



RETRANSMISSION CONSENT: DIRECTV'S APPROACH TO FIXING A BROKEN MODEL

November 30, 2023

HIGHER PRICES FOR LOWER QUALITY IS UNSUSTAINABLE

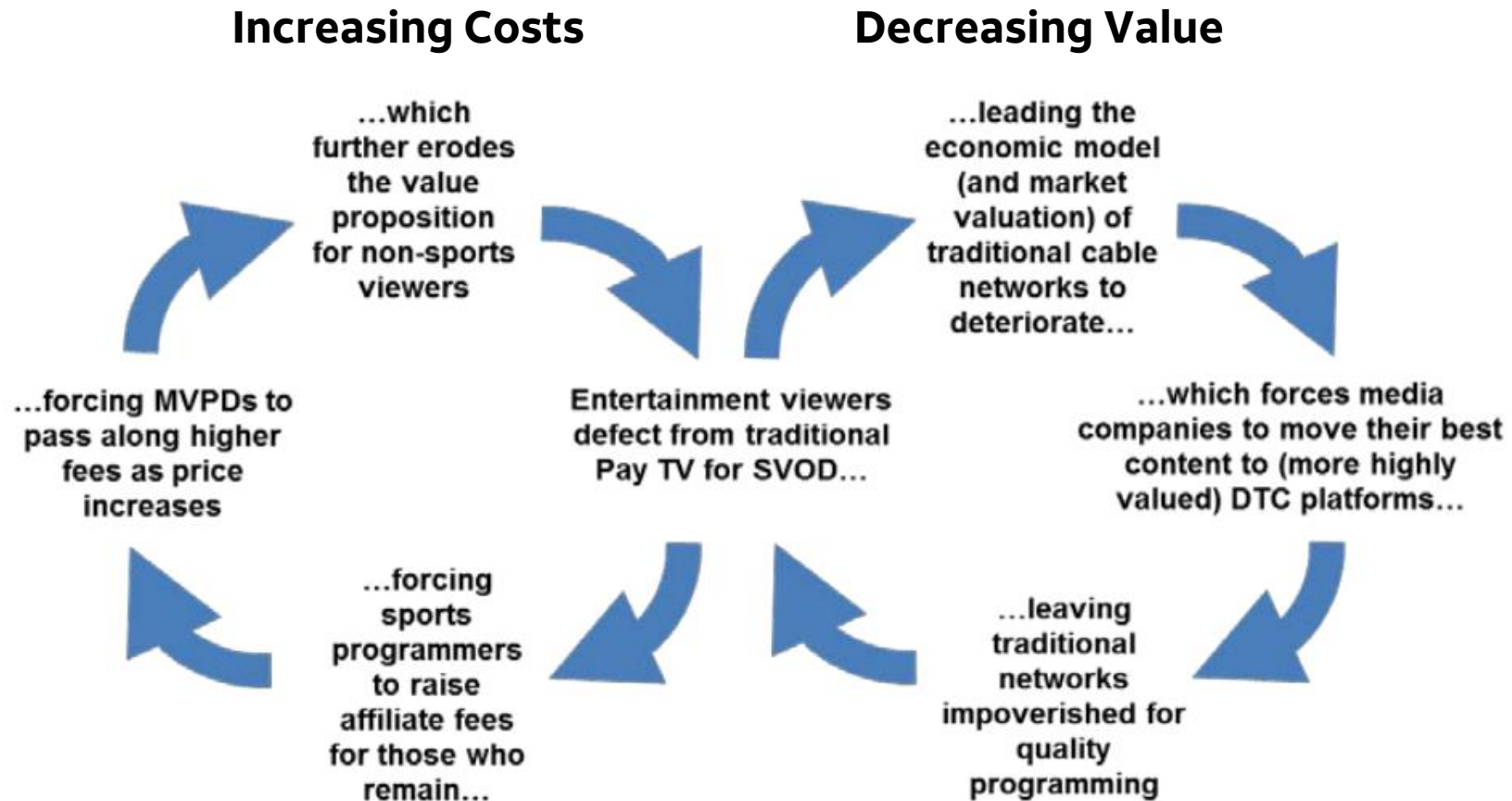
- **Broadcasters take advantage of an antiquated legal framework to force Pay TV customers to pay ever-higher rates for content which is free over-the-air for all Americans**
 - The average cost per **Pay TV subscriber for broadcast content is nearly \$20 per month, up 270% since 2015**¹
 - Contrary to the spirit of the existing legislative framework, **broadcasters have litigated to prohibit others from doing what they do themselves: Make their content widely available free of charge**
 - Broadcasters have taken advantage of loopholes to evade ownership limitations, and used that undue scale to demand higher retransmission consent rates
- **Broadcasters have used retransmission consent to line their pockets with profits at the expense of consumers' rising bills**
 - Broadcasters seek to inflict maximum customer pain by **weaponizing blackouts to force higher fee increases** on distributors, as evidenced by the 2,168 broadcast station blackouts industry-wide since 2010²
 - TEGNA is among the worst actors, routinely using blackouts to extract exorbitant fee increases at the expense of consumers – 275 broadcast station blackouts since 2010, impacting 52 DMAs across 7 distributors²
- **The system is broken; Consumers deserve a fix**
 - Creating a Pay TV a la carte model for local broadcast stations would return **choice, control and value to consumers**
 - Broadcasters' current role in the retrans value chain drives up prices and increases Pay TV losses – **direct deals with networks alternatively would help stabilize prices and reduce blackouts**

