J.P.Morgan

North America Equity Research
30 September 2015

21st Century Fox

Hulu Steadily Building a Streaming 'Empire' as New Tier Debuts and More Hits Roll On

Overweight

FOXA, FOXA US

Price: $25.80

Price Target: $33.00

In our recent note on 21st Century Fox, "Good Entry Point for High Quality Media Play," we highlight the opportunity for patient investors considering the value of FOXA's strong asset base, noting that Hulu in particular could present notable upside down the road. Hulu has since made further strategic decisions which increase our conviction in the value of this asset, including more aggressive investment spending in content and the launch of a higher priced ad free tier. In this note we take a closer look at the streaming video industry, Hulu's competitive positioning and strategic outlook as well as its potential value. While equally owned by FOX, DIS and CMCSA, we highlight this asset in the context of FOXA as the smallest of these companies, therefore having the biggest relative contribution.

- **Next day availability of hit shows sets Hulu apart.** With or without an ad model, airing broadcast shows from its three owners on a next-day basis provides a sustainable competitive advantage, in our view.
- ***Fear The Walking Dead*, *Seinfeld* & *Empire* exclusives beginning to set higher bar for the service.** Recent step up in investments signals an increased commitment to adding quality content and growing the subscriber base. This expanding list of exclusive content combined with next day streaming and ongoing investment in original programming will likely continue to drive subscriber growth, making Hulu much more competitive with Netflix.
- **Dual revenue stream of advertising and fees provides a more lucrative model for digital distribution.** Hulu's ad supported business model yields a higher ARPU compared to SVOD peers Netflix and Amazon, and potentially leads to a higher valuation, as we estimate the service generates >$7 per sub/month in ad revenue (albeit split with content owners), nearly the entire retail price of Netflix's lowest tier. Equally important, Hulu's dual revenue stream replicates the traditional bundle and also provides an outlet for advertisers willing to pay high CPMs for premium online video with high viewability.

Media

Alexia S. Quadrani AC
(1-212) 622-1896
alexia.quadrani@jpmorgan.com
Bloomberg JPMA QUADRANI <GO>

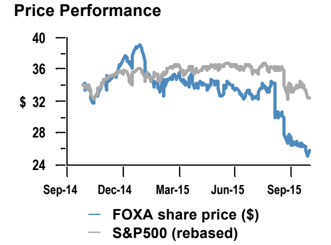
James Kopelman
(1-212) 270-5899
james.kopelman@jpmorgan.com

David Karnovsky, CFA
(1-212) 622-1206
david.karnovsky@jpmorgan.com

Julia Yue
(1-212) 622-9896
julia.yue@jpmorgan.com

J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-32.8%	-5.8%	-20.1%	-24.5%
Rel	-24.3%	-1.3%	-11.7%	-19.8%

Twenty-First Century Fox, Inc. (FOXA;FOXA US)

FYE Jun	2013A	2014A	2015A	2016E
EPS - Recurring ($)				
Q1 (Sep)	0.38	0.33	0.39	0.39
Q2 (Dec)	0.35	0.33	0.41	0.42
Q3 (Mar)	0.32	0.47	0.42	0.46
Q4 (Jun)	0.31	0.43	0.39	0.45
FY	1.36	1.57	1.60	1.72
CY	1.46	1.59	1.66	1.95
Bloomberg EPS FY ($)	1.44	1.53	1.70	1.82

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Price ($)	25.80
Date Of Price	29 Sep 15
52-week Range ($)	39.27-22.81
Market Cap ($ mn)	53,148.00
Fiscal Year End	Jun
Shares O/S (mn)	2,060
Price Target ($)	33.00
Price Target End Date	31-Dec-16

See page 28 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

- **Updated valuation suggests $7-8b asset value by YE16, with Fox's 33% stake worth $2.3-$2.7b.** Given the addition of an ad free service at a higher price point that is likely to attract new users, in our view, coupled with increasing content investment and a more optimistic view around subscriber and advertising growth, we arrive at a valuation in the range of $7-8b (See page 11 for detailed valuation analysis). While Fox has several "hidden assets" which we believe are not appropriately reflected in its depressed valuation, Hulu stands out, in our view, given its robust subscriber growth profile and peer group valuation.

- **Reiterate Overweight.** We believe Fox has the key characteristics for success in an evolving media landscape, including scale, strong/valuable content, and sports (increasingly valued both in traditional and non-traditional media). Given these characteristics, Fox could deliver one of the strongest EBITDA growth rates in our universe longer-term. As viewership fragments, new digital platforms need highly valued content in order to attract the consumer, and we believe the large media companies with must-have properties (Fox Broadcast Network, top cable networks, and key sports rights) are most likely to be included in new platforms and also hold leverage to garner superior fees for distribution. FOXA shares have notably underperformed recently due to three concerns in our view: 1)heightened fears of subscribers cutting back their cable subscription especially impacting the higher priced Regional Sports Networks (RSN's), 2)the company's ability to hit current F2016 EBITDA estimates given several previous misses and ongoing challenges at the broadcast network, and 3)a relatively new/unknown management team. Shares therefore may be range-bound in the intermediate term until the company regains investor confidence by delivering on expectations. However, at ~8.5x our calendar 2016 EBITDA or an implied ~7x when taking into account equity investments/hidden assets, we find current valuation a very attractive entry point for the longer-term investor.

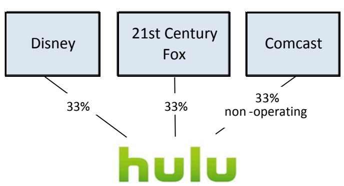
Table of Contents

Hulu Overview..4
Recent Strategic Changes 6
Dual Revenue Model Similar to Cable TV 8
FOXA Could Buy In Hulu From Partners, Though They Aren't Likely to Sell Soon 10
Valuation Analysis..11
SVOD Industry Overview 13
Investment Thesis, Valuation and Risks 21

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Hulu Overview

Ownership Structure



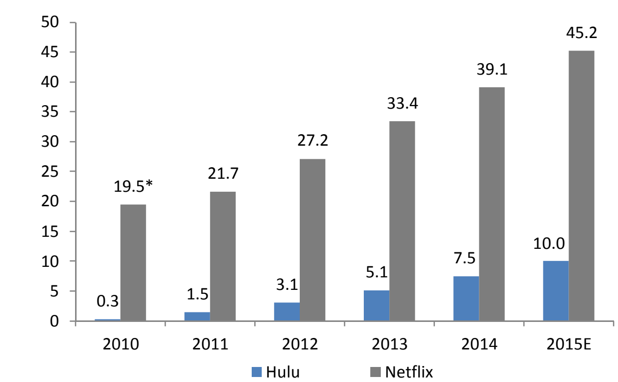
Within the broader and rapidly growing domestic SVOD landscape, Hulu stands out against larger peers like Netflix both for its dual revenue stream that is reminiscent of the traditional cable TV ecosystem, as well as its unique relationship with its owners, each of which is a major content supplier in the industry. This relationship with Disney, Fox, and NBC Universal is a major reason why Hulu has become the de facto "next day" destination for popular broadcast shows. Despite this availability of recent shows, however, Hulu has seen its subscriber growth lag over the years along with a somewhat limited content investment, particularly in original content. With a recent strategic shift towards greater investment from its owners, more exclusive shows like *Fear The Walking Dead,* and a clearer focus on subscriber growth, popularity of the service has picked up and Hulu is becoming a more viable alternative to Netflix and Amazon Prime, in our view.

Subscriber levels approaching 10 million with users also watching more video

Hulu currently has around 10 million US subscribers to its $7.99/month all-access subscription plan, a level that still trails far behind category leader Netflix at 42.3m domestic streaming subscribers as of Q2 2015 (Figure 1 below shows subs over time), though Hulu subscriptions have increased rapidly as of late, nearly double the 5.1m at 2013 year end, and with the CEO noting at an April 2015 Newfront presentation that subscriber levels had increased around 50% from a year earlier.

Figure 1: Hulu and Netflix Year End US Streaming Subs (2010-2015E)

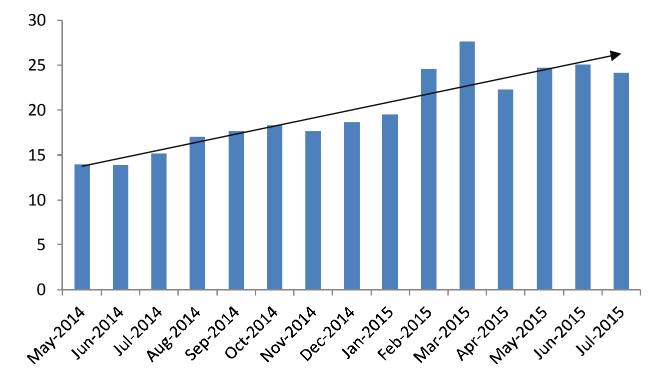
in millions



Source: Company data, J.P. Morgan estimates. *Netflix 2010 reported number includes DVD by mail subscribers, as streaming business was not separated until 2011.

Figure 2: Time Spent Using Hulu on Desktop & Mobile, May 2014-July 2015*

In minutes/visit



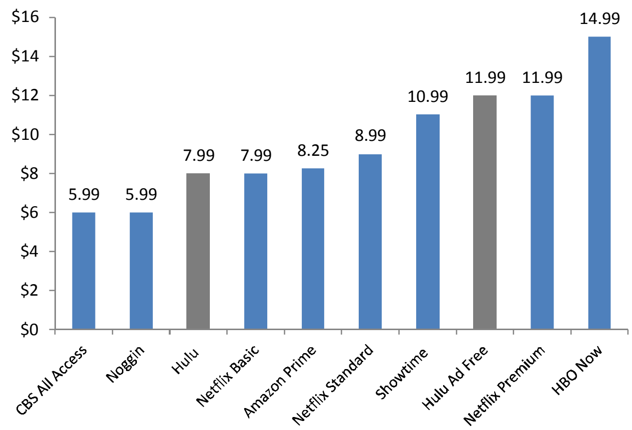
Source: Comscore, J.P. Morgan estimates. *Multiplatform usage data; trendline R^2 = 83%.

Hulu has long favored an ad supported model

From its inception in early 2008, Hulu's business model has differentiated itself from other SVOD services in that it includes dynamically inserted advertising along with its shows and movies, as opposed to eschewing advertising altogether as in the case of Netflix, Amazon Prime, and the now defunct Verizon Redbox offering. Hulu has nonetheless favored a lighter ad load (60 to 90 seconds per ad break) relative to traditional linear broadcast and cable TV offerings as it seeks to benefit from the high CPMs that are associated with its content without overloading consumers. To that end, the recently released $11.99/month ad free tier will seek to further build the subscriber base without cannibalizing the growing advertising stream that will generate greater than $700m in revenue this year on our estimates (derived from company historicals disclosed on their blog, at this year's April Newfronts, and in press reports such as the *WSJ* on 06/16/2015 in which both subscriber count and 2015 internal sales estimates are discussed; for more detail see analysis on page 11).

Figure 3: Retail price for SVOD and OTT services, Sep. 2015

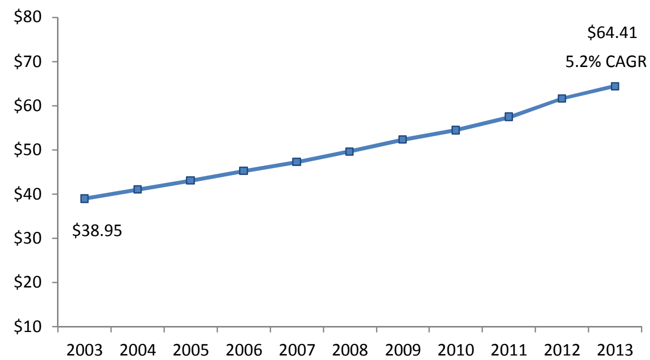
in $ USD/month



Source: Company data, J.P. Morgan estimates. Netflix Basic offers SD and 1 stream; Standard offers HD and 2 simultaneous streams; Premium offers HD/UHD and 4 simultaneous streams.

