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PRESENTATION

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right. Welcome back. I'm Brett Feldman, Goldman's U.S. media analyst. It is my great pleasure to welcome back to Communacopia in our 30th year, Bob Bakish, the CEO of ViacomCBS. Bob, thanks for spending some time with us this morning.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Great to be here, Brett, despite it being over video.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Hopefully, the last time.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Exactly.

QUESTIONS AND ANSWERS

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right. Well, this has been a remarkable year for ViacomCBS. You completed a significant capital raise. You launched your flagship streaming service, Paramount+ in the U.S. in a number of international markets and you entered into several partnerships with Comcast. How do you see the company strategically positioned as we head into 2022?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So look, Brett, despite the broader macro backdrop, 2021, in fact, has been a very good year for ViacomCBS and I think one where we really began to demonstrate the incredible value creation potential the company has.

When you look at the company, you really see we have all the pieces required to succeed. We've got a best-in-class content creation capability with a scaled library, and that's across genres and demographics. We've got a rapidly scaling streaming business, both in subscription and in ad-supported. And we've got a legacy business, which continues to be strong and a powerful engine really for streaming transformation. It provides cash, it provides promotional reach, it provides relationships, all that we can build on.

And our company benefits from an extremely strong capital position that was bolstered by the capital raise we did earlier in the year and the ongoing material dispositions we're doing of noncore assets. And that in turn is enabling us to invest in a very compelling ViacomCBS opportunity in streaming.

So fundamentally, we're in a very good place. And as I look to '22, I'd highlight 2 things: First, I really see our international footprint as a key accelerant for us in global streaming, which will unlock a massive total addressable market opportunity for us. And second, I'm super excited about the content build on our flagship service, Paramount+, and confident that we'll enjoy the fruits of it.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right. We're going to spend some time talking about all of that. But before we do, last week, you announced a few key management changes. You appointed Brian Robbins as President and CEO of Paramount Pictures in addition to maintaining his current responsibilities leading Nickelodeon. And you also announced that Paramount Television Studios will become part of the premium network group under the leadership of David Nevins, who is the Chairman and CEO of Showtime. Why are you making these organizational changes? And what operational or strategic changes should investors expect as Brian and David take on their new roles?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

So sure. But before getting into it, I really want to highlight the amazing job that Jim Gianopulos did coming in. He really stabilized Paramount, turned it around and rebuilt it over the last few years. And as you know, he headed Paramount when it was a very difficult position. And he's leaving it in great shape. And for that, I, the Board, the company are very thankful to him.

Now at the core, the changes we announced are about better aligning our organization with our strategy and creating an environment to further strengthen execution. The changes will position Paramount to lean more into franchises and more into streaming while maintaining its extraordinary theatrical legacy including, as exemplified by the fantastic slate we have coming in 2022. And as you noted, it brings together Paramount Television and Showtime's premium content capabilities, which further scales our capabilities in that key sector of the market. So it's really about creating a studio for the future. And as we're doing that, I'm super excited about the leadership we have in place.

Let me start with Brian. Brian Robbins is a content creator, he's a franchise builder and he's a collaborator, which, to me, is an incredibly compelling combination of talents. You look at his resume, and he has a broad and strong content track record. He's done films, he's done streaming, he's done television, he's done digital. And over the last 3 years, he completely rebuilt the Nickelodeon pipeline. And that was by both leveraging franchises and creating new hits. I think equally importantly, he really understands and values today's multi-platform world. He sees the role of theatrical distribution as a powerful franchise builder. You saw that most recently with what he did with PAW Patrol.

He also knows how compelling content drives streaming, as he demonstrated with SpongeBob, iCarly, Rugrats and PAW Patrol on Paramount+ this year. And he understands how social media drives them in, and that really dates back to his Awesomeness deals. As you recall, he founded AwesomenessTV. And so the combination of him now leading Paramount, which, by the way, includes Paramount Players, and Nickelodeon gives him incredible resources to create incremental value through franchises and multi-platform execution.

