



Rating
Buy

North America
United States

TMT
Entertainment

Company
21st Century Fox

Reuters
FOXA.OQ

Bloomberg
FOXA US

Exchange
NMS

Ticker
FOXA

Date
4 March 2015

Initiation of Coverage

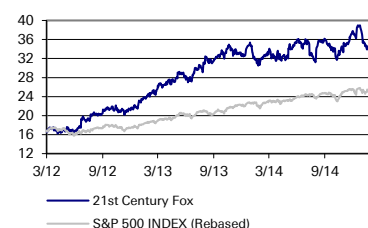
Price at 3 Mar 2015 (USD)	35.64
Price target	42.00
52-week range	39.01 - 31.19

Initiating Coverage with a BUY

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	0.9	-7.1	4.2
S&P 500 INDEX	2.8	1.3	12.0

Source: Deutsche Bank

Initiating Coverage with a Buy Rating and \$42 PT

Fox has the highest profit growth outlook of any company in the sector over the next three years; driven by domestic affiliate and retransmission agreement renewals, international revenue growth in some of the highest growth regions globally, and leveraging investment in content and sports rights that Fox made in 2014-2015. We estimate 2015 will see only 4-5% EBITDA growth, but that this will accelerate to 12% in 2016 and 14% in 2017. The growth drivers are principally subscription/affiliate and operating leverage, which have high visibility. We've been conservative in projecting FOX Network ad revenue.

The Bar Has Been Reset Lower

The past year has been volatile for Fox's stock price, driven by forex weakness, lower Fox Network ratings, a soft TV ad market, making a run at Time Warner, and intermittent fears over cord-cutting or re-bundling that might exclude Fox's RSNs. Management recently lowered its FY15-16 guidance to reflect the forex and advertising headwinds, which we think sets up the stock nicely from here. We believe that pay TV sub counts will remain stable, and Fox has negotiating leverage to ensure the RSNs remain bundled into primary packages. In addition, there seems to be some green shoots in ratings with Empire looking like a bona fide hit, and we understand that management has started to incorporate currency hedging for the more liquid currencies. Furthermore, the past 6 months have represented the third worst forex period in history.

Compelling Valuation

Our PT is based on our Economic Returns Model, which is a market-based DCF model. We estimate Fox will generate equity returns of 15% (CAGR) through 2020 based on our forecast and the current stock price, driven by growth in the business and usage of excess FCF and leverage capacity to repurchase shares. We calculate the Company's WACC at 8.8%, derived from a 4.0% pre-tax cost of debt, 32.0% tax rate, 4% normalized risk-free-rate, and a beta of 1.1. Downside risks include a meaningful downturn in the ad market and ratings, further weakness of foreign currencies compared to the US dollar, and underperformance of the film slate.



Investment Thesis

Outlook

We think Fox will have the highest profit growth rate among the big 5 diversified media companies on a three and five year basis on most metrics (EBITDA, EBIT, FCF, EPS). The major drivers of revenue growth, in order, are: domestic affiliate fees, international affiliate fees, retransmission/reverse compensation revenue, and international advertising. Operating leverage will also drive profit growth beginning in 2016, as 2014 and 2015 are investment years, and we believe cable networks margins will expand back to the 38% level by 2018-2019 as revenue growth scales over these investments. We rate the stock BUY.

Valuation

Our PT is based on our Economic Returns Model, which is a market-based DCF model. The model starts by taking the current market value of the company, and calculating the return to shareholders based on our forecasted fundamentals and capital structure. The return on Enterprise Value comes from two sources, the current unlevered FCF yield, and capitalizing the growth/decline in the unlevered FCF annuity stream at the company's WACC. After forecasting the EV for each year, the capital structure is overlaid to incorporate the benefits of levered equity returns, share repurchases, and equity investments. We do this to remove the high subjectivity level inherent in determining terminal growth rates.

We estimate a 15% average annual equity return over the forecast period based on our forecast and current market value. This is driven by growth in FCF to the firm, a 5% unlevered FCF yield, and shrinking share count.

We calculate the Company's WACC at 8.8%, derived from our assumptions, including a 4.0% pre-tax cost of debt, 32.0% tax rate, 5.0% equity risk premium, 4% normalized risk-free-rate, and a beta of 1.1.

