CORPORATE PARTICIPANTS

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

OTHER PARTICIPANTS

John C. Hodulik
Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

John C. Hodulik
Analyst, UBS Securities LLC

If everyone can please take their seats, we'll get started. So, I'm John Hodulik. I'm the media and telecom analyst here at UBS and very pleased to have with me today Bob Bakish, the CEO of Paramount. Bob, thanks for being here.

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Great to be here, John.
QUESTION AND ANSWER SECTION

John C. Hodulik  
Analyst, UBS Securities LLC

So, we've got about 40 minutes. I've got a bunch of questions. If anybody has any questions, they can log into the app and I'll work them into the conversation that I've got here. So, Bob, we always start, it's late in the year, can you just give us a sense for what the priorities are for the company as we look out into 2023?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

Yeah, sure. So, we're really excited about the company overall and what we have going on. If we think about 2023 and you look at what we do, it really all starts and I could argue ends with content. So, we obviously have continuing to make broadly popular content as a significant priority. The good news is 2022 was really a year where we've demonstrated the power of our content engine in film, in television, and streaming, and we look to very much continue that in 2023. If there's any difference, it's probably that you'll see us lean even more into franchises. So, that's priority one. Priority two, obviously streaming, we're building scale asset in the most important really the network of the 21st Century. We look to continue to build on our momentum. Paramount+ had an extraordinary year in 2022 and we look to continue that in 2023. And for us it's not only about the topline subscribers we've always built this with an eye of building real business and profitability in mind and we look to continue to make headway on that in 2023.

Third objective really is our earnings and cash flow. We obviously have continued to have a significant position in the traditional ecosystem and we look to continue to take share, which we've been doing in 2022, look at optimizing our investment levels both through organic [ph] decisions and some transformation work we're doing, which I'm sure we'll touch on and really extract significant earnings and cash flow from that. So, those are our three objectives broadly speaking. We're obviously doing it in not a perfect environment, but we're also really going to use that as a catalyst to go further faster, which you'll also see in 2023.

John C. Hodulik  
Analyst, UBS Securities LLC

Great. Maybe starting off with the ad market, we started off the conference with the ad panel where they lowered some numbers a little bit and followed that up with Jeff Shell who talked about some incremental weakness as we look at it from the fourth quarter to the third quarter. Just can you give us a sense in terms of what you're seeing in the ad market, the overall health of it and maybe what are some of the sort of macro drivers that you're seeing affect your business from an advertiser?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

Yeah, sure. So, let me start with we love the ad business. It's an extraordinary business. It's a way to obviously create significant incremental monetization around your investments. But that said, the current market is challenging and we're in it every day we see it and that challenge is both on the linear side and on the digital side. Again, no surprise is probably what you heard yesterday. I didn't actually look at just remarks. But given that on our third quarter call, we talked about our fourth quarter performance being in line with the third quarter and again as we've transacted in the market, as we've seen the state of the scatter market, as we look to our international networks, which are impacted by the economy, but also by what's going on in the FX on exchange rate side. We
do now see the fourth quarter coming in a bit below the third quarter. And as we had navigated leading into this point, we had looked for some improvement in certain sectors. We haven't seen that. But nonetheless, again, I go back to the main point. We love the ad business, point one.

Point two is while challenging, advertising is cyclical. I've managed through a number of these cycles as recently as through the beginning of the decade. This too is a cycle. This too will turn. The only question is when and not being an economist, I can't tell you exactly when, but I know for sure it will turn. And when it does, you really see the power of the portfolio of assets that we have the number one broadcast network in the United States, which is gaining share, the number one FAST service in the United States, Pluto TV, which continues to do extremely well on MAU and engagement side.

We've got a cable network portfolio at scale, which leads serving many specialized audiences. And of course, Paramount+, which from day one had an ad-supported tier, which is a material part of the service and provides access to very high quality reach for advertisers. So that set of platforms all wrapped around popular content that advertisers and their agencies want to be associated with, combined with the fact that we have a team that executes very well in fact and we'll talk about I'm sure some of [ph] the other (00:05:30) changes. One change we are in the process of making is actually making us even easier to do business, particularly for the holding companies where we're going to have single point of contact versus multiple people they're dealing with and a track record of delivering for folks. So, you will see the value of that in spades as we come out of this cycle. And again, we continue to be very excited about the ad business.

