EMC

Evolution Media Capital

AMC Networks (AMCX) 2020 Q2 Earnings Summary

August 2020

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Key Takeaways

AMC Networks Has Launched AMC+ With 2 MVPDs In A New Attempt To Reach Broadband-Only Customers

SVOD

- **Remain on track to end the year in the 3.5 to 4 million subscriber range, and are confident they will be at the higher end**
  - Shudder has had very strong growth, and Q2 was the biggest in its history in terms of trials, paid subscribers and time spent on the service
  - Launched Acorn in the second quarter in the U.K., and more overseas launches are upcoming
- **Targeted SVOD services are less show-dependent as subscribers identify with the genres and just want a steady flow of material**
  - Extraordinarily beneficial economically because subscriber acquisition costs are better and they are not running high rates of churn

AMC+

- **As the business of MVPD partners evolved, their relationships with these partners is also evolving and reconstituting**
  - AMC+ is the next generation of the MVPD-centric AMC Premiere product and includes content from entertainment networks and SVOD services
  - It's attractive to have multiple product relationships with MVPDs because it opens them up to the broadband-only world of subscribers
- **Pressures on linear video can be offset by deployment of AMC+ and SVODs that are operating in lockstep with those MVPDs**
  - Operating in concert with them further strengthens their relationship, as they identify multiple ways that they can benefit and profit from video

ADVERTISING

- **Scatter market was relatively healthy in different categories and did a good job of working with advertisers to manage inventory**
  - The agencies are inclined to put their money down, but the issue is that not all of their clients have revealed what their budgets will be due
  - Seeing particular demand from digital and at-home centric businesses that don't require people to gather in this COVID period
- **Having conversations with major agencies and expanded digital presence through partnerships with Xandr, OpenAP and 605**
  - Data continues to lead their efforts on the addressable advertising front, and are participating in 2 anticipated addressable linear pilot programs

