

26-Feb-2025

Paramount Global (PARA)

Q4 2024 Earnings Call

CORPORATE PARTICIPANTS

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

Brian Robbins

Paramount Global Office of the CEO and President & Chief Executive Officer-Paramount Pictures and Nickelodeon, Paramount Global

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

George Cheeks

Paramount Global Office of the CEO and President & Chief Executive Officer-CBS, Paramount Global

Naveen K. Chopra

Chief Financial Officer & Executive Vice President, Paramount Global

OTHER PARTICIPANTS

Robert Fishman

Analyst, MoffettNathanson LLC

Benjamin Swinburne

Analyst, Morgan Stanley & Co. LLC

Michael Morris

Analyst, Guggenheim Securities LLC

Steven Cahall

Analyst, Wells Fargo Securities LLC

Kutgun Maral

Analyst, Evercore ISI

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Nadia, and I'll be the conference operator today. At this time, I would like to welcome everyone to Paramount Global's Q4 2024 Earnings Conference call. At this time, all lines have been muted to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session. [Operator Instructions]

At this time, I would now like to turn the call over to Jaime Morris, Paramount Global's EVP, Investor Relations. You may now begin your conference call.

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

Good afternoon, everyone. Thank you for taking the time to join us for our fourth quarter 2024 earnings call. Joining me for today's discussion are Paramount's co-CEOs, Brian Robbins, Chris McCarthy, and George Cheeks, and our CFO, Naveen Chopra.

Please note that in addition to our earnings release, we have trending schedules containing supplemental information available on our website. Before we start, I want to remind you that certain statements made on this call 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 contains supplemental information and in each case can be found in the Investor Relations section of our website.

Now, I will turn the call over to Brian.

Brian Robbins

Paramount Global Office of the CEO and President & Chief Executive Officer-Paramount Pictures and Nickelodeon, Paramount Global

Good afternoon, everyone. Thanks for joining us for our fourth quarter and full year 2024 earnings call. I'm Brian Robbins and I'm joined here by my fellow co-CEOs, George Cheeks and Chris McCarthy.

First, we want to say that our thoughts are with all those who have been impacted by the tragic LA fires. We will continue to support our teams and partners impacted for what we hope will be a rapid recovery process.

Now, turning to our financials, we are proud of the results we achieved for the full year, which reflect the progress we have made since becoming co-CEOs. 2024 demonstrated meaningful progress against our long-term goals, including significant improvement in D2C profitability driven by continued top-line growth powered by one of the strongest content slates in the industry, all while strengthening our balance sheet.

Now, let me turn it over to Chris to provide more details on the year.

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

Thanks, Brian, and good afternoon, everyone. Let's start with the headlines. 2024 was a transformative year and marks a significant turning point for Paramount. Total company-adjusted OIBDA returned to growth, up 30% year-over-year to \$3.1 billion. We improved net leverage 1.3 turns, and we generated \$489 million free cash flow, up significantly year-over-year and the highest in four years. These results were driven by a success of our D2C segment.

At Paramount+, we saw growth in subscribers, record engagement, and an impressive growth in revenue. We added 10 million new subscribers for the year, driven by a very strong Q4 with 5.6 million new subscribers, the strongest quarter in sub-growth in two years.

In Q4, engagement soared. Global watch time per user improved 20%, driving a measurable improvement in churn of over 100 basis points year-over-year. As a result, revenues increased significantly, up 33% for the year. This success was powered by a very strong content slate. With a mix of big returning hits and the launch of some new ones.

Paramount+ reached a new high, ranking as the number two domestic SVOD for hours watched across all original series, up for number six this time last year. Pluto also had a record year, with global watch time up 8% year-over-year and 16% in Q4, showing strong momentum.

Taken together, D2C generated significant improvement in profitability of \$1.2 billion for the year, which gives us great confidence Paramount+ will achieve full year domestic profitability for 2025. At the same time, we continue to do what we do best, produce some of the biggest, broadest blockbuster films and hit TV series across every platform.

And now I'll toss to George to provide an update on distribution, Nielsen and ad sales.

George Cheeks

Paramount Global Office of the CEO and President & Chief Executive Officer-CBS, Paramount Global

Thanks, Chris. In 2024, we negotiated a number of deals with our longstanding distribution partners. In Q4, we renewed our deal with Comcast and just last week we renewed our distribution agreement with YouTube TV. Our track record in 2024 reinforces the value proposition of our content, with mass hit series, award-winning news and a top tier sports portfolio.