John C. Hodulik
Analyst, UBS Securities LLC

So, yeah, let's talk about the cost savings that you referenced. And there's been a fair amount of pressure on some of the changes you guys have made. I mean, could you just walk us through what you're doing in terms of these changes and how much cost savings or you don't have to give us exact numbers. But maybe in terms of orders of magnitude, how much cost saving because this has been a multiyear process for you guys, but just how much cost saving is sort of left in the business to respond to the weakness you guys are seeing?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Yeah, sure. So, we both focus on the topline and also on the expense lines. And when we brought the companies together, Viacom and CBS, we very quickly got to work at creating one company and unlocking certain economic benefits, single ad sales team, single affiliate team, and put in place single streaming team, et cetera and that all yielded both strategic benefits and economic benefits. As we sit here today, we are embarking on a set of initiatives, which we were planning on doing anyway because they're strategic. But we are definitely accelerating and using really the current market as a catalyst that includes and I'm sure you've read some about this, we're doing a set of work around Showtime, both on the network side and the streaming side, which is really about consolidation economics, if you will, and unlocking cost synergies with the broader portfolio.

We've done a bunch of work on the studios side, which isn't about changing the creative facing capability of the studio, but is very much about creating support scale and associated economics. We're doing work around the marketing side. The fact of matter is and I just talked net ad sales, we have an incredible portfolio of owned and operated assets that people pay very good money to leverage to reach audiences. We're going to lean into that even more. We think there are some efficiencies there. And in general, we're just going to look at marketing expense and unlock some opportunity.
International, we run a truly, I'll say, globe spanning company. We have operations on the ground in 30-plus markets. We're taking the next step and really globalizing certain aspects of that. We got a portfolio of free-to-air networks. We got a portfolio of cable networks. We're obviously going to market in streaming. We're going to unlock some global benefit while continuing to, of course, have the benefit of on the ground execution so we can get some economies there.

And lastly, ad sales, I referenced it, but we are – when we created one ad sales organization representing the company, it still had, I don't want to call it silos, but real leverage of what line of business representation. We're now taking the next step and streamlining it to single point of contact and leadership by holding company and that's something that's been embraced by the agencies. They're very happy about it and so, again, both economic benefit and strategic benefit. So, you'll see us executing. We're in the middle of executing on all of that. And it creates both economic, i.e. expense benefit, but it also continues to strengthen our positioning for the future really as one Paramount transacting with important counterparties all around the world.

John C. Hodulik
Analyst, UBS Securities LLC

Great. So, I think we can dive into some of the segments. We'll start with D2C. And Paramount has definitely seen some strong subscriber growth of the companies we cover. I think it's been the best. I think if we look out the fourth quarter, I think our numbers have you guys with the most growth. I guess the question is sort of what's driving the growth in the D2C segment? And has that trend continued into the fourth quarter?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Yeah, sure. Well, I'm really happy to talk about the momentum we're seeing in the streaming business. We obviously set out to build a scaling asset 18 months ago in the sector and I think at the time people questioned our relative level of success. If you look at 2022, Paramount+ has had an incredible run. Back, you look at just November for the most recent data, for November we set our records on net subscriber additions, on active users, and on total hours of content consumed globally. And we just set the record, we beat the prior record by double digits on all those metrics and strong double digits on one of those. So, really happy with the momentum we're seeing. When you look under the covers, what's driving that momentum starts with content, whether it's the CBS fall slate, whether it's the NFL, Paramount Movies, most recently Smile, Signature Originals, currently we were talking about 4 Tulsa King, a new Criminal Minds, it's also performing very well. And we're seeing a very strong content slate, which is resonating with consumers.