1. Kagan 2010-2029 US forecast as of August 2023 and Retransmission Fee estimates as of October 2023

2. American Television Alliance broadcast station blackouts database for MVPDS, Press Search

INDUSTRY CAUGHT IN A VICIOUS CYCLE

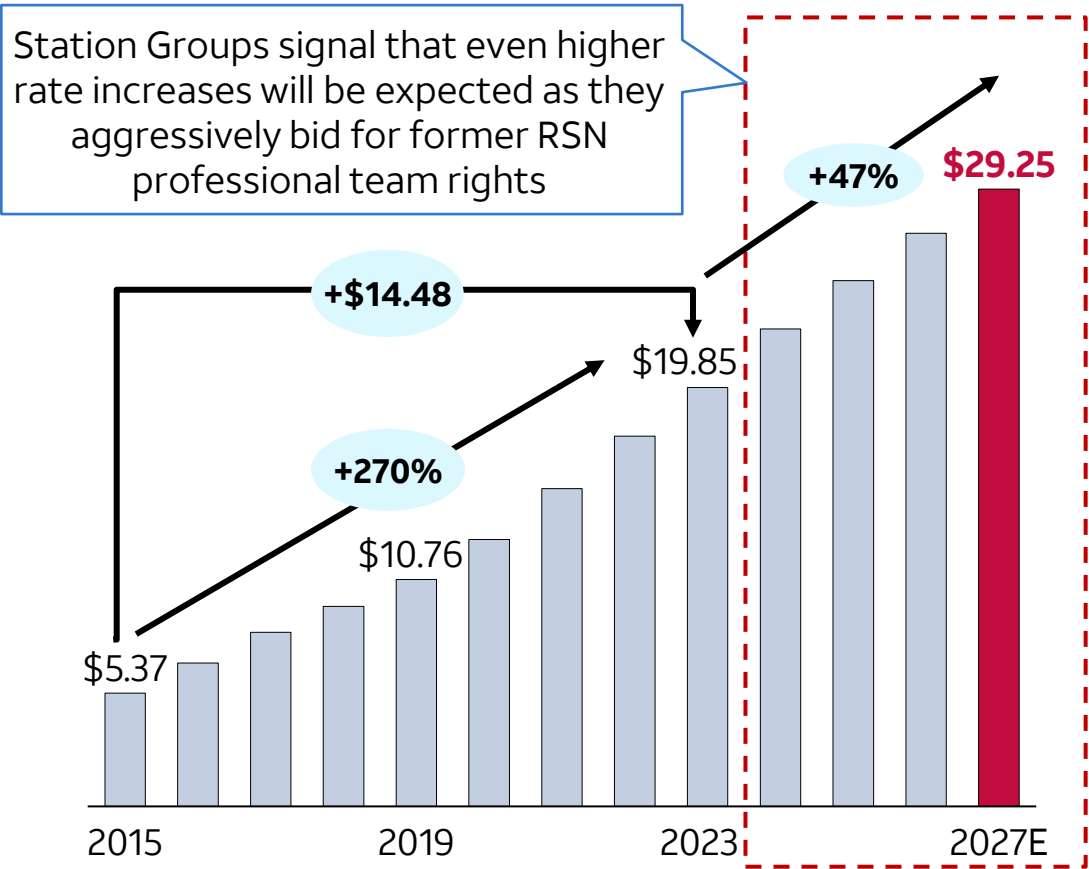
Pay TV facing steep price-to-value degradation from “Twin Doom Loops”