In addition, we're very pleased to have closed a multi-year deal with Nielsen. Paramount is committed to addressing TV's cross-platform future for the benefit of all stakeholders, including our brand and agency partners. This is a top priority for us.

Now turning to advertising. We continue to proactively transition the business from linear to digital, as demonstrated by healthy growth in D2C ad revenue, which increased 18% in 2024.

With one of the largest addressable footprints in the US marketplace, Paramount delivers premium, high engagement video for advertisers who are increasingly focused on quality and impact when choosing where to spend their ad dollars. Additionally, we're growing the demand side of the equation. Over the past couple years, we've expanded our client base to tens of thousands of small and mid-sized businesses that are now advertising with Paramount every quarter.

We're also investing in data, technology, as well as identity frameworks, which expand our attribution capabilities. These product enhancements will set us up to compete more effectively over time for a larger share of social media budgets. Brian?

Brian Robbins

Paramount Global Office of the CEO and President & Chief Executive Officer-Paramount Pictures and Nickelodeon, Paramount Global

Thanks, George. In quarter 4, Paramount Pictures had a very active release slate, with Smile 2, Gladiator II, Sonic the Hedgehog, and September 5. In total, the studio grossed nearly \$900 million at the global box office in Q4, with a lot of momentum as we continue with our 2025 slate.

Across the business, film, television, and streaming, we continue to focus on franchise growth and management capitalizing on Paramount's rich library and IP. We saw our strategy of capitalizing on our franchises pay off most recently with Sonic the Hedgehog, which continues to deliver, approaching nearly \$500 million at the worldwide box office. This makes Sonic 3 the highest-grossing film in the franchise and on its way to be one of the 10 most profitable Paramount Pictures releases of the last decade.

Across its three installments, the Sonic the Hedgehog series has now exceeded \$1.2 billion at the global box office. As part of this franchise strategy, our spinoff series Knuckles on Paramount+, drummed up fan excitement and expanded our audience on streaming. The series debuted last spring. It's the number one Paramount+, original kids and family series ever in terms of both active subscribers and hours.

This is just one example of how we're implementing our multi-platform franchise model. And we are executing our vision across theatricals, series, and streaming with franchises like Yellowstone, NCIS, their spinoffs and prequels, and PAW Patrol, just to name a few.

Our approach to franchise management is a long-term view, cultivating active fan bases and building audiences over time, and one that continues to pay dividends. We're excited for a dynamic and robust 2025 slate that includes the highly anticipated Mission: Impossible – The Final Reckoning, and original live-action comedy coming from the creators of South Park and Kendrick Lamar, Edgar Wright's The Running Man starring Glen Powell, and for families, an animated Smurfs film with Rihanna voicing Smurfette, and an all-new SpongeBob SquarePants film to close out the year.

Chris?

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

Thanks, Brian. Let's start with Paramount+, where our strategy of fewer, bigger, breakthrough series with big movie stars is setting us apart in a crowded space. Starting with the series that everyone is talking about, Landman, which broke records as the most-watched Paramount series ever, plus the addition of two of our biggest returning hits, Tulsa King and Lioness, both of which are up significantly versus previous seasons. In Q4, Landman, Lioness and Tulsa King, all scored as top 10 original series across all SVOD services in the US.

We also launched two new Showtime series, which scored. Dexter: Original Sin was the most-streamed global Showtime series ever, and The Agency was the most-streamed new series ever. Taken together, Paramount+ was able to achieve a new high, ranking as the number two domestic SVOD for hours watched across all original series in Q4. Now, that's an amazing achievement, considering the volume of originals we produce versus our peers, demonstrating our proven ability to deliver big, broad, hit content that is also highly efficient.

Now, all of these shows are performing exceptionally well at Paramount+ internationally, along with Yellowstone and South Park, which we have exclusively for SVOD. Yellowstone is having another record year, ranking as the number one start driver and the number one engagement driver, and South Park continues to rank as a top five star driver and the number two engagement driver.

Now, moving to 2025, we've already kicked off another exciting slate. On Valentine's Day, we launched one of the most eagerly anticipated shows of the year with Season 3 of Yellowjackets, which is up over 50% versus the previous season. And this past Sunday, Season 2 of Yellowstone's 1923 scored globally on launch day as the most-watched original premiere in Paramount+ history.