But it's not just the content, it's also how we're connecting it, including through marketing and distribution. We're seeing the impact, for example, of our new deal with Walmart. Walmart Plus that started in Q3, but continues to ramp. We're very happy what we're seeing there. It's performing materially above the initial business plan, which I thought was a low call, but it's definitely working for us and stuff we're doing around the world. We launched Paramount+ in December in France, I guess, last week I got a note from the CEO over the weekend. They're very happy to see how that's performing. And we're going to launch in Germany on Thursday, Austria, and Switzerland. So, all this is driving really strong Paramount+ performance. Like I said, we set a record in November by a material amount and we now look at the fourth quarter as the biggest quarter in Paramount+ history. We feel very good about it and we're really proving that this is a cornerstone service for the world's consumers and we're going to continue to keep driving it forward.

John C. Hodulik
Analyst, UBS Securities LLC
So, when does Top Gun drop? I mean, you had a record quarter in November and isn't that in the next couple of weeks?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

So, the next two things to drop in addition to more episodes of what we got going on is connecting is 1923 with Harrison Ford and Helen Mirren and if you haven't seen the trailer, I'd encourage you to. I think that's December 18, trailer is up now. And the big upside surprise for me was Helen Mirren. I mean, I always thought the Harrison Ford thing would work, but Helen Mirren's badass like she is great and that one is really going to work and then there's Top Gun Maverick, which anywhere it shows up, it crushes and it's going to show up on the platform on December 22 is a gift kind of for the holidays, families, et cetera. So, we feel very good about how we're going to finish out this quarter and by the way 2023 looks great too, so.

John C. Hodulik  
Analyst, UBS Securities LLC

Right. So, just keep going, okay. Maybe a little bit on the profitability of the business, first churn that's something that I think investors worry about when they look at the sort of long-term – the value of the customers and overall profit. How has that been trending?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

So, I'm happy to say that we continue to see a great churn trajectory. We're seeing improved churn both quarter-on-quarter and year-on-year really couple things driving that, one being content slate. We have compelling content and importantly when we first launched, it was very lumpy. Not surprisingly, you were cutting a service up off the ground and now we're getting a much better call it year round approach to content and that clearly helps. Two is you have the benefit of a growing sub base and importantly the larger and larger part of the sub base that's been around for a while. And if you look at cohorts of subscribers by age or tenure, you'll find that if they stick around for a couple months, then they really don't churn. And so we're seeing that kind of flow-through benefit and then there's the way we're going to business with partners. And again, whether it's the Walmart Plus thing or what we're doing internationally with Sky and Canal+ on the hard bundle side. They also as those sub bases are there in they have very compelling churn characteristics, i.e. very low churn, because you're really part of a tier. So, we like what we see on churn. We're not all the way there yet. We see a lot of opportunity ahead, but it's tracking, right.

John C. Hodulik  
Analyst, UBS Securities LLC

How do you balance streaming profitability with subscriber growth? You're doing very well on the subscriber growth. You're still – are you guys still sort of set up to have peak losses next year and then how do you see that evolving beyond that?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

So, in reverse order, yes. We have for a long time, not long time, for a while said 2023 will be peak streaming investment and therefore losses. And we continue to feel that's the case. At the same time, we didn't build a streaming business plan for only the topline and for subscribers. We knew from day one that we need to turn this into a business and we've focused on creating a business with TV media like margins. We believe that our multi-platform asset portfolio is a real advantage here. You think about using content across linear platforms and
streaming that creates cost advantages. You think about marketing and leveraging platforms that creates cost advantage. You think about films, releasing them theatrically and then following we like fast follow 45 data streaming, that really optimizes ROI in the film business. So, we have built – we are building a model, which is designed with profitability in mind and is moving in that direction. We are building out over a couple of years. We've only had Paramount+ running for 18 months unlike some people who have run it for over a decade. So, it takes a little while. But we are very focused on streaming profitability and building a financially compelling business here and we are very much tracking in that direction.

