

MIPCOM-OCTOBER 2017

**MIPCOM PERSONALITY OF THE
YEAR KEYNOTE:
DAVID ZASLAV,
PRESIDENT & CEO,
DISCOVERY COMMUNICATIONS**

Fast – Accurate – Affordable



UK: 0800 085 4418

US: 855 958 2531

www.take1.tv

mipcom®

Paul Zilk

Good afternoon, ladies and gentlemen. Welcome to this Media Mastermind Keynote conversation where we have not one but two entertainment industry executives who are very inspirational about to take the stage. Today we're excited to have the opportunity to listen to a man who has taken a great company and he's made it even greater, transforming Discovery into the global leader in real life entertainment. He's also our MIPCOM 2017 Personality of the Year award winner. He is Discovery Communications' President and CEO, David Zaslav. Under David's leadership since 2007, Discovery has significantly grown its international footprint which now covers more than 220 countries.

Discovery has launched some of the fastest growing cable networks in the United States and fast-tracked its online business and the company is investing in original content including short-form content. In a ground-breaking deal, Discovery is the first TV company to acquire all European rights to the winter and summer Olympic games from 2018 through 2024. The gentleman who will chat with David is himself a former MIPCOM Personality of the Year winner from 2010. He is the Chief Executive Officer of Lionsgate, Jon Feltheimer. Since Jon Feltheimer became CEO in 2000 his leadership has driven Lionsgate to adapt into a major next generation global content leader that has brought us such iconic television series as Mad Men. Ladies and gentlemen, please join me in welcoming Discovery's David Zaslav and Lionsgate's Jon Feltheimer.

Jon Feltheimer

Thank you. Thank you all very much. It's great to be here and before we start I want to acknowledge the power behind the throne. Pam Zaslav is here with us today and...

David Zaslav

[LAUGHS]. Because I'm the Personality of the Year.

Jon Feltheimer

Behind every great man. If you could stand up, Pam, to be acknowledged that would be great. So it's a privilege to be here to interview somebody who's in my opinion one of the finest media executives in the business and David is personally very important to me because we're a big supplier. Our Pilgrim company is one of their largest non-fiction suppliers and we do their home

video distribution. In addition, David is one of the most important influential members of our board. David, if you think that means I'm going to take it easy on you today, you're badly mistaken.

David Zaslav

He wouldn't give me one question on all seven hours of our flight over yesterday.

Jon Feltheimer

My first question is, you're getting the Personality of the Year award tonight, would you say you need to have a good personality to get that award?

David Zaslav

[LAUGHS]. Well, I'm old enough that when I graduated from high school, they used to have something called Superlatives and one of the Superlatives was Best Personality. I was not on the list or in contention for that. But I do think I could use it. So next time Pam is mad at me I can remind her, I was Personality of the Year.

Jon Feltheimer

So let me jump in. On the plane we were talking about the good old days and it occurred to me that when we first started coming to MIPCOM there was no Facebook, Amazon, Snapchat, Netflix and, even in the 11 years that you've been running Discovery, I think the pace of change has gone even faster and the transformation that you've made for Discovery, taking it public, the Oprah deal, obviously Scripps now, you've clearly chosen to be a disruptor instead of being disrupted and I'm curious if you could tell everybody what are the kind of core elements when you're thinking about that transformation, your strategy going forward?

David Zaslav

Well, it really has changed. When I got to Discovery 11 years ago, it was dual revenue stream cable and free to air. The only way to consume content was the TV set in the room or in the living room and, so, all of us together were curating and creating stories to go on that TV set. It was a hell of a run because it was an environment where, if you were the second or third or fourth choice, you actually did quite well. We're still in that environment despite all the disruption. This business is still quite robust. People are still primarily consuming content on TV and subscribers

are growing in many of the markets around the world. But the business has changed and now we start to ask the question, what will people watch when they'll watch anything and what IP do we own for the long term. So one of the most important elements for us is owning content. We have the Olympics through 2024. We own almost all of our content on all of our channels. Scripps does. So when we think about ourselves, we used to think about ourselves as content and shows that we put on channels. We now start to think about ourselves as, do we own the IP, do we own it globally, can we put it on all platforms? Then we need to debate, all of us together, how do we create the right content for each platform so that we can continue to thrive.