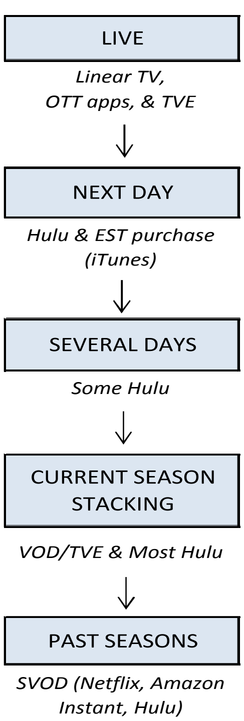
Figure 4: Avg. Price For Expanded Basic Cable, 1995-2013

In $ USD/month



Source: FCC Report on Cable Industry Prices, J.P. Morgan estimates.

Typical TV Windowing



Broadcast owners have fueled "next day availability" of key shows

Broadcast owners Fox, ABC (Disney) and NBC (Comcast), each of which holds a 1/3 equity stake, have historically supplied Hulu with its unique and most valuable feature, current season episodes of popular shows available either the next day or within a few days following airing. Hulu also has a similar, five-year content deal structured with CW, which is jointly owned by CBS and Warner Brothers (TWX). This next day broadcast viewing has differentiated Hulu from Netflix, which is typically seen as a source for past seasons of popular shows, though it has also beefed up its supply of current season offerings with recent deals and originals. A series of high profile exclusive broadcast SVOD deals as of late *(Empire, Sleepy Hollow, Nashville* and others) provide full past seasons but sometimes only a few current season episodes as content owners attempt to enforce windowing for on demand viewing. The supply of new broadcast content is only one part of Hulu's increasing content investment strategy, which is also growing its library of hits like *Seinfeld* as well as Hulu original shows, as described below.

Current outlook favors organic growth for the foreseeable future…

Following two aborted sales attempts in recent years, as well as a change in senior management, Hulu appears more committed now than ever to growing the company organically. In July 2013, the joint owners took the service in a new direction, calling off a rather public sale attempt in which they had reportedly sought ~$2b and fielded offers from several major players in the content ecosystem (reportedly including DirecTV, Time Warner Cable, and the Chernin Group, with concerns among potential buyers around how much broadcast content would still be available to an independent Hulu). Instead of selling, Hulu's owners doubled down on supplying content to the site, announcing a $750m commitment for new content as well as technology. At the time, the renewed commitment was viewed as a step in the right direction, moving past the dysfunction, or at least disagreement over strategy, that had reportedly led to former CEO Jason Kilar's resignation.

The renewed commitment to Hulu now looks prescient given the rise of internet video consumption and the increasingly robust and valuable on demand market (including SVOD as well as in season stacking rights sold to MVPDs). A healthy SVOD marketplace with several content buyers - including a strong Hulu poised to compete with Netflix - only helps content owners by ensuring multiple bidders for studio content as syndication and licensing options grow with these new platforms. Nearly every large cap media company of scale has in the last year addressed the possibility or inevitability of over the top direct to consumer offerings, and front and center is Netflix's rapid growth (now at 42.3m US streaming subscribers), highlighting a total addressable market that continues to grow and create value.

...While a sale could still occur down the road

Down the road, we believe that Hulu's owners could eventually still seek a sale (with Fox as a potential buyer, as we discuss below), though we think two key objectives would need to be met in order for this to happen. 1)First, we think the current owners want to ensure that Hulu has a stable of exclusive originals that will allow it to thrive on a standalone basis. This is similar to the pivot that Netflix began in early 2013 as it added *House of Cards* and *Arrested Development*, followed by *Orange is the New Black*, in order to build a "must have" exclusive brand and hedge against its reliance on studio content. 2)Second, we think any prospective owner would need to ensure that they have long-term contracts in place providing continued access to the expansive library of broadcast content from Hulu's current suppliers.

Recent Strategic Changes

Hulu is moving aggressively to capture a bigger piece of the growing SVOD market.

Step up in investments reflected in *Seinfeld*, *CSI*, and *Fear The Walking Dead*

Hulu's equity owners followed a July 2013 sale attempt (which was well covered by the media press) by agreeing to invest more in content, promising $750m combined and starting what we view as a virtuous cycle of greater content and subscribers that we expect to continue. More hits from broadcast are now available first and/or exclusively on Hulu, highlighting the greatest strength of the service (an implied right of first refusal on the robust, popular primetime content at broadcast networks). There's also a growing stable of Hulu originals, though this is still nascent, behind Netflix and Amazon, and awaiting a breakout hit to give the service cache. Major Hollywood producers are onboard for upcoming releases, suggesting this buzzworthy title could appear sooner rather than later.

In some cases, Hulu has also catered to its broadcast owners by agreeing to pay up for content that is also available via current season stacking on VOD. Netflix reportedly turned down its negotiations to license *Empire* from Fox because of the stacking (which Netflix claimed de-valued the property), and Hulu subsequently paid even more for exclusive rights while still allowing Fox to stack the season (WSJ, June 2015). This kind of symbiotic relationship between Hulu and its owners helps it to aggressively court their shows, but we note that Hulu still trails Netflix in the

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

number of top 50 shows from the last season, so more content spending is clearly necessary for Hulu to make further inroads. Netflix spent almost $3 billion on content in 2014 and plans to book nearly $5 billion in content costs in 2016.

Hulu has also paid up a reported $875K per episode (or $160m total) for the blockbuster exclusive SVOD rights to *Seinfeld* as well as adding all 14 seasons of CSI and signing up *Fear The Walking Dead*, part of a larger deal with AMCX that will send future shows from AMC's flagship network to Hulu as the exclusive SVOD destination.

The recent move by Hulu to distribute EPIX films (from Paramount, Lionsgate, and MGM) also demonstrates a strategy to add popular movies to its lineup, helping close the gap with other SVOD services (Netflix, which just dropped EPIX, has a Disney output deal that is set to go into effect next year, and Amazon already licenses EPIX movies).

Figure 5: Hulu Recent Deals Highlight Growing Content Library

Recent Output Deals	Key Titles	Notes	Date Announced
FX/FXX Output deal	Comedians, Strain, Married, Tyrant, and others	Exclusive SVOD access to future FX/FXX shows	December 2014
Turner output deal	Select Shows from TNT, TBS, and CN/Adult Swim	Exclusive past seasons across range of shows	April 2015
Discovery output deal	Deadliest Catch, Mythbusters, Say Yes to the Dress	Deadliest Catch is exclusive	December 2014
AMC Networks output deal	Fear TW Dead, new shows on IFC/Sundance/BBCA/WeTV	Past season exclusivity	April 2015
MTV/Nick/Comedy Central deal	Awkward, Happyland, Faking It, Inside Amy Schumer	Current season exclusive on some shows	October 2014
EPIX	Paramount, Lionsgate, and MGM movies	Not exclusive	August 2015
Disney Jr/ABC TV output deal	Doc McStuffins, Bunnytown, Handy Manny, some ABC shows	McStuffins and Bunnytown SVOD exclusives	March 2015
MGM Output Deal	Fargo, Vikings, and 1,500 episodes from MGM catalog.	Not exclusive on catalog titles like Stargate	December 2014
Key Licensed Shows	**Network/Studio**	**Notes**	**Date Announced/Airdate**
Seinfeld	Sony	Exclusive library on SVOD	Announced April 2015
Fear the Walking Dead	AMC	Exclusive past seasons on SVOD	Announced April/S1 Aug. 2015
Empire	Fox	Exclusive SVOD as well as some in season	Announced Mar 2015/S2 Sep 2015
CSI	CBS	Non-exclusive; 14 past seasons available	Announced Feb 2015/Avail April 2015
Fargo	MGM	Exclusive past seasons on SVOD	Announced Dec 2015
Wayward Pines	Fox	Exclusive on SVOD/also stacked on Fox Now	Announced April 2015
Sleepy Hollow	Fox	Exclusive SVOD as well as some in season	Announced & Avail. Aug 2014
Southpark	Viacom	Exclusive SVOD access to 18 season library	Renewed July 2015
Brooklyn Nine Nine	Universal TV	Exclusive past seasons on SVOD	Announced April 2014
Nashville	ABC	Exclusive past seasons on SVOD, some in season	Announced Feb 2014
The Last Ship	WB	Exclusive SVOD, part of Turner output deal	Announced April 2015
Taboo	FX	Exclusive on SVOD	Starring Tom Hardy/2016 airdate
Baskets	FX	Exclusive on SVOD	Starring Zach Galifinakis/2016 airdate
Hulu Originals	**Studio**	**Notes**	**Release Date**
The Mindy Project	Universal TV	Resurrected from Fox for S4	S4 premieres Sep 15, 2015
11/22/1963	Warner Brothers/JJ Abrams	9-hour limited series; stars James Franco	Early 2016
Casual	Lionsgate	10 ep comedy/Jason Reitman producing	2015
The Way	Universal TV	10 ep drama/Jason Katims producing	Winter 2015
Difficult People	Universal Cable Productions	Amy Poehler producing	Late Summer 2015
RocketJump: The Show	RocketJump/Lionsgate	Comedy; Freddie Wong (Youtube producer)	Fall 2015
Deadbeat	Lionsgate	Supernatural comedy	S2. in April 15 with S3 upcoming

Source: Company reports and J.P. Morgan estimates.

Ad Free Tier Could Attract New Users

Ad free offering, at $11.99 per month, could accelerate overall sub growth

Introduced September 2nd, a new advertising free tier is likely to attract some customers who previously avoided Hulu in favor of services with an uninterrupted viewing experience, such as Netflix (we note that Netflix's standard tier is $8.99 and all tiers are ad free). Hulu naturally faces the challenge of growing subscribers on the new tier while limiting cannibalization to its ad supported tier. We view this new offering as largely experimental given that 1)the size of the ad market for premium online video is still unknown, and Hulu meanwhile risks cutting into its own ad market share and 2)the SVOD marketplace is still in a price discovery phase, with a wide range of offerings from $5.99 to $15 per month. We estimate that an existing Hulu subscriber will generate more than $7/month (see Figure 6 below) in advertising, declining to around $5/month in 2017 as subscribers grow faster than advertising, while a Hulu ad free subscription generates an incremental $4.00 per month. Still, we see this as an opportunity for Hulu as there may be a substantial market of SVOD consumers who would not sign up for an ad supported service, and the $11.99/month price seems reasonable when considering the exclusive, next day availability of several popular shows such as *Empire* and *Sleepy Hollow* that may help justify the premium over Netflix, which is known for offering only past seasons of current shows. $11.99 per month also sits in the mid-range of the growing group of OTT services when considering the more expensive prices for Showtime and HBO's direct to consumer services.

Figure 6: Hulu 2015E Advertising Per Subscriber

Total advertising ($m)	$771
Average subs (m)	8.8
Ad revenue per sub per month	$7.30

Source: Company data, J.P. Morgan estimates.

Perhaps more importantly, the traditional cable bundle from which Hulu's owners derive the vast majority of their profits is a mature market, and SVOD is a potentially massive opportunity to sign up the Millennials whose absence from the bundle is contributing to its stagnance as of late. From this perspective, Hulu’s owners likely would prefer to add subscribers by nearly any means necessary as opposed to seeing them sign up for rival services.

