EMC

Evolution Media Capital

AMC Networks (AMCX) 2019 Q4 Earnings Summary

February 2020

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Key Takeaways

AMC Networks Is Looking To Expand Its Suite Of Direct-To-Consumer Service To International Territories

DTC SERVICES

- **Continue to make significant progress on its key strategic initiative of becoming the leading targeted SVOD provider**
  - In Q4, passed 2 million subscribers across their 4 targeted services, as they position themselves as companions to general entertainment OTT
- **Programming and marketing to a highly specific audience, and can be very selective in their investments**
  - It has a profound impact on content cost, SAC and churn, and Acorn TV is among the industry leaders in low churn
  - Managing churn is the name of the game and these services can become profitable at much fewer subs and will run at a healthy margin

INTERNATIONAL

- **Beginning development overseas on distribution of DTC services on a direct basis and through international MVPD relationships**
  - Looking first to English-speaking territories for obvious reasons, as well as parts of Europe and Latin America
  - The overlay of their international sales force provides them a head start on getting these services on the major platforms
- **Have a number of co-productions and original productions in the U.S. that travel well as well as local regional content**
  - Can supplement that with the content that they control in territories where they already do business on the linear side

MVPD RELATIONSHIPS

- **New multi-faceted agreements demonstrate that MVPDs are increasingly recognizing the value of their SVOD services**
  - New long-term distribution agreement with DISH includes full suite of their SVOD services and desirable agreement for the carriage of linear networks
  - These deals also underscore the continued strength, vitality and value of their linear ad-supported number of brands and content
- **Wireline MVPDs now have incentives to sell video to an increasing percentage of broadband-only subscribers**
  - Will work with them in new ways to have them realize incremental revenue and margin from video, where they can also be a beneficiary