Jon Feltheimer

Exactly.

David Zaslav

Because we're all under disruption.

Jon Feltheimer

I think, David, you have a corporate video that lays out some of the things that you're doing. I don't know if you want to show it right now.

David Zaslav

Sure. I mean, we started out as primarily a non-fiction media company 11 years ago with Discovery as probably the number one channel for men in almost every country in the world. We have felt, over the last few years, particularly with great urgency over the last four or five years, that we need to branch out from just non-fiction. We need to be strong in men, in women, in sport, in kids and we need to own more IP. Today we're the number one international pay TV company and it's really driven by the fact that we have a lot of content and we've acquired a lot of great content from you so let's take a look at what we look like today.

Jon Feltheimer

So enough of the softball questions. When I was in New York this past week I was in my hotel room and I turned on the television, started with channel two and there was a commercial so I went to four and then five and then seven and nine. I'm not making this up. There was a commercial on every single channel for seven straight channels. While it's pretty obvious I'm not

a millennial or a Gen Z, nor are you, it was pretty frustrating and I'm thinking in the world that we're in where, you know, younger people can get things on demand in almost every way, what's the future of ad-supported television?

David Zaslav

Well, so far the future remains pretty bright which is, I think, really important to our industry. The ability to drive an audience and, in our case, we tend to have channels that are about super fans, whether it's Discovery or Science or Eurosport and to be able to package a large audience together. We're competing now with Facebook. We're competing now with these digital platforms but we have a very safe platform on television and, as we take our content to other platforms, we have a good measurement system and we have real safety so at least for now, advertising in Europe, in Latin America, in the US remains quite strong. What we need to do is we need to step up our analytics. There's a real opportunity for us, if we can work with our distributors, to get even more data and more information about who's watching our programmes and the more local and the more data that we can get, the higher CPM we can get which gives us a chance. We've run some models that, if we can get better data, we could actually reduce the commercial load. Our commercial load tends to be lower than most because we agree with you. We think that you could really damage the viewer experience. It's been hurt behaviourally by people getting used to... it used to be if you wanted to watch commercial-free television it was HBO or Showtime or Stars.

Jon Feltheimer

Which you own.

David Zaslav

Today, with Netflix and Amazon, really we have been part of training a whole new generation and our generation to be less tolerant of commercials so we're going to have to deal with that and we'll probably have to figure something out.

Jon Feltheimer

Now you're going even further though. You're doubling down with an \$11.2 billion deal for Scripps and I think, some would say, does that make sense in a world of secular sectoral decline?

David Zaslav

So the Scripps deal we think is a great, great deal for us. Ken Lowe is here who created HGTV and runs Scripps and has been there for 35 years, a great entrepreneur. What he built is really aligned with our vision for the future. Our vision for the future is owning global IP and we own all of our content on all platforms. The only exception to that is Eurosport. There's 750,000,000 people in Europe and we own all of our sports content on all platforms but mostly just in Europe. So we're very IP long. Scripps owns all of its content. So whether it's cooking, HGTV, travel, they own all of that. A lot of that IP hasn't been taken around the world so we could move it on to our women's channels or launch channels around the world for very little money by using their extensive library. We also think we have this very unique opportunity. When we close on Scripps, we'll be the largest global media IP company in the world. The only other media company that has global IP is Disney. We now have this very unique moment where you have Facebook, Amazon, Apple and Google and we don't know exactly, they're starting to get into content but we know for sure that these are massive platforms. In the case of Facebook, it's two billion. Apple reaches everywhere in the world.

