

### Discovery Inc Price



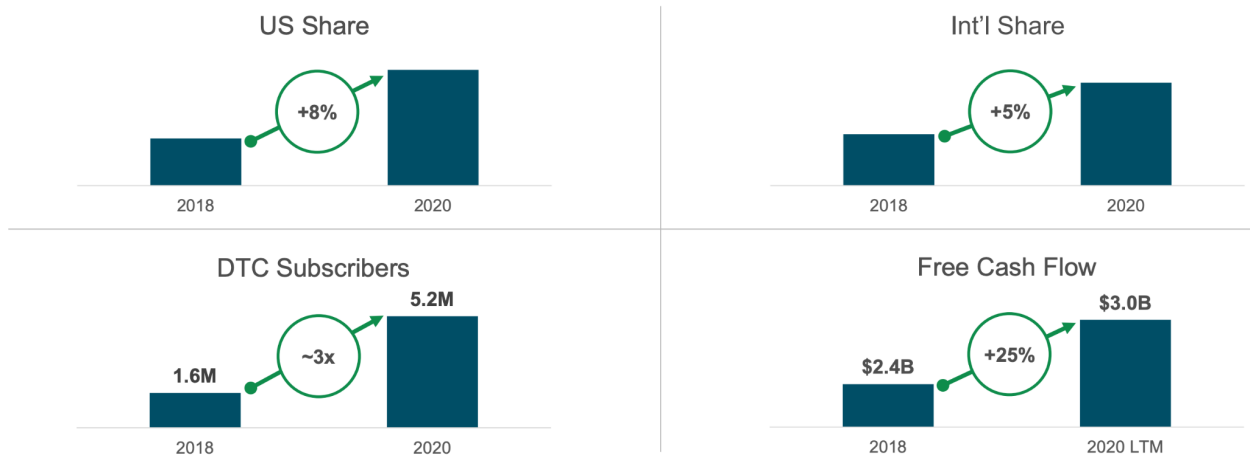
Seeking Alpha  $\alpha$

Apr 19 2021, 3:03AM EDT. Powered by **YCHARTS**

Another stock hit by the margin call on Archegos Capital

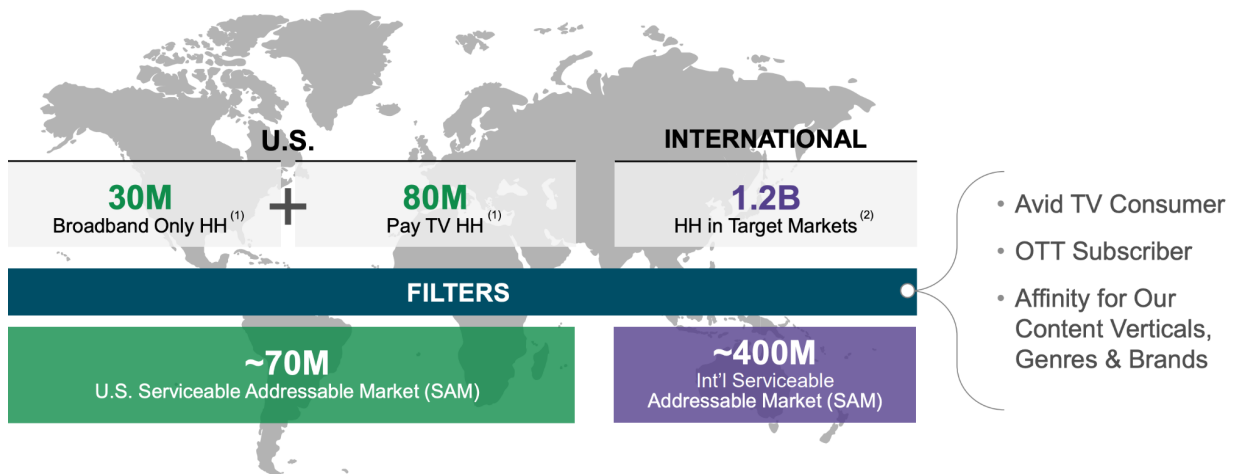


## Strong Operating Momentum to Seize Global DTC Opportunity



Reinforced Operational, Strategic and Financial Strength

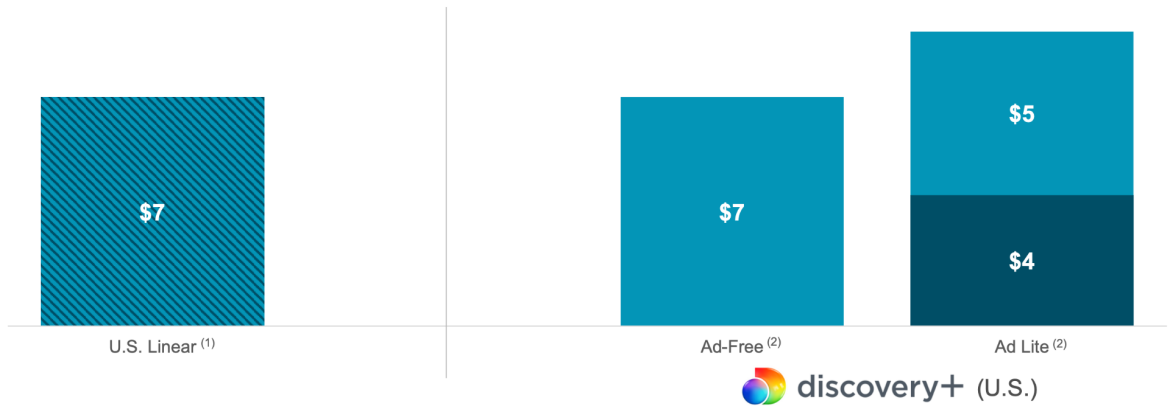
## Significant Global Addressable Market Opportunity



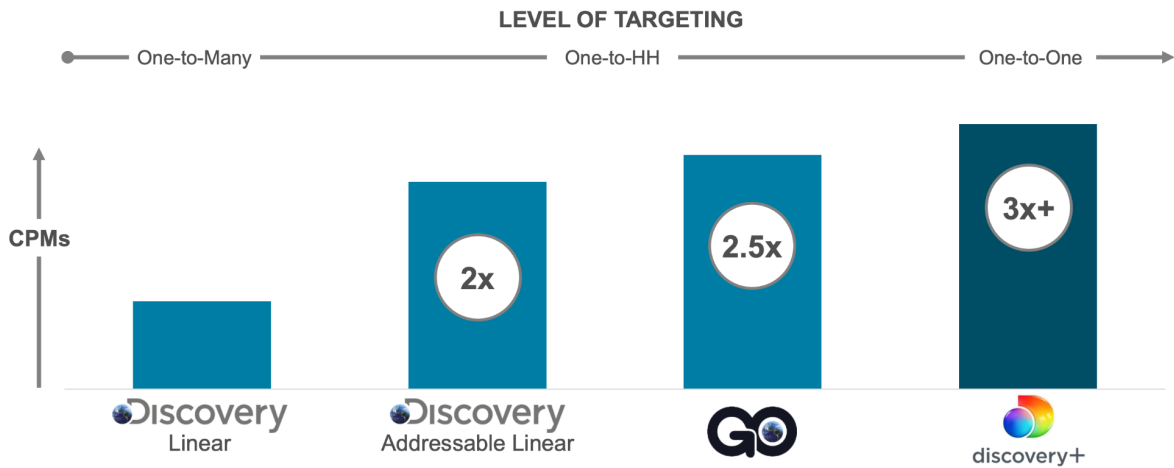
...And Significant Mobile Opportunity in Many International Markets Not Fully Factored into Our SAM

## Expect discovery+ ARPU to Equal or Exceed Linear in the Near to Mid-Term

- Subscription
- Advertising



## discovery+ Expands Our Targeted Advertising Capabilities



discovery+ Broadens Our Portfolio of Premium CPM Products

## discovery+ Offers a Better Experience for Advertisers and Viewers



### ADVANCED ADVERTISING OPPORTUNITIES

- More Targeted and Relevant
- Innovative Products

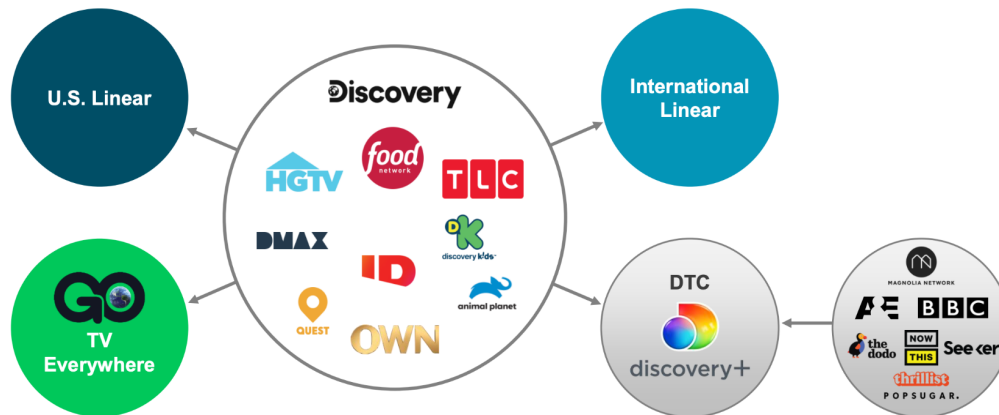
### MEASUREMENT & DATA

- Discovery's Proprietary OneGraph Cross-Platform Measurement and Analytics Technology
- Digital Ad Ratings (Nielsen)
- Validated Campaign Essentials (ComScore)
- Scaled Opportunity to Collect and Apply 1st Party Data

