

# Grupo Televisa, S.A.B. And Univision Holdings, Inc. Business Combination Call

## Company Participants

- Alfonso De Angoitia Noriega, Co-Chief Executive Officer Of Grupo Televisa
- Marcelo Claure, Chief Executive Officer, SoftBank Group International
- Wade Davis, Chief Executive Officer

## Other Participants

- Alejandro Gallostra
- Arturo Langa
- Carlos Legarreta
- Diego Aragao
- Gordon Lee

## Presentation

### Operator

Good morning, everyone and welcome to Grupo Televisa's Conference Call to discuss the joint announcement with Univision Holdings of a definite transaction agreement to combine Televisa's content assets with Univision. Before we begin, I would like to draw your attention to the press release available on Televisa's investor relations website, which explains the use of forward-looking statements and applies to everything that is discussed in this call. On the call today are Alfonso De Angoitia, Co-Chief Executive Officer of Grupo Televisa and Wade Davis, CEO of Univision. The speakers will first provide their prepared remarks on the announced transaction and then we'll open up the line for questions.

I will now turn the call over to Mr. Alfonso De Angoitia, Co-Chief Executive Officer of Grupo Televisa. Please go ahead, sir.

### **Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Thank you, Elsa. Good morning, everyone and thanks for joining us. Yesterday, we announced a landmark agreement to combine Grupo Televisa's content assets with Univision, creating the leading global multi-platform Spanish-language media company. Bernardo and I have been working on this for almost a year and we believe this combination is very powerful. As you may know, the precursor of Univision was started by Emilio Azcarraga's grandfather in 1961.

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Televisa and Univision have been partners for decades and we have never enjoyed a better relationship than the one we have today. This transaction further solidifies our longstanding partnership and our commitment to becoming the premier global leader in Spanish-language media. We view this highly complementary combination as a major milestone for both our companies as we enter a phase of accelerated growth and digital transformation. For a very long time, combining the Televisa's content assets with Univision has been a dream for us. This was always the ultimate goal and now we have finally accomplished it.

This combination creates a larger and stronger company to compete in an exciting and challenging media landscape, increasingly defined by the transformative technology and evolving consumer trends. As a combined multimedia powerhouse, we will have the scale and focus to deliver the most compelling content experience to Spanish language consumers around the world. Together, we will have unmatched reach, content, production capabilities and distribution platforms to not only invest, but succeed in the digital realm. The combined company, which will be called TelevisaUnivision brings together the complementary networks, pay television, digital, streaming and production ecosystems of Televisa and Univision into a single global company.

The new TelevisaUnivision will have the world's most expansive Spanish-language content library with more than 300,000 hours of programming, the most powerful collection of Spanish language IP and the largest portfolio of Spanish language premium sports rights. To put it in perspective, in 2020 alone Televisa produced more than 86,000 hours of content across every genre and category from sports to news to scripted content.

TelevisaUnivision will leverage Univision's leading traditional and digital platforms to distribute content throughout the company's top rated media portfolio that includes the Univision and UniMas broadcast networks, 10 Spanish language cable networks, 65 television stations in major U.S. Hispanic markets and Puerto Rico, 58 owned and operated radio stations with a live event series and robust digital audio footprint, and prominent digital assets such as Univision.com, the largest Hispanic influencer network and the recently-launched PrendeTV. The first U.S. streaming app starts entirely with Spanish language programming.

Post combination, we will have an unmatched reach across Spanish language consumers around the world. As a combined company, TelevisaUnivision will have an enhanced ability to provide innovative streaming offerings across all major Spanish speaking markets with a total population of nearly 600 million people and aggregate GDP of around \$7 trillion. This represents a tremendous market opportunity to accelerate our growth, build on our leadership position in the U.S. and Mexico, unify our markets and expand our global reach like no media or streaming company has ever done.

Now, I will walk you through our strategic rationale for the combination. Let me give you some insight into the benefits and opportunities we believe this combination will generate for us as well as the significant long-term growth prospects that excite us about the TelevisaUnivision. When we decided to pursue this combination, we had 4 key strategic pillars of rationale. First, the creation of compelling Spanish language content. Second, geographic expansion. Third, a streaming strategy for future growth. And forth,

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an improved financial profile. Our first strategic pillar has always been creating compelling Spanish language content to retain and attract new audiences. And this combination certainly serves this goal. Televisa has evolved over the last few years by modernizing and enhancing its content production.