And that's just the beginning. Coming up later this quarter are the premiere of two new series, MobLand from Guy Ritchie, starring Tom Hardy, Helen Mirren, and Pierce Brosnan as the head of an organized crime family fighting for power within a global crime syndicate. This is followed by a new series from executive producers Robert and Michelle King titled Happy Face, a thrilling true crime series. These are just a few of the many original series that we have to make up 2025 our strongest slate-to-date for Paramount+ as our momentum continues.

And now, I'll hand it off to George to talk about CBS.

George Cheeks

Paramount Global Office of the CEO and President & Chief Executive Officer-CBS, Paramount Global

So at CBS, our multi-platform strategy led to another outstanding quarter. Tracker and Matlock are the two most-watched entertainment series on TV with more than 18 million and 16 million viewers per episode respectively across CBS and Paramount+. In fact, the network had seven of the top 10 series in prime time.

Now turning to sports, the NFL on CBS delivered another season of massive broadcast audiences with year-over-year streaming growth on Paramount+ at nearly 60%. Our late Sunday afternoon national game was number one for the second consecutive year, averaging over 24 million viewers. And we capped the season with a record-setting AFC Championship Game, watched by close to 58 million viewers.

In addition, our CBS Sports UEFA coverage, which is mostly exclusive to Paramount+, is having its most-watched season ever, up 47% from last year. All of this speaks to the enduring relevance of broadcast TV and its ability to reach mass audiences while also driving growth for our streaming platforms.

The volume of broad hits across Paramount Global reinforces why we have much to be excited about during this period of evolution and transformation for our business, including our pending Skydance transaction, which we expect to close in the first half of this year.

Bigger picture, we're laser-focused on creating value for our audiences, our partners, and our investors now and well into the future.

Over to you, Naveen.

Naveen K. Chopra

Chief Financial Officer & Executive Vice President, Paramount Global

Thank you, George, and good afternoon, everyone. In 2024, we delivered significant earnings growth and strengthened our balance sheet while continuing to position Paramount for the future.

Full-year Adjusted OIBDA grew 30% to \$3.1 billion, reflecting significant improvement in our direct-to-consumer business. Additionally, we generated \$489 million of free cash flow and reduced net leverage to 3.8 times. You will find a comprehensive review of the quarter's financials in our press release. On today's call, I'll provide color on our fourth quarter results and then discuss our outlook for 2025.

So let's dig into Q4, starting with direct-to-consumer. Our D2C business delivered another quarter of healthy top-line growth and improved operating leverage. Paramount+ added 5.6 million subscribers in the quarter, reaching a total of 77.5 million. Subscriber growth benefited from a particularly high volume of acquisition-oriented content, including a robust slate of originals, theatricals, the NFL, and college football.

Engagement was also very strong. In fact, watch time per user grew more than 20%, contributing to over 100 basis points of reduction in churn relative to the year-ago period.

Paramount+ ARPU grew 1% year-over-year in Q4, reflecting several factors, including the lapping of the 2023 price increase and a continued shift in the mix of our subscriber base toward our essential tier. It's also worth noting that when we implemented our most recent price increase in August of 2024, existing essential-tier subscribers were grandfathered. As a result, it will take longer for this most recent price change to flow through to overall Paramount+ ARPU.

The combination of subscriber growth, churn reduction, and ARPU improvement helped deliver 14% growth in Paramount+ subscription revenue. Paramount+ growth was a key ingredient in the D2C segment, where revenue grew 8% to \$2 billion. This includes 9% growth in direct-to-consumer advertising driven by our EyeQ digital platform. D2C advertising also benefited from higher political spend.

Subscription revenue growth for this segment was 7%. The growth rate for D2C subscription revenue was impacted by the cannibalization of Showtime OTT revenue following the integration of Showtime into Paramount+.

While this integration has temporarily diluted revenue growth, it has been a key enabler of the significant improvement in D2C profitability we've delivered over the past several quarters.

Speaking of which, in Q4, D2C OIBDA improved by more than \$200 million year-over-year. However, as we previewed over the last couple quarters, the segment swung to a loss of \$286 million due to the seasonality of our content slate. But looking at the full year, D2C profitability improved nearly \$1.2 billion to a loss of \$497 million.