### SPONSORSHIPS

- Limited Commercial Interruption
- Interactive Experiences
- Curated Content Collections

## discovery+ Enhances Our Existing Content Exploitation Model



Global Content Ownership and Control Supports Uniquely Superior Economic Framework

## Brands and Reach Support Powerful and Efficient Marketing Funnel

POWERFUL BRANDS	GLOBAL REACH	PERFORMANCE MARKETING
	<p>Available in <b>200+ Global Markets, 49 Languages</b></p> <hr/> <p>Reaching <b>~800M Monthly Unique Viewers Globally<sup>(1)</sup></b></p> <hr/> <p><b>250M Hours Viewed Daily</b> Across the Globe</p> <hr/> <p>Extensive Social Following <b>~1B<sup>(2)</sup></b></p>	<p><b>Center of Excellence</b></p> <hr/> <p><b>Leveraging Best Practices</b> Across All Products &amp; Markets</p> <hr/> <p>Measured Assessment of <b>ROI and Efficiency of Spend</b></p>

Provides Scale and Efficiency to Drive Awareness and Engagement

## Financial Considerations for 2021 vs. 2020

- 1** **Peak Next Gen AOIBDA Investments in 2021:** Incremental (\$200M) to (\$300M)

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- 2** **Continuing Transformation:** Low to Mid Single Digit % Core Opex Savings

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- 3** **Olympics AOIBDA Impact:** (\$175M) to (\$200M)

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- 4** **AOIBDA to FCF Conversion Rate:** At least 50%

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- 5** **Expect Significant Next Gen Revenue Growth in 2021**

## OVERVIEW

We are a global media company that provides content across multiple distribution platforms, including linear platforms such as pay-television ("pay-TV"), free-to-air ("FTA") and broadcast television, authenticated GO applications, digital distribution arrangements, content licensing arrangements and direct-to-consumer ("DTC") subscription products. As one of the world's largest pay-TV programmers, we provide original and purchased content and live events to approximately 3.7 billion cumulative subscribers and viewers worldwide through networks that we wholly or partially own. We distribute customized content in the U.S. and over 220 other countries and territories in nearly 50 languages. We have an extensive library of content and own most rights to our content and footage, which enables us to leverage our library to quickly launch brands and services into new markets and on new platforms. Our content can be re-edited and updated in a cost-effective manner to provide topical versions of subject matter that can be utilized around the world on a variety of platforms.

Our content spans genres including survival, natural history, exploration, sports, general entertainment, home, food, travel, heroes, adventure, crime and investigation, health, and kids. Our global portfolio of networks includes prominent nonfiction television brands such as Discovery Channel, our most widely distributed global brand, HGTV, Food Network, TLC, Animal Planet, Investigation Discovery, Travel Channel, Science, and MotorTrend (previously known as Velocity domestically and currently known as Turbo in most international countries). Among other networks in the U.S., Discovery also features two Spanish-language services, Discovery en Español and Discovery Familia. Our international portfolio also includes Eurosport, a leading sports entertainment provider and broadcaster of the Olympic Games (the "Olympics") across Europe (excluding Russia), TVN, a Polish media company, as well as Discovery Kids, a leading children's entertainment brand in Latin America. We participate in joint ventures including Magnolia, the recently formed multi-platform venture with Chip and Joanna Gaines, and Group Nine Media ("Group Nine"), a digital media holding company home to top digital brands including NowThis News, the Dodo, Thrillist, PopSugar, and Seeker. We operate production studios, and prior to the sale of our Education Business in April 2018, we sold curriculum-based education products and services. (See Note 3 to the accompanying consolidated financial statements.)

During the fourth quarter of 2020, we announced the global launch of our aggregated DTC product, discovery+, a non-fiction, real life subscription service. In January 2021, we launched discovery+ in the U.S. across several streaming platforms and entered into a partnership with Verizon, which is offering access to discovery+ for up to 12 months to certain of its customers. The global rollout of discovery+ across more than 25 markets has already begun with the U.K. and Ireland, where we have partnered with Sky, and India. We also have a partnership with Vodafone, which will provide discovery+ to existing Vodafone TV and mobile customers in 12 markets across Europe. Upon launch in the U.S., discovery+ included an extensive content library comprised of more than 55,000 episodes and features a wide array of exclusive, original series from the Discovery portfolio of brands that have a strong leadership position. The service is available with ads or on an ad-free tier, providing Discovery with dual revenue streams.

We aim to generate revenues principally from the sale of advertising on our networks and digital products and from fees charged to distributors that carry our network brands and content, primarily including cable, direct-to-home ("DTH") satellite, telecommunication and digital service providers, as well as through DTC subscription services. Other transactions include affiliate and advertising sales representation services, production studios content development and services content licenses, the licensing of our brands for consumer products, and in 2018, curriculum-based products and services. During 2020, advertising, distribution and other revenues were 52%, 46% and 2%, respectively, of consolidated revenues. No individual customer represented more than 10% of our total consolidated revenues for 2020, 2019 or 2018.

We invest in high-quality content for our networks and brands with the objective of building viewership, optimizing distribution revenue, capturing advertising revenue, and creating or repositioning branded channels and business to sustain long-term growth and occupy a desired content niche with strong consumer appeal. Our strategy is to maximize the distribution, ratings and profit potential of each of our branded networks. In addition to growing distribution and advertising revenues for our branded networks, we have extended content distribution across new platforms, including brand-aligned websites, online streaming, mobile devices, video on demand ("VOD"), and broadband channels, which provide promotional platforms for our television content and serve as additional outlets for advertising and distribution revenue. Audience ratings are a key driver in generating advertising revenue and creating demand on the part of cable television operators, DTH satellite operators, telecommunication service providers, and other content distributors who deliver our content to their customers.



**Discovery**

- Discovery Channel had approximately 86 million subscribers in the U.S. as of December 31, 2020. Discovery Channel and the Discovery HD Showcase brand had approximately 277 million cumulative subscribers and viewers in international markets as of December 31, 2020.
- Discovery Channel is dedicated to creating high-quality, non-fiction content that informs and entertains its viewers about the world in all its wonder, diversity and amazement. The network offers a signature mix of high-end production values and vivid cinematography across genres including science and technology, exploration, adventure, history and in-depth, behind-the-scenes glimpses at the people, places and organizations that shape and share our world.
- In the U.S., Discovery Channel audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app, which features live and on-demand access.
- Discovery Channel content includes *Gold Rush*, *Naked and Afraid*, *Deadliest Catch*, *Fast N' Loud*, *Street Outlaws*, *Alaskan Bush People*, *Expedition Unknown*, *BattleBots*, *Undercover Billionaire* and *Serengeti*. Discovery Channel is also home to *Shark Week*, the network's long-running annual summer TV event.
- Target viewers are adults aged 25 to 54, particularly men.



- HGTV had approximately 87 million subscribers in the U.S. and approximately 166 million subscribers and viewers in international markets as of December 31, 2020.
- HGTV programming content attracts audiences interested specifically in home/lifestyle related topics, including real estate, renovation, restoration, decorating, interior or landscape design and fantasy lifestyles, as well as docu-series and reality competitions focused on those genres.
- In the U.S., HGTV audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app, which features live and on-demand access.
- Content on HGTV includes: *Property Brothers*, *Brother vs. Brother*, *Celebrity IOU*, *Flip or Flop*, *Christina on the Coast*, *Flipping 101 with Tarek El Moussa*, *Home Town*, *Good Bones*, *Rock the Block*, *Design Star*, *House Hunters*, and *House Hunters International*.
- Target viewers are women with higher incomes in the 25 to 54 age range.



- The most widely distributed ad-supported cable network in the U.S., Food Network had approximately 87 million subscribers in the U.S. and approximately 113 million subscribers and viewers in international markets as of December 31, 2020.
- Food Network programming content attracts audiences interested in food-related entertainment, including competition and travel, as well as food-related topics such as recipes, food preparation, entertaining, and dining out.
- In the U.S., Food Network audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app, which features live and on-demand access, as well as on the Food Network Kitchen app.
- Content on Food Network includes primetime series *Beat Bobby Flay*, *Chopped*, *Diners, Drive-ins and Dives*, *The Great Food Truck Race*, *Guy's Grocery Games*, *Worst Cooks in America*, and several seasonal baking championships, as well as daytime series *Barefoot Contessa*, *Giada Entertains*, *Girl Meets Farm*, *Guy's Ranch Kitchen*, *The Kitchen*, *The Pioneer Woman*, *Trisha's Southern Kitchen* and *Valerie's Home Cooking*.
- Target viewers are adults with higher incomes in the 25 to 54 age range, particularly women.



