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Please refer to Liberty Media's publicly filed documents, including the most recent forms 10-Q and 10-K for additional information. At today's meeting, we will discuss certain non-GAAP financial measures. Please refer to the Appendix at the end of this presentation for definitions and applicable GAAP reconciliations. The Appendix will be available on Liberty Media's website throughout this meeting.

Courtnee Alice Chun:
Good morning and welcome to another Liberty Investor Day. We have a great day planned for you. I'm Courtnee Chun. I think I know most of you by now. We hope that you are enjoying the experience downstairs. We did something a little bit different this year. Hopefully, we've got more seating down there as well for you guys.
This is our morning agenda, so we'll be doing Liberty Media and then Liberty TripAdvisor. Just some useful information. Here is the Wi-Fi password. Write it down, take a photo, get on it. We also have - we have our hashtag, so Liberty Investor Day. So, we'd love to see you guys posting on that. Hopefully, Phil Maffei is here. The slides will be posted on the respective websites after we do the necessary filings. So, it will take us a little bit of time, so just be patient, please.
Hopefully, you saw our little giveaway this year. One of the benefits of

having so many companies is, we were able to do a Rubik's Cube. So, make sure that you get one of those. I want to just thank the team that put this together: Mindy, Shane, and Kelsey. A lot of work goes into this, so we hope you guys enjoy it.
And now, of course, the moment you've all been waiting for; we will have those kind of sprinkled throughout the day. Luckily, for Chase and Michael Rapino, we did not require their participation this year.
[Music] (00:09:26-00:09:40)

Gregory B. Maffei:
Good morning. The bar has been set very high unfortunately for Liberty in many areas perhaps no more than in the video context, so we're working on it. Some of you may follow me on Twitter and know that this is my Twitter handle or goal; making the world safe for media investing. I'll talk about that a little more in a sec. First, I want to remind you some of the things we've done in the last year. All have had exciting years, all the companies at Liberty Media.
Formula 1 announced the Vietnam race to begin next year - in 2020. We added Amazon Web Services as our official tech provider and an important sponsor. Some have suggested that that's not a cash-positive deal; it's a very cash-positive deal. We had ISG as a sponsor and they're going to have a data rights agreement as well to produce an F1 betting offering. We've renewed many broadcast arrangements including CCTV in China, Portugal, Nordic. And importantly, we've successfully lowered the cost of debt at Formula 1, $22.5 million dollars, $22 million-plus last year, but over $114 million a year since we bought F1. Mark Carleton will talk about it a little more.
The Braves, too many accolades to name, but a few include three Gold Club, one airs recently. That's the highest in the National League matched only by [ph] three (00:11:13) by the Red Sox on the AL side; Snitker as manager of the year, Acua as rookie of the year. A great year for the Braves and continued success off the field with SunTrust Park and the Battery both continue to perform very well.
SiriusXM, another outstanding performance in 2018. The EBITDA margin topped 40% for the first time. The SAC fell again. Used car penetration grew and churn remained below 1.8%. I remember when used to think churn of 1.8% was a great churn for a wireless provider. Now, we have a provider, a satellite radio, we churned below 1.8%. It's stunning.
We're excited to announce the acquisition of Pandora, which we expect to close in the first quarter. And notably, we started buying back LSXM shares. We bought $395 million worth at an average price of $4.77. That compares pretty favorably to the look-through price of SIRI, which is about $6.15 today, the actual price.
We do note and care about the discount. We have been trying to take advantage of it, first, as we noted by buying back stock to recognize that discount. You might expect more actions like that. Potential end factors influencing this; we've talked about some of them before, the supply-demand difference between SIRI and XM - LSXM, the difference in public float compared to their buyback, the large public float we have compared to the relatively more modest buyback, speculation that we'll do something with the LSXM stock that might be dilutive. I wouldn't count on it.
And then, generally tracking stock discounts having spread for a bunch of factors run arbitrage. Carl Icahn has noted the unhappiness in some corners with how Dell has treated VMware, they're tracking stock. I won't comment on

this much to say, but we're in the tracking stock business. We expect to be in the tracking stock business, we're going to be in the tracking stock business, and we're going to mistreat tracking stock shareholders, full stop. That being in that tracking stock business has worked pretty well and you can see our returns since we spun Liberty Media away and created a separate Liberty Interactive and Liberty Media in May of 2006. We've definitely outpaced both the S&P and the Nasdaq with pretty good results.
To refresh your minds what we look like today, three tracking stocks, three groups with SiriusXM, F1 and the Braves as major components, also Formula - excuse me Live Nation, which you'll hear from today. So, we started out in the media business. We've been in the media business a long time. And there was a time when traditional media was a great business, but those times are changing. [indiscernible] (00:14:21).
Some of you in the audience old enough to remember Hill Street Blues; iconic show of the 1980s, and this was the iconic entrance to every show that we were in a very dangerous world of Hill Street Blues. Well, the media business has been a very dangerous world for a while. If you look at the compression, that's going on in multiples and the resulting valuation of many stocks. As many of you noticed, it has not been an easy place. Why?
Well, you can come up with your own reasons, but surely among them is the fact that we've - despite the fact we have tons more time being spent on media. There are a lot of platforms vying for that attention. How much time can you allocate across all those platforms just for video when you're competing with social media, Fortnite? Here's a screenshot of a typical - we have twin 15-year-olds. This could be their screen and how much time they spent online, but obviously the amount of time spent on Instagram or Snapchat or Facebook is massive, and video competition is right in the midst.
And while that video competition is going on for traditional media, more content is exploding, absolutely kicking off, massive growth in original series. If you just look at online content alone over the last 12 - since 2012, up 680%. That massive competition for audience competes, with the only limited 24 hours in a day. And I don't care how many times you run multiple screens. There are only 24 hours in a day.
The number of streaming platforms has gone out of hand, and they estimate that there are over 200 OTT services today. I lost count somewhere between PlayStation Vue and Sony Crackle. Some may remember a few years ago, we showed an RIP, rest in peace, for music platforms. I have a full expectation in the few years, we're going to show an RIP for video platforms.
68% of Americans, 68% of adults over the age of 18 already subscribe to a streaming service. Surveys that I've seen suggest that the limit they're willing to spend is $38 per household per month on streaming services. How many can you afford, if Netflix is a given? You start filling up a lot of space. There are only 125 million households and only 24 hours in a day. These are limiting factors. Other things to note are password sharing, consumers jumping between services when discounts are offered. And of course, after you binge-watch Game of Thrones, how many of you dropped your HBO NOW subscription?
Combine that explosion and the amount of content and the number of platforms with rising content costs. There are many anecdotal stories about cinematographers getting double, triple, quintuple their amount of pay over the last few years. Five years ago, a high-end drama was $3 million to $4 million an hour. Today, that high-end drama is $5 million to $7 million an hour, but that's nothing compared to what's happening and exploding. Stranger

Things meant to look like it was shot 30 years ago, costs a very modern $8 million per episode. Netflix may be able to do this because it's spreading its cost over 700 series. So, I defy you to name more than 10 hits in the Netflix catalog. The Lord of the Rings may set new numbers yet, rumored to be a budget of at least $500 million and some have speculated $500 million to $1 billion.

David Nevins, Showtime President and CEO, projects total spending on original content of $100 billion a year. How will that earn a return? How is that going to be justified? Well, part of it is because the people who are playing don't need to have it pay for itself. If you're a new entrant with a different kind of a business model, you can have success defined in other ways. You can monetize outside of the traditional parameters of the media business. Apple has an installed base of 1.4 billion devices. If they spend $20 million (sic) [$2 million] for a 30-minute episode of Carpool Karaoke, maybe that can justify itself by selling a few more Apple devices, but it surely cannot be justified any traditional metrics. Amazon with 100 million Prime members can justify a mind-blowing content budget estimated at almost over $12 billion this year and more next year.

Start using all the aphorisms, but the race is not always to the swift nor the battle to the strong, but it is best to bet that way. Even Google, with YouTube brand spending only a few hundred million dollars, has reported to be pulling back on spending from its current levels, because it believes it cannot compete with Netflix. So, Netflix is the king and they have done an unbelievably good job for the benefit of consumers and its shareholders. It's a very admirable rate of return. One of the mistakes John and I always point out is that we had an opportunity to invest in Netflix, and because it was potentially competitive with Starz and we would have retribution by cable companies, we didn't put up the money we could have in Netflix. At various other times companies in which we had a role, we encouraged them to buy Netflix, didn't happen. They've had enormous wins in terms of growth in subs, in terms of Emmy wins.

But when you look at that and ask, what does winning look like, you have to ask a few questions. They're going to burn $3 billion of free cash flow this year. In the third quarter, they burned $850 million - $859 million, more than double last year. They just raised another $2 billion in debt to fund new content. That's I think their third debt offering this year to fund growth in content. It almost makes Hulu look good losing only $1.3 billion to $1.7 billion this year. No traditional media player would find it possible to compete on these terms - just a different set of metrics, a different way to count. And Netflix may find it hard to compete yet on those tech giants who are monetized in even more different methods.

Warren Buffett noted in his 2007 shareholder letter, the worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and earns little or no money. So we'll see.

We're playing a slightly different game at Liberty Media. I noted our goal is to try and de-risk media investing. So, a few years ago, back in 2010, here's a slide we presented, not something with this Investor Day, but we presented a bunch of other forums, about what we were going to do to the trends we saw coming. And you can see here my performance goals, making media investing safe.

Some of the things we saw and tried to do, we obviously got our businesses that were less attractive, where we saw change coming that would not be beneficial, but also some things that we try to do that were more forward

looking we hoped and more positive included, embracing technology, and finding businesses with proven business models that ran on that technology, enhancing and enriching the customer experience on a continuous basis, no static effort. You got to keep moving.
We think of this as a flywheel that continues to add value both for customers and shareholders alike. You can judge for yourself how we've done, but let's take a look at a few of the Liberty Media businesses and how they fit that description. Back in 2009, at an opportune time, we invested in SiriusXM in a very conservative fashion. The business has only continue to outperform every expectation we've had. The operating and financial metrics are outstanding, and it's a free cash flow machine which we continue to see more opportunities ahead.
Some of those include its ability to use a flywheel and grow itself, because it's growing outside the car in many important exciting ways. Half the listening is in the car, but half isn't and we are fully intend to embrace and attack that space as well.
Last month, Sirius announced a partnership with Amazon where new Echo customers can get three months of SiriusXM and a six-month promotional rate for certain SiriusXM subscriptions that come with a free Echo Dot, the beginning of many new things we hope to do together.
Obviously, we announced the acquisition of Pandora which opens up a range of exciting new possibilities around mobile, in-home, technology synergies, cross-selling, sharing content, new channels for different audiences that we serve well today. Lots of important things and exciting things and Jim Meyer will touch on them a little bit more, but this business has many places to grow, much room to expand, and we're very excited about it.
Formula 1. We talked about being previously on the crack of sports, and we've moved into being a dealer, and we like that position, and is expensive as you may feel about sports programming. We feel it looks pretty good compared to what's going on over the video content side, the original programming costs that I outlined.
We remain very excited about the possibilities of Formula 1. So many good things happening. But, it's not just about the race. In the same way, a flywheel is occurring in this business. We're increasing engagement off the track with all sorts of live events. We launched our OTT service, especially important for growth in many new markets including the U.S. We even launched exciting new content partnerships with Netflix and with Twitter and a podcast that's highly regarded, a five-star rated podcast called Beyond The Grid. We had our second season of Esports, pushing ourselves into new venues and new areas and younger audiences.
We had pre-race hype around our fan festivals. Hopefully, some of you saw the footage of the estimated 80,000 fans who watched the cars race down Biscayne Boulevard. If you haven't, taste a sizzle reel in a minute, has a bit of it.
And we'll give you a taste and I'm sure you want to go look online and see more. And there's so much more we've done; we re-launched the website. We continue to be the fastest growing sport on social media. Lots of exciting things.
The flywheel keeps turning as well at Live Nation. The business keeps growing and the opportunities as it grows to expand its sponsorship, its ticketing, and its onsite spend only increase. The leverage it gets from scale, the leverage it gets from its relationship with its fans only grows. Lots of great things happening. Growing our VIP offering, providing better product selection with many new points of sale.

Live Nation productions; hopefully some of you saw Bradley Cooper and Lady Gaga in A Star Is Born. I talked about all the competition and video content. If you can take the assets that you have, that Live Nation has for example, and leverage them on a low cost basis and rise above the clutter which clearly Lady Gaga and Bradley Cooper were managed to do with A Star Is Born, you could still have great success, but it's not every day, in every way and every place, but Live Nation knew when to pick its shot. Look how much we've increased spend-for-spend, and we think there's much more room to grow. Michael Rapino will talk more about that.

The Braves. Unbelievably great year as I've noted, some of the wins. You're going to hear more about that from Mike Plant, really a best-in-class facility. It is the model. Everywhere I go with sports team owners, they talk about having their wanting to see what we did down at The Battery, what we - see what we did at SunTrust Park or having seen it are very excited for us in what they can do.

Some of the success, they're off the field. The Battery is busy all the time before and after games, attracted 3 million fans in addition to baseball game attendees. That's just stunning. I think some of you heard me note this before, 3 of the top 10 grossing restaurants in the Atlanta area in 2018 were in The Battery: Live! at the Battery Atlanta, the Punch Bowl in the Yard House. If you expanded the top 30 restaurants, we have 4 including El Felix.

So, when you sum it all up, we feel pretty good. We have millions of touchpoints with our customers. We have millions of touchpoints with fans, consumers, and potential fans and consumers, and we have many differentiated ways to monetize them. It's an exciting portfolio. It's one that we're very excited about and it's one that we hope you can be excited about today as well. Mark?

Mark D. Carleton:

Good morning. And I welcome to Liberty Media where public humiliation once a year is part of everyone's job description. Only Greg and his take at video directing continues to stun us each year. So, welcome.

Let's talk about liquidity at Liberty a little bit. We're in pretty good position here. At Formula 1 group, $150 million in cash, $150 million of margin loan capacity and some unincumbered public holdings. They are pretty good at Liberty, $80 million in cash, still margin loan capacity of $800,000 and a significant amount of value in 2.2 billion SIRI shares there in terms of access, and then $78 million over at the Braves in cash. So, we're really in good position and we have a lot of flexibility with what we're doing here.

From a Formula 1 debt standpoint, we're currently levered at 6.5 times at the Formula 1 operating level. I will point out that our corporate debt also includes the 1.375% convertible notes. We've discussed these before relative to the basket of securities and where those prices trade. But overall, our leverage continues to be a little bit above target. We're maintaining our five to six times target. We will be a little bit higher at year end than that given some EBITDA changes, north of the 6.5 times. But we expect that to come in a much towards target during 2019. The leverage, a little bit above our target right now, but a lot of what we think really quality investing at F1 and we're very comfortable where we're at and we're very comfortable with the liquidity that we have.

We've done a good job at managing the debt. Greg touched on this earlier through the restructuring since we've had the asset we've reduced interest expense by $114 million, of which $22 million was this year. We've extended

the maturity by two years and really pushed our average maturity out to 2024.
So we're pretty proud about that. Let's look at revenue. We continue to get a
lot of questions and as you've heard from Chase and consistently from us,
quarter-by-quarter analysis of this business is really difficult and often
these numbers are not comparable. But we do understand a lot of you here have
the responsibility to come up with some quarterly analysis, so we'll try to
give you as much information and help here as we can.
The race fees are recognized on the day of the race. So the number of races
in a quarter directly impacts how much revenue from race fees and promotion
we will have there. From a broadcast standpoint, generally those are
recognized across the race calendar, but we do have foreign exchange
movements in there. We have British pound contracts, euro contracts,
Australian dollar contracts, and certainly this will expand next year as our
Sky contract gets - kicks in to a more significant level. From an advertising
and sponsorship standpoint, those contracts vary by contract. Some are race,
some are race calendar, and some are calendar year. And again, what's
difficult is as Chase and his team renews these or extends these, they may go
from being a per-race kind of an arrangement in one year and a per-season
arrangement in the next.
So we will undertake to do as much as we can to provide clarity and
transparency to help you folks with this, but it is very challenging on a
quarterly basis. And I know Chase and his team certainly does not run this
business on a quarterly basis or even an annual basis for that matter. On the
F2 and the GP3 cycle, generally these are three-year vehicle cycles. This
year was year one of the F2 vehicle cycle, which is why both revenue and
associated cost was elevated. Next year is a new cycle for GP3, so some
variation that comes depending on the year from those businesses. Let's have
a look at the cost side. The team payments, the expenses recognized pro-rata
across the race calendar, the cash payments themselves come at different
times of the year.
March through November, various true-up points, and then a final true-up
point in February. The fixed price funds paid in even installments across the
race season. So the timing of expense recognition and the timing of cash flow
really varies across this business. Our net operating cash flow is highest in
quarter one. We've received a lot of advance payments, et cetera on promotion
and we pay the teams out on arrears. So it's a decent - it's a pretty good
working capital model. From a tax standpoint, our estimated future UK taxes
are still in a single digit percentage of adjusted OIBDA as reported. This is
a very, very tax-efficient asset. So, from an operation leverage standpoint,
we're pretty pleased with where we're at here. So, thank you for your time.
[Video Presentation] (00:33:47-00:35:15)

James E. Meyer:
Thank you and good morning. [indiscernible] (00:35:25) more. One more. There
we go. So I want to start out with SiriusXM today has approximately 33.7
million subscribers. That's right, 33.7 million here in the U.S. It's
important to note, by the way, if you count Canada, which we fully control,
we actually have over 36 million subscribers. So a very, very big
subscription business here in North America. We bundle about 150 channels of
different content, which I'll talk about in a moment. Today, of every hundred
new cars built, 75 are shipped with SiriusXM active, and of every used car
sold in the United States today, about 40% now have SiriusXM as it transacts.
Obviously, the core offer of our business is content, and I want to make two

key points here.
We're committed to have an unrivaled offering of content. But it's important to understand we are in the radio business. We're not in the music distribution business. Of course, if our customers want music distribution, as part of the bundle we offer we'll provide that. But our core business is radio. And the key here is if you look at the last 10 years, our content spend, independent of royalties, has stayed in the range of about 6% to 7% of revenue. And I believe going forward that's also a good target for the next five years. What has increased over those 10 years is the royalty fees we pay the music industry, both obviously in total dollars but also as a percent of revenue.
A very important thing happened in September and that is, and the month of September is part of the Music Modernization Act that was approved by both legislative branch and signed by the President, we reached an agreement with the music industry that our royalty rate will remain flat for the next nine years. This is really, really a big deal because if you think about our royalty rate remaining flat as a percent and you think about the guidance I just gave you on content, that's quite a bit of a different story than Greg showed earlier for several companies that are in the media business. Well, when I was here last year at this time, these are the numbers where we were. Since then, we have grown to 33.7 million subscribers, about 5% in sub growth.
Revenue has grown to close to $5.7 billion or 8%. As importantly, EBITDA has grown 8% and is already at $2.2 billion. Our margin year-to-date is almost 39%, which has grown 40 basis points and our cash flow is up 2%. I'll comment that - more on that in a minute, but that includes about $170 million payment we made to settle a very longstanding dispute with the music industry. And so, if you normalize it, our cash is actually growing quite nicely. Our subscriber base continues to grow here in terms of self-pay. Our guidance is 1.275 million this year. I'm very comfortable we'll achieve that growth rate and we should end the year with more than 28.8 million self-paying subscribers. We'll have record revenue this year. Obviously we expect revenue of $5.725 billion. We're confident in that guidance and you can see still a very nice stairstep in revenue growth from 2016 through 2018.
We will also report record EBITDA this year, a very nice stairstep. Here, I want to point out two things. We're guiding to $2.2 billion dollars of revenue in 2018. We're very confident in our guidance. It's important to note that our growth between 2017 and 2018 was tempered by a very late ruling of the CRB which is the Copyright Royalty Board as to how we pay the music industry. That rate that came down late last year was quite a bit higher than we had expected. By the way, that is the same rate though that will go forward. It takes us a while to pass that rate along in our pricing, and so it kind of clipped our EBITDA in the short term, although we're still certainly able to grow nicely. Once that works its way through now and with that years of stability and the percentage, that particular part of the business will settle down nicely.
This is the chart I'm really proud of. This is my sixth year presenting here. When I presented six years ago, I stood up here and said I think we can run this business at a 40% plus EBITDA margin. I saw some of you snicker. In the third quarter, our most recent report, at the end of September, I'm happy to report that we achieved 40.1%, which is a record for us in EBITDA. It's just the power of how strong - an indication of the power of our business model and how strong it is. Obviously the fundamental part of our distribution is

through new cars. This is big news for me. I mean, for years I've been saying that going forward you should expect our penetration rate to be in the 70% to 75% range. By the way, if you follow the bears that are out there in our stock, they keep claiming that the OEMs are going to lose interest in satellite radio.
They couldn't be more wrong. Based on deals that I now know are done or will be done shortly, I now can tell you that going forward, at least certainly for the next five to seven years, our penetration as you model our business now should be at 80%. This is a big deal. What does it lead to? Obviously, we can't predict when there will be a recession, and eventually there will be one. Let's hope it's a long way away. But as you look at our embedded fleet and just look at between 2013, 2018, and 2023, at the end of 2018 we'll have more than 115 million vehicles out there. By the end of 2023 we'll have more than 170 million vehicles. And by the middle of the next decade we'll have 200 million with SiriusXM built in. This is an important thing to keep in mind as we talk about some of our other initiatives coming up. The used car market has been great for us, okay?
And to remind you, in this country there are 17 million new cars sold every year. There are 38 million used cars sold every year. So the used car business is almost - is more than twice as big. So when someone says how many cars are sold in the U.S., the right answer is 54 million to 56 million. The average car is owned 3.2 times. Think about how powerful that is. Because we've invested heavily in understanding how the turnover of those vehicles work, we get over three bites at the apple on every time on every vehicle built. This is a really powerful distribution tool. Furthermore, I can tell you we're not getting done what I want done here. There's more - I'm pretty candid about our performance. There's more we can do here, much more we can do here. Whether that's improving the yield from our used car trials or improving the amount of enabled vehicles and converting them to actual trials, I believe there's still a lot of room to grow here.
Another key point, just think about that, and if you - I'm not giving guidance here by the way, but if you just thought out 7 to 10 years and you said, hey, 55 million vehicles are being sold. Gee, 80% of those are going to have Sirius in them. And then you said, oh, and gee, 80% of those, we ought to be able to find 70% of those. We ought to be able to match up to a trial. It's a 30 million to 35 million kind of number every year, if we do our job correctly. It is a really big important part to feed our business as we move forward. And remember, we only subsidize the vehicle once and that's when it's in the factory as a new car. Last year when I was here, I showed you a complete demo of 360L which is our new user interface in the vehicle.
This is an actual picture now of the dashboard in the Ram 1500 truck that incorporates 360L. I love this. Whether you like it or not, get used to it.
This is what dashboards of the future are going to look like. For our business, it's phenomenal. And just to remind you, 360L easily combines both the two-way connectivity of the modem that's built into vehicles. And I'll reiterate again, in 2020, the vast majority of new cars. And by that I mean 85% to 90% are going to have a built-in modem in them. There is no doubt about it. 360L is the future of our user interface for many, many, many years. You're going to see user interfaces like this from us for the next five to eight years. The good news is same as the bad news and that is we rely on the OEMs to deploy this. The great news is when they deploy it, they don't stop.
The bad news is they can be very slow about deploying. I'm happy to say on

360L on the second half of 2019, you will see more announcements as OEMs continue to roll this through. And I'm very confident that 360L as we exit this decade will begin to be the user interface that you'll see in most of our new vehicles. Obviously while we dominate in-car listening, I think it's been really, really important that we have a major focus to listen everywhere. This has been a hard problem when you rely on the satellite network because it requires line of sight. Those days are over now. And if you look at just these devices down here alone, all of these are unbelievable ways to listen to content. Number two, there is a fundamental change. I've been in the consumer electronics business/media business now for over 30 years. I've seen a lot of things come and go. I think I've been smart enough to understand when there's a fundamental change in customer behavior. I can tell you these smart speakers are a fundamental change in customer behavior. People who use them love them. The simpler they are to use, the better. And you have huge players like Amazon and Google subsidizing these things in major ways. This is a powerful way for us to get our service into the home and make it easier for our listeners to have access to our service. With that in mind we announced a major promotion as Greg referenced earlier on with Amazon. I will characterize this as the first phase of what we think will be a longstanding distribution agreement with Amazon.