Likewise, with television's side, David Nevins brings a lot to the table in his newly expanded role. He now has oversight of Paramount Television, which will be part, as you said, part of the premium network group. He, too, is an extremely strong creative executive and has a proven track record and really exceptional taste. So the change allows us to get more leverage from that and is thus additive to what we're doing in scripted content. And it really builds on the recent move we made to have him begin working with Paramount TV and more broadly on production for Paramount+. So I look really forward to, I'm sure, an incredible set of content that's going to now emanate from this larger studio operation he has.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Earlier, you just mentioned the success that PAW Patrol had at the box office. Despite the fact that it also debuted day-and-date on Paramount+, but you've indicated that most movies will continue to be released with 45-day exclusive theatrical exhibition windows. So I really have 2 questions here. The first is how are you thinking about your film strategy more broadly as the business becomes more streaming-centric? And then for films with theatrical releases, why does a 45-day exclusive window continue to make sense where we've seen some other studios go to windows as short as 17 days?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So I don't think it will surprise you when I tell you we're spending a lot of time on release strategy and really testing different models to maximize the value of that film slate in this evolving landscape, particularly in this COVID-ruled space. So most recently with PAW Patrol, that was actually our first day-and-date release. When I say day-and-date, I mean streaming and theatrical simultaneously. We think that's actually a very good model for kids and family films, again, particularly in this COVID-impacted time, because it gives consumers optionality to view the product where they feel the most comfortable and we did a bunch of research on that. The result of that move, though, was a film which did very well both theatrically and it was a significant driver for Paramount+, where it's actually now one of the most watched originals to date.

So to us, it's clear that, that combined strategy really drove the incremental performance. And in fact, if you look at the box office piece of it, it actually outperformed our green light. And the green light was done assuming it was a traditional theatrical-only release. So very compelling on the performance side, and it really demonstrated the potential for us to [event-ise] content, really leveraging the full set of ViacomCBS platforms to do so. And that even included our consumer products business. I mean we promoted PAW Patrol both through theaters and on Paramount+ on over 2 million boxes at retail. So that, too, helped to build excitement around it.

So we like the day-and-date strategy for families. We are also doing some direct to Paramount+ exclusives. We've got 2 coming shortly in the form of Paranormal Activity and The In Between. And so we think exclusive availability, particularly at lower budget levels, which these films are lower budget levels, is a compelling value creation opportunity for streaming.

And then in general, for the bigger films, as you said, we do like to fast follow theatrical to pay one strategy of 45 days. I continue to think that's the sweet spot of driving theatrical revenue and streaming growth in general. We used that strategy very effectively for A Quiet Place Part II. So it's not that we're going one direction for every film. We're actually using a strategy which has a range of tactics, again, designed to maximize the value of a film across this now broader ecosystem. But as we do that, theatrical definitely still matters.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right, talking a bit now about Paramount+. One of the most important metrics in a subscription-based business model is churn. And in the streaming world, low churn is generally reflective of high engagement. So once again, I kind of have a 2-part question, which is can you just provide some color on how Paramount+ subscribers have engaged with your content? And really, the second part is more of a follow-up, which is we're trying to think about the benefit of original series versus reboots versus movies versus sports because you flowed all of that content into the service since it's been launched.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So Brett, look, the good news is we're really seeing a diversity of content popping on the service. It's driving both subscriber additions and engagement. The engagement piece is obviously important to managing churn. We really think this is, again, another validator of our thesis of the value of a broad service, and it really sets the stage for continued growth and momentum for Paramount+.

When you look under the covers at what's driving the consumer, there is no question our film product is working in the stream. And again, as I just mentioned, it's definitely a film-by-film strategy. We talked about the success of PAW Patrol. I mentioned A Quiet Place II. By the way, A Quiet Place

II, great from both an acquisition and engagement perspective. And as part of that, we put A Quiet Place I on the service, and that really had very good engagement as well. And that adds -- or in addition to that, we are using like the whole library for Paramount. And in fact, if you looked at August, library titles, not new releases, but library titles accounted for about 2/3 of the total film minutes consumed. So we're really seeing films kick in as a powerful and multifaceted part of Paramount+.