Risks

- Acceleration in digital spending shift or an economic downturn could negatively impact TV ad revenue.
 - Precipitous declines in ratings due to a decline in the popularity of Fox's content, measurement shortcomings, or changes in consumer behavior in response to increasing availability of video streaming services.
 - Proliferation of over-the-top services causing declines in bundled pay TV subscribers could materialize from cord cutting and/or cord-shaving.
 - Failure to renew affiliate agreements with pay TV operators.
 - The loss of Fox's key sports contracts
 - Further weakening of foreign currencies relative to the US\$.
 - The Murdoch family's large voting stake in the company
 - The company might pursue economically dilutive acquisitions.
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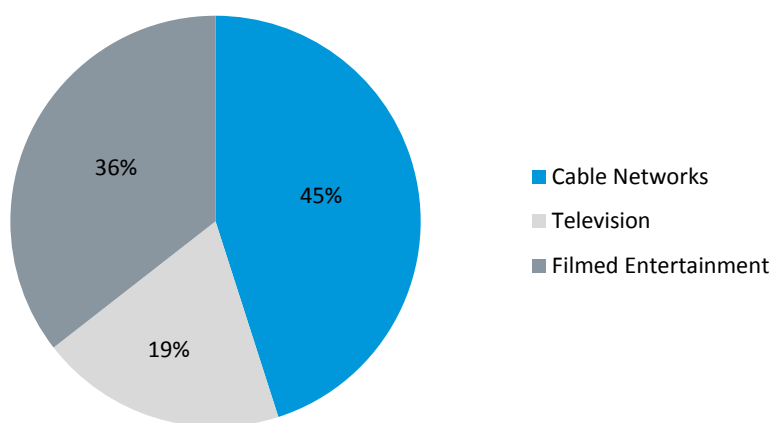


Attractive Asset Mix

Global Focus

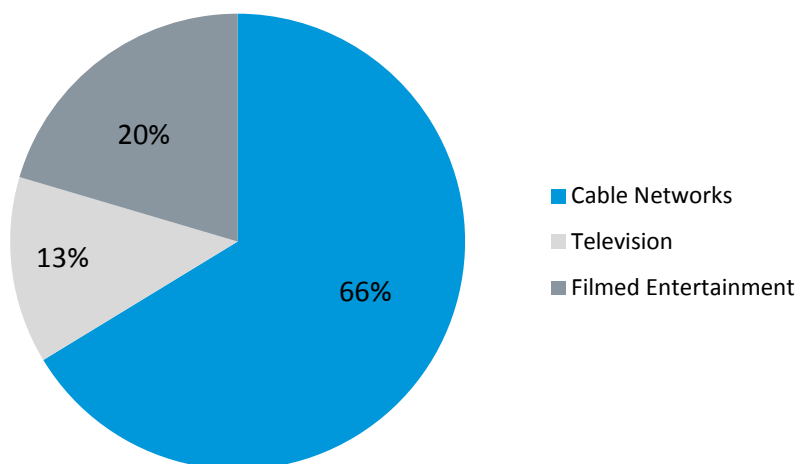
Fox has made significant investments in international markets, establishing Fox as a leader in key pay TV growth regions – LatAm, India (where Star is the #1 network), and Europe; as well as having a presence in Africa and Asia. In addition to international representing an estimated 26% of Fox's consolidated non-studio revenue; Fox holds significant strategic minority investments in Sky Plc (39% stake), Shine-Endemol-Core Media Group JV (50%), Tata Sky (30%), and Balaji Telefilms (26%), as well as several smaller investments.

Figure 1: F2014 Revenue by Segment (ex-DBS, Corporate)



Source: Company data, Deutsche Bank

Figure 2: F2014 OIBDA by Segment (ex-DBS, Corporate)



Source: Company data, Deutsche Bank



Scale Producer and Distributor of Film and TV Content

Fox, in our estimation, is the second-largest producer of TV entertainment programming, and a scale distributor of films, distributing for both itself and third party studios, which improves the company's economics. Fox's TV production is a strategic asset as it gives Fox's networks a first look at new shows, and the economics of owning a successful show today are superior to licensing one from another studio. It also allows Fox to participate in secular growth in SVOD and international pay TV.

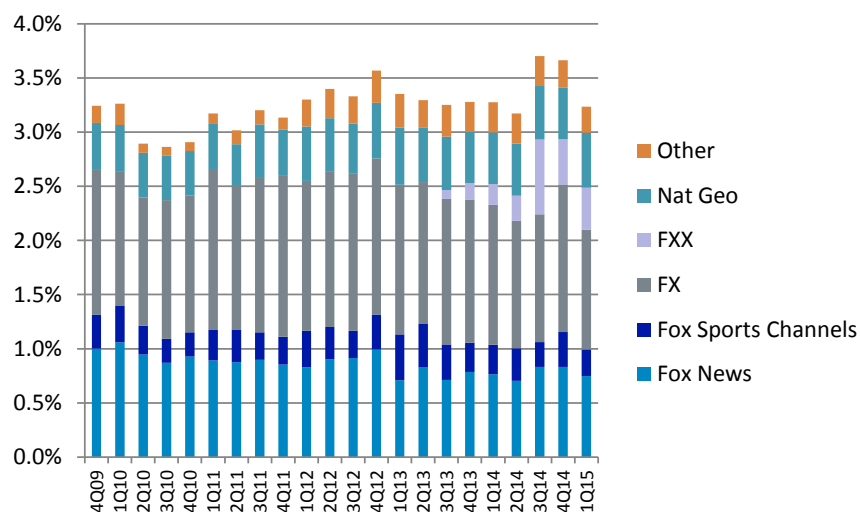
Fox's National Cable Networks are Big Brands, but with Clear Identities

We see this as an advantage. FX is now arguably on par with HBO and Showtime with its original dramas. Fox News is the ratings leader in cable news. Fox Sports is nowhere near the powerhouse that ESPN is, however, it has added key rights to its portfolio, including MLB, NASCAR, UFC, FIFA World Cup, and a collection of college sports rights. These should drive ad revenue growth and continued strength in affiliate renewals.

