



Discovery (DISC) 2020 Q1 Earnings Summary

May 2020

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# Key Takeaways

## Discovery Pivoted To Remote Production Quickly With Key Talent Creating New Content From Their Home

### ADVERTISING

- **Had a solid January but did see some impact from the lockdowns in March with an uptick in cancellations and deferrals**
  - Based on preliminary results, April is down around 20% year-over-year, but both May and June are looking slightly better
- **A number of their largest advertising categories are holding up nicely, such as CPG verticals like food and cleaning products**
  - Talking to all the big players and will move with those that want to have a traditional upfront window, and will move with others who want to delay it
  - To the extent that it is not sold, reducing the amount of inventory they are selling, which is also helping with ratings

### SPORTS

- **With no sports being played, Eurosport and GolfTV, and even certain premium tiers of Dplay have seen a pullback in activity**
  - Free funnel is fine where people are coming in and they are reading from Golf Digest, and they are seeing some short form content
  - Having no sports is a challenge, but 90% of their deals have provisions that specifically relate to them not paying for content that they don't get
- **Having the Summer and Winter Olympics only a few months apart allows them to go to the ad market with bundled packages**
  - Will be a real opportunity for people to get back together with a lot of excitement, but don't see material change to initial expectations

### INTERNATIONAL

- **Accelerating the rollout of Dplay, in some cases, coming at the expense of linear business, based on market conditions**
  - Have gone dark with 1 traditional affiliate in Denmark, and seeing better dynamic growth on Dplay offering in that market, compared to others
  - Engaging in broader partnership deals, both on the traditional side as well as wholesale relationship, for their direct-to-consumer products
- **In the first 2 months, international advertising was pacing up 5%, but March was down 10% and April is down 40% in aggregate**
  - International markets are more flexible with advertising volume, reacting more immediately to changes in economics or viewing shares