At the same time, Nickelodeon is really working for us. The best example probably, which I talked about on our earnings call, was iCarly. But we've also seen strong performances from Rugrats, the new Camp Coral series and also the broader new library. So that's a place where we're taking our legacy leadership in kids and transitioning that leadership into streaming, and it's definitely happening. They're scripted, which everyone loves scripted on streaming, particularly probably the people on this call. And scripted is working for us, too. We have titles like Why Women Kill, The Good Fight, of course, multiple Star Treks, and they are all nicely contributing to acquisition and to engagement.

Something that I think is undervalued outside our company, but recognized within our company is unscripted. That's really starting to kick in for Paramount+. MTV's The Challenge worked really well for us. RuPaul, who, by the way, just became the winningest black talent in history from an Emmy perspective, really working well for us, particularly on the acquisition side. So it's a broad range of entertainment product that's driving the consumer.

Add to that sports. There's no question, sports has been an engine. That, too, is part of our thesis. Remember, Paramount+ news, sports a mountain of entertainment. We believe in the linkage between sports and entertainment, and we're seeing it. We made a real commitment to soccer, European football, and we're very happy with how that's doing. And now, of course, football is back, American football. The NFL, 2 weeks in, once again, proving its value and the FCC as well.

So put it all together, we really like what we're seeing in the metrics, both in terms of subs and what we're seeing as a trend line on churn. And it's that mix of entertainment, including movies, franchises, particularly in kids, plus sports and events, it's a real differentiator for Paramount+, and it's definitely driving success.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Let's talk a little bit more about subscriber trends. You added 6.5 million streaming subscribers in the second quarter. That was actually higher than the net adds that you captured of 6 million in the first quarter, which was the quarter you launched Paramount+ with a lot of marketing behind it. But the streaming market does appear to be getting more competitive and consumers continue to emerge from lockdown. What do you see as the primary drivers of Paramount+ subscriber growth in the back half and going forward?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

So we start, Brett, with like I'm thrilled with the momentum we're seeing at Paramount+. When we came up with the idea and strategy for it, I fundamentally believed in it. I believed in this idea for a differentiated product. I just mentioned it, one that's broad, includes news, sports and this full spectrum of entertainment and one that can benefit from our extensive reach and relationships globally. And you're really seeing that thesis prove out and it's going to keep going.

So in terms of going forward, I think the drivers for Paramount+ are a mix of both content and continued expansion. On the content side, we're in the late innings or the third quarter. We've had a great third quarter. Films, I mentioned A Quiet Place II and PAW Patrol. On the soccer side, both CONCACAF and now UEFA and American football, the NFL and the SEC. On the episodic television side, we got Big Brother, Love Island, Star Trek: Lower Decks. On the kids side, we have Camp Coral coming back for a second season and Rugrats. And then you look to Q4, which is about to start, you got the whole CBS fall slate, which looks fantastic. By the way, we won the first night of the broadcast season, which is the first time we did that since 2017. We've got the first of our original South Park movies from a new deal we did with Matt and Trey. And then we got compelling new scripted shows, including from Yellowstone creator, Taylor Sheridan, and that's both the Yellowstone prequel, Y: 1883, and a totally new show, Mayor of Kingstown.

So Matt (sic) [Brett], we only talk on these. I want to do something a little different at the moment, which is I'm going to show a commercial. We're in the media business. Why not show a commercial? And we're going to target this very valuable audience. So what I'm going to show you is a trailer for Mayor of Kingstown. And I think it will give you a sense of why we're so excited about the scripted shows we have coming. This particular show stars Jeremy Renner. It's all about life in a prison town and all the drama that goes with it. Beyond the show being great, I love the way we're rolling it out. We're actually going to bill it on the Paramount Network behind the first 2 episodes of Yellowstone and then move it exclusively to Paramount+. So checkout Mayor.