The FOX Network Has Near-Term Ratings Challenges, But Still Has the NFL

The FOX Network and O&O stations face the same current advertising challenges as the general industry, and then some because of its recent ratings performance. However, Fox continues to have the NFL, recently debuted what looks to be a bona fide hit show, Empire, and it has other highly popular entertainment programming, including American Idol and Gotham.

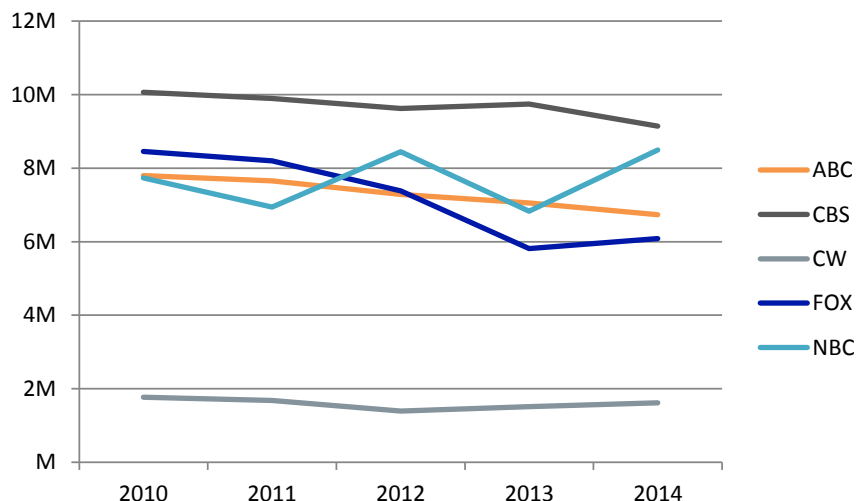
Figure 3: Fox Cable Channels P2-54 Live+7 US Share %



Source: Nielsen, Deutsche Bank



Figure 4: Broadcast Primetime Total Viewers L+7



Source: Nielsen, Deutsche Bank

Significant Leverage in Affiliate and Retransmission Negotiations

Fox's portfolio of national networks and RSNs is must-have, in our view, for any pay TV distributor. We believe Fox's total retransmission and reverse comp. revenue will reach ~\$940m by 2016 and \$1.6 billion by 2020.

Fox's RSNs Are Bundled

Fox's regional sports networks (RSNs) represent ~25% of Cable Networks' revenue. Some investors question the outlook for these networks given the potential for RSNs to be excluded from smaller channel packages. We think the risk is mitigated by three key factors: (1) Fox can tie carriage terms for the RSNs with its national networks and stations; (2) Fox's 22 RSNs have contracts with 45 out of the 53 teams in its markets and average 2 major teams per network (in contrast to the single-team dependent LA Lakers and Dodgers networks), and (3) Fox ties carriage of the RSNs to one another. In addition, we think Fox could allow distributors some flexibility to exclude the RSNs from some packages without giving up revenue, by setting a minimum % of subscribers that must have the RSNs and having automatic price adjustments that increase with lower penetration levels.

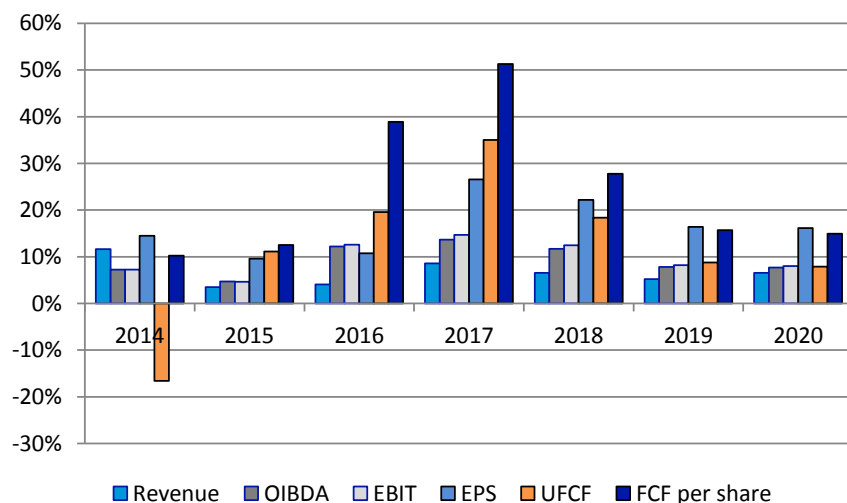
Highest Profit Growth over Next 3-5 Years with Growth Drivers That Are Principally Subscription Based and International

2016-2018 Should Be Strong Years

We estimate Fox's revenue (ex-DBS) to grow at a CAGR of 6% from 2014 to 2017, as well as from 2014 to 2019. The growth is driven largely by low double digit growth in domestic and international affiliate revenue, double-digit growth in international advertising, and growth in retrans/ reverse compensation. We expect OIBDA to grow at a 10% CAGR, driven by Cable Networks growing at a CAGR of 12%, Television at 5%, and Filmed Entertainment at 2%. Affiliate fees drive a majority of this overall growth, which gives Fox's earnings strong visibility.

