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CBS Corporation (CBS) CEO Joe Ianniello on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-12-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $0.95 beats by $0.04 | Revenue of $3.29B (0.98% Y/Y) misses by $-75.75M

Earning Call Audio

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CBS Corporation (NYSE:CBS) Q3 2019 Earnings Conference Call November 12, 2019 8:30 AM ET

Company Participants

Anthony Diclemente - Executive Vice President, Investor Relations,

Joe Ianniello - President and Acting CEO, CBS Corporation

Christina Spade - Executive Vice President, Chief Financial Officer, CBS Corporation

Conference Call Participants

Ben Swinburne - Morgan Stanley

Jessica Ehrlich - Bank of America Merrill Lynch

Alexia Quadrani - JP Morgan

Michael Morris - Guggenheim

Laura Martin - Needham & Company

Operator

Good day everyone, and welcome to the CBS Corporation Third Quarter 2019 Earnings Release Teleconference. Today's call is being recorded. At this time, I'd like to turn the call over to the Executive Vice President of Investor Relations, Mr. Anthony Diclemente. Please go ahead.

Anthony Diclemente

Thank you and good morning everyone and welcome to our third quarter 2019 earnings call. Joining us with today's remarks are, Joe Ianniello, our President and Acting CEO; and Chris Spade, our Chief Financial Officer. Following Joe and Chris' remarks, we will open the call up to questions. Please note that during today's conference call, results will be discussed on an adjusted basis unless otherwise specified.

Reconciliations to non-GAAP financial information related to this call can be found in our earnings release or on our website. Also note that statements on this conference call relating to matters, which are not historical facts are forward-looking statements, which involve risks and uncertainties that could cause actual results to differ. Risks and uncertainties are disclosed in CBS Corporation's SEC filings. In connection with the pending merger with Viacom Inc., CBS has filed a registration statement on Form S-4, which was declared effective by SEC on October 25th that contains important information regarding the transaction. Today’s remarks do not constitute an offer to buy or sell or the solicitation of any offer to buy or sell any securities or a solicitation of any vote or approval.

A webcast of this call and the earnings release related to today's presentation can also be found on the Investor Relations section of our website at cbsorporation.com. And before we begin, I want to note that the focus of this morning’s call is to discuss CBS Corporation’s standalone financial results.

And with that, I'll turn the call over to Joe.

Joe Ianniello

Thank you, Anthony, and good morning everyone. I am pleased you can join us today. Before we discuss our third quarter results, I want to give you an update on our merger with Viacom.

As you may have heard, our S-4 has been declared effective and we are on track to close in just a few weeks. In the mean time, we continue to announce a number of key leadership positions for ViacomCBS including the people who will oversee ad sales, affiliate revenue, and content licensing, as well as our top programming and digital executives and we remain fully focused on integrating these two great companies.

As we head into the merger, I am very pleased with the way we have positioned CBS to thrive in its ever-changing media landscape. We have proven, we know how to strategically invest in the right content, on the right platforms to drive growth and the company will reap the benefits going forward.

Our front-loaded content investment is the key reason we are driving sustained revenue growth across direct-to-consumer, content licensing, advertising and our linear distribution revenue.

And in terms of dollars, the biggest increase during the third quarter came from a revenue source that's been at the forefront of our growth plan, retrans, reverse comp and virtual MVPDs which were up 18% despite CBS being off the air with AT&T for more than 20% of the quarter.

And now, as a result of our new carriage deals, our retrains revenue will accelerate here in the fourth quarter, plus about 50% of our retrans footprint and about 30% of our reverse comp footprint are coming up for renewal next year, which means, we will have another strong year of healthy gains from retrans and reverse comp in 2020, as we continue to reset the value of our content to current market rates.

Our programming investment is also driving dramatic growth in another key part of our strategy, direct-to-consumer. D2C revenue was up over 39% for both the quarter and year-to-date as consumers shift from traditional bundles to skinnier bundles to CBS All Access and to Showtime OTT, we are getting paid higher rates per sub. Our rapid growth in direct-to-consumer means that our total subs are growing as well.

