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Paramount Global (VIAC)

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CORPORATE PARTICIPANTS

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. Thanks, everyone, for coming to our second morning keynote for this morning. I'm really pleased to introduce Naveen Chopra, who is the CFO of Paramount. Naveen, welcome. Thanks for coming today.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Thank you. Thanks for having us. Good to be back doing these things in-person. It's been a while.

QUESTION AND ANSWER SECTION

Q

Yes. We'll jump right into it. At your Investor Day in February you increased your 2024 streaming subscriber and revenue guidance by about 50% to 100 million subs and $9 billion-plus in revenue. What are the primary reasons for your confidence in raising the guidance by such a large amount after only setting that original guidance just a year ago?

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

A

Yeah, well, it ultimately comes down to the success that we had in 2021 and everything that we've learned from that. I mean if you go back to when we originally published our long-term goals for streaming, we hadn't even launched Paramount+ yet. And so we had a strategy, we had a thesis, we had a vision, but we didn't have a lot of actual data and experience in the marketplace with the Paramount+ proposition.

So since then we've added a tremendous number of subscribers and we've proven to ourselves that we can scale. We added 26 million subscribers in 2021, I think growing faster than anyone thought. The vast majority of those subscribers came through Paramount+.

We also proved to ourselves that we could leverage the power of our content in unique ways that really drove both subscriber acquisition and engagement. Whether you think about that in terms of employing a variety of different strategies for releasing movies across both theatrical and streaming. Whether you think about what we did to leverage some of our big linear shows and turn them into franchises across both linear and streaming.

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Whether you think about using our traditional platforms as marketing launch pads for a number of our big streaming titles. All of that, I think was extremely powerful.

We also proved that we could scale internationally much faster and efficiently than I think anyone expected, in many cases using a large number of existing commercial distribution deals that we've had in place from the traditional part of our business that we can now extend into streaming.

And then on the Pluto side, we proved that Pluto has a long way to go in terms of growth in both engagement and monetization. And we demonstrated that in 2021, business grew 88% year-over-year, broke $1 billion in revenue. So it's really the combination of all of those proof points, in conjunction with obviously what we see coming down the pipe in terms of our future content slate, new market launches, new distribution partnerships, that gives us real conviction to say that we can push the pedal down more aggressively and we can build Paramount into a top tier streaming business and importantly that we can do it in a way that creates a long-term economic model that we think is attractive.

Q

What do you need to do in order to realize the company's vision of transforming into a globally scaled streaming business? What are the pieces that you still need to put in place, both from a content and a distribution perspective or any other factors that you might want to mention?

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

A

Yeah. Well, I think there's an important thing to understand which is that while, yes, we are trying to build a globally scaled streaming business, we are not building just another pure-play SVOD business. And that's a really important distinction in terms of understanding both our execution plan, our investment needs and what the long-term financials of the business are likely to be.

And because we think about that strategy differently, we are operating with what we think of is a unique playbook. And there are four dimensions to that playbook that again are distinct from what you would do as a pure SVOD business. So that includes number one having a much broader content strategy. So a lot of streaming businesses have been focused on high-end scripted entertainment. Our view is that you've got to address the entire household, which involves a combination of obviously scripted content, but things like sports, news, movies, kids content, unscripted, and that's really critical in terms of both being able to drive engagement, audience growth, et cetera, but also being able to leverage content investments across the variety of different channels. So broad content is a critical part of our strategy.

We also have a broader business model when it comes to streaming. So we're not just focused on subscription, we're employing both free ad supported services, subscription and also hybrid models where we have a tier of Paramount+ that is lower-priced subscription, but includes advertising that is highly accretive to the overall economic equation for streaming. So we like that as a distinct part of our strategy.

We also have a broader set of platforms which is to say we're not operating our streaming business in a silo, we're operating it as part of a broader media business that includes both traditional, linear and theatrical businesses. That gives us tremendous leverage, both in terms of how we invest in content, but also in how we can promote and distribute. And there's tremendous efficiency that we get from that.

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And then finally, we are much broader from a geographic perspective as well. A lot of streaming businesses to date have approached global from very much a Greenfield position. We're different. We have boots on the ground in 35 countries. We've got production capabilities in over a dozen and that means that we can scale globally more quickly and more efficiently. We've got not just those production capabilities, but we've also got a vast library of content for global audiences.

