growth, we are also carefully managing spend in the traditional side of the business and that applies to both content investments as well as looking at other opportunities to unlock operational efficiency.

You've actually seen us do that quite extensively over the last couple of years, whether that's doing things like combining networks or looking for ways to find other efficiencies in operating expense. We think we've been quite innovative in being able to do that. And you'll see us continue to pull those levers going forward. You'll also see us lean even more aggressively into leveraging global production, which has significant benefits in terms of helping us create content much more efficiently.

Take as an example some of the things that Chris McCarthy mentioned that he's doing with shows like The Challenge by leveraging global production capabilities. So, that formula is going to be a critical part of what allows us to run the business with total company content spend that is growing at a much, much lower rate than what you'll see on the D2C side and it's also a critical part of the equation to returning the company to earnings growth in 2024 and beyond.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

Local language content investment?

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.
A

Yeah. So, with respect to local content, global content, we are strong believers in the importance of local content. I'd point out, this is not a new concept for us. We've been operating in geographies around the world for most of our history, as Bob pointed out. And we see tremendous opportunities to leverage a lot of the local content that already exists as well as combining that with global content from the US that travels well. We've had many examples of that, whether it's a Yellowstone or a Dexter. We also utilize global formats. You heard about that in Chris' presentation as well. And we're also now increasingly taking content that's produced in international markets and bringing it back to the United States.

So, there's many opportunities to take advantage of our global footprint and that is all part of how we have thought about our content expense over time. So, when we talk about the $6 billion of D2C content investment in 2024, that assumes a mix of both global content and locally-produced content.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

Great. Thanks so much, Brett. We'll take our next question from Ben Swinburne at Morgan Stanley. Ben, go ahead.

Benjamin Swinburne
Analyst, Morgan Stanley & Co. LLC
Q

Thank you. Good afternoon. Bob, since you came to Viacom, you have taken a new approach to distribution partnerships, which are obviously critical to driving Direct-to-Consumer. I'm wondering if you could talk about your strategy, based on what we heard this afternoon, to leverage distribution partnerships internationally and in the US and maybe you can, in your answer, address some of the concerns investors may have about your ability to maintain your pricing power and carriage position in the US, given how profitable that business is. Thank you.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.
A

Sure, Ben. So, look, if you look at the history of the company, you see that we've long been a believer in ubiquitous distribution and executed in that way. And so, as we look at the D2C space, we believe ubiquitous distribution is a powerful lever to pull to drive access to largest potential TAM.

Now, in doing so, we believe you need a strategy that's really multifaceted. And this is where you see us pursuing hard bundles, channel stores and pure D2C. And each of the strategies have different characteristics, but in totality, they are very powerful. So, on the hard bundle side, notably exemplified by Sky and by the Canal+ deal we announced today, there is an opportunity to get very quick sub base at a very low subscriber acquisition cost with minimal churn going forward.

So, we like that a lot as we begin to build scale. You look at the channel store side, that provides access to a flow of traffic. You're paying a little bit higher cost of sales, but again a nice chunk of users. And then, you got D2C, which gives you the highest ARPU and gives you access to the full marketplace.

We think that, put together, creates the highest growth sub base with the most stability over time and again allows us to work with partners of different shapes and sizes in building our streaming business. You see us doing that, by the way, in the United States, too, whether that's working with an MVPD, where we've broadened our relationship to include not just linear channels, not just advanced ad sales, but also streaming apps, including free and pay.

You see us doing that now with mobile carriers, like a T-Mobile, where we launched Paramount+ late in 2021 and we're looking forward to marketing kicking in at the end of the first quarter to really begin to drive that source of subscribers and then later billing integration in the middle of the second quarter or so.

We think these partnerships are very powerful and we're committed to leveraging them as we pursue this ubiquitous distribution and penetrate the largest addressable market. So, I hope that helps.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.

A

Do you want to address MVPDs in the US?

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.

A

Well, I discussed them. Look, the MVPDs, if you look at that just broadly speaking, since we put this company together, we've consistently gotten deals done, most recently with Comcast. Again, those deals are now very contemporary, in that they combine linear feeds, advanced ad sales, and apps; a very strong partnership, we're clearly a cornerstone content provider, and we look forward to doing – growing business in that space, particularly as they go after broadband and leveraging their broadband accounts into video. Again, we're a natural partner of theirs.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.