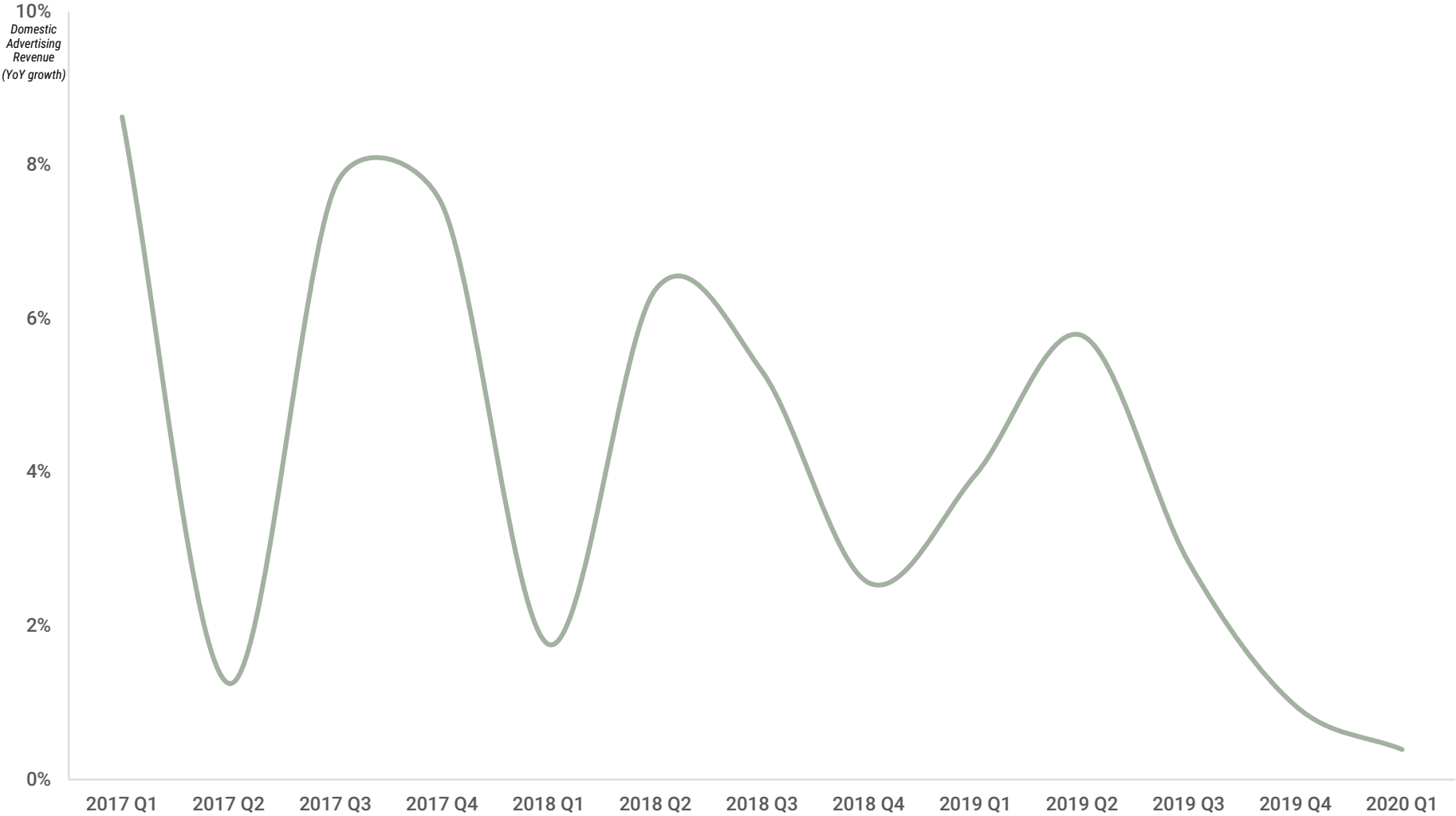
### DISTRIBUTION

- **Power of their networks is much more now, with the length of viewing higher than almost any channel in cable**
  - Able to do good deals, but the issue is that they are getting paid a fraction of what they deserve for what they are delivering
- **Well represented across the OTT landscape and enhancing their portfolio of global AVOD/SVOD content and lifestyle platforms**
  - Naturally, won't be immune from subscriber churn from pay TV, particularly in cases where it is driven by economic pressures
  - If there were some cheaper packages, they would do extremely well, but don't see anything in the marketplace that makes them feel optimistic

*The development of a DTC service targeting broadband-only subscribers will be launched in conjunction with MVPDs*

# Advertising

Higher Audience Deliveries Have Offset Ad Cancellations, As Viewership In Key Demos Increased 10%



Many of their endemic advertisers have withstood impact of COVID-19 and are able to get more value from spending

# International

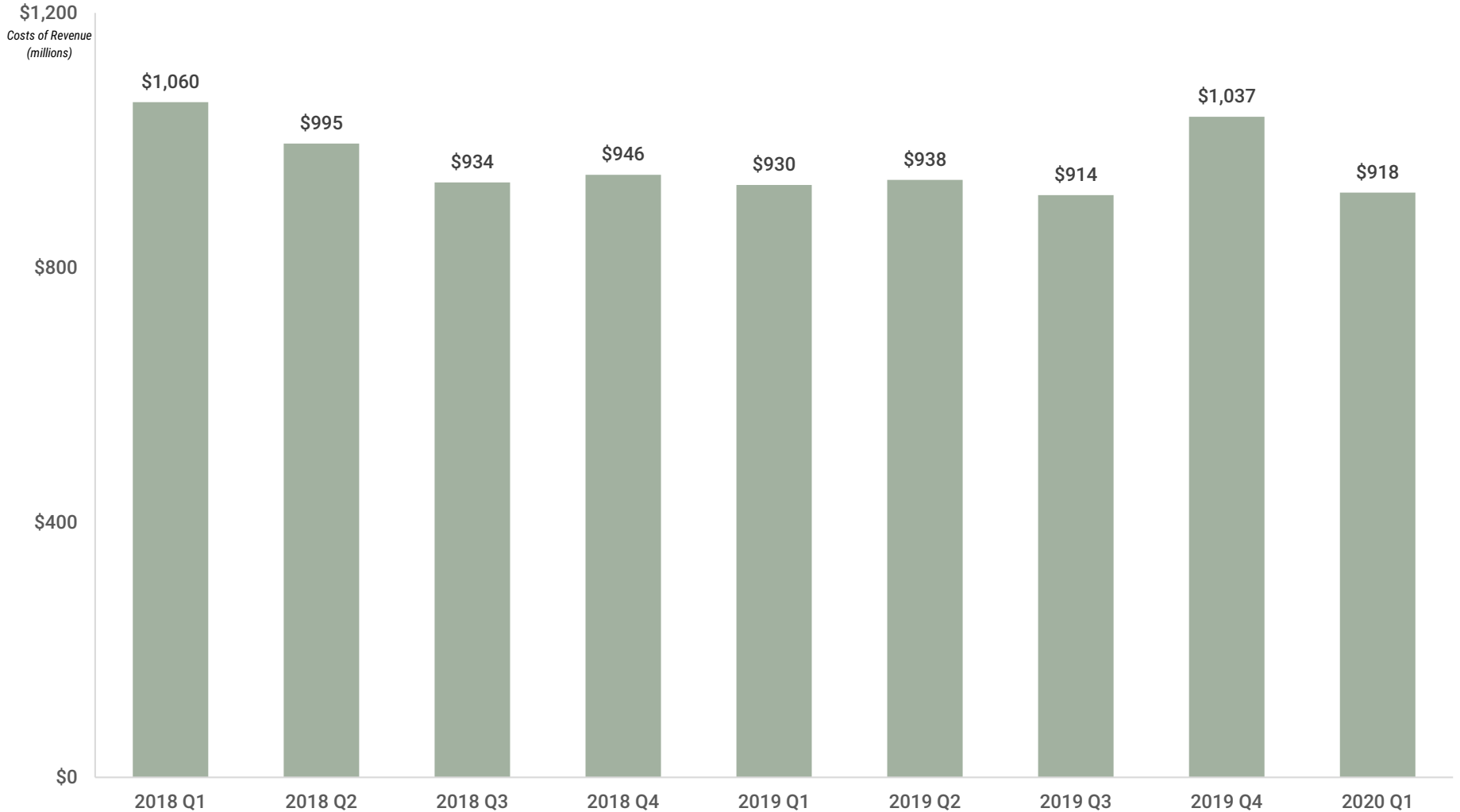
Internationally, Eurosport Is A Premium Add-On, Rather Than Being Leveraged As Part Of The Bundle



Starting to see stabilization of ad market in China, Taiwan and Korea, but it is a relatively small portion of overall mix

# Costs of Revenue

Efficient Low-Cost Production Model Has Allowed Them To Create Nearly 350 Hours Of Content Remotely



*Intimacy of content allows viewers to forge stronger connection with personalities, and increases the value of their brand*