Now turning to TV Media, revenue declined 4% in the quarter to \$5 billion as linear ecosystem trends continued away on TV Media affiliate and advertising revenue. Affiliate revenue declined 6.7% in the quarter and advertising revenue declined 4%. Advertising trends saw a 350-basis point headwind from fewer NFL and college football games versus the year-ago period. Results were also impacted by softer college football ratings and international advertising, including FX headwinds.

TV Media licensing revenue grew 3% in the quarter, primarily driven by secondary licensing growth, partially offset by fewer made-for-third-party productions.

Secondary licensing, the largest component of TV Media licensing, benefited from a normalized content slate for the first time since the strike, resulting in strong double-digit growth in the domestic market. International licensing revenue, which consists largely of distribution of current season CBS programming, grew at a slower rate as deals are occurring later in the broadcast season relative to historical buying patterns.

TV Media OIBDA was \$949 million in the quarter. Expenses were flat year-over-year as cost reduction initiatives were offset by higher content costs from a new fall slate and variable compensation costs, which I'll touch on in a moment. We remain highly focused on proactively managing expenses to maximize earnings in our TV Media business.

In Filmed Entertainment, we generated revenue of \$1.1 billion in Q4. Filmed Entertainment OIBDA was a loss of \$42 million, a decrease of \$66 million versus the comparable period, which includes marketing costs associated with the theatrical release of five films compared to one film in the year-ago period, as well as the timing of Sonic 3, which was released late in the quarter.

On a consolidated basis, we generated \$406 million of adjusted OIBDA in Q4. Adjusted OIBDA was impacted by company-wide variable compensation and actions taken to mitigate 280G exposure.

Together, these resulted in expenses that were about \$90 million higher than expected. The biggest portion of the compensation increase was incurred at TV Media, given the relative size of its head count. However, the impact was seen across all components of the business. Free cash flow was \$56 million in Q4 and for the full year, free cash flow was \$489 million, including \$347 million in payments for restructuring and other initiatives.

Now on to 2025. As we work to close the Skydance transaction, we're focused on continuing to leverage Paramount's content assets to transform our business for the streaming era. That means continuing to invest in sports, powerhouse film and TV franchises, and streaming originals to support D2C growth. It means continuing the transition of our advertising business from linear to digital. And it means delivering domestic profitability for Paramount+ while identifying additional cost reduction opportunities across the company.

And by executing on these priorities, we expect Paramount to deliver another year of free cash flow growth. In addition, we expect strong OIBDA growth when adjusting for the contribution of the Super Bowl and political advertising in 2024.

Looking more closely at Q1, we expect continued subscriber growth at Paramount+ though not at the same level as Q4, given the timing of content releases. Paramount+ ARPU growth should accelerate as we fully lap the 2023 price increase, and we'll see a full quarter impact from Q4 sub additions, which by the way, skewed heavily toward direct subscribers, which generate attractive ARPU.

In TV Media, we expect the rate of decline in affiliate revenue to increase in Q1 due to the impact of recent renewals and an evolving pay TV ecosystem. However, as our D2C business continues to scale, we expect the combination of our traditional and streaming business to yield net growth in total company affiliate and subscription revenue.

In advertising, we expect similar underlying trends in linear and digital in Q1 relative to Q4. However, reported advertising growth in TV Media and D2C will be impacted by the comparison to the 2024 Super Bowl.

Putting it all together, while full year OIBDA will grow on an underlying basis, Q1 adjusted OIBDA will decline year-over-year, reflecting the underlying business trends I discussed, as well as the comparison against the Super Bowl, which significantly benefited Q1 of 2024. The combination of Super Bowl timing and additional cost reductions planned for the second half means OIBDA growth will be weighted toward the back half of the year.

In terms of free cash flow, Q1 will include cash restructuring payments of approximately \$150 million. And when combined with the headwind from lapping last year's Super Bowl will lead to free cash flow being lower year-over-year. However, as I mentioned earlier, for the full year, we expect free cash flow to increase in 2025, even when including the impacts of the Super Bowl and political advertising in 2024.

Stepping back, it's clear that our financial progress in 2024 has positioned us well for the future. We generated significant OIBDA growth, a substantial improvement in D2C profitability, increased full year free cash flow and reduced net leverage, all while continuing to invest in and produce hit content. We look forward to continuing this momentum in 2025.