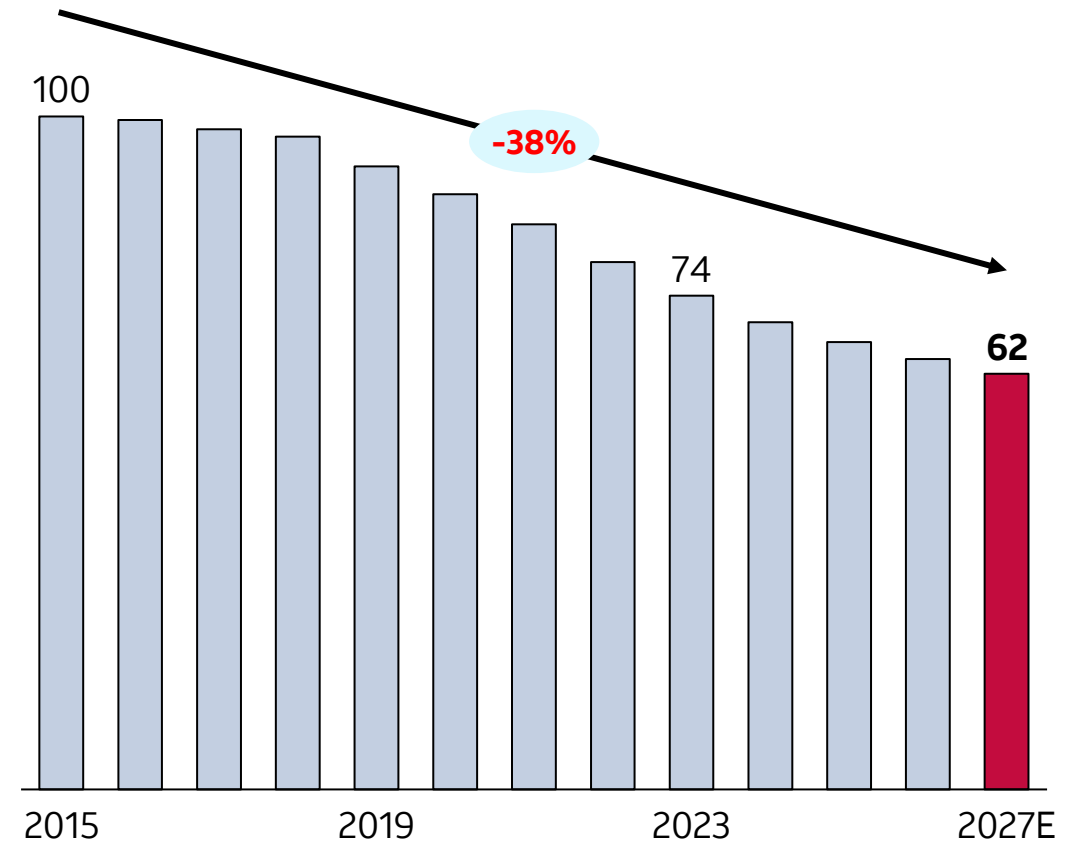
RETRANSMISSION FEES CONTINUE TO SOAR

Broadcasters are responsible for >\$14 of Pay TV's price increases since 2015, accelerating consumer flight from Pay TV