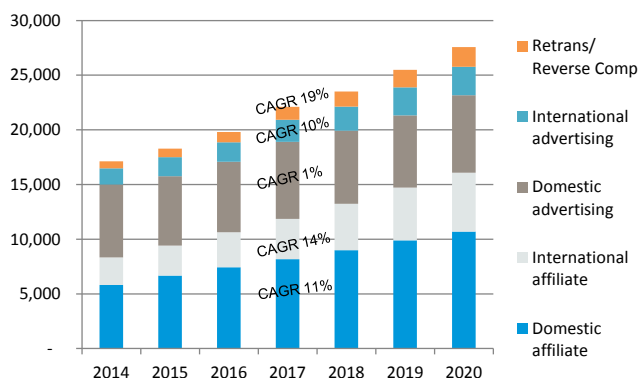


Figure 5: Forecast Growth Rates Summary



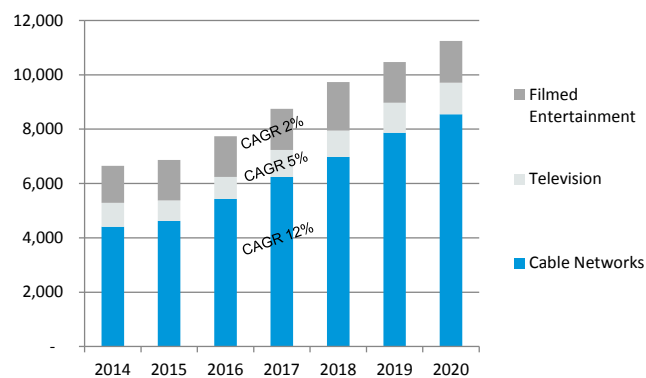
Source: Company data, Deutsche Bank

Figure 6: Revenue Growth Forecast



Source: Company data, Deutsche Bank

Figure 7: OIBDA Growth Forecast



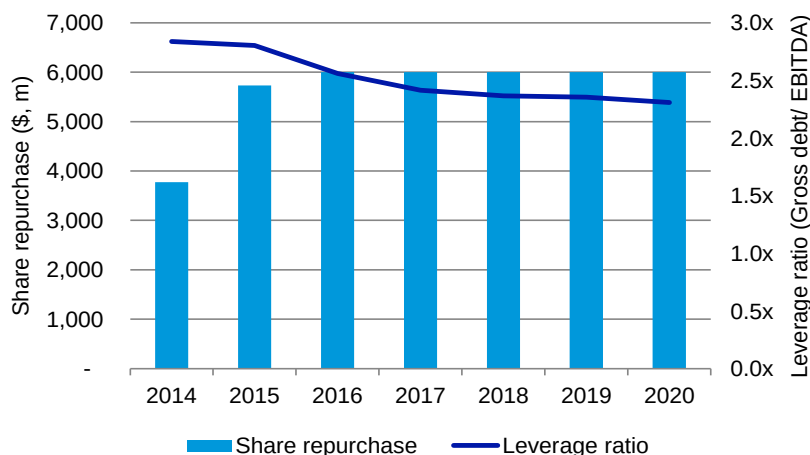
Source: Company data, Deutsche Bank

In F2014 and F2015, costs associated with the launch of FXX and FXM, increased programming expenses across the FX Networks (FX, FXX and FXM), continued rebranding efforts at the domestic Fox Sports channels, and sports programming costs internationally consumed investments and weighed on margins. We expect another step-up in costs with the Cricket World Cup in FQ3 2015 and various new sports rights flowing through in FQ4 2015 on Fox Sports 1 (Women's World Cup, NASCAR, US Open). This should lead to margin expansion in F2016 and beyond as its revenue growth scales over these investments. FXX and Fox Sports 1 (FS1) only launched 1.5 years ago, and rates still have plenty of room for growth, in our view. And while FS1 launched in about 90 million homes, FXX is still only in ~75 million homes vs. ~100m total pay-TV homes, and FXM in only ~50 million homes. Internationally, STAR India and Fox International Channels should continue to grow in both rates and subscribers driven by growth in key pay-TV regions where the Fox channels already command large market shares.



We estimate unlevered FCF will grow at a 23% CAGR from 2015 to 2018, driven by growth in OIBDA, as well as decreasing working capital needs. Levered FCF per diluted share should grow at an even faster rate, at 39%, driven by strong share buybacks that should continue, funded by excess leverage under Fox's target gross debt ratio of 2.5-3.0x and excess FCF. We forecast an average \$6 billion in share buybacks per year.

Figure 8: Share Repurchase vs. Leverage Ratio Forecast



Source: Company data, Deutsche Bank

Forecast Discussion

Please refer to Fig. 11 for our Income Statement.

