REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PARA.OQ - Paramount Global at Goldman Sachs Communacopia + Technology Conference

EVENT DATE/TIME: SEPTEMBER 14, 2022 / 5:45PM GMT

CORPORATE PARTICIPANTS

Robert Marc Bakish *Paramount Global - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

All right. If everybody would please take their seat. Very excited to welcome to the Communicopia Plus Technology Conference, our San Francisco version. Bob Bakish, the CEO of Paramount Global. Bob, thanks so much for being here with us.

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Great to be here. Great to see you, as we said in person.

QUESTIONS AND ANSWERS

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

All right. Well, this has been a pretty big year for Paramount. In February, you rebranded the company, and you significantly increased your long-term streaming targets after a very successful launch of Paramount+ last year. We've seen new market launches. We've seen more distribution.

You've had a string of box office winners led by the phenomenal success of Top Gun Maverick. My first question is what do you believe these developments signal about Paramount's positioning in the evolving media landscape? And ultimately, how is it sort of shaping your priorities objectives as you look into the rest of this year in 2023?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. So look, we always believe that a differentiated multiplatform strategy and asset base with an advantage, both in -- against the objective of legacy or linear earnings as well as creating growth asset and streaming.

And if you look at what we're doing, take CBS, the #1 broadcast network in the country for the 14th straight year, grew share 20% year-to-year, which, by the way, is great from an audience standpoint and also really fueled our upfront strategy very recently.

If you look at what's going on, on the cable side, where we continue to have a very significant role in associated content engine particularly serving diverse audiences. You look at what's going on with BET, as an example, where ratings and revenues continue to be up year-to-year or even most recently, the VMAs at MTV which is the example of an award show where linear ratings were up as well as digital consumption.

And in fact, social engagement was #1 for the year, ahead of the Academy Awards, ahead of the GRAMMYs ahead of the Super Bowl. So a lot of stuff going on in the cable space. Film studio, I mean, Paramount Pictures is really crushing it this year. Five, number one, films in a row capped by Top Gun Maverick, the only film in history to be #1 Memorial Day weekend and Labor Day weekend in the United States. And then they're streaming where we long have believed in a strategy that crosses free and pay.

Pluto on the free side. Now over 70 million MAUs continuing to grow. And of course, Paramount+, the fastest-growing brand in the country of any brand and the streaming service with real momentum, look at the third-party antenna data for the year, you'll see we had the most net subscriber ads in the category, i.e., the greatest share for Q1, for Q2 and for Q3 year-to-date, again, antenna data, not my data.

So we feel really good about what's going on. We think it showcases the value of a multiplatform approach. It showcases the fact that we have brought 2 historic companies together truly as one company. We have one [SLT] that is focused on a common set of objectives, be that on an earnings basis or a subscriber basis. It speaks to our execution. And so I'm really excited about where we are and the road we can see ahead.

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

So let's start off talking a little bit more about the direct-to-consumer strategy. You had 64 million global DTC subs as of the most recent quarter. It sounds like your momentum has continued into 3Q, which is good because you're targeting 100 million by 2024.

When we speak with investors, they expressed a concern that the market appears to be getting more competitive. They've seen some of your competitors actually stall from a subscriber growth standpoint. What do you see as the key points of differentiation for Paramount+ both as a streaming product and the business model that you've built around that service.

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Sure. So Paramount+ was not exactly the first entry in the streaming game. As you know, it's a rebranded version of CBS All Access that is roughly 1.5 years old. So when we chose to do that, we decided that a broad thesis was the route to success at being a cornerstone video service for the world consumers. And we not only thought that was right from a consumer standpoint, but we also thought it was uniquely suited to the asset composition of the company.

And so if you look at Paramount+ and you look at what's in it, it includes in no specific order, we are a foundational kids and family service built on the Nickelodeon library, which is one of the preeminent kids libraries in the world and fortified by new original production.

Roughly half of our consumers today touch a kids product, so it really is important to the audience. And I dare you to have any -- to try to cancel a subscription on a kid who has found Paramount+, that won't go very well. So the kids product really works for us.