Dual Revenue Model Similar to Cable TV

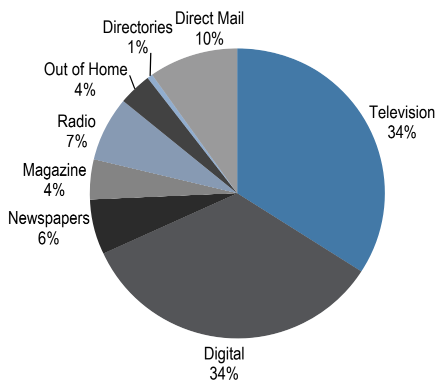
Hulu could become de facto online destination for advertisers seeking premium video inventory

Advertising revenue sets Hulu apart

Among the most popular domestic SVOD services (Netflix, Amazon, and Hulu), only Hulu features an advertising supported model, an important distinction with several implications. First, it produces the same lucrative dual revenue stream of fees and advertising that has supported robust growth in the traditional cable model. This also is a notable distinction for network owners who recognize that selling to Netflix or Amazon could encourage consumers to become accustomed to an ad free on demand viewing experience, and it's also a major concern for an industry that already grapples with heavy DVR usage in the linear environment (ad skipping viewership is not counted in the standard Nielsen C3 currency that networks, agencies, and marketers use to price ad inventory). Yet the industry may have the opportunity to steer viewers back towards advertising given that 1)it's fairly easy for VOD/SVOD services to make it impossible to skip their ads and 2)IP based services like Hulu may be able to limit advertising loads and make up the revenue on higher

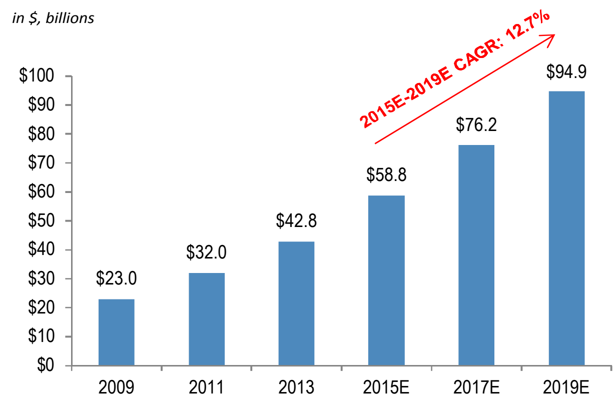
CPMs from targeting and higher engagement, including giving users greater choice over which ads are viewed or allowing them to view a longer pre roll ad in exchange for a uninterrupted viewing experience.

Figure 7: 2016E Advertising Mix



Source: MagnaGlobal, J.P. Morgan estimates.

Figure 8: US Digital Ad Growth (2009A-2019E) Underscores Opportunity for Online Video

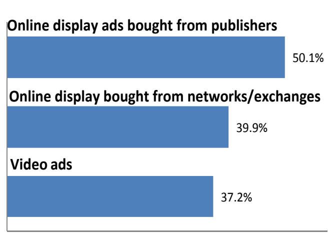


Source: Magna Global, J.P. Morgan estimates.

Value of Hulu inventory stems from quality and viewability

Hulu also delivers high CPMs because it offers among the highest quality and most desirable online video inventory, considering that much of the video consumed online is either short form user generated such as YouTube or auto play video such as Facebook or popular sites like ABC News.com in which video plays whether or not users want to watch it, leading to questions around viewability. Not only is most Hulu programming among the highest quality and most popular prime time shows, but it's also a classic "lean back" passive TV environment because viewers are not surfing, scrolling, or otherwise distracted by page or app elements once the show starts playing. Our channel checks with advertisers and agencies indicate that digital video is one of the most sought after formats, and advertisers are willing to pay notable premiums, especially when ad skipping is limited and targeted user information is available. These premiums should only rise when these videos grow in adoption and attain a broader reach. We believe ads on Hulu average $50 CPMs, a meaningful premium to traditional media, so even on a limited basis (both in terms of number of ads and impressions) this model should be very lucrative for Hulu. *See page 20 for a detailed list of CPMs across media.*

US Online Display & Video Ads That Are In-View, Q2 2015



Source: eMarketer, Integral Ad Science, Aug 2015; Note: excludes mobile.

It is important to note that not all of this ad revenue is kept by Hulu, as we believe advertising is split with the “next day" content owners. It is assumed that more than half of ad revenue goes to the content owners, though the terms have not been disclosed. Furthermore, in the new ad free tier, it is our understanding that a portion of the premium pricing goes to the content providers to supplement the lost ad revenue.

Ad growth at Hulu helps chart course towards profitability

We believe that Hulu's annual advertising revenue is growing to levels that may allow it to achieve profitability in 2017 even as the service plows through a heavy content investment cycle. On our estimates, ad revenue will exceed $770 million this year and will grow at a double digit rate for the next couple of years. As the business reaches profitability and subscribers continue to grow, we think that the confluence of advertising and fee based revenue will lead to a virtuous cycle and make the asset more attractive.

From a valuation perspective, the dual revenue stream also leads Hulu to a higher average revenue per user (ARPU), a greater value per subscriber, and a per subscriber valuation premium relative to SVOD peers, as we discuss in our Hulu valuation analysis.

FOXA Could Buy In Hulu From Partners, Though They Aren't Likely to Sell Soon

Hulu's owners control the broadcast content that is critical to its success

Hulu's owners must ultimately decide if the asset is largely viewed as a conduit for the success of its trifecta of owner-networks (Fox, ABC, and NBC), helping to drive value of their marquee hits like *Empire*, or if it should be spun off as a separate entity, potentially unlocking tremendous value which can be realized by the owners. In our view, FOXA demonstrates the most interest in owning the asset outright. However, while other parties had clearly contemplated a sale in the past, there is no reason to believe that today they want to part with their stake in Hulu. In an environment where control over content is becoming more of an issue (as the proliferation of content is further enabling or even encouraging consumers to cut the cord, and disrupting media companies' core business), Hulu's owners may want to stay involved with this asset at least in the intermediate term to participate in the growing OTT market while still exercising control over the content. Over time, especially if the value grows, the owners may be more encouraged to monetize this asset either through a sale or the public markets. Either way, we see real value down the road that is not currently reflected in the parent companies' current valuation.

We believe Fox's interest in digital distribution is growing

We think that Fox has displayed an increasing interest in over the top distribution - including its summer 2014 bid for Time Warner that according to press reports (*WSJ, "Time Warner, Fox Extol the Single Life, Aug. 6 2014*) was in part fueled by its interest in the fast growing HBO Go service and its potential for digital distribution (Fox's bid came before HBO announced its own direct to consumer offering). Given the failed bid, a service like Hulu could be the best alternative to provide a mechanism to reach consumers with FOX's stable of powerful core brands, in our view.

Recent management commentary alludes to Fox's powerful position among only a small group of content owners with scale and a stable of assets and core brands to support a broad over the top service (though no such service is in the cards yet), and we think Hulu could be a key piece of this puzzle. While we believe that Fox Now, as well as apps for its other core brands Fox News, FX Networks, Fox Sports, and NatGeo, are growing in popularity and usage, a widely distributed SVOD service like Hulu might be viewed as a desirable distribution outlet that allows them to unify these brands into one offering down the road.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Valuation Analysis

We value Hulu at a slight per subscriber premium to Netflix, given the dual revenue stream and the exclusive "next day" relationship. Our valuation methodology, with a $475 midpoint per subscriber value, is described below, along with our estimates for Hulu subscriber and advertising growth over the 2015-2017 period. Estimates are based on historicals disclosed by management (albeit on a somewhat inconsistent basis) over the last several years, including commentary at last April's Newfronts. Where company historicals are unavailable, we have estimated the relevant data.

Figure 9: Hulu Subscriber and Advertising Revenue Estimates*, 2011 – 2017E

	2011	2012	2013	2014	2015E	2016E	2017E
Subscribers (m, YE)	1.5	3.1	5.1	7.5	10.0	12.7	16.0
% change	*400%*	*107%*	*65%*	*47%*	*33%*	*27%*	*26%*
Subscribers (m, Avg.)	0.9	2.3	4.1	6.3	8.8	11.35	14.4

	2011	2012	2013	2014	2015E	2016E	2017E
Revenue ($m)							
Sub revenue	86	221	393	604	839	1143	1445
% change		*156%*	*78%*	*54%*	*39%*	*36%*	*26%*
Ad revenue	334	474	607	696	771	848	933
% change		*42%*	*28%*	*15%*	*11%*	*10%*	*10%*
Total Revenue	420	695	1000	1300	1610	1991	2378
% change	*60%*	*65%*	*44%*	*30%*	*24%*	*24%*	*19%*

Source: Company data, J.P. Morgan estimates. *Gross revenue collected by Hulu prior to distribution to partners. 2015 ad rev. forecast derived in part from reports including *"Hulu Steps Up Its Fight…" WSJ* 06/16/2015, in which 2015 internal rev. estimates ($1.6b at midpoint) and sub count are discussed. We assume $11.99 ad free tier grows to 10% of subs by 2016.

We Estimate ~$7-$8b Asset Value by calendar YE 2016; Fox's 33% Stake Could Be Worth $2.3-$2.7b

We are increasingly optimistic around the outlook for Hulu given 1)the addition of an ad free service at a higher price point that is likely to be a popular option and attract new consumers, 2)coupled with increasing investment in content and a more positive view around subscriber and advertising revenue growth, leading us to a valuation range of $7-$8b at year end 2016 on an under-appreciated and often overlooked asset in Fox's strong portfolio of scale content.

Methodology:

- We base the midpoint of our valuation on a $475 per sub value, a slight premium to JPMe's Netflix value per US streaming sub (covered by Doug Anmuth) given the higher ARPU and growth coming from the dual revenue stream of advertising as well as subscription revenue (see figures 10 and 11 below).
- Our analysis assumes that Hulu grows from 10m to 16m subs within the next couple years, an assumption based on the new ad free tier and investments in content
- The implied EV/sales multiple of 3.2x 2017 sales is well below Netflix's US streaming service at 4.0x
- Our scenario analysis below shows how we arrive at as high as $9b ($3b to FOXA), which implies substantial hidden asset value given we believe the market is currently valuing Hulu at closer to $5-$6b. Equally important, we

think the true value of a fast-growing Hulu highlights FOXA's strong positioning in an increasingly digital media landscape.

Figure 10: Hulu Valuation Based on Value Per Subscriber and Netflix Comp*

	2017 Year End Subscribers (millions)				
	14	15	16	17	18
Value per subscriber					
$395 (NFLX)	$5,530	$5,925	$6,320	$6,715	$7,110
$430	$6,020	$6,450	$6,880	$7,310	$7,740
$450	$6,300	$6,750	$7,200	$7,650	$8,100
$475	$6,650	$7,125	$7,600	$8,075	$8,550
$490	$6,860	$7,350	$7,840	$8,330	$8,820
$510	$7,140	$7,650	$8,160	$8,670	$9,180

Source: J.P. Morgan estimates. *Hulu value as of calendar year end 2016, corresponding to JPM FOXA price target date.

Figure 11: Hulu and Netflix Metrics, Based on 2017 Estimates*

Hulu	**millions**
Subs (2017 avg)	14.4
Revenue/sub/month - basic tier	$7.99
Revenue/sub/month - ad free tier	$11.99
Subscription Revenue	$1,445
Advertising Revenue	$933
Total Revenue	**$2,378**
Value per sub	$475
Enterprise Value (YE16)	$7,595
EV/sales	3.2x
Ad ARPU/month	$5.40
Total ARPU/month	$13.76
Sub value premium over NFLX	20%
Netflix	**millions**
US Streaming EV (YE16)	$21,937
US Streaming Subs (2017 avg)	53.1
US Streaming Subs (2017 YE)	55.5
US Sales	$5,512
Value per sub	$395
EV/Sales	4.0x
Implied ARPU/month	$8.65

Source: J.P. Morgan estimates. *NFLX covered by Doug Anmuth. 2017 subs based on avg. of beginning of year and end of year. 2016 year end valuation corresponds to FOXA price target date.