FY2015: We estimate revenue (ex-DBS) to grow 4% and OIBDA (ex-DBS) to grow 5%. Our forecast is largely driven by 5% growth in Cable Networks OIBDA, a 15% decline in Television OIBDA, stemming from a tough Super Bowl comp against last year, our assumption of continued weakness in FOX Network ratings from general entertainment programming, and MLB playoff games shifting from the Fox Network to Fox Sports 1. These are partially offset by higher political spending from the mid-term elections, and retrans and reverse comp revenue growing at 22%. We expect Filmed Entertainment OIBDA to grow 10%, driven by lower costs as a function of a less expensive slate, partially offset by the de-consolidation of the Shine group negatively impacting growth in the latter half of the year. We are modeling \$5.7 billion in share repurchase (pushing its leverage ratio up to 2.8x, in line with the company's 2.5x-3.0x target), and forex weighing ~\$250 million on OIBDA.

FQ3 2015: Ex-DBS, we estimate revenue growth of 1% and an OIBDA decline of 7%. On the revenue side, Fox faces a tough Super Bowl comp, laps the benefit from consolidating the YES Network, and should see some weakness in domestic ad growth, but these should be more than offset by the Cricket World Cup being broadcast on STAR India for the first time. We expect OIBDA to decline given the cost of the Cricket World Cup and because the Super Bowl in the prior year was actually margin accretive given low NFL amortization expense booked as Fox's contract with the NFL reset. We estimate that the de-consolidation of the Shine Group will negatively impact revenue by ~\$1 billion and OIBDA by \$60 million annually. However, the larger Shine-Endemol-Core Media Group will generate a full quarter of equity earnings for Fox for the first time in FQ3 at 50% ownership.



FQ4 2015: Ex-DBS, we estimate revenue to be down 7% and OIBDA to be up 5%. The decline in revenue is largely driven by a very tough comp in Filmed Entertainment vs. the prior year (Night at the Museum 3, Taken 3, Kingsman, Home vs. the previous year's X-Men: Days of Future Past, Rio 2, How to Train Your Dragon 2, The Fault in Our Stars). This should be partially offset by an 11% growth rate in domestic cable advertising from Women's World Cup, NASCAR, and the US Open being broadcasted for the first time on Fox Sports 1. We expect OIBDA to grow modestly as investments in original programming at both Cable Networks and the Fox Network decrease YoY.

FY2016: We expect 5% growth in revenue and 12% growth in OIBDA as Cable Networks continue to grow revenue at 10%, while opex increases by only 7%, driven by the absence of the Cricket World Cup, fewer new sports, and lower growth in other programming expense. In Television, we expect 2% growth in revenue and 8% growth in OIBDA, driven by flat growth in advertising at the Fox Network, while advertising at the stations continues to decline by 3%, partially due to tough political comps. We expect 19% growth in retrans and reverse compensation revenue. We model a ~\$500m hit to revenue at Filmed Entertainment from the de-consolidation of the Shine Group, negatively impacting growth in the first two quarters. We also model forex weighing ~\$200 million on earnings and we assume that current conditions don't worsen, and ~\$6 billion in share buybacks, which should leave Fox with a leverage ratio of 2.6x.

FY2017: We expect revenue growth of 9% and OIBDA growth of 14% as investments wane in the Cable Networks and revenue growth scales. We estimate Cable Networks revenue to grow 10% and OIBDA to grow 15%. We also expect strong revenue growth of 15% and OIBDA growth of 23% at Television as the Super Bowl rotates back to Fox and local stations benefit from the Presidential election. We assume a modest low single digit growth in Filmed Entertainment's revenue and OIBDA.

FY2018: We expect revenue growth of 7% and OIBDA growth of 12% as Fox continues to scale revenue growth over expenses that are growing more slowly. Fox Sports 1 will broadcast the FIFA Men's World Cup in 2018, and Avatar 2 is scheduled to be released.

Potential Sources of Positive Optionality and Upside to Our Forecast and PT

- Industry-wide improvements in audience measurement and ad delivery that drive higher measured viewership could accelerate growth in ratings and advertising, including beginning to insert current ads into VOD programming played beyond the C3/C7 window; further, the ability to insert targeted "digital" ads into VOD and content streamed to IP devices (i.e. connected TVs, computers, tablets, smart phones), which are sold at higher CPMs than linear ads. See our Sector report for a more in-depth discussion on this topic.
- Improvement in TV ad spending in general would benefit Fox, which had 32% of total revenue come from TV advertising in F2014. This could be driven by some marginal ad dollars shifting from digital back to TV or ad budgets increasing overall driven by better growth in the general economy.



- Strengthening foreign currencies, particularly the British Pound, Rupee, Euro, and the basket of LatAm currencies (principally the Real, Mexican Peso, and Argentine Peso).
- Fox could participate in the upcoming broadcast incentive auction, currently scheduled for 2016. The details haven't been hammered out yet, but Fox could potentially benefit from putting its spectrum up for sale in the auction.