Add to that, films, films have long been a staple of premium television certainly, and they are a staple of streaming. We are, of course, incredibly fortunate to own Paramount Pictures. And we've adopted a strategy where we say, look, we fundamentally believe in theatrical, but we also believe in 45-day fast follow. We think that's a sweet spot from a content ROI standpoint because you clean the theatrical market. There really is no theatrical market after even less than 45 days. Top Gun Maverick aside, that is a true powerhouse.

But in general, 45 days, you've got your money out of theatrical and now you can roll into streaming. You benefit from all the theatrical marketing and the contents viewed as a real movie by consumers, and it's still fresh and it crushes it in streaming. Every one of our films to date has performed very well in box office and on streaming. Add to that, the CBS slate. We're like really the only broadcaster that dual illuminates content.

We use it on CBS and we use it on Paramount+. That content is a fundamental driver of Paramount+, no question about it, obviously, includes both entertainment content and the next category, sports. We're very fortunate in that we have the NFL. And let me tell you, the NFL came back big last week. It was the highest-rated opening game in 4 years. Ratings were up about 20%. And it was the most consumed NFL game regular season for us ever on Paramount+. So sports really works for us. It's not just the NFL. We just got UEFA back, too, European football. We just extended that deal for another 6 years. That works and so on and so forth.

Add to that -- what else we got there? Add to that, scripted originals. They bring people in. We love what we're doing, whether it's the Taylor Sheridan universe. By the way, in the coming quarter, you'll have a new series with Sylvester Stallone called Tulsa King. I've seen it. It's great. It's Sly playing Tony Soprano, taking over Tulsa, definitely worth watching. And that's just one. We got 1923 with Harrison Ford. We've got all kinds of things going on. And so it's really that combination that is working for us. And it is bringing people in and they come in for something, and we do cohort analysis and they stay for something else. We've seen churn continue to come down. And I said, we have great subscriber momentum.

The other piece I would say is it's not just about the content, it's also about how we market it and the partners we work with. We believe in ubiquitous distribution. We believe in providing access both through an O&O distribution basis and through a partner basis, including through hard bundles what we're doing in Europe.

So our thesis is playing out. It is working. And you'll see Q3, which we're in right now, will finish very strong. By the way, we just ended a deal with Walmart. I'm sure we'll talk about that and Q4 is going to be capped with Top Gun Maverick coming to Paramount+. And everywhere that movie shows up, it crushes it including, by the way, right now in home entertainment, where it's setting new records. So it's all good.

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

My daughter is a huge iCarly fan, so I'm a permanent Paramount+ subscriber, as you alluded to. Talking about your product strategy, and you sort of alluded to it, you've really taken a multiproduct approach, right?

You still have a premium service in Showtime, you have a more broad-based service in Paramount+. You have the free ad-supported service in Pluto. Although interestingly, yesterday, we did see some media reports that you might be looking to discontinue Showtime on a streaming basis and combine it with Paramount.

So I really sort of have a two-pronged question here. The first is why have you at least initially decided to have a multiproduct strategy when many of your competitors seemed to be pursuing more of an all-inclusive. And then the second question is, can you comment on those media reports?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes, sure. So look, when we started working on becoming a major player in streaming, we decided that there was an opportunity to serve the largest total addressable market by having a range of product from the beginning, and we were the first in this, we said free makes sense, ad-supported makes sense.

We acquired this little product called Pluto, which at the time had -- in 2018, full year $70 million in revenue. Fast forward to $21 million, it was just short of $1.1 billion, and it continues to grow. So there's a lot of people that like free. And we said, why not serve that?

And by the way, serve it with library product, which we have one of the largest libraries in the history of media, spanning film and television, reality and scripted, kids and adults, you name it, we have it. And by the way, we have a global product, not just U.S. product.

So we believe in that strategy, and it continues to work in spades. When we got into the script to subscription game, we said, yes, we should have an SVOD product or a pay product, but we should have a version that's less expensive with ads and then a premium version without ads.

