

LLYVA Earnings Call Transcript

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Quarter: 3

Operator: Welcome to Liberty Media Corporation's 2025 Third Quarter Earnings Call. [Operator Instructions] As a reminder, this conference will be recorded November 5. I would now like to turn the call over to Shane Kleinstein, Senior Vice President, Investor Relations. Please go ahead.

Shane Kleinstein: Thank you, and good morning. Before we begin, we'd like to remind everyone that this call includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual events or results could differ materially due to a number of risks and uncertainties, including those mentioned in the most recent Forms 10-K and 10-Q filed by Liberty Media with the SEC. These forward-looking statements speak only as of the date of this call, and Liberty Media expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Liberty Media's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. On today's call, we will discuss certain non-GAAP financial measures for Liberty Media, including adjusted OIBDA. The required definition and reconciliation for Liberty Media Schedule 1 can be found at the end of the earnings press release issued today, which is available on Liberty Media's website. Speaking on the call today, we have Liberty's President and CEO, Derek Chang; Chief Accounting and Principal Financial Officer, Brian Wendling, Formula One, President and CEO, Stefano Domenicali; MotoGP, CEO of Carmelo Ezpeleta, and other members of management will be available for Q&A.; With that, I'll turn the call over to Derek.

Derek Chang: Thank you, Shane. Good morning. We are entering the end of the year on a high note. It has been an incredibly productive period for Liberty. And we have executed on the priorities we laid out at the beginning of the year. First, on our planned split-off of Liberty Live, we currently expect to complete the split-off on December 15, and the stock is expected to begin trading as a stand-alone asset-backed equity the following day. Our shareholder vote will be on December 5. The split-off is expected to better highlight the value of our attractive position in Live Nation and an asset-backed equity that we believe will benefit from enhanced trading dynamics. Looking now at our operating businesses, we continue to invest behind their sustained growth. These aren't just sports properties, they're global entertainment brands. With this broader evolution comes expanded commercial opportunities to monetize a growing fan base with creativity and innovative leadership. Looking first at Formula One, we continue to build upon the commercial momentum we've seen all year. Just this morning, F1 renewed with their global partner, Heineken, in another multiyear deal. Underlying fundamentals are robust and support strong financial results this quarter and year-to-date despite having one fewer race. They have successfully accelerated renewal cycles across revenue streams, extending media rights agreements and renewing multiple promoter partners on attractive terms. Across sponsorship and licensing, F1 has partnered with an increasing number of high-quality consumer names, including, Hello Kitty, Pottery Barn and more as they consistently bring the sport closer to today's multidimensional fan. Additionally, F1 signed a landmark distribution partnership with Apple in the U.S. that seeks to highlight the innovation of both global lifestyle brands and position us well for the next leg of growth in the U.S. market. Stefano will provide more detail on this shortly. Next, on MotoGP, we closed the acquisition on July 3 and have been working diligently with their management team and supporting their strategic plan. We're fortunate to have the involvement of

Chase Carey, Stefano Domenicali and Sean Bratches. Sean, as many of you know, previously led the commercial operations at F1. The top priorities at MotoGP as laid out last quarter remain enhancing the Grand Prix experience, expanding MotoGP's global footprint through capturing new fans and deepening engagement with existing fans and scaling our sponsorship roster. We are also in the early days in identifying areas of partnership between Formula 1 and MotoGP, some of which are more back-end in nature around sharing best practices and some of which we believe will drive commercial upside in the future. We are developing our long-term plans for MotoGP's broader monetization opportunities, many of which will build upon growth initiatives already underway prior to Liberty's ownership. Their adjusted OIBDA performance year-to-date reflects elevated costs as these investments are already being made with the associated revenue growth to come. We don't expect a material change in the investment cycle ahead, but we do anticipate continued growth in the cost base as they scale efforts to build commercial functions, enhance sponsorship capabilities and more. We look forward to continuing to update you on our progress, and we'll have more to share on behalf of Liberty and our portfolio of companies at our Investor Day on November 20, just before the Las Vegas Grand Prix. Before turning it to Brian, I want to also recognize and thank John Malone. I'm sure you all saw our press release last week, noting that John will be stepping down from the Liberty Media Board and assuming the role of Chairman Emeritus and Dob Bennett, Liberty's long-time Board member and former CEO, will be named Chairman. On behalf of Dob and myself as well as the entire Liberty Board and management team, it has been a privilege working with and learning from John for over 3 decades of partnership. His indelible influence on the industry, our company and us personally goes without saying. And I'm sure I speak on behalf of all of you in saying that we look forward to having John for our annual Q&A; at Liberty's Investor Day in a few weeks. Now I'll turn it over to Brian for more on Liberty's financial results.