Downside risks

- Although we do not believe ad dollars will flee from TV en masse, we believe some marginal ad dollars are shifting to digital. Acceleration in digital spending shift or an economic downturn could negatively impact TV ad revenue.
- Precipitous declines in ratings due to a decline in the popularity of Fox's content, measurement shortcomings, or changes in consumer behavior in response to increasing availability of video streaming services.
- Declines in bundled pay TV subscribers could materialize from cord cutting and/or cord-shaving as over-the-top services proliferate, and some or all of Fox's channels could see material subscriber declines.
- Failure to renew affiliate agreements with pay TV operators could cause temporary blackouts or result in the networks to be dropped entirely from operators' bundled offerings.
- The loss of key sports contracts could weaken Fox's leverage against distributors in negotiating affiliate deals and cause ratings erosion.
- Further weakening of foreign currencies relative to the US\$.
- The Murdoch family's large voting stake in the company gives it disproportionate power that it could use to drive actions that are counter to other shareholders' interests.
- The company might pursue economically dilutive acquisitions.

Valuation

Fox currently trades at a 2015E P/E ratio of 21x, 11.1x EV/ 2015 EBITDA, and an unlevered FCF yield of 4.7%. Our \$42 PT implies valuation metrics of 22x 2016E P/E, 11.6x EV/ 2016E EBITDA, and a 4.2% 2016E unlevered FCF yield.

We estimate a 15% average annual equity return over the forecast period based on our forecast and current market value. This is driven by growth in FCF to the firm, a 5% unlevered FCF yield, and shrinking share count.



Figure 9: Economic Returns Model

	2014	2015	2016	2017	2018	2019	2020
Consolidated Enterprise Value (Core)	78,789	82,219	88,942	103,312	113,495	119,253	124,881
Unlevered Free Cash Flow	2,716.6	3,018.4	3,610.0	4,874.3	5,770.3	6,277.0	6,772.2
Unlevered FCF Yield		3.7%	4.2%	5.1%	5.3%	5.4%	5.5%
WACC		8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Value from Growth		3,430	6,723	14,370	10,183	5,759	5,628
Return from Growth		4.3%	7.9%	14.9%	9.4%	4.9%	4.6%
Total Value Created		6,448	10,333	19,244	15,953	12,036	12,400
Total Economic Return		8.0%	12.1%	20.0%	14.7%	10.3%	10.2%
Consolidated Enterprise Value		82,219	88,942	103,312	113,495	119,253	124,881
Plus: Cash & Equivalents		8,396	4,322	3,000	3,000	3,000	3,000
Plus: Non-Consolidated Assets	14,572	15,301	16,066	16,869	17,713	18,599	19,528
Less: Debt		19,128	18,928	20,279	22,216	23,849	25,187
Less: Minority Interest	2,337	2,454	2,577	2,706	2,841	2,983	3,132
Equity Value		84,334	87,826	100,196	109,150	114,020	119,091
Shares Outstanding (Diluted)		2,057	1,910	1,781	1,665	1,558	1,462
Value per Share		\$41.00	\$45.98	\$56.25	\$65.57	\$73.16	\$81.45
Equity Return		15.0%	12.2%	22.3%	16.6%	11.6%	11.3%
Current Price	\$35.64						
Mean Geometric Return Over Period		14.8%					

Source: Company data, Deutsche Bank estimates

Figure 10: Comparable Company Valuations

Ticker	Rating	Current Price	DB Target	Upside / Downside	2015	2016	2017	2015	2016	2017	2015	2016	2017
21st Century Fox, Inc.	BUY	\$35.64	\$42	17.8%	11.1x	9.9x	8.4x	4.1%	4.9%	6.9%	20.9x	18.9x	15.0x
Time Warner Inc.	BUY	\$83.16	\$100	20.3%	11.1x	9.4x	8.5x	4.7%	6.4%	7.1%	17.7x	14.2x	12.5x
Viacom Inc.	BUY	\$71.48	\$83	16.1%	9.6x	8.5x	7.8x	7.2%	7.5%	8.0%	12.3x	11.1x	9.7x
Liberty Media Corp	HOLD	\$40.28	\$43	6.8%	NM	NM	NM	NM	NM	NM	NM	NM	NM
The Walt Disney Co.	HOLD	\$106.35	\$105	-1.3%	13.1x	11.6x	10.5x	3.6%	4.4%	4.8%	21.5x	19.7x	17.7x
CBS Corp.	HOLD	\$62.80	\$67	6.7%	11.5x	10.1x	9.2x	4.7%	5.9%	6.6%	17.7x	15.0x	13.4x
Sirius XM Holdings Inc.	HOLD	\$4.00	\$4	0.0%	15.4x	13.8x	12.5x	4.1%	4.7%	4.6%	37.8x	31.4x	26.8x