Even with the headwinds of the traditional MVPD business, when you include subs from virtual MVPDs and our direct-to-consumer platforms, our overall subs at CBS and Showtime grew 4% year-over-year, which means consumers are actively seeking out our content as they select the platform of their choices.

Our programming investment is also setting us up for growth in content licensing in a world where other studios are pulling back from the marketplace creating a scarcity of premium content, we will have an opportunity to determine how to best maximize the value of each of our content franchises.

So, we are growing our lucrative programming library and we can unlock the value of that programming when we think it's optimal. We now have more than 1,000 episodes of CBS and Showtime content that we have not yet monetized from the lights of Ray Donovan and The Affair to Seal Team and MacGyver, as well as shows that we have not yet fully monetized including our global hit franchise and CIS.

So we are sitting in an enviable position as this opportunity only gets bigger for us at the same time, we continue to ramp up our production output. We are currently creating an all-time high of 94 shows, up 20% from a year ago and that's up more than a 120% from what we did just five years ago.

So we are adding intellectual property to our content pipeline, which gives us even more strategic windowing opportunities in the years to come.

Meanwhile, our base business continues to be strong and stable. Our underlying network advertising revenue was up 2% for the quarter and 2% year-to-date as well.

And the momentum continues here in the fourth quarter with strong scatter pricing and steady advertiser demand, which bodes very well for us as we close out the year and head into 2020 and that's thanks to the CBS Television Network, which is having another great start to the season.

We have the number one drama in NCIS, the number one comedy in Young Sheldon, and five of the top eight new shows on television, meaning, we will benefit from all five of our refreshment series into the future and even better is we have ownership in four of the five new shows and in more than 85% of our entire primetime schedule, which in turn will lead to more licensing revenue.

So, with our balanced schedule of new and established hits throughout the week, we can already predict that CBS will finish the season in May of 2020 as America's most watched network for the 12th consecutive year. We will also finish the year number one in late-night yet again and we are very pleased to have reached multi-year contract renewals with both Stephen Colbert and James Corden.

Stephen and James have become the two most powerful voices in late-night and we now have them at CBS for years to come. There is no secret that the ways in which people are viewing content have changed, they are watching programming on their own time, on the platforms of their choice and outside their homes and we are changing the business model to capture all of this on-demand multi-platform viewing.

In one major example, starting next September, Nielsen's measurement of out-of-home viewing will be included in our ratings. So we will have an opportunity to monetize this viewing for the very first time. The NFL offers a great example here. Nine weeks into the season, the NFL on CBS is off to a strong start, up 6% year-to-date.

When you factor in out-of-home viewing, we get an additional 11% lift to that increase and while sports is an obvious beneficiary, we are also seeing increases in out-of-home ratings in our prime time, day time and news programming, which we will begin monetizing next fall and at CBS News, our emphasis on quality reporting is leading to additional opportunities as well.

For example, because CBS News programming travels well around the world, there is significant opportunity for us to grow our international revenue.

And moving the CBS evening news to Washington D.C., just as the political season kicks into high gear will help create premium content that we can monetize well beyond ratings. This programming will also help feed CBSN which leads to incremental digital advertising, as well as subscription revenue as a complement to CBS All Access.

CBSN is already on a number of platforms including Pluto, and I am pleased to announce today that we have a deal in place with Viacom to add more AVOD channels on Pluto starting tomorrow and we continue to look at our content to see how we can expand our reach of our CBS properties on a growing number of platforms.

Next, I am going to take a minute to talk about the programming and our direct-to-consumer services, CBS All Access and Showtime OTT. This is a revenue stream that represents one of the biggest growth opportunities. Each time we add content to these services, we are accelerating our growth, reaching new viewers and reducing the number of customers who pause their subscriptions.

This progress was demonstrated during the third quarter in a number of ways. First, we launched a new original series on All Access, Why Women Kill starting Lucy Liu, which was just renewed for a second season and helped drive subs for us during the quarter.