Brian Wendling: Thank you, Derek, and good morning, everyone. At quarter end, Formula One Group had attributed cash and liquid investments of \$1.3 billion, which includes \$571 million of cash at Formula One, \$176 million of cash at MotoGP and \$78 million of cash at Quint. Total Formula One Group attributed principal amount of debt was \$5.1 billion at quarter end, which includes \$3.4 billion of debt at F1, \$1.2 billion of debt at MotoGP, which leaves \$523 million at the corporate level. F1's \$500 million revolver and MotoGP's EUR 100 million revolver both remain undrawn at quarter end. We refinanced MotoGP's debt in August, shortly after closing. We priced approximately \$230 million of new Term Loan A denominated in U.S. dollars, a new EUR 800 million Term Loan B and a new \$100 million multicurrency revolver, all at reduced rates. with future reductions in margin expected as the business delevers. This new capital structure reduces interest expense, extends our maturities and presents a currency mix that better reflects the euro and U.S. dollar exposure of the business. In F1, we obtained an incremental \$850 million Term Loan B and an incremental \$150 million Term Loan A in July to fund a portion of the MotoGP acquisition. At quarter end, F1 OpCo net leverage was 3.0x, down from the initial 3.3x we gave as of 6/30 pro forma for the MotoGP acquisition. F1's covenant leverage was below the threshold of 3.75x to trigger a permanent reduction in the Term Loan B margin to SOFR plus 175 basis points. Interest will begin accruing at the lower rate promptly after earnings. MotoGP net leverage was 5.6x. In the near term, we very much expect to delever at both Formula 1 and MotoGP. Turning to the F1 business. I'll make a few brief remarks on the third quarter, but we'll focus on the year-to-date comparisons. A reminder that every quarter in 2025, luckily we will have incomparable race count and mix, which will impact quarterly comparisons. And our year-to-date 9/30 figures also have an inconsistent year-over-year race numbers and mix. The majority of the variability in Q3 year-over-year results is due to fewer race held in the third quarter compared to the prior year period. Q3 '25 held 6 races compared to 7 races in Q3 '24 with Singapore being included in the prior year, but not in the current period. Year-to-date through the third quarter, F1 also had one fewer race with Singapore included in the prior year period, but not in the current period. Despite one less race, the business is performing incredibly well with revenue up 9% and adjusted OIBDA up 15% and growth across all revenue streams. Sponsorship revenue continues to benefit from new partners and underlying growth in renewals in existing contracts. Media rights revenue increased due to underlying growth in contracts, strong revenue growth at F1 TV and the onetime benefit of the F1 movie revenue in the second quarter. Race promotion revenue was down slightly as underlying growth in contracts nearly covered the impact