- TLC had approximately 85 million subscribers in the U.S. and 5 million subscribers in Canada that are included in the U.S. Networks segment as of December 31, 2020. TLC content had approximately 356 million cumulative subscribers and viewers in international markets as of December 31, 2020 including the Home & Health, Real Time, and Living brands.
- Offering real-life stories without judgment, TLC shares everyday heart, humor, hope, and human connection with programming genres that include fascinating families, heartwarming transformations and life's milestone moments.
- In the U.S., TLC audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app, which features live and on-demand access.
- Content on TLC includes the *90 Day Fiancé* franchise, *Little People, Big World*, *I Am Jazz* and *Outdaughters*.
- Target viewers are adults aged 25 to 54, particularly women.



**animal planet**

- Animal Planet had approximately 84 million subscribers in the U.S. and approximately 187 million subscribers and viewers in international markets as of December 31, 2020.
- Animal Planet is dedicated to creating high quality content with global appeal delivering on its mission to keep the childhood joy and wonder of animals alive by bringing people up close in every way.
- In the U.S., Animal Planet audiences can enjoy their favorite programming anytime, anywhere through the Animal Planet GO app, which features live and on-demand access.
- Content and talent on Animal Planet include *Crikey! It's the Irwins*, *The Zoo*, *The Zoo: San Diego*, *Pit Bulls & Parolees*, *Dr. Jeff: Rocky Mountain Vet*, *The Aquarium* and *Puppy Bowl*.
- Target viewers are adults aged 25 to 54.



- Investigation Discovery ("ID") had approximately 84 million subscribers in the U.S. and approximately 90 million subscribers and viewers in international markets as of December 31, 2020.
- ID is a leading true crime, mystery and suspense network. From in-depth investigations to heart-breaking mysteries, ID challenges our everyday understanding of culture, society and the human condition.
- In the U.S., ID audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app, which features live and on-demand access.
- ID content includes *On the Case with Paula Zahn*, *Homicide Hunter: Lt. Joe Kenda*, *In Pursuit with John Walsh*, and the *ID Murder Mystery* franchise.
- Target viewers are adults aged 25 to 54, particularly women.



- Travel Channel had approximately 83 million subscribers in the U.S. and approximately 46 million subscribers and viewers in international markets as of December 31, 2020.
- Travel Channel is for the bold, daring and spontaneous: adventurers who embrace the thrill of the unexpected, risk-takers who aren't afraid of a little mystery and anyone who loves a great story.
- In the U.S., Travel Channel audiences can enjoy their favorite programming anytime, anywhere through the Discovery GO app which, features live and on-demand access.
- Content on Travel Channel includes *Ghost Adventures*, *The Osbournes Want to Believe*, *Expedition Bigfoot* and *Ghost Nation*.
- Target viewers are adults aged 25 to 54.



- MotorTrend had approximately 73 million subscribers in the U.S. and approximately 150 million subscribers and viewers in international markets, where the brand is known as Turbo, as of December 31, 2020.
- Programming on MotorTrend and the MotorTrend App, the leading subscription streaming service dedicated entirely to the motoring world, is engaging and informative, featuring the best of the automotive world as told by top experts and personalities.
- The MotorTrend App offers more than 8,000 episodes and more than 3,600 hours of automotive series and specials including the most complete collection of classic *Top Gear* (200+ episodes and specials spanning seasons one through 27), the all-new *Top Gear America* and *NASCAR 2020: Under Pressure*, plus every season of *Speed Racer*, *Wheeler Dealers*, *Roadkill*, *Fast N' Loud*, *Bitchin' Rides*, *Iron Resurrection*, *Texas Metal* and many more. The MotorTrend App is available on media players and streaming devices including Amazon FireTV, Apple TV, Roku, Google Chromecast and on the web, as well as across iPhone, iPad, and Android mobile devices.
- In the U.S., MotorTrend TV audiences can also enjoy their favorite MotorTrend programming anytime, anywhere through the Discovery GO app, which features live and on-demand access.
- Target viewers are adults aged 25 to 54, particularly men.



- OWN had approximately 74 million subscribers in the U.S. as of December 31, 2020.
- The Oprah Winfrey Network ("OWN") is the first and only network named for, and inspired by a single iconic leader. OWN is a leading destination for premium scripted and unscripted programming from today's most innovative storytellers, with popular series such as *Queen Sugar*, *Greenleaf*, *Iyanla: Fix My Life*, and new dramas *Delliah* and *David Makes Man*.
- Target viewers are African-American women aged 25 to 54.



## U.S. NETWORKS

U.S. Networks generated revenues of \$6.9 billion and adjusted operating income before depreciation and amortization ("Adjusted OIBDA") of \$4.0 billion during 2020, which represented 65% and 95% of our total consolidated revenues and Adjusted OIBDA, respectively. Our U.S. Networks segment principally consists of national television networks. Our U.S. Networks segment owns and operate 17 national television networks, including fully distributed television networks such as Discovery Channel, HGTV, Food Network, TLC, and Animal Planet. In addition, we operate the following U.S. Networks: MotorTrend, Investigation Discovery, Travel Channel, Science, Discovery Family, American Heroes Channel, Destination America, Discovery Life, DIY Network, Cooking Channel, Great American Country, and OWN. In 2020, we also provided authenticated U.S. TV Everywhere ("TVE") streaming products that are available to pay-TV subscribers and connect viewers through our GO applications with live and on-demand access to award-winning shows and series from 16 U.S. networks in the Discovery portfolio and from Discovery Familia and Discovery en Español. During 2020, we achieved incremental increases in U.S. digital platform consumption. Furthermore, we provide certain networks to consumers as part of subscription-based over-the-top services provided by DirectTV Now, AT&T Watch, Hulu, SlingTV, fuboTV, and YouTube TV.

U.S. Networks generates revenues from fees charged to distributors of our television networks' first run content, which includes cable, DTH satellite and telecommunication service providers, referred to as affiliate fees; fees from distributors for licensed content and content to equity method investee networks, referred to as other distribution revenue; fees from advertising sold on our television networks and digital products, which include discovery+, our GO suite of TVE applications and other DTC subscription products; fees from providing sales representation, network distribution services; and revenue from licensing our brands for consumer products. Typically, our television networks are aired pursuant to multi-year carriage agreements that provide for the level of carriage that our networks will receive and for annual graduated rate increases. Carriage of our networks depends on package inclusion, such as whether networks are on the more widely distributed, broader packages or lesser-distributed, specialized packages, also referred to as digital tiers. In the U.S., approximately 95% of distribution revenues come from the top 10 distributors, with whom we have agreements that expire at various times. Distribution fees are typically collected ratably throughout the year. Certain of our DTC products, including the recent launch of our aggregated discovery+ service in January 2021, provide dual revenue streams.

Advertising revenue is generated across multiple platforms and is based on the price received for available advertising spots and is dependent upon a number of factors including the number of subscribers to our channels, viewership demographics, the popularity of our programming, our ability to sell commercial time over a portfolio of channels and leverage multiple platforms to connect advertisers to target audiences. In the U.S., advertising time is sold in the upfront and scatter markets. In the upfront market, advertisers buy advertising time for upcoming seasons and, by committing to purchase in advance, lock in the advertising rates they will pay for the upcoming year. Many upfront advertising commitments include options whereby advertisers may reduce or increase purchase commitments. In the scatter market, advertisers buy advertising closer to the time when the commercials will be run, which often results in a pricing premium compared to the upfront rates. The mix of upfront and scatter market advertising time sold is based upon the economic conditions at the time that upfront sales take place, impacting the sell-out levels management is willing or able to obtain. The demand in the scatter market then impacts the pricing achieved for our remaining advertising inventory. Scatter market pricing can vary from upfront pricing and can be volatile.

During 2020, advertising, distribution and other revenues were 58%, 41% and 1%, respectively, of total net revenues for this segment.