Today, Echo owners can easily get a free trial of SiriusXM, and SiriusXM subscribers who upgrade to our All Access plan can get a free Echo. We've launched it, it's in the marketplace now. We're pleased with the early results and we'll see how it does. An important note here, we've talked about this for the six years I've been standing here. I haven't been able to convince any of you to include this in your model. I don't think you're right and that is we have two adjacent pieces of spectrum. It literally takes us 15 years to clean that up. The good news is, is that, that cleanup is in sight and by the middle of the next decade we're going to free up a very valuable piece of spectrum that can either be used to enhance our service in our core offering or offer services that maybe we've never even dreamed of. Maybe that helped, for instance, in the autonomous vehicle in a major way. The other key here is we began three years ago with a chipset that seamlessly looks at the spectrum.

Meaning it doesn't care whether it's the upper band or the lower band. It doesn't care what the service is whether it's audio, video or something else. Okay. Those chipsets will now begin rolling out at the end of this decade and they will be - reach a majority position of our production in the middle of next decade. It's time for you all to recognize this value and understand there's a powerful opportunity here. Besides being in the entertainment business, we're also in the connected vehicle business. We're in this business for two reasons. One, I think it's a good business and I think it's a business we can make money at, and by the way, today, it is a good business. It's taken us a while to get it on track, but today, it's both experiencing double-digit revenue growth and double-digit EBITDA growth in 2018 and I expect that to continue going forward. Number two, we're in this business because the OEMs asked us to get in this business. They asked for help with the technology, they asked for help with the marketing and we've done that.

We've supplemented this business now with the acquisition of a company called Automatic Labs, which basically builds a small device which plugs in under the dashboard that can enable the 170 million, probably 140 million of those vehicles that are out there in the U.S. fleet today that have no connectivity

to be able to be offered connected services, like safety and security and other things. We're going to launch those through the same dealers we drive our new car and used car business with which gives us a really nice premium. We're in major discussions with insurance companies and other here.

What we're really doing here, ladies and gentlemen, is we're building a platform. We're building a platform that we want to run services off of. I'll just give you one example. We just purchased a small company called PayTollo, which is standardizing E-ZPass for anywhere you're in the United States when you drive, so nothing frustrates you more if you have one E-ZPass that doesn't work in Florida, but it does when you drive to New York. It's just one small example as we roll out across this platform what we can do with this business.

Pandora, I was really surprised at dinner last night, a couple of people said to me, hey, Jim, are you excited about Pandora? I'm absolutely, absolutely excited about buying this company. This is a very important step for our company going forward. First and foremost, it will make us the world's largest audio entertainment company with over $7 billion of revenue. Second, both of our strengths complement each other well. The most simple way to think about it is Sirius dominates in-car listening, Pandora has an [indiscernible] (00:51:34) Pandora does extremely well in the home and mobile, where we can complement those two together.

It diversifies our revenue stream which I think is really, really important and that is, it now gives us two major engines for growth, subscription and advertising. To make this investment thesis really simple in my mind is go back to what I said a couple minutes ago, let's just say we run those 30 million trials - 30 million, we use that as a round number. Let's just say for five years, that's 150 million trials. We'll be thrilled - and those aren't guidance numbers, I'm just using an example - we'll be thrilled if 35 million to 50 million of those actually flow-through through the SiriusXM subscription engine. Think about that, that's 100 million that we're just - we're not trying to monetize in any way.

After the acquisition of Pandora and going forward, a fundamental question that you ought to ask us is, as we run those trials, what percent are we monetizing in some way, and trust me, I'm not worried about the cannibalization. That's very knowable and very testable. Okay. There's no [indiscernible] (00:52:53) in between there. But we will be in a strong position to drive radio revenue through the distribution of vehicle turnover, and the purchase of Pandora gives us a chance, an opportunity to do a much better job here.

Sirius customers, after the acquisition, will benefit from the Pandora offerings. And the benefit to Sirius customers will be an improved value proposition, where that should end up is improved churn and improved conversion. And on the Pandora side, let me tell you, for me, it's not about the $10 and $5 subscription stuff, of course, we'll offer that. It's all about driving that free listening and monetizing that in a much more aggressive manner. Today, between Pandora and Sirius, we have about a little less than 24% of the north of the U.S. radio business. I'll be disappointed in five years, if we're certainly not past 35% or bigger as we grow forward.

One other thing that came out and I want to be very clear here, as of - since the beginning of our capital return program, we've bought back and returned to our shareholders almost $11 billion. We did have a small squeeze to our stock, ran far ahead of our grid this spring and early summer. I just want to be clear, our board, our Chairman, who's Greg Maffei, and myself are very

committed to capital return. There is no reason to change any of your models
in terms of where we're going here and I hope I'm clear.
So, in conclusion, I learned this in business school and I laughed when some
old guy told me this. Now, I'm an old guy, and now I tell all the young
people this. Greg kind of said it politely, but I have to tell you, business
models matter. At the core, execution is important, but if it's a lousy
business, it's still going to be a lousy business. SiriusXM is a great
business, unbeatable content, ease of use, a very leverageable fixed cost
base with high variable margins. I believe we'll continue to grow subs
certainly for many years to come. Our vehicle fleet will grow. The only
caveat on that is eventually the economy will turn down one day, and then you
know what, it will come back, okay. 360L is a huge thing for us going forward
as a user interface, and then finally, the Pandora acquisition allows us a
way to diversify and accelerate our growth.
Thank you.
[Video Presentation] (00:55:55-00:58:05)

Charles G. Carey:
Good morning. Appreciate the opportunity to be here with you this morning. It
was a little less than two years ago that we took control of Formula 1, and
our priority during the last two years has really to bring a new sense of
energy and excitement to F1. We need to build an organization, launch
initiatives that it'll enable us to grow the sport. Essentially, we
prioritized long-term goals over short-term ones to build the foundation for
the future to enable us to maximize long-term value.
We recognize there's always going to be a degree of impatience over for
short-term results and expectation that once you've described your goals
results to follow immediately, that's saying it's the same as doing it. The
reality is that rebuilding a business is hard work and it takes time to do it
right. For us, to some degree, that challenge is exacerbated by the large
ecosystem we exist in Formula 1 of teams, promoters, sponsors, broadcasters,
all of which have their own views and challenges and goals within the
business. This is what we took over, it's an incredible franchise with a
wonderful history, but it's a tarnished brand that had not made the
investments, built the organization or taken the initiatives necessary to
compete in today's world.
It was a sport that it sacrificed long-term value for short-term deals. We
could have continued to pursue a quick buck, but the right way to maximize
long-term value is to invest in improving the product. Given the challenges
we inherited, we believe we needed to create some fresh momentum and
enthusiasm amongst fans and partners. In many ways, we decided to run Formula
1 like a private company for the last few years focusing on building
long-term value and having a thick skin to deal with the market's short-term
demands, and we think it was the right decision.
We finished 2018 with the foundation for the future largely in place as we
begin to pivot in 2019 to drive bottom line growth during the next few years.
As Mark said we also made it a priority to strengthen our balance sheet to
further position us for long-term health. We're still navigating through a
few of the issues we inherited and it's an increasingly volatile world that
will continue to face uncertainties. Nonetheless, we believe we're
well-positioned to achieve our goals.
This morning, I would like to review our core strategic initiatives and our
progress to date on each. As I said a few minutes ago, our first priority was

to build a proper organization, establish ourselves in proper office space, and reenergize the sport with fans. We moved into new offices in the beginning - in the second half of 2017 and had the heart of the organization largely in place in the early part of 2018. While we'll never be standing still, from an overhead perspective, we've largely completed our initial investments and expect costs to be stable going forward. We've also created a fresh energy and excitement with fans: 44% of our avid fans are more interested in the sport today than they were a few years ago; 66% of fans believe F1 has improved from two years ago; and 67% of fans believe the sport is in good hands with Liberty. We've a lot more to do, but we have momentum on our side.

Our second core initiative is to improve the sport on the track. Everything we do with Formula 1 is built on top of the sport on the track. To maximize our long-term value and opportunity, the sport needs to deliver on the drama and excitement for fans. We have a great sport today, but the competition, the action, and the unpredictability of it needs to improve. We need to have a sport where the underdog wins once in a while. We're well into discussion with the teams and the FIA, our regulator, on initiatives that include sporting and technical regulations, aerodynamics and engine changes, equipment, track design, and economic issues. Progress with some of these issues is more advanced than others, but we're making good progress on all. For example, we're well down the path on the future direction for the engine. We agreed on a set of goals last year. We wanted an engine that was simpler, cheaper, louder and more powerful. But we also want an engine that continued to have the world's best technology, world-leading technology, and was road-relevant, a hybrid engine. We also want an engine that will appeal to potential new entrants in this sport that would further strengthen the sport. We initially considered more significant changes, but we ultimately reached a broad consensus that the best path forward was continuing with the current engine and using sporting and technical regulations to manage the engine development and cost to achieve our goals.

We also began implementing new aerodynamic regulations for next year with more significant changes to come. A couple months ago, we previewed the potential car for 2021 with dramatic and exciting changes, for example, moving from a 13-inch wheel to an 18-inch wheel. The changes were widely received with excitement from really all corners of the sport, even including Lewis Hamilton. All of these initiatives are designed first and foremost to improve competition and action on the track.

Obviously, one of the most important issues under discussion with the teams is the long-term agreement regarding profit distribution, cost and governance for 2021 and beyond, the so-called Concorde Agreement. We've made a proposal to the teams with two overall goals: first, to improve the sport on the track by creating more parity in revenues and costs while still rewarding success; second, to create a healthier business model for those in the sport today as well as the framework that will appeal to potential new teams that would further strengthen Formula 1.

We essentially have agreement with the teams regarding our goals and are working through the details to find the right compromises. It's our objective to complete this agreement as quickly as possible. While we have a target date for final agreement, we believe these matters are best discussed privately between partners and we'll continue to act that way. This work already has a troubling history of negotiating and posturing in public and we don't plan to perpetuate them. Regarding our efforts to turn events into

spectacles, we've made real headway. We've energized and expanded the fan experience in the Paddock, the Paddock Club, and the track in general throughout the weekend.

We've launched new offerings like Hot Laps, track tours, expanded races and more, all of which have been well-received by fans. We've engaged host cities and countries with fan festivals. Our most recent festival in Miami, as Greg mentioned, which was time to our Austin race, attracted 80,000 people in Downtown Miami. We're also working to improve the quality and ease of the fan experience with better information and guidance to tools like new apps that the fans can access. Next year, we'll continue to expand these efforts and engage more partners as well. The fan reaction has been encouraging and attendance at the 16 races where we raced last year as well is up 3%.

While our live fans - live event is the ultimate fan experience, most of our fans follow and connect with the sport on the range of video platforms available today. So, this area has clearly been a priority for us. We overhauled our traditional TV broadcast this year with new graphics, cameras, sound and more. We greatly expanded our social media activities, enabled the teams to do so as well, and re-launched our app, engaged with the digital world in a way Formula 1 never did in the past.

While still early in our efforts to upgrade and expand our digital platforms, our results have been encouraging. Our interactions during race week are up 31% and our video views are up 66%. By the second year, we're the fastest-growing sport on social media. We also now have agreements in place with leading platforms like Netflix, Twitter and Snap, and many more. Importantly, we're also in the early stages in building the ability to monetize the digital growth through efforts like programmatic ad sales.

Our OTT platform, clearly a key initiative, was essentially a beta product this year. We experienced some of the issues many do when launching new digital platforms. Our OTT launch was late in 2018 and we did not add mobile platforms until September. We've tackled the majority of the technical bugs. While we still have some technical work to do, we will now turn to expanding the content experience on the platform and look forward to a proper commercial launch of the product into the 2019 season. The OTT platform is a critical element in our future, but it is important to remember, it will take time to grow. We will continue to add content over the next few years and develop new ways to expand distribution. For example, a number of our recent renewals with traditional broadcasters encompass partnerships to work together on OTT distribution.

We'll also continue to expand the F1 franchise in other ways. Geographically, the U.S. and China are our priorities with enormous long-term growth potential. Our new agreements in TV and digital video platforms have greatly expanded our reach in China with over a 250% increase in viewers. Last week, we had a group in China discussing new opportunities with potential partners. In the U.S., our new relationship with ESPN has seen a 50% increase in viewership, while our digital initiatives are further expanding our fan base.

We continue to be engaged with Miami and key U.S. destination cities about adding a U.S. race, and both the U.S. and China are all upside for us. At the same time, we're pursuing opportunities to expand our brands to new areas like Esports, where we'll host our second season finals in an arena in London in a few weeks. Through the semifinals, Esports season two has accumulated property approximately 67 million impressions about double season one through the semifinals.

The goal of all these initiatives is to increase the size and passion of our

fans worldwide. Too often in the past, Formula 1 ignored the fans or took them for granted. A strong growing fan base is critical to building long-term value. However, our success in building long-term value is ultimately dependent on our ability to monetize that growing fan base with existing and new partners to deliver bottom line growth. We expect to begin to drive bottom line growth in 2019 and that will continue into 2020 and beyond. Clearly, many of our efforts in areas like U.S., China, and OTT will take a longer time to reach their potential, but we do expect to begin to recognize the rewards of our efforts in the next few years.

Our bottom line growth will be driven by revenue increases across our core lines of business, promotions, sponsorships and video, while we also look for costs to stabilize. We actually believe there is an opportunity to pursue some potential cost efficiencies in areas like broadcast operations. However, our bottom line will ultimately be driven by revenue growth and we believe there are meaningful revenue growth opportunities in all three of our core revenue segments.

The promotion end of our business has been viewed as more mature than other revenue streams in Formula 1. This perception was fueled by a lack of investment or freshness by the prior regime in our events. Quite simply, our events became stale, which led promoters to focus on cost as opposed to growth. Events today are more valuable than ever and we have a world-class premium event. We did focus on maximizing the value of our events and communicating that to host locations. We're encouraged that the message is getting through to both existing and potential new host cities, and we believe there's still potential growth - significant growth in the promotion segment during the next few years.

The growth will be driven by three factors. First, we expect to expand our calendar beyond our current 21 race schedule. Expansion will be modest, but we have been excited by the number, quality and diversity of new locations interested in hosting the race. We're on the right side of the supply and demand curve. We will not compromise on the quality of races for fees. Every race needs to be great for fans and be an attractive business proposition. The race we announced in Vietnam last week is a prime example of an event that will provide a great track for racing in a location that captures the world's imagination.

Second, we expect to replace a few existing races where we inherited the unattractive agreements with new events or agreements that are better for racing and provide more value. Third, there is significant long-term value in our higher-end hospitality experience. Major events today increasingly rely on those customers willing and able to pay for unique and tailor experiences, both in the corporate and retail end. Our passionate fan base and once-in-a-country events are ideally suited to this market. Today, we're only taking advantage of this opportunity in a few markets, and we're building the capability to market and sell this proposition both in-house and with partners.

Second pillar of revenue growth is sponsorships. We have spent much of the last year developing an expanded portfolio of products that enable us to tailor offers to potential clients and telling our story to world of sponsors that are not previously engaged with Formula 1. We previously identified sponsorships as the area where we expect to make the most headway by 2020 and that continues to be true, however, that doesn't mean it is just order taking. Competition in advertising sales is intense and challenging for anyone not named Facebook or Google.

That said, we feel very good about the interest and excitement from a wide range of potential new sponsors, however, the time and effort required to conclude an agreement is significant. Potential sponsors want to see the results of our efforts to give the sport fresh momentum. They don't want to simply buy a story. This also takes time to build the right offer for each sponsor and for us to create the portfolio of products like Esports, fan festivals, digital offers and regionalization to deliver the right product.
All in all, our sponsorship efforts are more time-consuming than initially expected, however we're encouraged by the enthusiasm and our efforts are starting to bear fruit. After losing three sponsors the year before we took control, we've successfully renewed every major sponsor, most recently DHL and Emirates, with agreements to expand our relationships. We completed our first regional sponsorship deal with Petronas. We completed new sponsorship agreements with Amazon Web Services and ISG in the betting area, and we brought on New Balance and Fanatic as Esports sponsors. We're also busy - expect to be busy in the coming months as we head into the next season.
The third revenue pillar is our broadly-defined television area. Next year, our agreement in the UK will be a positive. And the renewals we completed this year for 2019, while only midsized markets in general, all matter exceeded our goals. We continue to believe television will be an area of significant growth as unique events like ours will appreciate and value, as other content in the world Greg described a 500 scripted series gets commoditized. Competition will ultimately dictate value and we believe the growing appetite for global content by the Silicon Valley behemoths and the new emerging traditional media superpowers like Disney, AT&T, and Comcast, bodes well for us.
The ability to capitalize on the expanding number of competing digital platforms will be enhanced by our ability to create a wider range of products and alternative ways for fans to engage with Formula 1 that are tailored for different platforms' objectives. For example, some platforms prioritize the live core event, others want highlight packages or peripheral event programming, while others focus on edited and produced content. As noted earlier, we also look to grow in two enormous markets: the U.S. and China, where it's all upside. We're also in our infancy in monetizing our portfolio of opportunities in the digital world, like advertising, third-party content agreements, in particular OTT.
Our OTT platform is targeted at our most passionate fans and we believe that data and technology-rich nature of our sport combined with its rich history make OTT a particularly exciting long-term opportunity for us. There are many other important growth areas that can add to our bottom line, like merchandising gaming or secondary races, such as Formula 2 and Formula 3, and we'll pursue them all. And in summation, the opportunity we saw in Formula 1 two years ago has borne out. While there'll always be a few surprises and the world is never as predicted, we're on course with our plans and are excited about the future. It is an increasingly complicated and unpredictable world, the success is ultimately dependent on execution, but we feel we're well-positioned to achieve our goals and building the long-term value of this unique global sport.
Thank you.
[Video Presentation] (01:17:30-01:18:21)

Michael Rapino:
All right. Thank you. When you present at Liberty, you really do get the

perspective of what it's like to be a backup band on a festival, where you're all being kind because you really only give a [Obscenity] (01:18:34) about seeing John Malone and Mick Jagger. So, I will be quick and convince you why it was worthwhile to sit still and to invest in this business also.

So, headed into 2018, as we get to the end, we're headed for another record year. At the core of our business, the more fans that show up at our shows feeds our three core divisions. All three of our divisions this year are headed for double-digit growth. That's going to drive our financial metrics, and this year again, we're going to look at double-digit growth both top and bottom line. And that's been continual story for the last few years and driving our shareholder return. I always like to remind people that when we launched Live Nation on the public market, this little rock-and-roll company that few didn't believe in, if you invested $1 back then you would have beat the S&P by two times. So, we have been a great return through the years. And we've been a return, because we've been delivering what we said we were going to deliver. I think that's the foundation of what we do. We've delivered continual growth top line and bottom line. It's funny, 2005, when we launched and I've been doing this for - you said six, so I guess I've been doing it seven or eight years. For the first 10 years, I convinced you why this was a good bet, and now I have to convince you the last two years why it's still a good bet. At dinner last night, I know a few people said, great, you delivered your $50. Did I miss it? I'm going to convince you in the next few slides why you haven't missed it and we still got lots of growth left ahead of us. And the biggest reason this company is going to continue to grow has nothing to do with me, it has to do with this industry secular power behind us, live experiential concerts music are the foundation to this global youth culture.

So, live has continually been a great growth business, and all of the recent data says, live will continue to be a double-digit growth business for years to come. Why is that, supply/demand. On the supply side, artists need to tour to deliver their revenue. This is how artists make a living now is being on the road. So, it's great as Spotify and Apple Music and subscription is, and we hope that grows continually, great for all of the artist side of the business from the arts. They're still not going to make the kind of money from the streaming business that they did in the recording era. They're going to make the money on the road, and this is going to be the foundation of how they build their audience and how they pay their bills. So, the pie is getting bigger. There are more artists, more shows happening on a global basis. So, we're going to have a strong supply.

On the demand side, I'm sure by now everyone has read enough data about the experience economy and trading in experiences versus products. But the data is there, the consumers continue to spend more money on experiences and concerts than other goods. So, we know the fans want to continue to go to these live events, concert events specifically. We recently did a very in-depth study about the power of live. The data is overwhelming. In every version you look, not only are the fans talking about how important the concert is, everything says that the young millennials, everyone continues to look at concerts right up there, the top one or two things that they want to do this year.

I have an eight, six and three-year-old boy. My eight-year-old already dragged me to the Drake show live, because Drake played on Fortnite, connected and he wanted to see Drake. So, if any of you have kids, you understand how important music is to them, to go see BTS or Harry Styles or

Taylor Swift. Passion for music is unparalleled on a global basis. Consumers still need to go to those two hours of live. And our business is based on the flywheel. And as live grows, we get the benefit of this flywheel, which I told someone at dinner last week, the flywheel came five or six years ago from John Malone. When we were talking about our business, John said you have a great Ferris wheel. It needs a little bit of paint. But as you scale that, you're going to figure out what new revenue buckets to add on that.
We've used that Ferris wheel analogy and turned it into what we call our flywheel for the last five years. For you, the investors, to understand our business at the core, the flywheel is the competitive advantage we have.
We've been for the last 10 years obsessed with scaling and building our moat which is our content wheel. Having 90 million fans walk into over 30,000 shows that makes us larger than every other promoter in the world combined.
It's a huge scale business, and from that we can then drive other businesses at higher margin from that scale.
But going back to our concert, one of the things we made sure over the last 10 years, while others maybe were starting to understand how important live would be, only recently, we launched this company 12, 13 years ago. At the first Board Meeting, we talked about live would become the center of the wheel and we'd better scale before the others wake up, and that's been really our underlying real strength. While others had a big to-do list, we had a very small to-do list. We had to be global, the business was going to be global, and we had to excel our content wheel faster than anybody. And when I had 90 million fans and that continue to grow, I have a whole list of ways we're going to figure out how to monetize them, but the wheel is the important part, hard to replicate at this stage.
We're spending $6 billion a year at midnight. John and I talked last night about it. This is a complex service business with over 30,000 employees in 100 offices in 41 countries. We talked last night about how Formula 1 has to fly their cars around and [indiscernible] (01:24:39) horses around. We're in the UPS business also. You look at a U2 show, we had a 151 transport trucks on the road traveling from city to city, two steel structures getting ready for the next stage, 350 employees full-time putting that show up, millions of dollars in weekly fixed costs to manage that. And we've 115 of these shows happening somewhere in the world every night, 30,000 employees are making sure the logistics of the show. The show gets built tonight in MSG, ripped down at 1 o'clock, up in Pittsburgh tomorrow, show on sale.
So, that underlining business is what you should think about and why this is such a unique business model. Nobody saw live concerts like we did. Everyone was obsessed with streaming and downloads and Napster for many years. We believe live was going to be important. While they were sleeping and debating whether Spotify was going to make money, we ran away with the global market and built this monster with a business called Live Nation on a scale. Now, I'm going to take you through eight ways why we're going to continue to deliver high profit from that scale.
The first is still market share. As large as Live Nation is it's still a very fragmented global business. I always talk about global, because it's a unique business model of ours. Rihanna is a global business. She is just as popular in Colombia as she is in Detroit or in New York. There are no barriers to entry for Rihanna. She can show off and play a stadium in Milan. We're doing a huge concert in two week in Cape Town with Beyonc and Jay-Z. I'm going to sell a stadium up there. So, it's a global business. You don't have to have the license, there's no local regulations, Live Nation can set up shop

anywhere, because that 100 dates that Rihanna is going to play can end up now in any city in the world.