Escalation of Pay TV Retrans Carriage Fees per Subscriber ¹



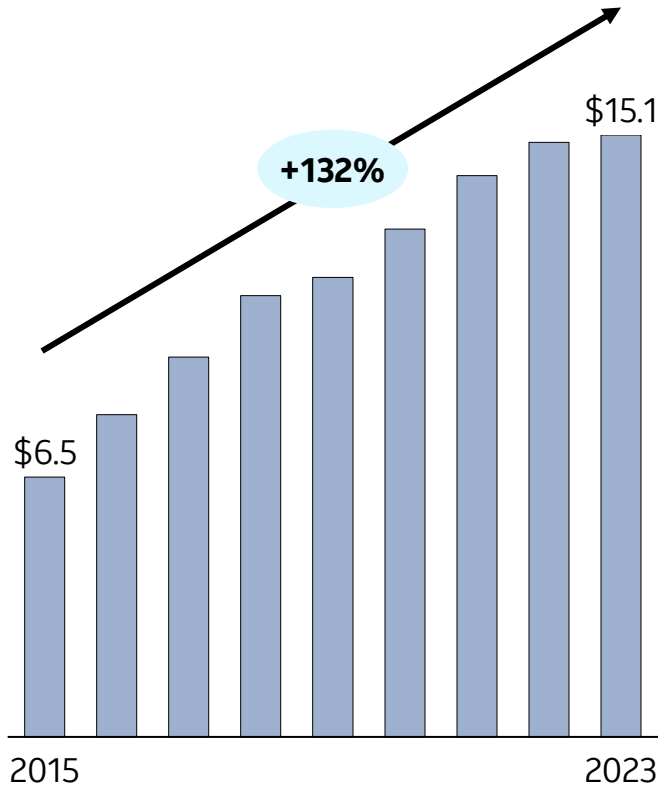
Decline of US Pay TV subscribers (Millions) ²



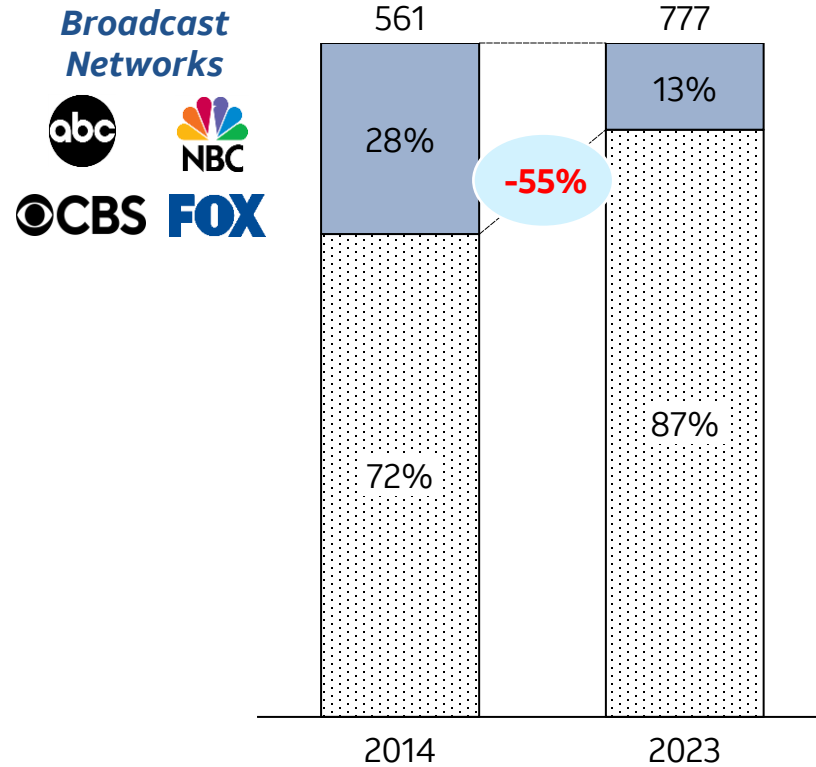
1. Kagan estimate of Retrans Carriage Fees for cable, DBS, and Telco video subscribers as of October 2023
 2. Kagan 2010-2029 US forecast as of August 2023 which includes MVPD and vMVPD subscribers