A

Great. Thanks so much, Ben. We'll take our next question from Rich Greenfield at Lightshed. Rich?

Rich Greenfield
Analyst, Lightshed Ventures

Q

Thanks, Anthony. Thanks for taking the questions. I've actually got a few, and I know you said one, but just real quick. When – I guess for Bob to start off, when you say your platform is differentiated, what do you point to most? Like, what do you think differentiates Paramount+ most from the other services that are out there?

Two, I think, Naveen, I think you said D2C margins should approach linear margins. I think that's a question that investors sort of struggle to understand, just given sort of everybody paid for every channel versus just paying for what they want. So, like, how does that math sort of work out long term? And then just a quick housekeeping question. When you think about free cash flow, this year, obviously, your free cash flow didn't cover your dividend and you actually saw net debt rise. When you think about 2022 and 2023, how should we be thinking about those moving pieces relative to the increased investment you just mentioned?

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.

A

Yeah, sure, Rich. Let me kick it off. So we absolutely have a differentiated strategy in streaming. That differentiation occurs on a couple dimensions which I outlined. It starts with content. As I said, we take the + in

Paramount+ very seriously. We have the broadest selection account of content out there, including a full genre mix on the entertainment side, news, and of course, sports, NFL, European football, golf, NCAA, etcetera. So we think that's a real differentiator, and we've seen all of those lanes work together to drive our growth, including in the fourth quarter, where we're very pleased with the results.

In addition to that, we believe the combination of free and pay, Pluto riding alongside Paramount+, is powerful and that we're differentiated in that regard. Remember, we have the number one fast product in the United States, and based on the statistics I've seen, our lead in the United States increased in the fourth quarter, even though we were already the number one player.

Third point, you've seen us how we're using our broader range of platforms to drive. I think we're doing that better than anyone else. Look at what we did with Yellowstone into 1883, look at the integration with Halo and the NFL playoffs, we're really leveraging these platforms.

And lastly, the global side of this thing. We've been operating on the ground internationally for decades. I believe with respect to the distribution strategy we have, including hard bundles, we are an innovator. It is highly beneficial strategy. You'll see the benefit in 2022. And by the way, you're going to see other people following us because we are already seeing that beginning to happen. But just like we benefited by being the market leader and fast and being there earlier, we're here early and you got a first mover advantage. So, we got a lot of differentiation in place. It's working really well and it's going to pay real dividends going forward.

Naveen?

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

A

Yeah. So, Rich, the answer to your question first on margins is really an extension of what Bob described which is that we are executing a fundamentally different playbook when it comes to building our D2C business. And in fact, a lot of the things that we're doing actually replicate some of the economic benefits that you see in the traditional universe, specifically with regard to some of the things that you mentioned. So, whether it is the ability to leverage content across multiple platforms, whether it's the ability to use bundles and other partnerships to acquire subs efficiently and ensure that they don't churn the way that they might in a pure-play D2C business, whether it's the ability to use our built-in promotional platform or our global production capabilities, we're talking about a very different version of streaming economics than what you would see in a pure-play streaming business. And that's why we think about the long-term margin potential very differently.

With respect to your question on free cash flow, I point out a couple of things. Number one, as I said, we do think the free cash flow impact of the investments that we're making is more moderate than what you'll see on the P&L. Moreover, we have a very strong balance sheet as we move into greater investment mode in D2C over the next few years. Remember, we finished the year with $6.8 billion – excuse me, $6.3 billion of cash on the balance sheet, more than enough firepower to make the investments that we envision in streaming. We have no near-term maturities, and we continue to maintain a significant amount of revolver capacity.

So, we like our financial position. We're very well-equipped to invest to capture the growth on D2C and to continue to fulfill all of our financial priorities, which, as I've articulated before, include investing in organic growth through streaming, it includes funding our dividend, and it includes deleveraging our balance sheet. And I think you'll actually see us doing all three of those things in 2022.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

Great. Thanks for the multiple questions, Rich. We'll take our next question from John Hodulik at UBS. John?

John C. Hodulik
Analyst, UBS Securities LLC
Q

Great. Thanks, guys. Two questions, if I may. First, on the licensing side, you guys had another strong quarter of content licensing but at the same time talked about how you were pulling back on the Pay1 window a couple of years. Could you just talk about – maybe you could quantify the impact of that change and just maybe give us some color on how you expect that line to trend over the next couple of years? That's number one.