Next, we had a summer reality show, Love Island, which launched on the CBS Television Network and attracted a much younger audience on All Access where more than a third of the viewers binge the show. So this represents an example of our ability to expand our reach across multiple platforms.

In addition, combined streams from the NFL and the SEC are up nearly 60% over last year's strong growth. All of these things, along with the premier of our new full schedule on the CBS Network helped make September the third highest month for new subs in the 60 months since we launched All Access.

Meanwhile, the momentum continues here in the fourth quarter as we broaden our reach by adding children's programming to All Access and the production is nearly complete for four more All Access originals coming in 2020 including the highly anticipated Star Trek Picard, the prime drama, Interrogation and The Stand based on Stephen King's bestselling novel, and the investments we are making this year on these premium shows will fuel our subscriber growth on All Access next year and beyond.

We are also very excited about a new development for All Access. We will now have exclusive, live marquee sports for the very first time. The UEFA Champions League including UEFA Europa League and the newly created UEFA European Conference

League will be coming to CBS and CBS' sports platforms with all matches available on All Access and select games airing on broadcast. We will now have more than 400 matches per year spanning nine months across the calendar.

Soccer fans know these rights represent some of the most prestigious and popular soccer tournaments in the world that we couldn't be more pleased that we won this hotly contested process. We are currently finalizing contracts for this multi-year deal and we will be releasing more details in the coming weeks.

So, with over 10,000 episodes of library content, catch-up viewing from the most watched television network, a live stream of your local news and syndicated content, big tempo sporting events, and a growing slate of premium original series, All Access has something for everyone and it continues to differentiate itself by offering this unique value proposition to consumers.

Like All Access, our strategy of adding more programming is also paying off at Showtime. During the third quarter, we launched three new critically acclaimed series, The Loudest Voice, City on a Hill and On Becoming a God in Central Florida. And these original series are helping drive sub growth at Showtime OTT and there is more to come with big programming line-up that rolls right into next year.

Here in the fourth quarter, we have Shameless, Ray Donovan and a brand new version of The L Word. And in 2020, we have a number of new shows with lots of star power including Penny Dreadful, City of Angels, starring Nathan Lane, The Good Lord Bird starring Ethan Hawke and Your Honor, starring Bryan Cranston with such a strong programming slate, we expect continued strong growth on Showtime OTT in the months ahead.

Turning to Local Media, while political spending won't really kick in until next year, our Boston Stations are already receiving orders for the New Hampshire Primary in February and our TV stations in Los Angeles, San Francisco and Sacramento will all benefit in Q1 from the California Primary moving from June to Super Tuesday in March, plus, by early next year, we will have our local versions of CBSN in all the major CBS markets where we have local news operations.

So we can benefit from a more robust, multi-platform approach as we head into the next election cycle. As we said before, we expect 2020 to be a record-setting year for political ad sales.

In Publishing, Simon & Schuster continues to create great content that inspires programming for our other businesses as well. This includes the bestselling book, Three Women by Lisa Taddeo, which was recently picked up as a series by Showtime and we have a strong publishing line-up here in Q4 including the new edition of the Joy of Cooking being released today, just in time to help all of us prepare our Thanksgiving meals. So, across our company, we are focused on creating and distributing premium must have content.

And as you have seen, we have a strong and consistent track record of monetizing that content in ways that generate incremental revenue and position us for long-term success. We were pioneers in achieving fair value for broadcasters in retrans and reverse comp. We were an early entrant in direct-to-consumer by launching CBS All Access and Showtime OTT.

We were leaders in working with Madison Avenue to fully measure and monetize all viewership and we strategically exported our shows to create global content franchises that resonate with viewers around the world.

What's most exciting is, how we have evolved our traditional businesses by embracing changes in technology and consumer habits and as a result, we have grown CBS into a preeminent, global multi-platform premium content company.

I'd like to take a moment to thank all of our hardworking and dedicated CBS employees. Day in and day out they execute and deliver the success we continue to see at our great company. I am very proud of all that we have accomplished and as always, we will keep our eye on the future.