DESPITE RECORD REVENUE GROWTH FOR BROADCASTERS DUE TO RETRANS FEES, BROADCASTERS HAVE DELIVERED DECLINING QUALITY AND VALUE

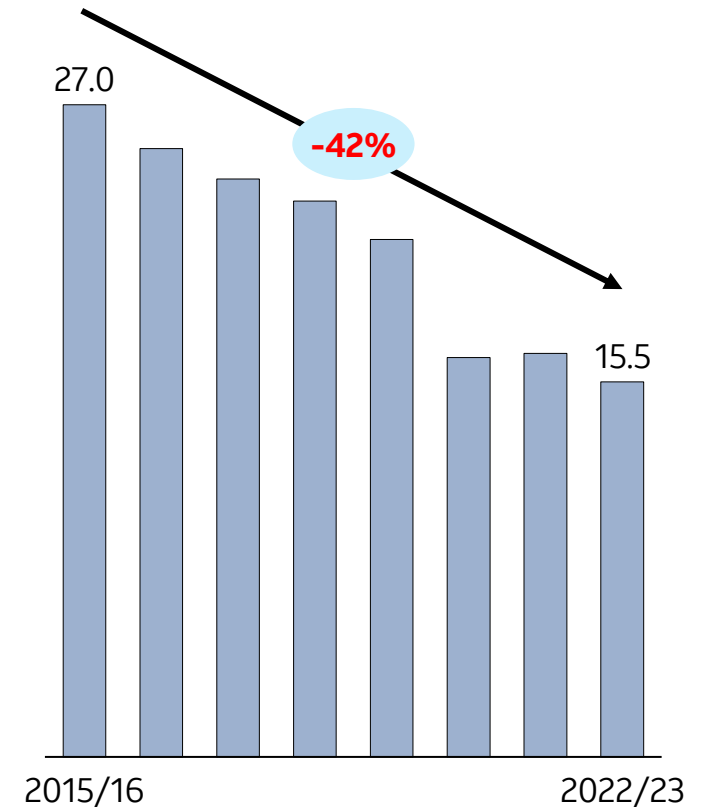
**Revenue Growth (2.3X over 8 years)
Total TV Station Retrans Fees (\$B) ¹**



**Declining Quality
Primetime Emmy Nominations ²**



**Declining Value
Big 4 Nielsen Prime Time Broadcast
Average Audience (Millions) ³**



1. Kagan Retransmission Fee forecasts for MVPDs and vMVPDs as of October 2023
 2. Academy of Television Arts & Sciences website
 3. Nielsen Prime Time Average Audience for ABC, CBS, NBC, and FOX during broadcast season (Sept-May) for P2+ viewers

SOLUTIONS TO OFFER CONSUMERS MORE CHOICE AND VALUE

| Solution | Description | Benefits |
|--------------------------------------|---|---|
| Offer Consumer Choice | <ul style="list-style-type: none">• Offer broadcast stations a la carte | <ul style="list-style-type: none">• Broadcasters can set own retail prices• Consumers can personalize their video subscription based on price and value• Eliminates customer harm from blackouts |
| Direct National Network Deals | <ul style="list-style-type: none">• DIRECTV negotiates directly for national network content fees with ABC, CBS, FOX and NBC | <ul style="list-style-type: none">• Removes unnecessary middleman in value chain• Slows current price escalation by eliminating reverse retrans mark-up• Standardizes rates for each network across stations |