of one fewer race in the period. Other revenue grew driven by higher hospitality revenue, including from Grand Prix Plaza licensing revenue and increased freight. Note that we operated the same number of Paddock Clubs in both current and prior year periods, given that the Singapore Paddock Club is operated by the local promoter. Adjusted OIBDA increased on a year-to-date basis as revenue growth continues to outpace increased expenses. Team payments were flat year-to-date as the impact of 1 fewer race was offset by expected higher team payments for the full year. Team payments as a percentage of pre-team share adjusted OIBDA were 61.5% for the full year 2024 as a reminder, and we continue to expect leverage against that 2024 percentage for the full year of 2025. A reminder that team payments are best analyzed on a full year basis due to quarterly fluctuations in the team payments as a percent of adjusted OIBDA. Turning now quickly to the MotoGP's results. As a reminder, we closed the MotoGP acquisition on July 3 and began consolidating their results effective 7/1/25. Our financial results are presented on a pro forma basis in the release and in MD&A; as though the transaction occurred on January 1, 2024, and a trending schedule will be posted to our website after the 10-Q is filed, including the results in U.S. GAAP for the full year 2024 on a pro forma basis. Also note that our U.S. GAAP reported results for Moto GP's revenue streams are more aligned to our current F1 reporting with previously disclosed MotoGP commercial revenue updated to include only sponsorship with hospitality being moved into other revenue. Majority of MotoGP's revenue and costs are euro-denominated and as such, are subject to translational impacts from foreign currency movements. In the following discussion of results, I'm going to focus on constant currency results. Similar to F1, I'll make brief remarks on the third quarter, but focus on year-to-date comparisons as we believe that is the most appropriate way to analyze the business. Year-over-year comparisons are impacted by the mix of races and generally, MotoGP flyaway races carry higher costs, including freight, travel and team fees. MotoGP held 7 races in the third quarter of both this year and the prior year. Revenue declined in the third quarter as increased race promotion fees due to race mix and contractual uplifts was offset primarily by lower proportionate recognition of season-based income with revenue from 7 out of 20 races recognized last year versus 7 out of 22 recognized this year. Year-to-date, MotoGP held 17 races compared to 15 races through the same period last year. Revenue grew across race promotion and media rights, primarily due to the additional events held and contractual fee increases. Sponsorship was relatively flat as contractual uplifts were offset by the impact of race mix on certain sponsorship revenues. Other revenue also increased from growth in World Superbike fees and an increase in hospitality revenue. Adjusted OIBDA declined year-to-date as the revenue increase was more than offset by higher cost of motorsport revenue due to mix of races, which drove increased freight and travel expenses as well as an increased SG&A; due to higher personnel costs with strategic headcount increases to grow certain commercial functions, as Derek mentioned. Year-to-date results were also impacted by 2024 benefiting from a bad debt reversal early in the year. Looking briefly at Corporate and Other results year-to-date, revenue was \$266 million, which includes Quint results and approximately \$19 million of rental income related to the Las Vegas Grand Prix Plaza. Corporate and other adjusted OIBDA loss was \$7 million and includes Grand Prix Plaza rental income, Quint results and corporate expenses. As a reminder, Quint's business is seasonal with the largest and most profitable events taking place in Q2 and Q4. And note that Quint's intergroup revenue from MotoGP beginning in July is now eliminated within our consolidated results. Turning to Liberty Live Group. There's attributed cash of \$297 million. And on September 12, the Liberty Live Nation or Live Nation margin loan was amended to extend the maturity date from '26 to '28 and reduce the spread from 2% to 1.875%. \$400 million of the margin loan capacity is undrawn at quarter end. And as of November 4, the value of the Live Nation stock held at Liberty Live Group was \$10.5 billion, and we have \$1.15 billion in principal amount of debt against these holdings. Liberty Formula 1 and MotoGP are all in compliance with their debt covenants at quarter end. And with that, I will turn it over to Stefano to discuss Formula One.