## INTERNATIONAL NETWORKS

International Networks generated revenues of \$3.7 billion and Adjusted OIBDA of \$723 million during 2020, which represented 35% and 17% of our total consolidated revenues and Adjusted OIBDA, respectively. Our International Networks segment principally consists of national and pan-regional television networks and brands that are delivered across multiple distribution platforms. This segment generates revenue from operations in virtually every pay-TV market in the world through an infrastructure that includes operational centers in London, Amsterdam, Warsaw, Milan, Singapore and Miami. Global brands include Discovery Channel, Food Network, HGTV, Animal Planet, TLC, ID, Science and MotorTrend (known as Turbo outside of the U.S.), along with brands exclusive to International Networks, including Eurosport, Discovery Kids, DMAX, Discovery Home & Health, and TVN. TVN was acquired in March 2018, as part of our acquisition of Scripps Networks Interactive, Inc. (the "Scripps Acquisition"). As of December 31, 2020, International Networks operates unique distribution feeds in nearly 50 languages with channel feeds customized according to language needs and advertising sales opportunities. International Networks also has FTA networks in Europe and the Middle East and broadcast networks in Poland, Denmark, Norway, Sweden and Finland, and continues to pursue further international expansion. During 2020, we completed the acquisition of a German free-to-air general entertainment TV channel and completed an acquisition of an independent free-to-air commercial broadcaster in New Zealand.



- Eurosport is a household name for live sports entertainment, reaching fans across Europe and Asia via Eurosport 1, Eurosport 2, the network's DTC streaming service, Eurosport Player, and Eurosport.com.
- Subscribers and viewers for each brand as of December 31, 2020 were as follows: Eurosport 1: 192 million and Eurosport 2: 82 million.
- Live, exclusive and premium sports are at the core of what Eurosport does, showcasing sporting events with both local and pan-regional appeal. Viewers in Europe can enjoy live action including coverage of cycling's Grand Tours, all four Grand Slam tennis tournaments, as well as every International Ski Federation World Cup and World Championship event during the winter sports season.
- In addition to pan-European rights, Eurosport invests in exclusive and localized rights to drive local audience and commercial relevance. Important local sports rights include soccer leagues such as Eliteserien in Norway, Allsvenskan in Sweden and European Europa League in Sweden, Lega Basket basketball in Italy and year-round ATP World Tour tennis in France, Czech Republic, Finland, Iceland, Norway, Romania, Russia, Slovakia, and Sweden.
- In the summer of 2021, Discovery expects to present our first Olympic Summer Games, Tokyo 2020, in 50 markets and 19 languages across Europe. discovery+ will be the exclusive streaming home of the Olympic Games, while Eurosport Player will be the destination in markets where discovery+ has not launched. Discovery channels and platforms, such as our free-to-air networks in a selection of the Nordic markets, will also showcase the Olympics and contribute to bringing the Olympic Summer Games to more people in Europe.
- Eurosport Events is the Eurosport Group's event management division and global promoter of the Fédération Internationale de l'Automobile ("FIA") World Touring Car Cup and FIA European Rally Championship together with the sport's governing body, the FIA. It is also a promoter of the new PURE ETCR series, the world's first all-electric touring car championship that is set to debut in 2021. In March 2020, Eurosport Events signed a long-term agreement with the UCI, the international federation for cycling, to launch and promote a new world league for Track Cycling – the UCI Track Champions League. Expected to debut in November 2021, the series and cycling will benefit from Discovery's global scale, media platforms and promotion expertise to help grow cycling around the world.



- DMAX had approximately 139 million subscribers and viewers, according to internal estimates, as of December 31, 2020.
- DMAX is a men's factual entertainment channel in Asia and Europe.



- Discovery Kids had approximately 108 million subscribers and viewers, according to internal estimates, as of December 31, 2020.
- Discovery Kids is the leading pre-school network of Pay TV in Latin America.



- TVN operates a portfolio of free-to-air and pay-TV lifestyle, entertainment, and news networks in Poland, including TVN, TVN7, TTV, HGTV, TVN24, TVN Style, TVN Turbo, TVN24 BiS, TVN Fabu'a, Travel Channel, Food Network, iTVN and iTVNEExtra.
- The TVN portfolio, excluding HGTV, Travel Channel and Food Network, had approximately 87 million cumulative subscribers and viewers as of December 31, 2020.

Our International Networks segment also owns and operates the following television networks, which reached the following number of subscribers and viewers via pay-TV and FTA or broadcast networks, respectively, as of December 31, 2020:

	International Subscribers and Viewers (millions)
Tele5	44
Jeet Prime	39
Nordic broadcast networks <sup>(a)</sup>	32
Really	29
Quest Red	29
Quest	29
Giallo	25
Frisbee	25
K2	25
Nove	25
DKISS	19
Discovery HD Theater	17
Asian Food Channel	16
World	15
Metro	12
Discovery History	10
Discovery Life Poland	8
Discovery Family	7
Discovery Historia	7
Discovery en Español <sup>(b)</sup>	7
Fine Living Network	6
Discovery Familia <sup>(b)</sup>	6

#### Consolidated Results of Operations – 2020 vs. 2019

Our consolidated results of operations for 2020 and 2019 were as follows (in millions).

	Year Ended December 31,		% Change	% Change (ex-FX)
	2020	2019		
Revenues:				
Advertising	\$ 5,583	\$ 6,044	(8) %	(7) %
Distribution	4,866	4,835	1 %	1 %
Other	222	265	(16) %	(17) %
Total revenues	10,671	11,144	(4) %	(4) %
Costs of revenues, excluding depreciation and amortization	3,860	3,819	1 %	1 %
Selling, general and administrative	2,722	2,788	(2) %	(1) %
Depreciation and amortization	1,359	1,347	1 %	1 %
Impairment of goodwill and other intangible assets	124	155	(20) %	(21) %
Restructuring and other charges	91	26	NM	NM
Total costs and expenses	8,156	8,135	— %	— %
Operating income	2,515	3,009	(16) %	(15) %
Interest expense, net	(648)	(677)	(4) %	
Loss on extinguishment of debt	(76)	(28)	NM	
Loss from equity investees, net	(105)	(2)	NM	
Other income (expense), net	42	(8)	NM	
Income before income taxes	1,728	2,294	(25) %	
Income tax expense	(373)	(81)	NM	
Net income	1,355	2,213	(39) %	
Net income attributable to noncontrolling interests	(124)	(128)	(3) %	
Net income attributable to redeemable noncontrolling interests	(12)	(16)	(25) %	
Net income available to Discovery, Inc.	\$ 1,219	\$ 2,069	(41) %	

The table below presents our Adjusted OIBDA by segment, with a reconciliation of consolidated net income available to Discovery, Inc. to Adjusted OIBDA (in millions).

	Year Ended December 31,		% Change
	2020	2019	
Net income available to Discovery, Inc.	\$ 1,219	\$ 2,069	(41) %
Net income attributable to redeemable noncontrolling interests	12	16	(25) %
Net income attributable to noncontrolling interests	124	128	(3) %
Income tax expense	373	81	NM
Income before income taxes	1,728	2,294	(25) %
Other (income) expense, net	(42)	8	NM
Loss from equity investees, net	105	2	NM
Loss on extinguishment of debt	76	28	NM
Interest expense, net	648	677	(4) %
Operating income	2,515	3,009	(16) %
Depreciation and amortization	1,359	1,347	1 %
Impairment of goodwill and other intangible assets	124	155	(20) %
Employee share-based compensation	99	137	(28) %
Restructuring and other charges	91	26	NM
Transaction and integration costs	6	26	(77) %
Loss on asset disposition	2	—	NM
Settlement of a withholding tax claim	—	(29)	NM
Adjusted OIBDA	\$ 4,196	\$ 4,671	(10) %
Adjusted OIBDA:			
U.S. Networks	3,975	4,117	(3) %
International Networks	723	1,057	(32) %
Corporate, inter-segment eliminations, and other	(502)	(503)	— %
Adjusted OIBDA	\$ 4,196	\$ 4,671	(10) %

The table below presents the calculation of Adjusted OIBDA (in millions).

	Year Ended December 31,		% Change
	2020	2019	
Revenue:			
U.S. Networks	\$ 6,949	\$ 7,092	(2) %
International Networks	3,713	4,041	(8) %
Corporate, inter-segment eliminations, and other	9	11	(18) %
Total revenue	10,671	11,144	(4) %
Costs of revenues, excluding depreciation and amortization	3,860	3,819	1 %
Selling, general and administrative <sup>(a)</sup>	2,615	2,654	(1) %
Adjusted OIBDA	\$ 4,196	\$ 4,671	(10) %

#### U.S. Networks

The table below presents, for our U.S. Networks segment, revenues by type, certain operating expenses, and Adjusted OIBDA (in millions).

	Year Ended December 31,		Change %
	2020	2019	
Revenues:			
Advertising	\$ 4,012	\$ 4,245	(5) %
Distribution	2,852	2,739	4 %
Other	85	108	(21) %
Total revenues	6,949	7,092	(2) %
Costs of revenues, excluding depreciation and amortization	1,843	1,800	2 %
Selling, general and administrative	1,131	1,175	(4) %
Adjusted OIBDA	3,975	4,117	(3) %
Depreciation and amortization	899	950	
Restructuring and other charges	41	15	
Inter-segment eliminations	4	7	
Operating income	\$ 3,031	\$ 3,145	

#### International Networks

The following table presents, for our International Networks segment, revenues by type, certain operating expenses, and Adjusted OIBDA (in millions).

