

Fox Corporation

Blindsided by sports tier

Reiterate Rating: NEUTRAL | PO: 38.00 USD | Price: 29.47 USD

F2Q review: Top and bottom-line beat

FOX's F2Q results reflect better revenue and EBITDA vs. our expectations. Total company revenue declined -8% Y/Y (vs. our -9% est.) and EBITDA declined 34% (vs. our -45% est.). Key drivers incl.: (1) better affiliate revenue growth of +4% (vs. +2% est.), (2) lower overall adv. rev. performance of -20% (vs. -19% est.), and (3) better EBITDA margins of 8.3% (vs. 6.9% est.). Adj. EPS of \$0.34 was better than our \$0.12 est. Notably, strong revenue growth in Cable Other (from sublicensing) was a key contributor to the revenue and earnings beat in 2Q while advertising trends remained challenged.

New sports tier raises questions

On 2/6, ESPN, FOX and WBD announced they are forming a joint venture to launch a streaming sports service in the US. While it appears to be an attempt to attract new subscribers who are "cord nevers/cord cutters" it has also amplified concerns that it may accelerate linear subscriber declines within the Pay-TV ecosystem. For Fox specifically, this raises questions surrounding the future of FOX News if this spurs trade downs from the traditional Pay-TV bundle toward this newer sports tier.

Maintain our FY24 EBITDA estimates

Despite 2Q results, we maintain our FY24 OIBDA forecast of \$2.8bn. We now forecast 3Q revenue declines of -15% to \$3.5bn (largely due to the challenging Y/Y comparison related to the Super Bowl) and OIBDA of \$811mn. Our FY24 FCF forecast of \$1.7bn also remains unchanged.

Reiterate Neutral and \$38 PO

Fox appears attractive trading <6x our CY24 EV/EBITDA, below other M&E peers (e.g. DIS at ~12x, PARA ~8x), and we believe valuation should provide downside protection to shares. Fox also has the least exposure to entertainment advertising given their asset mix, which is biased towards sports and news. Conversely, we anticipate Fox will have challenging Y/Y comparisons in FY24. We project Fox will return to earnings growth in FY25. Reiterate Neutral and \$38 PO.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.79	3.52	3.22	3.69	3.57
EPS Change (YoY)	-3.1%	26.2%	-8.5%	14.6%	-3.3%
Consensus EPS (Bloomberg)			3.11	3.76	3.68
DPS	0.48	0.50	0.52	0.52	0.52
Valuation (Jun)					
P/E	10.6x	8.4x	9.2x	8.0x	8.3x
Dividend Yield	1.6%	1.7%	1.8%	1.8%	1.8%
EV / EBITDA*	8.1x	7.5x	8.6x	7.6x	8.1x
Free Cash Flow Yield*	8.8%	8.1%	9.6%	10.8%	10.4%

* For full definitions of *IQmethod*SM measures, see page 7.

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08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E EPS	3.07	3.22
2024E EBITDA (m)	2,770.5	2,770.3
2025E EBITDA (m)	3,117.4	3,117.2
2026E EBITDA (m)	2,941.2	2,940.6

Jessica Reif Ehrlich
Research Analyst
BofAS
+1 646 855 2921
jessica.reif@bofa.com

Brent Navon, CFA
Research Analyst
BofAS
+1 646 855 3827
brent.navon@bofa.com

David Plaus
Research Analyst
BofAS
+1 646 855 1572
david.plaus@bofa.com

Stock Data

Price (NAS / NAS)	29.47 USD / 27.44 USD
Price Objective	38.00 USD / 38.00 USD
Date Established	8-Aug-2023 / 8-Aug-2023
Investment Opinion	B-2-7 / B-2-7
52-Week Range	28.67 USD - 37.26 USD
Market Value (mn)	17,829 USD
Free Float	99.2%
Average Daily Value	89.60 USD
Shares Outstanding (mn)	605.0 / 605.0
BofA Ticker / Exchange	FOXA / NAS
BofA Ticker / Exchange	FOX / NAS
Bloomberg / Reuters	FOXA US / FOXA.OQ
ROE (2024E)	14.8%
Net Dbt to Eqty (Jun-2023A)	28.1%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