Our strong efforts have been working. This is evidenced by the fact that Univision has around 60% Spanish language audience share in the U.S. or 2x more than its closest competitor while, Televisa has 65% share in Mexico or 2.3x that of our next largest competitor. Televisa produces more than 86,000 hours of content per year, making us the largest producer of Spanish language content in the world. We also have a deep and rich library of content in Spanish spanning 300,000 hours with nearly 75% of that being digitized entertainment. This combination will allow us to make significant incremental content investments every year to continue to build on the recent programming momentum, both in the United States and Mexico and drive the digital transformation.

Our second strategic pillar is growing our geographic presence. TelevisaUnivision will have leading positions in the two largest Spanish language markets in terms of economic output and population, this is the U.S. and Mexico. Today, each company has a strong regional presence. Unifying these markets create sufficient scale to target other Spanish speaking countries and expand our business globally. This is key considering that Spanish language market represents the second largest population in the world and we have a highly portable library ready to be monetized across these markets. In addition, the Spanish language market has historically been unattended by other global content producers, creating a massive white space opportunity for TelevisaUnivision to take the proposition.

Our third strategic pillar is to leverage technology to create new alternatives for consumers to connect with our content. One of the most exciting aspects of this combination is that our combined IP and world-class production capabilities will allow us to rapidly accelerate our streaming strategy, enable us -- enabling us to better reach consumers around the world. Transition to streaming is an opportunity and an imperative. Univision's new management team has broad experience in streaming distribution, enabling us to take the portfolio and positioning of Televisa Univision to the next level. We will have a differentiated global Spanish language streaming product that reaches consumers around the world. A compelling streaming product requires significant investment, so you must be global to justify it. Later, Wade will share with you more details regarding our streaming strategy.

The fourth and final strategic pillar for the combination is an improved financial profile for TelevisaUnivision supported by strong free cash flow generation and net debt reduction. TelevisaUnivision's equity has been valued at about \$6 billion post combination with 2021 pro forma revenues and EBITDA estimates of approximately \$4 billion and \$1.6 billion, respectively. With this combined scale and improved financial profile, we believe the combination will generate hundreds of millions of dollars in revenue and cost synergies over the next three years. Univision's differentiated market proposition and cost structure allow for premium top-line pricing with efficient content cost, as most of the productions will take place in Mexico. This creates a powerful margin profile unlike any other media

company, be it domestic or offshore. Including run rate synergies, EBITDA margin is expected to be close to 45%.

Upon closing, TelevisaUnivision's net debt leverage ratio is expected to fall to approximately 5x, including run rate synergies, providing ample liquidity with significant debt capacity, revolver credit availability and strong free cash flow generation, despite all deployment costs related to its streaming platform. The increase in scale and the synergies achieved by this combination will allow for significant incremental investments in content on top of TelevisaUnivision's current market-leading content spend. This investment will contribute to grow our core businesses and accelerate the launch of a global streaming platform.

Moving on to the terms of the combination, Televisa will receive \$4.8 billion in total value for its content assets, while Univision's pre-combination enterprise value is approximately \$11 billion. This is comprised of \$3 billion in cash, \$750 million in Univision common equity and \$750 million in new Series B preferred equity with an annual dividend of 5.5%. The balance is derived from other commercial consideration. As a result, Televisa will continue to be Univision's largest individual shareholder with an increased stake of 45%. Univision will finance the combination through \$1 billion of new Series C preferred equity investment by SoftBank, Google, The Raine Group along with current Univision investors ForgeLight as well as \$2.1 billion of debt commitments arranged by JPMorgan.

We're excited to be joined by this new investor group as TelevisaUnivision shareholders because it reflects confidence in our digital transformation strategy. Our world-class content production capabilities, content library and management team as we join forces to capitalize on further growth opportunities. The transaction is expected to close in 2021, subject to customary closing conditions, receipt of regulatory approvals in the United States and Mexico, and Televisa shareholder approval. The Board of Directors of both Televisa and Univision have already approved the combination.

Now, let me turn the call over to Wade to discuss details of our combined digital transformation strategy.