And then just a quick follow-up just anything you could tell us about your appetite for international sports rights. I think, Bob, you guys laid out some new rights you have in Mexico and Central America with football. And I think there's some new stores out potentially bidding on the IPL in India, but just – any thoughts around that or for new rights you guys could acquire in the future.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.
A

Yeah. Sure, John. So, look, on the content licensing side, as you know, we've made a strategic pivot at ViacomCBS, now Paramount, to pointing our content engines at our streaming platform, notably Paramount+. We've already seen early benefit from that in terms of the fourth quarter and we believe that is fundamentally the right thing to do as we look to create asset value and there's clear examples of asset value creation in the streaming space where you're successful. And again, we intend to be successful. So we're doing that.

In parallel to that, we are continuing to fulfill deals we put in place pre-Paramount+. So, those are like season end plus one of a particular show, maybe Jack Ryan as an example. We have contracts in place and we're going to continue to do that. We also continue to do some selective, non-exclusive licensing, which we found to be an effective franchise development tool as we continue to build new versions of product again for Paramount+. So, you should expect us to do that over time. Again, we think it's strategically right and we think we also have some incremental financial benefit from that.

In terms of your question on international sports rights. Look, it's early days, but we've seen real benefit of sports as part of Paramount+ in the United States. The NFL, as you saw in one of the charts, was the number one source of subscriber additions for the product in 2021 and we have found that we can cross consumers, bring them in on sports, and get them to consume entertainment product. Sports fans, as an example, in the fourth quarter were also big consumers of shows like SEAL Team and Mayor of Kingstown and 1883. And that's key to our overall plan and economics and ROI.

So we're looking and selectively at adding sports product internationally. We've done some of that in Latin America. We've done some of that in Australia. The IPL thing in India is really Viacom18, which is our joint venture over there. So, again, we think sports is additive and certainly a differentiator for us. You need to be disciplined in terms of how much you pay and you need to be effective in terms of extracting the value, including through co-usage of other product. But sports is definitely part of our streaming playbook. And by the way, we have a lot of benefit from our CBS Sports heritage as we pursue that opportunity.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.
A

Great. Thanks so much, John. We'll take our next question from Jason Bazinet at Citi. Jason, go ahead with your question.

Jason Boisvert Bazinet
Analyst, Citigroup Global Markets, Inc.

Q

Thanks so much. Maybe a little bit of a complicated question. But under the old accounting standards for film or television, you would amortize based on matching revenues, right, as a percent of your ultimate revenues. So the margins are sort of the consistent all the way through. In the streaming world, I think the amortization is a function of the streams and it sort of ignores the fact that the consumer gets more utility out of new content versus old. So, how do you – how can anyone have confidence that the streaming business is going to be a good of a business as your new TV media segment as an example?

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

A

Hey, Jason. I'll take a shot at that. First, just in terms of understanding the methodology on allocation. First very big picture, as I said in the prepared remarks, our general approach to cost allocation is based on the relative value of windows that any given service has rights to exploit. So that addresses sort of how we allocate costs between, for instance, theatrical and streaming, if a movie starts in the theater and then ultimately ends up on Paramount+.

In terms of the allocation within streaming, we actually don't entirely allocate based on the methodology you described. There is a recognition of the fact that content tends to have significantly more value in its early days on a streaming service. So, a lot of the [ph] amort (02:12:35) is accelerated and then spread over time.

It is one of the reasons why, as we continue to build our library and assemble more and more content on Paramount+, we believe there is an opportunity for leverage in the model. I mentioned in my prepared remarks that one of the things that takes us through that inflection point is peak losses in D2C in 2023 is the fact that we're then at a point in time where we're actually starting to see things roll off from an amortization perspective as opposed to in the first few years, everything's coming in, nothing's coming out. So, you really start to see the operating leverage improve in the business, at that point in time.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.

A

I also just want to add one other point because something you said is not reflective of what we see in streaming. You said that only new content matters in terms of streaming consumption. That's actually categorically not true. It is true that new originals are key to subscriber acquisition. But what is tremendously valuable in streaming is library and specifically series that are deep in number of seasons. So you look at the NCISs, the FBIs, the SEAL Teams, the SpongeBobs, et cetera, those are tremendously valuable for, in some cases, bringing people in, but for the most part in terms of engagement, and engagement is what you use to manage churn.