DIS: Walt Disney
PARA: Paramount Global

iQprofileSM Fox Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.3%	10.2%	8.5%	8.8%	8.0%
Return on Equity	13.4%	16.6%	14.8%	15.7%	14.0%
Operating Margin	22.1%	21.6%	20.1%	20.6%	22.5%
Free Cash Flow	1,577	1,443	1,713	1,934	1,847

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.0x	1.3x	1.3x	1.4x
Asset Replacement Ratio	0.8x	0.9x	0.8x	0.9x	0.9x
Tax Rate	27.2%	27.8%	24.4%	25.1%	25.1%
Net Debt-to-Equity Ratio	16.5%	28.1%	23.5%	16.6%	10.6%
Interest Cover	7.0x	12.8x	8.0x	7.4x	7.0x

Income Statement Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	13,974	14,913	14,086	15,555	15,253
% Change	8.3%	6.7%	-5.5%	10.4%	-1.9%
Gross Profit	4,948	5,282	4,799	5,239	5,118
% Change	-0.2%	6.8%	-9.1%	9.2%	-2.3%
EBITDA	2,955	3,191	2,770	3,117	2,941
% Change	-4.3%	8.0%	-13.2%	12.5%	-5.7%
Net Interest & Other Income	(1,261)	(1,455)	(927)	(791)	(786)
Net Income (Adjusted)	1,591	1,866	1,567	1,729	1,599
% Change	-7.1%	17.3%	-16.0%	10.3%	-7.5%

Free Cash Flow Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,205	1,239	1,381	1,729	1,599
Depreciation & Amortization	363	411	402	408	408
Change in Working Capital	(683)	(270)	(80)	131	173
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	999	420	318	30	30
Capital Expenditure	(307)	(357)	(308)	(364)	(364)
Free Cash Flow	1,577	1,443	1,713	1,934	1,847
% Change	-26.8%	-8.5%	18.7%	12.9%	-4.5%
Share / Issue Repurchase	(1,000)	(2,000)	(1,000)	(1,000)	(1,000)
Cost of Dividends Paid	(307)	(299)	(268)	(244)	(233)
Change in Debt	(750)	0	1,232	0	0

Balance Sheet Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	5,200	4,272	5,893	6,584	7,198
Trade Receivables	2,128	2,177	3,316	3,472	3,583
Other Current Assets	953	808	1,589	1,664	1,717
Property, Plant & Equipment	1,682	1,708	1,625	1,581	1,537
Other Non-Current Assets	12,222	12,901	12,669	12,669	12,669
Total Assets	22,185	21,866	25,092	25,969	26,704
Short-Term Debt	0	1,249	1,250	1,250	1,250
Other Current Liabilities	2,296	2,514	2,448	2,557	2,612
Long-Term Debt	7,206	5,961	7,195	7,195	7,195
Other Non-Current Liabilities	514	1,697	3,338	3,734	3,938
Total Liabilities	10,016	11,421	14,231	14,736	14,995
Total Equity	12,169	10,445	10,861	11,233	11,709
Total Equity & Liabilities	22,185	21,866	25,092	25,969	26,704

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Cable TV

Company Description

Fox Corporation is a new entity comprised of the former 21st Century Fox's Television (TV) assets (i.e. the FOX Broadcast Network and 28 owned and operated TV Stations) and select Cable Network assets (i.e. Fox News, Fox Business, Fox Sports and the Big Ten Network),

Investment Rationale

FOX has strong fundamentals driven by: (1) proven brands, (2) concentration in durable live news/sports content, (3) strong subscription revenues (50% of total and growing double digits), (4) healthy OIBDA margins, (5) significant FCF generation (roughly 70% OIBDA conversion) and (6) healthy balance sheet deleveraging. However, we struggle to find near-term catalyst to drive share price above current levels.

Stock Data

Average Daily Volume	3,040,476
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	1.21A	1.09A
Q2	0.48A	0.34A
Q3	0.94A	0.92E
Q4	0.88A	0.86E