**Wade Davis** {BIO 15167788 <GO>}

Thank you, Alfonso. Good morning, everyone and thank you for this opportunity to talk about what I believe is the most exciting opportunity in global media. I'd like to start by echoing Alfonso's comments on the strength of the Univision and Televisa relationship. Our belief in the power of this relationship is one of the main drivers for my partners and I to invest in Univision last February. Beyond the extraordinary opportunity we saw to grow the Univision standalone business in the U.S., there is a transformative opportunity to reach Spanish speakers globally with an expanded set of products and services. And Televisa is unquestionably the global leader in Spanish language content production. And this content has long been at the core of Univision's success, but the benefits of a more closely aligned strategic content pipeline was something we saw immediately after signing our deal in February.

In 2020, Univision was the only U.S. group of media companies to grow ratings and the Televisa content was the engine that drove that success. As Alfonso mentioned, launching a global streaming strategy to evolve our companies was a key strategic rationale for this transaction. While the streaming marketplace is becoming more cluttered and competitive, we believe that the Spanish language streaming market is undeserved and it's the last significant lane of streaming opportunity. And after this transaction, with a scale of business, stronger financial profile and unparalleled content IP, TelevisaUnivision will be best positioned to capitalize on this opportunity.

And clearly, this view of the market in our company is shared by some of the largest and most sophisticated technology investors in the world, including SoftBank, Google and Raine, along with my firm ForgeLight has put a \$1 billion behind the belief that we can be the winner in global Spanish language streaming. In addition to Alfonso's 4 strategic pillars, I'd like to elaborate on a few of the considerations for the combined company. First, the size and uniqueness of the Spanish language market. Second, how our core assets create critical advantages for us to capture this global opportunity. And third, our ability to execute against our streaming strategy.

Starting with the market opportunity. Spanish language is the second most spoken native language in the world. We believe the market for streaming services across the -- just the top Spanish language market is worth billions of dollars and will continue to grow at rates significantly exceeding other major global streaming markets. In the U.S., Hispanics over index on digital and mobile video consumption and across Latin America mobile video consumption is extremely high with connected TV in the early stages of rollout and adoption is expected to be explosive. And while there are certainly streaming players in those markets, they're not singularly focused on Spanish language content. They may have relatively small percentages of their libraries being Spanish language originals. Nobody knows the Spanish speaking audiences in the U.S. and Mexico better than our teams at Univision and Televisa. These teams have spent significant time testing general demand for dedicated Spanish language services as well as more specific product proposition and the response has been off the charts.

Secondly, I want to touch on the strength of our combined assets, upon which we will launch our digital transformation. We start with the largest Spanish language content library in the world. And we build that library out every year with the most prolific production capacity there is. From a monetization standpoint, we have the largest sales force on the planet selling Spanish language media. And from an audience reach perspective and the ability to build awareness, no other platform comes close to TelevisaUnivision's.

U.S. Hispanics and Mexico represent the majority of the value of the global Spanish language market. Today, both Univision and Televisa have around 60% or more share of television viewing in their respective markets with audiences at least 2x larger than their nearest competitors. These leading assets in the top 2 Spanish language markets in the world provide a significant promotional vehicle to support the launch of any new streaming platform. Lastly, I want to cover the experience of the team and our ability to quickly and effectively execute on a global Spanish language streaming strategy. At the closing of the initial Univision transaction at the end of last year, I hired my long-time

Viacom colleague Pierluigi Gazzolo as President and Chief Transformation Officer. Between Pier and myself, we've been at the forefront of ad-supported streaming in the U.S. across Latin America and globally.

In my prior life at Viacom, I drove the strategy to take the company into free ad-supported streaming, which was the first foray into that segment of the streaming market for any major media company. I executed the acquisition, oversaw the integration and growth of Pluto TV, which is now the largest free ad-supported streaming TV platform in the world. Pier, whose most recent position at ViacomCBS was President of Global Streaming in Studios was my partner in launching Pluto TV Latino in the U.S. and in Latin America.

In Latin America, Pluto TV was a pure start. It literally was clean sheet of paper. Pier launched the business in late 2019 and today it is approaching 10 million monthly average viewing [ph] and is about 40% larger than the next closest competitor in LATAM. Additionally, at Univision, we just launched the first version of PrendeTV here in the U.S. We built this service from scratch and launched it commercially within 3 months of closing on the acquisition of Univision. We launched this service with more Spanish language content than anything else in the U.S. market and across all major distribution platforms.