	Year Ended December 31,		Change %	Change % (ex-FX)
	2020	2019		
Revenues:				
Advertising	\$ 1,571	\$ 1,799	(13) %	(12) %
Distribution	2,014	2,096	(4) %	(3) %
Other	128	146	(12) %	(15) %
Total revenues	3,713	4,041	(8) %	(7) %
Costs of revenues, excluding depreciation and amortization	2,004	2,016	(1) %	(1) %
Selling, general and administrative	986	968	2 %	3 %
Adjusted OIBDA	723	1,057	(32) %	(28) %
Depreciation and amortization	374	328		
Impairment of goodwill and other intangible assets	124	155		
Restructuring and other charges	29	20		
Transaction and integration costs	4	—		
Inter-segment eliminations	1	20		
Settlement of a withholding tax claim	—	(29)		
Operating income	\$ 191	\$ 563		

Changes in cash and cash equivalents were as follows (in millions).

	Year Ended December 31,	
	2020	2019
Cash, cash equivalents, and restricted cash, beginning of period	\$ 1,552	\$ 986
Cash provided by operating activities	2,739	3,399
Cash used in investing activities	(703)	(438)
Cash used in financing activities	(1,549)	(2,357)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	83	(38)
Net change in cash, cash equivalents, and restricted cash	570	566
Cash, cash equivalents, and restricted cash, end of period	\$ 2,122	\$ 1,552

#### Capital Resources

As of December 31, 2020, capital resources were comprised of the following (in millions).

	December 31, 2020			
	Total Capacity	Outstanding Letters of Credit	Outstanding Indebtedness	Unused Capacity
Cash and cash equivalents	\$ 2,091	\$ —	\$ —	\$ 2,091
Revolving credit facility and commercial paper program	2,500	—	—	2,500
Senior notes <sup>(a)</sup>	15,848	—	15,848	—
Total	\$ 20,439	\$ —	\$ 15,848	\$ 4,591

#### Obligations

As of December 31, 2020, our significant contractual obligations, including related payments due by period, were as follows (in millions).

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt:					
Principal payments	\$ 15,848	\$ 335	\$ 1,587	\$ 2,293	\$ 11,633
Interest payments	10,646	646	1,242	1,111	7,647
Finance lease obligations	263	64	103	54	42
Operating lease obligations	859	91	145	121	502
Content	5,053	1,698	1,105	1,113	1,137
Other	1,297	576	567	85	69
Total	\$ 33,966	\$ 3,410	\$ 4,749	\$ 4,777	\$ 21,030

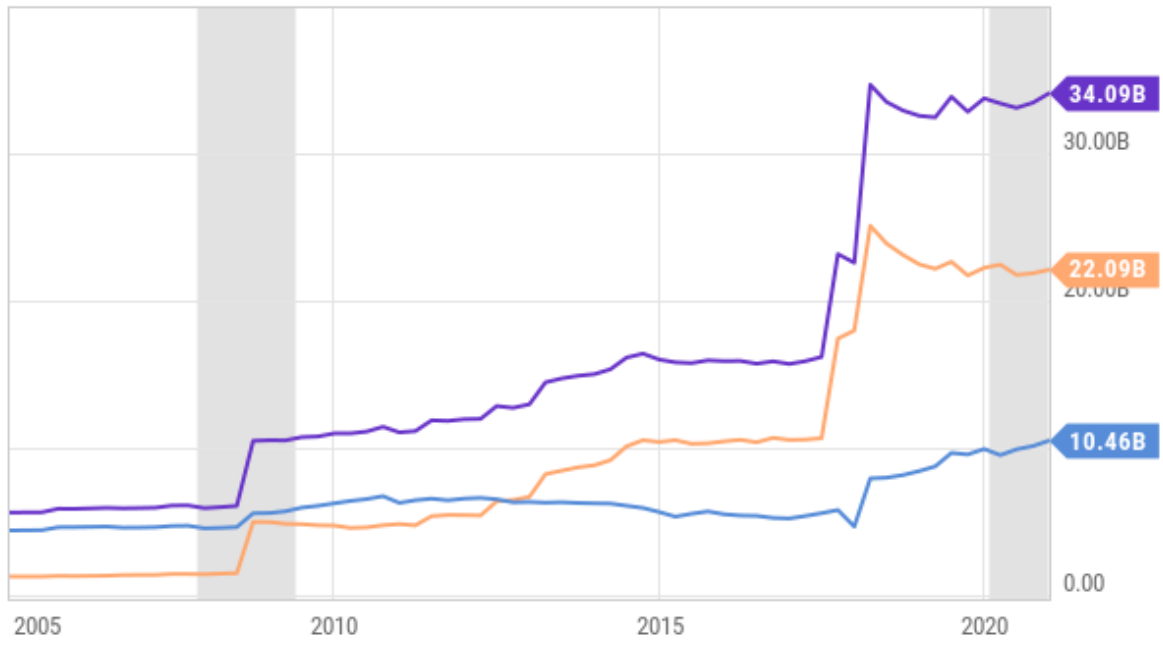
	December 31,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,091	\$ 1,552
Receivables, net	2,537	2,633
Content rights and prepaid license fees, net	532	579
Prepaid expenses and other current assets	970	453
Total current assets	6,130	5,217
Noncurrent content rights, net	3,439	3,129
Property and equipment, net	1,206	951
Goodwill	13,070	13,050
Intangible assets, net	7,640	8,667
Equity method investments	507	568
Other noncurrent assets	2,095	2,153
Total assets	\$ 34,087	\$ 33,735

<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 397	\$ 463
Accrued liabilities	1,793	1,678
Deferred revenues	557	489
Current portion of debt	335	609
<b>Total current liabilities</b>	<b>3,082</b>	<b>3,239</b>
Noncurrent portion of debt	15,069	14,810
Deferred income taxes	1,534	1,691
Other noncurrent liabilities	2,019	2,029
<b>Total liabilities</b>	<b>21,704</b>	<b>21,769</b>
Commitments and contingencies (See Note 22)		
Redeemable noncontrolling interests	383	442
Equity:		
Discovery, Inc. stockholders' equity:		
Series A-1 convertible preferred stock: \$0.01 par value; 8 shares authorized, issued and outstanding	—	—
Series C-1 convertible preferred stock: \$0.01 par value; 6 shares authorized; 5 shares issued and outstanding	—	—
Series A common stock: \$0.01 par value; 1,700 shares authorized; 163 and 161 shares issued; and 162 and 158 shares outstanding	2	2
Series B convertible common stock: \$0.01 par value; 100 shares authorized; 7 shares issued and outstanding	—	—
Series C common stock: \$0.01 par value; 2,000 shares authorized; 547 shares issued; and 318 and 360 shares outstanding	5	5
Additional paid-in capital	10,809	10,747
Treasury stock, at cost: 230 and 190 shares	(8,244)	(7,374)
Retained earnings	8,543	7,333
Accumulated other comprehensive loss	(651)	(822)
<b>Total Discovery, Inc. stockholders' equity</b>	<b>10,464</b>	<b>9,891</b>
Noncontrolling interests	1,536	1,633
<b>Total equity</b>	<b>12,000</b>	<b>11,524</b>
<b>Total liabilities and equity</b>	<b>\$ 34,087</b>	<b>\$ 33,735</b>

Certain provisions of our charter and bylaws may discourage, delay or prevent a change in control that a stockholder may consider favorable. These provisions include the following:

- authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share, a Series A-1 that entitles the holders to one vote per share and a Series C that, except as otherwise required by applicable law, entitles the holders to no voting rights;