Key Changes

(US\$)	Previous	Current
2024E EPS	3.07	3.22

Exhibit 1: Fox – Variance Table

We maintain \$2.77bn in FY24E OI

Fiscal Year Ends 06/30	This Quarter							This Year						
	Act.	Est.		Old				Act.	New		Old			
	FQ2/23A	FQ2/24A	Y/Y	FQ2/24E	Y/Y	D	+ / -	FY23A	FY24E	Y/Y	FY24E	Y/Y	D	+ / -
FOX: Actuals & BofA Estimates														
Financials														
Cable Network Programming Revenue														
Affiliate Fee	\$1,026	\$1,031	0%	\$1,005	-2%	\$26	+	\$4,175	\$4,177	0%	\$4,140	-1%	\$37	+
Advertising	\$451	\$348	-23%	\$380	-16%	(\$32)	-	\$1,403	\$1,265	-10%	\$1,333	-5%	(\$69)	-
Other	\$155	\$279	80%	\$225	45%	\$54	±	\$465	\$510	10%	\$510	10%	(\$1)	-
TOTAL Cable Network Revenue	\$1,632	\$1,658	2%	\$1,610	-1%	\$48	+	\$6,043	\$5,951	-2%	\$5,984	-1%	(\$33)	-
Television Revenue														
Affiliate Fee	\$686	\$756	10%	\$741	8%	\$15	+	\$2,876	\$3,123	9%	\$3,108	8%	\$15	+
Advertising	\$2,052	\$1,654	-19%	\$1,650	-20%	\$4	+	\$5,204	\$4,257	-18%	\$4,323	-17%	(\$66)	-
Other	\$196	\$132	-33%	\$144	-27%	(\$12)	-	\$630	\$587	-7%	\$599	-5%	(\$12)	-
TOTAL Television Revenue	\$2,934	\$2,542	-13%	\$2,535	-14%	\$7	+	\$8,710	\$7,967	-9%	\$8,031	-8%	(\$63)	-
Other, Corporate and Eliminations	\$39	\$34	--	\$47	--	(\$13)	-	\$160	\$168	--	\$181	--	\$13	±
TOTAL Revenue	\$4,605	\$4,234	-8%	\$4,192	-9%	\$42	+	\$14,913	\$14,086	-6%	\$14,195	-5%	(\$109)	-
Segment OIBDA														
Cable Network Programming	\$353	\$564	60%	\$545	54%	\$19	+	\$2,472	\$2,582	4%	\$2,563	4%	\$19	+
Television	\$256	(\$138)	-154%	(\$180)	-170%	\$42	+	\$1,009	\$503	-50%	\$521	-48%	(\$18)	-
Other, Corporate and Eliminations	(\$78)	(\$76)	-3%	(\$75)	-4%	(\$1)	-	(\$290)	(\$315)	9%	(\$314)	8%	(\$1)	-
TOTAL Segment OIBDA	\$531	\$350	-34%	\$290	-45%	\$60	+	\$3,191	\$2,770	-13%	\$2,770	-13%	(\$0)	-
Margin %	11.5%	8.3%	-28%	6.9%	-40%		-	21.4%	19.7%	-8%	19.5%	-9%	\$0	±
Net Income	\$321	\$115	-64%	\$68	-79%	\$47	±	\$1,253	\$1,393	11%	\$1,389	11%	\$4	±
Non Controlling Interests (Big Ten)	\$8	\$6	-25%	\$8	0%	(\$2)	-	\$14	\$12	-16%	\$14	-2%	(\$2)	-
Net Income Attributable To New Fox	\$313	\$109	-65%	\$60	-81%	\$49	±	\$1,239	\$1,381	11%	\$1,376	11%	\$6	+
Adjustments	(\$54)	\$56	NM	–	NM	\$56	±	\$627	\$186	NM	\$130	NM	\$56	+
Adjusted Net Income	\$259	\$165	-36%	\$60	-77%	\$105	+	\$1,866	\$1,567	-16%	\$1,506	-19%	\$62	+
Diluted EPS - Adjusted	\$0.48	\$0.34	-28%	\$0.12	-75%	\$0.22	±	\$3.52	\$3.22	-9%	\$3.07	-13%	\$0.15	±
Diluted Shares Outstanding	543	482	-11%	495	-9%		-	531	487	-8%	491	-8%		-

Source: BofA Global Research estimates

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Exhibit 2: Fox – Income Statement