SVOD Industry Overview

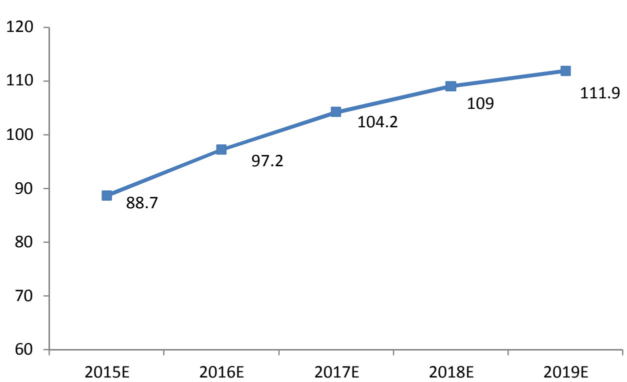
SVOD drives growth in content value & consumption, but addressable market is still unknown

Subscription video on demand, or SVOD, is a category of streaming video largely pioneered by Netflix as an outgrowth of its DVD rental business in late 2007. Netflix's relationship with the studios supplying its content was contentious at the time because its existing physical DVD service operated without explicit permission from the studios (a loophole in the First Sale copyright doctrine) and was viewed as eroding the lucrative DVD home video sell through business. With streaming video, however, each film or TV show had to be individually licensed, and studios appreciated increased control over the licensing and distribution process compared to DVD rentals.

The domestic SVOD market has grown rapidly in recent years, with a combined ~75m streaming subscribers from the three dominant players Netflix, Amazon Prime Video, and Hulu (a handful of services have been speculated but never launched, and still others have been cancelled, such as Verizon's ill-fated joint venture with Redbox that ended last October after failing to gain traction). There has been much debate around the total addressable market for SVOD in the domestic market, with views evolving along with Netflix's meteoric rise. Only a few years ago, it was widely believed that ~30m was the ceiling for a single service given that HBO, as the most successful premium network comparable, had never meaningfully surpassed that level. This view was based on the idea that SVOD services are largely incremental to the bundle, meaning they are services purchased above and beyond a basic cable package and thus would likely appeal to the upper end of the consumer market. Netflix, for its part, has steadfastly maintained that the addressable market for its service could be as high as 75-100m homes in the US.

Figure 12: Estimated US SVOD Subscribers, 2015E – 2019E*

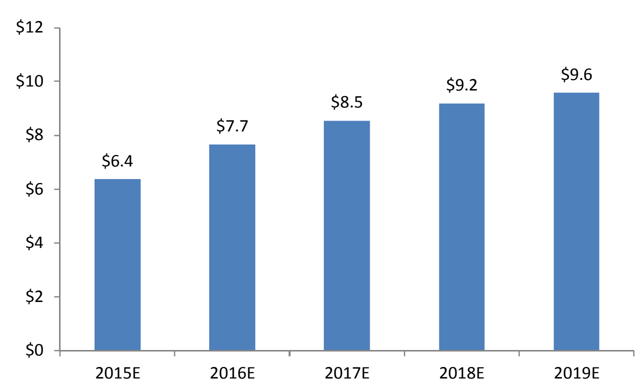
in millions



Source: SNL Kagan, J.P. Morgan estimates. *SNL estimate combines 48 SVOD/OTT services, including NFLX, Amazon, Hulu, HBO Now, Showtime OTT, CBS All Access, WWE Network, Noggin, Viki, and Curiosity Stream, among others.

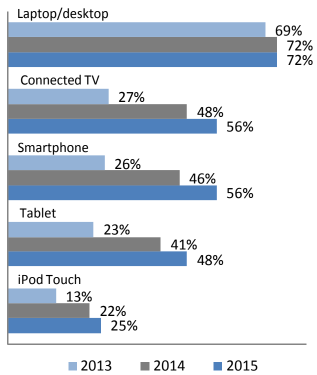
Figure 13: Online SVOD Revenue Projection, 2015E-2019E

In $ USD billions



Source: SNL Kagan, J.P. Morgan estimates.

Device Usage for Original Digital Video*, 2013-2015



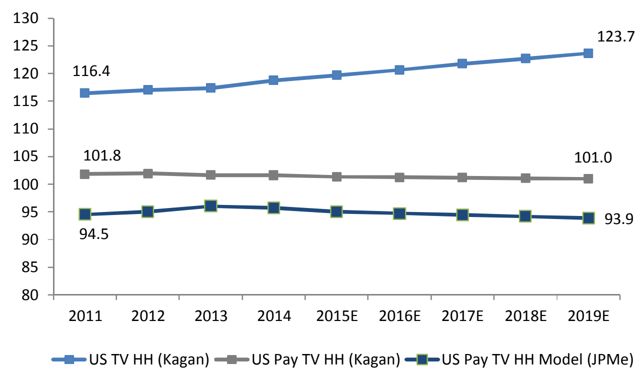
Source: eMarketer, IAB, GFK.
*Professionally produced, ad supported for online viewing.

Rise in SVOD fueled by technology, binge viewing, and new licensing deals

The growth of SVOD services in the last few years is due largely to the convergence of technology - broadband capable of delivering high definition signals over home Wifi networks - and changes in consumer behavior, particularly among a younger demographic comfortable with streaming video on desktops, laptops, and other non traditional viewing platforms. Of course, licensing deals from major studios were necessary, and major studios such as Disney/ABC, Fox, Viacom, Warner Brothers, CBS, Sony, and LionsGate saw SVOD as a burgeoning revenue stream to complement traditional syndication and licensing deals. The emergence of these digital deals was particularly fortuitous for the studios given the maturity of the traditional cable bundle (Figure 14 below shows a flattish pay TV landscape even as US households have increased in recent years) , as it has provided another growing revenue stream for Big Media and created increasing demand for content. In addition, growing networks focused on serialized originals discovered that "binge viewing" by consumers of SVOD services could help boost ratings for subsequent seasons, a strategy implemented to great effect with *Breaking Bad* (Sony) and *The Walking Dead* (AMC), as shown in Figure 15 below.

Figure 14: US TV Households and Pay TV Households, 2011 – 2019E*

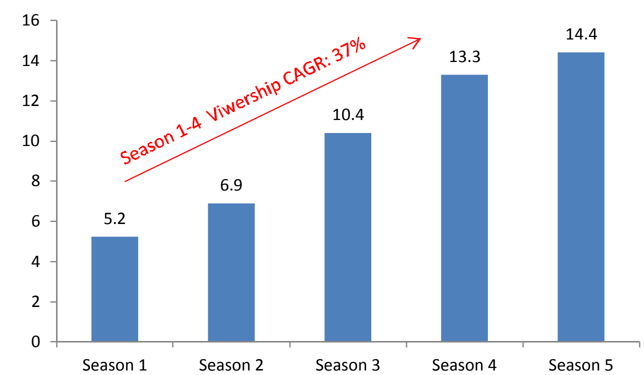
in millions



Source: SNL Kagan, J.P. Morgan estimates. *JPMe estimate includes top 10 cable providers, top 4 telco, and top 2 satellite.

Figure 15: Live + Same Day Viewership for *The Walking Dead*

Viewership is P2+, in millions



Source: Nielsen, TVByTheNumbers, J.P. Morgan estimates.

Streaming video pivots to curated catalogues and exclusive originals

In early 2013, Netflix began to pivot away from its focus on carrying as much catalog as possible, and invested more in exclusive originals that would come to define the brand, beginning with *Arrested Development* and *House of Cards* early in the year, followed soon after by *Orange is the New Black*. At the time, the expensive originals (Netflix spent $100m on the first two seasons of *HOC*, according to *The Hollywood Reporter, 03/23/2011*) were viewed as risky, though they ultimately helped to drive more subscribers to the service. Netflix has said that its goal was to emulate the HBO model of premium, exclusive content, and that the two services would come to more closely resemble each other over time. With several successful original shows, Netflix has had more freedom to allow content deals with major suppliers to lapse without fear of losing subscribers (it most recently allowed its EPIX deal to expire).

Hulu, meanwhile, still awaits it first breakout original TV hit, though its expanded upcoming slate means it's likely a matter of time before an original hit debuts on the service, in our view. We view this pivot as a largely positive development for Hulu, as we think the cache of popular and critically acclaimed originals has proven to be a boon to subscriber growth for Netflix. The story is less clear at Amazon, since they do not reveal detailed subscriber numbers, but *Transparent* and other originals have recently garnered attention for critical acclaim and awards season attention.

Figure 16: Select Slate of Netflix Exclusive Originals, 2013-2015E

2013 select originals

	Title	Genre	Release
Q1	House of Cards	Drama	02/01
Q2	Hemlock Grove	Horror	04/19
	Arrested Development	Comedy	05/26
Q3	NA	NA	NA
Q4	Turbo FAST	Animation	12/24

2014 select originals

	Title	Genre	Release
Q1	House of Cards S2	Drama	02/14
	Star Wars: Clone Wars (S6)	Animation	03/07
Q2	Turbo FAST	Animation	04/04
Q3	Hemlock Grove S2	Horror	07/11
	The Killing S4	Drama	08/01
	BoJack Horseman	Comedy	08/22
	Trailer Park Boys S8	Mockumentary	09/05
Q4	Veggie Tales in the House	Animation	11/26
	Marco Polo	Drama	12/12
	All Hail King Julien	Animation	12/19

2015 select originals

	Title	Genre	Release
Q1	Puss in Boots	Animation	01/16
	Richie Rich	Comedy	02/20
	House of Cards S3	Drama	02/27
	Un. Kimmy Schmidt	Comedy	03/06
	Bloodline	Drama	03/20
	Trailer Park Boys S9	Mockumentary	03/27
Q2	Daredevil	Superhero	04/10
	Grace and Frankie	Comedy	05/08
	Between	Sci-Fi	05/21
	Sense8	Sci-Fi	06/05
Q3	Bojack Horseman S2	Comedy	07/17
	Turbo Fast S2	Animation	07/31
	Wet Hot Amer. Summer	Comedy	07/31
	Club de Cuervos	Span/Drama	08/07
	Dinotrux	Animation	08/14
	Narcos	Drama	08/28
	Puffin Rock	Animation	09/01
	Longmire	Drama	09/10
Q4	New Peabody & Sherman	Animation	10/09
	Hemlock Grove S3	Horror	10/23
	Master of None	Comedy	11/06
	Jessica Jones	Superhero	11/20
	F is for Family	Comedy	Dec

Source: Company reports and J.P. Morgan estimates.

Success of SVOD marketplace is a boon for content sales but highlights risks to traditional consumption

For content owners (studios), the success of SVOD services has provided yet another outlet to sell content, a boon to licensing at a time when increasingly fragmented cable TV audiences have pressured the value of traditional linear syndication. SVOD, on the other hand, has allowed studios such as CBS, Warner Brothers, and others, to structure complex licensing deals in which shows debut both on cable as well as SVOD, not to mention increased international syndication, leading to total revenue that often surpasses that of a traditional cable deal. Figure 17 below lists several SVOD catalog and individual show licensing deals with estimated values.

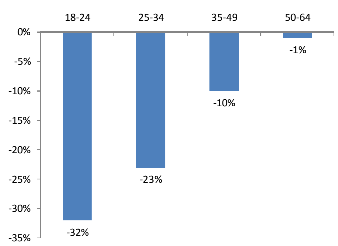
Figure 17: Major Studio SVOD Sales and Reported Deal Values

Studio or Show	SVOD service	Deal Value ($m)
Disney Theatrical Output*	Netflix	$350m/year
EPIX (MGM/LGF)**	Netflix*	$200m/year
CW (CBS/TWX)	CBS	$75-100m/year
HBO (TWX)	Amazon	$200-$250m/year
Seinfeld (Sony/WB)	Hulu	$160m over 5 years
House of Cards (MRC)	Netflix	$4m/episode
Mad Men (LGF)	Netflix	$1m/episode
The Blacklist (Sony)	Netflix	$2m/episode

Source: Press reports, Company Data, JP Morgan Estimates. *DIS theatrical does not reflect sales of any television content to NFLX. **NFLX/EPIX deal lapses end of September 2015.