John C. Hodulik
Analyst, UBS Securities LLC

What do you see is the sort of the main drivers for getting the profitability in line with the TV margins you guys have seen in the past? I mean I think that was the longer term focus. I mean are there specific drivers like how do you pricing [indiscernible] (00:16:51) role in that?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Oh, sure. The good news is there really are multiple levers on the path to profitability. And again they're built partially off on multi-platform model, but they're also built on how we're going to market. If you think about it we're building a scale asset. So, obviously subscribers matter to building profitability. Things like global amortization of your content are tied to having a broad footprint. So, subscriber is one ARPU and subscriber price increases as a second one. There's no question that streaming continues to run an enormous and extraordinary value for consumers. And there's also no question that we are now we're near the top of the pricing that we're very much value priced Paramount+ at $999 for Premium and $499 Essentials, which is the ad-supported tier, really great value to consumer. We will move price up, no question about it, and you've got to build that into your models.

Point three is the ad market. Okay, the ad market is a little challenged at the moment. But certainly on multi-year basis, it is a very powerful financial driver. We included advertising in Paramount+ for two reasons initially. One being we wanted to get the widest possible TAM. So, we wanted to provide that lower cost option. And two is, it is significant incremental money. And so as this cycle plays out, you'll see that kick in once again. Last one, which is on the revenue side, which is tangentially related to it is licensing. We haven't ping-ponged on this. We certainly are pointing our major franchises, including new original versions of it as exemplified by, say, Criminal Minds this month at our streaming [indiscernible] (00:18:50) assets. But at the same time if you think about library product and kind of like season, I don't know, [ph] N minus three (00:18:56). We've been in the licensing. We're staying in licensing because that's incremental revenue that feeds the model.

Then go to the cost side of the equation. We learn more about content performance on our streaming assets every day and the content portfolio is growing in size. That provides an inherent opportunity to continue to optimize that expense. And closely linked to that is marketing. And they said, again, we're learning about what works there as the service gets bigger, marketing inherently gets more efficient. And again, we are continuing to create new ways to lean into our owned and operated portfolio to market Paramount+ if you watched CBS as an example. You'll see in the end cards everything says on CBS, on Paramount+ that is something that we are advantaged in doing. Also related to that is the churn benefit. We call that expense or revenue, but clearly that coming down is additive to the path for profitability.

And finally, distribution and expansion working with partners. As you look at the financial expression of the deal we're doing with Sky, it has ARPU benefits, it has churn benefits, and it has marketing benefits because they're marketing it. And so that model of hard bundles, which I would argue we pioneered and we continually into also has benefits and more broadly and recently we had some conversation about this. We never went out there
saying we’ve got to be owned and operated 100% all around the world. We believe in the power of partnership, including the potential for JV partnership. Look at SkyShowtime that is – that was an opportunity that we are now operating where we could plug our entire content amortization into it, but do it in partnership with someone. So, effectively we split the cost of entering the markets and operating in the market. So, that too creates a superior end flow for perhaps the profitability and some people have recently pulled back on some of their markets. We look at it say there's extraordinary expansion opportunity, but again we don't have to go it alone and then that can be more capital friendly. So, as we look to 2023 and beyond, don't be surprised, if you see us doing that more and it's all accretive to the financial model.

John C. Hodulik

Analyst, UBS Securities LLC

Quick follow-up, what are the triggers for a price increase? It would seem now you've got so much subscriber momentum, so much demand, tons of content hitting including Top Gun, one of the biggest movies we've seen in a decade. What's stopping you guys from raising prices now or in the first quarter? I mean, is it more focused on churn or is it just the health of the consumer that's holding you back?

Robert M. Bakish

President, Chief Executive Officer & Director, Paramount Global

Yeah. So I do two things on that. One is under the umbrella we're going to be intelligent about it, which you would, of course, expect. One is definitely timing the content and looking at when you're – you feel best about the stickiness of your content. Maybe you're in the middle of – maybe something's just came out and maybe you're in the middle of a season, maybe it's in demand sports net whatever it is. So yeah, we'll think about that.

And the second thing is we've actually – we've done a bunch of work on this and it turns out that the impact of price increases, you don't really see massive impacts when you raise price, because what you can do you can manage through that with promotional pricing. And it's really the initial entry point pricing that dictates your net subscriber additions. So you can raise price maybe simultaneously [audio gap] (00:22:52) through that. And again, you look at where we are on a price relative to other folks, we feel very comfortable with our ability to unlock that.