We forecast \$14.09bn in FY24E revenue

Fiscal Year Ends 06/30	2023								2024							
	FY2019A	FY2020A	FY2021A	FY2022A	Q1A	Q2A	Q3A	Q4A	FY2023A	Q1A	Q2A	Q3E	Q4E	FY2024E	FY2025E	FY2026E
FOX: Income Statement	2019	2020	2021	2022	2023.1	2023.2	2023.3	2023.4	2023	2024.1	2024.2	2024.3	2024.4	2024	2025	2026
\$ in mns, except per share amounts																
Cable Network Programming Revenue																
Affiliate Fee	\$3,804	\$3,870	\$3,995	\$4,205	\$1,029	\$1,026	\$1,093	\$1,027	\$4,175	\$1,005	\$1,031	\$1,098	\$1,042	\$4,177	\$4,270	\$4,313
Advertising	\$1,184	\$1,164	\$1,337	\$1,462	\$316	\$451	\$316	\$320	\$1,403	\$290	\$348	\$307	\$320	\$1,265	\$1,346	\$1,338
Other	\$393	\$458	\$351	\$430	\$86	\$155	\$161	\$63	\$465	\$92	\$279	\$70	\$69	\$510	\$530	\$546
TOTAL Cable Network Revenue	\$5,381	\$5,492	\$5,683	\$6,097	\$1,431	\$1,632	\$1,570	\$1,410	\$6,043	\$1,387	\$1,658	\$1,475	\$1,431	\$5,951	\$6,146	\$6,197
% Chg. (YOY)	6.6%	2.1%	3.5%	7.3%	1.1%	-0.4%	-0.8%	-3.4%	-0.9%	-3.1%	1.6%	-6.1%	1.5%	-1.5%	3.3%	0.8%
Television Revenue																
Affiliate Fee	\$1,708	\$2,038	\$2,440	\$2,673	\$682	\$686	\$764	\$744	\$2,876	\$735	\$756	\$825	\$807	\$3,123	\$3,345	\$3,512
Advertising	\$3,872	\$4,169	\$4,094	\$4,440	\$905	\$2,052	\$1,559	\$688	\$5,204	\$910	\$1,654	\$950	\$743	\$4,257	\$5,259	\$4,709
Other	\$399	\$454	\$514	\$572	\$127	\$196	\$152	\$155	\$630	\$135	\$132	\$160	\$160	\$587	\$616	\$647
TOTAL Television Revenue	\$5,979	\$6,661	\$7,048	\$7,685	\$1,714	\$2,934	\$2,475	\$1,587	\$8,710	\$1,780	\$2,542	\$1,935	\$1,710	\$7,967	\$9,221	\$8,868
% Chg. (YOY)	17.1%	11.4%	5.8%	9.0%	8.4%	6.3%	36.0%	4.1%	13.3%	3.9%	-13.4%	-21.8%	7.8%	-8.5%	15.7%	-3.8%
Other, Corporate and Eliminations	\$30	\$150	\$178	\$192	\$47	\$39	\$39	\$35	\$160	\$40	\$34	\$47	\$47	\$168	\$188	\$188
TOTAL Revenue	\$11,390	\$12,303	\$12,909	\$13,974	\$3,192	\$4,605	\$4,084	\$3,032	\$14,913	\$3,207	\$4,234	\$3,457	\$3,188	\$14,086	\$15,555	\$15,253
% Chg. (YOY)	12.2%	8.0%	4.9%	8.3%	4.8%	3.7%	18.2%	0.0%	6.7%	0.5%	-8.1%	-15.4%	5.2%	-5.5%	10.4%	-1.9%
Segment OIBDA																
Cable Network Programming	\$2,495	\$2,706	\$2,876	\$2,934	\$742	\$353	\$792	\$585	\$2,472	\$607	\$564	\$796	\$615	\$2,582	\$2,674	\$2,654