Change in Weekly Hours Watching Traditional TV by Age Group, Q1 15

% chg vs Q1 2010



Source: eMarketer, Nielsen, Wall Street Journal. Includes live and time-shifted viewing within measurement period for audiences P2+.

As live TV ratings have declined, the increase in binge viewing across streaming services has added another alternative viewing option that has likely impacted traditional viewership in recent quarters. As a result, studios that sell valuable content to streaming services are to a certain extent expecting the near-term high margin revenue from SVOD to yield a greater return than any potential loss in live viewership. We note that children's content such as cartoons may be the most at risk from live viewership erosion as young viewers may not care if they are watching the newest episode of a given series.

Netflix is also investing in the production and distribution of movies, beginning with the groundbreaking deal announced in September of last year to distribute the Crouching Tiger sequel (Weinstein Co) day and date on Netflix and IMAX. The film is slated to be released in Q1 of next year and underscores the ongoing push by Netflix to shorten the traditional 90 day minimum window between theatrical and home video release. For Netflix, day and date releases add cache to its service and could appeal to consumers who prefer the urgency or excitement of release date exhibition without the perceived hassle of theatergoing. For a producer, signing up with Netflix guarantees a distribution fee and visibility on a broad, global platform, offsetting some of the marketing and other risks associated with a typical mid-budget theatrical release. Following the Crouching Tiger deal, Netflix also signed Adam Sandler to a four movie commitment that begins with the comedy Ridiculous Six this December and announced the financing of a Brad Pitt war film in June for a reported $30m

SVOD - Related Definitions

Subscription Video on Demand: A streaming service, requiring only a broadband connection and video streaming box, that typically exists outside the traditional cable bundle and offers relatively easy signup and cancellation and a cheaper price than cable.
Streaming Device/Streaming Box: A set top box that connects to broadband, runs multiple video apps, and connects to popular services like Netflix, Hulu, Amazon Video, and HBO Now. Market share in the streaming device space is concentrated among Roku, Apple TV, Google Chromecast, and Amazon Fire TV.
Current Season Stacking: The practice of making several recent episodes (typically up to 5, but sometimes a full season) available for on demand viewing either through a traditional cable provider's set top box or via a TV Everywhere app.
TV Everywhere: A method for MVPD subscribers to view current season episodes on demand – or live TV - on multiplatform apps by authenticating their account from within the

app. Examples of TVE apps include Watch ESPN, Fox Now, Watch TNT, HBO Go, and Showtime Anytime.
Over The Top Video (OTT): Delivery of video services directly over the internet (broadband or mobile) instead of through a traditional cable, satellite, or telco provider. Examples include Hulu and Netflix, thought the term is commonly associated with content that replicates the bundle, such as skinny packages like DISH Sling or direct to consumer networks like CBS All Access.

Source: Company Reports; J.P. Morgan

Domestic SVOD Competitive Landscape

Figure 18: Domestic SVOD Services, September 2015*

Service	Netflix	Amazon Instant	HBO Now	Showtime	CBS All Access	Noggin	Go 90
Description	Market Leader; Broad catalogue & adding exclusive shows	Bundled w Prime; broad catalogue	Premium service; Movies from NBCU/Fox/WB & hit shows	Premium service; several hit shows but fewer movies	Based on content from leading broadcaster but no NFL	Children's & animated content, extension of Nick Jr	Mobile first service; still in beta
Price	$7.99/month Basic, $8.99 Standard, $11.99 Premium	$99/year	$14.99/month	$10.99/month, $8.99 in Hulu bundle	$5.99/month	$5.99/month	TBD
Owner	NFLX	AMZN	TWX	CBS	CBS	VIAB	VZ

Source: Company reports, J.P. Morgan estimates. Netflix Basic includes 1 SD stream; Standard offers 2 simultaneous streams in HD, and Premium offers 4 simultaneous streams in HD and UHD.
*For Youtube commentary, please see "Other Popular Streaming Services" section below

Netflix

Netflix is the market leader in subscription video on demand, expanding rapidly both domestically and approximately 50 international territories, with more than 42 million streaming subscribers in the US and 65 million globally as of Q2 2015. Netflix is also farthest along on its original programming rollout, with prestige hits including *House of Cards* and *Orange is the New Black* as well as a bevy of other originals including *Bojack Horseman* and the recently debuted *Narcos*. Netflix describes itself as a "movie and TV series entertainment network" and has compared its business to that of HBO, with its expectation that the two services will come to resemble each other over time as Netflix grows its catalogue of prestige exclusives, but a key distinction is that HBO owns almost all of the content it airs while Netflix primarily distributes content owned by 3rd party studios. Netflix also still operates its DVD by mail business, with more than 5 million subscribers.

Amazon Instant Video

Amazon Prime Instant Video is part of a larger Amazon Prime offering that includes free shipping on Amazon's retail products, a music subscription offering, as well as a Kindle lending library service. This catchall strategy obscures the SVOD video offering, with Amazon's longer term goals in video content likely designed to bring consumers into, and keep them within, its expansive retail ecosystem. As a result of the Prime bundling, it's also difficult to ascertain how many subscribers use the video component of the service. Another differentiator with Netflix is platform availability. While Netflix's app is available almost everywhere, Amazon Instant Video is conspicuously absent from Apple TV.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

HBO Now

Unlike Netflix and Hulu, HBO Now is an extension of a service (HBO) that originated within – and to a large extent is reliant upon – the traditional cable TV ecosystem that distributes its content to more than 30 million US households. This has placed its owner, Time Warner, in a somewhat awkward position as it balances relationships with traditional MVPDs while building its own direct to consumer service. The service launched in April with a $14.99/month price that was designed to keep its distributors happy by not undercutting them, but it is also more expensive than Hulu and Netflix. As the first over the top offering among traditional so called premium networks that also include Showtime, Starz, and EPIX, HBO has also found itself in somewhat of a first mover position among this group. HBO has not yet released subscriber data for HBO Now. It is also positioning itself at the high end of SVOD offerings given its reputation for premium, expensive shows like Game of Thrones, prestige dramas and comedies, and award winning documentaries, as well as theatrical output from 3 major Hollywood studios.

Showtime

Showtime followed HBOs lead, launching its OTT service in July to coincide with new seasons of hit shows Ray Donovan and Masters of Sex. Like HBO Now, it was initially made available on Apple iOS devices, though it was also added to Roku, PlayStation Vue, and in a somewhat innovative move, the service was packaged as an add on to Hulu for the discounted price of $9/month. This differs from HBO Now, whose price is still 14.99/month even as an add on with services such as DISH Sling. Showtime is also for sale as a broadband add on through partner Cablevision, who had previously announced it would distribute HBO Now and Hulu, respectively. Unlike HBO, however, Showtime does not have as robust a pipeline of current theatrical titles, and it has not historically owned all of its own TV shows. While ownership has increased dramatically in recent years and now accounts for nearly all of the programming, there are exceptions such as hit Homeland, which is produced by 20th Century Fox Television.

CBS All Access

All Access is the first broadcast product to go direct to consumer, with CBS taking advantage of the fact that it is less reliant on the cable bundle relative to peers that also own larger cable network groups (Fox, NBC/Comcast, and ABC/Disney). CBS is also the only major broadcaster that doesn’t stream any current season content on Hulu (they are not an owner), so CBS All Access may be an alternative. At the same time, CBS is the most reliant of all the network owners on its broadcast business and was arguably the most at risk in the recent dispute with Aereo over retransmitting broadcast signals online. By aggressively building out a retail product, CBS is hedging in case of any threat to retransmission fees from within the bundle (a revenue stream that is nearly 100% margin and which CBS is guiding to greater than $2b by 2020). All Access costs $5.99 /month and offers most CBS prime time content, with notable exceptions of NFL football and some hits like Big Bang Theory and 2 Broke Girls, which are owned by Warner Bros.

Noggin

Noggin is Nickelodeon’s preschool kids (age 2-6) focused SVOD offering, and it's rollout in March is arguably a defensive response to the success of Netflix in attracting viewership among families with kids. Viacom has meanwhile grappled with viewership declines at its flagship Nickelodeon, and though the source of the declines is not entirely clear, at least some of the decline is likely due to both the surplus of kids content available on SVOD platforms as well as the fact that children may not care as much relative to adults when it comes to watching the latest episodes of their favorite content. Noggin shows include popular brands such as Blues Clues, Franklin, and Little Bear, as well as educational games, though the offering features episodes that are largely not available on the linear Nick Jr.

Go90

Verizon's Go90 is a mobile only streaming service recently launched into beta that includes a smattering of longform shows from several traditional partners such as Viacom, Disney, Discovery, and the NFL, with whom Verizon has an existing agreement to distribute live football games to its wireless customers. The service reportedly also includes shortform content from mult-channel networks, a precedent set when DISH's Sling TV rolled out earlier this year with a Maker Studios channel among its lineup. Verizon is also heavily integrating a social media element into the Go90 app, encouraging users to "watch, cut, and share." Social media sharing is a logical choice given its 18-34 target demographic and mobile only distribution.

Other Popular Streaming Services

YouTube

Positioning: Mostly Short form UGC; Price: Ad supported; Owner: Google

While YouTube is not a subscription service per se (although it plans to launch a paid service, according to *Bloomberg* on *04/08/2015*), it competes for attention and viewership with more traditional long form services. The popular online destination for user generated content (UGC) and emerging platform for stars such as PewDiePie, with some 25 million subscribers to his channel, has grown dramatically in users, time spent, and advertising revenue in recent years. YouTube has over 1B users—almost 1/3 of all internet users—and each day, people watch hundreds of millions of hours on YouTube and generate billions of views. We note that YouTube watch time growth is at its highest in years, accelerating to 50% in 2Q15. On mobile, the average viewing session is now more than 40 minutes, up more than 50% Y/Y.

We believe YouTube is benefiting from (and driving) strong secular trends as video viewership on mobile continues to increase and brands are putting more ad dollars to work online. Google has recently indicated that top advertiser spend on YouTube was up 60% Y/Y in 2Q and according to Magna Global, global mobile video advertising across the industry is expected to grow 26% next year to $7B. We believe ROI on YouTube is compelling as GOOG found 80% avg. ad recall lift in 94% of the campaigns it analyzed in a recent study of Google Preferred campaigns. Preferred includes some of YouTube's most popular channels, including the top ~5% of inventory, and the study covered ~50 campaigns from Fortune 100 brands and category leaders. Google also found that 65% of Google Preferred ads saw an increase in brand awareness, with an average lift of 17%.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Figure 19: CPM Comparison Across Media, 2013-2014 and 2014-2015