With that, operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question goes to Robert Fishman of MoffettNathanson. Robert, please go ahead.

Robert Fishman

Analyst, MoffettNathanson LLC

Q

Good afternoon, everyone. On Paramount+, you guys talked a lot about the success with the originals. It would be great to hear your updated thoughts on whether the full slate of the programming is enough to drive the necessary scale as a stand-alone service in order to compete with the larger SVOD platforms.

And any progress maybe on exploring the Paramount+ partnerships in the US and internationally? And then, Naveen, if I can just add one, how do you think about Paramount+ – sorry, Paramount company's plans for content spending across all the different segments this year? Thank you.

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

A

Hey, Robert. This is Chris. I'll take the first part of your question, and then I'm going to pass to Naveen for the content spend. So listen, as it stands for Paramount+, we are very proud of the success that we've had to date. Our content is working. We saw a great number of subscribers sign up to the service both in Q4 and for the year. And in Q4, we saw record engagement, where we're up 20%, which led to a really strong improvement in churn.

Now, we talk about the content slate itself. Q4 saw a new high for us, as we ranked as the number two SVOD when looking at hours spent across all original series, which really is a remarkable achievement considering the volume of content we create versus our competitors.

Now, all of those things helped to drive really strong revenue growth, up 33%. And together, that's improved profitability for our D2C segment by \$1.2 billion. Now, all that gives us great confidence that we are well on our way to hit profitability in 2025, which I will also note is a record time for a US SVOD.

Now, we like where we stand. We really made some strong progress, and we feel good about where we're going into 2025 with real momentum behind us. Now, that said, we're going to always look at opportunities to drive more value. And as opportunities come together, we'll evaluate those, but no news to share today. Naveen?

Naveen K. Chopra

Chief Financial Officer & Executive Vice President, Paramount Global

A

Hey, Robert, just following up on your question related to content spend. I think the simplest way to think about content spend in 2025 is that we expect it to be relatively flat on a total company basis to 2024. Now, that's some progress, if you will, because I think as you're well aware, it's been a little noisy over the last few years between the impact of ramping up content spend to support Paramount+ and then ramping out of the strike, et cetera.

So this is really the first year in a little while where we've now got to what we think is a more normalized level of content spend. Now, even though the total company content spend will be relatively flat, you should continue to assume that there's ongoing remixing in favor of streaming, meaning more content is either being used

exclusively for streaming or dual-purposed between both our linear platforms and our streaming platforms. But on a whole, relatively flat.

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

A

Operator, next question, please?

Operator: The next question goes to Ben Swinburne of Morgan Stanley. Ben, please go ahead.

Benjamin Swinburne

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Just a couple of clarifications. Chris, I think you just said profitability for D2C in 2025. I think the last guidance from you guys, I might be stale on this, was domestic profitability at Paramount+ in 2025. Just want to make sure we get that. Correct.

And then, Naveen, on free cash flow, great to hear that you expect growth in 2025. I think you gave the cash restructuring number for the first quarter, but any help in thinking about kind of restructuring costs for the year and anything else you'd want to flag that might be important on free cash flow growing off that \$500 million number? Thanks.

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

A

Hey, Ben, thanks for the question and thanks for the clarification. I actually misspoke. It is profitability for Paramount+ domestic. Naveen?

Benjamin Swinburne

Analyst, Morgan Stanley & Co. LLC

Q

Got you.

Naveen K. Chopra

Chief Financial Officer & Executive Vice President, Paramount Global

A

Yeah, thanks. So Ben, let me add some color around our expectations on free cash flow for 2025, because you're right that the restructuring component does actually have a fairly material impact. So you heard me say that we expect free cash flow to be higher on a year-over-year basis, despite, by the way, the significant contribution from the Super Bowl and political, which benefited 2024.

And that's driven in large part by my earlier comments about the trend on cash content spend, where the stability that we're seeing there reduces dollars that were tied up in working capital over the last few years, which ultimately benefits free cash flow. So we actually expect to see some pretty significant improvement in free cash flow conversion as we continue to progress. That number has been diluted by cash restructuring payments.

And in fact, if I look at 2025, I think there's probably something on the order of about 10 percentage points of conversion that is impacted by restructuring, meaning cash conversion will be about 10 percentage points higher absent the restructuring expense, which is obviously something that goes away in the future.

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

Thanks, Ben. Operator, next question.