So, as we prepare to close our deal with Viacom, we view this as a new beginning, a way to take all of our CBS growth opportunities and make them even bigger.

With that, I will turn the call over to Chris.

Christina Spade

Thank you, Jo and good morning everyone. As you heard, our strategy of increasing our investment in premium content continues to fuel our success. We are driving revenue growth in retrans and reverse comp, direct-to-consumer and content licensing. As a result, we continue to strengthen our business model by diversifying our revenue mix.

And with our proven record of creating hit shows, and monetizing them across platforms and around the world, we are poised for continued growth as the media landscape continues to evolve.

Now let me tell you more about our third quarter results. Revenue of $3.3 billion grew 1% from last year when we had record political spending. As you heard, the results were also affected by the temporary impacts of a 19-day carriage dispute with one of our distributors. Combined, these two items affected our revenue growth by two points. Even so, we delivered record revenue for the quarter.

With regard to our three key revenue sources, affiliate and subscription fees were up 12%, driven by healthy increases in revenue from retrans, reverse comp, virtual MVPDs and direct-to-consumer. As a result, affiliate and subscription fees represented 34% of our overall revenue during the quarter reflecting our more diversified business model.

In addition, our direct-to-consumer subs continue to grow strongly and were up 62% and as we continue to add more original content, retention rates are increasing and churn rates are declining.

Next, content licensing and distribution revenue increased 1%, mainly due to higher sales for the third-party platform including season two of Insatiable, which dropped on NetFlix last month. By producing more programming for third parties, as well as for our own platforms, we are adding to our library of programming that we can monetize in the years to come.

Advertising was down 7% from last year when we had record political spending. As you heard, underlying network advertising was up 2% for the quarter and 2% year-to-date. And digital advertising for network content across platforms grew 19%.

Operating income for the third quarter of 2019 was $581 million, compared to $736 million last year, which included an increase in non-sports programming of more than 20% and our operating income margin was 18% which is relatively steady with the first half of the year and in line with expectations contemplated in our long-range guidance. EPS for the third quarter came in at $0.95, compared with $1.24 in Q3 of 2018.

On a year-to-date basis, our results are very strong. Revenue for the first nine months of the year increased 7% to $11.3 billion with growth across our key revenue sources. Advertising was up 7%, content licensing and distribution was up 3% and affiliate and subscription fee revenue was up 13%. Operating income for the first nine months of 2019 was $2.1 billion, compared with $2.2 billion in 2018.

Year-to-date, we have aired 40% more hours of original programming on Showtime and 48% more hours of original programming on CBS Alaska and we will reap the benefits of these investments well into the future and EPS for the first nine months of 2019 was $3.47, compared with $3.70 last year.

Now, let's turn to the quarterly performance of our operating segments. Entertainment revenue was up 4% to $2.3 billion. The increase was driven by strong growth in affiliate and subscription fee revenue which was up 22% reflecting solid gains in reverse comps and subscriber growth at CBS All Access. Content Licensing grew 7%, as we continue to see the benefits of our increased production output and licensing to third-party platforms.

Advertising revenues declined 5% as a result of the move of the PGA Championship to Q2 from Q3 as well as the temporary impacts of our carriage dispute.

Entertainment operating income for the third quarter decreased to $302 million, which reflects the execution of our programming strategy. In our Cable Network segment, revenue grew 6% to $563 million fueled by increases in Showtime OTT.

And as you heard, we launched three new original series during the quarter, City on a Hill, The Loudest Voice and On Becoming a God in Central Florida, which contributed to the growth.

Cable Network's operating income decreased to $196 million, driven by our content investments including over 60% more hours of original programming in this year's third quarter, versus Q3 of 2018. And for the quarter, Cable Network's operating income margin was a healthy 35% and on a nine month basis for 2019, it was 33%.