So if Apple wanted to do one deal and say I want to put together a package of family content and I want to make it available in 60 languages and make that same package available everywhere in the world, where could I go? We're the only place. So we believe, as these platforms get bigger,, that owning the content and being able to sell it up the value chain will bring us huge value so when we look at Scripps we see what everyone else sees which is a great company where we have a lot of synergy and together we'll have more than 20 percent of the viewing in the US when people turn a TV set on. More importantly we look at the ability to take that content. Randall Stephenson I was with last week, he has 100,000,000 mobile phone customers in the US. Those screens are screens where people will consume more and more content. Is there a recipe for us where we could open up our little store and say to Randall, here's what we have and we own all of it and we can sell any of it to you, long-form, short-form, any way you want, all these super fans for all of our products? So that is a big piece of our vision that, whether it's Facebook or Apple or Google or whether it's Vodafone here in Europe or Deutsche Telekom, those companies are effectively platforms or pipe companies. Not to be pejorative, but more and more you see that they need something to differentiate them.

Jon Feltheimer

Seems like part of the fit here is that the Scripps brands are a little bit more female and your brands are a little bit more male and you've certainly emphasised brands. You've changed some brands. You've built some new brands. How do you think about brands? Can you leverage the brands internationally? What's your strategy around branding?

David Zaslav

So they're certainly more female than we are. We have TLC which we've taken around the world. That's the number one female brand around the world. What they really have is what we see brands as is super fans. When I was at NBC with the cable group there we had a lot of broader channels like USA. As you look here across Europe or in the US, there are a lot of very broad cable networks. That's not our strategy. Our strategy is tight brands that have super fans because we think those super fans are going to be transportable. They'll be transportable to whatever device. If you love food, you're going to want to see it on whatever device you have. If you love cooking, we can create a cooking channel for you in the particular type of cooking that you want, whether it's Country or French or Italian.

So for us, we think aggregating super fans is critical and Scripps does that and we've been doing that very purposefully in the last five years. We used to really focus on getting the biggest audience. Now we want the Science Channel to be really for people that absolutely love Science. We wanted the Oprah Network to be for African American women. So the idea of being attractive to a specific group of people helps in this new world where curation is going to be the real problem for all of us. We have an existing platform that is being maligned in the press but it happens to work incredibly well. It's a basic cable package. You get 40, 60, 80 channels. It really is a package of curation. You could have five different tastes in your home and you wake up on any particular day and everybody in that house knows the six, eight or ten channels that they like and they're happy. Those 80 or 100 channels can nourish everyone in the home and your friends when they come over.

Jon Feltheimer

So you're talking about this trend towards skinny bundles and you've clearly been out there talking about this non-sports entertainment bundle. How close are you to making that happen?

David Zaslav

Well, really, we're talking about two things. One is that when people could watch anything, in the future will they say I want to have Discovery? Right here in Europe now we have a Eurosport player that we're selling direct to customers and we're starting to get some real traction. However, the thing that surprised us is we used to offer all sports for \$8 but what we found is that people would come in, we got a lot of people coming in and they would come in for the French Open and then they might leave.

We'd speak to them and say, "We've got Tour de France coming and we had World Championship Diving, why didn't you stay?" They would say, "We didn't stay because we love tennis." So we have been gravitating toward what we're calling a season's pass, almost like magazines. So if you love tennis, we'll give you all the tennis. If you love cycling, we'll give you all the cycling. That's kind of how we're aggregating our company. If you love food, we'll give you food in any language anywhere in the world. You love science, we'll give you science. We think that has the capability of people being able to pull it.

They'll pay for it or they'll download it on their device and we can sell it. Separately, right now outside of the basic package, here in Europe, it's quite effective and in Latin America because we're on almost every skinny bundle and we're on every larger bundle because we have ten or 12 channels that people like. In the US it's a little bit of an odd market because the US has retransmission consent so the broadcasters charge a lot of money and there's a lot of sports that's packaged in or forced in to the lowest level of cable. So cable in the US is about \$100. So you and I have been talking a lot about us at Discovery trying to break through that bundle and get a skinny bundle.

If you go to Mexico, 65% of the entry level cable is a skinny bundle at \$15. So we're trying to make that happen in the US and we're not alone. There are a lot of non-sports programmers that are feeling that the ecosystem is declining in the US because the price of entry is so expensive and the only package that you could get right now for less than \$30, \$40, \$50 is Netflix or Amazon and that's not good for our ecosystem. Everybody can have Netflix but they should also be able to get cable like they can here in France or all throughout Europe for a reasonable price.