And although it's early days for Univision, the launch of the service of this scale and scope within this timeframe and budget is something I'm incredibly proud of. So although we have an ambitious agenda for streaming, which we'll reward -- reveal in more detail in the coming months, I feel very confident that we have the assets and the expertise to set us up with a huge competitive advantage to attack the last meaningful open lane in the world, streaming video.

Lastly and I'd be remiss not to mention this. The transformation of the Univision's core business is well underway and building momentum beyond streaming. We came out of 2020 with an optimized cost structure that's delivering increased profitability, while at the same time implementing the strategies that we laid out around modernizing our ad sales business and expanding content licensing, which will deliver revenue outcomes that the company has not seen in years. This operating momentum will be immediately evident in Univision's Q1 and Q2 results and lay as the baseline for growth for the combined company upon which we'll build or grow the streaming business.

With that, I'll now turn the call over to Marcelo Claire to talk about why SoftBank led the Series C investment was at -- which was at the heart of financing this merger.

**Marcelo Claire** {BIO 4112066 <GO>}

Hi. So wanted to share with everybody how excited we are at SoftBank Group to be part of the creation of an amazing new company. Speaking a little about SoftBank, we're the world's largest tech investor. We traditionally invest in digital-first companies that change the way we live, the way we work and the way we play. We have already invested in over 180 companies and we have deployed close to \$150 billion capital to help companies that are disrupting every major vertical from financial services to education to food delivery to

mobility to e-commerce to logistics, and especially, new media companies such as ByteDance or TikTok.

What we're seeing in Latin America and the U.S. is a lot of incumbent companies like Televisa and Univision that are moving aggressively to transform themselves to succeed in this new digital era. We're strong believers that by combining the 2 leading Hispanic media platforms Univision and Televisa, we're going to create a content powerhouse that can tap into the massive uncontested Spanish language over-the-top market and we will transform this company into a leading Spanish language multi-platform digital media company. We're excited to support this historic transaction, this historic combination. For this we're leading a \$1 billion series C preferred investment.

Now why are we excited about this? We have no doubt that the new company is not only going to continue to win in their traditional business, but we're also going to create a leading OTT platform. And the reason why we're such believers is starting by the market opportunity. The Spanish language represents 600 million Spanish-speaking people globally, out of which 1/3 are in Mexico and the U.S. The Spanish GDP is \$7 trillion, out of which 50% is spent in the U.S. and Mexico. But what is really unique, unlike other parts of the world, less than 10% of the Spanish speaking population currently use an over-the-top video product compared to 70% of the English population. So the potential for growth is enormous.

Secondly, if you need content, Univision and Televisa together have the largest and most iconic Spanish language content library, refreshed by the largest annual production capacity. It is a true content factory. Third is unit distribution. Televisa's 65% market share in Mexico, which is 2.3x its next largest competitor and Univision's 60% market share, which is 2x versus the next largest competitor. Together, we reach over 100 million Hispanic households, meaning we probably have the broadest media distribution that will be transformed to new media distribution. And lastly, to launch a successful over-the-top (inaudible) technology. If there's something that SoftBank knows, it is technology. And we're going to help the combined company accelerate the transformation by leveraging the key learnings from the digital trends we're seeing in other sectors across the world. A partner that we brought in is Google.

Google have been the cap table to help support this transformation. The 2 companies have entered into multifaceted commercial partnership that is going to support the evolution of this company into one of the largest over-the-top services globally. We're very proud to be supporting this powerful combination, one that has potential to be rewarded by the market in the same way the markets rewarded Disney when Disney started Disney+ and they are currently trading at 35x EBITDA. Thank you.

**Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Thank you, Marcelo. Today is a great day for Emilio, for Bernardo, for me and for the entire Televisa team and we're excited about the next chapter in our journey. I'm honored to have the opportunity to serve as Executive Chairman of the TelevisaUnivision Board of Directors, which I will alternate with my co-CEO, Bernardo Gomez and look forward to continue working closely with Wade, who will remain CEO of TelevisaUnivision. I'm also

thrilled to announce that Marcelo Claire, CEO of SoftBank International will become Vice Chairman of the Board.