So when we think about what do we have to do to continue to build our streaming business and ultimately achieve those long term goals, it's about pressing on all four of those dimensions, which, as I said, represent a different playbook that we think helps us grow faster and also creates long term economics that we like.

Q

What does the increase in spending mean for the velocity, the quality and the diversity of content that'll be hitting Paramount+ over the next three years as you build out this full content slate by 2024?

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

A

Well, I think you'll see us continuing to lean into things that have worked well and that play to the differentiators that I just mentioned. So it, of course, starts with that broad content strategy. You'll continue to see us try to address all audiences through a variety of genres and formats, both here in the United States and globally.

But you'll also see us doing other things like continuing to embrace our fast-follow strategy for movies. We like the concept of a 45-day window that allows us to continue to capture the value of theatrical audience, but also use movies as drivers of both acquisition and engagement on our streaming platforms. I think you'll see us continue to lean into franchises and extend those franchises, whether it's things like a PAW Patrol or a Sonic or creating an entire universe around Taylor Sheridan shows, which has obviously been very successful for us.

You'll see us continue to focus on global, both from a production perspective, but also actually using some of our international production capability to create global titles that we can bring into the US and other markets. You will see us continue to be very smart about how we program and stunt our content and how we release our content. We think that's really critical to being able to move audiences from one title to another to maintain engagement and ultimately lower churn. And we've done some very savvy things there, like figuring out how do you take an NFL audience and how do you get them into that next scripted show that's then going to make them really sticky and cause their churn to decrease significantly.

And then, you'll also see us continue to leverage our library, and I really can't overstate the importance of that. The library of content is where the majority of time is spent in streaming services. And so, having that vast library, continuing to evolve it, continuing to market it, continuing to make sure that it's front and center there for our customers is a great tool for continuing to retain and maximize the LTV of all of our customers. So, it's a multi-dimensional strategy and, as I said it, it really plays to all of our strengths as a company.

Q

You touched on it little bit there, but I guess maybe to ask it more directly, will the plan over the next few years arm you with enough local content in the major regions worldwide to scale outside the United States?

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

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Absolutely. I think a lot of companies, as I mentioned earlier, have had a bit of an uphill climb when it comes to figuring out how to build that global presence with local content for streaming services whereas for Paramount, I think it is one of our biggest advantages because of the existing presence that we have there from both a production and a library perspective and distribution, marketing, et cetera.

A lot of people don't fully recognize the fact that we're actually now the largest producer of Spanish language content in the world. And on top of that, we also have production capabilities in Europe, in Australia, in the Middle East. So in combination with what we do in Latin America and obviously the US, we really do have a global production presence. So you'll see us continuing to leverage that more aggressively, again, both new production and library. And it's going to be one of the things that certainly fuels Paramount+ going forward.

Q

Your most strident critics are of the opinion that Paramount's investments in streaming are a poor use of capital and won't generate positive returns because you don't have the IP, just doesn't measure up. How would you respond to those skeptics, those critics?

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

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Well, the first thing I'd do is I'd point them to the fact that we added 9.4 million subscribers in Q4. We were the fastest growing major streaming service, fastest growing brand in the US market and all of that success is content driven, first and foremost. Remember, that Paramount is a company that has the number one broadcast network in CBS. We've got the number one kids network in Nickelodeon. We've got Showtime, which for years has been a producer of culture defining shows whether that's longtime fan favorites like a Billions or a new show like Yellowjackets or a big series like Halo, which obviously a huge, multigenerational gaming franchise. That's a show produced by Showtime, will be distributed on Paramount+.

We've got – we've talked extensively about our major international presence. We've got MTV Studios, which is the producer of Yellowstone, the biggest show in all of television, and now the foundation of multiple spinoffs that we'll be launching on Paramount+.

And then, of course, we got the Paramount Movie studio, which quite frankly, I think has one of the most enviable slates over the next few years of any studio around. We've obviously got Top Gun: Maverick coming up relatively soon here. And as we look to the rest of this year and next, we have more Mission Impossible movies, we'll have another Paw Patrol movie, we'll have another Sonic movie, there'll be another Transformers movie. More movies in the Quiet Place franchise.