(presentation)

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

So look, we have the first 2 episodes of this in the can. Taylor and Antoine have really put something incredible together, and it's really the tip of the iceberg. We have so much more coming across the full range of Paramount+ genres. So the second half of '21 feels really good to me. And I'm confident that the money we're putting into Paramount+ to build our streaming content will further build on the momentum we have seen to date. And so thanks for letting me show that.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Happy to do it. It's exciting to know that Communacopia is now an ad-supported streaming service.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Hey, it's a valuable target audience. Why not?

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Exactly. Well, listen, you just gave us a great overview of the content that you'll be launching really oriented towards the U.S. audience. Can you talk a little bit more about your global content strategy?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Sure. I think it starts with our company is really a global production powerhouse. We are, in fact, one of the largest creators of English and Spanish language content globally. As we speak, we have 900 series in the works. We're creating content across 5 continents. We absolutely have a global content strategy for Paramount+. And the reason is pretty simple, global content utilization is ultimately key to driving scale and margins. And we're going to use Paramount+ increasingly to distribute our entertainment content globally. And it is really about entertainment content outside the U.S. In the U.S., it's news, sports and a mountain of entertainment. We don't have the same assets in news and sports ex-U.S., so the global push is really entertainment.

And when I say entertainment, we're doing a couple of things. One is we're making Paramount+ the international home of an increasing volume of our U.S.-produced content. And that includes evolving our output deals to enable that. And we just did that, for example, in the U.K. as part of our recently announced Sky deal.

In addition, we're taking our most successful U.S. formats and rolling them out internationally, and that's through a hub-based model for production where we'll set up a production in one particular location and then we'll run multiple crews through it for each market. And that's particularly relevant in unscripted. And I'm very excited about the economies of scale and the way we get real local relevance that way.

Content will go the other way, too. So we are taking international shows, dubbing them and putting them in the U.S. This is something some of the other streamers have shown really works. And we have tremendous capabilities, a lot of volume out there we're going to leverage. And we're also going to selectively use offshore capabilities, which really have cost advantage relative to, say, Hollywood to produce content we historically made in the U.S. to manage down cost per episode. And we're going to do this across all genres, kids, scripted, unscripted, and it not only is going to help our economics and margins but it's also going to accelerate content availability on Paramount+, which in a world where speed to market is important and building consumer engagement is important, accelerating content availability is tremendously valuable.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Well, I think a great follow-up question to that is to talk about something you alluded to, which is that, over the last several weeks, you announced a few key strategic agreements with Comcast and Sky in Europe. So the questions really are how will these factor into your expansion from 25 international markets, which is what you're targeting by the end of this year to 45 by the end of next year? And maybe more broadly, what makes these partnerships accretive to what would have been a stand-alone streaming strategy in Europe?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. Sure. So in '21, we're already in a broad range of places. We're not targeting 25 countries in markets we're already there, as we speak. And we've done a bunch of things. I'd highlight both Paramount+ and Pluto in all of Latin America now. We recently launched Paramount+, the last launch was in Australia. And in fact, today, we launched Pluto in Italy or we announced we're launching it. It's actually going to launch, I think, October 28. But -- so we are moving quickly on international expansion, but the big year for it is really going to be 2022. And that's when you will see the tremendous value of our international footprint kick in to drive global streaming.

That starts with the fact that our ex-U.S. content lineup really scales in 2022 and [that will] benefit all the services we've already launched. And by the launches in key Western European markets, including the U.K., Germany and Italy. Here, our recently -- one of our recently announced deals with Sky will be a major catalyst because we're going to be packaged with Sky Cinema, giving us really millions and millions of subs at launch. And importantly, it's not only driving subs, it's actually accretive to revenue day 1, and it doesn't prevent us from accessing broader D2C opportunities in those markets. So that's super exciting.