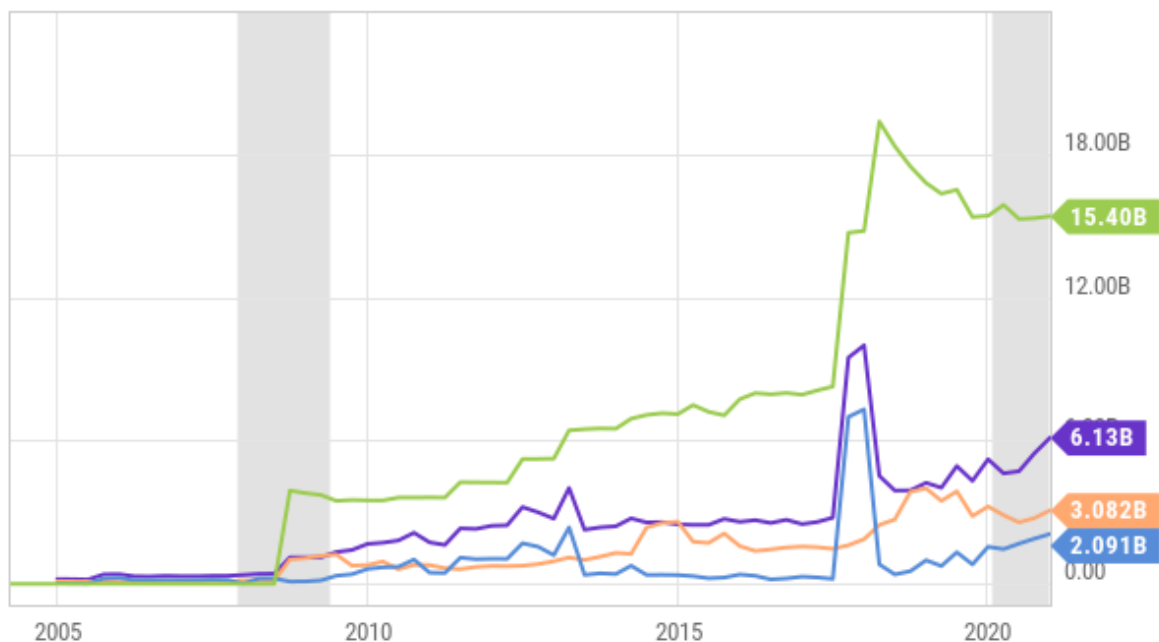
- Discovery Inc Total Assets (Quarterly)
- Discovery Inc Total Liabilities (Quarterly)
- Discovery Inc Book Value (Quarterly)



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- Discovery Inc Total Current Assets (Quarterly)
- Discovery Inc Total Current Liabilities (Quarterly)
- Discovery Inc Cash and Equivalents (Quarterly)
- Discovery Inc Total Long Term Debt (Quarterly)

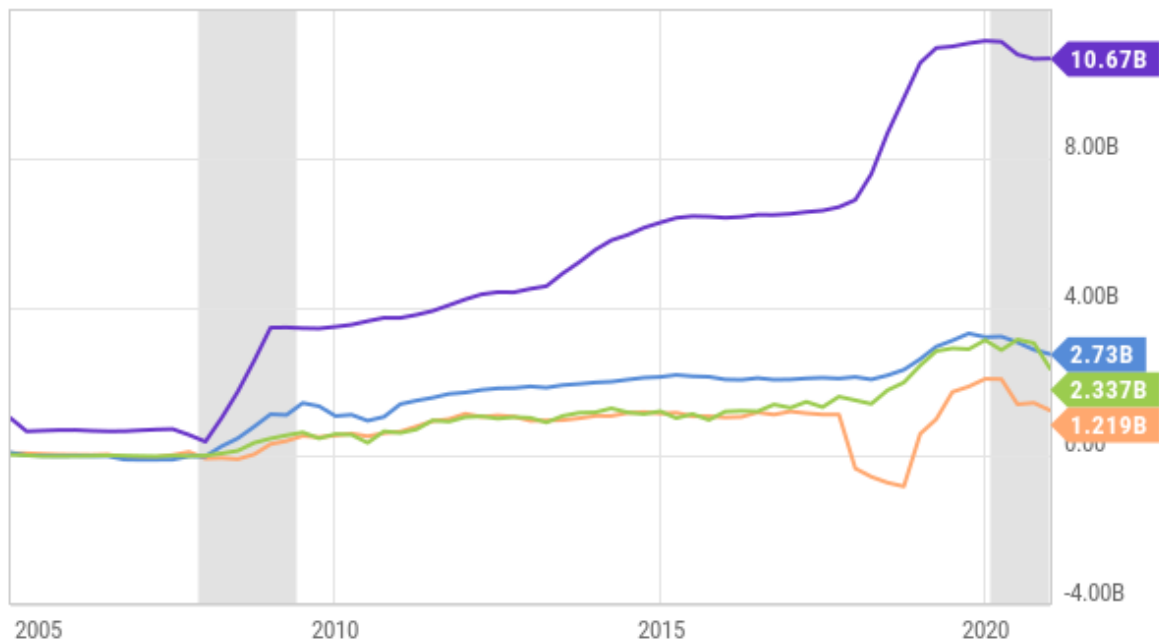


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	Year Ended December 31,		
	2020	2019	2018
<b>Revenues:</b>			
Advertising	\$ 5,583	\$ 6,044	\$ 5,514
Distribution	4,866	4,835	4,538
Other	222	265	501
<b>Total revenues</b>	<b>10,671</b>	<b>11,144</b>	<b>10,553</b>
<b>Costs and expenses:</b>			
Costs of revenues, excluding depreciation and amortization	3,860	3,819	3,935
Selling, general and administrative	2,722	2,788	2,620
Depreciation and amortization	1,359	1,347	1,398
Impairment of goodwill and other intangible assets	124	155	—
Restructuring and other charges	91	26	750
Gain on disposition	—	—	(84)
<b>Total costs and expenses</b>	<b>8,156</b>	<b>8,135</b>	<b>8,619</b>
Operating income	2,515	3,009	1,934
Interest expense, net	(648)	(677)	(729)
Loss on extinguishment of debt	(76)	(28)	—
Loss from equity investees, net	(105)	(2)	(63)
Other income (expense), net	42	(8)	(120)
Income before income taxes	1,728	2,294	1,022
Income tax expense	(373)	(81)	(341)
Net income	1,355	2,213	681
Net income attributable to noncontrolling interests	(124)	(128)	(67)
Net income attributable to redeemable noncontrolling interests	(12)	(16)	(20)
Net income available to Discovery, Inc.	\$ 1,219	\$ 2,069	\$ 594
<b>Net income per share available to Discovery, Inc. Series A, B and C common stockholders:</b>			
Basic	\$ 1.82	\$ 2.90	\$ 0.86
Diluted	\$ 1.81	\$ 2.88	\$ 0.86
<b>Weighted average shares outstanding:</b>			
Basic	505	529	498
Diluted	672	711	688

- Discovery Inc Revenue (TTM)
- Discovery Inc Net Income (TTM)
- Discovery Inc Operating Income (TTM)
- Discovery Inc Free Cash Flow



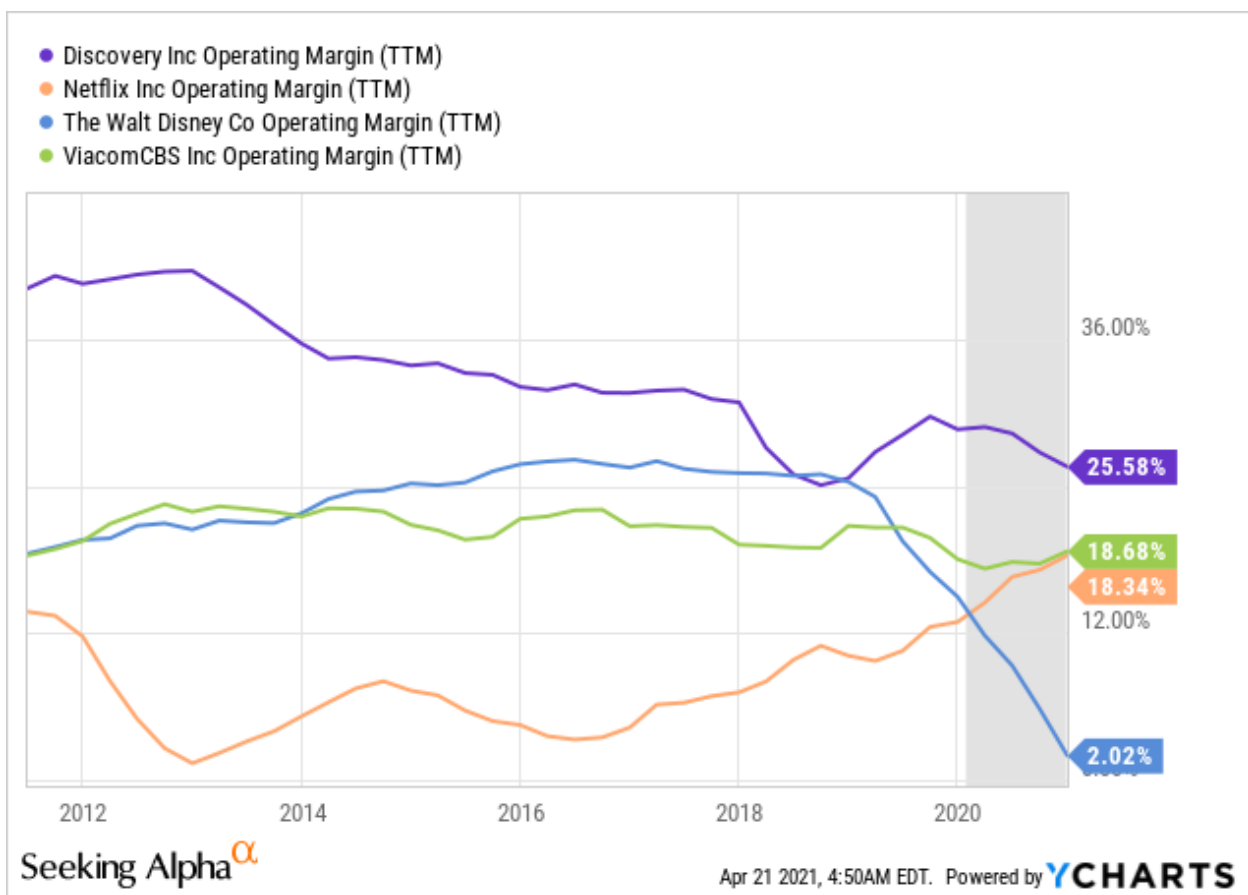
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	Year Ended December 31,		
	2020	2019	2018
<b>Operating Activities</b>			
Net income	\$ 1,355	\$ 2,213	\$ 681
Adjustments to reconcile net income to cash provided by operating activities:			
Content rights amortization and impairment	2,956	2,853	3,288
Depreciation and amortization	1,359	1,347	1,398
Deferred income taxes	(186)	(504)	(131)
Equity in losses of equity method investee companies, including cash distributions	167	62	138
Loss on extinguishment of debt	76	28	—
Share-based compensation expense	110	142	80
Impairment of goodwill and other intangible assets	124	155	—
(Gain) loss from derivative instruments, net	(36)	48	(15)
Realized gain on sale of investments	(103)	(10)	—
Remeasurement gain on previously held equity interests	—	(14)	—
Loss (gain) on disposition	2	—	(84)
Other, net	14	52	141
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Receivables, net	105	(7)	(84)
Content rights and payables, net	(3,053)	(3,060)	(2,883)
Accounts payable and accrued liabilities	(131)	122	(74)
Foreign currency, prepaid expenses and other assets, net	(20)	(28)	121
Cash provided by operating activities	2,739	3,399	2,576