In addition, as mentioned in previous calls, Univision named 4 very accomplished Hispanic business leaders as independent directors. Marcelo, Gisel Ruiz, MC Gonzalez and Oscar Munoz. The combined company's Board will have 13 directors including 5 appointed by Televisa, 3 by Searchlight and ForgeLight, 2 by the Series C shareholders and 3 independent directors. From Televisa, Emilio, Bernardo and I will remain on the TelevisaUnivision Board. This transaction represents an unprecedented opportunity to unlock value for our shareholders with limited integration risk, while improving the financial profile of both companies. As I noted earlier, upon closing of the combination, we will be TelevisaUnivision's largest individual shareholder. Our equity stake of 45% will allow us to capture the benefits of TelevisaUnivision's future growth from the monetization of the content to the digital platforms across the Spanish-speaking population around the world.

Televisa will also retain ownership of izzi Telecom, Sky and other businesses as well as its main real estate assets, studios and production facilities in San Angel and Chapultepec, the broadcasting licenses and transmission infrastructure in Mexico. News content production for Mexico will be outsourced from a company owned by the Azcarraga family that will continue their stewardship of news and also to guarantee that news content remains in Mexican hands and is produced in Mexico.

TelevisaUnivision will retain all assets, IP and library related to Televisa's news division. Televisa will use the proceeds received from Univision primarily to pay down debt, while continuing to pursue growth opportunities and strengthen its leading position through ongoing investments in its core businesses. As a result, Televisa's net leverage ratio will decline to below 2x and its U.S. denominated assets and liabilities will be matched. After the transaction process, Televisa will no longer consolidate financials of the content segment.

Following a transition period in which Emilio, Bernardo and I will continue to oversee the content production and operations in Mexico, we will focus primarily on our Mexican connectivity and content distribution businesses. This will ensure a smooth transition of our vast content platforms and significant production capabilities with Univision. Post transaction, we will keep developing and expanding our industry-leading telecom business in Mexico, offering best-in-class high-speed internet access and providing high-quality programming as a content aggregator.

Finally, both Bernardo and I would like to thank the Boards of both companies for their approval and continued support in the creation of the world's premiere Spanish language content producer and provider. In summary, Bernardo and I look forward to this exciting combination with our long-term partner Univision, and finally, achieving our shared vision of creating the world's premier Spanish language multimedia company. We firmly believe that this is the ideal opportunity to generate value for all of our shareholders. With the vast library of Spanish language owned content and intellectual property worldwide, as well as unmatched production capabilities to power our leading television, digital and

streaming platforms, TelevisaUnivision will have a strong foundation to successfully execute its digital transformation strategy.

As we accelerate growth by expanding our presence to serve the large and expanding Spanish language markets around the world. We will deliver even better entertainment experiences to our valued customers and to new consumers our content. We couldn't be more excited about the opportunity ahead and we look forward to updating you on the progress.

With that, we will open the call up for questions. Thank you very much.

## Questions And Answers

### Operator

(Question And Answer)

(Operator Instructions) And our first question comes from the line of Gordon Lee with BTG. Your line is open.

### Q - Gordon Lee {BIO 1551117 <GO>}

Hi. Good morning, everybody. Thank you very much for the call and congratulations on the transaction and the announcement. I have 3 quick questions. The first is I was wondering if you could provide a little bit more color on the synergies. The \$200 million to \$300 million that you make a reference to in the release, I was wondering whether you could give us a better sense of where they're coming from and what the timing might be? The second question is whether there are any assets from the combined entity that you would be looking to divest from as a means of raising additional cash? And finally, I was wondering whether you see near-term opportunities given the resulting entity's stronger balance sheet to maybe generate some financial cost savings by refinancing Univision's liabilities now that it has a stronger balance sheet. Thank you.

### A - Alfonso De Angoitia Noriega {BIO 1402270 <GO>}

Thank you, Gordon, for your question. Wade will answer the question that has to do with synergies.

### A - Wade Davis {BIO 15167788 <GO>}

Great. Thanks, Alfonso. So the \$200 million to \$300 million of synergies is split between revenue and cost savings with slightly more being on the cost saving side of the ledger. The revenue synergies that we see have come from enhanced global licensing of the library by unifying rights. We can do better more effective global deals that we think will drive the pricing. We can do more effective product placements, sponsorships, advertising across sports, reality television, (inaudible) programming. So that's the flavor of some of the things you can see on the revenue side.

On the cost saving side, we think only about 20% to 30% really relates to headcount rationalization with the majority of the cost savings coming from optimization of our facilities footprint, more effective licensing of inbound third-party content licensing, procurement savings, et cetera. And the timing of that, this is really run rate savings that we think will be online by the end of 2022, beginning of 2023.