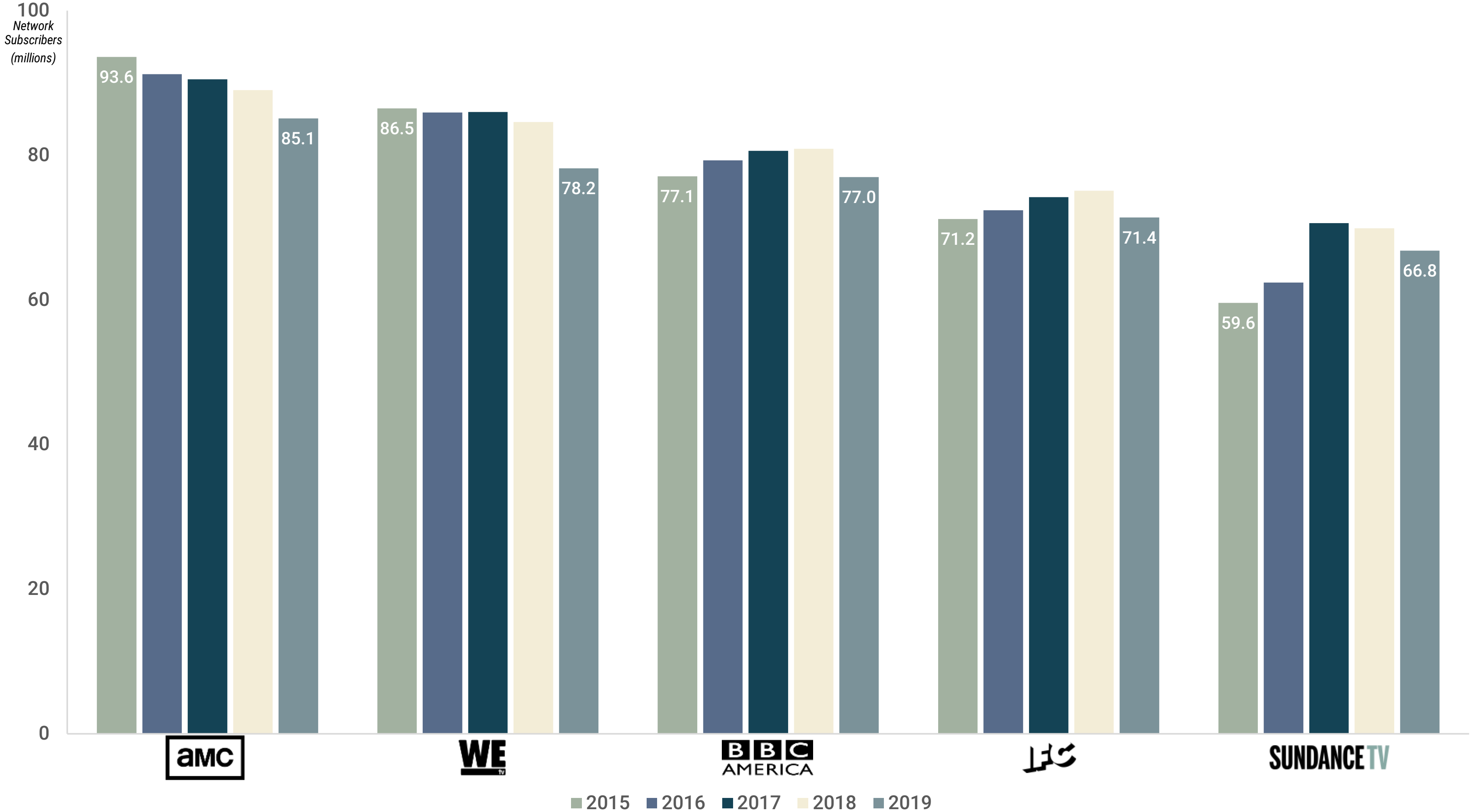
OTT INDUSTRY

- **There is erosion in the existing Pay-TV ecosystem, but the rapid proliferation and adoption of OTT services took some by surprise**
  - There is price pressure on premium cable as the streaming services have caused MVPDs to revisit some of their fixed deals
- **First attempts at bundling are likely to come from programmers as they are going to look to muscle their way into value and share**
  - Initial experiments have been rather small, on the sidelines, have not worked that well to date
  - AVOD services are going to live at a level underneath and will put some pressure on the price and value of commercial-free subscription services

The Walking Dead continues to perform well, and they are ramping up efforts to extend the franchise to other formats

Linear Subscribers

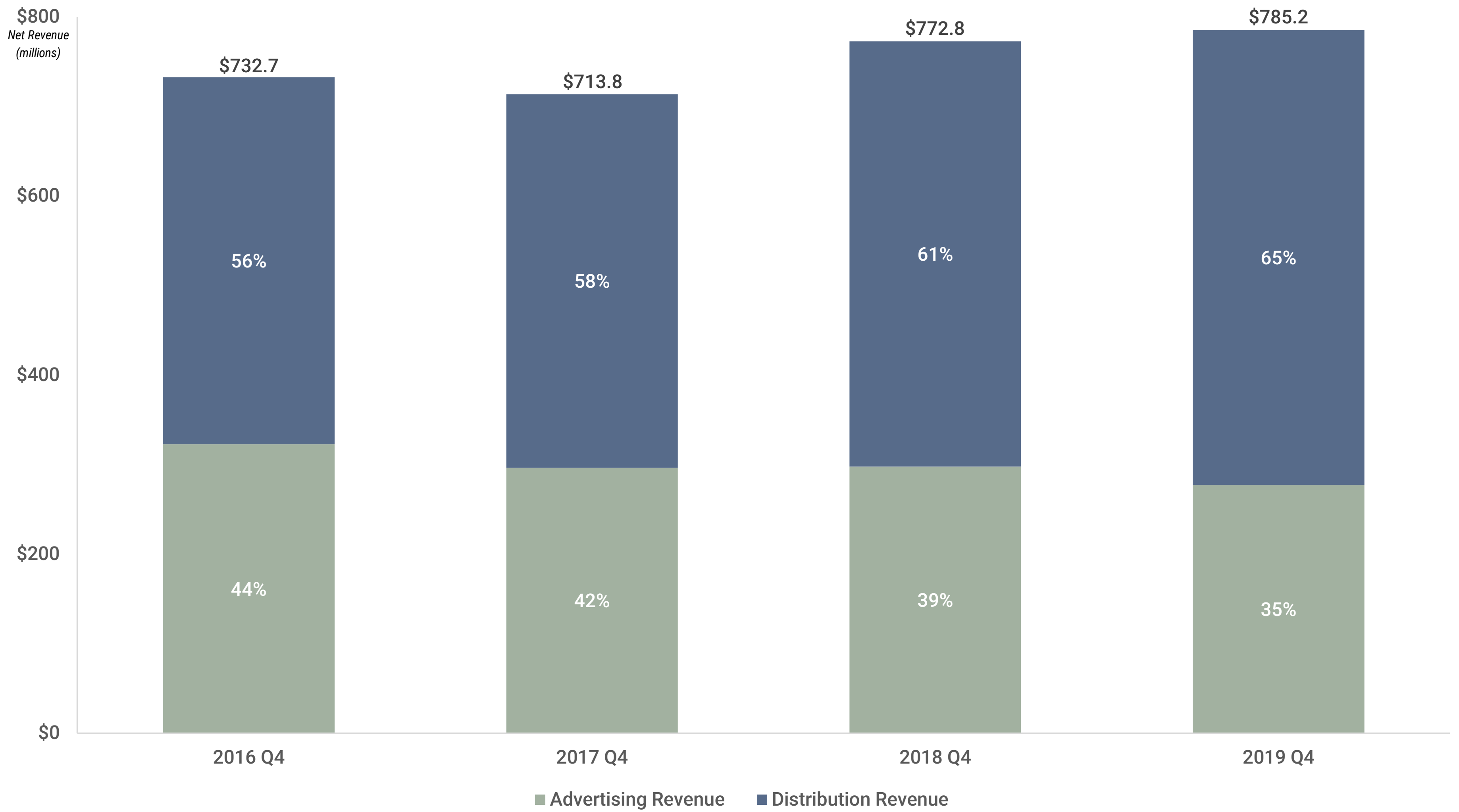
Pressure On The Bundle Is Increasing As More Customers Shift Towards SVOD To Watch Scripted Content