Stefano Domenicali: Thanks, Brian. What an incredible season we are wrapping up at Formula One with thrilling on track action and all teams scoring points. 9 drivers from 7 different teams have stood on the podium, highlighting our depth of talent in one of the most competitive seasons of the recent time. McLaren claimed the Constructor championship in Singapore, and we are watching the continuing battle for the driver championship as we head into the final stretch of the season. Our global fan base

continued to grow with exceptional engagement across the board. We have seen 5.8 million attendees throughout Mexico, up 4% relative to last year 2024 record at this time. Since summer break, Monza welcomed around 370,000 fans over its race weekend, while Austin and Mexico each welcomed over 400,000 fans. We are also seeing record percentage of female and under 35 attendees, reflecting the growing and broadening appeal of F1 events. The Paddock Club have serviced nearly 36,000 race day guests through the end of the third quarter, up 8% from same point last year. The Paddock Club remains sold out for the remainder of the season and early partners request for 2026 already signaled robust demands ahead. Given the consistent sell-out trends at many races, we are looking to add structure in partnership with promoters to increase capacity in some markets in 2026 to accommodate pent-up demand. Engagement and reach across this platform remain robust. We had a strong first half of the season with cumulative viewership up 10% year-over-year across broadcast and digital platforms and performance remained excellent into the third quarter. Nearly all races recorded year-over-year live viewership growth in F1's top 15 markets. The Sprint race format continues to draw fans with each Sprint season showing year-over-year viewership growth. Viewership for YouTube by Lights increased over 20% as of the third quarter, and the majority of the audience is under 35. F1 is still the fastest-growing major sport on social fueled by both an exciting on-track season and increased cultural relevance globally, highlighted this quarterly with buzz around the F1 movie. Social media followers are up nearly 20% of the third quarter to 111 million with notable growth on TikTok. Following the F1 movie, we were thrilled to announce that we are deepening our partnership with Apple as F1 news U.S. broadcaster distributor in a 5-year deal beginning in 2026. This is a partnership between 2 iconic global brands with a shared passion for innovation, entertainment and technological excellence as well as a very aligned customer demographic. We are working with Apple on an ambition plan to elevate how the sport is presented to U.S. fans through innovation on the broadcast feed amplified across their vast ecosystem of products and services, whether streaming the race itself or showcasing content on Apple News, Apple Sport, Apple Music, Apple Match, Apple Fitness and more. As shown by the success of the Apple movie, Apple marketing and activation power, coupled with its integrated ecosystem can have a significant multiplier effect on brand awareness. We look forward to sharing more with Apple in the coming months. Turning to other commercial updates. We continue to see competition for our exclusive rights and IP across revenue streams. We had another active quarter of media rights negotiations. We recently announced that Grupo Televisa has become our official broadcast partner in Mexico throughout 2028, and we are close to finalizing the remaining agreements required for territories where rights expire at the end of the season, including Japan, Latin America and Pan Asia. We are constantly innovating across both content and distribution to keep the fan engagement. F1 TV is a strategic cornerstone, not only for the flexible and dynamic ways we can distribute race content, but also the direct access it gives us to fan data and insight. We recently announced a new show, Passenger Princess, which aired on YouTube. The first episode featured George Russell and reached 1.5 million views within 1 week of release. This underscore our original content strategy, embedding F1 deeper into pop culture, reaching new audiences beyond race weekend and strengthening our always-on approach to connect with fans. Turning to race promotion agreement. F1 has an active quarter. We renewed Azerbaijan 2030, Monaco through 2035 and Austin through 2034. We are counting down to another unforgettable Las Vegas Grand Prix and are very pleased with the progress we have made this year. Congrats to the Vegas leadership team on the momentum. With a couple of weeks to go, we are pleased to say we are on track with our ticket sales targets. We have a full week of programming across Las Vegas kicking off on Wednesday and culminating on Saturday night with a very special 2 hours [pre-greet] show and post race entertainment. On F1 sponsorship, we are finalizing out an incredible strong year with sustained momentum and visibility into our 2026 pipeline and beyond. We continue to roll out new dimension of our partnership with LVMH, including French Bloom and Volcan Tequila. Closer integration between our F1 Global and Vegas Sponsorship team is also benefiting their commercial momentum with strength in Vegas sponsorship coming from both renewal as well as new logos partnering this year. The growth across our other revenue stream is equally impressive, especially in licensing as we continue scaling up our partnership announced early this year. We have also renewed Momentum Group until 2030 to run the F1 authentic website and supply F1 official licensing show cars. We recently announced partnership with Disney, Pottery Barn