The other exciting thing about 2022 vis-a-vis your question on Sky is you're going to see us launch Sky Showtime. That's a 50-50 JV between ViacomCBS and Sky. Now we own a consolidated subsidiary but it's one which I see has a very compelling path to value creation.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I'm going to ask you a follow-up there on Sky Showtime. The product is going to feature content from across both their portfolio and the ViacomCBS portfolio. Why do you see an advantage in having a broader lineup of premium content in a single service in those markets versus your multi-service approach in the U.S., where, as you alluded to, you have a number of services that you structure your content across?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

So it's a great question. The one major thing I learned in my decade running businesses on the ground all over the world is the value of tailoring strategy and execution to specific markets. So yes, we've said we see a massive global opportunity in streaming because we do. But that doesn't mean that the way to unlock it is the same all over the world. And in fact, when you start to decompose the world into its pieces, sure, there are clear priority markets, markets that are substantial size or maybe where we have critical mass of capabilities in the form of local content and local distribution. Those are markets, like the U.K., where we have 100% owned and operated strategy. Latin America is like that, too. But at the same time, there's tons of what I would call second-tier markets. Those tend -- that second tier is more correlated to size, although you could argue there's some other qualitative factors in there. And really, when you look at those markets, the question is, when do you want to go in and what's the right investment level.

So when we thought about that, in particular, a set of smaller, largely Eastern European markets, we quickly saw a different path to accelerate penetration of the opportunity and to maximize ROI. And that was to partner. Now that's a new idea for streaming for us, but it's actually something we've done before many times in our traditional business. And we've done it in Europe, we've done it in India, we've done it in Asia. So it's not a new model per se. And we know the model works.

And when you look at the Sky Showtime deal in particular, there's really 3 things you should be thinking about as benefits. The first one is probably obvious when you look at it or if you've seen the releases or anything like that, the content offering is very strong. It will have over 10,000 hours of content at launch, first-run exclusives and library from NBCU, from Sky and from ViacomCBS. So it's a great product. It also gets us speed to market relative to going and doing these markets one by one on a 100% owner basis. And in fact, we're going to quickly scale in 20, again, mostly smaller European markets.

And then it's cost-efficient. It's obvious, but by partnering, we can share the cost to launch. And we see that as beneficial as we think about capital allocation in pursuit of that larger global streaming strategy opportunity, particularly in those priority markets.

There are probably 2 other things I'd mention on Sky Showtime. The first one is this venture plugs into our content pipeline and, in fact, enhances our global economies of content scale because we're feeding all our content to it, and that's obviously important to the financial trajectory of the overall business.

And the second thing, look, we know the Sky folks very well. We've been in business with them for over 3 decades and, as I said, have multiple joint ventures. These guys understand local market execution. We have a track record of creating value together. And I'm very excited about our ability to partner with them in this way.

So Sky Showtime, super interesting. I think it's going to be a great success, not a strategy for everywhere. But in these markets, it makes sense, and I can't wait for it really to launch in 2022.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Looking back at your ARPU, your streaming ARPU grew sequentially in the second quarter, reflecting high conversion of free trial subs into paying subs. How should we think about streaming ARPU? And what do you see as the key drivers?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

So most of the conversation these days is about subs and MAUs and the like. But when you look at ARPU, as you put -- look, we've seen good early ARPU growth, average revenue per user. And when I look at that going forward, it's probably useful to think about domestic versus international because there are some different things going on, but ARPU is going to grow both domestically and internationally and it really has substantial upside.

So here's the way you should think about it. On the domestic side, we'll get a benefit from continued conversion of trial subs to pay subs. That's something we're very happy with the rates that we're seeing and are confident that will continue. It will -- domestic ARPU will be influenced by the mix of our essential, which is the $4.99 product; and our premium, if you will, which is the $9.99 product. On the premium side, we do see ARPU growing over time as we will, over time, be able to raise price. And on the essential side, I actually think the ARPU of the essential tier will be higher than the premium tier because you get the ad sales benefit, which will become very material, and you still also have the upside -- the opportunity to raise price. So good outlook for ARPU domestically.