Television	\$470	\$430	\$555	\$347	\$409	\$256	\$117	\$227	\$1,009	\$351	(\$138)	\$90	\$200	\$503	\$769	\$614
Other, Corporate and Eliminations	(\$284)	(\$357)	(\$344)	(\$326)	(\$59)	(\$78)	(\$76)	(\$77)	(\$290)	(\$89)	(\$76)	(\$75)	(\$75)	(\$315)	(\$326)	(\$327)
TOTAL Segment OIBDA	\$2,681	\$2,779	\$3,087	\$2,955	\$1,092	\$531	\$833	\$735	\$3,191	\$869	\$350	\$811	\$740	\$2,770	\$3,117	\$2,941
% Chg. (YOY)	7.6%	3.7%	11.1%	-4.3%	2.6%	71.3%	2.7%	-4.5%	8.0%	-20.4%	-34.1%	-2.7%	0.7%	-13.2%	12.5%	-5.7%
Margin %	23.5%	22.6%	23.9%	21.1%	34.2%	11.5%	20.4%	24.2%	21.4%	27.1%	8.3%	23.5%	23.2%	19.7%	20.0%	19.3%
Other Costs & Expenses																
Amortization of Launch Fees	\$38	\$24	\$22	\$18	\$4	\$4	\$4	\$4	\$16	\$4	\$4	\$5	\$4	\$17	\$17	\$17
Depreciation & Amortization	\$212	\$258	\$300	\$363	\$99	\$103	\$106	\$103	\$411	\$96	\$97	\$106	\$103	\$402	\$408	\$408
Impairment & Restructuring Charges	–	\$451	\$35	–	–	–	–	\$99	\$99	–	–	–	–	–	–	–
Interest Expense, Net	\$162	\$334	\$391	\$371	\$68	\$60	\$55	\$35	\$218	\$42	\$72	\$92	\$91	\$296	\$367	\$362
Other Net	\$19	\$248	(\$579)	\$509	\$76	(\$73)	\$719	(\$11)	\$711	\$166	\$46	–	–	\$212	–	–
Pre-Tax Income	\$2,250	\$1,464	\$2,918	\$1,694	\$845	\$437	(\$51)	\$505	\$1,736	\$561	\$131	\$608	\$543	\$1,843	\$2,326	\$2,154
Income Tax Expense	\$581	\$402	\$717	\$461	\$232	\$116	(\$1)	\$136	\$483	\$146	\$16	\$152	\$136	\$450	\$584	\$541
Tax Rate	26%	27%	25%	27%	27%	27%	2%	27%	28%	26%	12%	25%	25%	24%	25%	25%
Net Income Attributable To New Fox	\$1,621	\$999	\$2,150	\$1,205	\$605	\$313	(\$54)	\$375	\$1,239	\$407	\$109	\$452	\$413	\$1,381	\$1,729	\$1,599
Adjustments	\$77	\$529	(\$437)	\$386	\$65	(\$54)	\$548	\$68	\$627	\$130	\$56	–	–	\$186	–	–
Adjusted Net Income	\$1,672	\$1,528	\$1,713	\$1,591	\$670	\$259	\$494	\$443	\$1,866	\$537	\$165	\$452	\$413	\$1,567	\$1,729	\$1,599
Diluted EPS - Adjusted	\$2.69	\$2.48	\$2.88	\$2.79	\$1.21	\$0.48	\$0.94	\$0.88	\$3.52	\$1.09	\$0.34	\$0.92	\$0.86	\$3.22	\$3.69	\$3.57
% Chg. (YOY)	-23.7%	-7.8%	15.9%	-2.9%	9.3%	254.9%	16.1%	19.3%	25.9%	-10.4%	-28.2%	-1.7%	-2.8%	-8.5%	14.6%	-3.0%
Diluted Shares Outstanding	621.4	616.3	595.5	569.5	552.0	543.0	521.0	506.0	530.5	494.0	482.0	489.3	483.3	487.1	468.9	447.4

