EMC

Evolution Media Capital

AMC Networks (AMCX) 2020 Q1 Earnings Summary

May 2020

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Key Takeaways

AMC Networks Is Increasing The Distribution Of Their Content And SVOD Services On New Digital Platforms

ADVERTISING

- **The most immediate significant factor has been on ad counts, particularly in categories most affected by sheltering-at-home**
  - While ratings have improved, monetizing these ratings has proven to be a challenge and anticipate Q2 ad revenue to be down 30% year-over-year
- **For clients that are ready, they are moving ahead with upfront conversations, but it will happen on a more staggered basis**
  - Network has been as flexible and much of the money that moved away from Q2 will be pushed to the second half of the year
  - Having active conversations with ad partners to help expand their media marketing mix and buys to reflect viewership trends

DTC SERVICES

- **Targeted SVOD services are growing at a very nice trajectory with sensible economics, and they are exceeding growth expectations**
  - Anticipate ending 2020 in the range of 3.5 to 4 million paid subscribers in aggregate, a full two years ahead of the original target of year-end 2022
  - Have pulled forward some subs due to the isolation, but do not anticipate that the churn rate will increase too much as the year goes on
- **Believe the overseas market opportunity of these targeted SVOD services is significant, particularly over time**
  - Acorn TV, the largest of their services, is seeing increasing momentum for it globally and recently launched in the U.K., Australia and Latin America

LINEAR

- **Careful about maintaining a portfolio of channels that is priced appropriately and delivers high-value to a worldwide environment**
  - Had renewals that are pretty consistent across the board, and have maintained their distribution in good shape across the board
  - Strength in scripted dramas, coupled with attractive pricing, will be an increasingly key differentiator that will position them well with MVPDs
- **There have been subscriber declines, particularly in the satellite sections, that's not been bolstered by high-speed data**
  - There are also macro factors related to people connecting or disconnecting or, in some cases, taking different tiers

STRATEGY

- **The highest return for capital is to invest in content and reposition the company for a more streaming focused landscape**
  - Will continue to alter the manner in which they are organized so that they can optimize these new distribution opportunities
- **Mindful of the reward from Pay-TV universe, and will be careful about managing costs associated with that revenue opportunity**
  - Working with platforms to create an additional window and bring in incremental revenue off of their library content
  - Have been able to be efficient and economical and potent by acquiring and/or producing material that finds its way on to multiple services

Advertising has seen a steep decline, but are optimistic marketers will return to spending when the economy re-opens

Advertising

Creation Of An Online Sales Portal Will Help Streamline Buying For Advertisers Who Are Less Impacted

There is a bigger push to expand advertising suite to nonlinear platforms, as exemplified by the recent launch on PlutoTV

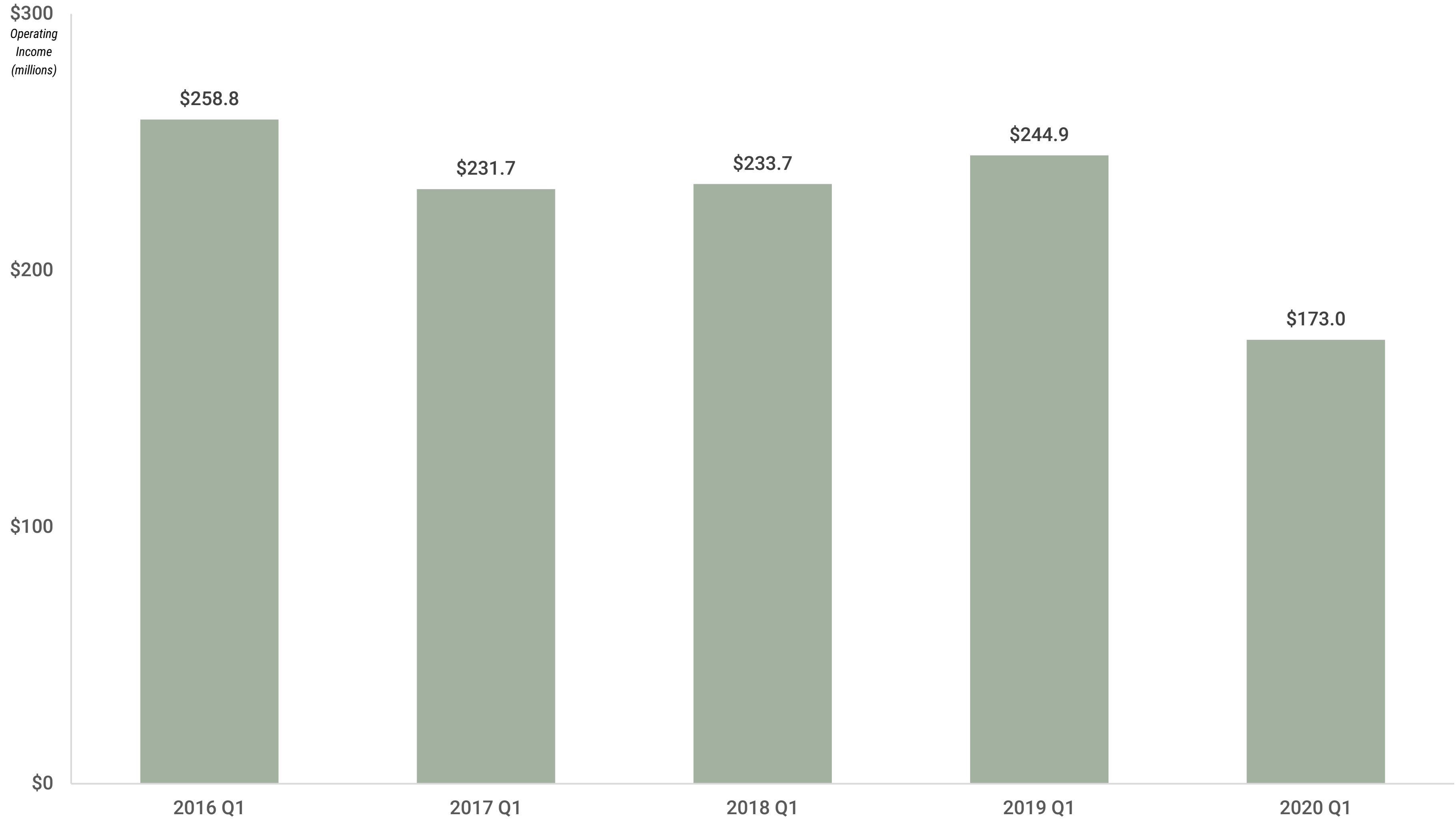
Revenue

International Markets Are A Key Near-Term Growth Opportunity For Their Genre-Focused DTC Services

There is a willingness to experiment with new genres and format that can command the attention of global audiences

Operating Income

Investments Have Been Limited As They Transition From The Pay-TV Ecosystem To Streaming Distribution



Production postponements will result in scheduling shifts, but development continues with virtual writers rooms in place