Turning to Publishing, third quarter revenue was $217 million compared with $240 million a year ago when we had the record-breaking Simon & Schuster titled Fear by Bob Woodward which sold more than a million copies in its first week alone. For this year's third quarter, bestselling titles included The Institute by Stephen King, and The Book of Gutsy Women by Hillary and Chelsea Clinton.

Publishing operating income for the third quarter increased 2% to $52 million driven by lower production costs.

In Local Media, third quarter revenue decreased 6% to $406 million from Q3 of 2018 when we had record political ad sales. This segment was also temporarily affected by our carriage dispute. At the same time, retrans continues to be a strong growth driver for this business. Our Local Media operating income for the quarter decreased $96 million, mainly as a result of the decline in high margin political dollars.

Turning to free cash flow, for the first nine months of the year, free cash flow was $247 million, compared with $1.1 billion in 2018. The decrease was mainly driven by two items, our higher programming investments, and a one-time cash tax payment of $260 million from the second quarter.

We had consistently said that the highest and best use of our cash is to invest in our premium content and our direct-to-consumer platforms. This is a key part of our long-term growth plan.

Year-to-date, we have invested about 20% more in programming compared to last year in accordance with the strategic plans. Although while we have reduced our debt and improved our leverage ratio, so our balance sheet remains strong.

We have also grown our revenue and accelerated the growth of our direct-to-consumer platform, which is our biggest growth opportunity and we achieved all of this while creating valuable programming assets that we can monetize for years to come.

Now let me tell you what we see ahead for the CBS Corporation. At our Local Media segment, non-political revenue was pacing the mid-single-digits. At the CBS Television Network, Scatter is up more than 30% from upfront pricing here in the fourth quarter and we are seeing strong increases in all entertainment and news day parts.

In addition, demand for our brand-enhancing digital content remains very strong in Q4 scatter. Advertisers and viewers alike are attracted to our strong direct-to-consumer platform led by CBS All Access, CBSN and CBS Sports HQ which has fueled significant year-over-year volume growth.

Tech and pharma are our strongest categories and while it’s early, we have seen the beginnings of what we believe will be a very hot political market.

So, overall we expect a strong finish to what is shaping up to be a record year of growth in advertising.

In Content Licensing, we continue to add to our programming library and we have a lot of flexibility in the ways that we can monetize it. As you heard, we now have more than 1,000 episodes of premium CBS and Showtime content that we have not yet licensed, which gives us a big opportunity as our peers pull back from the market.

In addition, we are now creating 94 shows which is more 18 than last year including in a number of new hits for CBS, Showtime, CBS All Access, and the CW.

And almost 20% of these shows are for third-party platforms which is another lucrative source of licensing revenue, plus with production well underway on a number of new original series including nearly 70 episodes on the shows that’s launched in 2020 on CBS Alaska and Showtime, we are making programming investments this year that will pay-off for us next year and into the future.

Affiliate and subscription fees continue to grow strongly across the board and here too we are set up for continued success. As we renegotiate deals that recognize the fair value of our content, we are on track to reach our target of $2.5 billion in retrans and reverse comp revenue in 2020.

And as we continue to accelerate the growth of our direct-to-consumer services with our investment in premium content, we are also confident we will reach 25 million subscribers combined on CBS All Access and Showtime OTT in 2022.

In summary, for the first nine months of the year, we have achieved record revenue for the CBS Corporation. We believe our disciplined approach to investing in more premium content to grow for the long-term while also maintaining a healthy margin and strong balance sheet is a prudent strategy for future success.

We are positioning CBS and ultimately now ViacomCBS for continued growth across our key revenue streams, in advertising, content licensing, and affiliate and subscription fees and we are set up for particularly strong growth in our biggest revenue opportunity, our direct-to-consumer services.

All of this bodes extremely well for us as we enter into our merger with Viacom, which as Joe said will enhance our growth prospects, so that we can further compete in this rapidly changing media landscape. During our February 2020 call, which will be our first call as ViacomCBS, we will be giving you pro forma guidance for 2020.

In the mean time, we look forward to closing our transformational deal with Viacom early next month. And with that, Matt, we can open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question will come from Ben Swinburne with Morgan Stanley. Please go ahead.