Why? Because everyone follows Rihanna on social media, and Spotify and YouTube, she builds the global audience, thanks to the Internet, and we get to monetize it once she shows at the stadium. But it's still a fragmented business. So, as great as we've grown, when you look at those numbers since 2013, we're now the largest league in the world, we'd like to say. None of those leagues have had anywhere near the growth we've had. They might have grown 1%, 2%, some of them have declined since 2013. We've almost doubled the business. We believe we'll be 125 million customers in the next while, that still only leaves us to 25%, 30% global market share. So, this is very obtainable. We have 35 million new customers. That's $100 million.

Second, we've got a great pricing opportunity, lots of news about this always in the market on the secondary versus the primary. All of that will be kind of news for a while as primary and secondary combine, but what it really says is there's a $12 billion secondary business, which says there's a huge opportunity to price the primary better. And every year, we've been working with the artist to make sure they price their P1s higher, maybe price the bottom row less, but huge opportunity. And this has shown that in the last five years, we've actually been able to increase the front of the house dramatically and the secondary still has grown. So, a huge appetite on pricing, we believe for the next five years, artists will continue to price the house better. They'll want to take some of that $12 billion on their side of the ledger and that's our job for them.

We've talked in the last couple years about our hospitality business. At the core, that's what we do. When those 90 million fans walk in our venue, we have to do a better job. It has to become our DNA to monetize them. Last couple years with kind of our new employee, our new develop - our new venue division staffed by ex-Disney and Universal theme park-type DNA, we've been able to dramatically start growing that per head, $27. We look at some of our comparables, we think we have great run rate. We like to put this festival that we acquired, BottleRock in here, so we're not just comparing to sports which may be - could be slightly different. We have one in festival in our portfolio where these guys have been able to figure out how to extract $80 per head. So, we know in music festival, when done right, when provided the right experiences, the right upgrades, the consumer will pay. So, we believe, again, this is a huge $75 million-plus opportunity.

Fourth way we're going to grow the business is Ticketmaster. Again, a brand that is obviously very large in America, but it's a global business. This again is a brand that's 40 years old, 35 years basically I was worried about America, the last five years under our leadership we've expanded international. 2018 is an interesting year for Ticketmaster. In the 40 years, 2018 will be its most successful year. So, we're very proud of the turnaround that we've been able to deliver in terms of sales. But what our real challenge there and opportunity is to grow this business outside of America, and we've been doing that by expanding into new markets and growing the market where we have large Live Nation share.

So, in the last five years, our market share has grown in Germany, in the UK, Canada, Australia, why, because Life Nation's market scale is there. We can feed the Ticketmaster machine. So, we have a huge opportunity in international to grow in the markets we're in, thanks to Live Nation's scale, and to enter new markets as we consolidate the global ticketing business. The second piece of Ticketmaster that has huge growth opportunity is to continue

just to kind of draft off the Live Nation scale. Next few years, as Live Nation acquires new 35 million customers, Ticketmaster has the most direct benefit. Every time Live Nation grows, Ticketmaster grows, because we're selling those tickets.

One of my theses originally when we started Live Nation was we needed to own the ticketing machine. We needed to own it, because when you're ticketing 100 million of your own tickets, you want to get both sides of those equations, that's why having an in-house ticketing business makes sense at our scale. And a lot of talk about our digital ticket in the last year, we're very proud of this. This is going to be the biggest pivot in ticketing in general. Lots of talk about secondary and how do you control the ticket, and all of these different chatters are out there about the verified fans. But this is how secondary is going to ultimately be solved is by technology.

So, the bar code has to go away. As long as the bar code is the ticket, it's left for inefficiency because anyone can scan it, can distribute it, can change it and transfer it. Once the ticket becomes digital, you then, the content, sports team, Formula 1 or the artist can control how that ticket is sold. They know two other people that you deliver - you transfer the ticket to, you can have regulations on it, like the NFL does, where anyone that sells a ticket, whether it's StubHub or Vivid has to be authenticated by Ticketmaster's platform and they all get a piece of it. Or you can do on the artist side, you can limit how it is resold, there's 10% uplift, 15%. But the digital mobile ticket provides the opportunity to actually start controlling the ticket versus the bar code.

Our big test this year was part of our new NFL deal is every stadium delivered a mobile ticket. Every ticket in the NFL for the 2018 season was sold as a mobile ticket. Labor Day was a big weekend for Ticketmaster as we sat and hoped that 31 stadiums, when you walked in with that digital ticket, that our system worked flawlessly and it did at scale, as you can see, delivering a scale stadium on a mobile ticket that they walked in and we're able to get to their seats with their two transfer tickets. It's a huge business for us. It's huge business for Ticketmaster, because it helps control how the ticket is sold. And ultimately think of it like a blockchain strategy, you can now actually own the ticket as it travels. It's very important for content, really important for data. Because you think about the way the data historically, we know who bought the one ticket at Ticketmaster. We don't really know if he gave it to your sister, we don't know who the other two people were.

Now, when you buy the ticket, I know who you are. I know who you transferred it to. It helps content have a much deeper rich database. I've added sponsorship at the bottom, because it really unlocks our sponsorship business. As we talk about sponsorship, we've had a really great run of growth of sponsorship on our 90 million fans, all of our concerts. But the one area we haven't been able to be effective at is on-site, because we've been a barcode business. Now, that we're a digital mobile ticket business, we can talk to you on-site as you enter that venue, because - your mobile phone is your ticket which is also our engagement tool.

So, the last two on sponsorship, again, we have a huge opportunity. Sponsorship, we think, is still $100 million-plus growth business as large as Live Nation's sponsorship business is, over 900 brands. We're still a small part of the $4 billion that brands are spending on music. So, we have a great opportunity to continue to convince brands that we're the best place to get the return reach their fans. And again, sponsorship feeds off the concert

wheel. As we scale the concert wheel add 35 million new fans, every time we add a fan on the concert wheel, we're riding high margin dollar on the sponsorship audience wheel. So, we believe that will continue to grow.
And part of the big study we concluded this summer and we shared with many brands on this power brand was just the reconfirming that not only do consumers find the concert passionate, exciting, they want to go all those things we understand about the fan, they're also very aware that the brand is part of the experience now, accepted and brands understand being on site, talking to these customers, whether they're engaging ways at Formula 1 or engaging ways at Lollapalooza. In today's world, brands are shifting their dollars, because they're maybe confused on how to exactly connect on Facebook. They know how to connect when they're sitting and talking to directly 90 million fans in segmented ways.
So, we're seeing a big shift. Our goal is take our 900 sponsors, continually upgrade them, shift them into higher spends. We've been growing those $1 million sponsors annually. It's probably not a big brand now at a CMO or CEO level that we're not talking to who wants to understand our scale, our audience, and how they can leverage their brand to be part of that. So, those are the eight ways that we're going to deliver continued double-digit top line, bottom line growth for the next few years. As I joked with someone last night, I recently signed a new contract. We've got options all the way up to $75. So, trust me, we're not done yet. We've got a lot more room left in the tank. Thank you.
[Video Presentation] (01:36:01-01:36:48)

Michael P. Plant:
Good morning. So, Greg stole a little bit of my thunder early, but I will tell you that the last couple years while we were standing up here not winning more than 70 games, it sure feels a lot better today being winning 90 and getting back to the postseason. That's where this team was for a long time, so good to be with all of you again. And I wanted to tell you that it's pretty obvious to all of us in this business that we've really exceeded expectations on and off the field this year. We went into the year saying that we went 81 in 81 it was going to be a win for us. So, making the postseason winning 90 games, certainly, all the awards that our team is collecting has been something that on the field certainly exceeded expectations.
We had off the field, as Greg mentioned just simple, small little wins for us, but three of the top 10 grossing restaurants in our second year of The Battery as an example in all of Metro Atlanta in one place was something that we didn't expect when we had this vision of creating a really massive mixed use development. We've started phase two, not that we were bored, but phase one of the mixed use development is essentially leased out. And so, phase two is now under construction, and I'll talk to you a little bit more about that.
We've also created in really the second year, $19 million of economic impact and that essentially is a complicated six-month study that was done by Georgia Tech, but more importantly, that's the net that we've provided to the county and the school, the Cobb County School System over and above all the debt expense and the various expenses that the county provides for public safety net for SunTrust Park and The Battery operator, and that number will just continue to grow.
A couple of slides of obviously some of the guys have made our team successful this year; Ronald Acua yesterday Rookie of the Year, lot of people

in this business will say that HE'S the next Mike Trout. We sure hope he is.
Freddie Freeman's been obviously our first baseman and an All-Star for, I
think, the last four years and continues to be one of the real cornerstones
of our team and it gives us and our fan base a ton of hope that we're going
to get back to the place where we were winning 14 division championships in a
row and have a highly energized fan base as we start moving forward.
Second year, most teams I think in professional sports will tell you that
your first year in a new facility is a honeymoon. Second year, third year,
you're going to continue to see some drop-off in attendance and interest and
obviously that didn't happen. And a lot of it is due to the team, but also
the environment that we've created. We came up with the vision of combining
this mixed-use development at SunTrust Park and creating this complex,
traffic was a huge concern. Obviously, the cost of all of this was another
concern, and both of those, again, exceeded the expectations of what anyone
had in that market.
We were the highest growth in television, from all of the major league
baseball teams. Again, winning helps a lot with that, but kind of breaking
the mold where a lot of teams are experiencing a real falloff. And then the
rest of the results, as you see, again on the field, four All-Stars, three
Gold Gloves, Manager of the Year, all of that starts to add up to a success
of our organization.
Attendance, as I just said, it usually drops off. You can see the attendance
numbers; both the gate receipts, ticket prices, sponsorship, one of the top
teams in all of baseball with our sponsored revenue. Lot of blue chip
companies; Delta, Home Depot many others that are active partners for a long,
long time; Coca-Cola 40-plus years. So that obviously helps to have the
record growth that we've had in our organization.
In addition to baseball, we partner with Live Nation. We did four concerts
this year Zac Brown, Jason Aldean, Journey and Def Leppard, that one I left a
little early for. A little bit too much gray hair for me there. But I've sold
them all out; great numbers, huge per cap. And again, just it's all tied into
the whole mixed use development, The Battery, the destination we've created
and the environment that we've created. That's made it easy for people. They
come early they stay late. Those are the nights that 2:00 o'clock in the
morning, the entire [indiscernible] (01:41:27) is cooking with people and
obviously our tenants and the leaseholders, that's what they subscribed to,
that's what they were hoping for and it's working beyond their expectations.
The picture in the top, it's a Christmas tree obviously. We do 274 other
events during the year now in addition to baseball. So it's creating that
activation center, creating the energy there. No competition in that part of
Atlanta has made it very successful. This Saturday our first football game on
the baseball field, it's a good timing because we replaced the grass in the
spring.
So, moving now to The Battery. The picture on the left is one that I'd like
to point out. I mean that's what it looks like today. Four years ago that was
trees and a pile of dirt. And so in a very short period of time, all in with
the ballpark, we built 2.5 million square and really went vertical in 30
months. I remember John Malone making a comment one day at a shareholding
meeting saying that it took him almost that time to build a garage, I think,
at a place in Vermont. So we built a huge team of people that brought a huge
standard of excellence every day and that's what led to the success. You see
the numbers and today [indiscernible] (01:42:36) our total square footage.
And then quickly what we're going to do - really tomorrow with phase 2, total

it's a $300 million investment by us and also another one of our global leading companies, thyssenkrupp. And so we're again going to continue to just activate this whole entire center.
The Battery Atlanta today, the operating assets. Comcast has an office building on the left that's 100% leased for 15 years. It's a class A office. Last year there were no employees in there when we're here. Today there's 1,000 new employees working in that building. The retail, we're about 88% leased. We've got leading restaurants, chef-driven restaurants. We've been very strategic about the retail. We've passed on a lot of lease opportunities, because they weren't going to be long-term players for us. They didn't fit into the experiential type of a retail experience that we're creating there, but even doing that, making smart deals and long-term deals. We're at 88% and that's soon to change because we've got a couple of leases to close that last 12% gap.
The hotel, huge joint venture for us with Omni; one of leading private hotel operators in this country. It's a market leader in all of the key categories and the KPIs including RevPAR and again operating only for 10 months at this period of time. Biggest mistake we made in the hotel is we don't have enough keys and we could probably sell 200 to 250 more rooms on most nights there. So it's a good thing for us when our friends call and say can't get in the hotel. And we're like, hey we're sorry, but that's a really good thing because the hotel is doing well. And then our partnership with Live Nation on the Roxy, 88 events this year, 50 of those are concerts, exactly what Michael said earlier. People want to be in the live music business, and so the Roxys continue to exceed expectations.
Phase 2, just to give you a couple renderings. The picture on the left is what we call Block C today. It's not very flattering, but we'll soon to change that, but that's an A-Loft hotel. So it solves a little bit of our lack of hotel space there. That'll also be done in summer of 2020. We're going to start and go vertical now. We've got 40,000 square feet of additional loft office, some more retail, a Silverspot movie theater goes on our front door on Cobb Parkway. So that is again going to add more energy and more activation. And part of the reason that we made a decision on the A-Loft Hotel is the picture on the right. That's thyssenkrupp global company. Obviously all of you know they've moved their North American headquarters to our site at The Battery. This started out with building that towers; an elevator test tower, and then on the left, it has a 300,000 square foot office.
First conversations that we had with them were they were going to move 50 people there and have a test tower. We said no way. Six months of back and forth and we got to that point where it's 1,000 new employees coming from all over the country. And more than that, there are 10,000 visitors a year that will come to that headquarters both technicians and visitors from all over North America and they stay three or five nights a visit. So that's why that hotel obviously was important and also what that is going to do to continue to support all the rest of our mixed use development. The top of that tower, maybe one day we'll have many of you down there is two floors of special events space that we control. It'll be some of the premier special events space and all the land obviously because of the views.
Last slide I have is we sold the residential asset. And we knew we were going to do that before we put a shovel on the ground. We don't want to be in the apartment business and management business. The unique thing is and obviously as you're going to see, we generated a lot of our cash proceeds, we're using

those to support now phase two. Sold it for a record price to Corland
Properties, they're about $7-billion of multifamily asset. This is our
premier property. Key for us is we don't lost control of anything. And so the
entire battery, we still control it, we still operate it. They're obviously a
part of that and that's important to make sure obviously SunTrust Park and
the entire destination continues to work well and continues to operate the
way we need it to for all the different facets of our business.
And now I'm going to turn this over to Jill Robinson, our CFO.

Jill Robinson:
Thanks, Mike, and good morning, everybody. I'm just going to spend a few
minutes doing a deeper dive into our financial results for Braves Holdings.
This is focused on the first nine months of 2018. As you can see here, I
provided some pro forma results of what our numbers would look like without
the residential sale. Residential was not material to our operations; only $6
million of revenue and $1 million profit. So not material. I'll just focus on
the total results. As you can see here, we've also provided an additional
level of detail around the development, around The Battery. This expands upon
what's currently disclosed in the 10-Q. So we've broken out development
related expenses and adjusted OIBDA.
So, revenues. $410 million for this nine-month period representing a 12%
year-over-year growth. Half of that is driven by The Battery as we've
increased our occupancy over the course of the year and then the other half
is from baseball.
On the baseball side, this growth is driven by game day event revenues,
sponsorship and also broadcast revenues. So, from a game day perspective,
both tickets and concessions per cap grew year-over-year as did attendance,
providing a great lift for us. And then the broadcast revenues have increased
based on escalators in our Fox broadcast agreement. It's important to note
that these results do not include the postseason. Those will be reflected in
Q4 and the month of October, but they do provide a nice little lift for us
this fiscal year.
From an expense perspective, expenses are down largely due to player
salaries. As you may recall, we had a couple of write-offs of high-dollar
players last year, allowing us to come into this year with a lower player
salary number, and also reflecting the baby-Braves phenomenon or lower cost
players. So overall, we are very pleased with our more than double
year-over-year adjusted OIBDA growth. Development went from $0 million to $15
million in the course of one year, which is pretty amazing, and thanks to
everyone who's been involved in driving that, and then certainly on the
baseball side, our top-line growth has contributed very nicely to our
bottom-line.
So now let me spend a little bit more of a deep-dive time into the
development. So for the first time, I'm going to provide you some visibility
into net operating income on the development side. As I'm sure you know, NOI
is a commonly used real estate financial metric. In our case, this
approximates adjusted OIBDA excluding ownership expenses. So these numbers
should allow you to, by property type, benchmark against other real estate
investments. So, as Mike said, 2018 was still a ramping-up year for us. This
current occupancy percentages as of today, if you were to look back at the
beginning of the year, it looked a little bit differently. And then as we
look forward to a stabilized point of view, we would consider stabilized
occupancy to be obviously full 12 months fully occupied at 100% level. The

exception at retail we've considered stabilized to be about 95% because
you're always going to have some churn with real estate.
So diving in a little bit to each of the line items here. The office is
primarily our Comcast building. They occupy - they're the full tenant in a
10-story office building, probably one of the best pieces of commercial real
estate in the Atlanta suburbs. It overlooks the ballpark, pretty great space.
This is a 15-year lease great business, great relationship for us.
On the retail front, this is roughly 30 to 35 retail tenants anchored by Live
at The Battery, our dine-in/adult beverage offering and the Park facing the
stadium. This is one of those top three restaurants. It's been amazingly
successful on game day and nongame day. That tenant does have a 15-year lease
and the remainder of the retail tenant average about a 10-year lease term.
Retail business is just inherently slightly less profitable than some of our
other ventures. Expenses are slightly higher there. And in addition, there's
some concessions that we offered early on to lure these tenants into our
speculative development area.
Moving on to entertainment, that's the Roxy Theatre. As you know, it's
sponsored by Live Nation. So the results here do include sponsorship revenues
as well. And this is a 15-year lease. And then last but not least is the
hotel. This is the Omni, the 50/50 joint venture with Omni. This is treated
here as if we owned 100% of it. However, in our financial filings, this is
treated as an equity investment, equity method of accounting. So these
results assume we owned 100% of the asset.
So in closing, this has been a really great year for us. Strong success on
the field and in The Battery translating to great financial performance. We
believe The Battery's existing operating assets are going to continue to
provide great financial results for us and then the new developments too will
also contribute to that. All of this leads us to the 2019 year. We all
believe this is going to be fantastic year for us on the field, and these
financial results we're showing you should help us make wise investments in
the team. And hopefully, you'll see the results of that in the field next
year. Thank you.

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This presentation includes certain forward looking statements regarding
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and expansion opportunities, future costs, market potential, future financial
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Please refer to Liberty TripAdvisor's publicly filed documents including the
most recent Forms 10-Q and 10-K for additional information. At today's
meeting, we will discuss certain non-GAAP financial measures. Please refer to
the appendix available on Liberty TripAdvisor's website throughout this
meeting for definitions and applicable GAAP reconciliations

Gregory B. Maffei:
Good morning again. It's a great pleasure to be up here talking about TripAdvisor after a wonderful year. So many things went right in the past year, but let's start - the foundation was laid for a lot of those successes over time. Let's start with what makes Trip your complete end-to-end travel resource. So here I am planning my next trip to the Monaco GP. Of course I can use Trip to plan. I can price compare and most importantly I can book. Trip is a place with unparalleled inventory across all categories of your travel experience. There is no other site on the web with the quality and quantity of inventory and the ease of use of actually your trip.
So what went right this year? Well, first so much good stuff, but first was hotel segment economics improving. Some of these positive trends included the auction dynamics improving, revenue per hotel shopper returning to growth, and we increased the number of customers we directed to our partner websites which is, in many cases, how we get paid, mobile to pass 50% of hotel shoppers. As many of you know, there's an inherent headwind with mobile. We continue to make our mobile revenue more successful and we continue to absorb that headwind and still grow our hotel economics quite nicely. All that led to a 32% hotel EBITDA margin which was the highest achieved in the last two years and the sixth straight quarter of EBITDA consensus feat.
How does that happen? First it happens in part because Trip is an incredibly efficient customer acquisition vehicle for travel shoppers. The Trip flywheel of reviews and postings and its inventory and its strong brand allow for low-cost efficient marketing. We optimized our paid marketing spend this year, spent more on television, less on unattractive SEM and our consolidated selling and marketing expense decreased year-over-year for all straight four quarters. We still have an impressive 490 million monthly unique visitors. That's just a stunningly large number and we do that on a marketing budget which is very small as a percent of revenue compared to our peers, and absolutely small compared to all of them.
One of the things we've also done exceedingly well, Steve Kaufer and his team, is driving new monetization sources. So a long, long time ago, I was the Chairman of Expedia, when I was at Expedia, we had a expression called fries with that burger and we were trying to tell you not only relatively low-margin air, but high-margin hotel. Why? The air business was a highly concentrated business. We achieved very low margin on selling you air tickets. The hotel business fragmented, just beginning to move online, high margin, inventory that was perishable. We achieved a great margin in that product. Time goes on, the hotel space is still the core of our profitability. It's still really the core profitability probably for all travel sites, but it's gotten way more competitive. You have hotels going direct, you have Google with many ways that they're playing. You obviously have the OTAs. You have ourselves and the other metasearch companies.
So, over time, it's important to find the next growth opportunity and I think Trip has found that in going after the non-hotel market. Our [ph] price (01:59:49) today are the experiences, the restaurants that we can provide in a way that is truly unparalleled. Our supply, our inventory and the way we interact with travel customers makes us uniquely positioned to go after this business.
And you can see over the last period how well we've been able to grow the number of bookings, the gross booking value that grew more than 30% in Q3, non-hotel revenue was up 20%, and that's really driven by faster than 20% in experiences and restaurants and a somewhat declining rental base. We are not

the largest player in rental. We're never going to be the largest player in rental. We can be and are the largest player in experiences and restaurants and we continue to invest to improve our product, our supply of inventory, and our marketing. We also acquired Bokun in April this year, an important SaaS provider in the space that helps us. And lastly on this page, there is another opportunity to monetize all of those 490 million people who come to visit our site and that's with direct advertising. Really native ads, equivalents, high margin, specifically targeted, are very attractive and diversify our revenue mix.
The last thing I'm going to touch on and you'll hear a lot more from Steve about is social. And social is really an end-to-end engagement that's been a part of what we are doing, we've been doing for a long time but we're going to build on that in the coming periods. The beta is out already. It's really your personalized travel feat. As I said, we're an end-to-travel resource, but we want to further emphasize social to make your recommendations, what you care about, because your friends, your associates, people you trust are involved and that's going to create a much stickier relationship with consumers. For example, take my personal travel feed here.
As I said on the first slide, I'm on a trip to Monaco. First question is where will I stay? I don't just want the input of anyone. I'm going to talk to friends who matter and who I care about. So it turns out John recently visited Monaco. I didn't know he was such a fan, but he knew there was a Formula 1 race, so that's great. He recommended the Hermitage and told me if I wanted a little quiet time, I could check out the Japanese gardens, but it's not enough to have one recommendation. The fact is many of my friends may be traveling and so I want to talk to them as well. Turns out Chase Carey, who's pretty much traveled everywhere in the last year recommends the Hermitage as well and Steve Kaufer is a big fan. So by leveraging my travel network, people I care about, people you care about when you travel, you can truly improve your social experience and remove a lot of clutter relative to the many ads. I've talked about the fact that I think there're 149,000 reviews of the Famlia Sagrada in Barcelona. I'm not sure I care about all 149,000, but if John Malone and Chase Carey and Steve Kaufer recommend the hotel, how can you go wrong?
So with that, I'm going to turn it over to Steve Kaufer.