At the time, that was very controversial. People dismissed the ad tier. But fast forward today, everyone sees the merit of it. And our sub base probably on the order of 50-50. There are people that want to pay less and watch ads, and there are people that don't want ads and pay more. And why not serve them both, give optionality, totally works and the ad market loves the product, too, by the way.

Then you get to serving specific audiences. We -- that's where Showtime comes in. It has a real fan base. They like the edgy programming. We had a fan base a little more coastal, et cetera, but that's cool or then BET Plus, again, a very specific market that the product appeals to.

So again, we look at it and we say we have an ability to serve a larger aggregate market that way, but it's on a global basis but also increasingly, we view it as an ecosystem that we want to leverage the combination. So we do little things like use Pluto as a top of the funnel device to introduce people to shows on Paramount+. It might be the first episode of a series, et cetera. We do the same with BET. We do the same with Showtime.

Then we have -- we started with a price bundle. We said you can have Paramount+ and Showtime together at a discounted price. Why? Because we think -- again, we believe in the broad thesis, and we noted the fact that the sub bases have very little overlap. So we said, well, that's an opportunity for a bundle. Two weeks ago, we actually took the next step in that and said, well, we'll give you an option to use -- to see the Showtime product inside the Paramount+ app.

So the price bundle was 2 apps. You had to switch between. Not the greatest consumer experience. The new product is the same app. You want Paramount+ and you want Showtime, you pay a little extra and you get it. It's the next step in broad. It's the product I use, and it's just -- it's nice fleshing out of Paramount+.

So to your point on the media press or media reports, I'd say 2 things. One is we use Showtime in a variety of ways today. Stand-alone OTT option for people that want that and there's a whole set of consumers that do. Price bundle for people that want both, rabid media consumers and the integrated option is the next version of that.

And then outside the U.S., we use it on a combined basis because we don't really have a linear Showtime feed. The brand is not as developed, so it was a natural to use it combined. Through that combination of offerings, we're learning stuff every day. We see cohort analysis, we see over sub base overlap, et cetera.

And we'll continue to learn, point one. Point two is we do distribution on an O&O basis. You can come to one of our properties, and you can sign them for Paramount+ or Showtime, whatever you want. But we also do business through distributors. Again, we want to serve the largest addressable market. So we do business with channel stores, MVPDs, box manufacturers, you name it. In those deals, it wouldn't surprise you that there are definitions of the products, those guys sell for us.

And I'd add to that, that those deals tend to be multiyear. They vary somewhat in turn, but let's say, 3 years. So the reality is when you talk to partners, you tend to have a much bigger conversation when you're at the renewal point than in the middle of the deal.

So it shouldn't surprise you that as we look to have optionality in the future and benefit from the learnings that will go forward over time, that we might want to have a conversation about maybe we could combine two things, and this is what it would look like. Because what we're constantly focused on is how do we make more out of our content for consumers, make our products more valuable to them and by extension, more valuable to distributors because that will help us grow revenue.

So anyway, the media report that you referred to is a rumor coming out of one of our distribution conversations that quite frankly, if we weren't having that conversation, you should fire all of us because we should have that conversation.

It's not like we've made a decision that we're going to do something on such and such a date. But I guarantee you, media will continue to evolve. I guarantee you our product line will continue to evolve. It will get better. And I guarantee you, we will continue to work with distributors and provide value to them such that they benefit. And so anyway, it's all that put together and that created on a Wall Street Journal story.

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

That's great color, and it's a great transition to talking a bit more about distributors, and you alluded to it earlier. Last month, Walmart announced that Walmart+ members will have access to the Paramount+ Essential tier for no additional charge starting this month.

You sell that for $4.99 a month retail. So that's a $59 annual value that Walmart is giving to their members. Media reports have suggested that Walmart was in discussions with a lot of media companies about potentially including their streaming service. Why do you believe they saw Paramount+ as the best option for their members?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. So let me start with super excited about the Walmart+ deal. We actually have a very longstanding relationship with Walmart. We've had an office in Bentonville for, I don't know, 15 years. We do business across a lot of their aisles on the consumer product side. We've sold movies there and TV series on a home entertainment basis for a long time.