So, if you step back and you put all those pieces together between broadcast, cable, international, studio, I think there are lot of companies out there who would love to have our portfolio of content and importantly, well known IP. And that last part is critical because without well-known IP, you're stuck in the mode of having to launch new shows and try to build new audiences every single time. And that can honestly be a pretty expensive endeavor. Whereas our ability to take those existing audiences, at existing IP, those franchises extend and build on them across multiple channels, it just yields better ROI. And that's a big part of why we think our strategy is so compelling.

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When we look at the other scaled content players out there today, we see a mix at least domestically of companies with a single streaming service and companies with multiple services. Paramount has three primary services domestically: Paramount+, Showtime and Pluto. And internationally, I guess essentially two, Pluto TV and Paramount+, and you have the JV with Sky and Viacom18, obviously in those regions. But why is it advantageous for Paramount to have multiple services? How does that product strategy maximize value creation over the long term?

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

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Well, it's really all about the TAM, and we want to make sure that our strategy addresses the largest possible TAM. I think you've heard us describe in the past, our view that our TAM in streaming is at least twice as big as the TAM that's been available in sort of the traditional media world. And in order to access that TAM, you have to have both an ad-supported service and subscription because there are obviously consumers of a lot of different types, quite a lot, across a lot of different markets with varying propensities to pay and frankly, who value different types of content in different ways. So, if you want to have both free and ad-supported and subscription, we think it is important to keep those things separate. It's very confusing for customers to have all of that in one service and not really understand, is this free, is this pay, what content do I get where.

We have the ability with Pluto, as our free ad-supported service, to really shout from the rooftops that Pluto is free and all of our marketing around is it's free, free, free. And then we have the ability to position Paramount+ as the destination for high quality content, both scripted for sports, for news, for big events. So we really like that positioning because I think it clarifies the value proposition in customers' minds and allows us to address the entirety of that TAM.

There are also some other benefits outside of the consumer value proposition that fall more into a commercial domain, if you will, which is to say there are a lot of things that we can do with partners by having multiple services. Each of our distribution partners has their own strategic objectives, and in some cases we can accomplish more by bundling a free ad-supported service. In some cases, we can do more with subscription. Some cases it's the full portfolio, so we'd like having all of those arrows in our quiver, so to speak.

And then that portfolio approach also pays dividends in terms of what we can do in leveraging promotion across them. We can use the free audience to promote subscription as one example. It also gives us the ability to get more leverage out of our content investments by windowing content across a variety of different services. So we think it's a very powerful part of our model. That said, that's one of our four big differentiators, that concept of a broader streaming business model. It's been working very well for us to-date, and we're going to continue to invest in it.

Q

How much of Paramount+' success would you say is due to sports? And can you be as successful internationally, without live sports?

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

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Yeah. So if you start in the US, sports has been an important ingredient in our service. It's one of the things we use to distinguish Paramount+, and it has proven to be a powerful driver, particularly of acquisition, which then allows us to use other forms of content to turn customers that come in for sports into long-term, very sticky customers. And in fact, many of the users that come in for sports like the NFL, UEFA, golf, we've got the NCAA tournament coming up soon obviously, turn into our highest LTV customers, especially when we can get them into that second piece of content. So we like that model. It works particularly well because we're able to leverage that investment across billions of dollars of revenue in the traditional side of our business and very high revenue growth on the streaming side of the business.

When you look internationally, the story is a little bit different. Paramount+ outside of the US is a broader entertainment offering because Showtime content is incorporated into Paramount+, so we can address an even broader audience from an entertainment perspective. And we do think sports has value, but we look at it on a market-by-market basis. So if you look at Australia as an example where a market where we do have sports, we're going to be launching EPL Soccer in Mexico and Central America as part of Paramount+.

And the ingredients that I think we like to see are, number one, obviously the ability to acquire the rights at reasonable cost, but also the ability to leverage that investment, as I said, across multiple channels like we do here in the US and that we will be doing in Australia. And a clear ability to differentiate our streaming service using those sports properties. And I think that's part of why we're excited about what we're doing in Mexico as an example, because we really think EPL product there allows us to not only acquire a lot of subscribers, but gives us more flexibility in terms of how we price and package our service to maximize ARPU. So we – as said, we look at each market on a case-by-case basis and in some places sports is a great value-add, in other places I think it's less critical for us.