Jon Feltheimer

Let's go back to sports. I think people were a little bit surprised when you bought Eurosport. It was a bit of a dusty brand and I think they were downright shocked when you got the Olympics and so you've become kind of a sports mogul now . How do you think about that going forward?

David Zaslav

So this goes to the philosophical change and we've seen it with many of you as we've gone to acquire content. When we start thinking about what do we want to own now, we don't just ask the question, would it work well at eight or nine o'clock on one of our channels. We started asking the question, would people watch this if they could watch anything but now we ask the question, what do we have that people would pay for before they pay for dinner? This also aligns with this idea of super fan products. So sport, if you love tennis, we have all the majors. If you love cycling, we have Tour de France.

If you love the Olympics, we have the Olympic sports and we have the Olympics. In certain markets we have football. We have some of the Bundesliga in Germany. So we have spent six to eight billion dollars on sports because we see Eurosport with three sports channels in every country as being a very good business for us and it has been over the last couple of years. We've been able to grow our sub fees using sport and we've been able to buy more sport and keep it profitable. Ultimately, we own all those sports rights for all devices and we think that we could build a very compelling sports Netflix. We have a Eurosport player here in Europe.

Jon Feltheimer

Let's talk about that. Let's talk about buying rights. Let's talk about Netflix. Let's talk about Amazon and the risk or threat that they may come into the business, bid up prices, trim down your margins, make it a tougher business.

David Zaslav

Well, when it comes to Facebook, Amazon, Apple and Google, these are great companies that have great opportunities to massively scale us up and, in the case of Amazon, we're working with them in the UK and we're working with them in Germany, very effectively. They're driving our player. We're going direct to consumer with not only Eurosport but Discovery in the UK and we're learning a lot and we're doing quite well. So they could use their scale to really jetstream us both from a marketing perspective and to reach all of their customers. There is this threat for all of us

in the IP business as to whether they're friend or foe. So far they're more friend but we do provide a lot of content to a lot of those platforms for very little money. That's something, as an industry, that we have to think about.

We bought a couple of businesses. We put them together and we call it Group Nine. One of the businesses is NowThis and another is Thrillist. When you put it all together we do between six and seven billion views a month on Facebook, short-form. So, with NowThis in particular, we're the leader in short-form news on Facebook. We have a very good relationship but, unlike when we provide content to distributors here in Europe or in the US where we get paid a significant fee no matter what, that's not the way it works on those platforms. So we have so far been willing to invest a lot of money and to build a strong competency in short-form content and to build a big, big millennial audience. You know, we're number one, two or three with millennials now with short-form. But we're not making money on that business. But we do believe that since Facebook is so committed to video, that the fact that we're one of the primary providers that eventually we'll be able to figure out a way to make that work. At this point we're already starting to work with them on including a small ad that allows us to make some money.

Jon Feltheimer

Great. Let's talk about another newer digital company. I think you've got some news today about Snapchat and concerning your sports business.

David Zaslav

So we announced today that we did a deal with Snapchat on the Olympics. They're a very important distribution platform to us and, when we put this business together with Group Nine, one of the reasons we did it is they had a great relationship with Snapchat and they had a great relationship with Facebook. They knew how to do short-form video and they had a huge millennial audience. So we acquired this company and, together with all of our brands and content and Group Nine, we now have three or four Snapchat channels, we have an extensive relationship with Snapchat, with Facebook, we have a great analytics group and that led us to doing this deal with Snap which will be really innovative in terms of us telling great stories ourselves and taking user-generated content related to the Olympics and distributing that to really reach a much bigger audience, we think, and get a millennial audience excited about the Olympic rings.

Jon Feltheimer

You mentioned news and you know it extremely well. You launched CNBC. You helped create MSNBC. What is the future of news in the world where, number one, it's just a 24 hour news cycle and number two, about a third of young people are getting all of their news from social media sites? What would you advise the networks at this point?