Source: Deutsche Bank estimates

Figure 11: 21st Century Fox Income Statement

	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
	2013	2014	2015	2016	2017	2018	2019	2020
Revenues								
Cable Network Programming	10,881	12,273	13,874	15,311	16,835	18,566	20,302	21,786
Television	4,860	5,296	4,900	5,000	5,773	5,461	5,728	6,338
Filmed Entertainment	8,642	9,679	9,399	9,013	9,236	9,898	9,673	9,923
Direct Broadcast Satellite Television	4,439	6,030	2,112					
Other, Corporate and Eliminations	(1,147)	(1,411)	(1,214)	(1,094)	(1,094)	(1,094)	(1,094)	(1,094)
Total revenues	27,675	31,867	29,072	28,230	30,749	32,832	34,609	36,954
Growth % YoY	10%	15%	-9%	-3%	9%	7%	5%	7%
Total revenues - ex DBS	23,236	25,837	26,960	28,230	30,749	32,832	34,609	36,954
Growth % YoY	9%	11%	4%	5%	9%	7%	5%	7%
OIBDA								
Cable Network Programming	4,177	4,407	4,627	5,430	6,239	6,977	7,867	8,546
Television	855	882	752	810	997	972	1,103	1,159
Filmed Entertainment	1,308	1,358	1,490	1,498	1,511	1,783	1,499	1,543
Direct Broadcast Satellite Television	397	424	234					
Other, Corporate and Eliminations	(476)	(356)	(281)	(346)	(346)	(346)	(346)	(346)
Total OIBDA	6,261	6,715	6,821	7,392	8,401	9,386	10,122	10,902
Growth % YoY	9%	7%	2%	8%	14%	12%	8%	8%
Total OIBDA - Ex-DBS	6,290	6,587	6,587	7,392	8,401	9,386	10,122	10,902
Growth % YoY			5%	12%	14%	12%	8%	8%
Total Operating Income	5,375	5,488	5,986	6,741	7,733	8,696	9,409	10,165
Growth % YoY	8%	2%	9%	13%	15%	12%	8%	8%
Equity earnings of affiliates	655	622	774	344	377	427	503	573
Interest expense, net	(1,063)	(1,121)	(1,213)	(1,189)	(1,183)	(1,267)	(1,389)	(1,491)
Interest income	57	26	41	25	15	11	11	11
Other, net	3747	174	5,075	-	-	-	-	-
Income before income tax expense	8,771	5,189	10,664	5,922	6,943	7,867	8,534	9,258
Growth % YoY	86%	-41%	106%	-44%	17%	13%	8%	8%
Income tax expense	(1,690)	(1,272)	(1,489)	(1,895)	(2,222)	(2,517)	(2,731)	(2,963)
Tax rate (%)	19%	25%	14%	32%	32%	32%	32%	32%
Income from continuing operations	7,081	3,917	9,174	4,027	4,721	5,349	5,803	6,296
Less: noncontrolling interests	(226)	(132)	(250)	(310)	(326)	(342)	(359)	(377)
Income from continuing operations attributable to common shareholders	6,855	3,785	8,924	3,717	4,395	5,008	5,445	5,919
Weighted average shares (Diluted)	2,341	2,269	2,135	1,982	1,846	1,723	1,611	1,510
Income from continuing operations attributable to common shareholders \$	\$ 2.92	\$ 1.67	\$ 4.16	\$ 1.88	\$ 2.38	\$ 2.91	\$ 3.38	\$ 3.92
Growth % YoY	114%	-43%	149%	-55%	26%	22%	16%	16%
Equity affiliate adjustments	(163)	(88)	(265)					
Other, net	(3,511)	(176)	(5,022)					
Adjusted EPS	\$ 1.36	\$ 1.55	\$ 1.70	\$ 1.88	\$ 2.38	\$ 2.91	\$ 3.38	\$ 3.92
Growth % YoY		14%	10%	11%	26%	22%	16%	16%

Source: Company data, Deutsche Bank estimates



Figure 12: 21st Century Fox Balance Sheet

	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
	2013	2014	2015	2016	2017	2018	2019	2020
Assets								
Current Assets								
Cash	6,659	5,415	8,396	4,322	3,000	3,000	3,000	3,000
Receivables	5,459	6,468	5,853	6,013	6,111	6,358	6,614	6,968
Inventories	2,784	3,092	3,162	3,693	4,072	4,368	4,581	4,830
Other	665	401	318	318	318	318	318	318
Total Current Assets	15,567	15,376	17,729	14,347	13,501	14,044	14,513	15,116
Non-Current Assets								
Receivables	437	454	441	453	460	479	498	524
Investments	3,704	2,859	4,382	4,260	4,155	4,080	4,060	4,087
Inventories	5,371	6,442	6,419	7,498	8,267	8,868	9,302	9,806
Property, Plant and Equipment	2,829	2,931	1,646	1,480	1,292	1,082	848	591
Intangible assets, Publishing Rights, Titles and TV Licenses	5,064	8,072	6,427	6,427	6,427	6,427	6,427	6,427
Goodwill and other intang.	17,255	18,052	12,448	12,448	12,448	12,448	12,448	12,448
Other	717	607	546	546	546	546	546	546
Total Non-Current Assets	35,377	39,417	32,309	33,111	33,594	33,929	34,129	34,430
Total Assets	50,944	54,793	50,038	47,457	47,095	47,973	48,642	49,546
Liabilities								
Current Liabilities								
Borrowings	137	799	227	427	377	977	927	1,027
Accounts payable, accrued expenses, and other	4,434	4,183	3,381	3,604	3,589	4,000	4,177	4,443
Participation, residuals and royalties payable	1,663	1,546	1,303	1,316	1,556	1,632	1,704	1,813
Program rights payable	1,524	1,638	806	948	1,122	1,177	1,229	1,307
Deferred Revenues	677	690	536	583	646	689	727	776
Total Current Liabilities	8,435	8,856	6,254	6,878	7,290	8,476	8,764	9,366
Non-Current Liabilities								
Borrowings	16,321	18,259	18,901	18,501	19,902	21,239	22,922	24,160
Other liabilities	3,264	3,507	3,395	3,395	3,395	3,395	3,395	3,395
Deferred income taxes	2,280	2,729	1,782	1,782	1,782	1,782	1,782	1,782
Redeemable noncontrolling interests	519	541	547	547	547	547	547	547
Commitments and contingencies	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	22,384	25,036	24,625	24,225	25,626	26,963	28,646	29,884
Total Liabilities	30,819	33,892	30,879	31,103	32,916	35,439	37,410	39,250
Shareholders' Equity								
Total Shareholders' Equity	20,125	20,901	19,159	16,354	14,179	12,534	11,232	10,296
Total Liabilities & Shareholders' Equity	50,944	54,793	50,038	47,457	47,095	47,973	48,642	49,546