Q

Yeah. Similar to other streaming services including Netflix and Disney+, you're using wholesale distribution relationships with the likes of CANAL+, Sky, T-Mobile and others to scale more quickly. Can you talk about the advantages of this model versus the direct-to-consumer model?

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

A

Yeah, well, we are definitely fans of the bundle approach, really as part of what we think of as a ubiquitous distribution strategy, which in the context of streaming incorporates obviously a direct-to-consumer component. It incorporates a channel's component where we work closely with folks like Amazon, Roku, Apple, et cetera. And then it incorporates this – what we describe as hard bundle component. And the reason we like the hard bundle component is that while yes, we give up some ARPU, there are significant benefits in terms of acquisition cost, churn, retention, et cetera that make the economics compelling.

So you take something like the deal that we have with Sky in the UK or more recently CANAL+ in France, those are deals where we can very quickly launch our service to millions of customers. We incur virtually no acquisition costs to do so. The churn on those customers is very low, basically mirrors the churn of whatever service you're bundled with at worst. In many cases churn on a combined basis improves. And we have a partner in the market now who is helping us promote and drive awareness of both Paramount+ and our content.

So we really like that model and we think economically when you look – combine all of the factors of acquisition cost, retention, et cetera the LTV of customers that we get through a bundled offering isn't necessarily all that

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different than what you can achieve on a direct-to-consumer basis. So we're big fans of it. I think you'll likely see others follow in our footsteps there just because the economic benefits of that model, particularly in combination with other channels are so compelling. And it's I think one of the other ways, as I said that we're going to use our traditional business as part of this broader platform and extend those relationships that we have there into streaming. It's worked well so far and we're looking forward to doing more of that.

Q

Okay. Can you talk about the trends you've been seeing in engagement over the past few quarters and how those trends are holding up so far this year?

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

A

Yes. Well, we continue to be very encouraged by what we've seen in terms of engagement. Since we launched Paramount+, we've obviously been broadening the content offering on the service, helping to drive more awareness, adding a variety of distribution partners. And I think all of that has resulted in increases in time spent on the service, improvements in daily actives, which then manifests as reductions in churn. So we like that.

As I mentioned earlier, it's first and foremost content driven. So in terms of what we see coming, we expect continued improvements in engagement. We've got a bunch of exciting content that we've had, both coming into the beginning of this year and looking further out. Obviously, some of our big originals that we launched late last year, whether its Mayor of Kingstown, 1883, those have been very powerful drivers in the early parts of 2022. We have also recently released more movies on Paramount+. We'll have Jackass being released in the next few weeks here. We launched Picard in early March I believe. That's a big, powerful original. Of course, we got Halo coming March 24, that's going to be a big driver for us.

We've got another really exciting original called The Offer, which is the back story of how The Godfather movie got made. I'm totally hooked on that series by the way. It's really cool. I was little skeptical until I saw it, and then they've really done a beautiful job of it. So it's all about the content. And we're just incredibly excited about both, what we've been able to put on the service to-date and what's coming. So that'll all show up in terms of engagement.

Q

Maybe shift gears a little bit to advertising. What are you seeing in the ad market today, national scatter, local TV and maybe on the connected TV side as well with Pluto?

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

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Yeah. Well, look, I think from a macro long-term perspective, we really like the advertising opportunity that we see in front of us which we've obviously carefully designed our strategy to be able to be a fully integrated player across both linear and all of the unique reach capabilities that that provides, as well as being a large scale player in the digital universe and really harnessing the efficiency that that provides for advertisers.

We're looking forward to this year's upfront and being able to continue to tell that story on a fully integrated basis. We do that with our EyeQ product as a critical part of that narrative. EyeQ is really the service where we

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aggregate advertising inventory across Pluto, Paramount+ and other platforms where we distribute our content in digital form. And that's been a very powerful story, as I said, particularly in combination with our linear assets. So we're looking forward to that and we think long term, we've got exactly the right play there.