Source: BofA Global Research estimates

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Exhibit 3: Fox – FCF Statement

We forecast \$1.71bn in FY24E FCF

	2023								2024							
Fiscal Year Ends 06/30	FY2019A	FY2020A	FY2021A	FY2022A	Q1A	Q2A	Q3A	Q4A	FY2023A	Q1A	Q2A	Q3E	Q4E	FY2024E	FY2025E	FY2026E
FOX: Free Cash Flow, Leverage & Taxes																
Free Cash Flow																
OIBDA	\$2,681	\$2,779	\$3,087	\$2,955	\$1,092	\$531	\$833	\$735	\$3,191	\$869	\$350	\$811	\$740	\$2,770	\$3,117	\$2,941
+ Change in Working Capital	\$164	\$181	\$83	(\$434)	(\$720)	(\$804)	\$854	\$643	(\$27)	(\$724)	(\$714)	\$860	\$510	(\$68)	(\$13)	(\$11)
- Capital Expenditure	\$235	\$359	\$484	\$307	\$74	\$79	\$84	\$120	\$357	\$71	\$79	\$79	\$79	\$308	\$364	\$364
- Cash Taxes	\$145	\$66	\$299	\$139	\$110	\$108	(\$114)	\$25	\$129	\$39	(\$42)	\$110	\$73	\$180	\$439	\$357
- Cash Interest Expense	\$162	\$334	\$391	\$371	\$68	\$60	\$55	\$35	\$218	\$42	\$72	\$92	\$91	\$296	\$367	\$362
- Other	(\$14)	=	\$159	(\$127)	\$76	(\$90)	(\$178)	(\$825)	(\$1,017)	\$63	\$142	=	=	\$205		
= FCF	\$2,289	\$1,316	\$2,155	\$1,577	\$196	(\$610)	\$1,484	\$373	\$1,443	(\$70)	(\$615)	\$1,390	\$1,007	\$1,713	\$1,934	\$1,847
OIBDA:FCF Conversion Rate	85%	47%	70%	53%					45%					62%	62%	63%
Debt and Leverage																
Gross Debt	\$6,751	\$7,946	\$7,951	\$7,206	\$7,207	\$7,206	\$7,210	\$7,210	\$7,210	\$7,212	\$8,445	\$8,445	\$8,445	\$8,445	\$8,445	\$8,445
- Cash	<u>\$3,234</u>	<u>\$4,645</u>	<u>\$5,886</u>	<u>\$5,200</u>	<u>\$4,950</u>	<u>\$5,200</u>	<u>\$4,146</u>	<u>\$4,272</u>	<u>\$4,272</u>	<u>\$3,829</u>	<u>\$4,122</u>	<u>\$5,136</u>	<u>\$5,893</u>	<u>\$5,893</u>	<u>\$6,584</u>	<u>\$7,198</u>
= Net Debt	\$3,517	\$3,301	\$2,065	\$2,006	\$2,257	\$2,006	\$3,064	\$2,938	\$2,938	\$3,383	\$4,323	\$3,309	\$2,552	\$2,552	\$1,861	\$1,247
Gross Debt: EBITDA (LQA)	2.5x	2.9x	2.6x	2.4x	1.6x	3.4x	2.2x	2.5x	2.3x	2.1x	6.0x	2.6x	2.9x	3.0x	2.7x	2.9x
Net Debt: EBITDA (LQA)	1.3x	1.2x	0.7x	0.7x	0.5x	0.9x	0.9x	1.0x	0.9x	1.0x	3.1x	1.0x	0.9x	0.9x	0.6x	0.4x

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Fox Corporation (FOXA / FOX)

Our \$38 PO is based on 10x CY24E P/FCF, an approximate 30% discount to our Media and Entertainment coverage group due to FOX's greater relative exposure to the linear TV ecosystem.

Upside risks to our PO are a stronger advertising/economic environment, continued strength in ratings/popularity of content, slower Pay TV subscriber losses and higher growth in digital assets and other strategic initiatives from investments.

Downside risks to our PO are a weaker advertising/economic environment, decline in ratings/popularity of content, accelerating Pay TV subscriber losses and higher than forecast investments in digital assets and other strategic initiatives.

Analyst Certification

I, Jessica Reif Ehrlich, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Comcast Corp	CMCSA	CMCSA US	Jessica Reif Ehrlich
	Endeavor Group Holdings, Inc.	EDR	EDR US	Jessica Reif Ehrlich
	Madison Square Garden Entertainment	MSGE	MSGE US	Peter Henderson
	Netflix, Inc.	NFLX	NFLX US	Jessica Reif Ehrlich
	Spotify Technology	SPOT	SPOT US	Jessica Reif Ehrlich
	Walt Disney Co.	DIS	DIS US	Jessica Reif Ehrlich
	Warner Bros. Discovery	WBD	WBD US	Jessica Reif Ehrlich
NEUTRAL				
	Fox Corporation	FOXA	FOXA US	Jessica Reif Ehrlich
	Fox Corporation	FOX	FOX US	Jessica Reif Ehrlich
	Sphere Entertainment Co.	SPHR	SPHR US	Peter Henderson
	Warner Music Group Corporation	WMG	WMG US	Jessica Reif Ehrlich
UNDERPERFORM				
	Altice USA, Inc.	ATUS	ATUS US	Jessica Reif Ehrlich
	iHeartMedia, Inc.	IHRT	IHRT US	Jessica Reif Ehrlich
	Paramount Global	PARA	PARA US	Jessica Reif Ehrlich
RSTR				
	Liberty SiriusXM Group	LSXMA	LSXMA US	Jessica Reif Ehrlich
	Liberty SiriusXM Group	LSXMK	LSXMK US	Jessica Reif Ehrlich
	Sirius XM Holdings Inc	SIRI	SIRI US	Jessica Reif Ehrlich