Stephen Kaufer:
Good morning, everyone. Delighted to be here to tell you a little bit about what the New TripAdvisor looks like. First, I just want to point out what a difference a year makes. A year ago, Greg and I sat on stage and talked about some of the unexpected challenges that we faced in 2017. It was a pretty painful year. When we look at where we stand today, wow, things are different. We told you what we were going to do and we did so many of them and you got to see the results right here. When you look at the breadth of travel, when you look at the position that we're in, we made a few missteps, but we've got it back now. You can see it in all the details.
We look at consolidated EBITDA growth, and after a couple of declining years, mid-20s growth that's what we're suggesting the Street for 2018. That comes from a whole bunch of different categories, a whole bunch of different ways that we were able to make meaningful progress in the business. We were able to optimize our marketing mix, pull down some of that inefficient marketing spend on paid marketing, reinvest in our television campaigns, growing that line and it worked. Even with the increased spend, we delivered more EBITDA

in this segment. We improved the conversion on the site. As we'll talk about a few times, we have so much traffic coming to plan that trip, small gains in how we're able to turn lookers into bookers, yields great results and that was part of the equation here.

Diversification. We love our hotel business. Don't get me wrong. There's a ton of opportunity remaining there, but there is fierce competition, whereas for the full trip, we have restaurants, we have experiences, big growth vehicles for us that we put a lot of effort into and showed another year of strong results. We innovated our brand new TripAdvisor Experience that I'll talk about in a little bit, and we took advantage of some weak share price to buy some shares back.

Stepping back, though, look at that travel universe, $1.6 trillion spent in travel. And every one you talk to, I don't want this to sound boastful, but I bet it's true. Everyone you talk to knows of TripAdvisor and has probably used it for their very last trip. That's an incredible reach around the globe. How is it or how can we take that reach, take all the traffic that we have and drive further optimizations? We have an incredible scale already. I want to call out just two numbers here. 700 million reviews and opinions. That is such a statement of commitment by travelers to come back and review and share their opinions. That's engagement with our brand. And then in our peak summer months, we crossed over 500 million unique users. So not only the contributions, this content that we get created for free, but 500 million visitors in a single month. Wow. So our opportunity, as I said, three, two, last year and this year, remains to take advantage of the impact that we have across the travel ecosystem and really be live up to the vision of the place people go to discover and experience the world. We may have started with just reviews in hotels but we're becoming so much more now, helping travelers, helping them make their plans, have an amazing trip, get a great deal on where they're going so that they come home, share it with their friends and of course share it on TripAdvisor.

So, let's take a look at what some of the challenges are or what the bear case is, right? Hotel profitability in decline. Well, you could fairly have that assessment before this quarter. Not anymore. Returned to strong EBITDA growth and forecasting more. We look at the high margin opportunity to tap into the folks that are just looking for a hotel. They're not ready to book. They're looking. And we announced products this year and last year that have been contributing to our growth in the hotel segment that are much more media-based. Awesome, terrific hotel profitability growth, check.

Shopper declines are permanent. Not true. At least we don't think so. We cut back on our paid marketing. That has the direct immediate cause of buying fewer travelers to our site, but if you look, we actually sent more qualified clicks downstream to our partners on that lower base of shoppers. How do we do that? Well, we purchased better shoppers. We converted them better on our site. And so after we lap or slowdown in the paid marketing, we expect to return the hotel shopper growth.

I'll note though that it's not the thing I worry the most about. As a business, we have so many hotel shoppers at all stages of the travel planning. I'd love to see additional growth, of course, but our opportunity is to really take the hundreds of millions of shoppers that are already visiting TripAdvisor definitely going to be coming back for the next trip and pull them down the funnel, entice them with inspiration, help them with reviews and pull them to the point where they're ready to actually book on TripAdvisor through our partners.

(02:11:14), mobiles are forever drag. Actually, we don't believe this either. Mobile has been a headwind because it monetizes less than desktop. But mobile revenue is way up. Mobile revenue per shopper is up. Desktop revenue per shopper is up. The blend is now up. So even though there is that mix shift, we've more than compensated for it by growing the overall conversion. That's quite an accomplishment for the team.

And that's mostly on hotel. Wait till we get to all of the restaurant and experience pieces because there is where that in-destination part of the trip really comes home.. All the media products that we launched priced equally, desktop and phone, and of course, with phone being the majority of our traffic now, that's a core asset for us. And then finally, increase the competition. We'll talk about this towards the end. Absolutely, we have a ton of competition. Competition is really good. We are not alone in this space. But we are in the lead in several categories in the most competitive hotel space, we offer a set of value proposition that each of our competitors, when taken individually, can't do. That's what we're so proud of.

Let me talk about how we drive some of the growth, sustainable revenue growth, let's just start right there. The flywheel of travelers creating more content because they had a great time on the trip, we set the expectation for them, they went on the trip, they had a great time and then they're able to come back and contribute more. That's 700 million reviews and that content generates more people be more interested in helping to plan that next trip. Hotels, experiences, where to go, where to stay, what to do; the whole equation. The amount of reviews we have continues to be staggering. Those reviews lead to confidence in making the decision purchases around that tour, around the restaurant or that hotel which in turn yields that are tripped and more content. As an aggregator, we don't have to pay for all of this content. Our users give it to us for free. And the brands and influencers that we've recruited, that will be talking about in a minute, they're also on board generating the extra great content.

Three growth priorities, hotels experiences and restaurant. Let's start with hotels, returning to profitable growth, was and is the name of the game. How do we do it? The best price comparison. As you back up, we did a reorganization earlier in the year. We focused on business units, hotels, experiences, restaurants, and then a layer on top of that, the core experience. The hotels business unit has a very simple job: They have to provide the absolute best hotel shopping experience, the best price comparison. Where do you find that best price? What are the best deals? The OTAs, they can't do that.

We have that unique positioning. We have the reviews, the content, the video to help you make that important decision and as you'll see, recommendations from friends coming. Aligning the product and marketing mix, check. And the high media, the high-margin media products out and growing. What you see, the most important metric we track here is our revenue per hotel shopper and as you saw, it grew nicely this past year or this past quarter.

Growth objective two, experiences. This is a massive area. As Greg was talking about, hotels has a lot of competition. Experience is taking this massive $183 million opportunity that's projected - it's only a couple of years away. Pulling more of that offline activity online. We have the most supply. We have so much traffic. Matching that traffic with supply is why we believe experiences is, in fact, our next $1 billion, or next biggest business. [indiscernible] (02:15:19) supply has grown. That's clearly working on our new supply platform. We bought Bokun, a SaaS provider, to help bring

smaller organizations online so that we and others can sell those tours, tickets, attractions on a platform like TripAdvisor.

Remember, we already have so much attraction traffic. So much traffic, what people are looking to do. The more we can match that supply and demand, excellent. And then we started on television, this last October with a few million campaign to go test the waters so that over the course of the next year, you can imagine or you will see more of our TV advertising focusing around the entire Trip. Bookable products, one of the most important key metrics for us here and we've been making excellent strides globally in getting the products that people need to be able to book before they get there. Nobody wants to have a disappointing vacation that they couldn't actually get to do the thing that they were looking in market.

And then restaurants. Love restaurants. Everyone eats way more than they travel. How do we actually take advantage of that frequency to drive loyalty to TripAdvisor. We have close to 5 million restaurants on TripAdvisor globally. We have reviews in 29 different languages. We have bookable restaurants that are now larger than any other single provider. 54,000 on TripAdvisor bookable directly through us and another couple hundred thousand bookable through partners.

The media product piece is another key element. With that 5 million restaurants, most of them are never going to be bookable. They just don't take reservations, but they're still looking to get the diners that are coming to TripAdvisor to pay attention to their shops, to walk into their restaurants. The more that our media products can move that demand curve, the more tremendous opportunity it is for them.

Just as we look at the big revenue drivers, we're looking for increasing our operational efficiencies. When we walk around the office every day, I want to know that we are spending our dollars wisely, because every dollar saved gets to be reinvested in what we can do for the consumer experience. We were able to do that, first and foremost, by taking our marketing spend, pulling in way back on the traffic acquisition, reallocating it to the TV spend, and that's what's both delivered better results for the company, as well as the tremendous job on the hotel EBITDA side. Quarter by quarter, you can see, it's delivering. That reinvestment again went into TV to help teach people that we're not just a review site, we're hotel price comparisons, something that Expedia and Booking and Orbitz, and all those guys, they can't do, they have one price. Everyone in this room, everyone I know that travels wants to get the best deal. They shop around. Please shop around on TripAdvisor.

Now, to deepen the experience, for our Core Experience business unit, this is the one that provides the connective tissue that builds TripAdvisor as more of - more than the sum of the parts. We've a great hotel shopping engine. We help people the best things to do, no matter where you're going. We're going to help you eat in the right place that you're thrilled with your trip.

You're thrilled as local. And what else can we do to plan this amazing trip, because we have competition in each of those categories, but we really don't have competition today talking about how to enjoy the entire trip. So, our Core Experience, that connective tissue, how do we unlock the value of all the visitors to the site and how do we do that at scale.

So, yesterday, we announced press release our new TripAdvisor featuring social feed. Let me roll this real quick video to give you a taste.

[Video Presentation] (02:19:41-02:21:02)

So, everybody I know is challenged planning that perfect trip. TripAdvisor is an amazing encyclopedia of information. It's got everything you could

possibly want. But, wow, there is just, to one point of view, too much there. How do you take all of that great content and filter down into just what you want to do. Our answer, take the content, personalize it for you as a member of TripAdvisor, following the people you want, [ph] generation, it might be Travel+Leisure (02:21:34), National Geographic, big-name brands. But my kids, yeah, they don't even know those brands. They're looking at the social influencers. They're looking at other sensational - other publishers, other folks who are on the social media platforms that are now coming over to TripAdvisor.

With that feed, you now - whether you're going to Cairo or Austin, you get to see reviews from your friends, all the people that you follow get great advice, the top 10 list and you get to see them. I'm off to Cairo. I'm saving things left, right and centering in my private trip. I get to share it with my family and friends. We get to plan this trip. I'm planning it when I come back. Delete the things I didn't do, post publicly my trip, it'll be Steve's Cairo trip, and everyone else who knows me and other anonymous folks can come and see it and take the benefit of the planning that I've done.

Everyone searches 20 different travel sites at least to plan something. How cool is it that you'll be able to find what you're looking for when you're looking for it. I'm going to Cairo. I get to see that video clip today. I don't have to go search through then search any other site to find it. We're bringing it together in the next generation of content aggregation. We couldn't do it alone. Of course, we have hundreds and millions of travelers who are giving their content to us. Thank you very much. And brands, we've signed up over 1,500 brands and publishers to talk about their presence on TripAdvisor to share their content.

And then, I want to finish up with a little note - nod to competition, because we have fierce competition in the travel space. Google [indiscernible] (02:23:26) are the only travel site with more users than we do, but Google is still just a search engine in so many people's eyes. They might start in Google, but no one thinks of planning their trip on Google. They think of TripAdvisor. Thank you. Expedia, Ctrip, Booking.com, and all the other great online travel agencies, they do a tremendous job booking. I have to tip my hat to them. We tried it. Whoa, what a pain in the neck. They do a better job. Great. Wow. We are better and better at sending them qualified leads.

And the more people come to TripAdvisor to be inspired, to figure out what they're looking to do, joining, making those hotel decisions based upon what their friends are saying, and then clicking off and booking on Expedia. I win, they win, we're all happy. Expedia and Booking trying to be the full-trip planning, they're challenged because at the end of the day, they're a great hotel or maybe flight booking engines, but it's hard for them to go up the funnel just as it was hard for us to go down the funnel. And then, we have a host of excellent competitors in the individual space, in individual product categories. We understand that.

Each of our business units have to be better than each one of these companies, but the combination, the combination of TripAdvisor being able to pull all of that together to be the planning place, the booking place, the research and the sharing place for your comprehensive trip is something that those competitors and no one else out there today can touch. We've got your friends. We've got the content. These are important decisions. It's a phenomenally large market and we're extremely well-situated to be able to capitalize on that for many years of growth ahead. We talked about mid-20s

EBITDA growth for next year and a healthy profit growth for next year, including where we take that guidance into account when we also look at spending our north of $100 million on TV. When we talk about our brand new products and when we talk about all of the investments that we are making in our newer businesses, restaurants and experiences, for examples.
So, with that, I thank you for your support this past year, it's been a great one after a couple of tough ones, and we look forward to next year. Thank you all.

Gregory B. Maffei:
Well, first, I want to make it clear that they're not the backup band. Our CEOs and the teams under them, whether it be Michael Rapino or Jim Meyer or Terry McGuirk at the Braves or any of the other ones - I know I forgot someone there - they're doing an amazing job and - Chase Carey, thank you - and they're the ones that make it all possible. John and I just get to come up and answer the Q&A.
So, we'll have a question. Right in the front, Barton, why don't you - okay. Here comes the mic. We have a young quick [ph] Peter (02:28:50) coming with the mic.

Q&A

<Q - Barton Crockett>: Great. Thanks. So, I was wanting to ask about the discount on Liberty Sirius, which a lot of investors I talk to believe that the discount has persisted so long and it's been so large, that it's something that hurts your credibility. As you said, you're in the business of trackers. And so, my question to you is, how do you - do you share that sense that this discount hurts your credibility? Do you think that's an important factor or would you disagree with that notion? And you've said that that you will look to address the discount to narrow it. You've done some steps, share repurchase. They haven't really done much to date. What else could you do to narrow it and why haven't you taken those steps yet?

<A - Gregory B. Maffei>: Obviously, my credibility is at risk, because John is making me answer. Look, I think...

<A - John C. Malone>: I'd be happy to answer.

<A - Gregory B. Maffei>: No. I'm just teasing John. I mean look, I think - and you can correct me, we're in the long-term business, right. And we understand that that can be an issue for some of our shareholders who's time horizons may not be the same as ours. There are host of ways we could eliminate the discount tomorrow. We could [ph] R&T (02:30:22) SiriusXM. I suspect that the board at Sirius would find that attractive. We could go from being in hard control Sirius to probably something where John was in, if not hard control, substantial influence, and probably when having a negotiation, get full value or more for our shares.
There are six or seven objectives we have to get full value, access to the cash flow, a host of them. As I tell John, we can achieve any one of those six or seven, one or two or three immediately. It's hard to get all six or seven done at once. So, there's a trade off on the long-term expectations versus the short-term. I think we can chip away and take advantage of that discount and I would expect you'll see us do more to do that. We're not

oblivious to it. We're not ignoring it. But I don't think we're going to make the trade off today to eliminate it in a heartbeat. But I think anybody who bets against us that we decide someday to eliminate in that heartbeat are do so at your own risk, because the potential that we decide that, okay, we're weighing those six or seven factors and suddenly another one of these factors, liquidity, full value becomes more important than strategic access or what we think we can do across the entities.
John, why don't you pick up? I know you always want to say that we could achieve - selling is usually a quicker way to be done, right, and be...

<A - John C. Malone>: Well, no, most companies are worth more dead than alive on the moment. The benefit of control, right, which I try and supply to the things I'm involved with is patience, deferred gratification. The way I look at it, a discounted structure, capital structure like we have is an opportunity to participate in ownership at a discounted level: A, economically; and B, it's kind of a double-leverage opportunity, because you can buy into the holding company at a discount and anticipate that it has some and will have more leverage in the future.
So, your IRR for those [indiscernible] (02:32:40) of the holding company is going to be higher than it is in the underlying held controlled security. I mean, that's for starters. So, it doesn't bother me as a long-term shareholder. In fact, I regard it as an investment opportunity to have the structure we have. The simple mechanism that we could use to narrow the gap, if we wanted to be aggressive about, let's just sell exchangeables, right, and use the proceeds to shrink the equity. You've got a hedge leverage effect.
So, if you look at any of the businesses that you saw today, what you will see is patience. If Trip wasn't a controlled entity, there would have been a panic in the last two years to monetize it, maybe merge it with trivago on an unfavorable basis or sell it at the price line. The fact is that because we're patient, because we love these businesses, we're able to innovate and take advantage of the cycles.
One of the benefits of having a collection of public vehicles under an umbrella, in addition to economic and tax synergies is this ability to watch the equity markets and shrink those that are cheap and utilize equity when it's strong. So, you could ask and you should ask, why did we decided to do Pandora with Sirius all equity when we could have levered up and done it with cash, and the answer is we're just playing the equity market. What somebody told me a very long time ago was buy low and sell high, and that's a consistent way to get ahead over time.

<A - Gregory B. Maffei>: Not that the Pandora shareholders didn't get a very good deal. Let's be clear.

<A - John C. Malone>: I think that those who want get a nice ride on a great company stock. Okay. It will continue to create value over time and those who don't can sell into a liquid market. [indiscernible] (02:35:09) can decide to use their leverageability, their free cash flow to continue to shrink their equity. So, it works for both sides.

<A - Gregory B. Maffei>: Maybe a more crisp example of that is Qurate and QVC, which is not the focus of the morning, but if you look, we've done two acquisitions at Qurate of scale in the last three or four years. And in both

cases, the equity was issued at substantially higher prices than our average share repurchase over the last few years. We've actually done about net neutral on issuance of stock or rather issuance versus repurchase, but issuance here, repurchase here, we'd like to think that's perhaps some of the way we can add value at the Liberty level if there is any way we can add value.

<A - John C. Malone>: So, the bottom line is shareholders should attempt to - if they want to be long-term shareholders, they should look at time frames the same way we do which is, yes, can we get rid of the discount, sure; do we have control of Sirius, yes; the question is, when would that be appropriate.

<A - Gregory B. Maffei>: Next question. Thank you. We've one up there. Is that [indiscernible] (02:36:25) in the back?

<Q>: Just a question for Dr. Malone. Across your Live Nation stake, Sirius stake, potentially Pandora and iHeart debt, can you just spend a second talking about how you view sort of the music industry and is there an opportunity to do something collectively across all those?

<A - John C. Malone>: I thought I read that Greg was now...
(02:36:50)

<A - Gregory B. Maffei>: Go ahead, John. I'm just teasing him.

<A - John C. Malone>: No. Look, there's a lot of synergy between these businesses and I can tell you that I was skeptical about Pandora and Greg was positive on it. Jim Meyer is absolutely certain and this is the guy who's delivered such fabulous results for us over the last few years that when he came in and said, there's real synergy in this one. I think this is something we need to do. He had our 100% support. So, I do believe that in that one there's a lot of synergy. Obviously, Live Nation is very synergistic in the content creation, live content creation. With a platform like a Sirius, they can promote talent, develop.
And Greg spends probably as much time on trying to understand the evolution of the music business on a global basis, and the relative roles of the performers relative to the music distributors, relative to radio and streaming and so on. I mean, he's looking at this pretty closely and I'll put my trust in Greg, in his sense of how these businesses interact and how they will evolve. I think that's really the Liberty music play is we have pieces of things, some of which we control, some of which we have substantial influence. Live is a good example. They're all sort of coordinating in the sense that this is broad interest in audio that is not suffering the kind of changes that are happening in the video, in the scripted video space.
So, Greg, you want to talk a little about the synergies?

<A - Gregory B. Maffei>: No. I appreciate your confidence, John. Look, I think we've been very lucky to be significant investors and participants in two of the greatest trends that have gone on: the rise of a distribution company that in the car when people didn't necessarily think that and there was a free alternative and that builds a business that is profitable as anything in music. I don't think there's anything touching audio that is as profitable as SiriusXM or as successful, and Live Nation has built an

incredibly powerful business, you saw the flywheel, on the back of one of the greatest trends in the music business which is the rise of touring, relative to albums and the like. So, we watched all those trends. We watched the growth of streaming. You've seen us now make a play on streaming, recognizing that streaming is a very volatile business. And so, we're trying to play not only the trends that are there, but with the chips, we have and the business models that are attractive and come up with a good solution. So far it's working. Next, here.

<Q>: So, you mentioned earlier in closing - in the timing of closing the tracking stock discount that access to the cash flow was important to that. If you had access to Sirius free cash flow, what would you do with it right now? And also, you used to actually be quite skeptical of Pandora. What changed over the last couple of years?

<A - Gregory B. Maffei>: So, I think we do have shared access to Sirius' cash flow and I think you've heard that Jim Meyer and I, and the board are highly aligned on the first thing there has been return of capital. We've done cash acquisitions which are probably in the neighborhood of - I don't know, $600 million, $700 million over the last five years and we've returned $11 billion - approaching $11 billion, certainly by the end of the year, it will be over $11 billion of capital through primarily share repurchase and a small amount of dividends. When you compare those two, it's probably $10.5 billion of share repurchase and $500 million of dividends. So, you can see where our focus has been and I suspect that will be our focus going forward.
It is an enormous free cash flow machine. If we found something attractive, we are not bashful about using our cash to go after that. I think what we said about Pandora is we've always been attracted to the strength of Pandora, its brand, its large audience, what it has done in mobile. But we had questions back on the business model where there were trying to be somewhat of a me-too player in subscription and are focused - they lost some of the momentum they had, the strength they had in the ad market. Part of that was a little bit of strategy and a lot of that was, in our judgment, poor execution or poorer execution by the prior management team.
We have a lot of confidence in Roger and his team today. We have a lot of confidence in where they're going. Their reinvestment and their focus on the ad business where they are the leader, their purchase of AdsWizz, the things they're doing to reignite the flywheel that they have to take advantage of their strengths, not to give up on subscription, but not to make the focus of that at the cost of the ad business, I think a lot of good stuff there. So, it was an easy decision at the right price with the right focused management team that was absolutely synergistically where Sirius wants to go. Moving back, John?

<Q - John Tinker>: Hi. Thank you. You neatly highlighted that the problems on the scripted side. When you look at the music business, even though, SIRI neatly cut a nine-year deal, do you think there's a paradigm shift in what the artist will be expecting going forward?

<A - Gregory B. Maffei>: Well, I'll let Jim Meyer or Michael Rapino - or Roger, if they want to comment. Now, they're all shaking their heads and they don't want to comment, but - so just wanted to bring the mic mike down to that front row if they want to answer. But I'd say, look, we've seen content

cost-wise on the audio side both publishing rights and playing rights, the performance rights have gone up are - we are relatively blessed with a stable regime now for the next nine years and that's pretty - or 10 years, that's pretty attractive compared to most of the alternatives. But in general, on the music side, those costs have risen and I suspect the longer term trend is that they will get more expensive.

They are a portion of the foundation of SIRI. We are not a music company. We're an audio company. And that differentiated content, the bulk of which is on fixed rate deals, meaning it's we get leverage on the degree we grow the business, have allowed us to grow the margins there despite the increases in the cost of music content alone. So, we're certainly not content costs are in general are rising, full stop, music ones and particularly ones where we get the scale on the model of SIRI are relatively less onerous than in many other spaces. Jim, you agree with that? You want to add anything and make me -?

<A - James E. Meyer>: No.

<A - Gregory B. Maffei>: No. Okay. Good. Okay. Next question. Well, do you want - you in the white shirt.