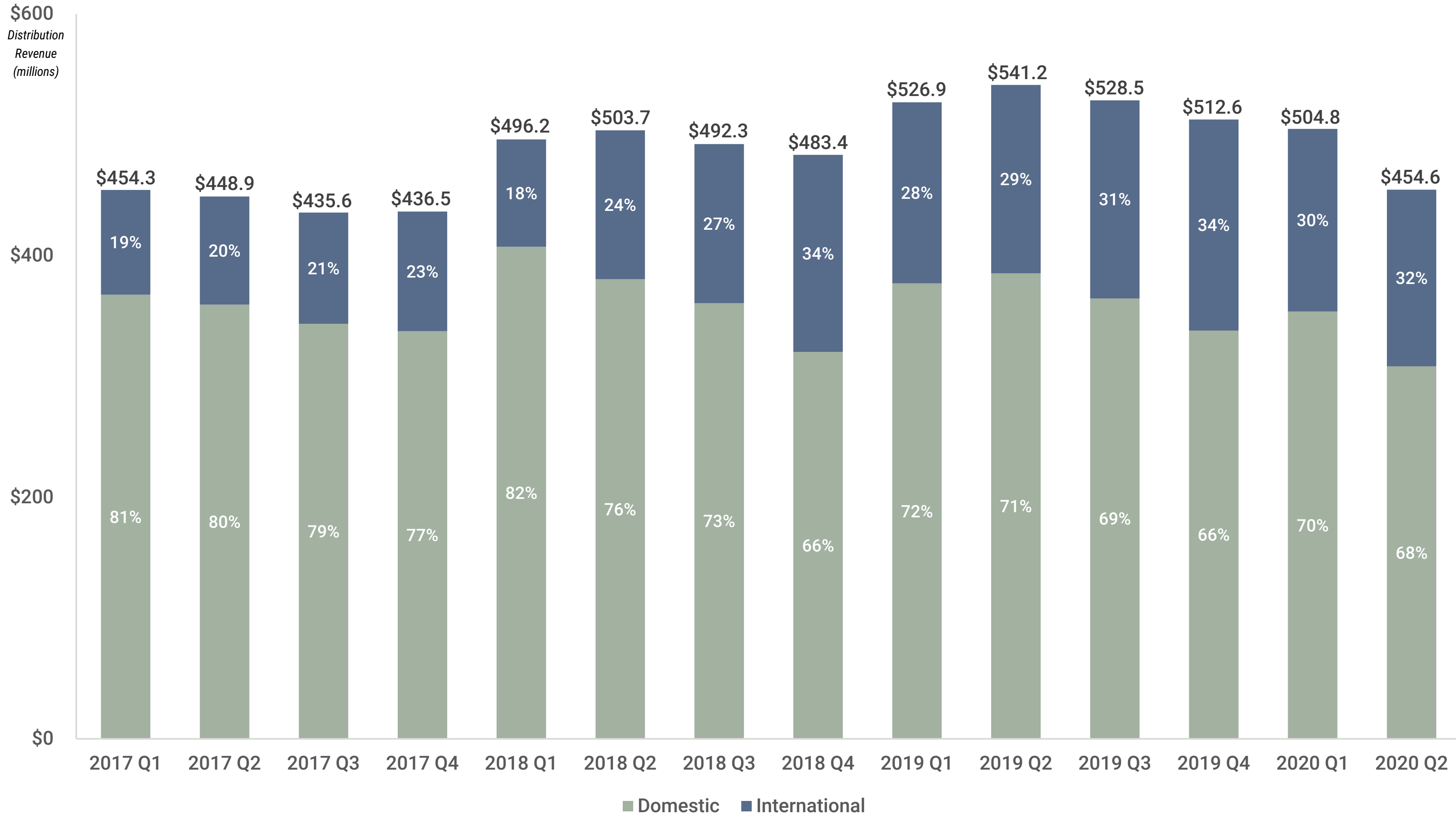
LINEAR

- **Have a steady state of renewals that come up, with different sized companies, and contracts go generally anywhere from 3 - 5 years**
  - There are some elements in new contracts that can have an impact on price related to specific elements of positioning
  - Some channels have historically been carried on tiers as opposed to fully distributed, so a minor tick in tier penetration could influence the numbers
- **Price is extraordinarily attractive and their content is not only highly viewed, but perhaps of equal importance, it's highly valued**
  - It will be increasingly recognized as some of the extraneous elements of the commercial relationships with MVPDs have less hold than they did

Suite of niche SVOD services saw a significant increase in activity, both in terms of usage and subscriber acquisition

Distribution

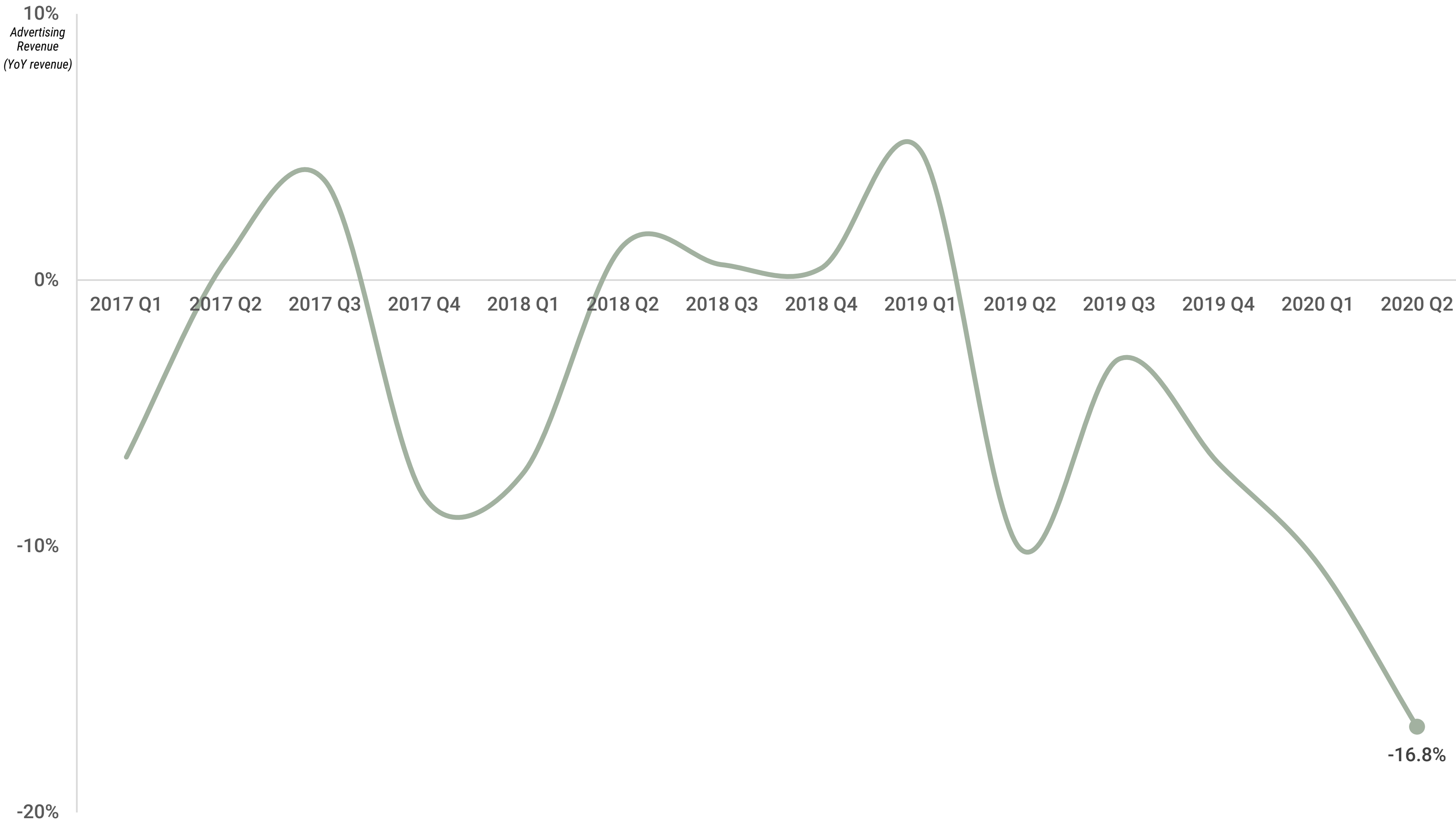
In The Early Stages Of Expanding The International Distribution For Their Portfolio Of DTC Services