Ben Swinburne

Thanks, good morning. I want to hear from you guys a little bit more about the content investment strategy and plans looking forward. One of the things that in the S-4 forecast kind of brought to lie is how much you are investing back in the business. And you talked a bit about it in your prepared remarks, but I just wanted to give you a chance to talk a little bit more about where that money is being directed?

How you think about producing content for your own platform for the third-parties? And maybe most importantly, Joe, how you think about monetizing it? Because, you are obviously ramping production quite a bit across a lot of the different businesses at CBS, but I think it would be important to help us think about how you view ultimately earning attractive return on that.

And then, I would just like to add as a follow-up that related on the sports side of the Champions League decision was really interesting. How do you think about getting bigger in sports either on the digital or how you think about sports rights on digital versus linear platforms as you look out over the next kind of three to five years? So, it’s really a contact question, but touching on Entertainment and Sports.

Joe Ianniello

Yes, I got it, Ben. Look, I think our investment, I mean, we really view it as kind of success-based CapEx. So, as you see, we’ve been ramping up the spend, just use – as a parameter, we had a zero originals on a few years ago. We didn’t go from zero to 11, we went from zero to three to seven to 11. So, we’ve really seen the proof points along the way that justify that investment. We are seeing much higher usage rates.

We are seeing when folks come to the service for an original and view two to originals, the retention rate is significantly higher. So, we look at that and that investment is driving value, not just on D2C, but obviously on advertising, as well – as well as content licensing. I think you make the point that we can monetize these things down the road.

We like to think about it – we call it strategic windowing. So we have the content on All Access. You’ve seen us view that with a Good Fight, you’ve seen the season one come to the CBS Broadcast Network in this summer. So we are really trying to be strategic to drive more subscribers to the direct-to-consumer services.

And like I said, the same applies really for Showtime. So, on the Entertainment side, again, the investment spend is our best and highest use and we continue to validate that with every proof point. On the sports side, we are really excited about this opportunity.

I think one of the reasons we won these rights was really because that we had digital and broadcast, because what we will do is, we will take certain matches kind of the championships, if you will, the play-offs, and air those on the CBS Broadcast Network which has the massive reach. So that was very important to the leagues – the league for our bid.

So, I think, where you can have the volume and we are talking about over 400 games over a nine month season, it just it's a lot of games, a lot of volume. We think it's going to reduce churn. We think it drives subscribers. There are loyal fans.

It is obviously the most popular sport in the world. So, we are going to continue to drive and make these prudent investments, because again, we are seeing the returns and we want to stay focused on being smart about that.

Christina Spade

Hi, Ben it's Chris.

Ben Swinburne

Thanks, Joe.

Christina Spade

To that, I would just add the key word there that Joe said is prudent investment. So, again, it's about the proof points leaning into what we see it's also doing it in a way that we can spend our cash flow in a smart way and sustain our investment-grade rating.

Ben Swinburne

Thank you both.

Anthony Diclemente

Thanks, Ben. Operator, we will take our next question please.

Operator

Certainly. And your next question will come from Jessica Reif Ehrlich with Bank of America Merrill Lynch. Please go ahead.

Jessica Ehrlich

Thank you. I have – I will ask both of my questions now. You have an unusually large amount of retrans and reverse comp deals coming up in the next year. I think, with the some of the deals coming up or longer term deals which implies they are underpriced in today's markets, so can you talk about your approach to the next set of negotiations including potentially bundling with Viacom's channels?

And the second question is, now that you have announced all these management changes for the new company, on advertising, you've put everything under Jo Ann Ross. So she is probably the most experienced and respected advertising executive in the U.S. today. Can you talk about how your approach will be different with a larger portfolio of assets?

Joe Ianniello

Sure. Thanks, Jessica. In retrans reverse comp, that's right, as I said in my prepared remarks on the retrans side, we have about 50% of our footprint and on the reverse comp side about 30% and really just timing. We do have one in particular deal that was longer-term that has to be reset. But it's really to current market rates.