<Q>: Thanks. So, significant influence is available in the label business at Universal. You guys have reportedly offered on that business in the past. Is that something that would surprise you to be in the - I saw the [ph] L UMG t-shirt (02:45:22). Is that something that should surprise us?

<A - Gregory B. Maffei>: There is also [indiscernible] (02:45:26).

<Q>: Is that something that should -?

<A - Gregory B. Maffei>: Yeah. Look, I think it's interesting, if you look at the history of the video business, historically we're a progeny of TCI. John was the one who understood that having a distribution arm gave you leverage in the content space probably as well as anybody, and Liberty Media is the product of that. It's a little odd or a little different in the music space. While some of the labels have had taste and touches into a piece of Spotify or this or that, there really hasn't been that same crossover where a distributor or a content provider has owned ongoing large piece of the other side.

I think that's probably a missed opportunity in some ways for both of them. And if you look at what Brian Roberts did with a very smart acquisition I think of NBC, in part not only was it well-timed and well-executed, but it was a great hedge on his cost of his content on the distribution side. So, start with the premise that if there's anything that comes up in music, we likely look, okay. We're as big a force in music. We have as much cash flow as anybody in the music business. So, we will look at everything. Will we look at UMG if presented? Absolutely, in principle, and that you need to be opportunistic and look at the reality of the deal. Does it make potentially some sense to own content - part of the content infrastructure as a way to hedge, absolutely. Yeah. I don't know if you'd add anything, John.

<A - John C. Malone>: Yeah. No. I would just really say that one of the benefits of being in distribution as well as content was always not so much that you could extract more but you could defend. So if you have a content

business that's attractive, and you can defend it with your distribution. So somebody like Comcast supporting and carrying the Universal NBC (sic) [NBCUNIVERSAL] (02:47:35) content, makes it very difficult for other distributors not to carry it. And so you sort of protect the downside that way of a good business that's growing. So it de-risks is the right way to look at it. If you look at HBO with AT&T, DIRECTV distributing, it'll be very hard for other distributors to not carry it and offer it.
So there's a certain intangible downside protection that's over and above what you might achieve if you wanted to use it for exclusivity, where you're trying to share shift you got it and the other guy doesn't. That's another way to play content, music content. I mean, the real question is if you had Garth Brooks exclusively, how would you exploit that. And could you share shift from other distributors? Could Spotify compete with Pandora by buying talent?
I mean that was really - when I first got involved with Live Nation, there was an effort there to lock up high-end talent by prepaying. Very large contracts were written. And I think Michael has probably done with those, I would hope, but no those were risky but it showed that there was competition amongst distributors to try and use exclusive access as a share-shifter. And you know, you'll see that very much in the video business now. With sports, for instance, where Amazon came in and bought certain premier rights or BT did that previously, it's been a long history of the cable business that must-have television can be used as a share-shifting mechanism, even if it's unprofitable in and of itself.

<A - Michael P. Plant>: And Sirius has done a great job of using exclusive content to do share shift [indiscernible] (02:50:01) gotten the list of all the things that they have an exclusive on that's done obsolete. Historically and traditionally people have been trying that with Windows and music, something drops really in title, something exclusive to Apple. Most of that hasn't yet had a massive impact. It's only been windowed. It's not been a sufficient amount of time or it's so unique and there's been a leakage where you can find it on the web or whatever, that's meant that music share shift or music exclusives in general have been less successful.
I don't know Jim or Michael, you guys agree? Roger? They're all ducking.

<A - Michael Rapino>: Well, Live is an exclusive.

<A - Michael P. Plant>: Right. But I'm saying just in terms of moving to the distributors, it's not been the case yet that that's not had a major impact on the business so far. Next question?

<A>: (02:50:49).

<A>: All right. We don't have. Two in the front? [ph] Peter (02:50:54), thank you.

<Q>: Hi. I guess thoughts on a potential asset-backed Braves. And John, would love to hear your thoughts on free radicals.

<A - Michael P. Plant>: You've heard us, and not new news, that a lot of times trackers can become spun companies if we think there's no inherent benefit to our ownership or it sets up well for a potential combination of

sale. Look, I think there's a lot of good stuff that's going to go on at the Braves that we'd like to remain involved with for a period. That includes further build-out of The Battery, all of the development around there. That includes frankly the fact we're well set up for on-field performance with very attractive contracts.
We're making money now at the Braves at a pretty serious clip where, historically, the measurement was we didn't lose money and we were successful. Now we're making pretty good money and that's only going to get better as you approach the time when we renew in 2027 on our RSN deal. So all of those set up well to suggest not that we're going to hold it 10 years or 9 more years, but there're lot of positive things happening that there's no real reason. I don't think we're in the exit mode today. And until we got into the exit mode, it's clear we need to create an asset-backed Braves.

<A - John C. Malone>: Yeah. I think that's right. These are all facts and circumstance kinds of decisions. And when the businesses no longer are creating synergies sufficient to offset the, let's call it, trading discount or negative aspects of it, then you tend to spin these things off, but the benefit of keeping them in, by tracking them is you create an equity motivator, let's call it, for the guys running the tracked entity, you keep under one umbrella so you don't have antitrust issues on your inter-corporate dealings. You're in one set of tax consolidation. And you at least have financial flexibility to move things around. And the way we set up our trackers, the board sort of has the ability to figure when to either succumb back in or totally spin them out. So they're a tool.

<A - Michael P. Plant>: There's also one of the things which is completely [indiscernible] (02:53:44). They're the ATV on which Liberty Media sits. So it's a practical matter. It's not unsolvable but there is no...

<A - John C. Malone>: Yeah. We should have added that. They're frequently utilized to achieve tax objectives, so eliminating double taxation.

<A - Michael P. Plant>: Correct. You had a question about free radicals as well.

<A - John C. Malone>: Are there rather free radicals around? Yeah. Well, certainly on the video side. This change that Greg referred to in his opening of the power of these direct consumer distributors on a global basis is creating some orphans. And whether or not those orphans could be aggregated or there would be synergies and combinations, I think, is an important thing you'll see over the next couple of years. Not everybody is going to be able to do a global direct consumer platform. So many will be trying to move into that space as a supplier or as a player, perhaps in some cases, branded; in other cases as a part of the food chain. And there is no question going to be dislocation that will be offset by synergy of combination.
So, I think you can expect a lot of transactions. I mean, we're not talking about Discovery here today. But the merger of Discovery with Scripps would be the example of a very synergistic combination of two companies facing the same challenges, but in the short-term, taking advantage of the synergies to create a stronger and more durable enterprise while they figure out what the long-term strategy is in a transitioning distribution industry.

<A - Michael P. Plant>: If you look, I mean, these things - I think, John points out, these things change. A few years ago you would have been incredibly jealous of ESPN's business model, right, fully distributed, the most successful, arguably an overbuy. Not every American household may have wanted it, but all of them got it at a good price. It was a great business. Things change. Now the king is Netflix. And what we tried to point out this morning in the slides was it's a very volatile world. You have to give Netflix unbelievable credit for what they've achieved, but they're in a relatively high-risk game with a bunch of big spending and whether that all ends well, we'll see how it converts. How long can they hold their breath, how long can this market take if it really is $100 billion of spending in a year. That seems unsustainable for the long-term. So at some point somebody's going to bail. And the question is who.

<A - John C. Malone>: Well, take example of my favorite whipping boy, The Broadcasters, and their retransmission extraction, let's call it, is really just the monetization of some large sports contracts, because without those large sports contracts, they would not be receiving these fees from the distributors.
Their entertainment programming is being supplanted by the Netflixes of the world, and they really don't have the budgets to compete in the creation of this kind of content such that they can hold a long audience, and they're advertising revenue is being eroded by the database-rich approaches of Google and Facebook, primarily. So they're in an awkward position. And if they lose or see those sports contracts get much more expensive, they're going to have a very difficult time. So the question is, what do they do? Are they becoming free radicals or can they be protected by the collective?
So it's kind of interesting. The speculation is the best buyer for regional sports, is going to be Fox itself, the prior owner. Why? Because they have a lot of market power that they derive through the collective of Fox News, the broadcast network, the sports and therefore regional sports could be more valuable to them than to others. And it seems like that's the way to think about the free radicals.
Same thing with production studios. What's really happened what really happened in the studio business is initially, it was, oh boy, Netflix needs a lot of content and they're going to buy it from us or they're going to lease it from us, right. Then it became well, they're going to buy it from us but we can keep some rights. Then it became they're going to buy it from us but we don't get to keep any rights. Then it got to be and if we won't deal with them, they'll go to our producers and our talent and do it themselves, right. So you get this disintermediation that takes place. And the traditional role of the studio starts to disintegrate because of this changing monetization model that Netflix started, and now Amazon is speeding in and Apple is coming in and so on. So, the studios have got to figure out, do they get together and get bigger which is what you saw Disney-Fox do? What happens with those assets? So I think you see a lot of public vehicles right now that are or will become free radicals.

Gregory B. Maffei:
So thank you. We are past the noon hour. I'm sure there are some rumbling stomachs. There is some food downstairs. There are Liberty experiences downstairs. Please go and enjoy yourselves and for those who are interested, we restart again at 12:45. Thank you.

[Break] (03:00:37-03:45:31)

Unverified Participant:
This presentation include certain forward-looking statements regarding Qurate Retail within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, market potential, future financial performance, new service and product launches, the continuation of our stock repurchase program, the integration of HSN including related costs and the realization of estimated and expected synergies, benefits, and efficiencies, leverage targets, interest deductibility, tax matters, and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These forward-looking statements speak only as of the date of this presentation and Qurate Retail expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any such statements to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.
Please refer to Qurate Retail's publicly filed documents, including the most recent Forms 10-Q and 10-K for additional information. At today's meeting, we will discuss certain non-GAAP financial measures. Please refer to the appendix at the end of this presentation for definitions and applicable GAAP reconciliations. The appendix will be available on Qurate Retail's website throughout this meeting.

Courtnee Alice Chun:
Hi. Good afternoon. Thank you for joining us. I'm Courtnee Chun. So for this afternoon session, we're going to be covering Qurate, Liberty Broadband and GCI. A couple housekeeping items. Here is our #Liberty Investor Day. And it sure seems like some of you are active. I keep seeing Greg's phone light up with a whole bunch of different tweets, so thank you. There is a Wi-Fi password.
If you haven't gotten one yet, there still are few Rubik's Cubes out there. This is the beauty of working for six companies. Some people have suggested that it might be easier to solve this Rubik's Cube than keep track of the Libertys. So make sure you get one.
Then I would like to thank the team that makes us possible which is [ph] Mindy, Kelsey and Shane (03:51:13). And you can bet that what you're about to see was not included in their job description when they signed up for this.
[Technical Difficulty] (03:51:19-03:55:05)

Michael A. George:
The things we do for Liberty. Good afternoon. Thanks for joining us today. I'm delighted to have this chance to update you on Qurate Retail. It has been quite a year bringing our company together. We're making progress on the business. We're building some momentum, and I want to spend most of my time talking about how we drive long-term growth at Qurate.
But let me just start with a quick overview of the company, because there's three really discrete parts of Qurate, our video commerce business under QVC and HSN, this fabulous digitally native e-commerce business at zulily and the portfolio cornerstone brands. Distinct businesses, we're all united in this common passion we have for creating the world's most engaging shopping

experiences, experiences that are at this very unique intersection of retail, media and social.
We talk internally about wanting to be the premier retailer representing a third way to shop, highly differentiated from traditional brick-and-mortar and equally differentiated from more transactional e-commerce. We think that kind of differentiation is the right place to be in today's world. As you know, we bring enormous direct-to-consumer scale, resources, reach, access to 23 million global customers, all of which we think is a powerful platform for growth.
We can talk a little bit about each of the three parts of Qurate, starting with our video commerce business, $11 billion in global revenue. We're reaching 375 million homes every day, 1.4 billion visits to our websites annually across QVC and HSN globally. As you saw in our Q3 announcement, we're making progress getting QVC US back to a pretty consistent track record of growth after a down year two years ago. QVC International has a long-track record of growth and HSN having struggled for couple of years, actions we're putting in place are working. We saw a nice sequential improvements at HSN and viewers, visitors, new customers, sales trends. So we think we're on the right path with H.
Big announcement last month was the creation of this new QXH business unit, QXH which combines our QVC US and HSN assets into an integrated business unit with integrated leadership. We think that will enable us to drive revenue synergies and cost synergies more aggressively than we have year-to-date.
So, let's look at what that looks like. On the revenue side, we see enormous opportunities across QVC and HSN to share best brands and vendors within a clear strategic framework, to lean in to digital innovation together, to optimize programming across the networks, to cross-promote our customer base, lots of things we can do to drive revenue synergies across Q and H.
At the same time, while these two brands have a lot in common, they're both fundamentally about discovery. There are different flavors to the two brands, unique spirits that each brand has, and we think we're better off by nurturing and protecting those brands but still driving revenue synergies where we can. So that's our intent.
We're very clear about the customers of these different brands and there are lot of customers like Liz who are exclusive to QVC or Nicole at HSN, and also customers that cross over. So we spend a lot of time understanding who they are, what they value, and all of our revenue actions will be put through the lens that how do we make sure we're doing right by Liz, Elizabeth, and Nicole in a way that optimizes growth.
Give you a flavor for the size of this customer base. So across QVC and HSN, in the U.S., we serve 10.9 million customers in the last 12 months. Only about 20% of those customers are shopping on both platforms; 80% are exclusive. And so as we thought about how to drive revenue synergies, we wanted to understand what happens when a customer crosses over from buying on H to buying on Q or the other way around. So this is one example. We looked at a class of customers, all the customers who were exclusive to Q or H in 2016 and then in 2017 made a purchase on the other brand.
We looked at what happened. Let's take that entire class of customers, the year they were exclusive. 2016, they spent $290 million with us; the following year, they spent up to $476 million when they crossed over, and a full year later, still 40% higher than in the base year. Simple message.
Getting customers to engage in both brands is a really good thing. It's a source of growth. It's a core reason why we put QXH together. So lots of

opportunities in the video commerce business on the revenue side.
On the cost side, we are going aggressively for cost synergies. We announced a big step-up in our synergies last month. Today, we're further upping that number. We now think we'll be close to $400 million of run-rate synergies, and these are cost-only in the out-year. So Mark will take you through the slide in more detail. But the net message is we're building a big war chest that we can redeploy for growth to take to the bottom line.
So a lot going on at the video commerce side. A minute on zulily, it's great e-commerce business. It's also about driving these sort of daily journeys of discovery, launches 10,000 new items every single day, a really fun, engaging experience. We love the metrics. It's kind of up into the right on revenue, on customers, really feeling good about the momentum at zulily and we aim to keep at it. We're going to double down our investment in tech, personalization, machine learning, a lot of unique capabilities that zulily has, extend across more platforms, leaning into cross border, which we think is an under-capped opportunity. So lots of ways to grow the zulily business.
And the third piece of Qurate is Cornerstone. It's a great collection of aspirational lifestyle brands, serves the higher income customer, Frontgate within that portfolio has underperformed for a few years. That's been a drag on performance. New leadership, a lot of good initiatives, we think we're starting to see that pay off. It will take a little bit of time, but like the direction of Frontgate and across the portfolio, we're working on sharpen the brand positions, increasing the differentiation of product, rationalizing assortments, shifting the spend from print to digital. So we like this portfolio. We think there's a room to get this back into a positive growth direction.
In May, we talked about the fact that our Investor Day in May that we saw enormous potential for shareholder value creation with Qurate and we shared these numbers. It was an attempt to share a framework for how to think about growth potential at the new Qurate. We basically said we think, with fairly modest expectations for performance in our core QVC and HSN businesses. We can have healthy top line growth, even faster OIBDA growth and this huge conversion, 52% to 56% of OIBDA to free cash flow.
So we think that's a framework for growth, framework for value creation. We hope we could get more out of video commerce than the numbers here but this is one frame. And since we've doubled our cost synergy expectations since we first shared this framework with you, our confidence in it is that much higher. If we assume that the business can't have any organic OIBDA margin expansion on their own, that all has to come through cost synergies. You could push 60% of the cost synergies to the bottom line, leave 40% for reinvestment in the business, that's $150 million a year at run rate, to drive growth and still deliver on these numbers. So we think we've got lots of room to try to deliver against this sort of framework.
That is Qurate at a glance. Now I want to go deep in our video commerce business because to believe in that framework, you have to believe in the long-term future of this thing that we used to call TV shopping. You have to believe it has a vibrant future going forward, we certainly do. We want to try to share why it is that we have such confidence in this platform as a platform of long-term growth.
As we started that growth, we started with getting really grounded in who we are, what our business model is, how our flywheel works, why we're on this earth, because we don't want to grow by trying to distort and transform ourselves into something we're not meant to be. We want to understand what

we're great at and just find ways to bring that to life in today's world.
So what are we great at? We're great at curating this fabulous collection of products at enormous values, over a thousand merchants in our company, 40-year history of that. We're great at enveloping that with this live storytelling content, very dynamic experience and then we get that in front of these ready audiences and shoppers, large audiences and shoppers in an incredibly efficient way, historically on cable TV, increasingly on digital and mobile platforms as well.
Then all that leads to this unusually participatory and engaging form of shopping experience where the customer feels like, with their views, their visits, their calls, their clicks, post reviews, all the things - all the ways to engage with us, that they are really shaping the shopping experience, shaping the journey with us. And then we reward that with stellar experiences, highest-quality standards in retail, outstanding service, reliable delivery, these great customer service reps, and all of that, in turn, has earned us a place in the daily life of our customers. We are the place she goes to, not necessarily with a specific purchase intent but to be engaged, to learn something new, to be inspired, to be entertained. So that daily discovery is the heart of what we deliver, and that's not just hype.
We have our average customer on the left and our best customers on the right. Think of best customers as those who make at least 20 purchases with us a year. Those customers represent 71% of our sales, just under 20% of our customers. They visit our website 27 days a month, 27 days a month. They tune into QVC TV 16 days a month. They make 70 purchases on average, and they are a customer for life. Incredible numbers.
Now, I fully get the concern and the fear factor folks have with this really positive story, which is that's great but what about the next generation of customers? As these slowly fade away and it will be slow at a 99.7% retention rate, you can do that math - but as they slowly fade away, can you replenish with equally quality customers in today's transactional millennial, digital world? Someone answer that in a few minutes. I want you to [ph] remember (04:06:43) that question.
What else to understand about our model? It drives value for our brand partners as well, right, because all the things we do enables our brand partners to tell their story in a way they can't do in any other retail format. That creates this virtual slope where we get better products, better brand at better values because of the advertising benefit we drive. And our customers drive value for us, because the degree of engagement they have, [indiscernible] (04:07:14) is unbelievably powerful, active social shopping communities on all the platforms you can imagine, that in turn enables us to advocate even larger audiences at scale, highly efficiently kids will have these [ph] megaton (04:07:27) of our customers telling their friends. It's a pretty unique model and it's a really efficient model.
Purchase in volume, in depth, and the leverage of this advertising benefit to buy very well, highly variable cost structure, low inventory commitment, very low marketing spend even if you include the cost of TV tariffs and marketing spend versus any other kind of e-commerce player. It's an efficient model. So these are the outcomes that this model delivers, right?
High customer loyalty, high customer purchase frequency and these are just the average customers, not the best customers and operating margins, cash flow margins, that would be the envy of any other retailer and remarkable, the ability and consistency in these numbers over a long period of time something that I continue to believe is underappreciated in terms of just the

underlying rock-solid stability of this model and those numbers.
That's all good. Now back to how do we grow, how do we grow with that model? So we have a very clear-eye view of the world around us. We get the rapid changes in the retail and media landscape. We get Amazon. We get cord cutting. We get the explosion of digital media. We get the proliferation of direct-to-consumer brands, the role of social influencers, the smartphone lifestyle. We understand all those things that are changing.
We also understand what isn't changing, which is equally interesting and important because, in our view, the heart and soul of the shopper isn't changing at all. The heart and soul of the shopper isn't changing at all. Great shopping is about a great product, great value, a great story. Great shopping is joyful, great shopping is inspired, great shopping is built on trust, this trusted relationship, great shopping lifts you up and inspires you, it helps you solve all problems in new ways and makes your life easier. It connects you to a wider world. It helps you fulfill your dreams and aspirations. That's what shopping is about. That's what we do. That's what we do every day and have done for 40 years.
So we want to be true to who we are, but bring it to life in this more fragmented landscape we're in. So, as this futuristic chart attempts to explain, we see this wonderful intersection actually between the macro trends that are out there and our flywheels, the things we're really good at. So, we have no interest in running away from these big trends shaping the world. We want to run towards them, use them as additional power to get this flywheel spinning even faster. So, the whole organization is focused on taking this business forward into the future by being thoughtful and driving initiatives that are the intersection of these macro trends and the core strengths of our business.
So I want to just briefly show you what a few of those look like. Everything starts with products, so our initiatives always start with product. We're going to invest in being even more effective at product discovery [indiscernible] (04:10:44) from the 24-hour limits of the TV screen, we're going to bring our consumers more discoveries, higher degree of differentiation, higher value add, faster time to market, cross generational appeal with those products.
We reorganized as part of the QHX announcement, we reorganized all of our merchants in the U.S. to come together in big category teams that can work with our vendor partners, bring our enormous scale to bear, think about strategic opportunities, think about whitespace and then deploy those products across all of our brands and platforms in the company.
We're all about key items. We're all about amplifying the biggest and most important items, ideas, brands and so now we're trying to do that in a bigger way across more platforms and when we do that, the Beekman launch, the most successful beautiful launch in our history last month, one example of how we can amplify items in a way that's absolutely unique to us as we leverage the growing range of platforms.
We're investing in our digital store. We want to build out a much bigger curated assortment of product that's only available digitally, 150 digital-only brands added in the last several months. New categories we're entering. We're even now launching megabrands like Urban Decay on digital first. Urban Decay launched on digital, we had 20 sell-outs without one minute of airtime, 20 sell-outs without one minute of airtime.
And we're investing in a new organization, we're calling it D3 for discovery, development and design. It's an organization that builds out of what we had

in the past that takes it further, focused on developing exclusive product lines for the Qurate family of companies, focused on working directly with our partners in China and elsewhere. [ph] They'd be first (04:12:41) to market with new ideas. We're leaning into product, leaning into discovery in a big way. That's our first priority.

Our second priority is to now get that great product over every media platform our consumers want to engage with. And here's what's really important to understand about our business model. We're different than any other kind of content programmer, because our content is low cost to develop, we own it fully, we can put it anywhere we want to put it, and we pay distributors to distribute that content as opposed to having to be dependent on distributors paying us.

It gives us enormous flexibility to take advantage of all these platforms in a completely unrestricted way, and that's what we are doing. So what does that look like? Well, we have to start with mobile, because the fastest growth of video in the world is on the mobile platform. We all understand that, while others struggle with mobile, we're deeply embedding viewing experiences into the mobile platform, driving conversion, driving engagement on mobile.

In Q1, we'll launch another mobile app, but sort of for that mobile consumer who never turns on the TV. And on this app system with cool interface, she can access all of our live networks, serialized content, product videos. She can create video playlists. She can click on any video and go right to purchase the product. This is sort of the future of where video commerce is going. And we still believe in TV, and we're investing in TV. We're investing in getting HSN on full HD placement, which historically has not been. We're investing in better channel position for HSN. We're investing in expanding the carriage of our secondary networks.

We're looking hard at how to optimize programming across our five U.S. networks, and the same for our international networks, so that we always give our customer something new, something different to watch as she scans the five networks at any point in time.