Teens, Pottery Barn Kids and Hello Kitty, all of which should be a long tail benefit into next year. The announcement of our Hello Kitty and F1 Academy product collaboration reached an outstanding 3.7 million fans over the 3-day announcement period and increased our F1 Academy social media followers by 5,000 across all platforms on the day of our announcement. [Tracks] retail sales have grown over 20% through the third quarter. Looking ahead, we aim to continue growing our retail footprint of the track in key races location. We opened a pop-up F1 hub store during race weekend in both Miami and Austin as well as our store activation, where we celebrated F1 75 through historic and new merchandise lines. Strong sales and traffic reinforces the untapped opportunity in fan merchandising in these key location. Formula One momentum continued to span every part of our business. We have built a powerful platform that has enjoyed tremendous growth, and we are increasingly confident in the continued upside ahead. We believe the groundwork we are laying today will continue to benefit our partners, shareholders and most importantly, our fans. I look forward to providing more details on our sports and growth momentum at Liberty's Investor Day and the F1 Business Summit in a few weeks. So for the moment, avanti tutta, full speed ahead. And now I will turn the call to Carmelo to discuss MotoGP.

Carmelo Ezpeleta: Good morning, and thank you, Stefano. We are 4 months into our partnership with Liberty Media and are proud to be working together to drive MotoGP forward for the benefit of our fans and partners. We continue to see many ways that we can benefit from Liberty and Formula One's expertise. and have started collaboration on ways to work together. We look forward to sharing more of our strategy at Liberty's Investor Day later this month. The 2025 MotoGP season continues to deliver exciting moments on track. Congratulations to Marc Marquez who secured his seventh MotoGP World Championship at the Japanese Grand Prix, capping a remarkable multiyear comeback from injury and securing his place in MotoGP history. Despite Marquez dominance this year, we have had 13 different riders on the podium across 10 teams and all 5 manufacturers. And in Moto2 and Moto3, we are seeing some of the tightest racing in all motorsport from tomorrow's MotoGP stars. We continue to welcome record crowds across the calendar. This year, we set attendance record at 8 different [indiscernible]. Attendance is up to 4% through Malaysia, and we expect another sold-out crowd in Malaysia next week. We are building on the momentum from last year, brand refresh and our early investments are already yielding success. Social engagement is up to nearly 120% through the third quarter, excluding video pass across our digital platforms has increased over 30% year-over-year, and our social reach has grown nearly 30% year-over-year, driven by TikTok. We look forward to hosting our second season launch event next year in Kuala Lumpur, which is another opportunity to provide content for fans outside of race weekend. Average audience tuning into our broadcast grew 17% through the third quarter, and we are seeing great viewership numbers from the Saturday sprint races, which are closing the gap to Sunday race coverage and demonstrating the value for MotoGP partner across the full race weekend. Subscribers to Video Pass, our direct-to-consumer video services are up 6% from 2024. We have had positive renewals of a number of promoter relationship this year, including Japan through 2030 and Catalonia, Valencia, France, Germany and San Marino through 2031. Early this summer, we announced our 2026 calendar, which we will see MotoGP Race in Brazil for the first time since 1989 and a return to Buenos Aires in 2027. This will both be fantastic location for MotoGP in important growth markets in South America as we work towards optimizing both our circuits and race calendar. We are making investment to support our commercial activities with the goal of expanding our exposure to a wider global audience while maintaining the sport heritage. We have renewed our broadcast agreement with SuperSport. Additionally, we have seen a resulted to a multiyear partnership as the official lubricant supplier of Moto2 and Moto3 and successfully renewed our LIQUI MOLY partnership. Sponsorship remains a large growth opportunity for us, but we expect that it will take time to build our pipeline. We look forward to continuing to update the investor community on our progress. Now I will turn the call back over to Derek.