In MVPD distribution renewals, they are focusing on gaining carriage for their OTT services, in addition to linear channels

Revenue Mix

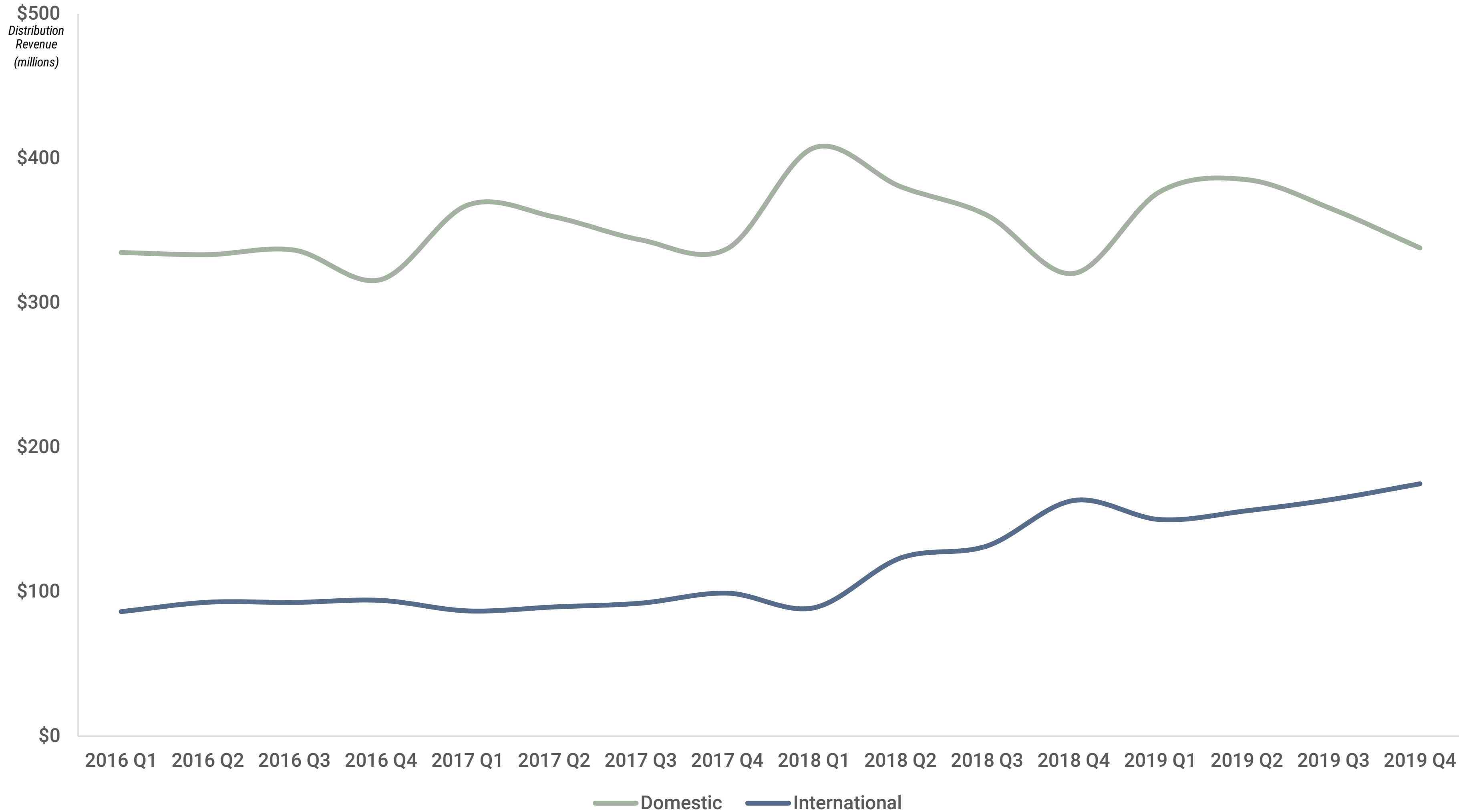
Despite Advancements To Their Measurement And Targeting, Advertising Revenues Continue To Decline



Though the opportunity is available, there are no immediate plans to offer an ad-supported version of their DTC services

Distribution

Domestic Viewership Data Will Be Utilized To Guide The Rollout Of Their OTT Services Across The World



With a variety of platforms to choose from, it is a more complicated decision to determine how/where to license content