Last thing I'd say is there is a benefit of the fact that we run a premium tier and an ad supported tier and you will probably see us raise price at different point in time in those, so that we can catch any churn down, et cetera, should that to be the case, raise price on premium first and then follow up on the ad supported side.

John C. Hodulik

Analyst, UBS Securities LLC

It makes sense. Let's talk about content spend. Obviously, for the last decade we've seen, content spend sort of up into the right, it looks like a number of companies are sort of starting to reevaluate, if not the actual level certainly the growth. I mean, maybe sort of more generally, just what do you think of – are we – is the industry spending too much on content versus what people are willing to pay for and then [indiscernible] (00:23:44) down to Paramount, how do you see your level of spend relative to your growth aspirations?

Robert M. Bakish

President, Chief Executive Officer & Director, Paramount Global

Well, we're very much – I'll be in reverse order. We're very much executing on our plan. We spent about $2 billion on streaming content in 2021. We've got it to $6 billion in 2024, and we continue to be on that trajectory. That's part of a broader content investment, if you will, across our company, which is around, $16 billion, $17 billion
range today. And again, goes to the value of doing this on a multiplatform basis and being able to window and share some of that or do illuminate some of that depends on what product you're looking at.

And that funds, frankly, tremendously popular content, whether it'd be NFL, whether it's Top Gun Maverick, whether it's Tulsa King, whether it's FBI on CBS, really an extraordinary portfolio of content. But not only the US consumer, but the world consumer likes to see. So we love the performance of our content engine and we're very comfortable with our investment plan and we see it paying dividends in the performance of our platforms. Again, you don't get this number one broadcast network for 14 years running by accident. You don't have the fastest growing platform by accident. You don't have what – it's certainly one of if not the fastest growing as far as by accident comes to the content. That's point one.

Yeah, there's been some content, People call it cost inflation over a bunch of years. And we've certainly seen that. There is talk of and in fact, evidence of moderation in that regard. Now, it's hard to really call the industry, if you will, because we only run our company. But there's no question that that, a very large competitor or a large – someone there with kind of bunch of projects and now they're both – and that's for my global basis, there's another guy that's doing it both in the US and internationally, and there's people talking about doing more. So maybe, again, early evidence that's the case and certainly if that happens we will benefit from it. But we'll have to see what actually happens over the next, say, 12 months.

John C. Hodulik
Analyst, UBS Securities LLC

Got it. So you talked about the consolidation economics of Showtime earlier in your remarks, can you – first of all, maybe you talked about that process, maybe reference to the timing or is there a lot of savings that you could create or maybe just the justification of combining those that Showtime and Paramount plus together, if it makes sense?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Yeah. Sure. So, I mean, on some levels it's pretty simple. If you look at the journey of cable networks over the last six years, and since I've run what was Viacom is now Paramount Global post-merger, we have progressively consolidated cable network operations. When I started as CEO at the end of 2016 everyone had their own built out organizations. By that I mean Nickelodeon, Comedy Central and BET, et cetera. Today, the story is very different on the basic cable side, we basically have, with the exception of BET all the basic cable networks aligned under one group and we've done material, let's call it expense synergies as part of that.

So the Showtime piece is really the next leg in it. It doesn't make sense to run Showtime as a 100% standalone organization. Certainly the brands valuable, certainly extends for a certain type of programming with consumers and it's going to continue to and we'll lean into that, but we don't have to do it as a standalone, we're doing it as part of an integrated strategy, and that's both true on the call it traditional television side and on the streaming.

And by the way, I would point out an early win here from the new team, which is George & Tammy, which is a show that we launched I think it was over the weekend on Showtime and Lo and Behold is the highest rated premiere in Showtime history. And that's an example of Paramount coming together as one company and supporting a brand. We didn't develop that show for Showtime. We developed it for something else. But when you look at the actors in it and you looked at it sort of, the storyline, et cetera, we said, this totally works for Showtime.