David Zaslav

You know, when I was at NBC we had CNBC and we had MSNBC. It's become very complicated. I think one of the things that I think is good for us, we're in news in northern Europe and tomorrow I'm going to Poland where TVN, which is a Scripps asset, is a great player in the new space. Being in the news globally these days is a bit of a challenge. One of the advantages that we have as a company is with sports, entertainment and non-fiction. We're in 230 countries and we're really not controversial in almost any country. There is this question about what is news for the future. I think it's a question we're gonna be trying to answer over the next, you know, 20 years. The first thing we've got to is make sure that the news content that's put out there has some journalistic integrity to it.

Jon Feltheimer

Right.

David Zaslav

It's a bigger question than I can answer. I think that Facebook has really recognised, and each of the social media platforms have recognised, that they have an important role in policing what goes on their platform which wasn't true a few months ago and I think it's the beginning of this journey of, how do we make sure people have a sense of what they're getting. Are they getting opinion? Are they getting fact? Are they getting news?

Jon Feltheimer

So most people come here to MIPCOM, their producers, their distributors, they're here to talk about content so let's talk more about content. I think Jeff Katzenberg was just in the news saying that content is not the king, it's the platforms that are the king but content is the kingmaker. So when you're here at MIP, when your team is here, how do you think about content

in general? Are you always buying rights for the world? Do you want to own everything? Can you license some things and are you sometimes looking regionally or country by country? How are you thinking about content these days?

David Zaslav

Well, I think for us, one of the reasons I'm excited to be here is that our whole business is about content. Sometimes we forget that. I think the exciting thing about the way the world is changing is we were able to get a little bit lean-back or a little bit lazy when we had channels and we were in an environment where people could only watch 40 channels and so it's good enough if we're third, fourth or fifth choice. So, for us at least, when I got to Discovery we were spending about 400 million in content.

This year we'll spend over two and a half billion. If we can get our Scripps deal closed, we'll spend upwards of three and a half to four billion because, you know, that's the product that we have to sell. In the end, can we do a great deal with Snap? Only if we have some great IP that they think is going to excite their audience. Could we do a great deal with cable operators and get our fees increasing? Could we build a great product direct to consumer? All of that is based on the IP. Are you nourishing an audience? Do they love what you have? So for us we're really doubling down on that. There's another announcement I think we're going to make later today but I wanted to run a tape on it.

When I was at NBC, we did a number of nature shows and Animal Planet came out with this show, Croc Hunter, and it was really creatively different. We used to do shows where you would have a beautiful landscape and you'd have a great voice and it would be very majestic and you'd learn about the tigers in India. All of a sudden came this guy Steve Irwin and he was in front of the camera and the camera was shaking but it felt different, it felt authentic and it started this whole kind of non-fiction nature category. I got the chance to work with Steve a little bit and his whole family and, as many of you know, years ago he tragically passed away. We've stayed very close to the Irwin family and we want to announce today that we're going to be bringing them back to the Discovery family in a big way.

Jon Feltheimer

That's great. Let's stay on animals. We did a shark movie many years ago called Open Water. The sharks won. Obviously from Jaws all the way to all the shark stuff that you've done, recent movies, sharks always work.

David Zaslav

Shark Week.

Jon Feltheimer

What's the latest for Shark Week?

David Zaslav

Well, our 30th anniversary of Shark Week is coming up. Shark Week continues to get bigger. I think it relates to something we all struggle with which is people are trying to figure out, what should I watch and what we can do with Shark Week which we took all around the world this year, is make an event out of it and people have Shark Week parties. So for us Shark Week will be bigger this year and it's going to be a little bit longer since it's the 30 anniversary but you talked about something that's very key to us as a company, our commitment to animals. It's not just Animal Planet. It's part of the DNA of Discovery.

We did a documentary two or three years ago called the Sixth Extinction and it relates to this very solemn fact that more than 20% of the animals that were on this earth when we were born, when you and I were born, are gone. If we do nothing, more than 50% of the animals that were on earth when we were born, for our grandchildren, will be gone. So part of what we do, we have this business called The Dodo which is really all about animal activism and love of animals. It's the largest short-form animal video business on the web. It does two and a half billion views a month. Animal Planet is dedicated to it.