Internationally, I think the thing to focus on is that the next wave of countries, like I said, we just launched Australia and in '22 is heavy Europe. Those are higher ARPU markets relative to our critical mass right now, which is Latin America. So that should drive ARPU nicely. And then there's the Sky deal, which covers the Sky, what I call O&O deal, which covers the U.K., Germany and Italy. As I said, that will add millions of subscribers out of the gate by bundling Paramount+ with Sky Cinema. And actually, when we look at the ARPU from that, it's higher than our legacy pay business in those markets. So the outlook for ARPU is very compelling.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I want to follow up on something you touched on, which is the success you've had with ad-supported streaming. Pluto is 100% ad-supported. That has seen very strong growth. And you just acknowledged that you're doing great with advertising on the lower tier, the ad-light tier, the essentials tier of Paramount+. So really, the question is what do you think is driving the strength in streaming advertising revenues? And how is it shaping your product strategy as well as your pricing strategy for your suite of free and subscription-based products?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So I love the ad business. There was a bunch of years pre-international where I was the Chief Operating Officer of domestic ad sales for Viacom legacy. You look at our company, ViacomCBS, there's no question we're a leader in the ad business. And that leadership is underpinned by the compelling content that we pair with advertising, the fact that we have broad reach in the form of things like broadcast network and data targeted delivery platforms, including Pluto as well as really a best-in-class sales organization. So our leadership is not surprising, and it is strong.

You look at streaming, it's really critical to the paradigm. Why? It adds substantial incremental inventory in the form of impressions, has targeting advantage and it actually strengthens our reach equation, particularly when you pair it with linear. You look at streaming ad-supported, I think it's fair to say we saw the opportunity early. That led to our acquisition of Pluto, which we closed in Q1 of 2019. That really gave us a very significant scale of impressions out of the gate. And at the time, a large portion of those were unsold. And then what we did was we turbocharged it with content and we tied it into our sales machine. But we left its entrepreneurial spirit untouched, and that business grew massively.

Just to give you a sense, in 2018, the last full year before we owned it, it did $70 million in revenue. This year, 3 years later, it will do over $1 billion. So that thing has proven itself in spades and it's going to keep going. And I think it's also cool to note that we did it without pushing price. So that means in today's marketplace relative to the, call it, competition in streaming, we're very well positioned from a value proposition standpoint, which gives us a nice lever going forward.

I mentioned that Pluto will be over $1 billion this year. All-in streaming advertising, over $2 billion for us this year. So it's already a material business. Obviously, the growth rates are very strong, and this thing has a lot of room to run. And you think -- because you look -- just look at the drivers of it, and they actually are multiplicative when you put them together. You talked about Pluto, we still see MAU growth opportunity. Realistically, it's probably more weighted to international, but we're adding a bunch of markets. So you'll see us quarter-to-quarter continue to report MAU growth.

Time spent continues to grow nicely, and that's because consumers are building habits with Pluto. And by the way, Pluto, we used to say about 100,000 hours in the U.S. on its platform. Now we say it's 150,000 hours. It's actually more than that. So that, in turn, time spent is creating more ad impressions to sell. We are actually adding new product, including the $4.99 plan at Paramount. That's ad-supported. We have nice demand for that in the upfront. And then lastly, there's price, which I mentioned has room to run.