They are developing and buying content with a mind toward how they can window it across all of their different platforms

Advertising

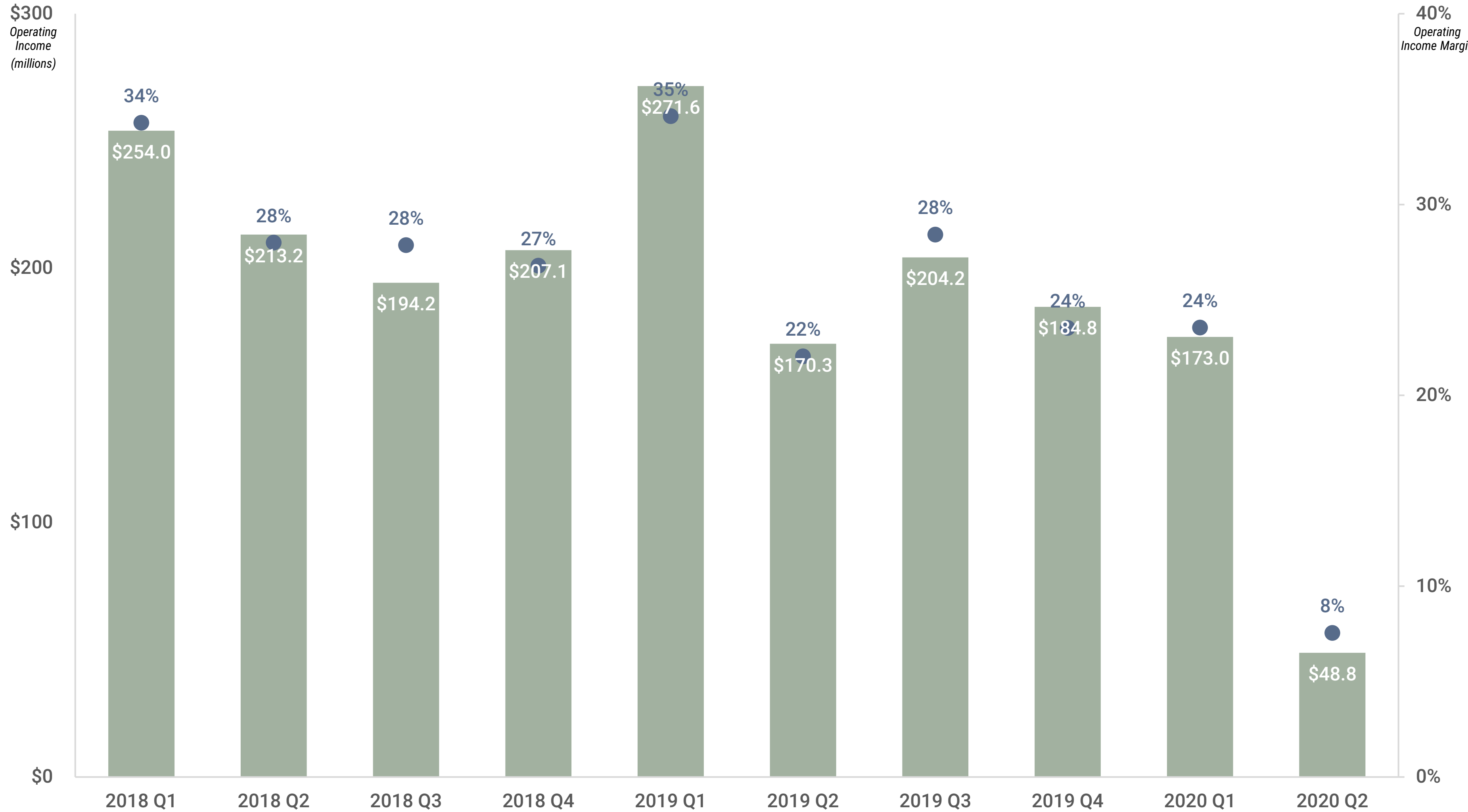
After Securing Distribution On Pluto, They Want To Create More AVOD Partnerships In The Coming Months



The focus on premium scripted dramas becomes less appealing to advertisers as pay-tv subscriber declines continue

Operating Income

Management Decided To Write Down $130M Due To Lower Growth Expectations In The UK And LatAm



The Walking Dead Franchise remains vital and they plan to have new content in the fall, while also resuming production