<b>Investing Activities</b>			
Purchases of property and equipment	(402)	(289)	(147)
Purchases of investments	(250)	—	—
Investments in and advances to equity investments	(181)	(254)	(61)
Proceeds from dissolution of joint venture and sale of investments	69	125	—
Business acquisitions, net of cash acquired	(39)	(73)	(8,565)
Proceeds from dispositions, net of cash disposed	—	—	107
Other investing activities, net	100	53	73
Cash used in investing activities	(703)	(438)	(8,593)
<b>Financing Activities</b>			
Principal repayments of debt, including discount payment	(2,193)	(2,658)	(16)
Borrowings from debt, net of discount and issuance costs	1,979	1,479	—
Repurchases of stock	(969)	(633)	—
Principal repayments of revolving credit facility	(500)	(225)	(200)
Borrowings under revolving credit facility	500	—	—
Distributions to noncontrolling interests and redeemable noncontrolling interests	(254)	(250)	(76)
Borrowings under term loan facilities	—	—	2,000
Principal repayments of term loans	—	—	(2,000)
Other financing activities, net	(112)	(70)	9
Cash used in financing activities	(1,549)	(2,357)	(283)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	83	(38)	(23)
Net change in cash, cash equivalents, and restricted cash	570	566	(6,323)
Cash, cash equivalents, and restricted cash, beginning of period	1,552	986	7,309
Cash, cash equivalents, and restricted cash, end of period	\$ 2,122	\$ 1,552	\$ 986



Better margins than competitors

**NOTE 6. CONTENT RIGHTS**

The following table presents the components of content rights (in millions).

	December 31,	
	2020	2019
<b>Produced content rights:</b>		
Completed	\$ 8,576	\$ 6,976
In-production	731	582
<b>Coproduced content rights:</b>		
Completed	888	882
In-production	78	50
<b>Licensed content rights:</b>		
Acquired	1,312	1,101
Prepaid	556	249
Content rights, at cost	12,141	9,840
Accumulated amortization	(8,170)	(6,132)
Total content rights, net	3,971	3,708
Current portion	(532)	(579)
Noncurrent portion	\$ 3,439	\$ 3,129

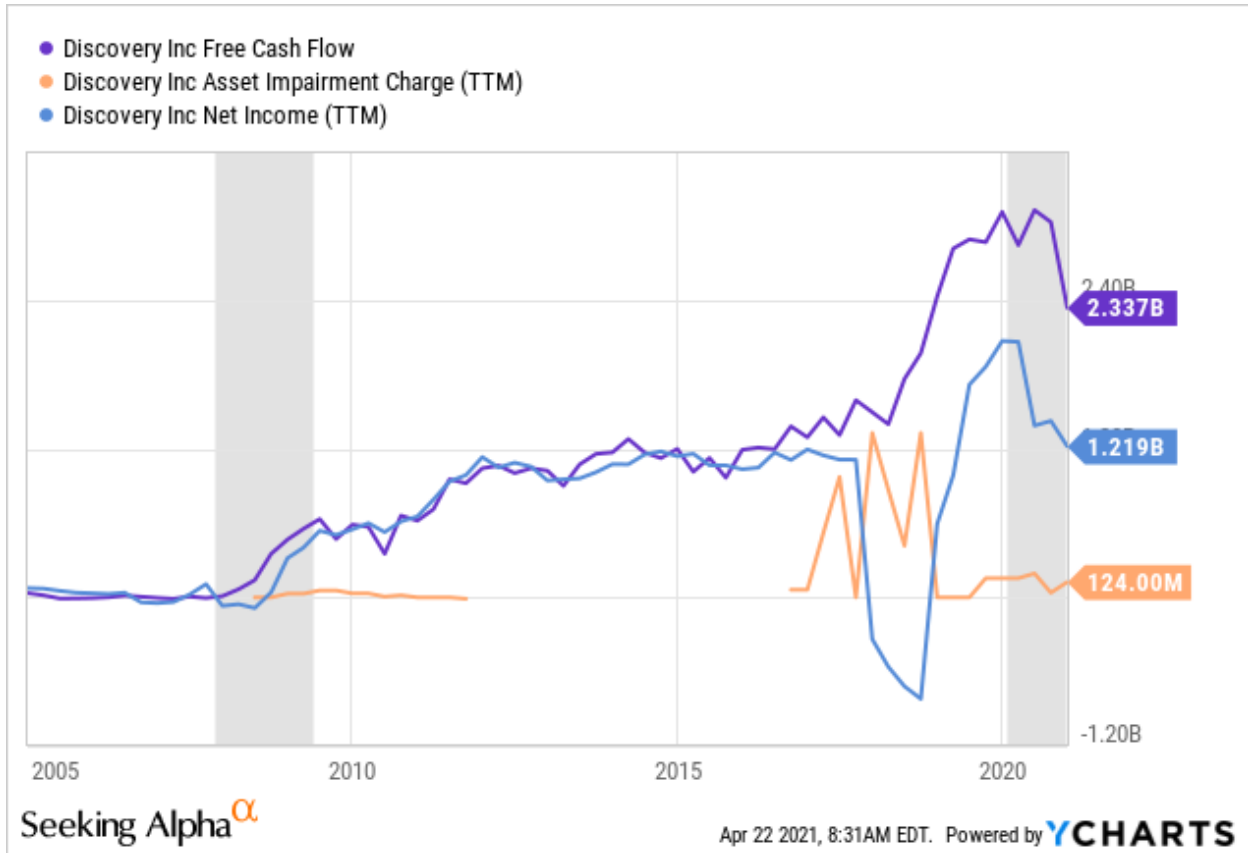
**Netflix content costs:**

	As of December 31,	
	2020	2019
	(in thousands)	
<b>Licensed content, net</b>	\$ 13,747,607	\$ 14,703,352
<b>Produced content, net</b>		
Released, less amortization	5,809,681	4,382,685
In production	4,827,455	4,750,664
In development and pre-production	999,207	667,866
	11,636,343	9,801,215
<b>Content assets, net</b>	\$ 25,383,950	\$ 24,504,567

**NOTE 8. DEBT**

The table below presents the components of outstanding debt (in millions).