We're leaning into over-the-top applications. We're winning big, big on Roku. We just launched Amazon Fire last month. We've got OTT applications in most of our international markets. This is for cord-cutters, but it's also for folks who want an added experience to their cable package. Now you're in control of the view and experience across all of the content that we have. Shop by Remote. That's a capability that HSN had. We recently launched a sort of V2 of that application. It creates a greatly enhanced interactive experience on HSN. And last week, we launched it on QVC. QVC has never before had Shop by Remote capability. So now you can interact with a much broader array of video content, purchase seamlessly all from the remote control.

We believe in all these video applications, and we leaning into content. We're leaning into content, not just repurposing our live TV content. That's valuable. That's good. But we're doing live events only available on digital platforms like Facebook Live that speak to a different kind of customer with a different kind of selling approach and different kind of content.

We're doing podcasts that are available on our iTunes, and Spotify, and elsewhere. We're doing serialized content on IGTV, and Facebook Watch, and Roku, really cool ways to introduce new customers, new generations of customers not to a traditional selling model, but a really rich content that can then lead to a selling model.

And everything we do starts with trying to understand what journey is the

customer on as she travels all these digital platforms in her life. What journey is she on, and how can we engage with her in a really rich, value-added way?
So one example. We have massively underleveraged the possibilities of YouTube, and that's something we're now highly, highly focused on. So a lot of folks are doing lot on YouTube. They are looking to learn how to do something, in this case learning how to - what is an air fryer, and why would I want an air fryer, and what would I do with an air fryer?
And if we could interrupt that very natural customer journey with relevant content that teaches her something new, inspires her, and leads to commerce, it's a really powerful thing, and we can see extraordinary results of folks who've never bought a thing on QVC when we do something like that.
That all gets me to the third priority. The third priority is to lean into digital marketing, to get new generation of consumers to engage with us and to engage with us on all these platforms I've just talked about, in addition to the power of the TV platform itself.
And so we're investing in digital marketing. We spent the last year building up a QXH marketing agency and in-house marketing agency, bringing in great talent from Amazon, from Google, from Facebook, to build this new agency. We're leaning into the spend. We're committed to continuing to increase our marketing spend which has historically been sub-1%. So we'll take some of the cost synergies, redeploy in the market, if we're getting a return on the market.
We won't do it if we're not getting a return. But if we're getting the return, now we have another lever for growth, another lever for bringing in new customers, leveraging machine learning from our partners at zulily to optimize ad spend. And today, with some really cool technology, there's a lot going on in this space.
We're leaning into new platforms like Facebook Messenger, where we can create highly engaging, highly targeted promotions to registered Messenger users at very attractive returns. That's one of many things we're experimenting with.
And so here we are today, and 83%, 83% of all new customers last year joined us on a digital platform, joined us through digital. And the paid marketing percent within that is growing as well. So we're data-rich and we're data students. And so, we're understanding where we're getting the return, what kinds of investments are driving high lifetime value customers versus low lifetime value, what customers are driving - what investments are driving a younger customer or an older customer. So we can kind of create this mosaic bringing in customers of multiple generations at high lifetime values as we surgically use the insights that we have. That's marketing.
Moving to social, social is a real amplifier of everything we're doing that builds on this deep engagement and connection consumers have with us. We've built up. We've built up in just the last like 12 to 18 months, this network of influencers, this network of social influencers.
So, when Lauren McBride engaged her followers on this really cool product, the QVC fiddle tree, we got [indiscernible] (04:19:52) 7,500 new customers on one item, one fun holiday item, 7,500 new customers who got one second of their time, now one second of their time, and that product is now sold out for the holiday season.
And we're integrating social with TV. So, when Katy Perry premiered her footwear line on QVC a few weeks ago, she activated 73 million followers pre-program, during program, after programming to drive this continuous conversation with this massive Katy Perry audience. There's so many ways we

can leverage social in the future world.
We're even going after the QVC and HSN rejectors who want nothing to do with us because it's not for them, but the same knew what beauty products we sold, the prices we sold them at, they'd be all over it. So, we've got microsites in the UK and the U.S. that don't see QVC or HSN. They just have great video content and great social content. And if you're interested, you can go into a marketplace to buy these products and the marketplace is brought to you by QVC, HSN and zulily all three of them. And you could into that marketplace and buy products and all of a sudden, you get past the barrier to purchase.
We're even activating voice commerce, voice commerce. You think about Alexa, it's another computer - it's another tool for Amazon to capture a greater share of product searches. It's a very bad thing for a lot of brands. But for us, it's a way to engage in a search for inspiration. You can now talk to Alexa and she'll bring you inspiring video content, video, if you're on Amazon show, or if you're on - audio content, if you're one of their smart speakers. This is really cool stuff. This is early stages. But this is going to take our business to a new - in a new direction.
And then finally, we're committed to that service promise, that thing we were built on, we'll never lose sight of, still matters in today's world, and we're doing a whole lot to deliver on that promise, most recently announcing this big optimization of our U.S. fulfillment network. We'll cut two days out of the shipping times, we'll get more packages in the same box for the customer, and we'll save a lot of money that we can redeploy back to the customer or redeploy back to the business. We're committed to service.
So, I hope you get a feel for the range of initiatives, the energy, the pace we're trying to bring to create a new company, a new Qurate built on innovation and agility. We're being thoughtful about connecting these macro trends with our super powers in a way that's really compelling. We have a lot going on. We're having a lot of fun, and we're holding ourselves accountable to make sure that all those initiatives are delivering in a way that we'll speak to long-term health. And we think long-term health for our video commerce business will be based on winning across a variety of media platforms, new and traditional, winning across generations of customers, and of course, growing our business in a consistent and healthy way.
Everything we do comes back to always delivering on those things. Let's look at a few examples from our QVC U.S. business. We're winning on TV. Multi-year track record of gaining share, TV viewership share, but we're not just gaining relative share. We're growing absolute TV viewership. Not many folks who could say that their absolute viewership is growing. Ours is and we're growing viewership on these new platforms at a very high rate of speed.
How are we doing - growing our customer base? Well, the first thing to grow the customer base is we got to keep the customers you have as you go through all this change. So are we keeping the customers we have? High levels of retention. Over the last three years, depending on your frequency of purchase, those levels of retention aren't budging at all.
Are we bringing in new customers? We had a tough go in 2016. We've seen a nice turn since then. New customers are up in 2018, thus bringing up total customers. Those numbers aren't where we want them to be. We think there's a lot more room to go. We're on the right path.
Let's talk about this life stage question. There's - we are unapologetic about the fact that there's a life stage element to QVC and HSN. This is new customers joining by age and indexed to the overall population. And so we start to over-index around the mid-30s. By the way, mid-30s aren't

millennials. We over-index, and then that keeps going up.
That's about as good a customer profile as you could hope for. Your only
issue would be if it was deteriorating over time, if it was getting older.
It's remarkably stable. Actually, if you look at 2017 to 2018, we're doing
better, under 44 years, a little - trading off from over 44 years. That's a
pretty good story of cross-generational performance, defies the stereotypes.
Now let's come back to the hardest question of all which is these new digital
millennial customers, are they any good? So we said, what is the likelihood
of a new customer becoming a best customer, a best customer in the first year
they joined and within three years of joining?
Not surprisingly, a small percentage of new customers become best customers
because best customers are mega value. But more are becoming a best customer
in the first year they joined. More are becoming the best customer by the
third year after they have joined. Those numbers are getting better. Those
numbers are getting better, not worse. We're pretty jazzed by those outcomes.
It's got to translate into sales. How are we doing in sales? Well, we're back
to consistent growth. But we think we could do better. If you took apart our
sales, you would see that in that digital focus are what we call off-air
sales, sales of items that haven't been featured on any of our networks in
that day is growing at a good clip. This digital store I talked about with
these exclusive digital items, that's growing at a double-digit rate. Our
on-air is slightly down this year.
So how do we win? Well, we're going to keep growing digital. We're early in
these initiatives. And the bigger that gets, the more impact it will have on
our total growth rate. But we also think that minus 3% on on-air, we can get
that back to growth as well. All the things I talked about: optimizing the
networks, getting more carriage and distribution, amplifying key items.
And part of how you grow that minus 3% is all that says is it's an item that
was featured on-air that day. It doesn't actually say how they bought it. So
when they check out this new mobile watch app I talked about and they watch
our live program on that mobile app, they'll never turn on TV, we'll count it
as an on-air sale because they're engaging with something that happens to be
on air at that moment. So lots of optionality, lots of ways to grow this
business as we lean into these initiatives.
That's what we got going on. I'm going to show you a quick video to give you
a little bit of a flavor for all that.
[Video Presentation] (04:26:52-04:28:29)
So we've covered a lot of ground. I hope that it gives you a sense for the
excitement and the energy we have for this business and how we take it
forward. We've got a fabulous team. Everyone's leaning in hard, and we're
really excited about leveraging these strengths to take this business
forward. And we're grateful for your support and your time and effort today.
So thank you.
[Music] (04:28:49-04:29:08)

Mark D. Carleton:
Thank you and good afternoon. I'm not sure I'm ever going to live down that
mustard shirt, but unfortunately, it gets worse later on. So save your
disgust until later, if you would. Mike showed you this chart on cost
efficiencies, and there's a lot going on here. I wanted to spend a little
time on what we're looking at. A year ago, we were around - announced around
a $200 million to $220 million level. And with what we've learned and with
the integration and some of the things we're looking at at warehousing, we've

been able to substantially raise those numbers.
Now, again we do - we have not quantified in here the revenue synergies specifically. They're hard to quantify, but we think they're substantial and we know they're real. By counterprogramming more effectively against each other, it's tough to measure whether we've got a - how much of that revenue bump is from the product and how much is from more efficient counterprogramming. If H was running electronics and we were running electronics versus H running beauty while we're running electronics.
So, we know that those revenue synergies are real. Tougher to quantify, but I think substantial. And the capital synergies as well. Obviously, as we look at combining our - some of the warehouses and integrating some of these services, we think there's meaningful savings there as well.
We identify our onetime operating cost on the right side of that slide, so you can certainly see in what years those onetime OpEx costs are going to be incurred and how those synergies are driven and time-affected, and I think that's interesting. And as we look at the estimated CapEx down below, this is a very low CapEx model. We run generally under 2%, 1.8% to 2%, somewhere in that neighborhood. And this year and 2019, we're looking at around 3% or 3.2%.
A lot of those dollars are invested in these synergies and a lot of those dollars will be invested in some of the things Mike just went through with you with what we're doing in digital and the like, and we think those investments are accretive, and the returns on those are very interesting.
After that, once we get back to 20%, we see us fully going back to our far more typical CapEx run rate at around 1.8% to 2%.
So I think we've made real good progress in that area, and Mike and the folks have done a great job in taking the opportunity to reimagine things, as well as just integrating them. So that's a good story.
Let's take a quick look at Qurate's leverage. We're maintaining our leverage target of 2.5 times at each of QVC and HSNi. We used the cash proceeds from Interval and the VAC merger and then the subsequent monetization of the VAC shares for debt repayment.
The QVC, Inc. leverage ratio on its own is around 2.4 times and the Qurate Retail Group at around 2.3 times. So cash flow has been good. We're de-leveraging a little bit. But we're certainly maintaining that 2.5 times target.
We continue to get interest - to get questions on our interest deductions, and I thought I would spend a little time making sure that everyone has clarity on this. Our annual interest expense is comprised of cash interest that we have on our bank loans and bonds and the exchangables as well as that contingent interest section on exchangeables, and that contingent interest is interest that we accrue and build but we don't pay.
As we accrue and build it, we get a tax deduction for it today, but we pay that interest way at the end when those bonds, debentures actually come due.
So we're expecting that our annual interest expense in 2019 will exceed the overall - the new interest deductibility of 30% of EBITDA in 2019.
EBITDA for tax purposes is a little different the OIBDA we generally report to you. Japan and France factor out of it, and there are certain book to tax adjustment but you can certainly use it as a guideline. That limitation changes to 30% of EBIT in 2022 and certainly we're analyzing that.
In 2018, there will be no disallowed interest. So all of the net interest expense that we incur for the year will be fully deductible and fully utilized, and again that's primarily because of the Interval and VAC

transaction by definition of the tax code, increased EBITDA and allowed us to deduct more interest.
So this is an area where we pay a lot of attention to the value of those interest deductions and do a lot of modeling in terms of when we're going to be able to achieve cash, real cash savings on those. So our disallowed interest next year we think will be around $125 million, maybe more. And it should grow a little bit thereafter.
But again, given the low tax rate that equates to around $30 million of cash benefit that we cannot get in 2019, but we can carry it forward, those carryforwards don't expire, and we would expect to use - utilize all of those by 2030.
So the bad news is we don't get to monetize those now. The good news is the incremental cost of that capital is low, and we know we'll ultimately be able to monetize it. As to the tax rate itself on an ongoing basis, we think our effective tax rate will range from 19% to 22%, and that's federal, state, and foreign taxes, net of some of the benefits we get from the green energy investment. In 2018, we expect that effective tax rate to be lower. We had some onetime items, some state tax impacts on GCI and a few ins and outs, but it will be lower than that. And bear in mind the exchangeable bonds do not impact the effective tax rate. While we incur that interest and get a current tax deduction for it, we set up a deferred tax liability for it because we have to pay it later on in the future.
From a cash standpoint - cash tax standpoint, our ongoing annual cash taxes are expected to be in the 10% to 13% of adjusted OIBDA level. It'll be slightly higher in 2018 as we did have a taxable gain on Interval and the subsequent VAC disposition. And really the difference between the effective and the cash tax rates as that deductible portion but unpaid portion of the exchangeable debentures. While we don't get - it's not cash taxes, it's the impact of it does go into our deferred tax calculation. And so, that's really what the difference in that is.
Now, I want to talk about capital allocation a little bit. And with much of the things that Mike and the team has looked at in terms of investment in the business, investment in some of the synergies, some of the warehousing efficiencies, a lot of the digital things, we spend a lot of time looking at capital allocation and how that money should be spent. And generally we start with investing in the business for the future. And the mobile experience, fulfillment efficiencies, what we're doing in IT and distribution historically, and we think in this case is what gives us the highest and best return for our dollars. That is generally almost always where we start.
Secondly, we're looking for acquisitions that fit in our space. And you've seen us with H and with Zulily and a few other smaller things do that, and we certainly are paying attention to opportunities going forward where we can make accretive, effective acquisitions that really fit into our space.
The third thing we look at is really our investment to offset the deferred tax liability on exchangeable bonds. Starting in 2029, these bonds come due, and we're certainly analyzing and projecting out how we best satisfy those, do we deploy some cash now and take some of those out, or what cycle do we want to follow, and all that ties in with what our tax rate is, how much interest deductibility we get, how much free cash flow we drive, etcetera. But that is certainly one of the areas on our capital allocation priority list.
And then lastly, return of capital to the shareholders. Most of you, having been around GCI- and Liberty-related entities like me for a long time, know

that return of capital is something we learned from John early on, and it's
what we continue to deploy. We expect to be very close if not to hit our $1
billion buyback that we told you we would do in 2018.
We've repurchased almost $760 million through 10/31. Since 2006, we've
reduced our share count by 55%. That's 49% net of the share issuances that
we've issued to buy some things. Our historically repurchased shares would be
worth about $12.6 billion. So we've made about $450 million on buybacks over
that timeframe which is a 7% IRR. Not bad given when you - given when you add
that to what Mike and his team have done to really drive the business.
So we have not determined our buyback strategy and level yet for next year.
As Mike and the team get the budget finalized and as our tax projections and
the like come together, we'll certainly sit down and come up with some of
those numbers and you could expect us to report those to you in quarters to
come. But free cash flow delivery is good. There is plenty of cash and plenty
of liquidity in this business, and we're quite pleased with where it's at.
Thank you for your time.

Unverified Participant:
This presentation includes certain forward-looking statements regarding
Liberty Broadband Corporation within the meaning of the Private Securities
Litigation Reform Act of 1995 including statements about business strategies,
growth and expansion opportunities, market potential, future financial
prospects, Liberty Broadband's investment in Charter Communications, and
other matters that are not historical facts. These forward-looking statements
involve many risks and uncertainties that could cause actual results to
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events, conditions or circumstances on which any such statement is based.
Please refer to Liberty Broadband's publicly filed documents including the
most recent Forms 10-Q and 10-K for additional information.
At today's meeting, we'll discuss certain non-GAAP financial measures. Please
refer to the appendix at the end of this presentation for definitions and
applicable GAAP reconciliations. The appendix will be available on Liberty
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This presentation also includes certain forward-looking statements regarding
GCI Liberty, Inc. within the meaning of the Private Securities Litigation
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expansion opportunities, market potential, future financial performance, GCI
Liberty's investment in Charter Communications and Liberty Broadband and
other matters that are not historical facts.
These forward-looking statements involve many risk and uncertainties that
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statement is based.
Please refer to GCI Liberty's publicly filed documents including the most
recent forms 10-Q and 10-K for additional information. At today's meeting we

will discuss certain non-GAAP financial measures. Please refer to the appendix at the end of this presentation for definitions and applicable GAAP reconciliations. The appendix will be available on GCI Liberty's Web site throughout this meeting.

Gregory B. Maffei:
All right. The fun never stops when you're at Liberty. I got 99 problems but a GIG ain't one. Sorry. Well, we're here to talk about GCI Liberty and some of the things we've done since we spoke with you last time. First, we spun off from Liberty Interactive and created an asset-backed security, GCI Liberty. We reincorporated in Delaware, raised the interest rate or the dividend rate on the preferred stock. We issued $477 million of exchangeable debentures which reduced the liability that we owe on the Qurate Retail side and released the shares that were held under that liability. And we initiated the repurchase of GCI shares, our GLIBA shares, buying back 1 million shares at an average of $48.09 little just over 1 million shares for a $50.1 spend. Tree also had a heck of a year, recording record revenue, recording record variable marketing margin. You'll hear more about that from Doug Lebda in a moment, and closed a number of acquisitions. Tree is a new entrant here. When we - I think back in 2009, at the bottom of the Great Recession, our shares in Tree were worth $17 million. Today they're worth just under $800 million. So, it's been a pretty good run. So, we look forward to hearing more about Tree in a moment.
But some of the reasons why we're excited include their execution. They have done a unbelievably good job. They're now the leading marketplace for online consumer loans. They operate a online loan marketplace that connects consumers and lenders across a broad array of loan types. They have seen explosive growth, 46% revenue growth rate since 2014 including acquisitions and 35% percent organic.
They have maintained a consistent mortgage revenue growth despite slowdowns in the mortgage market, and they've expanded into a broad array of non-mortgage loan categories including business, personal, student, home equity, and auto loans that now represent over half the revenue.
Tree has been innovating in a host of ways to make their offerings more exciting for the future
focusing on simplicity, transparency, and insight. Some of the examples of this would include RULO which allows borrowers to explore lenders and offers online versus being called by numerous different lenders. And My LendingTree, which is a growing customer engagement - growing their customer engagement and loyalty through data with personalized credit alerts and saving recommendations.
Now, at the core of GCI Liberty is our stake in Charter or Liberty Broadband. And I just want to spend a minute to go over with you why we remain very bullish and very excited on Charter. You're going to hear more from Tom Rutledge, for sure, but I wanted to give the perspective that Liberty has as the largest shareholder.
It is the only scale pure-play U.S. cable asset. It has the superior bandwidth-rich network that will be able to drive multiple high-margin products. The integration of Time Warner Cable and Bright House Network, which is nearly complete, will continue to drive customer and revenue growth, plus operating and capital synergies, and efficiencies.
We think, in general, the cord-cutting threat, while it may change the nature of products that companies like Charter sell is somewhat overstated, video

margin erosion has been going on forever, but it is not going to change the fundamentally positive nature of this business. And 5G is largely overrated. It's more of an opportunity, we suspect, for Charter and other cable companies in the thread.

Combine that with a disciplined financial strategy which includes declining capital intensity, appropriate leverage, share repurchase, and you're going to get increasing free cash flow per share. So let's start with cord-cutting. There is no doubt that there will be changes as I said in how people use the services and what services we offer customers. You've seen that already. Things like VoIP grow and then start to dissipate. High speed data grow enormously. Obviously, video to some degree, declining and the margins eroding, but the rise of new products potentially like an MVNO and leveraging our Wi-Fi first mobile efforts, all create an opportunity for actually margins not lower margins.

And you can see here over the last several quarters, going back several years that despite the decline in video - the margins in video, we continue to drive margins higher at Charter. Video is still profitable but it's not the product we have to or need to lead with. And cable can become an emerging and evolving video marketplace.

You saw, if you were here this morning some of our thoughts about what's happening in the video marketplace. There is going to be an explosion of content, an explosion of ways to reach customers. I think the unique position that we have, reaching into consumers' homes can allow us to become a retailer of many of those products to positive margin for us, to return reduction in ways we can help those OTT services as well.

5G, a lot of hype among some of our competitors, but we I think if you do the homework it's got a long way to go. 4G LTE will be the workhorse network for more than a decade. As many of you know, the standards around mobile have not yet been promulgated on 5G. For fixed wireless broadband, there is questions about how large a solution they can be, how large any one of the players can cover the country given the requirements from an underlying network. You've seen here some estimates about what Verizon may be able to do by New Street. I think MoffettNathanson has numbers which looks somewhat similar. It's been talked about a lot, but I think the actual rollout is going to take a lot longer and be less disruptive than has been suggested by some of the competitors.

DOCSIS will still have - DOCSIS 3.1 will still have a speed advantage over 5G. And given the amount of investments, you can see on the other side there are going to be challenging economic requirements for them to compete on price. Lastly, attenuation, whether you have rain or wind or moving vans or foliage or tinted windows or roofs will cause challenges I think - we think in the application of 5G in many environments.

Looking specifically at Charter, the CapEx is set to decline over the coming years. A lot of the upgrade cycle, you'll hear a little more about from Tom are on a timeframe to be completed. The integration activity is declining and we're going to get the benefits of it. The migration to spectrum pricing and packaging is slowing and we'll get the benefits of that.

And we're declining our insourcing investment activity. Combine that with structural tailwinds that we see for the industry overall including decline in set-top box volumes, for example, BYOD, all-digital transactions, the offset of decline in video households is a reduction in the number of set-top boxes required, the positive impacts of self-installation, all of those point to higher margins, is the Charter business.