And we gave it an audience boost at launch by dual illuminating also on CMT first episode in Paramount Network. So early days, but we're happy with what we're seeing there. Likewise, doesn't make sense to have a fully built
out streaming infrastructure separate for Showtime and Paramount+. So we're going to bring that together. And there are economic benefits associated with it.

But I want to be clear, the brand still matters. And if anything, I can promise you, the slates can matter even more. In fact, another thing we're going to do there is lean more into franchises and you'll see we haven't announced anything on that, but you will see that as we move into 2023. So it's hard. It's transformation. It does affect people, but it unquestionably will produce a superior financial result and strategic result. And we're really excited about what's going on.

John C. Hodulik  
Analyst, UBS Securities LLC

There are high overlap between Paramount+ subs and Showtime subs, number one. Number two is that, so does all this come together in 2023 that sort of plan for combining all this?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

Certainly there's more to come in 2023 and you'll be hearing about that on your question of sub base overlap, it's actually relatively minor. Showtime tends to be I'm going to very generalized but more coastal, more upscale. Paramount+ tends to be more popular, more kind of the whole country, et cetera. So we think that is accretive from an overall consumer proposition standpoint. And in fact, if you use Paramount+ today in the version with Showtime inside, because remember Showtime was totally separate. Then we introduced a price bundle.

Now there's an option where you can have Showtime inside the Paramount+ app that's the version I use. That's the version I encourage all of you to use and you really see the value of broadening that experience further and Showtime being right product being right there in the carousels, whether it's George & Tammy this weekend or some films or it's Billions or what have you, really works very well in the advert experience and we'll continue to look for ways to create value therein.

John C. Hodulik  
Analyst, UBS Securities LLC

Got it. So the D2C industry is increasingly shifting from a dual revenue stream approach from originally from – just subscription revenue now to ad supported and actually we have Netflix speaking a little bit later today and it's something you guys have been doing for a long time. Can you talk about sort of the ad ARPU at Paramount+ today and sort of the underlying trends and just how big could those numbers get?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

Yeah. We'll start with we believe in the ad business from day one, when I announced we acquired Pluto, people were like, what's this free streaming ad supported that doesn't make any sense, it's all premium. And the answer that I gave was very simple like, well, free television always existed. What makes you think it's not going to exist in streaming and not be a material segment, you're wrong. This is what we should do. And we did it. And Lo and Behold now others are following us. We've got the best asset, $1 billion plus ad sales business in three years, but that was because believe in advertising.

Then fast forward to Paramount+ at launch ad supported tier. Why? Because we said we want to maximize the TAM. We want to give consumers choice. There are inevitably some people who would be interested in paying less and watching ads, and there's inevitably some people who don't want to watch ads and will pay more. Why
wouldn't we craft the product that way? Again, people are like, hey, that's not SVOD, what are you doing, et cetera. Fast forward today. Everyone is in it validating our proposition.

So again, we like the ad business. We think there is – put aside the current market, which has its challenges, but in general, there's a great ARPU opportunity. There's a great growth opportunity as you add subscribers potentially ad fill rate and work on pricing. And what I point out in the streaming ad sector, we transact as EyeQ not as Paramount+. And EyeQ is the combination principally of Paramount+ and Pluto. And so what of all that is on a CPM basis, it is value proposition in the market. It's probably mid high teens versus some other guys are going out at $50, $60.

And that is very intentional on our part. We want to build a big business. We don't want to just [indiscernible] (00:32:36) top. And it also gives us plenty of room to raise price over time, particularly as the market strengthens again. So we really like advertising. We totally – we believe from day one it applied to streaming. And I think we're seeing that play out.

John C. Hodulik
Analyst, UBS Securities LLC

Q

All right. You guys saw a pretty rapid slowdown in revenues at Pluto. And then obviously it seems like the ad market has deteriorated for 3Q, I mean, how are trends in that business [audio gap] (00:33:03)?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

A

Pluto is an extraordinary asset, leads the space, continues to have real momentum on the monthly active user side growing those and importantly, maybe more importantly at this point, really growing engagement time spent is becoming part of at least the Pluto viewer's part of their habitual consumption. So we love what we're seeing there. Yes, we saw a significant deceleration in ad revenue. Not surprising in the current market, given the size of Pluto, it's the biggest of them.