So on the ad sales side and the ad-supported streaming side, there's big upside because we're serving our clients with really compelling products, which help solve their marketing challenges. And look, that's a good thing for our company. And again, I'm tremendously excited about where we will continue to take this.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I'd like to talk about sports for just a little bit. CBS has a long and storied history as a sports broadcaster, and you've made sports a key element of Paramount+, as you talked about earlier. But we've also seen the cost of sports broadcast rights escalate as both traditional media companies and tech companies bid for these packages. What is ViacomCBS' overall sports strategy? And how do you intend to manage the transition of sports viewing from linear platforms to streaming platforms?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So sports is a critical component of CBS and now Paramount+. So it's important to our company. It's important in linear, it's important in streaming. You see that manifest itself as recently as the return of the NFL this season. We had the #1 NFL ad in a double-header week 1. We had a very strong week 2. There's tremendous ad demand for that product. And by the way, the product worked both on CBS linear and on Paramount+, Paramount+ both in terms of subscriber acquisition and engagement. So we like sports. It's not only about the NFL. We like our early experience with soccer. Now those deals are very heavily weighted to Paramount+. There is some linear exposure. It's not a simulcast like the NFL. But whether it's UEFA or CONCACAF or Serie A, which is the Italian league that we got this year, there's no question that's been added to Paramount+. And if you actually look at last week where the latest UEFA Champion League season started, we had the 2 largest streaming days ever for soccer on the [surface]. So we like that piece of the business.

And to your question about escalating sports rights and how the streaming fits in, in general, we like a model where we have ability to benefit both linear and streaming, and we have both sides of the rights because that allows us to manage transaction and, again, use sports to drive value creation and growth in streaming, which is exactly what we see happening and will be the path to continue on.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Your affiliate revenues have shown considerable strength. They actually grew 9% year-on-year in the second quarter, even as industry-wide pay TV subscribers declined at, call it, mid-single-digit rate. Your business has benefited from some recent carriage agreements, so including YouTube TV and Hulu Live, although you're going to start lapping some of those over the coming quarters. What performance should investors expect from your linear affiliate revenues? And for how long can they continue to outperform peers?

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. So I'm extremely happy with where we are from an affiliate perspective. And what you've seen is really a multi-quarter track record of affiliate renewals, which are based on the strength of ViacomCBS in the space.

No question, we're a cornerstone provider to this distribution community. Obviously, that started with linear networks. Then we had a strategy with ad and advanced advertising, and now streaming is a fundamental component of every deal that we do. And working with these distributors, in streaming in particular, we see there's a real opportunity to advance that business. Remember, we can work with them both in the free, i.e. Pluto; and pay, i.e., Paramount+ and Showtime OTT space. There's opportunity in the set-top box level. There's opportunity in broadband only. And there's growing opportunity in mobile as MVPDs and the like build that business out. The most recent examples of it for our company are Charter and Cox, where we did holistic renewals. But in the words of Tom Rutledge, we modernized the relationship, including streaming ads, an additive and mutually beneficial component.

So we like where that is. Now remember, I say additive, but on a reporting basis, we have linear affiliate as one line and streaming distribution as a separate line. So the streaming value in the MVPD deals is not included in the linear number. But nonetheless, there is real value in there for sure.

As we look at the back half of '21, we continue to expect our affiliate revenue, again, excluding streaming, so linear affiliate revenue, in your terminology, to grow in the back half of the year. It will grow at a slower pace because, as you pointed out, we're lapping the benefit of new distribution on YouTube TV and other renewals which started in Q2 of '20. But nonetheless, we continue to feel very good about our position, including our ability to be rewarded for the value we provide to this important constituent.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right. Bob, thank you so much for being here with us. We certainly look forward to doing this live with you next year, and I'm very much looking forward to Mayor of Kingstown.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Yes. Well, look, Brett, thanks for having me. Let me just close by briefly saying ViacomCBS is in a fundamentally good position, and we have really strong momentum. At the core, we're focused on creating and delivering compelling content to consumers all around the world, and we're seeing that resonate. Distribution is evolving, streaming is critical, and we're really leaning into that. So we really are excited about where we are. We're excited about the world ahead, and we look forward to updating everyone in future sessions like this.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Looking forward to it as well. Thanks so much.

Robert Marc Bakish - *ViacomCBS Inc. - President, CEO & Director*

Thanks.