	December 31,	
	2020	2019
2.800% Senior Notes, semi-annual interest, due June 2020	\$ —	\$ 600
4.375% Senior Notes, semi-annual interest, due June 2021	335	640
2.375% Senior Notes, euro denominated, annual interest, due March 2022	369	336
3.300% Senior Notes, semi-annual interest, due May 2022	168	496
3.500% Senior Notes, semi-annual interest, due June 2022	62	400
2.950% Senior Notes, semi-annual interest, due March 2023	796	1,167
3.250% Senior Notes, semi-annual interest, due April 2023	192	350
3.800% Senior Notes, semi-annual interest, due March 2024	450	450
2.500% Senior Notes, sterling denominated, annual interest, due September 2024	545	525
3.900% Senior Notes, semi-annual interest, due November 2024	497	497
3.450% Senior Notes, semi-annual interest, due March 2025	300	300
3.950% Senior Notes, semi-annual interest, due June 2025	500	500
4.900% Senior Notes, semi-annual interest, due March 2026	700	700
1.900% Senior Notes, euro denominated, annual interest, due March 2027	739	673
3.950% Senior Notes, semi-annual interest, due March 2028	1,700	1,700
4.125% Senior Notes, semi-annual interest, due May 2029	750	750
3.625% Senior Notes, semi-annual interest, due May 2030	1,000	—
5.000% Senior Notes, semi-annual interest, due September 2037	548	1,250
6.350% Senior Notes, semi-annual interest, due June 2040	664	850
4.950% Senior Notes, semi-annual interest, due May 2042	285	500
4.875% Senior Notes, semi-annual interest, due April 2043	516	850
5.200% Senior Notes, semi-annual interest, due September 2047	1,250	1,250
5.300% Senior Notes, semi-annual interest, due May 2049	750	750
4.650% Senior Notes, semi-annual interest, due May 2050	1,000	—
4.000% Senior Notes, semi-annual interest, due September 2055	1,732	—
Program financing line of credit, quarterly interest based on adjusted LIBOR or variable prime rate	—	10
Total debt	15,848	15,544
Unamortized discount, premium and debt issuance costs, net <sup>(a)</sup>	(444)	(125)
Debt, net of unamortized discount, premium and debt issuance costs	15,404	15,419
Current portion of debt	(335)	(609)
Noncurrent portion of debt	\$ 15,069	\$ 14,810



Losses in 2017 and 2018 were because of goodwill impairment

	2015	2016	2017	2018	2019	2020	CAGR	Average
US Advertising	\$ 1,650	\$ 1,690	\$ 4,001	\$ 4,105	\$ 4,245	\$ 4,012	19%	
US Distribution	\$ 1,431	\$ 1,532	\$ 2,586	\$ 2,612	\$ 2,739	\$ 2,852	15%	
US Revenues	\$ 3,131	\$ 3,285	\$ 6,742	\$ 6,869	\$ 7,092	\$ 6,949	17%	
US Operating Income	\$ 1,704	\$ 1,915	\$ 2,320	\$ 2,532	\$ 3,145	\$ 3,031	12%	
US Margin	54%	58%	34%	37%	44%	44%		45%
Int. Advertising	\$ 1,353	\$ 1,279	\$ 1,748	\$ 1,834	\$ 1,799	\$ 1,571	3%	
Int. Distribution	\$ 1,637	\$ 1,681	\$ 1,978	\$ 2,104	\$ 2,096	\$ 2,014	4%	
Int. Revenues	\$ 3,092	\$ 3,040	\$ 3,890	\$ 4,253	\$ 4,041	\$ 3,713	4%	
Int. Operating Income	\$ 676	\$ 597	\$ 127	\$ 434	\$ 563	\$ 191	-22%	
Int. Margin	22%	20%	3%	10%	14%	5%		12%
Total Revenues	\$ 6,394	\$ 6,497	\$ 10,790	\$ 11,176	\$ 11,144	\$ 10,671	11%	
Total Operating Income	\$ 2,052	\$ 2,053	\$ 2,119	\$ 2,286	\$ 3,190	\$ 2,730	6%	
Operating Margin	32%	32%	20%	20%	29%	26%		26%
Total Net income	\$ 1,034	\$ 1,194	\$ (337)	\$ 594	\$ 2,069	\$ 1,219	3%	
Profit Margin	16%	18%	-3%	5%	19%	11%		11%
FCF	\$ 1,191	\$ 1,292	\$ 1,494	\$ 2,429	\$ 3,110	\$ 2,337	14%	
FCF Margin	19%	20%	14%	22%	28%	22%		21%

Let's assume that in 2021, we can get back to 2019 level especially with the Olympics

Then, let's assume growth of:(very conservative)  
 12% for US revenues and 4% for international

Operating margin remains around 35% for US and 10% for international with FCF 80% of operating income

	2020	2021	2022	2023	2024	2025
<b>US Revenues</b>	\$ 6,949	\$ 7,092	\$ 7,943	\$ 8,896	\$ 9,964	\$ 11,159
<b>US Operating Income</b>	\$ 3,031	\$ 2,482	\$ 2,780	\$ 3,114	\$ 3,487	\$ 3,906
<b>Int. Revenues</b>	\$ 3,713	\$ 4,041	\$ 4,203	\$ 4,371	\$ 4,546	\$ 4,727
<b>Int. Operating Income</b>	\$ 191	\$ 404	\$ 420	\$ 437	\$ 455	\$ 473
<b>Total Revenues</b>	\$ 10,671	\$ 11,133	\$ 12,146	\$ 13,267	\$ 14,509	\$ 15,887
<b>Total Operating Income</b>	\$ 2,730	\$ 2,886	\$ 3,200	\$ 3,551	\$ 3,942	\$ 4,379
<b>FCF</b>	\$ 2,337	\$ 2,309	\$ 2,560	\$ 2,841	\$ 3,153	\$ 3,503

Let's use a discount rate of 15% on the FCF with a terminal growth rate of 3%

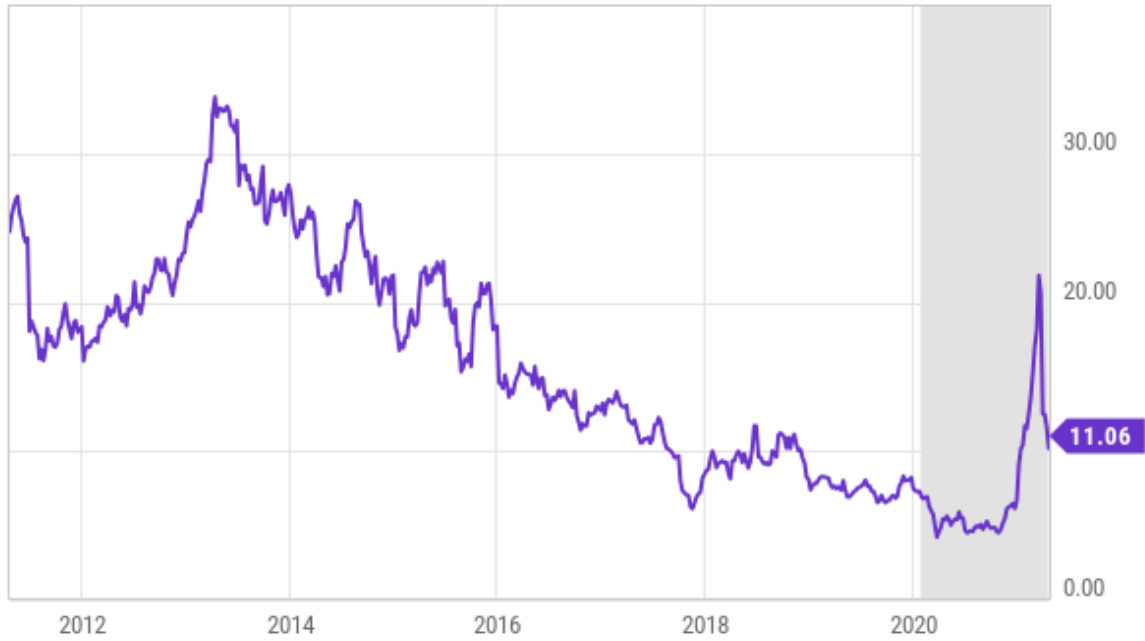
Year	FCF	Disounted FCF
<b>TTM</b>	<b>\$2,337</b>	
<b>2021</b>	<b>\$2,309</b>	<b>\$2,008</b>
<b>2022</b>	<b>\$2,560</b>	<b>\$1,936</b>
<b>2023</b>	<b>\$2,841</b>	<b>\$1,868</b>
<b>2024</b>	<b>\$3,153</b>	<b>\$1,803</b>
<b>2025</b>	<b>\$3,503</b>	<b>\$1,742</b>
<b>Terminal Value</b>		<b>\$14,516</b>
<b>Intrinsic Value</b>		<b>\$23,872</b>

With margin of safety, a fair value of \$20 Billion seems reasonable

Assume shres outstanding remain the same

In bull case, 2025 FCF 15% higher and in bear case 15% lower

### Discovery Inc Price to Free Cash Flow



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P/FCF ranging from 5-25

2025 FCF/share		2025 Price to FCF Ratio				
		5	10	15	20	25
<b>Bull</b>	\$ 8.27	\$ 41.35	\$ 82.70	\$ 124.05	\$ 165.40	\$ 206.75
<b>Base</b>	\$ 7.19	\$ 35.95	\$ 71.90	\$ 107.85	\$ 143.80	\$ 179.75
<b>Bear</b>	\$ 6.11	\$ 30.55	\$ 61.10	\$ 91.65	\$ 122.20	\$ 152.75
<b>Returns</b>		-20%	89%	184%	278%	444%
<b>CAGR</b>		-4%	14%	23%	30%	40%
<b>Probability</b>		10%	15%	25%	30%	20%
<b>Expectation</b>	<b>25%</b>	0%	2%	6%	9%	8%