	Adults 18+			Adults 18-34			Adults 25-54		
	2014-15	2013-14	% chg	2014-15	2013-14	% chg	2014-15	2013-14	% chg
TV (30-second ad unit)									
Early AM	$13.25	$12.47	*6.3%*	$60.55	$57.08	*6.1%*	$25.60	$24.09	*6.3%*
Daytime	7.35	6.97	*5.5%*	21.50	20.41	*5.3%*	15.20	14.45	*5.2%*
Early News	10.10	9.56	*5.6%*	58.50	55.34	*5.7%*	24.95	23.62	*5.6%*
Primetime	23.45	22.32	*5.1%*	66.65	64.39	*3.5%*	42.90	40.80	*5.1%*
Late Evening	20.11	19.08	*5.4%*	52.95	50.25	*5.4%*	37.10	35.18	*5.5%*
Syndication									
Daytime	5.77	5.51	*4.7%*	20.05	19.14	*4.8%*	12.85	12.25	*4.9%*
Early Fringe	12.00	11.41	*5.2%*	39.95	38.00	*5.1%*	20.45	19.47	*5.0%*
Prime Access	19.85	18.89	*5.1%*	95.25	90.73	*5.0%*	41.80	39.79	*5.1%*
Late Fringe	13.35	12.70	*5.1%*	41.95	39.95	*5.0%*	21.95	20.91	*5.0%*
Cable TV (30-second ad unit)									
Daytime	4.15	3.96	*4.8%*	14.05	13.41	*4.8%*	8.40	8.04	*4.5%*
Late Evening/Early Morning	9.80	9.33	*5.0%*	28.75	27.39	*5.0%*	17.60	16.78	*4.9%*
Primetime	12.75	12.09	*5.5%*	47.48	44.89	*5.8%*	23.20	21.95	*5.7%*
Radio (30-second ad unit)									
Network	3.75	3.75	*0.0%*	9.50	9.49	*0.1%*	5.74	5.74	*0.0%*
Spot (100 Markets)	9.55	9.60	*-0.5%*	24.10	24.10	*0.0%*	14.60	14.59	*0.1%*
Magazines (4-color page)									
Celeb./Entertainment	10.38	10.56	*-1.7%*	35.40	28.48	*24.3%*	17.60	18.41	*-4.4%*
Mass Dual Audience	NA	6.34		NA	23.11	*NA*	NA	12.45	*NA*
Travel	NA	11.62		NA	42.83	*NA*	NA	20.34	*NA*
Newspapers (1/3 page, B&W)									
100 Market Top Papers	13.05	12.50	*4.4%*	52.25	52.25	*0.0%*	24.15	23.38	*3.3%*
Out-of-Home (30-Sheet Poster)									
Top 50 Markets	3.75	3.75	*0.0%*	9.75	10.99	*-11.3%*	5.87	5.93	*-1.0%*
Digital									
Network Display Ads	3.50			10.45			6.45		
Premium Display Ads	11.75			26.70			17.60		
Untargeted Video	25.75			56.00			35.75		
Targeted Video	36.90			99.70			55.10		
Mobile Average	3.95			10.10			7.20		
Mobile Premium	12.10			30.25			22.20		
Tablet Average	5.10			13.45			9.10		
Out-Of-Home	12.15			26.25			17.85		

Source: Media Dynamics and J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

21st Century Fox *(Overweight; Price Target: $33.00)*

Investment Thesis

Premium valuation likely still warranted given asset mix, although not quite as pronounced in light of more moderate growth in the current fiscal year under the updated guidance. RSN/skinny bundle concerns will also prevail, although we are not convinced this is a real near-term threat given the ongoing growing value of sports.

Valuation

We are maintaining our $33 price target based on a target valuation of ~14.5x our CY2017 EPS estimate of $2.30. Our multiple reflects the recent re-rating in the Media sector but is still a premium to FOXA's current forward valuation, reflecting our expectation that investor sentiment for the name will improve as the company delivers on expectations. On a sum-of-the-parts basis, we value the shares at $38. We continue to see FOXA in a strong content position with a relatively stronger asset mix than many peers, though we acknowledge it has become a bit of a "show me" story as after several negative estimate revisions, investors may wait to see some execution before jumping in.

Risks to Rating and Price Target

- **Investment spending may come in higher than anticipated.** With the cost of sports programming continuing to rise and increasing competition among cable and broadcast networks, it is possible that investment spending could come in higher than expected. The company continues to invest in new channel launches and development (primarily FS1 and FXX). If future investment in content is higher than we anticipate, results could fall short of our estimates.
- **Soft ratings trends at FOX could continue.** While we expect some improvement in ratings given the second season of hit *Empire* (which returned last week to a very strong premiere of 16m viewers) and increased investment spending on programming at FOX, ratings are unpredictable. Soft viewership trends could continue at the network, which would weigh on advertising revenues and could necessitate additional investment spending.
- **Sizable acquisitions outside the core business may not be well received.** The company has a history of being acquisitive, and we believe sizable acquisitions not related to the core business may be viewed negatively by investors. Management has stated that it has a preference of build vs buy and will be very disciplined on acquisitions, somewhat mitigating this risk, in our view.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Figure 20: FOXA Income Statement

Fiscal	1Q15	2Q15	3Q15	4Q15	1Q16E	2Q16E	3Q16E	4Q16E	2014	2015	2016E	2017E
Calendar	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**	**Mar-16**	**Jun-16**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Revenue												
Cable Network Programming	3,231	3,384	3,590	3,568	3,601	3,720	3,887	3,967	12,273	13,773	15,175	16,479
% change	15.0%	14.2%	13.9%	6.6%	11.5%	9.9%	8.3%	11.2%	12.8%	12.2%	10.2%	8.6%
Television	1,048	1,623	1,237	987	1,025	1,610	1,275	1,029	5,296	4,895	4,938	5,102
% change	0.0%	-0.4%	-22.1%	-4.3%	-2.2%	-0.8%	3.0%	4.2%	9.0%	-7.6%	0.9%	3.3%
Filmed Entertainment	2,476	2,753	2,389	1,907	2,377	2,808	2,437	2,021	9,679	9,525	9,643	10,046
% change	16.8%	11.1%	4.8%	-32.0%	-4.0%	2.0%	2.0%	6.0%	12.0%	-1.6%	1.2%	4.2%
Other	(317)	(336)	(376)	(257)	(238)	(277)	(376)	(257)	(1,411)	(1,286)	(1,148)	(1,148)
% change	3.3%	-20.9%	14.3%	-26.6%	-25.0%	-17.5%	0.0%	0.0%	23.0%	-8.9%	-10.7%	0.0%
Total Revenue	7,887	8,087	6,840	6,205	6,765	7,861	7,222	6,760	31,867	29,019	28,609	30,480
% change	11.7%	-0.9%	-16.8%	-26.3%	-14.2%	-2.8%	5.6%	8.9%	15.1%	-8.9%	-1.4%	6.5%
Total Revenue ex DBS	**6,438**	**7,424**	**6,840**	**6,205**	**6,765**	**7,861**	**7,222**	**6,760**	**25,837**	**26,907**	**28,609**	**30,480**
% change	13.5%	11.7%	1.2%	-9.2%	5.1%	5.9%	5.6%	8.9%	-6.6%	4.1%	6.3%	6.5%
EBITDA												
Cable Network Programming	1,038	1,159	1,233	1,218	1,242	1,270	1,364	1,404	4,407	4,648	5,280	5,836
% change	4.7%	11.7%	4.8%	1.3%	19.7%	9.6%	10.6%	15.3%	5.5%	5.5%	13.6%	10.5%
Television	174	290	141	113	151	237	124	172	882	718	684	728
% change	-24.7%	33.0%	-51.0%	-22.1%	-13.3%	-18.2%	-12.2%	52.3%	3.2%	-18.6%	-4.7%	6.4%
Filmed Entertainment	458	336	382	269	359	319	370	187	1,358	1,445	1,234	1,447
% change	39.6%	-0.3%	7.9%	-20.6%	-21.6%	-5.2%	-3.3%	-30.5%	3.8%	6.4%	-14.6%	17.2%
Other	(98)	(90)	(79)	(56)	(105)	(97)	(87)	(65)	(356)	(323)	(354)	(361)
% change	-19.7%	13.9%	-11.2%	-15.2%	7.5%	7.5%	10.0%	16.0%	-25.2%	-9.3%	9.6%	2.0%
Total EBITDA	1,779	1,722	1,677	1,544	1,647	1,729	1,770	1,698	6,715	6,722	6,844	7,649
% change	10.0%	11.5%	-6.2%	-12.6%	-7.4%	0.4%	5.6%	10.0%	7.3%	0.1%	1.8%	11.8%
EBITDA Margin	22.6%	21.3%	24.5%	24.9%	24.3%	22.0%	24.5%	25.1%	21.1%	23.2%	23.9%	25.1%
Total EBITDA ex DBS	**1,572**	**1,695**	**1,677**	**1,544**	**1,647**	**1,729**	**1,770**	**1,698**	**6,291**	**6,488**	**6,844**	**7,649**
% change	10.1%	12.0%	-3.0%	-4.7%	4.8%	2.0%	5.6%	10.0%	4.8%	3.1%	5.5%	11.8%
EBITDA Margin ex DBS	24.4%	22.8%	24.5%	24.9%	24.3%	22.0%	24.5%	0.0%	24.3%	24.1%	23.9%	25.1%
Depreciation and Amortization	299	222	141	154	167	155	141	156	1,227	814	619	628
% change	-10.7%	-20.1%	-51.0%	-52.7%	-44.1%	-30.2%	0.1%	1.3%	38.4%	-33.6%	-23.9%	1.3%
Operating Income	**1,480**	**1,500**	**1,536**	**1,390**	**1,479**	**1,574**	**1,629**	**1,542**	**5,488**	**5,908**	**6,225**	**7,022**
% change	15.4%	18.5%	2.5%	-3.5%	0.0%	5.0%	6.1%	10.9%	23.6%	21.8%	15.7%	30.6%
% of total revenue	18.8%	18.5%	22.5%	22.4%	21.9%	20.0%	22.6%	22.8%	17.2%	20.4%	21.8%	23.0%
Other Operating Charges	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense, net	(291)	(301)	(284)	(283)					(1,095)	(1,159)	(1,226)	(1,257)
Equity Earnings of Affiliates	379	250	170	(55)	90	90	90	90	622	744	360	562
Other	35	5,040	(67)	(812)	-	-	-	-	174	4,196	-	-
Income b/f Tax and Minority Interest	**1,603**	**6,489**	**1,355**	**240**	**1,263**	**1,358**	**1,414**	**1,325**	**5,189**	**9,689**	**5,359**	**6,326**
Income Taxes	(503)	(439)	(409)	(93)	(404)	(434)	(452)	(424)	(1,272)	(1,444)	(1,715)	(2,088)
Effective Tax Rate	31.4%	6.8%	30.2%	38.8%	32.0%	32.0%	32.0%	32.0%	24.5%	14.9%	32.0%	33.0%
Minority Interest, Net of Tax	(56)	(77)	(67)	(31)	(66)	(91)	(79)	(37)	(132)	(231)	(273)	(294)
Net Income from Cont. Ops	**1,044**	**5,973**	**879**	**116**	**792**	**832**	**882**	**864**	**3,785**	**8,014**	**3,371**	**3,944**
Impairment and restructuring charges	-	-	-	-	-	-	-	-	-	-	-	-
Equity affiliate adjustments	(172)	(93)	-	85	-	-	-	-	(59)	(180)	-	-
Other	(24)	(4,998)	-	599	-	-	-	-	(165)	(4,423)	-	-
Adj. Net Income from Continuing Ops	**848**	**882**	**879**	**800**	**792**	**832**	**882**	**864**	**3,561**	**3,411**	**3,371**	**3,944**
% change	10.3%	16.7%	-17.9%	-17.2%	-6.5%	-5.6%	0.4%	8.1%	12.0%	-4.2%	-1.2%	17.0%
Adj. EPS from Continuing Operations	**$ 0.39**	**$ 0.41**	**$ 0.42**	**$ 0.39**	**$ 0.39**	**$ 0.42**	**$ 0.46**	**$ 0.45**	**$ 1.57**	**$ 1.60**	**$ 1.72**	**$ 2.17**
% change	16.0%	23.8%	-12.3%	-10.5%	1.5%	3.1%	9.6%	16.7%	15.5%	2.0%	7.5%	26.1%
Total Diluted Shares	2,195	2,152	2,113	2,060	2,020	1,969	1,935	1,907	2,269	2,130	1,958	1,816

Note: DBS is excluded from

Source: Company reports and J.P. Morgan estimates.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Figure 21: Cable Networks