We have a series of programs relating to animal extinction which is our number one initiative of our company and we made a decision about a year and a half ago that spreading the word about what's going on and trying to engage people in this mission isn't enough, that we need to do something ourselves. So we've taken over 2,000,000 acres in India. There are 3,400 tigers left on earth and, as a company, we have a charitable foundation which many of us are part of in terms of going there and working to make it happen, working in partnership with the World

Wildlife Fund to try to double the tiger population by 2022. We're making real progress. Since we initiated this programme about a year and a half ago, we've already started to see progress. It's really about giving a habitat for the tigers. It's also about the purpose driven company that we are and it's about trying to figure out not just how to create great content and engage people but to make a difference which is really one of the core values of our company. Why don't we run our tiger initiative?

Jon Feltheimer

A great project.

David Zaslav

When I was at NBC I launched MSNBC with Tom Brokaw and, when I was thinking about coming to Discovery, we had this discussion and he talked to me about the greatest generation and the rendezvous they had with destiny here in Europe. We talked about what Discovery was, this purpose-driven brand that reaches more people and more places anywhere on earth than any other television company and what that opportunity is and, 11 years in, I look at what's going on with animals around the world and this is our generation's rendezvous with destiny; that we had this greatest generation and what our generation is leaving behind is really quite a challenge. So it's something that we have dedicated ourselves to and we're rededicating ourselves to.

There's an old story that David Mamet told in the movie *The Edge* but it's a story that kind of circulates around people that have been lost in the wild and the story is that when you get lost in the wild that often, when you're lost, you die of shame and the saying means that you get overwhelmed and you don't think about what you can do to make a difference and what you can do to get out and the things you need to do. You just get flustered and you get stymied and you do nothing. That's where we are as a generation. We're in this moment and with the issues that we face, I think we can have voice in it but we all can. The stories that you tell we could take around the world and try to have an impact because we don't want more of these animals to die and we don't want it to be on our watch and we don't want it to be on our shame.

Jon Feltheimer

So I was going to ask you about what culture you want to set for your company going forward. I think you've made that pretty clear but ,after the Scripps deal closes, you'll be about a 40 billion dollar company. You'll have 7,000, 8,000 employees. As a CEO, what keeps you up at night? What are the rewards that you get from doing this? What does the future look like?

David Zaslav

I guess it's trying to do two things at once. Our existing business is still very, very healthy. We used to grow in the mid teens. Now we're growing mid single digits. There are still people that when they come home, they still want to watch TV. We build great brands together. We tell great stories and we still see a bright future for the existing business. But what we have to do now, which is very hard, is do a better job of what we've been doing in terms of programming our existing channels but then we need to figure out how to get on to every device and we need to figure out how to get the millennial audience.

I think the most important element is that these screens that exist, these three billion screens that are around the planet, that's an opportunity for us. How do we program those screens? And we're not doing it. We're doing what's happened every time there has been disruption. We're trying to take... originally it was radio. They took the radio shows and put them on television. Then we took the televisions shows and we put them on cable. Well, those don't work. We've got to create content for each screen. So the excitement for me is we own all these super fans, we own 400,000 hours of content, we own all these great personalities and the real transition is the transition that Facebook made. They made the transition onto the mobile screen.

Ken is going to be joining my board. His creativity is really what built that company from scratch on the broadcast side, on the cable side. Sitting down together and trying to figure out, how do we take all this IP, all these great characters, all these great storytellers, all of you that can help us tell these stories and how do we create content on those smaller screens. If we could crack it, if we could do something for Deutsche Telekom or Vodafone, so that people are saying, did you see this, could you believe what I have on my phone, it's fantastic. Whether it's mid-form, short-form or long-form. When we crack the code together then we could start to go niche by niche, super fan by super fan, but ultimately we have to figure out how to program to that small device. Otherwise some disruptive group that's not in this room is going to figure out how to do it and we're going to be the old guys.

Jon Feltheimer

Ladies and gentlemen, one of the media greats, David Zaslav.

Jon Feltheimer

Thank you. Thank you all.