As it relates to divestitures as a source of cash generation to the extent that that's a question that's pointed to new co, I guess I'll take that if it's -- Alfonso, you can clarify that. But as it relates to the new company, the new company has a significantly enhanced financial profile. So there really isn't any need whatsoever to look at sources for raising additional cash. So as we've said in the remarks, the combination of the enhanced profitability of the business as well as the significant equity infusion will reduce the new company's leverage by about 2x. So the deleveraging, the equity investment as well as the significant profitability and free cash flow that the company will have more than satisfies any of the company's cash needs.

And the asset portfolio that we have for the most part is singularly aligned with driving the competitive advantages that we've articulated around going after the global streaming opportunity. And then as it relates to the cost savings for refinancing, the fact that the company will deleverage, the fact that the combined company will for sure have an enhanced top line and bottom line growth profile, and we expect an enhanced perspective from the credit rating agencies will absolutely create opportunities for us to lower our average cost to debt. And so we're going to look at that, but as you would expect be opportunistic about it.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Yes, we'll be raising \$2.1 billion of new debt at the new TelevisaUnivision company. And Wade, I guess didn't say it, but before the closing of the transaction, we're at third slide and fourth slide bought 64% of the company, he was very active in refinancing part of Univision's debt, which was a big success.

**Q - Gordon Lee** {BIO 1551117 <GO>}

Perfect. That's very clear. Thank you very much and once again, congratulations.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Thank you, Gordon.

**Operator**

Our next question comes from Arturo Langa with Itau BBA. Please go ahead.

**Q - Arturo Langa** {BIO 18675469 <GO>}

Hello, hi. Good morning, everyone. And good morning, Alfonso, Wade and Marcelo and congratulations also on the transaction. I think the 2 questions I have. First is, Alfonso, just looking from a Televisa shareholders' perspective, I think the introductory remarks were

very interesting, but what would you say is the main value creation for a current Televisa shareholder that wasn't there before this transaction on top of what you already commented? And then my second question would be, mainly a query related to cash generation of TelevisaUnivision, and specifically on the -- we've seen that the streaming and other OTT providers have invested a lot in content and that has been a big source of CapEx and OpEx. What are your plans in terms of content production investments? For example comparing to other companies, should we expect an important ramp up of content production in the next couple of years? And those would be my questions. Thank you.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Hi, Arturo. Yes, as to the value creation for Televisa, we basically see 3 sources of value creation from this combination. First, Televisa, as you know is the leading pure-play telecom business in Mexico, has the pure-play telecom business in Mexico, which is a sizable operation and we have a very strong balance sheet with less exposure to U.S. dollars given the proceeds we're going to receive, the \$3 billion in cash. So our best-in-class high-speed Internet network and content distribution platforms will have revenue and EBITDA of over \$3.5 billion and \$1.3 billion, respectively. So we see a huge opportunity in terms of growing in the broadband market in Mexico as our opportunity is still there. There continues to be low penetration of broadband. Around 60% of homes have broadband. So as I was saying, the opportunity is still there and we believe this pure-play telecom business demands materially better multiple. So we see a multiple expansion with the streamlining of Grupo Televisa.

The second source of value I would say is through the combined content company. We will own 45% and we will become the largest individual shareholder of the company. TelevisaUnivision will be in a much better position to capture the global streaming opportunity, particularly considering that we will unify all the assets that we have in terms of content with Univision. So that's a huge opportunity for us because we have the largest library of Spanish content in the world, largest -- and we have put together the largest IP in Spanish in the world. We have the production capabilities to expand production as to your third question. So all of that is a tremendous opportunity, and of course, we will expect to have material revenue and cost synergies as Wade explained, the \$200 million to \$300 million. So that gives us also a tremendous advantage to have the resources in order to develop new content for the streaming platforms.

And as to this new company and as it has been mentioned, we will have new partners, including SoftBank and Google that will definitely contribute to accelerate our digital transformation. So we think that this new company has a great future and that will definitely be a value creation company for Televisa. And third and lastly, we estimate value creation of \$2 billion for Televisa from this transaction since day one, I mean from starting today. So the market assigns roughly \$4 billion of combined value to our Televisa content assets and our 36% stake in Univision. This compares to \$6 billion from the combined value of our stake in the new company of \$2.7 billion, and of course, the consideration of \$3.3 billion that we're receiving from this deal. So on day one, we're generating, we're creating \$2 billion of equity value.