Fiscal	1Q15	2Q15	3Q15	4Q15	1Q16E	2Q16E	3Q16E	4Q16E	2014	2015	2016E	2017E
Calendar	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**	**Mar-16**	**Jun-16**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Cable Networks Revenue	3,231	3,384	3,590	3,568	3,601	3,720	3,887	3,967	12,273	13,773	15,175	16,479
% change	*15.0%*	*14.2%*	*13.9%*	*6.6%*	*11.5%*	*9.9%*	*8.3%*	*11.2%*	*12.8%*	*12.2%*	*10.2%*	*8.6%*
Affiliate Revenue	2,193	2,334	2,438	2,443	2,459	2,570	2,670	2,711	8,281	9,408	10,409	11,394
% change	*15.7%*	*16.0%*	*15.4%*	*8.0%*	*12.1%*	*10.1%*	*9.5%*	*11.0%*	*14.9%*	*13.6%*	*10.6%*	*9.5%*
% of total revenue	*67.9%*	*69.0%*	*67.9%*	*68.5%*	*68.3%*	*69.1%*	*68.7%*	*68.3%*	*67.5%*	*68.3%*	*68.6%*	*69.1%*
Domestic Affiliate revenue	1,584	1,713	1,833	1,861	1,765	1,893	2,016	2,068	5,958	6,991	7,742	8,434
% change	*18.7%*	*19.4%*	*20.5%*	*11.6%*	*11.4%*	*10.5%*	*10.0%*	*11.1%*	*14.0%*	*17.3%*	*10.7%*	*8.9%*
% of affiliate revenue	*72.2%*	*73.4%*	*75.2%*	*76.2%*	*71.8%*	*73.7%*	*75.5%*	*76.3%*	*72.0%*	*74.3%*	*74.4%*	*74.0%*
International Affiliate revenue	609	621	606	581	694	677	654	643	2,322	2,416	2,667	2,960
% change	*8.6%*	*7.6%*	*2.3%*	*-2.0%*	*14.0%*	*9.0%*	*8.0%*	*10.6%*	*17.2%*	*4.0%*	*10.4%*	*11.0%*
% of affiliate revenue	*27.8%*	*26.6%*	*24.8%*	*23.8%*	*28.2%*	*26.3%*	*24.5%*	*23.7%*	*28.0%*	*25.7%*	*25.6%*	*26.0%*
Advertising Revenue	852	863	940	940	926	939	993	1,046	3,316	3,594	3,905	4,168
% change	*11.7%*	*8.8%*	*9.7%*	*3.9%*	*8.7%*	*8.9%*	*5.7%*	*11.3%*	*8.6%*	*8.4%*	*8.7%*	*6.7%*
% of total revenue	*26.4%*	*25.5%*	*26.2%*	*26.3%*	*25.7%*	*25.3%*	*25.6%*	*26.4%*	*27.0%*	*26.1%*	*25.7%*	*25.3%*
Domestic Advertising revenue	496	523	516	547	516	545	537	583	1,995	2,082	2,181	2,270
% change	*10.5%*	*11.2%*	*0.0%*	*-2.2%*	*4.0%*	*4.3%*	*4.0%*	*6.5%*	*8.4%*	*4.4%*	*4.7%*	*4.1%*
% of advertising revenue	*58.2%*	*60.6%*	*54.9%*	*58.2%*	*55.7%*	*58.0%*	*54.1%*	*55.7%*	*60.1%*	*57.9%*	*55.8%*	*54.5%*
International Advertising revenue	356	340	423	393	410	394	456	464	1,321	1,512	1,725	1,898
% change	*13.5%*	*5.4%*	*24.5%*	*13.8%*	*15.3%*	*16.0%*	*7.8%*	*18.0%*	*9.0%*	*14.4%*	*14.1%*	*10.0%*
% of advertising revenue	*41.8%*	*39.4%*	*45.1%*	*41.8%*	*44.3%*	*42.0%*	*45.9%*	*44.3%*	*39.9%*	*42.1%*	*44.2%*	*45.5%*
Content and Other Revenue	186	187	212	186	217	210	224	210	676	771	861	917
% change	*22.2%*	*17.1%*	*16.3%*	*2.3%*	*16.4%*	*12.5%*	*5.4%*	*13.0%*	*8.8%*	*14.1%*	*11.6%*	*6.5%*
% of total revenue	*5.8%*	*5.5%*	*5.9%*	*5.2%*	*6.0%*	*5.7%*	*5.8%*	*5.3%*	*5.5%*	*5.6%*	*5.7%*	*5.6%*
Domestic Content and Other revenue	93	88	107	88	107	100	116	100	318	376	423	449
% change	*30.5%*	*19.5%*	*20.0%*	*5.0%*	*15.7%*	*13.1%*	*8.8%*	*13.5%*	*8.0%*	*18.3%*	*12.6%*	*6.0%*
% of content and other revenue	*49.8%*	*47.2%*	*50.4%*	*47.4%*	*49.6%*	*47.4%*	*52.0%*	*47.7%*	*47.0%*	*48.8%*	*49.2%*	*49.0%*
International Content and Other revenue	93	99	105	98	109	111	108	110	358	395	437	468
% change	*15.0%*	*15.0%*	*12.8%*	*0.0%*	*17.0%*	*12.0%*	*2.0%*	*12.5%*	*9.5%*	*10.3%*	*10.6%*	*7.0%*
% of content and other revenue	*50.2%*	*52.8%*	*49.6%*	*52.6%*	*50.4%*	*52.6%*	*48.0%*	*52.3%*	*53.0%*	*51.2%*	*50.8%*	*51.0%*
Operating expenses	2,216	2,246	2,372	2,369	2,382	2,471	2,538	2,582	7,950	9,203	9,973	10,721
% change	*20.4%*	*15.5%*	*18.8%*	*9.3%*	*7.5%*	*10.0%*	*7.0%*	*9.0%*	*17.0%*	*15.8%*	*8.4%*	*7.5%*
EBITDA	**1,038**	**1,159**	**1,233**	**1,218**	**1,242**	**1,270**	**1,364**	**1,404**	**4,407**	**4,648**	**5,280**	**5,836**
% change	*4.7%*	*11.7%*	*4.8%*	*1.3%*	*19.7%*	*9.6%*	*10.6%*	*15.3%*	*5.5%*	*5.5%*	*13.6%*	*10.5%*
% of revenue	*32.1%*	*34.2%*	*34.3%*	*34.1%*	*34.5%*	*34.1%*	*35.1%*	*35.4%*	*35.9%*	*33.7%*	*34.8%*	*35.4%*
Depreciation & amortization	80	69	70	75	81	70	71	76	232	294	298	303
% change	*60.0%*	*40.8%*	*20.7%*	*0.0%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*17.8%*	*26.7%*	*1.5%*	*1.5%*
Amortization of Cable distribution investments	23	21	15	19	23	21	15	19	84	78	78	78
% change	*4.5%*	*16.7%*	*-28.6%*	*-16.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*-6.0%*	*-6.8%*	*0.0%*	*0.0%*
Operating income	935	1,069	1,148	1,124	1,138	1,179	1,278	1,309	4,091	4,276	4,904	5,455
% change	*1.7%*	*10.1%*	*4.6%*	*1.8%*	*21.7%*	*10.3%*	*11.3%*	*16.4%*	*5.1%*	*4.5%*	*14.7%*	*11.2%*
% of revenue	*28.9%*	*31.6%*	*32.0%*	*31.5%*	*31.6%*	*31.7%*	*32.9%*	*33.0%*	*33.3%*	*31.0%*	*32.3%*	*33.1%*

Source: Company reports and J.P. Morgan estimates.

Figure 22: FOXA Television ($ in millions)

Fiscal	1Q15	2Q15	3Q15	4Q15	1Q16E	2Q16E	3Q16E	4Q16E	2014	2015	2016E	2017E
Calendar	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**	**Mar-16**	**Jun-16**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Revenue	1,048	1,623	1,237	987	1,025	1,610	1,275	1,029	5,296	4,895	4,938	5,102
% change	*0.0%*	*-0.4%*	*-22.1%*	*-4.3%*	*-2.2%*	*-0.8%*	*3.0%*	*4.2%*	*9.0%*	*-7.6%*	*0.9%*	*3.3%*
Operating expenses	874	1,333	1,096	874	874	1,373	1,151	857	4,414	4,177	4,254	4,375
% change	*7.0%*	*-5.6%*	*-15.6%*	*-1.4%*	*0.0%*	*3.0%*	*5.0%*	*-2.0%*	*10.2%*	*-5.4%*	*1.9%*	*2.8%*
EBITDA	**174**	**290**	**141**	**113**	**151**	**237**	**124**	**172**	**882**	**718**	**684**	**728**
% change	*-24.7%*	*33.0%*	*-51.0%*	*-22.1%*	*-13.3%*	*-18.2%*	*-12.2%*	*52.3%*	*3.2%*	*-18.6%*	*-4.7%*	*6.4%*
% of revenue	*16.6%*	*17.9%*	*11.4%*	*11.4%*	*14.7%*	*14.7%*	*9.7%*	*16.7%*	*16.7%*	*14.7%*	*13.9%*	*14.3%*
Depreciation & amortization	26	29	29	31	26	26	29	31	105	115	113	115
% change	*8.3%*	*16.0%*	*-3.3%*	*19.2%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*12.9%*	*9.5%*	*-1.8%*	*1.8%*
Operating income	148	261	112	82	125	211	94	141	777	603	571	613
% change	*-28.5%*	*35.2%*	*-56.6%*	*-31.1%*	*-15.6%*	*-19.0%*	*-15.8%*	*71.5%*	*2.0%*	*-22.4%*	*-5.3%*	*7.2%*
% of revenue	*14.1%*	*16.1%*	*9.1%*	*8.3%*	*12.2%*	*13.1%*	*7.4%*	*13.7%*	*14.7%*	*12.3%*	*11.6%*	*12.0%*

Source: Company reports and J.P. Morgan estimates.

Figure 23: FOXA Filmed Entertainment ($ in millions)

Fiscal	1Q15	2Q15	3Q15	4Q15	1Q16E	2Q16E	3Q16E	4Q16E	2014	2015E	2016E	2017E
Calendar	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**	**Sep-15**	**Dec-15**	**Mar-16**	**Jun-16**	**Jun-14**	**Jun-15**	**Jun-16**	**Jun-17**
Revenue	2,476	2,753	2,389	1,907	2,377	2,808	2,437	2,021	9,679	9,525	9,643	10,046
% change	*16.8%*	*11.1%*	*4.8%*	*-32.0%*	*-4.0%*	*2.0%*	*2.0%*	*6.0%*	*12.0%*	*-1.6%*	*1.2%*	*4.2%*
Operating expenses	2,018	2,417	2,007	1,638	2,018	2,490	2,067	1,835	8,321	8,080	8,409	8,599
% change	*12.6%*	*12.9%*	*4.3%*	*-33.5%*	*0.0%*	*3.0%*	*3.0%*	*12.0%*	*13.5%*	*-2.9%*	*4.1%*	*2.3%*
EBITDA	**458**	**336**	**382**	**269**	**359**	**319**	**370**	**187**	**1,358**	**1,445**	**1,234**	**1,447**
% change	*39.6%*	*-0.3%*	*7.9%*	*-20.6%*	*-21.6%*	*-5.2%*	*-3.3%*	*-30.5%*	*3.8%*	*6.4%*	*-14.6%*	*17.2%*
% of revenue	*18.5%*	*12.2%*	*16.0%*	*14.1%*	*15.1%*	*11.3%*	*15.2%*	*9.2%*	*14.0%*	*15.2%*	*12.8%*	*14.4%*
Depreciation & amortization	33	30	21	23	33	34	22	23	133	107	112	114
% change	*3.1%*	*-9.1%*	*-36.4%*	*-34.3%*	*1.5%*	*1.5%*	*3.0%*	*2.0%*	*0.8%*	*-19.5%*	*4.8%*	*1.5%*
Operating income	425	306	361	246	326	285	348	163	1,225	1,338	1,122	1,333
% change	*43.6%*	*0.7%*	*12.5%*	*-19.1%*	*-23.3%*	*-7.0%*	*-3.6%*	*-33.6%*	*4.2%*	*9.2%*	*-16.2%*	*18.8%*
% of revenue	*17.2%*	*11.1%*	*15.1%*	*12.9%*	*13.7%*	*10.1%*	*14.3%*	*8.1%*	*12.7%*	*14.0%*	*11.6%*	*13.3%*

Source: Company reports and J.P. Morgan estimates.