A

Operator: The next question goes to Michael Morris of Guggenheim. Michael, please go ahead.

Michael Morris

Analyst, Guggenheim Securities LLC

Thank you. Good afternoon. Wanted to ask you about D2C, the viewing growth metrics that you shared that are in excess of 20%, are clearly well ahead of revenue growth. And so my question is, do you see that as a leading indicator of potential acceleration on the top line in the future? And sort of what's the gap between the viewership strength and revenue strength, and how do you close that? So that's my first question.

And then just maybe a clarification. We talked about the EBITDA (sic) [OIBDA] outlook for 2025, excluding the impact of the Super Bowl and political. Could you size for us how much benefit you saw from Super Bowl and political in 2024? Thank you.

Q

Naveen K. Chopra

Chief Financial Officer & Executive Vice President, Paramount Global

Yeah, hi, Mike, it's Naveen. I'll try to take both of those. So as it relates to D2C, I'll just say viewership versus monetization. Yes, we do see viewership as a leading indicator of where we think we can go in D2C monetization, both with respect to ad sales, but also with respect to subscription revenue, because there's no rocket science behind the fact that the more engagement that you have, the more ability you have to reduce churn and continue to grow price over time.

And we do think this is a very important part of our overall economic plan, is that growth in the D2C business is going to include a combination of both subscriber growth and continued ARPU growth. So we're very focused on making sure that we're continuing to drive the engagement, because ultimately that drives the ARPU growth, both in terms of advertising and subscription. Not necessarily – won't happen necessarily at the exact same time, because we want to build the engagement as we then start to drive price.

Moving to your second question about OIBDA and the benefit from the Super Bowl and political in 2024, let me give you maybe a little more color on what we're expecting in terms of OIBDA in 2025. As you pointed out, the Super Bowl was a very meaningful contributor in 2024, and that's one of the reasons why there's a headwind in Q1.

By the way, the impact from the Super Bowl was seen in both the TV Media segment and the D2C segment. But that's not the only factor in Q1. We also have to take into account some of the headwinds that I mentioned related to affiliate revenue.

We've signed a number of deals since the end of Q1 in 2024 with some of our largest distributors. And so Q1 is really the quarter in which you're going to see the cumulative impact of those renewals. So that's an important factor in looking at Q1.

And then the other thing I just mentioned on the full year is that it is going to be somewhat back half-weighted, but very importantly, even with the impact of – or excuse me, on the full year, as I said, earnings will grow materially,

A

excluding the impact of Super Bowl and political. And if you were to think about it on a reported basis, meaning including the Super Bowl and political, I think full year adjusted EBITDA (sic) [OIBDA] is probably down slightly.

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

Thanks, Mike. Operator, next question, please?

A

Operator: The next question goes to Steven Cahall of Wells Fargo. Steven, please go ahead.

Steven Cahall

Analyst, Wells Fargo Securities LLC

Yeah, so thanks. You mentioned that you expect company-wide affiliate growth in 2025. I didn't hear that comment about company-wide advertising growth. So maybe you could just touch on that, excluding Super Bowl and political. I think D2C slowed a little bit in Q4. It might've come in a touch below what you expected it to be.

We know that linear television has some challenges in advertising. So do you think you can return the company to advertising growth in 2025, again, kind of excluding the Super Bowl and political comp?

And then maybe you could just update us on what you're seeing in the licensing market. There's been a lot of supply that's come to market, especially in the TV product over the last probably 18 months. So what are your expectations for content licensing in 2025? Thank you.

Q

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

Hey, Steve, this is Chris. I'll take the first half of that question, and then I'm going to pass to Brian for the content licensing piece. So, listen, if we take a step back, what we're doing here is we're transitioning our business, our audience, and our advertisers from linear to streaming. And we're seeing great growth there.

On the streaming side, we have really strong engagement, really anchored in Q4. That's both on the Paramount+ side and on the Pluto side. We're very pleased with that progress and the scale that we're getting in D2C advertising, where we're up about 18% for the year. And I'll have to say also, it's important to note, we have one of the largest addressable domestic footprints.

Now on the linear side, we have a different set of assets, a differentiated. We're anchored by CBS, which has an incredibly strong sports slate, the best-in-class primetime line up of hits. George talked about seven of the top 10 hits and over 50% of the top 25. That gives us real strength and it helps to insulate us from the pressures that are happening in the linear landscape.