So, with respect to the value of content, it's not all about exclusive originals. These libraries are highly valuable. And when you look at Paramount, which what we call the company now, we have very deep, very high quality libraries from the original Paramount Studio from CBS, from Showtime, from the cable networks, and those are tremendously valuable for streaming both for Paramount + and for Pluto TV. So don't lose sight of that value because it is very material and it's key to our long-term streaming economics as well.

Anthony DiClemente
Executive Vice President-Investor Relations, ViacomCBS, Inc.

A

Thanks a lot, Jason. Now, we'll take our last question from Steve Cahall at Wells Fargo. Steve, go ahead.

Steven Cahall
Analyst, Wells Fargo Securities LLC

Q

Hi. Thanks. Just one kind of long domestic question. So I was wondering if you could talk about where you think you are in domestic journey in terms of subs for Paramount+ and where that can go. And similarly, you talked about the $9 ARPU as we think about both subscription and advertising revenue, how do you think about the upside to domestic ARPU? And just while we're on domestic Paramount +, I think if you could go back in time you might look at a slightly different arrangement for some of the early seasons of Yellowstone which are on a competitor service, do you have any levers you can pull in the next couple of years to consolidate the Yellowstone library entirely on the Paramount +? Thank you.

Robert Marc Bakish
President, Chief Executive Officer & Director, ViacomCBS, Inc.

A

Yeah. Steve, so let me start there. So I would say we are very early in the Paramount+ subscriber journey. Remember, this product didn't exist a year ago today, so we've seen it build through calendar 2021 after launching in the March timeframe. But really, the fourth quarter was the first time we had anything resembling scale in the scripted side, for example. So there's a ways to go in terms of the scale Paramount+ will build in the United States and you saw it today, really, the incredible content lineup we have coming across all of these genres. So, again, I think there is a lot of headroom here on subscribers. I'll address the Yellowstone point and then flip it to Naveen for ARPU.

With respect to Yellowstone, you're right, that deal was done pre the ViacomCBS merger. That's unfortunate. Rather than just forego that opportunity, we chose to aggressively get into spin-off series like 1883, related series in terms of the creator in Mayor of Kingstown, you saw some more stuff coming, that's working very well for us. Yellowstone is part of Paramount+ internationally, so that's how we think of that franchise today.

Naveen?

Naveen Chopra
Executive Vice President & Chief Financial Officer, ViacomCBS, Inc.

A

Yeah. Let me jump in on ARPU. We continue to be very encouraged by what we've seen from an ARPU perspective, particularly in the domestic market. You saw in the prepared remarks, the $9 paid ARPU that we experienced in Q4. We see continued upside in domestic ARPU, both short term and long term. Short term, there are really two key factors. We expect that there'll be a benefit from the continued conversion of promotional and trial subscribers to fully paid subs. We continue to see very healthy trial to paid conversion rate, so we actually see that as a compelling opportunity for the service, both from an ARPU and an overall revenue perspective.

We also expect to see continued improvements in the monetization of advertising on the Essentials tier of Paramount+, the Essentials tier is a significant portion of our subscriber base, both actually Essentials and Premium sort of balanced composition, but we have seen improvements in the ad ARPU that's generated on the Essentials tier as engagement continues to grow with the service and we expect that will continue as we add more and more content to Paramount+.

And then longer term, we also see ARPU upside coming out of the ability to adjust price as the content selection on the service continues to grow and as use of Paramount+ becomes even more habitual. And I think we'll probably get some tailwind in that regard from the category in general where you're seeing pricing continue to move upward. So there will likely be opportunities for us to adjust price and still maintain our value proposition relative to others.

So, we're very bullish about where ARPU can grow and it is, as I pointed out, definitely one of the key ingredients to how we grow the business from a little over $3 billion of D2C revenue today to $9 billion plus in 2024. It's not just about adding subscribers, it's about adding subscribers and growing ARPU. So we really like that equation and the growth that it can create

Robert Marc Bakish

President, Chief Executive Officer & Director, ViacomCBS, Inc.

Great. Thanks, Naveen. And thank all of you for your time, for your questions today. It's an important dialogue, and it's really an exciting time for the company we now call Paramount. Look, this is a time characterized by great momentum and it's a time reflective of tremendous go-forward opportunity.

So, again, we appreciate you joining us. We appreciate your continued support and wish everyone well. We'll talk to you soon.