So, we don't – we never negotiate deals as percentage increases. We negotiate deals in terms of dollars and cents. And I think, all of our distribution partners know what the current fair market value rate that we are getting for retrans. So, I don't think that should be any surprise. But again, that's why we think it's going to be another strong year for retrans and reverse compensation.

And I'd add that even looking beyond that, we still have ways to go to get paid for the value we are bringing. I think we offer a significant value to our distribution partners, because we are the largest network out there. And so, we think it's really a win-win relationship.

As far as the management changes, I mean, you've seen them we couldn't agree more. We think, Jo Ann is the best ad sales executive in the business. She is going to look at the entire portfolio and the massive reach that the ViacomCBS portfolio brings to our clients and we would expect to be paid fair market value for that and Jo Ann is going to deliver on that.

Anthony Diclemente

Great. Thanks, Jessica. Operator, we will take our next question please.

Operator

And next we will hear from Alexia Quadrani with JP Morgan. Please go ahead.

Alexia Quadrani

Thank you so much. My question is really also on the renewals coming up on the expiration of a 10-year deal with Comcast. I am assuming that's further one for next year. And I believe that agreement includes Showtime.

I guess, given the challenges of carrying another premium Cable Network right now with Comcast, I guess, how should we think about this negotiation in terms of what it means for Showtime? And then, just my follow-up is really, you mentioned Nielsen's change in ratings next year. I am curious if you have any sense on how great a benefit that might be for advertising for you guys?

Joe Ianniello

Yes. Sure, Alexia. I appreciate it. You are right. We do have an agreement coming up with Comcast next year and Showtime is part of that. Our approach, as we said previously, will be the same. I don't believe all content is created equal where you can interchange shows for people, people, again, as we see seek out the content they want, again, I look at the track record of Showtime and the quality content they have on the air, as well as the CBS Television Network.

So, again, I think the approach is the same and we've been successful with every other distributor getting paid fair market value. So we would fully expect the same.

As far as Nielsen, so when the next broadcast season starts, we will finally have out-of-home. It is a significant lift in ratings. For example, the Super Bowl had an over 10% lift and that means, that's over 11 million people watch that were not in the rating. So, having that Local - National News is also another one.

Believe it or not, day time content is also a big lift. So, people are watching as we've said on their own time wherever they are and that is a convenience. And so, we are very excited and kind of overdo to have Nielsen have this in the measurements for the currency where Jo Ann and her team can finally monetize. So, stay tuned as we go into the upfront next May.

Joe Ianniello

Thank you, Alexia.

Alexia Quadrani

Thank you very much.

Anthony Diclemente

Thanks Alexia. Operator, we will take our next question please.

Operator

Thank you. We will now hear from Michael Morris with Guggenheim. Please go ahead.

Michael Morris

Thank you. Good morning. A couple topics. First, can you just talk about how demand is in the third-party market right now for your off-network content? It seems to be maturing of course, but domestically and we don't have much visibility internationally.

So if you could share that? And also talk about kind of the incremental demand that we are expecting or that you are expecting from the third-party services, the streaming services as companies like Disney or Warner pool there is back.

Are you starting to have those discussions in terms of making product available? And then just, on All Access, could you share any updated details on kind of the mix of consumption or Joe, you talked about the NFL and SEC streams being up 60%. How is live sports comparing to your premium content comparing to catch-up viewing? Wondering if there has been any evolution there? Thanks.

Joe Ianniello

Yes. Sure, Mike. Look, demand continues to be strong. Let's break it down between domestic and international as you suggest. International was steady. I think, we have proven global hits that resonate around the world. Clearly, the streaming players, there are new ones coming in. I think the existing platforms are certainly going to want to see that consumption. I think, if you looked at the data for the U.S. streaming players, I think you will see a lot of consumption on kind of off-net shows. But as important, the entire cable marketplace relies on proven hit shows. I mean, again, part of their budgets or acquisitions, because that's where most of the ratings points are coming from, so for their business model.