Now, there's no question, there's more pressure on the cable side, but frankly, that's a much smaller part of our business today than it's ever been. To put that into some numbers, it's really low double digits as a percent of our total ad revenue. So we feel good about the momentum as we're going into 2025 and we are seeing a good response from Q1 scatter and our content slate is going to be one of the strongest we've ever produced as we head into the upfront. And we're hearing great things from our advertising partners. So we feel good about where we stand and feel good about heading into 2025. Brian?

A

Brian Robbins

Paramount Global Office of the CEO and President & Chief Executive Officer-Paramount Pictures and Nickelodeon, Paramount Global

A

Sure. Hi, Steve. Our licensing business is still very strong and it remains an essential component of what we do. We also have a great deal of licensing internally, which you have to realize, does not show up in our reported results. And this will pay real dividends downstream in the growth of our D2C platforms, which is why we are making fewer originals for third parties.

Additionally, we believe there's real room for innovation in windowing strategy and deal structures that could unlock even more value from our content in the future.

Jaime Morris

Executive Vice President-Investor Relations, Paramount Global

A

Thanks, Steve. Operator, we'll take one last question.

Operator: Thank you. The final question goes to Kutgun Maral of Evercore ISI. Kutgun, please go ahead.

Kutgun Maral

Analyst, Evercore ISI

Q

Good afternoon and thanks for taking the questions. I was hoping for your perspectives on Paramount's positioning across linear going forward. In the context of your comments around the rate of decline in affiliate revenues accelerating in Q1, maybe thinking to the sports and news-centric bundles launching in the market, are there any protections in the distribution deals that you've inked that you could speak to, like with YouTube TV, that would potentially help mitigate the risks of customers down-tiering or cord-shaving?

And then just a quick one on film. I didn't know if there was any more background you could share on the slate financing deal with Domain Capital and how we should think about the EBITDA (sic) [OIBDA] and free cash flow impact in the coming years? Thank you.

George Cheeks

Paramount Global Office of the CEO and President & Chief Executive Officer-CBS, Paramount Global

A

Thank you, Kutgun. This is George Cheeks taking it. I will start with the first part.

So look, given our portfolio of must-have sports, it's difficult to imagine a sports bundle that's going to satisfy the sports fan without CBS. And actually, in fact, we are part of Comcast Sports & News TV package, and we're also in discussions with DirecTV about joining their MySports offering.

But the bottom line is, when we look at these distribution relationships, we look at them holistically, meaning we negotiate our economic distribution commitments across all tiers of service that are going to be offered or proposed by the applicable distributor. And when it makes business sense for us overall, we're going to agree to add tiers, just like we did with Comcast.

So we're going to continue to experiment with skinny bundles. We know they're here, but we're just not, at this point, convinced there's a compelling value proposition relative to the full bundle. And from what we've seen so far, the price benefit for the consumer is just quite small. But nevertheless, we're going to be committed to working with our partners to help them create the most compelling offerings with the greatest value.

Brian?

Brian Robbins

Paramount Global Office of the CEO and President & Chief Executive Officer-Paramount Pictures and Nickelodeon, Paramount Global

A

Sure. I'd say that slate financing is really nothing new for us, but this deal establishes a long-term alliance between Domain and Paramount Pictures to provide financing for upcoming films across Paramount's slate in various genres and budget levels.

And this partnership also will help spread the production cash outlay over more films. So this type of deal is not unique to us. And in fact, Domain also has a multi-year financing deal with another film studio. But in Domain, we found a committed and experienced partner to be in business with and a structure that really has positive free cash flow and OI attributes.

Christopher D. McCarthy

Paramount Global Office of the CEO and President & Chief Executive Officer-SHOWTIME & MTV Entertainment Studios, Paramount Global

All right, thanks, everybody. This is Chris. And on behalf of my fellow co-CEOs, we'd like to thank you for joining us for our call today. We are very proud of the success that we had in 2024, the momentum that we have going into 2025. And this is all proof that we are making the successful transformation into a streaming-first company.

Now, these remarkable achievements would not be possible without our incredibly talented teams, our creative partners, for whom of which we're deeply appreciative. Thank you for joining us again for the call, and I hope you have a great night.

Operator: Thank you. This now concludes today's call. Thank you for joining. You may now disconnect your lines.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.