And given the fact that the digital and the programmatic market in particular was negatively impacted as people are looking to manage margins in the short-term, and we're looking at places they could do that. And on a short-term basis the common wisdom is you can always do that in marketing, in the long-term basis you can't. But for a couple of months, couple of quarters you probably can. So, is Pluto impacted by that? Yes, for sure.

I would point out that we again transact in multiple places in digital and we have a single point of sale, particularly on the direct side, but also on the programmatic side. We don't sell Pluto, we sell EyeQ and that combination [indiscernible] (00:34:23) growth rate that grew 4% in the third quarter, our total D2C advertising. So it's still growing, although clearly a deceleration from where it was but that will – that ship will ride itself.

John C. Hodulik
Analyst, UBS Securities LLC

Q

Right. Is competition having any impact whether it's on the – it doesn't sound like it is on the engagement side or the sort of monetization side because you've seen a big investment from Tubi, Warner Brothers is talking about launching their own FAST services, as we look out in the 2023 that the – sort of that competitive aspects of the FAST market changes?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

A
Well, look, competition has been a reality in the media business for a long time it's reality in the advertising market. It's reality in the FAST market. That's true. There are also has always been benefits to having a scale first mover position. Not so easy to replicate what we do in the ad sales side, both the combination of platforms and the way we execute and the related capabilities we built. So we feel good about that. And also you got to look at pricing again, in particular in the FAST segment, we like where we're priced and we think that has some advantages. So we always – we fully expected other people will enter and they are entering. But look, we've competed for a long time, well we believe in the superiority of our proposition, and we'll continue to demonstrate that.

John C. Hodulik
Analyst, UBS Securities LLC

Great. So with the remaining time, I got some questions on the TV media segment and then some more consolidated questions. First, we already talked about the ad market. Could you give us your view on what you're seeing in terms of cord cutting, maybe [ph] network (00:36:02) now and if you can, with your crystal ball sort of look out to 2023?

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Look, the TV ecosystem is under pressure, has been plenty – has been spoken about that. That's bad news. The good news is we are very much a cornerstone supplier. I'd hate to be in this ecosystem without a broadcast network and carrying the NFL as an example. And we're no longer in just the business of licensing linear feeds to video bundle operators. We are now in the multifaceted product business with distributors, including for broadband only. So we license [audio gap] (00:36:45) we provide on demand product share, we're in the advanced ad business, [audio gap] (00:36:51) data effectively to our ad [audio gap] (00:36:55) distributors. And we're in the streaming business, both the free streaming business, Pluto and the pay streaming business, Paramount+.

And we provide an opportunity for distributors to create value there in including through [audio gap] (00:37:10) in the vMPVD space like Charter is doing today. That's fine. If they want to do it in the broadband only space, which most of our – you could think of them as MVPDs, but they all operate broadband business. So we're transacting with them in there and the mix of Pluto and Paramount+ and typically both. So – and then as we do that we appeal structures in place which help mitigate some of the decline aspects and by that I mean built in price escalators, actually our broadcast deals with stations are all fixed fee, so they're not per sub deals, so you have some isolation there.

And again, you have this broader business and look at the value of that, sure you could look at TV media in isolation. But I'd also encourage you to look at our affiliate and subscription business overall and you'll see that grew something – it grew 8% in the third quarter. So this multifaceted product line is in demand and is growing even given the current state of the TV ecosystem.

John C. Hodulik
Analyst, UBS Securities LLC

Got you. Let's pivot to the film business. Can you just give us a sense for the momentum you're seeing in the film business and what the upcoming slate looks like? And then a little bit on the sort of profitability of the business, one of the things that sort of surprised me yesterday was Jeff Shell was talking about Universal and the [indiscernible] (00:38:32) he said the film business has gotten more attractive because of COVID and the new
Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

Yeah. I'd say a couple of things. I'd say, first, we're thrilled with the performance of Paramount Pictures. Again, you look at 2022 six number one films at the box office. And importantly, those number ones were all different kinds of films. You had everything from two horror films that were low budget, relatively speaking, with Scream as one fencepost and Smile as the other. By the way, Smile, $17 million movie grossed over $200 million, probably $225 million at the box office. And it's now on Paramount+ 45 day fast-follow.