If you look at how we've done with this investment across the Liberty family, remembering we have stock both at LBRD and we have stock at GCI Liberty, and we have some Liberty Broadband stock inside here, and we have some Charter stock directly, but it's all Charter underlying. It's been a great investment. Perhaps one way to look at this that might be helpful is to think that currently with Charter at about $324, the look-through price of Liberty Broadband is about $287.85. The look-through price at GCI Liberty depending on your valuation for GCI and Trip - Tree rather is somewhere around $256.98. And as I noted to you earlier, we've bought back about 1 million shares of GCI Liberty if you look at the look-through price at which we actually executed that. It suggests about a $265.89 price on Charter. So, we remain very excited about Charter and even more excited about the potential to capitalize on some of the discounts, both at Broadband and at GCI Liberty.
We'll talk a minute about GCI, and you're going to hear more about this Pete Pounds in a moment. They have a robust network, offer 1 gig to 77% of Alaskans, and given conditions in the winter, having high-speed access is probably a very desirable thing, not a lot of daylight, perhaps a lot of time to surf.
We've begun a process of project Polaris where we've - excuse me - we've begun a process around COGS and around procurement, which has cut about $8 million. We took a new billing system, Polaris Live in August. Consumers continue to choose higher-margin products, faster speeds, unlimited data plans, all of which generate value to us at GCI. And Anchorage in the metro area are predicted to be out of recession in the first quarter of this year - coming year due to oil prices which have stabilized or moved higher over the last period.
So, when you combine all that, we remain bullish and optimistic on the savings and opportunities at GCI. We obviously have had some headwinds when the world healthcare changes. Pete Pounds will talk much about that, but we think those have stabilized.
So with that, I'm going to turn it over and come on to the next slide and turn over to - Pete, it's not clicking. Tom? I'm going to turn it over to Tom [indiscernible] (04:55:33). Thank you.
[Video Presentation] (04:55:34-04:58:10)

Thomas M. Rutledge:
Hello. Good afternoon. So what is Charter Spectrum? Spectrum is the brand name that we go to market with; Charter is the company. We have a huge network across the United States, 850,000 miles of infrastructure, 2-way high-capacity network.
It's easy to upgrade from our perspective, from a capital perspective, and very hard to replicate, and any kind of - from a capital perspective and hard to replicate from a time perspective. It really is a fabulous asset, and our view of the business is if you use that asset, you can gain customers, you can gain market share. But the key is to use the asset in its full capability. We passed 50.6 million homes and businesses, have almost 28 million customer relationships. The company that was put together by the transaction two-and-a-half years ago is well-clustered. We can use mass marketing almost everywhere we operate. That was not true of legacy Charter which was more or less penetrated from a passings to DMA ratio perspective. So, we really have a great marketplace throughout the United States.
If you look at how we compare to the rest of the world, people think about us as a video company and we're the third biggest video company, but in terms of

- if you go back down to the right-hand side bottom here, you'll see that we're actually almost the same size as Comcast from a customer relations perspective - customers relationship perspective. We've been selling broadband only to drive our business. We've been selling - we're now selling mobile but we're really about creating customer relationships and providing that relationship in a way where the products that we offer together create a value relationship for the long term with the customer.
As we put these businesses together over the last two-and-a-half years, and really it was a four-year process if you think about it because we started off to do a deal, it didn't work, and we ended up with actually a much better deal getting the Time Warner and Bright House assets entirely. But we wanted to make what was historically over a 40-year period, a roll-up of many companies. I bet you there were 4,000 individually franchised companies at one point inside of our company. And even when we put the three companies together, and I know back from my own Time Warner experience at one time, we had 40 operating divisions that were independently run. And while we thought we had 11 instances when we closed the deal, we really had a lot more variation in terms of the way the plant was architected from a digital perspective and an operating perspective, and that where could serve, and how we could move traffic around that network.
And so we've been in a process the last two-and-a-half years and we're really completing it, this quarter of integrating and creating a single enterprise that operates the same across the entire 850,000 miles of architecture and the entire 50 million passings. Our goal is to have a simplified product, a superior product with high-quality service, service as a product itself, and highly competitive products when you aggregate a series of independently sold products and put them into a package that is accretive for us, and at the same time, accretive to the customer. The customer saves money by connecting with us and putting all their products with us, and we drive share as a result of that. And we drive that into a fixed cost network, which means that operating costs per customer come down as our market share strategy drives deeper into the marketplace.
But in order to get there, we've had to do - to create this unified platform, we've had to do things to make our network capable, which was contradictory to our core operating strategy of simplicity and high-quality service interaction. We had to go put millions of digital set-top boxes out to customers who still have analog television in Time Warner and Bright House Networks.
And we decided that over the period of time that we were putting this company together that the speeds that we were offering needed to be upgraded. So we went to what's called the DOCSIS 3.1 upgrade, but it really is 1-gig everywhere, and that's completed also this quarter, so that we now have a vastly superior network almost everywhere we operate in terms of the speeds and products that we can deliver on that network.
And we've also sourced our own Wi-Fi network, and you saw in our promotion, we said 940-megs, I think. We've actually been able to go beyond that now with our capabilities. And we have a pathway to get to 10-gig symmetrical at very low cost.
So we really do have a fabulous network and a uniform network, and it took us a lot of integration effort to get us into that position, but it really has come to an end. And the capital intensity associated with all those projects is also coming to an end.
We've also had an operating strategy in place over the last several years of

repricing the business. 67% of our products now are in the new pricing and packaging that I referenced. And so the upside of that is in terms of pricing down legacy products, the revenue going forward will be more connected to the growth rate.

And so our growth rate has exceeded our revenue rate over the last several periods, and the reason that is, is of this repricing, but we've actually crossed the threshold where the math works the other way. And as I said, we did upgrade the speeds. Our minimum speed to market is 100 megabit in 60% of our footprint, 200 megabits in 40% of our footprint. We can change that essentially at will now with very little capital intensity. And I guess the most interesting thing that has sort of happened is that our ability to integrate this into a single platform gives us much better service and less costly service too. And while we had a forecast to get to the kind of cost structure that we've achieved, we're actually seeing more opportunity there as a result of the technology and our ability to do self-provisioning, self-service and to look at our network and see all the devices in our network and actually be proactive about service and maintenance which reduces overall activity in the business.

These are the initiatives that we've been working on over the last several years as we put the companies together. We did the corporate integration which went quite smooth. And then we did pricing and packaging. Then we did small business pricing and packaging. And so there's a curve and a delay between when you implement these programs and when the upside of those programs begins to materialize in the operating results. They achieved operating cost savings quicker than they achieved the revenue growth that they actually also generate.

And so we've managed our processes. And as I said it was really a lot of roll up in terms of disparate kinds of process, systems throughout our network. We're still working those out, but the vast majority of those have now become unified. We're moving to a virtual environment meaning we can move calls and traffic anywhere in the country and serve any customer from Hawaii to Maine from the same call centers, and that gives us a lot more efficiency in staffing. We've in-sourced staffing, retrained the workforce, and all of that is producing a higher cost per transaction, but a higher quality per transaction. That higher quality is actually resulting in lower transactions overall to the net effect of a reduction in cost to serve.

I said earlier that we did the all-digital project. We also put a guide out which we were putting out in legacy Charter called - which is our interactive in the cloud-based guide and that cloud-based guide allows us essentially to change the guide depending on where the market plays, but it also - in reference to something Greg said, it also is the core of our video product in terms of making our video product a march as opposed to an individual package.

We're going to sell bundled cable TV products for a long time, for years into the future. If you look three years out, the business will look more like it does now than different but it's going to be different. And we'll sell new products and satisfy the customers' video appetite in different ways where in some cases we'll be the seller, in other cases we'll be the representation of the seller and collect a commission along the way and drive market share for what used to be called la carte products.

I said we've launched the [ph] Gig Everywhere (05:08:35). That's really being completed as we speak. And we have a pathway to much higher speeds going forward. And we launched the mobile business really, which was not

anticipated in our plan when we put these companies together. I mean, we weren't thinking about it, but it wasn't used as a driver of the value or opportunity and yet it is a real opportunity.
I saw a statistic the other day that Charter is the largest wireline phone company in the United States, bigger than AT&T and bigger than Verizon. And we've marketed a standalone wireline telephone service. We always treated it as an attribute of our connectivity business. And I look at mobile the same way. It's an opportunity for us to drive a lot of value into the relationship that we've created with the customer. And to use that value to drive deeper into the marketplace which satisfies the customer and satisfies us and creates a virtuous cycle of growth where you got reduced operating cost for every incremental sub you create, because you're selling into a network that has a fixed cost basis. So it's really an attractive new form of triple-play.
The video is different. The broadband is faster and the mobile is different than wireline, but interestingly today as a wireless company, we have 350 million wirelessly authenticated devices connected to our network.
So we are a wireless company. We're not a mobile company by any stretch of imagination, but we're changing our connectivity to a mobile relationship, and yet the mobile devices connected to our network really are served by us. 80% of the bits on every carrier out there that are reaching carrier's devices are coming to our network, and I think that we have the ability with the architecture that we've deployed to have a much better customer experience going forward than the existing wireless carriers and we expect to be mobility providers in our connectivity business.
This chart just shows legacy Charter and it shows when capital intensity comes away from a high-growth EBITDA business, that you get a rapid disproportionate leverage and an increase in cash flow, free cash flow, and that's what we expect going forward out of the business that we've just created. The business we've created is different, as I said. The market has moved on in video and data and voice, but the essential element, essential financial leverage that we are trying to achieve, we expect to occur on a much bigger basis going forward. I mentioned our products. This is just a rehash of what I've already said. I will say that our mobile pricing saves hundreds, if not more than hundreds of dollars, for customers that are spending upwards of $120 to $150 per household on wireless services. There's 3 times as much wireless revenue as there is broadband revenue in the country and we're attacking a fully penetrated wireless marketplace.
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We've changed our video product, launched Choice and Stream products. We now have an app-based service which also reduces capital intensity. As I mentioned, we have a guide. That guide and that app are now in our mobile products and our ability to serve our customers through that app is enhanced by putting it on every mobile device that we create or every mobile that a customer that we create purchases from us and we rolled out advanced technology and set top boxes.
Our balance sheet strategy, Greg already mentioned. We have a great network. We're carrying state's leverage, but a highly levered 4.25, 4.5 times leverage ratio. And we have a high growth business connected to that which creates a lot of value and creates a lot of free cash flow and we've been returning that free cash flow in the form of buybacks.
I guess my speech is over because I can't move. The time's up anyway. So I'll just complete it with that and say thank you and I'll answer any questions you have later. Thanks.

Unverified Participant:
Good afternoon. I'll be sure and keep to the time here. All right. So what you see there is part of our service area. No not exactly; there's no coax cable on Denali there. That would be forbidden. But it does give you an indication of how difficult it is to serve in Alaska. There are great mountain ranges and rivers that make serving Alaska a very challenging thing to do. And it also, since we already have the network built, provides a good competitive position for us. There're not a lot of competitors that are eager to join the competition and bring service to an area like this.
GCI started in 1979. We didn't have very many assets. What we had was two men, a VW van, a garage, a couple dollars from TCI, and an idea to bring world-class network to Alaska. The dream process, maybe we could have $30 million per year in revenue if everything went just right and our definition of modern telecommunications was long-distance phone service. We've come a long way since then.
We're a different kind of cable company. This here is Carl Cleveland. He grew up in remote Alaska and his first language was not English, it was Yup'ik. He's part of our operations team that make sure that our network stays up even in the most adverse conditions which actually sometimes happen in Alaska.
Just a few things to point about who we are as a company here. For the last 10 years, GCI has been a quad-play provider providing full voice, video, data and wireless. So, we've looked a lot more like the Canadian cable companies for a very long time and it's encouraging to see that the U.S. cable companies are joining the fray to become quad-play providers here. Also, when you look at our revenue stream, we really started out on the business side of the house, offering long-distance phone service and even today 50% of our revenues come from business customers and 50% come from consumer customers, a pretty unique distribution of revenues.
When you look at our competitors there, you can see that it is not one competitor that we're facing, it's several different ones and they each serve a different niche within the state. But overall, these are all data pipes that these different products and services are running through to different customers. And what that does is it gives us a great competitive advantage because we can use those same pipes to deliver all the services, not just one or two services like our competitors do. And that gives us an efficiency of our capital expenditures that can't be matched by our competitors.
As a result, you see some meaningful differences in the technologies. For example, as you look at data subscribers with ACS typically, the best that they can do is 50 megabits per second. 77% of the state has access to gigabit speeds on Internet, and they do that almost exclusively on GCI. That is to say that our top speed is literally 20 times the competition in most areas. So, we have the network that is the most efficient and the most widespread in the State of Alaska.
Here you can see the network in Alaska, the yellow are the fibers that are the terrestrial fibers that we have there, blue is the microwave network that we have in Western Alaska that we call TERRA. The other part that looks like the measles there, those are satellite-served communities. They're satellite-served today on C-band primarily. There's some Ku-band in there as well, that may well change to LEO satellites in the future. But those areas, by and large, will be long-term for the foreseeable future delivered via satellite and not terrestrially given the population densities there.

From north to south, it's over 1,000 miles. From east to west, it's over 1,800 miles. You can see there's a couple areas that are unnamed there, on the right would be Canada and on the left would be Russia. And, yes, if you look from little [indiscernible] (05:18:42) there, you actually can see Russia from there. That just gives you an idea of the size, so my apologies to those of you from Texas. It's a big state.

Our tool kit is more expansive than a typical cable company. Fiber optic is, of course, very common. But in addition to the challenges that are faced with boat anchors, with subsea fibers, with backhoes with terrestrial fiber, we also have things such as ice scour from icebergs to look out for.

On the microwave tower, you can see there's a little bit of ice there. That's the humid air coming off of the Gulf of Alaska and interacting with a very cold steel microwave tower. The icing is not a very big problem. The de-icing can be a very big challenge as sometimes huge chunks of that ice will fall off and cause some significant damage. It's a whole different ball game.

When you look at the side of the tower there, you'll see some buildings. Those buildings are not only the telecom here, but also the power generation. Once a year, a helicopter flies in with a bladder full of fuel to fuel it up, nothing about that is inexpensive either from a capital or an operating perspective. It's no wonder the number of competitors are relatively low.

Satellite, that's a long-term technology for us. Also not showing up there is co-ax cable, very common. Our plant is all DOCSIS 3.0 or better. In the instances where it's not DOCSIS 3.1, it's typically because there's no middle-mile connectivity that would really benefit us going to DOCSIS 3.1. There's no sense building DOCSIS 3.1 if your middle-mile connectivity is via satellite or microwave.

In addition to that, we've got the wireless network which covers better than 95% of the state of Alaska. So I have to look and get the latest numbers because Tom indicated that Texas has now been upgraded, but as of very, very recently here, you stood a much, much better chance of being able to access gigabit speeds if you lived in Alaska as compared if you lived in Texas.

That's just part of the DNA at GCI. We've been all about growing, and we built a premier network in Alaska that's a very defensible position.

That's more of a take home for those that want to flip through the chart. It's got the same five services that I've talked about before, a very significant network and a challenging one to replicate. Not only at all, but more importantly in a timely fashion that allows you to sell services on that network in a reasonable period of time.

Going to the operating metrics. Not the best slide when you're trying to share growth all the time, but we've been in the recession for the last three years. Alaska is typically countercyclical. So the lower 48 as we call it has been doing great for the last few years, while we were doing actually very good in 2008 and 2009 and the lower 48 was in a recession that's flipped. And this is the case now according to the Anchorage Economic Development Corporation, Alaska is expected to come out of the recession here very quickly as Greg mentioned in the first quarter of 2019.

So as you look at data subs and wireless subs, those are the two areas that we would look to grow significantly. 80% of our revenues comes from data and wireless services. And those have been flat for a couple of years. Meanwhile, video is the hardest hit in the recession here as people did cord-cutting to take cheaper alternatives there. The good news is while they have been cord-cutting on our lowest-margin products and actually by the time you get down to free cash flow, it is a very, very small number for us. We don't get

the same rates that Tom does on the programming.
We get the rack rates. And so, free cash flow is de minimis there. They have been migrating up the stack on data, so our ARPU has been growing 5% per year, offering us a nice bump in data revenues. And voice subscribers just follows the national trend as people who are older, no longer - or people who are younger no longer buy landline phones. They just go with wireless. We just end up losing voice subscribers, which is very typical.
So, I've mentioned the second bullet point, the three-year-old recession in Alaska. Looking at these financial numbers here, there have really been two other things that have been very, very significant. First, we have some legacy roaming contracts with carrier customers. We renegotiated those at the end of 2015. So, you'll see a noticeable drop in revenues and adjusted OIBDA between 2015 and 2016. That cut was just over $50 million a year.
The reason for that, those legacy contracts were per megabit-based and the number of megabits used were growing very, very quickly. That put us in a position of renegotiating with the idea that the competitors or our customers there would build out the statewide network in order to reduce their roaming cost. We figured the best alternative was to give them rates that would incent them not to build and keep that business long-term. So, we think it was the right decision but it had a $50 million hit on revenues and OIBDA.
The second one was the FCC position. About a month ago, we got a letter from the FCC indicating that competitively bid contracts that had been accepted that cover the period from July 1 of 2017 to June 30 of 2018 were being retroactively reduced by $28 million. That was a very significant hit and it's something that we're in the process - we filed the appeal here. I think it was last week so that's a process that's going to be a little bit long and drawn out but that had a significant hit.
I'd like to point out that on the OIBDA, you would think with the $50 million loss in roaming and $28 million loss from the FCC that we'd be down about $20 million more than we are dealing with a recession. We've managed to peel some of that back by getting some of the efficiencies into the business and still get some growth in spite of a very significant recession in the state of Alaska. You can see just on the right hand side, the split of our revenues there and noting that the areas that we'd like to grow wireless and data are, in fact, our largest areas and voice and video are fairly small for us.
Just talking about the rural healthcare here, it guts the rural economics. It really puts us in a position of not investing meaningful amounts beyond base requirements in rural Alaska. The rules have changed somewhat overnight. We believe it's bad law and bad policy. We are appealing that. But at this point, it's too early to say how long it will take to unfold the ultimate resolution of the RHC issue.
So there are some things that we're doing to make up - some efficiencies to make up for really all three of those issues. First is the new billing system that was launched, the multi-year process that we went through. It allows us to bill our customers on one bill where they used to get two. The suspicion always is if there's two bills, there must be something sneaky going on. We've not got it under just one bill. It does allow some very meaningful efficiencies. We're still working through it. We just went live on August 1 on that. So, we're still working through those efficiencies and it will allow us to get to market faster. Whenever there's market changes, we can get to market faster.
Greg talked about the COGs efficiencies that we've had. That's really where another telcom has a middle mile or last mile facility that we don't have and

we rent those facilities from the other telcom. I think there's another $5 million to $10 million per year of opportunity for us to overbuild their network and save that money.
Also procurement, we've had some nice wins. Greg talked about on the OpEx side there. We've got some CapEx side wins on procurement as well. And we're continuing to mine that. We've got our Chief Procurement Officer, he's been doing a great job. He's been onboard for just over a year now and with a $500 million annual spend outside of things like employee cost and interest expense, et cetera, there's meaningful opportunity he got to go there.
So, we have had a couple of challenges. It's certainly been a challenging year, or better put, a challenging October, with a letter from the FCC. But there are some things that we can do to help rebound on the cost side and hopefully, we'll get a push from the economics of the state as we exit the recession.
Hopefully we can keep oil prices at least steady. Right now is an okay price. If they would go up further, that would be even better. Thank you very much.
[Music] (05:28:32-05:28:47)

Douglas Robert Lebda:
Thank you all. It's great to be here. I'm going to give you a brief overview of LendingTree. I think we're probably the smallest company in the Liberty portfolio, but hopefully something interesting enough that many of you want to become shareholders as well.
LendingTree has actually been around for over 20 years. Believe it or not, I founded this company in 1996 after getting the run-around from several banks in Pittsburgh on a $55,000 condo I was buying. I decided that through comparison shopping, we could basically force the banking industry into complete and utter transparency for consumer lending, that everybody should be able to get a loan related to their specific financial situation and that's what we did.
We were fortunate to be able to go public in the dot-com heyday of 2000, got to ride through the dot-com crash of 2001. 2003, InterActiveCorp bought us. That was a very formidable time for LendingTree. I got to not only become President and CEO of IAC, but there I learned about all of these marketplace businesses: search, personals, home advisor, and many, many others. I also got to see consumer engagement of companies like HSN, really learned what it was to run a business at scale.
In 2007, LendingTree was on its back, and IAC was doing a bunch of spin-offs, and I decided that time to move back to Charlotte, spin the company out from IAC, which we did in 2008. You can see some of the other changes that we made as we turned the company around from 2008 on. But now we are scaling the business significantly, really changing our consumer experience, as Greg alluded to and have a great strategy that's really working.
I mentioned a marketplace business model. And you see these around the internet, and I mentioned travel and we mentioned Home Advisor, we mentioned Personals. All of them basically are functioning in the same way. We sit in between consumers and lenders.
Lenders demand leads or they want to close new loans from customers. We charge them just like a search engine for every introduction that we make, and on the other side, our consumers are looking for loan. Consumers don't know they can comparison-shop and save money and that is really, really interesting, we now know in the mortgage product, you can save an average of $100 a month or about 60 basis points. In personal loans, we can save you 500

basis points between the high and the low bid that you're getting.
So consumers are saving very, very real money. The great thing about a marketplace though is they build their own moats. As you get more consumer demand flowing in, that enables us to charge more to lenders as we get more and more coverage. That increased pricing, as they increase their conversion rates, they upped their bids. That enables us to go market and advertise even more and then that virtuous cycle completes itself. While that's happening, our lenders are in many instances witnessing margin compression on this, but it's still working for them as I'll describe.
This chart which I won't go through is simply showing that in any conversion funnel on the internet, very small changes in the core metrics going through make massive changes to your economics. In simple terms, if you think about this, 10 years ago with personal loans on the site, we might have had two or three lenders, they responded in three to five days. Their conversion rates were really low and so they would typically pay us about a $1 or $2 for every inquiry from customers. Fast-forward that over what we've done in the past several years, now lenders are paying us in the mid-teens for every introduction on personal loans. it's north of $50 million business. It's our second largest business and we're able to scale it very, very rapidly. So that - and that we expect to see going forward as well.
Just a couple of big - just a couple of numbers here. One, this thing is now at scale. We're closing about 2% of all the loans in the United States we're facilitating. We are working with all of the major banks in the United States, the major credit card issuers and many, many smaller ones. This is working for lenders. Lenders get to come to LendingTree, just like we do in Google and they can say, we want this many customers who look at exactly these credit profiles. Here's what we're willing to pay and here's how many we want every day and then we go to fulfill that.
The brand investment as well too, because we - in the 2008 and then now even beyond, we've been investing very heavily in marketing, it's very profitable for us. That brand recognition really helped through online advertising get even better.
About seven years ago, mortgage was 80% of our business and everything else was 20%. In the last three years, that's effectively flipped for 2019. We have been able to execute about eight acquisitions, most of them small tuck-ins where we can either get immediate lift because we've got the LendingTree brand and can apply it to these new verticals like credit cards or you've got crossover capability, for example, with our recent acquisitions of QuoteWizard, which is the second largest comparison shopping site online for insurance products.
You could see in just some of the numbers here, revenue growth last year was up about 25% after north of 50% growth, and again that's flywheel effect of being able to invest inside of a growing business, variable marketing margin is what we call net revenue. So that is revenue minus our customer acquisition cost. That's the key number that we always look at. And then obviously you can see our adjusted EBITDA growth which is also running north of 30% and we think that the early days are still with us.
Greg hit on some of the trends. One of the key things that I wanted to do when we took LendingTree out of IAC was move it from a purely transactional model to a relationship model. We do that with something called My LendingTree. My LendingTree is a - you can - it monitors your credit score, gives you recommendations on improving your credit and gives you alerts to save you money. We have zero marketing cost, so that's why we've got about 10

million people who are on it today.
I would encourage you to go download the app. It's absolutely fantastic. I was looking at examples the other day of consumers who have come in, improved their credit score over 100 points, been able to refinance three and four loans, do multiple transactions with us and they are incredibly thrilled with the product because it's saving them money, it's leaving them alone unless they can save money, and giving them real actionable recommendations.
Now, everybody always wants to know what is your addressable market, and this is the way we like to look at it. If you look down in the little green circle, that's LendingTree's revenue. That is comparison shopping revenue paid to LendingTree across mortgage, home equity, auto, personal credit card. This does not include insurance which is another roughly $150 million revenue business.
The next outer circle is what we call the core. This is the revenue for the other search engines for money, if you will: Credit Karma, Bankrate, NerdWallet and a number of others. There used to be over 20 competitors in this space, like any marketplace business. Generally, only two or three end up winning.
Now, when you move to the next outer circle, that is the amount of money that lenders are paying in online advertising, across search, display, and everything else. By the way, completely untargeted and LendingTree, as I said, you get exactly what you want, at the times you want and the quantities you want in the price you're willing to pay. We think that's a great proposition and certainly better than going out and doing broad-based advertising.
And then the adjacent opportunities are [indiscernible] (05:36:53), it's very exciting. This is with technology. You can actually help lenders replace highly commissioned human intermediaries with technology. So, think fully commissioned loan officers, think fully commissioned insurance agents and basically, if you compare it to travel, travel's big replacement was basically getting rid of - or diminishing the role of the offline travel agents. And once travel got better to do online than offline, that business exploded and that's exactly where we are today.
Now, that converts into some pretty exciting opportunities as share increases. So, at 1% to 2% share in all of these markets, you can see how you can go 3x to 5x. When does that happen? Not over a defined period of time. It's as the monetization grows on the site, as we can drive in more customers. Once you get those unit economics right, you just - you [ph] grow to the moon (05:37:52), and that's where we are.
We are really, really excited about this. This is one of the largest categories that will be on the Internet and probably one of the last consumer categories to really come online at scale. And the reason is, the lenders and banks weren't ready yet.
When I first developed the idea for this business, we envisioned this system sending customer information, receiving back offers in real time, sorting through with data to give the consumer the best deal from hundreds of lenders. And the first lender I signed up, we said, okay, how are we going to interface this to you technologically, and they said, will you fax it to us.
So we had to fax consumer information, they would fax it back, we would type it in and then the consumer would react to that website. That was about 2000.
Now it's working as it should and it's truly getting better every day.
And with that, I will let you read this, but I will tell you that we feel that we are now incredibly well-positioned. We know that this works for

lenders. We know lenders are saving lots of money on our marketing costs, able to scale their business with LendingTree. We know consumers are saving money and we know it's a great business model. We feel great about the competitive situation of where we are today.
We don't see a lot of new entrants coming in, we've got fantastic partnerships. And by the way, I want to be working with a lot more Liberty companies, we've got private label and co-brand, My LendingTree, things coming down the pike with retailers and other financial services companies. We want to be working with you and we are just incredibly thrilled about this market and think we have the right team to go execute and would love to tell you more about it.
Thank you very much.