We have relationships with the highest levels of the company. And so we view that relationship as very valuable. About a year ago, they were -- there was some interest in a video service. They didn't want to create their own which, by the way, I think, was pretty smart.

It's not an easy thing to do. It benefits from libraries, et cetera. So anyway, they started talking about adding a video service to Walmart+. We obviously engaged them, saw that as an opportunity to expand the partnership and thankfully, we got that deal done.

We launched it about a week ago. I believe we got -- well, I know we got that deal done because I talked to Doug, because in his words, we're like them. And what I mean by that is they have 140 million people in the U.S. going through their stores every week.

To have 140 million people do that, you have to represent everyone. They are the definition of a mass market brand, young, old, ethnic, coastal, it's the middle of the country, you name it, Walmart does it. And his point of view was we were like them because you look at our content, our popular content, we're not a coastal company. We didn't win a lot of Emmy's. We entertain the masses. Look at Yellowstone, biggest show on television. Look at PAW Patrol, biggest preschool property in the world, which, by the way, they love that property.

They thought our content lined up very well with them. And so we got that deal done. We launched it, like I said, a week ago, and it is off to an exceptionally strong start. A member, a Walmart+ member goes to their Walmart+ account has to opt in for Paramount+. So -- and when they opt in, they get access to Paramount+ and we get paid and they become a subscriber. It's early days. Hasn't even really been marketed yet, and we're seeing a nice subscriber uptick. And I'm sure everybody wanted that deal. I know for a fact some are -- the specific competitors who want it. But ultimately, Walmart want to do it with us.

It's a multiyear deal. I think it will benefit subscribers for a while. It will certainly help Q3, but it rolls on from there. So it's a very exciting deal for us. No question about it.

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

Any potential to replicate that type of deal either with other U.S. or maybe even particularly international retailers?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Look, I think at the core of our business, partners matter. And part of that is because I used to run our international business. And in many countries, we weren't -- we didn't have the same market position we had in the U.S.

And so therefore, being aligned with a partner who could help drive your business made extraordinary sense. But even in the U.S., again, being aligned with Walmart, it's a pretty big deal. And so do I think there are broader or additional partner opportunities, both domestically and internationally? Unquestionably yes.

Could some of them be retail, particularly internationally? Unquestionably yes. Will some of those deals happen? Yes. Partners matter and the art of it is making sure that your ability -- well, this is obvious, but your ability to create value really is demonstrated. And again, we know how to work with partners, and we will continue to do it.

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

Well, one of the places you're working with a lot of partners is part of your international expansion, and this has been a pretty big year for international expansion. So in June, you launched Paramount+ in the U.K. as part of a hard bundle with Sky. Tomorrow, you're going to be launching Paramount+ in Italy, and you have similar hard bundles with Sky coming in Germany, Austria and Switzerland, I think with CANAL+ in France.

So how do you think about which markets to enter with a hard bundle versus more of an actual direct-to-consumer structure and really why hard bundles just ended up being so prominent in your distribution?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. So again, our philosophy is we want to serve the largest total addressable market. We believe in a distribution strategy that combines DC channel stores and hard bundles.

The uniqueness when we started talking about it, obviously, the hard bundle side, it's informed by, again, this history of seeing the values of partnerships. If you look at the concept of a hard bundle, it's -- you could think about it as adding a tier of subscribers.

So you get very material subscriber act uplift on a light switch basis. You have 0 subscriber acquisition costs and your churn tends to be very low because you churn with that tier.

You get a little bit lower on the ARPU side, but on the LTV side, lifetime value subscriber, you probably net out higher. I say probably because it's early days. We don't actually know, but we're tracking it every day.

Add to that channel stores, you could think Amazon, Roku, whatever. Those have -- give you access to a tremendous consumer flow. And it has marketing benefits. You tend to get a better ARPU. You tend to have a little higher churn relative to hard bundles. But again, you have a good LTV and you pay in a different part of the market.