And Wade, I don't know if you want to expand--

**A - Wade Davis** {BIO 15167788 <GO>}

Yes, I can talk about the content question. So the cash generation characteristics of Univision were impressive on a standalone basis. On a combined basis, the leverage free cash flow generation of the pro forma company is extraordinary, even after the investments that we are contemplating in OTT, we expect this company will generate somewhere between \$5 billion and \$5.5 billion of levered free cash flow over the next 5 years. It's a very unique situation where the combination of our existing assets, including the underutilized library, what I'll call the regular way of synergies that we described a moment ago, and the cost advantages that the business has, these kind of regular way of synergies can underwrite a significant amount of the investment that we're going to need to make in the launch and growth of the global OTT opportunity.

And so the unique situation here is that we have this underused library, we have this massive advantage in terms of content creation cost structure. We have hundreds of millions of dollars of near-term synergies coming from the basic combination. And so it's quite a unique situation where these assets and these synergies can underwrite a significant amount of the investment required to launch and grow the OTT opportunity. And so we'll -- in the aggregate, we'll be able to make this big investment in accessing this global growth opportunity and continue to see growth of EBITDA over the launch period. So it really is quite a unique opportunity when you kind of take all of this together.

**Q - Arturo Langa** {BIO 18675469 <GO>}

Perfect. That was very clear. Thank you and congratulations again.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Thank you, Arturo.

**Operator**

Thank you. Our next question comes from Carlos Legarreta with GBM. Your line is open.

**Q - Carlos Legarreta** {BIO 18460407 <GO>}

Thank you. Good morning and congratulations. I have 1 questions, if I may please. And the first one is, if you could please disclose the stakes of the minority investors in the new company. I mean this is -- everybody (inaudible). And the second is, what opportunity does cash in offer for Televisa? (inaudible) that in the short-term you'll prioritize that statement. But how could this extra firepower change the growth prospect in cable? And if there's perhaps a transaction down the line in this business? Thank you.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Yes. Thank you, Carlos, for your questions. As we mentioned, Televisa will own 45 -- around 45%, ForgeLight and Searchlight will own around 38%, and the rest of the hold is with Liberty Global, Google, SoftBank will -- and Raine through the Series C preferred will own 17%.

As to your second question, the priority for us is going to be to deleverage. However, because I mean we'll take advantage of market conditions and be opportunistic about doing that since some of our debt is trading at a premium. So -- and we'll also continue investing in our core businesses, specifically on izzi and the broadband opportunity.

## Operator

Thank you. Our next question comes from Alejandro Gallostra with BBVA. Your line is open.

### Q - Alejandro Gallostra {BIO 17362308 <GO>}

Hi. Good morning, Alfonso, Wade. Thank you very much for hosting the call and congratulations on the transaction. Could you please provide additional information about your strategy to monetize your content through global media streaming platforms? And how you're going to make your content more relevant for consumers even more than it is today? And if you plan to (inaudible) through different streaming platforms or through a single global brand? And how you plan to combine the different platforms, PrendeTV, VIX, Blim, et cetera?

And then my second question, if I may. I was wondering if this deal could change your strategy. It's a question more for Alfonso. I was wondering if this deal could change your strategy of the Sky and Cable division. So did you sign a special agreement with TelevisaUnivision regarding the content you will be including in your platforms that could create a competitive advantage for them? Thank you.

### A - Wade Davis {BIO 15167788 <GO>}

So what I'll say about the streaming platform is that we will in the coming months be providing more details about the specifics of the strategy. We're just getting through the signing, and as we get into integration planning and continue to refine the product strategy, we'll be talking about that in the upcoming months. But at a high level in response to a couple of your questions, what we can say is that this will be one platform. So as you point out, we've recently launched PrendeTV, which is already the #1 Spanish language entertainment app in the U.S. in a little more than 2 weeks after launch and is a top 20 entertainment app on both iOS and Android in the U.S.

As you know, we also bought VIX, which is one of the leading free ad-supported streaming platforms in the U.S. and Latin America. As you pointed out, we obviously have Blim in Mexico, which also anticipates an upcoming ad-supported launch. So we have quite a powerful nascent portfolio of digital properties. But those digital properties over the course of this year will be harmonized into one global platform under one brand that we will put all of our energy behind. That global brand is something that we'll announce as I said in the kind of upcoming months.