Shorter term, there are some crosscurrents in the marketplace right now. We've got some categories like entertainment, like travel that are going very strong and have really come back from COVID. We're seeing a lot of enthusiasm and demand, but there are obviously continued supply chain issues. There's geopolitical uncertainty. Combination of those things does create some headwinds, but I like our hand as we think about how to navigate those short term headwinds because as I said we've got tremendous growth on the broader advertising portfolio.

Q

Okay. You've talked about maintaining stability in TV media OIBDA. What gives you the confidence that you're going to be able to do that?

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

A

Well, I think about it both in terms of sort of the top line and the bottom line. And so on the top line we have shown that we have the ability to mitigate audience declines with increases in rate. And that's true both in the advertising side of the business, particularly as you see COVID issues, supply chain, Ukraine-related issues ultimately resolve themselves. As I said, we're bullish about that part of the business.

We also expect to see some nice tailwind from political in the back half of this year. That dynamic also exists on the affiliate side of our business, where we've been able to offset ecosystem declines with retrans, reverse comp and built in rate escalators that we have in all of our distribution deals.

And then also from a top line perspective, I think our licensing business is a valuable ingredient. We've talked in the past a lot about changes in our licensing strategy to retain more of our high value content for our owned and operated platforms. But there are many other parts of our licensing business that I describe as being orthogonal to what we're doing in streaming and that's stuff like our consumer products business, its our syndicated television business, it's licensing to international linear networks. We even have a business where we distribute content for third-parties and we get paid for that not only of our content. And we think that there is growth opportunity in that part of the business as well which will be helpful to sort of the overall financial profile of the TV media segment.

And then from a cost perspective, there are also a number of levers that we are focused on managing in order to preserve margin. That obviously starts with content. We continue to look at ways to optimize the mix of content, whether that's how much scripted versus unscripted are we producing and running, whether it's how much content are we producing internationally versus here in the United States? Or even looking at how to get even more leverage out of our production investments, for example, by using a single production location to create multiple programs, production hubs as we like to call them.

So you know those are all things we can do to run the business more efficiently. And then there are other I think opportunities to drive efficiency and how we market, how we streamline the organization. We've shown in the past that we can effectively combine networks and drive efficiencies that way. So you'll see us doing all of those things in addition to continuing to maintain top line.

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So we like the stability of that business. It's going to be very – I think clear and transparent as part of our new segment reporting where we will have the TV media business as an independent segment. And frankly it's an interesting combination when you think about the fact that you've got this very high growth streaming business, you've got a TV media business that has both top line scale, lower growth, obviously but very high levels of profitability. And what that means is that on a consolidated basis, you have a business that can deliver mid- to high-single digit top line growth. And once we get through the peak investment phase on direct-to-consumer, we'll then also generate earnings growth.

Q

Okay. At your streaming event you indicated that you believe long-term streaming margins will be similar to your traditional TV margins. How should we think about the time it will take for the business to scale at that margin level? Would you expect it to happen say, in the next 10 years? Hopefully, it's not a 50-year projection?

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

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It's not 50. Look, it obviously doesn't happen overnight.

Q

Yeah.

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

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And we haven't published a specific timeline yet. But I think if you actually step through some of the key elements of our strategy that I was describing earlier, you can start to understand why we can achieve those types of margins in a reasonable period of time. And again if you kind of go top to bottom of the P&L you can start to make that a little more concrete. Which is to say first and foremost from a revenue perspective, the fact that we're tapping both the ad-supported model and subscription that's a whole revenue pool that has not been available to traditional pure play SVOD players in the past.

You think about the fact that we've got all of this global presence, global content, global capability, that's another thing that's going to allow us to get to a much larger TAM, including our broad content strategy. So we think from a revenue perspective we can grow faster and bigger.

And then when you look at it from – on the cost side of the equation, there are very tangible benefits that we have and I again start with content. The fact that we have this huge library of content is a great asset in the financial model. If you're a pure play, kind of upstart streaming business without that library, you've got to spend billions of dollars a year to rent library content. And you have to have it, both because consumers demand it from an engagement perspective and also because if you rely entirely on producing new originals that gets unaffordable, quite frankly.