MUTUAL BENEFITS OF PROPOSED A LA CARTE CONSTRUCT

- **Provides choice and control to customers while affording more stability to broadcasters and removing disputes**
- **The advantages to our proposed solution include:**
 - Providing consumers with **greater packaging choice and control**
 - Allowing **broadcasters to fully control pricing** to match market demand for their stations
 - Giving broadcasters **direct control of their relationships** with their viewers
 - Helping **slow consumer migration** from traditional pay TV, **benefiting broadcasters and distributors**
 - **Incentivizing broadcasters to deliver higher-quality** content to consumers
- **Broadcasters have already embraced the a la carte model by allowing their full station streams to be sold through direct-to-consumer network apps** (i.e., Peacock and Paramount+)
- **Blackouts will be eliminated** since distributors and broadcasters **no longer need to negotiate over pricing**

DIRECT DEALS WITH NETWORKS WOULD YIELD VALUE CHAIN EFFICIENCIES AND GREATER PRICE AND CARRIAGE STABILITY

- **The overwhelming majority of station viewership is based on network content:**¹
 - ~70% from network content
 - ~20% from local news and local interest content
 - ~10% from syndicated content
- **Station groups increase their license fees to cover increasing reverse retrans fees to networks and declining advertising revenues to maintain their own margins**
- **Station groups have shown little interest in pushing back on networks over reverse retrans fees, and prefer to take their fights to distributors**
 - Stations fear the loss of their network affiliations more than disputes with distributors, resulting in more than 2,160 distributor blackouts to date²
- **Direct deals with networks will lead to more rational pricing by removing the inefficient link in the value chain, yielding:**
 - Lower rates for customers
 - Less frequent blackouts

1. Based Comscore Live + 7 viewership for a sampling of TEGNA stations in major markets

2. American Television Alliance broadcast station blackouts database for MVPDs

TEGNA'S APPROACH TO RENEWALS

Demands excessive rate increases despite declining quality and value

TEGNA routinely uses blackouts to extract exorbitant rate increases



- **TEGNA continues to demand higher fees than contained in any of the hundreds of deals DIRECTV, as a national provider, has in place across 198 DMAs**
 - **DIRECTV has a much larger sample size of deals than TEGNA to determine “market” rates**
- **TEGNA has grown its scale through acquisition** to increase its negotiating leverage - **more than doubling its Big 4 station ownership** (20 stations in 2011; 55 stations in 2023)
- **TEGNA’s negotiation playbook relies on blackouts during peak football season viewership to gain leverage; major disputes with 5 key distributors over the last three years, all during football**
- **TEGNA’s revenues grew by 43% from 2019 to 2022 despite Pay TV subscribers declining by 15% - all due to usurious rate increases**
- **TEGNA’s unparalleled greed only exacerbates consumer harm and the vicious cycle of Pay TV decline**

IF TEGNA REFUSES TO AGREE TO REASONABLE TERMS, DIRECTV IS PREPARED TO ACT

- **DIRECTV is determined to protect its customers from unsustainable price increases imposed by TEGNA**
- **Holding firm during broadcaster-imposed blackouts is sometimes necessary to protect Pay TV's long-term value proposition**
- **DIRECTV will help customers mitigate the impact of TEGNA's blackout:**
 - **70% of TEGNA's Big 4 subscribers can access full station signals through streaming:**
 - 42% of TEGNA Big 4 subscribers can access 24/7 NBC station streams via Peacock
 - 28% of TEGNA Big 4 subscribers can access 24/7 CBS station streams via Paramount+
 - **100% of TEGNA's station's local news content is available for free via TEGNA websites and FAST channels¹**
 - **DIRECTV will actively support customers' access to TEGNA's broadcast channels that are available free over-the-air via antennas**

1. FAST is Free Ad-supported Streaming TV channels available DTC at no cost to consumers
Source: DIRECTV internal data, Press Search