Derek Chang: Thank you, Brian, Stefano and Carmelo. For those of you on the call, we look forward to seeing you in a few weeks at this year's Liberty Media Investor Day. We will be hosting our Investor Day alongside the F1 Business Summit in Las Vegas on Thursday, November 20, in advance of the Grand Prix. We hope to see you there. We will have limited in-person attendance for the Investor Day, but all presentations will be webcast. Tickets are available for purchase for the F1 Business Summit.

Please check out their website and e-mail our IR team once purchased, so we can confirm their attendance. Before we open for Q&A, I want to take a moment to recognize Shane Kleinstein, our Head of Investor Relations, on her last earnings call with us. She has been instrumental in our Investor Relations and broader communications functions at Liberty and has left an indelible mark on our company. On behalf of the entire Liberty Media team, thank you, Shane, and we wish you the best in your future endeavors. We will have a new Head of Investor Relations joining us and look forward to sharing that update in the future. In the meantime, we encourage you to please continue to reach out to the rest of the IR team, our e-mail investor@libertymedia.com with questions. We appreciate your continued interest in Liberty Media. And with that, we'll open the call up for Q&A.; Operator?

Operator: [Operator Instructions] The first question today comes from the line of David Karnovsky with JPMorgan.

David Karnovsky: Maybe for Derek and Stefano, on the U.S. rights agreement, I think the dollar figures are fairly straightforward, but I wanted to see if you could speak a bit to how you're looking at this agreement specifically from an engagement perspective and how investors should perceive any risk regarding a move away from linear or ESPN? And what gives you comfort that you can continue to grow the U.S. media audience?

Derek Chang: Stefano, do you want to take that?

Stefano Domenicali: Yes, of course. Thanks, David, for the question. I mean I think that, as you know, U.S. market is very, very important for our growth. And the fact that we have done an incredible deal with Apple, it's because we do believe that all the elements that will be important for this kind of growth are there. We know that we can count on an incredible brand that is not a brand, it's a social relevant brand. And because our -- the nature of our fans is young, it's dynamic, it's multitasking. I think that the decision was the right one. And in terms of engagement, we are totally committed to make sure that all the content, all the platforms that are through the Apple ecosystem can be provided. We're going to increase even more the ratio we have today. So therefore, as always, when you take a decision on the business side, you put balance risk versus opportunity. And I think on that, it was pretty clear that the risks were minor and the opportunities are huge. Therefore, we are really looking forward to embrace new chapter with them because we know them, we know they can be very progressive in proposing new things that will be very, very important to make sure that the things that I said before, David, on social relevancy of our sport will increase and will go. And of course, this is a multiyear deal because we know that we need to be resilient on this approach. And that's why we are totally convinced that this is an incredible partnership that will be stronger and stronger in the future.

Derek Chang: Yes. Thanks, Stefano. I think I would add that the way we look at it now, and I think a lot of folks are looking at it this way is sort of the definition of reach, which historically has really revolved around sort of the broadcast window on television. And I think that's, in our minds, is an antiquated definition of reach at this point in the way a company like Apple and a partner like Apple can touch many different demographics in many different ways. And so I think that's an important thing to understand in terms of how we're thinking about it. I think Stefano's other point about this being a longer-term deal is important because when you're thinking about a company like Apple and the way that they invest behind the product. It's not like the product in the fifth year is going to look much different, I guarantee you, than what you see in the first year. And that's going to be through years of investment in what they do. And I think we are at a great sort of point in time in the U.S. with the races that we've had here with the support that we've received and the new fans that we brought in with the new sponsors we brought in to really take all of this and sort of move it forward in a whole different way with a partner like Apple. And I think we'll see the fruits of this over the next several years.

David Karnovsky: Maybe just as a follow-on, it would seem to us that with Apple TV, you have an agreement now with a partner that has reach across most of your territories, and they have rights to the F1 movie. And logically, they could be a bidder in more regions. So I just wanted to get your view on that and whether that global factor was something you considered in your decision to partner here.