And then there's D2C side, which obviously, even with hard bundles and channel stores, we always can do D2C. All our deals allow that. So over time, this mix of distribution strategies, I believe, will get us the largest sub base and provide really a compelling economic expression when you combine the whole thing.

By the way, being in business with Sky, most of this audience is U.S. But Sky is the gold standard outside the U.S. What Sky does, other people want to emulate. We obviously went to Sky first and did this hard bundle.

Other people have taken notice that, among other things, led to CANAL+ doing it in France. They're the preeminent distributor in France. We also have a long-standing relationship with them. And there are other deals to do.

And again, that's one of the -- we did this because we benefited from being on the ground in international markets for a decade. I ran the international business for 10, but it was there before me, and it's obviously there now. And we have relationships in markets all over the world, and we're leveraging that to drive our international expansion in streaming now.

As you noted, '22 is a big year for us, particularly in Western Europe. By the end of the year, we'll be in all of Western Europe. We are also lighting up the first SkyShowtime. SkyShowtime is a joint venture with Comcast or Sky for mostly Eastern European markets.

We're launching the first market this month. And then we have some other partnerships outside. But international is a big opportunity. And again, we're harnessing our assets, which include people, relationships and content on the ground in these markets to really drive it. And it's a big part of our subscriber push and the aforementioned distribution targets that you mentioned.

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

Let's talk a little bit about your D2C pricing strategy. Disney recently announced that it will be taking up prices across almost all of its direct-to-consumer products in the next few months, including a 38% price increase in Disney+ without ads.

How do you think about the pricing power of your streaming services, including when you think it would make sense to raise price and just the trade-off between growing revenue through price increases versus subscriber growth?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. I think there's a lot of conversation around streaming profitability. And probably -- that really got elevated after Netflix went flat a couple of quarters ago. Oh, now it really matter -- we got to have profits.

And we've always been focused on the financial expression of streaming. Obviously, we're not profitable yet. We're only 18 months into the game, and we anticipated some investment. Next year will be our peak investment year.

But nonetheless, profitability is important. We need to have a business, and we will. As you look at profitability, obviously, subscriber scale matters because you have to amortize content investment in marketing.

But the thing I think people missed initially was they said, yes, but streaming is not expensive and where pricing going to go? The reality is pricing is going to move up, and we're at a good value price point. I don't want to be the price leader, i.e., the one that's most expensive.

But just like for years, cable advertising tucked in into broadcast. We'll tuck in behind other people raising price. So we like Disney raised price, like Netflix, we will raise price over time, and that will all flow to the bottom line.

We will think about it carefully in the context of what's going on with our product, things like content offering, you want to raise price when your content offering is strong, obviously. And there's some seasonality that we're continuing to level out.

So we'll look at that. We'll probably raise price on the non-ad supported version before the ad-supported version. So if somebody wants, they can trade down but that trade down might be ARPU accretive because the ad portion of the lower price thing is significant from a revenue standpoint.

But make no mistake, in all your models, you should assume price goes up over time because streaming is a great product. Paramount+ is certainly a great product, news sports a mountain of entertainment. And things like getting Top Gun by the end of the year, like people will like that. Over time, people will pay more than $4.99 or $9.99 for that. I guarantee it. And so we'll do it at the right time but price increases are, for sure, part of the math in streaming.

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

You brought the path to profitability and another point you've made is that you anticipate that over the long term, margins in your direct-to-consumer segment should actually reach similar levels to what you've seen in the TV media segment.

And I'm curious, what efficiencies do you see in that business over time that would offset some of the additional costs like direct marketing, distribution, et cetera, such that you believe you can still get to the same profitability as that business scales?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. I mean, there's a few pieces to it, just mathematical components. Obviously, subscriber scale matters. And subscriber scale matters because one of the things you need to do is pay for the content. And content on a relative basis is sort of a fixed number once you get to critical mass.

And so you got to be able to amortize it across more subscribers. And part of the reason we did the SkyShowtime joint venture, by the way, is we said that is a capital-efficient way to go after smaller markets, but we can plug our entire content amortization right into it.