Source: Deutsche Bank, company data



Figure 13: 21st Century Fox Cash Flow Statement

Cash From Operations:

	2013	2014	2015	2016	2017	2018	2019	2020
Net income	7,323	4,646	9,152	4,027	4,721	5,349	5,803	6,296
Less: Income (loss) from discontinued, net of tax	277	729						
Income from continuing operations	7,046	3,917	9,175	4,027	4,721	5,349	5,803	6,296
Adjustments:								
D&A	797	1,142	749	567	588	610	633	657
Amortization of cable distribution investments	89	85	86	84	80	80	80	80
Equity earnings of affiliates	(655)	(622)	(774)	(344)	(377)	(427)	(503)	(573)
Equity based compensation	241	205	171	160	165	170	175	180
Cash distributions received from affiliates	324	358	365	383	402	422	443	466
Impairment charges	35	-	-	-	-	-	-	-
Deferred taxes	-	-	(246)	-	-	-	-	-
Amortization (Addition) to Intangibles, Publishing Rights, etc. , net	-	-	-	-	-	-	-	-
Other, net	(4,001)	(379)	(5,075)	-	-	-	-	-
Total Change in Working Capital	(874)	(1,742)	(1,570)	(1,358)	(791)	(577)	(584)	(632)

Cash from operations

Cash From Investing Activities:

Property, plant and equipment	(622)	(678)	(461)	(400)	(400)	(400)	(400)	(400)
Acquisitions, net of cash acquired	(606)	(692)						
Investments in equity affiliates	(502)	(19)						
Other investments	(152)	(64)						
Proceeds from dispositions	1,968	518						

Net cash used in investing activities

Cash From Financing Activities:

Borrowings	1,277	1,155	2,447	-				
Repayment of borrowings	(754)	(296)	(2,059)	(200)	1,351	1,937	1,632	1,338
Issuance of shares	203	66	48	-				
Repurchase of shares	(2,026)	(3,772)	(5,730)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Dividends paid	(613)	(792)	(920)	(992)	(1,061)	(1,164)	(1,281)	(1,412)
Purchase of subsidiary shares from noncontrolling interest	(163)	(127)	(650)	-				
Sale of subsidiary shares to noncontrolling interest	93	-	-	-				
Distribution to News Corporation	(2,588)	(10)	-	-				

Net cash used in financing activities:

Net (decrease) increase in cash from disc. ops	(1,431)	571	(28)					
Net change in cash	(2,914)	(1,176)	3,026	(4,074)	(1,322)	-	-	-
Beginning period cash	9,626	6,659	5,415	8,396	4,322	3,000	3,000	3,000
Exchange movement on operating cash balance	(53)	(68)	(45)					
Ending cash balance	6,659	5,415	8,396	4,322	3,000	3,000	3,000	3,000

Source: Deutsche Bank, company data





Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
21st Century Fox	FOXA.OQ	34.97 (USD) 4 Mar 15	1,2,7,8,14,15,17

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

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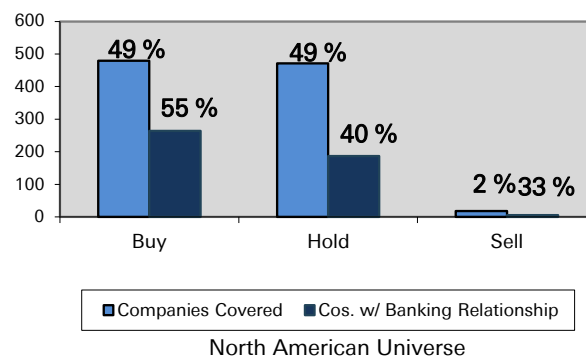
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