Q&A

<A - Gregory B. Maffei>: Questions. You're in the middle, Rich. Is that Rich Greenfield? [indiscernible] (05:41:14)

<Q - Richard Greenfield>: Hi. Rich Greenfield, BTIG. A couple of questions. First, I guess I'd love both of your perspectives on the cable business. I've been a Charter customer, Time Warner customer probably going back 20-plus years. I look at my Charter bill and I have two DVRs. I don't even take the extra fee they pay, that they can talk to each other. But my fee is just for the boxes alone. I think it's roughly $33 a month.
YouTube TV is $40 a month. Unlimited DVR works anywhere - I guess it's when you look at kind of what's changing in the video market place, I know it's not your most profitable business in the cable business. But clearly, there is people willing to not make money in the video business. And I guess it's a long-winded question for you and John, you had an opportunity, it sounds like a year ago, sitting here to sell this business. You had four bidders interested, you said, in Charter. Why didn't you sell it a year ago? I think everyone in this room is kind of curious, like why didn't you hit the bid when you had the opportunity versus trying to fight on now? And then I have a follow-up.

<A - John C. Malone>: Well, I think the simple answer is we didn't have anybody make us a proposal that we thought was better at the time than going forward, increasing the value of the business, simple one. I can go down the list. I mean, Verizon...

<Q - Richard Greenfield>: Maybe we would be better.

<A - John C. Malone>: Maybe we would.

<A - Gregory B. Maffei>: Other time...

<Q - Richard Greenfield>: I was really hoping he was going to go.

<A - John C. Malone>: ...time well spent. There are other questions I'm sure people have.

<A - Gregory B. Maffei>: Look, I think - if I could just reiterate John's point, when the opportunities presented, none was concrete enough that we

thought we could get all the parties involved aligned and I'll address the second or the first part.
Video - I think I touched on this, and I think Tom certainly can add to it as well. So Tom is [indiscernible] (05:43:26).

<A - Thomas M. Rutledge>: Cable business has molted over time. It was exclusively in the video business. Then it became a high-speed data business as well. Then it became a voice business. Now the video business is clearly declining.
I don't think anyone involved thinks it's not going to continue to decline. I think you can molt the model where the real estate, we control or we drive off the high speeds and relationship we have with the customer, we can be a great retailer rather than stagnate a [ph] contract - retail (05:43:54) as many content streams and make a good business out of it. And I think our margins will increase over time, and our capital intensity will decline.

<Q - Richard Greenfield>: And then just a quick follow-up. We get asked this question a lot, and this is not looking at any one business of yours across your whole portfolio of businesses here, as well as ones you've invested in longer term. But a lot of your businesses around the world are either well off their all-time highs or certainly have had struggles. How do you think about shuffling management and making changes? Is there - do you not like the changed management teams or just kind of your philosophy on around that would be very helpful?

<A - Gregory B. Maffei>: I'm just hopeful John is not interested in changing management teams. Well...

<Q - Richard Greenfield>: Unless at Liberty [indiscernible] (05:44:39) your portfolio [indiscernible] (05:44:39).

<A - John C. Malone>: Well, we have to take the long view and I've always taken the long view of value creation. You're always worth more dead than alive in a business. The market never will value you. Typically, your trading valuation is always well below what you could liquidate the company for in most cases. There are a few exceptions and a few cycles when that's not true. And so when you take the long view, there are periods when the stock market gets excited and will overvalue a business and there are times when for various reasons, in my opinion, businesses get undervalued. We typically would very much like to shrink the equity at the periods when they're undervalued and utilize the equity and periods when they're, let's call them fully valued.
And if you look at us over a very long timeframe, the periods when we regard ourselves as fully valued or even overvalued are relatively short periods relative to the periods when we think we're undervalued. As a result, net over many years, I've been in this game for almost 50 years now, we have been massively shrinking equities over time.
But if we have the skill set and the patience, those opportunities present themselves if you accumulate that capacity or dry powder. And so these things are very periodic. We went for quite a while with quite a bit of cash on our balance sheet until Sirius came along. The reason we were able to do Sirius was we had money, Lehmann was going out of business. Nobody else had money and we believed in the business.

And our belief in the business [ph] proved true (05:46:44). Now, I can't say we're always present and we always get it right, but if you take a company and I'll talk about something outside of this, so at Liberty Global, right, we have people wanting to buy individual businesses on a run-rate basis, kind of 11, 12 times EBITDA and we're structured in such a way that we're very tax-efficient. We're set up so that we can trade assets in and out in a tax-efficient way. Thank you, European tax laws.
And so, there are going to be periods when the market loves the business and there are periods when the market hates the business. I'm talking about trying to maximize long-term wealth of long-term shareholders, me, right? And because in most cases, I have substantial voting power, if not control, I can afford to encourage my management teams to be patient.
So Greg didn't panic two years ago when it looked like TripAdvisor had done a bad left turn. But he could have gotten taken out by Priceline or the thing that [ph] Barry (05:48:16) started, I can't remember the name of it.

<A - Gregory B. Maffei>: He didn't start Expedia [indiscernible] (05:48:20).

<A - John C. Malone>: No, not Expedia.

<A - Gregory B. Maffei>: Which part?

<A - John C. Malone>: I don't know. The German...

<A - Gregory B. Maffei>: Trivago.

<A - John C. Malone>: Trivago. Yeah, I mean, if you look at the relative thing, they were hype and they look great. Trip looked lousy. If you made a deal with those guys at that point, you're probably selling out really cheap in retrospect. Now, two years later, those relative values have flipped. So when I look and I'll go back to the Charter decision, Charter has had an incredible three-year run, okay?
In any other business, growing your cash flow organically by 6%, 7%, 8% a year while you're integrating three companies, while you're shrinking your equity dramatically, right. So that if you look at value per share being created, its real value creation and its strategic posture in distribution is improving over time.
So when I look at it, I'd say, well, it's a better business today than it was three years ago, a lot better and particularly looked at it on a per share basis. So what strategic synergistic asset value did it have three years ago or two years ago that isn't stronger today than it was then. So, yeah, potential [indiscernible] (05:50:02), regulatory management philosophies come and go. I personally think Charter is getting more valuable rather than less valuable. And that's just the belief that I certainly have and the board has.
And obviously, the store is always open. If anybody wants to buy any company I'm involved in and is willing to pay more for it, then I think I can make it worth on a present value basis. Stores are always open. So that the bottom line is we didn't get an offer at the end of the day that was more than we believe on a present value basis, we could make it worth.

<A>: Craig (05:50:51).

<Q>: (05:50:54-05:51:26)

<A - John C. Malone>: That's a best question for Tom, if you're asking relative to Charter. I mean if you're looking at the broader question about every market and so on, it seems to me that it depends on your reach in country. If your terrestrial business has reasonable ubiquity, okay, then there are a lot of synergies you can achieve by acquiring a network and synergizing. If you're 20% of the footprint and the cellular business is almost by definition, at least a national business. Right?
It's very difficult to achieve sufficient synergies on a subset footprint.
So, with the case of Europe that I'm very familiar with, we have either synergized networks through MVNO, through merger as in the case of Holland, through acquisition in the case of Belgium or now potentially in the case of Germany through sale to somebody who is otherwise ubiquitous and will be fully ubiquitous and massive synergies with the combination.
The decision of whether we were a buyer or a seller in this integration really has to do with the economics and how much of the country that we are already in. It's not practical in Germany for somebody who has 22% footprint to reach and buy a cellular network that by nature covers the whole of the very large country. So, we had run into the situation where the synergies were much more valuable to the acquirer than for us to be the acquirer, okay, because of the way premiums work and so on. That's sort of a broad question.
In the U.S., I think we have - obviously have had a well-developed and stable wireless business here with two dominant players and two weak players who are now trying to get together. And one of the weak players has gotten quite a bit stronger in recent years because of wrong management, frankly. But we're in the enviable position that we and Comcast jointly have an MVNO with the best U.S. cellular network which is actually a low capital intensity way to get into the business and create all of the synergies, i.e., churn, full satisfaction of the customer or ability to use our own networks to feed and to market and to promote.
And so I think we're in a great position to enter the cellular market, we and Comcast together. Okay. And the point being if it works, if we get reasonable market share, then you can start exploring ways in which you can back into network ownership over time. So I think it's a facts and circumstances decision as to how and when you enter the mobile business to pick up those synergies.
I don't - I think Charter on its own with an MVNO for 40% of the footprint of the country, I think that's roughly what [indiscernible] (05:55:14).

<A>: Yeah. 50% out of 125%. Yeah.

<A>: We'd be able to reach, but doing it together with Comcast so collectively, we have a chance now of material market share which means 5 or 10 years from now we can have an entirely different discussion with Verizon. Okay. Because we'll know what the synergies are, we'll know what we've benefited, what they benefited, and we'll see what the synergies of integration of the networks or the companies might be.

<A - James E. Meyer>: Yeah. [indiscernible] (05:55:51-05:55:59).

<Q>: That's all right. I just want to follow up on [ph] Craig's (05:56:02) question. Can you amplify the nature of that relationship with Verizon? Specifically, if they start building small cells, would you able to use them

as part of your package? And how would that affect your ability to provide lower cost commercial service on a larger scale to business? The scope of the opportunity and the potential profit margins.

<A - James E. Meyer>: Well, I think Tom would be better - let's...yeah. Tom, you should answer to that.

<A - Michael A. George>: Tom, you want to comment on that?

<A - Thomas M. Rutledge>: Yeah. Well, the MVNO allows us to have the full range of products that are available in the marketplace, and we can develop our own small cell products as well, and we can also have multiple MVNOs if we choose.

So, we have a lot of technology paths or relationship paths to serve customers. The commercial marketplace is huge. We currently penetrate about 10% of the enterprise market to 30-ish percent of the small business market. So, there's lots of growth opportunity in the market.

Anyway, whether the products change and whether 5G becomes more commonly deployed in commercial environments, I'd say this. Capacity is going up. The need for low-latency, high-capacity, high-compute products will continue to evolve. 5G is just a speck and one way to do that in a commercial environment. There's more than one way to do it. There's new spectrum coming on, some of which is available publicly. There's Wi-Fi which continues to improve.

We already have 25 million small cells connected to our network. And as I said earlier, we have 350 million authenticated wireless devices on our network. So, I think there are a variety of paths for us to enter those markets sufficiently in a rent, buy, build environment, however - which everyone makes the most sense.

<A - James E. Meyer>: Morris (05:58:04), I'd like to make the point because we talked about the video bundle declining in both revenue and margins. But the reality is there is going to be a whole new set of retail services that are furnished by and connected to the high-speed connection where the cable industry has the opportunity to be the retailer and/or the service provider.

And if you think about the multitude of IoT services and devices, if you think about over-the-top television, they're - well, you saw the chart. What was it? 250 over-the-top services that people are trying. Trust me, the consumer is not going to write 250 checks for 250 services. It isn't going to go that way.

There's going to be a service that provides quality Wi-Fi where the consumer is enhanced because that enhances their experience with the services you provide. There's going to be a whole array of check-the-box services ranging from mini bundles to the big bundle to things like Netflix and Amazon, and whatever the Apple service is, and SHOWTIME online versus SHOWTIME linear and surveillance camera operation and smart light bulbs.

And people are going to want to know - they're going to not only have one bill, they're going to have to have one organizer of these services, and they're going to want to have security on the access in and out of their home, and they're going to want to know what devices are being connected, what wireless devices are being connected to their Wi-Fi.

So those are all opportunities for the cable business to become a different kind of bundled retailer. And I really think that nobody is putting any

economic value on that opportunity and I think it could be a very big opportunity.

<A - Courtnee Alice Chun>: Great. No one over here? Let's go in the front then. [indiscernible] (06:00:31) Thank you. With the colored shirt.

<Q>: Yes. Thanks. Two-parter, both related. The first is on Qurate. You're spending more and more money going forward on customer acquisition. There's still some underlying transformations happening in the company, and in the end markets. Is that 4 times total consolidated leverage really appropriate given those changes at the corporate level? Do you have any sort of updated thoughts?
And the second part of the question which is where this comes from is it seems like in the last couple of quarters, like couple of years, that some of your businesses have actually come down to the general leverage framework. And I was wondering, John, you always talked about sort of prudent leverage, I wondering what point - how much leverage is prudent especially if asset values are high?

<A - John C. Malone>: So, thanks, [ph] Ray (06:01:30).

<Q>: Yeah.

<A - John C. Malone>: The first part of your question suggested we were overleveraged and the second part suggested we were underleveraged. I'm not sure where you want to put [indiscernible] (06:01:37).

<Q>: It could be appropriately put.

<A - John C. Malone>: I think, look, over the last several ongoing trend of the last several quarters is we've been delevering.

<Q>: Yeah.

<A - John C. Malone>: Some of that has been a function of onetime events, both the reattribution of exchange rules, the sale of the stock and Marriott Vacations, the cash we got, all of those things have contributed, and some modest deleveraging of that. I think QVC is appropriately leveraged. It's a little odd to look at the corporate leverage given there are other assets and things. So, that's more complicated and those are long-duration exchangeables. But at the Q level, we've actually brought it down. I think we have fair amount of firepower.

<Q>: Yeah.

<A - James E. Meyer>: Well, I would add that, first of all with two-tier leverage, we're very strongly investment grade down at the company level, right? So, our debt is cheap and it's long, and very flexible. Number two, Qurate - I have trouble with remembering that - is and should not - the leverage there should not be looked at equivalent cable leverage where here we're talking - you're talking about multiples of EBITDA, right, but there is virtually no CapEx at Qurate. And there's virtually no meaningful tax leakage on the current basis at Qurate largely because the bonds sitting at the top

have this very special nature to it.
It's arguable though that the - depending on the cost of money, that the debt up at the parent is actually an asset not a liability on the present value basis depending on what you want the discount rate to be. So, I don't feel at all that it's overlevered. I do feel like it is a very large free cash flow generator, and I think the big question for the company is always how do you use the free cash. You got 10 years before you hit the maturity of those exchangeable bonds, and how much dry power you want to hold on to for that eventuality? As you saw as that deferred tax liability compounds, it probably will make sense for the company to start redeeming some of that exchangeable debt rather than build a nondeductible, a carryforward tax liability.
So, the management - but, look, if there's anything on this planet that this guy is good at, it's that kind of stuff, right? So, we're in good -

<A>: I would just...

<A>: Winning in the right environment. Winning in the right environment.

<A - James E. Meyer>: Balance sheet, we're in great shape.

<A>: Right.

<A>: Right. All good.

<A>: Yeah.

<Q>: And just broadly though, like just thoughts on appropriate leverage just across the spectrum, across the universe. Is there any real sea change in your philosophy of thoughts?

<A - James E. Meyer>: And I've got to answer quickly because we have other questions. But rates were up a little. Volatility potentially is higher.
We're going to be slightly more conservative, but I don't - I would describe it as modestly more conservative, not crazily different, right? You get probably a - nearly 100-basis-point rise in a - maybe 10 years, so...
Well, frankly, in a way. If rates were to really run, and we still are generating this kind of cash flow, we would be able to take our long debt back at steep discounts, right? So, you've got to - this is all about - as Greg always says, we're never sure whether we want the stock to go up or we want the stock to go down. But you have to be nimble and try and react and take advantage of whichever way markets go. And I think we're well-structured to do that.
The key is generating free cash flow. If you've got the ability to generate free cash flow, you do have the flexibility to manage your balance sheet and take advantage of what's going on around you.

<A>: Yeah. Right here. Sure. Thank you, [ph] Peter (06:06:00).

<Q>: I had a big question on the broadband business. Historically cable has always had a big speed advantage and will continue to do so over time. I'm just thinking about my - and I had recognized a couple of years ago that 30 meg was very fast. And I guess I'm sort of asking on the trajectory of Nielsen's small line. Do you think cable - the last couple of years we've

talked a lot like virtual reality, augmented reality that was the same apps
you were talking about a couple of years ago for when we would actually need
10 gig of capacity.
So, my question is, do you think over the next three to four years, if we're
just - a lot of kids, more apps, watching video applications. Is that still
enough to - for people to pay incrementally more for the faster speed? Or do
you think - how do you think about the risk of maybe in a recession people
would say, well, you know, 100 meg is fast enough. So it's I guess two part
is, do you think the trajectory that we've seen in the past continue going
forward? It may probably at certain point stop, and then - so is 100 meg fast
enough for you?

<A - James E. Meyer>: Well, I would settle for $100 for a high-speed
connectivity is a near-team price and just be happy, right? But no, the
reality is that the demand and the inventiveness of things that will connect
to these devices will continue to expand. And I don't see that growth rate
slowing down. Virtually reality is one. And you mentioned - I can remember
[ph] Mark Andreason (06:07:45) beating us up because he wanted to - he wanted
Twitch games, he needed extremely high speeds, but he needed low latency in
order to play some video games that his group was putting venture capital
into.
So, look, the inventiveness of once that platform is in place, how does it
get used, I think, I have great confidence that the demand for those
applications will continue to expand. And it's really a question of how do
you market and promote the services that will fully utilize the capacity of
the network. And I tend to think things like surveillance cameras or home
security or there's just an awful lot of applications that lots and lots of
vendors are trying to develop that really ride on that platform.
[indiscernible] (06:08:47) you've seen this thing grow and explode.

<A - Michael A. George>: I think data speeds, there is nothing that I've seen
from people who project and from the reality of the traffic on our network
that indicates that data use is slowing down at all. In fact, it's continuing
to grow. And the other thing about our speed, about the 100 megabits, that's
the slowest speed we sell. And in some markets, 40% of the markets, 200
megabits is the slowest speed we sell.

<Q>: Yeah.

<A - Michael A. George>: And so our view is that the average speed that
people perceive they need given all the products they're going to have will
continue to benefit us because we can make those minimum speeds available at
our entry-level pricing.

<Q>: Yeah.

<A - Michael A. George>: And we can continue to bring them up. So - but
fundamental to that notion is that you continue to believe that people will
innovate and use data.

<Q>: Yeah.

<A - Michael A. George>: Build products if required.

<A - James E. Meyer>: Well, when you walk into the house and you got a cellphone with you and it switches over to Wi-Fi, and you're going out on a network and you're downloading something. Those kinds of routine behaviors will continue to expand. The cameras are better, they need more bits. The video - the pictures you take are much more dense in terms of capacity.
If you walk into the home with a 5G phone and you're going to connect to the network on Wi-Fi, it's going to have a lot - higher data rate than they have today. So everything points to a greater and greater capacity requirement and speed.

<A>: (06:10:38). How about here in the middle. Peter. We're going to - trying to spread them around. Peter and then let you. I answered one for you offline, so to the people who didn't get the question first, and we're going to be out of time shortly. So.

<Q>: Thanks. So this question is about Charter's video business. Maybe the question is for Tom. If there's an array of opinions, I'd love to hear each one. Comcast has been emphatic for years that X1 has been great for churn, and I think anecdotally the cost of deploying X1 has been very attractive relative to those churn benefits. Charter, for all of its operational accomplishments seems like a significantly a substandard in video, nowhere near X1. Why not do it?

<A - James E. Meyer>: I'll let Tom answer what he things and I'm sure John and I might have an opinion.

<A - Thomas M. Rutledge>: Well, I don't think we are substandard. I think our approach to video is delayed as a result of the integration. But our ability to have state-of-the-art user interface capabilities and project those across our footprint are equal to if not better than anybody's. And so I don't accept a premise, but there's an argument to be made for doing it together, and the argument would be that you get some sort of common search process, and that search process would become a de facto standard. And if that were to happen, value would be created. That would be an opportunity if we were to achieve that. But in terms of just having a state-of-the-art user interface, I think it's relatively easy to replicate now that you're in a cloud-based environment.

<A>: Maybe one last question. About here. Who's the closest? [ph] Mike (06:12:42)? [ph] Christine (06:12:44)?

<Q>: Would you talk a little bit about churn reduction in mobile and what you've seen in Europe and how you kind of see five years forward in the U.S. cable business? Is that both kind of offense and defense in churn reduction? Thank you.

<A - James E. Meyer>: Well, there's no question that the ability to offer traditional terrestrial services and wireless as a bundle, is a pretty dramatic churn reducer. I - off the top of my head, I don't recall the statistics, but it is one of the principal attributes of rolling out even a breakeven cellular service.
You can almost justify it on churn reduction, the lifetime of a customer and

the present value of that alone. And once you get the critical mass, of course then, you're looking at an upside. But to a large degree if you don't do that, you'll bleed off. And we've - because in Europe we were competing with incumbents. Where we had a terrestrial advantage, they were still a DSL and we were at higher speeds. But they had a wireless offering in addition. And so, we were losing share because of that. So when we went and started to offer the wireless service with a bundle, we stopped that deterioration and then the superiority of our speed caused us to gain share.
You could look at the market share fight in Holland that took place over six or seven years. And as KPN started competing with an inferior terrestrial connectivity service, we had a better one. We had big linear video, they had wireless. And as those two service technologies converged, they've started to look like each other. How that settled down and what happened to the churn on both sides, it is very interesting analysis.
So it convinced me certainly that you had to combine those networks and/or you have to have a competitive MVNO if you were going to stay in the business. Now the U.S. is a little different. The public here is not used to buying their terrestrial and their wireless from the same company. They used to before AT&T got in trouble and gave away their cellular business, but that's a different story.
I just wanted to go...

Unverified Participant:
On that great note, I think we're out of our appointed time. Thank you very much for coming. Thank you for your interest in Liberty. So Liberty is going to hope to see you next year, if not sooner.

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