So that is -- even though it's not in our subscriber count math, it's definitely in our content amortization math, and that's important to profitability. Things like tech platform and all, that's again an expense that scales over time.

And things like our free service Pluto, like we look at how that's pacing. That's a good business already. So again, when we look at the evolution of the business from a multiyear basis, and we see where we get to subscribers and we know, well, we have a point of view on what we're spending, what we're going to be spending on content, it all comes together as getting to a good business. And again, remember those price increases don't run your models at $4.99 in 2020, whatever, fine. It will be more than that then, and that helps the profitability exposure.

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

Let's talk about...

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

One more other point, sorry. Back to the multiplatform, on the content side, which is the biggest piece of the expense, think films. Remember, we make money in theatrical and then we do streaming.

This $200 million as a streaming-only movie is crazy. You'll never make an ROI doing that. I don't care how big you are. You want to amortize across multiple platforms. This dual illumination of the CBS slate across CBS network and -- helps with content ROI.

These kind of things are important to making the math work. It's an advantage. People thought, oh, you're a multiplatform company, that's a headwind for streaming. The truth couldn't be further. It's an advantage. It's an advantage in creating awareness, marketing. It's an advantage in creating content because you've got all these libraries behind you, you can roll. And it's an advantage in amortizing content. There's true advantages. And I think the world is starting to see it, but doesn't yet appreciate the degree advantage it is.

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

Well, some of the most important content out there is sports content. You mentioned earlier that you had renewed the UEFA rights, you recently picked up Big Ten football but the cost of sports rights continue to escalate. And in that backdrop, how are you assessing whether certain sports rights should be part of your portfolio?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes. So sports has long been a slice of CBS certainly. And from the beginning, a slice of CBS All Access now Paramount+. So sports are important to us. Sports has a strong consumer base and it's a strong driver of advertising and a strong driver of distribution, think retrans and reverse comp.

So we like sports. You've got to have the best sports because second-tier stuff doesn't really matter. But if you look at what we have, whether it's the NFL, which again, week 1, up 20% advertisers standing in the door. It's super valuable product and in linear and in streaming.

UEFA we just did that deal importantly, for 6 years because sports deals you want long-term deals because you really make the good money on the back end, not the front end. So a 3-year deal is not really that good, 6-year much better.

It's true that we paid more for UEFA in our next deal, which kicks in, in '24 that are current deal, but it's also true that on Paramount+, you wait for year-to-year this year is up, I think, 75%. So there is real growth in that product, and we are far from the ceiling, so we say.

We did the Big Ten. Frankly, we were going to have a hole with the SEC, so we wanted some college basketball. We looked at the notion of running reruns and all on Saturday afternoons. And ultimately, our models say that this deal is far superior to that.

And the good news is the Big Ten, which -- I don't know if it's a Big 12 or Big 15 now, but whatever wanted that, too, because they wanted Saturday afternoon on CBS as part of the deal. We have multiplatform rights. It will be on Paramount+ also. But they know that made the SEC and they wanted that, and that put us in a relatively advantaged position in the auction.

And by the way, the new UEFA deal has more games and have significantly enhanced championship final kind of format, which will be much more valuable to us. So it's not really apples-to-apples licensee, there's more value in the product.

The really good news is now we're set through the next decade. Like so well in past 2030, we don't need any more sports because you want a certain amount of sports, you want the best sports, but you don't want to overweight in sports because ultimately, you need to have the combination of sports and entertainment and news.

But really sports and entertainment to make the economic expression work. Because there's conjoint analysis. Again, people come in for sports, but they watch Survivor. Literally. We can see that in the conjoint analysis or they'll watch movies or whatever.

And it's that combination whether it's CBS Network or whether it's Paramount+, a broad service offering that really works for the consumer and works for us financially. So we like sports, but in a very disciplined way.

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

Talk a little bit about advertising. You'd previously acknowledged a little bit of weakness in the scatter market. We've heard similar things from other peers of yours over the last few weeks. Can you give us an update what's the ad market like right now, maybe in aggregate and any interesting category trends you're seeing?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

Yes, a lot of people are talking about the ad market. And on the one hand, okay, that makes sense. On the other hand, I think it's a little overblown for the following reasons.