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

Figure 24: FOXA Sum-of-the-Parts Analysis

$ in millions

21st Century Fox ($ in millions)	CY 2016 Revenue	EBITDA	EBITDA Margin (%)	EBITDA Multiple	Enterprise Value
Cable Networks	15,858	5,625	35.5%	11.0x	61,870
Television	5,102	776	15.2%	7.5x	5,822
Filmed Entertainment	9,898	1,374	13.9%	9.0x	12,365
Other	(1,148)	(358)	NA	10.0x	(3,580)
Total	**29,711**	**7,417**	**25.0%**	**10.3x**	**76,476**
(-) Net Debt					(10,611)
(-) Underfunded pension status					(410)
Equity Value					**65,455**
Publicly-Traded Investments:					**Equity Value**
Sky (39%)					10,373
Other Equity Investments					
Hulu (33%)					2,508
Shine-Endemol (50%)					1,000
Tata Sky (30%)					488
Vice Holdings (5%)					125
Roku (~5%)					50
Total Equity Investments					14,544
Less: Minority Interests					
YES Network (80% owned)					(600)
NatGeo Partners - (73% owned)					(1,011)
Big 10 Network (51% owned)					(397)
Eredivisie Media & Marketing (51% owned)					(214)
Total Minority Interests					(2,222)
Total Adjusted Equity Value					**77,777**
Total Shares Outstanding					2,060
Equity Value Per Share					**$38**

Source: Company reports and J.P. Morgan estimates.

Figure 25: Comparable Companies

$ in millions

Company	JPM Rating	Ticker	Price 9/29/15	Market Cap. ($mm)	Net Debt	EBITDA 15E	EBITDA 16E	EPS 15E	EPS 16E	EPS 17E	EV/EBITDA 13E	EV/EBITDA 14E	EV/EBITDA 15E	EV/EBITDA 16E	P/E 15E	P/E 16E	P/FCF 15E	P/FCF 16E	FCF Yield 15E	Dividend yield
Media																				
21ST CENTURY FOX	OW	FOXA	$25.80	$53,148.0	$10,611.0	$6,597.2	$7,416.6	$1.62	$2.01	$2.34	8.7x	9.6x	8.1x	7.2x	15.9x	12.9x	15.1x	11.7x	6.6%	1.2%
AMC NETWORKS	N	AMCX	70.33	5,143.1	2,511.5	775.7	822.5	4.85	5.34	5.92	17.1	12.4	9.9	9.3	14.5	13.2	15.1	13.3	6.6%	NA
CBS	OW	CBS	38.97	19,290.2	7,780.0	3,143.9	3,458.4	3.30	4.00	4.40	8.1	8.3	8.6	7.8	11.8	9.8	11.7	8.8	8.5%	1.5%
DISCOVERY COMMS	N	DISCA	26.40	17,292.0	6,973.0	2,442.7	2,590.2	1.66	1.92	2.25	10.1	9.8	9.9	9.4	15.9	13.7	14.1	13.0	7.1%	NA
DISNEY	OW	DIS	99.42	170,107.6	10,798.0	16,269.3	17,283.0	5.10	5.55	6.27	15.5	12.9	11.5	10.8	19.5	17.9	27.1	24.4	3.7%	0.7%
LIONSGATE	OW	LGF	35.83	5,643.2	428.5	387.2	494.8	1.53	2.11	2.60	16.4	16.0	15.7	12.3	23.5	17.0	23.9	14.9	4.2%	1.0%
SCRIPPS NETWORKS INT.	N	SNI	48.14	6,251.8	2,299.8	1,248.4	1,385.0	4.57	5.17	5.59	9.3	8.9	8.1	7.2	10.5	9.3	9.7	7.6	10.3%	1.9%
TIME WARNER	OW	TWX	66.60	55,697.6	20,672.0	7,950.9	8,943.4	4.69	5.62	6.72	11.0	11.5	9.6	8.5	14.2	11.9	15.9	13.0	6.3%	2.1%
VIACOM	OW	VIAB	42.83	17,183.4	13,062.0	3,377.1	4,388.6	5.50	6.20	7.37	7.4	7.0	9.0	6.9	7.8	6.9	6.7	6.4	14.9%	3.7%
									Average:		11.5x	10.7x	10.0x	8.8x	14.9x	12.5x	15.5	12.6	7.6%	1.7%
S&P 500 Index			$ 1,884.09					$ 120.00	$ 133.00						15.7x	14.2x				

Note: DIS and SNI EV/EBITDA multiples are adjusted to remove minority cable interests

FOXA EV/EBITDA multiples are adjusted to remove 39% equity interest in Sky.

DIS and VIAB 2015E estimates represent F2015E ended September 30, 2015

LGF 2015E estimates represent F2016E ended March 31, 2016

FOXA estimates are calendarized.

Source: Company reports and J.P. Morgan estimates

21st Century Fox: Summary of Financials

Income Statement - Annual	FY15A	FY16E	FY17E	FY18E
Revenues	29,019	28,609	30,480	-
Operating income	5,908	6,225	7,022	-
D&A	(814)	(619)	(628)	-
EBITDA	6,722	6,844	7,649	-
Net interest income / (expense)	(1,159)	(1,226)	(1,257)	-
Other income / (expense)	0	0	0	-
Pretax income	9,689	5,359	6,326	-
Income taxes	(1,444)	(1,715)	(2,088)	-
Net income	3,411	3,371	3,944	-
Weighted average diluted shares	2,130	1,958	1,816	-
Diluted EPS	1.60	1.72	2.17	-

Income Statement - Quarterly	1Q16E	2Q16E	3Q16E	4Q16E
Revenues	6,765	7,861	7,222	6,760
Operating income	1,479	1,574	1,629	1,542
D&A	(167)	(155)	(141)	(156)
EBITDA	1,647	1,729	1,770	1,698
Net interest income / (expense)	(307)	(307)	(306)	(307)
Other income / (expense)	0	0	0	0
Pretax income	1,263	1,358	1,414	1,325
Income taxes	(404)	(434)	(452)	(424)
Net income	792	832	882	864
Weighted average diluted shares	2,020	1,969	1,935	1,907
Diluted EPS	0.39	0.42	0.46	0.45

Balance Sheet and Cash Flow Data	FY15A	FY16E	FY17E	FY18E
Cash and cash equivalents	8,428	7,557	7,736	-
Accounts receivable	5,912	5,408	5,700	-
Other current assets	287	541	570	-
Current assets	17,376	15,994	16,998	-
PP&E	1,722	2,345	2,142	-
Total assets	50,051	49,389	50,136	-
Total debt	19,039	17,796	19,888	-
Total liabilities	31,244	30,129	32,558	-
Shareholders' equity	18,186	18,639	16,957	-
Net income (including charges)	8,537	3,371	3,944	-
D&A	736	541	550	-
Change in working capital	(1,309)	(191)	(587)	-
Other	(4,427)	52	153	-
Cash flow from operations	3,617	3,852	4,138	-
Capex	(424)	(425)	(425)	-
Free cash flow	4,179	4,261	4,555	-
Cash flow from investing activities	6,736	(425)	(425)	-
Cash flow from financing activities	(7,102)	(4,298)	(3,534)	-
Dividends	-	-	-	-
Dividend Yield	-	-	-	-

Ratio Analysis	FY15A	FY16E	FY17E	FY18E
Sales growth	(8.9%)	(1.4%)	6.5%	-
EBITDA growth	0.1%	1.8%	11.8%	-
EPS growth	2.0%	7.5%	26.1%	-
EBITDA margin	23.2%	23.9%	25.1%	-
Net margin	11.8%	11.8%	12.9%	-
Debt / EBITDA	2.8	2.6	2.6	-
Return on assets (ROA)	6.5%	6.8%	7.9%	-
Return on equity (ROE)	17.5%	18.3%	22.2%	-
EV/EBITDA	9.8	8.9	7.7	-
Enterprise value / Free cash flow	15.8	14.3	13.0	-
P/E	16.1	15.0	11.9	-

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Jun

Alexia S. Quadrani
(1-212) 622-1896
alexia.quadrani@jpmorgan.com

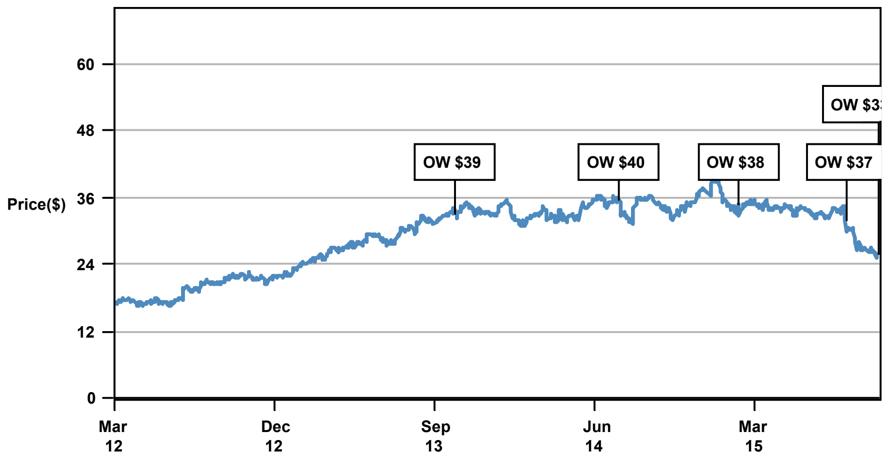
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of 21st Century Fox.
- **Lead or Co-manager:** J.P. Morgan acted as lead or co-manager in a public offering of equity and/or debt securities for 21st Century Fox within the past 12 months.
- **Director:** An employee, executive officer or director of JPMorgan Chase & Co. and/or J.P. Morgan is a director and/or officer of 21st Century Fox.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: 21st Century Fox.
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: 21st Century Fox.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: 21st Century Fox.
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: 21st Century Fox.
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking 21st Century Fox.
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from 21st Century Fox.
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from 21st Century Fox.

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

21st Century Fox (FOXA, FOXA US) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
04-Oct-13	OW	33.15	39.00
11-Jul-14	OW	35.64	40.00
04-Feb-15	OW	34.66	38.00
05-Aug-15	OW	31.92	37.00
30-Sep-15	OW	25.80	33.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 04, 2013.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Quadrani, Alexia S: 21st Century Fox (FOXA), AMC Networks (AMCX), CBS Corporation (CBS), Cinemark (CNK), Discovery Communications (DISCA), Disney (DIS), Gannett Company (GCI), IMAX (IMAX), Interpublic Group of Companies (IPG), Lamar Advertising Co. (LAMR), Lionsgate Entertainment (LGF), Madison Square Garden (MSG), National CineMedia, Inc. (NCMI), New York Times Company (NYT), News Corp (NWSA), Omnicom Group (OMC), Outfront Media Inc (OUT), Regal Entertainment (RGC), Scripps Networks Interactive (SNI), SeaWorld Entertainment (SEAS), Sinclair Broadcast Group (SBGI), TEGNA (TGNA), Time Warner (TWX), Viacom (VIAB)

J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	44%	43%	13%
IB clients*	51%	48%	38%
JPMS Equity Research Coverage	45%	47%	9%
IB clients*	71%	66%	57%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K**.: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: This material is issued and distributed in Korea by or through J.P. Morgan Securities (Far East) Limited, Seoul Branch, which is a member of the Korea Exchange(KRX) and is regulated by the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be

engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Limited, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised July 14, 2015.

Copyright 2015 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.