So, we think there is actually going to be a resurgence from lots of Cable Nets for the beach front content that we produce. So, what we are doing is, we are trying to be strategic and really pause as we close our deal with Viacom to really think about how should we approach the marketplace. So, like I said, I think the opportunities only grow from here.

But I would say, demand for international, steady and strong, U.S., changing and we are pulling back for a moment as we see it really settles and making sure we are not underselling any of our content.

For All Access, I think, the mix is, I mean, I said it in my remarks is, kind of everybody comes for a different reason, but what we are seeing is the folks who come for originals stay longer. The live event – live television is also a differentiator for us. So the two drivers are really originals and live television.

All Access, by the way is the only service that has live television in news and sports on air, because we reached the deals with our affiliates that we have locked in for multi-years. So, we are the only network that has been able to figure out a model that's a win-win. And so, it's really driving the consumption and then that's where you are going to see, I think, the kids' product and all of our catch-up viewing and library.

So, we only keep some in the system and reducing what we call churn, because, we used to use that word churn, because people would switch. But now, it's actually should be called, we said pause, because it's what we call easy on, easy off. So it's easy to come in and out of these subscription services. So what we are trying to do is, make sure we have these subscribers year around which just really improves the lifetime value of that subscriber.

So our focus is really always on that lifetime value, the revenue that we can get from each subscriber. And we are seeing that. And that's why we are making these investments in these originals and sports. So, they are very targeted on those investments.

Michael Morris

Great. Thank you, Joe.

Anthony Diclemente

Thanks Mike. Operator, we have time for one last question.

Operator

Thank you. And we will take our final question from Laura Martin with Needham. Please go ahead.

Laura Martin

Hey, there Joe. I just wanted to follow-up on a lot of streaming data. Could you talk about, if I am doing the numbers right, it sounds like, you might have 13 million subs that you are up 4% and we know that the TV ecosystem is shrinking. So, I'd love your comments on whether that number sounds right for the two combined streaming services?

And then, one of the things that a lot of your competitors are doing now is bundling and time. Have you thought about making it less easy to actually turn off and turn on the system? And so, you don't have this issue of pausing. You've locked people in maybe with a price discount or with some other asset that CBS offers?

And then, finally, just on, as we think about integrating with Pluto, did I hear you right, it sounds like maybe you are going to launch some new free services that we haven't heard about yet on the Pluto platform. Did I hear that right? Thanks.

Joe Ianniello

Yes. Look, I think, stay tuned for more – thanks, Laura. Stay tuned for more announcements as we are getting CBS content on to Pluto. We said starting tomorrow, you will see some of that and you will see more of that in the coming weeks. So, we are focused on doing that and it's win-win, because it's greater distribution. It's the top of funnel like we'd like to say.

So, it's really additive. It could be the – making it more difficult for people to unsubscribe. Certainly, I am sure lots of media companies thought about it. But I mean, in current marketplace it's really again the consumer is in control and so, we are really earning a business based on the content investment that we make in it. And so, we think they are going to want to subscribe.

We think the content is going to be compelling at a price point that's really has a high value utility to them. The 4%, I should actually clarify that. I was adding in the traditional MVPD subs that we have in Showtime and All Acces, the traditional business, as well as direct-to-consumer and as well as virtual MVPDs. So, Laura, that number is just 4%, just so you are clear, not 13 million, it's over 16 million.

Laura Martin

Oh, wow.

Joe Ianniello

So that's overall subs. So, why we think that's important, because there is a lot of headwinds in the traditional business and our point is, when you factor all of that in, we are growing subs. And so, because obviously, the direct-to-consumer will be growing it, but if you are losing it in a traditional business, it's offsetting.

So, that's why we thought that statistic was meaningful that consumers are seeking out our content on other platforms which bodes well for our future. Thanks.

Laura Martin

Right, right. Thanks.

Anthony Diclemente

Thank you, both. Thanks everybody for joining us and with that, this concludes today's earnings call.

Operator

And once again, that does conclude the call for today. Thank you for your participation. You may now disconnect.