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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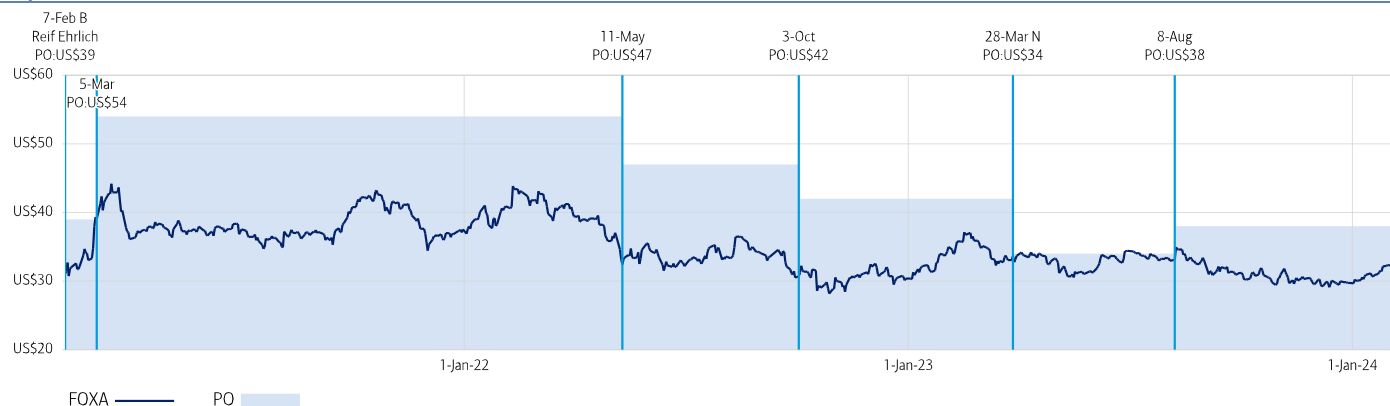
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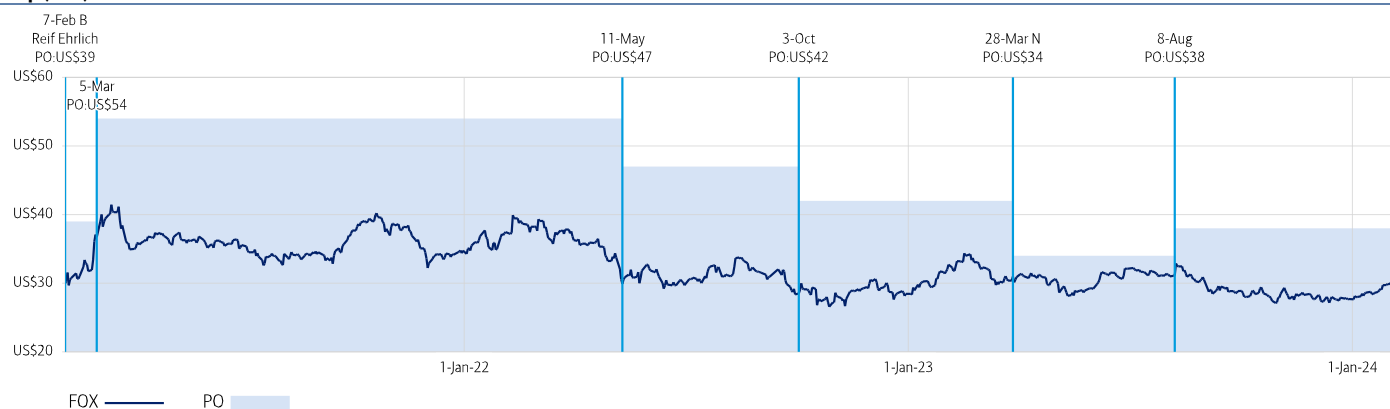
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Fox Corp (FOXA) Price Chart



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Fox Corp (FOX) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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