And as it relates to -- I guess, you had a question about third-party content licensing. Probably the most important thing to point out there is that our #1 priority is going to be supporting our own platform. There will be opportunities for monetization of our content with third parties. There's a huge amount of and a growing demand for our content in

non-Spanish speaking regions, as we continue to -- as we accelerate our investment in content, we expand the range of formats and genres that we're focused on, we expect that, that demand will continue to grow. But the overwhelming focus of our content engine is going to be supporting our own first-party OTT efforts.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

And as to your second question Alejandro, Sky and Cable and all our distribution platforms will continue to have access to the content that is produced by the new TelevisaUnivision. And we have created a preferred partnership of those companies with TelevisaUnivision to acquire content collectively when it makes sense.

**Q - Alejandro Gallostra** {BIO 17362308 <GO>}

Thank you very much.

**Operator**

Thank you. Our next question comes from Diego Aragao with Goldman Sachs. Your line is open.

**Q - Diego Aragao** {BIO 17889908 <GO>}

Yes, thank you. Good morning, everybody. And look, congratulations on the deal, great deal indeed. So look, I have a question regarding the future OTT platform that TelevisaUnivision is expected to launch earlier next year. And while it seems a quite interesting product for the content business and the right thing to do, I guess my question is, it's for you Alfonso, on how this could eventually cannibalize your cable and satellite business in Mexico. I would love to hear your thoughts on each. And the second question, if I may, is related to this new entity. I mean I would love to hear more about, how long it would take for you to extract the synergies from this transaction, potentially crystallize on the opportunity you see? And finally, consider to eventually IPO the business and maybe we can take the advantage that Marcelo from SoftBank is on the call to also share his view on how they think about this investment? Thank you.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Wade, can you talk a little about the OTT strategy and the launching of the new platform?

**A - Wade Davis** {BIO 15167788 <GO>}

Yes. So I guess there are a couple of questions embedded in there. So one, I just want to reiterate, I think you asked about the timing of the synergies and realizing this. So I just reiterate that it's \$200 million to \$300 million of synergies that we see coming online late '22, early '23. A lot of those synergies really can be redeployed in underwriting the investments that we're going to be making in OTT.

I think you also asked a question about the -- that whether or not the OTT strategy will cannibalize. I think there's something that I'll answer from a new co standpoint and then turn it over to Alfonso. Our strategy with respect to the launch of the OTT service is going

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to be very inclusive of all of our distribution partners on a global basis. Although I've said -- before I'd just reiterated, we will be disclosing more details in the coming months around the strategy. But one thing that I can say is that the OTT product from a content standpoint will be non-overlapping with the channel's content that we sell to our MVPD distributors, which we think is a very, very important point, both around enhancing the overall value proposition for our audiences, but also continuing to maintain the traditional ecosystem in the business that we have with our MVPD partners.

So we think that the channel's product has one value proposition and the OTT product that we'll be launching has another value proposition that will be complementary. And we fully intend to work very closely with a range of third party distributors, including our MVPD partners as well as mobile partners to really drive the launch and the rollout of our OTT product. So from a new co standpoint, as it relates to distribution, infrastructure, and the potential for cannibalization, the product positioning, we think, will actually enhance the value proposition for both our distribution partners and the audience.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Yes. As to your cannibalization question, Diego, we think that from the distribution side, izzi will be focused on broadband penetration and acquiring broadband subscribers and growing our market share on broadband. And so we see that izzi is a platform and in terms of content, izzi is going to become or should become the platform that has the supermarket of content, so it's an aggregator of content and the viewers will decide what to watch. We believe that the TelevisaUnivision will have a great offering of content and it'll be part of the offering of both Sky and izzi.

**Operator**

Thank you.

**Q - Diego Aragao** {BIO 17889908 <GO>}

That's helpful, Alfonso. Thank you.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Thank you.

**Operator**

Thank you. And this concludes our Q&A session for today. I would like to turn the call back to Alfonso De Angoitia for his final remarks.

**A - Alfonso De Angoitia Noriega** {BIO 1402270 <GO>}

Well, thank you very much for participating in the call. This is a very important day for Televisa, for Univision, for Emilio, for Bernardo, for Wade, and for myself and we're very happy about the deal and we believe it's going to be a huge success. Thank you very much.

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## Operator

Thank you. And this concludes today's conference call. Thank you for your participation. And you may now disconnect.

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