So Paramount Pictures is crushing it. And we just – if you look at the slate for 2023, it looks very good. You got everything from Mission Impossible 7, which is like a complete thrill [indiscernible] (00:39:39) I mean, the movie is insane and I think will clearly benefit from Top Gun and Tom's popularity, et cetera. But it's a really good movie. We just over the weekend dropped the trailer on the Internet for the next Transformers movie, and it set the record, by a reasonable amount for Paramount Pictures trailer drop in history.

And in case you're wondering, the one that was now number two was Top Gun: Maverick. So just as an illustrator of what's coming, that one's exciting and then we got another PAW Patrol movie, another Turtles movie for the younger or family set. We got a Dungeons & Dragons picture, which is not our franchise, but we're doing in collaboration with Hasbro that we're excited about and we've obviously seen a bunch of it and it looks good. So the Paramount slate and its run is going to continue into 2023 very excited by that. So that's sort of point one.

And point two is and again partially related to Jeff Shell's comment, it is unquestionably a strategic asset. I mean and again, take a title like Smile. The ROI on that project is off the charts because we believe in theatrical. We want to be there. We said that in the depth of COVID, we held titles, all that. And we've proven – I mean is the theatrical market below 2019? Yeah, it is, but it's still a very big market. And we found that our titles are performing strongly and we can sort of clean the economics there and then bring the title to streaming 45-day fast-follow. And that's where this asset is incredibly strategic because if you don't own the studio, you're not going to be able to do that.

And certainly, the product has ongoing value on a licensing basis things like PayTo and library, et cetera, which we continue to participate on a co-exclusive non-exclusive basis. It's a good business. So we very much like what's going at Paramount. We very much believe in the business, particularly the theatrical streaming hybrid, not a day and date thing that never made sense to me. And we're really excited about what we're going to do in 2023, and I'm sure you guys are all going to enjoy it.

John C. Hodulik  
Analyst, UBS Securities LLC

Okay. And my last question just on M&A. I guess first part is what's the path forward for Simon & Schuster at this point? And then talk about just consolidation in the sort of traditional media space, do you think that takes a step forward as we look out into 2023? Or do you think further consolidation is going to be – take longer?

Robert M. Bakish  
President, Chief Executive Officer & Director, Paramount Global

So a couple of things. So consolidation has been the rule in business for a long time, certainly been the rule in media. In fact, our company is a byproduct of consolidation, most recently ViacomCBS. So it's hard for me to bet
on anything other than consolidation will happen in the future. When it will happen? What the combination is? Who is on the top? Who is getting acquired, who the hell knows? But consolidation will happen and streaming will be part of that.

On Simon & Schuster, and by the way it's not the new view, that's what we believe for long time. On Simon & Schuster look we are obviously disappointed in the court's decision that said we've collected our breakup fee, which we've disclosed of $200 million and we haven't changed our point of view that it's not a core asset because it's not a video asset. Our company is a video company and when you get into books and video, there are no synergies. So it continues to be non-core asset. We're going to do something in the marketplace with it as we move forward, to be discussed when and what that is exactly. But again we were disappointed.

And the only good news is that the company's financial performance is materially higher than when we auctioned it, because obviously the capital markets have gotten tougher, interest rates gotten tougher and you would think, okay, the asset value gone down but we had such a material increase in financial performance we feel pretty good about it and again layer on the fact we collected a breakup fee it will all be fine eventually but the suboptimal journey.

Great. That's all we have time for. Bob, thanks for being here.

Thanks. Appreciate it, John.

Robert M. Bakish
President, Chief Executive Officer & Director, Paramount Global

Thanks. Appreciate it, John.

Appreciate it.