Start with we look at the trend line in our business in advertising. And we'll see -- we saw improvement Q1 to Q2, we'll see improvement in Q2 to Q3, and we'll see improvement in Q3 to Q4. This is on a percentage basis rate of change. And that's a function of demand in the marketplace, the upfront business we did and key categories coming back, including notably pharma and the fact that political is going to be a bonanza.

So at a high level, you should know that. The other thing I'd say, big picture and it's like at the end of the day, economics are cycles, and we're in a cycle. And the definition of a recession, which has partly contributed to this situation, it has negative growth for 2 straight quarters.

Well, guess what, we had negative growth for Q1, negative growth for Q2, this on a GDP basis. But the definition -- but the facts in postwar America or the average recession lasts, I think, 9 months. So if that's true, if history is a guide, and history is usually is a guide with some variance, we are over halfway through this.

And the notion of '23 as doom and gloom, which some people say, just doesn't fit with history. Never mind, you got the midterms and all that. But I think fundamentally, this ad weakness is being overplayed. Again, our trend line, we're feeling good about the direction it's going.

And the macroeconomic cycle should play in our favor as well. So don't lose sight of that. And also importantly, from our standpoint, I mean, we're a cornerstone marketing solutions provider in the U.S. And the reason is multifold. One is reach. You've got to have a broadcast network to be a leader in the ad sales game. I don't care what anyone says. You've got to have that.

You've got to also, in this day and age, be big outside the TV ecosystem. So we have the #1 fast free ad-supported streaming TV service in the U.S. including OTV. Put those two together, you can add the cable networks in, too, but put those two together and you get reach. And because we have a common server, we can manage frequency.

So point one is you got to be a leader in reach with an ability to manage frequency. We're that. Point two is, you've got to wrap it around premium content including an ability to reach diverse audiences. We're that. Point three is you've got to be turnkey for people. They got to be able to go to one door and be able to buy that reach, buy that mix of content. We're that.

And point, I guess, four, is you want to be able to do it at a good price point, a value price point. And the reality is we're that, too. You look at EyeQ, which is our digital video service, which includes Pluto, et cetera, it trades at a very reasonable price point. There's other guys that are going to go in the streaming market. You know who they're going to call. Go look at the CPMs they're going to go at $60, maybe more.

EyeQ trades, on average, I don't know, $20, and that's critical. You want to have value. And in the last upfront on the broadcast side, we didn't push the price all the way because we didn't have to because we picked up 20 share points so we had more impressions.

So we're in a good value spot in the market. You put all that together, as the economic cycle writes itself, which it will much sooner than people think, we're going to be in a very good place.

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

All right. So we got just 2 minutes left here. I'll ask you my last question. As we sort of look ahead and we think about everything you've talked about, what are going to be the proof points that investors should be watching over the next year or quarters to know that this is working?

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

I think there are just two. What's our objective? Lead and create value in traditional media, aka film and television and build a leading asset in the most important growth market in media, which is streaming.

So track us against that. We will continue to take audience share in traditional television, and we will monetize it in the ad sales market, and we will monetize it in the distribution market. And by the way, we'll do it on a global basis.

That's point one. And we'll manage costs to control margins. We'll consolidate stuff, we'll remix programming, et cetera, but we'll get to a good place. And simultaneously, we will continue and we will emerge as a real leader in streaming.

People dismissed us out of hand 1.5 years ago, people aren't doing that now. We got the #1 fast service in Pluto, which continues to grow and is expanding globally. And we have the fastest growing the #1 share taking service in pay in Paramount+.

And just watch how Paramount+ finishes the year, watch how we finish Q3, watch how we finish Q4, again, capping it with Top Gun Maverick. And that will set us up well for '23. So just watch those two things.

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

All right. Thanks for being here.

Robert Marc Bakish - *Paramount Global - President, CEO & Director*

That's great fun.