So the fact that we have this library, it's fully amortized. And in fact, we get paid for that library because one of the interesting things that we've learned over the course of the last year is that we can retain library content for our own service and license it on a non-exclusive basis to third parties without really impacting its performance on our

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own services. So it's fully amortized. We get paid by other people to rent it and we can use it to drive engagement on our service. So that's a very powerful part of our equation.

Then you go to the fact that we have this broader platform, right, linear, theatrical, streaming. That means, number one, we can leverage content investments across multiple platforms, whether you think about a movie or even something like the NFL, which is a huge driver from a streaming perspective, but only works if you have also the revenue from the traditional side of the business to help fund the cost of that content.

Those platforms also provide a highly efficient marketing platform for our streaming business. You look at what we've done to launch new shows, something like Halo as an example, we were able to promote as part of the AFC Championship games on linear. That would have cost millions of dollars to do if you didn't have those platforms. And you start adding that up across multiple shows. It's significant dollars. It's not uncommon if you're creating $100 million series or something on streaming, people may spend tens of millions of dollars marketing that show to try to drive awareness. Whereas we don't have to invest those dollars because we've got all those platforms and we can leverage them to build awareness.

And then you go to our broader distribution model and the fact – as we said, we're really embracing hard bundles, we're leveraging these existing commercial partnerships that we've got. That translates to real dollars and cents in terms of what does it cost to acquire a customer? What does it cost to retain that customer? So you put all those things together and, we're not talking about pennies. We're talking about billions of dollars of effectively either cost avoidance or incremental revenue that we can capture over time that ultimately leads to margins that are similar to our traditional business.

Q

Right. Okay. Makes sense. Can you talk about the outlook for balance sheet leverage? Will leverage ratio trend down from year end 2021 in 2022 and 2023? Or we have to wait until you return to EBITDA growth in 2024 before we see that leverage ratio start to come down?

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

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Yeah. So I guess just to level set a little bit. We finished last year with net leverage ratio around 2.6 times. That will increase as we start to invest in more aggressively in our D2C business. But I think it's important to remember a couple of things. Number one, while leverage will increase while we go through that investment phase, we do foresee peak losses in the D2C business in 2023, at which point both earnings and cash flow start to grow. And that's obviously an important driver then in being able to get leverage to return to our long-term target, which we've articulated is about 2.75.

The other thing to keep in mind is that while we go through this period of elevated leverage, we have a very strong balance sheet. We finished 2021 with over $6 billion of cash on our balance sheet that does not include by the way any of the proceeds from the sale of Simon & Schuster. We have $3.5 billion of untapped revolver capacity, so we have a lot of flexibility. And I think we've been very smart about how we will manage that balance sheet as we go through that process.

Q

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Maybe it's just a very specific follow-on to that, and some investors have asked us about the sustainability of the dividend going forward, given the increased EBITDA investment you guided to in 2022 and 2023. What's your confidence in being able to de-lever while continuing to pay that dividend and reinvesting into streaming?

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

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Yeah. Well, look, I mean I've mentioned many times that we really have three financial priorities for the business continuing to pay the dividend is one of them, but it also includes funding organic growth in streaming and de-levering the balance sheet over time. So you should assume that our investment strategy, our growth strategy contemplates all three of those things.

And I think in order to understand how we do that, you've got to keep in mind two important things. Number one, as we go through this investment phase and earnings does decline as we invest in the growth behind D2C, we think the decline in free cash flow is likely to be more modest in large part because of a variety of working capital improvements that we've been able to unlock over the course of the last couple of years.

And then the second important point is that, if we were to be in a situation where free cash flow fell below the dividend level, which by the way is not necessarily the case, but if it were to happen, remember D2C losses peak in in 2023. We got a stable TV media business and so both earnings and free cash flow start to grow after that point in time. So whatever you're doing in terms of funding the dividend is really just a short-term situation. And as that we've got ample firepower on the balance sheet to be able to do that if we got into a situation where we weren't funding it through operating cash flow. But again that's not necessarily going to be the case.

Q

You obviously have discretion on a lot of the investments you're making anyway.

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

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Indeed.

Unverified Participant

Okay. All right. Well great. We're out of time. So why don't we wrap-up there? Thanks, Naveen. Really appreciate it.

Naveen Chopra

Executive Vice President & Chief Financial Officer, Paramount Global

Awesome. Thanks for having us. Good to be here.

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