Derek Chang: Yes, I think it's important -- Go ahead, Stefano, I'll let you start.

Stefano Domenicali: Sorry for that. Well, I think that what I can say is that, as you know, we are a worldwide sport where the fragmentation of different deals is crucial to be in the right market with the right partner. And what I can say straightaway is that the fact that we signed with Apple immediately

has been a sort of a wake-up call from the actual partners around the world to say, hey, we want to stay with you, we want to invest. So what's next? I think that vitally, it's great because it will attract the fact that Apple is a global partnership. And for sure, if we have countries where we can see different kind of potential where we can work together, we will discuss with Apple, too. But this doesn't mean that we will cover the entire world with only one Apple deal because we do believe that at this time, we are much stronger the way we have structured all our deal around the world on the broadcast side. But for sure, the effect of having said the deal with Apple has been already big around the world.

Derek Chang: Yes. And I would add, just in all of these markets globally, you almost have to still take it market by market. The dynamics within these markets have been shifting. And in some places, you have new entrants in other places, there's consolidation and sort of depending on when your deals turn out, those competitive dynamics can come into play. And I think having someone like Apple, and we're in early discussions or early stages of this relationship. And so where their interest is in other locations globally, I think we will see over time. But I think we all understand on the call that any time you have a more competitive environment, you're better off. So we'll leave it there.

Operator: The next question is from the line of Bryan Kraft with Deutsche Bank.

Bryan Kraft: I had 2, if I could. I guess, first on Vegas, it sounds like you're on track for your budgeted ticket sales for Vegas. I was wondering about the cost side. Can you talk about how you're tracking your cost budget for the event? And then separately, just on U.S. media rights, -- should we expect to see a meaningful step-up in media rights revenue in the U.S. next year when taking into account both the Apple rights agreement and the loss of the F1 TV subscription revenue given that Apple will be taking that over in the U.S.

Stefano Domenicali: If I may start, Derek, Yes. Thanks, Bryan, for the question. I mean, first of all, Vegas, Vegas is one of our priority. As I said, ticket sales are on target. But you correctly take one point that for sure, what we have experienced was a big attention on the cost side of the organization. And after the first years, I would say that we are on track in minimizing in the right way the cost because at the beginning, you try to cover a new investment in the right way. And now with all the new partners and the fact that we have renewed for big deals for the next couple of years, we are definitely on track also in controlling the cost of it. I have to say that we have seen a big shift on the community perceive on what Vegas race represent for them. Therefore, working together with them, I think, is beneficial and has already an impact this year with regard to the fact that the cost will be reduced definitely. And this will have, of course, a positive impact at the end on the P&L; of the race. Of course, as you know, we are working very hard to make sure that the event will be great, as always has been. We have, as you know, shipped the starting time of the race at 8:00 p.m. on Saturday night. And this is, for sure, very, very important, the fact that the community is really embracing, as I said before, this event. So cost is definitely one lever that we want to make under the control of it, and we are on track also on that. Then with regard to the second question, you asked me, you're right, if we can expect more money. As you know, we cannot give any guidance on that. But I would say what is important to say it's the F1 subscription on F1 TV is a great asset also for Apple. We have a great community that will connect through the Apple platform with our popular F1 TV. So I don't expect that this will have a negative effect. Actually, it will be the opposite because I think that this community is quite solid and the fact that we'll be embraced on Apple platform will increase the value globally for the future of both of them together.

Derek Chang: Yes. And I just want to say to our team in Vegas who've done a fantastic job, and these guys are in the last few weeks of bringing this thing home that we are all feeling good about Vegas this year. But I think more importantly, almost is what Stefano was saying about our relationship with folks in the market. and really that we're looking at this as a long-term sort of investment. And I think after coming out of the first 2 years and sort of coming -- as I've seen these guys and interacted with the folks in Vegas, the sort of vibe around the race and where this thing can be longer term continues to be something where we see a considerable amount of opportunity. And I think that's probably the biggest point, the biggest takeaway over the first 3 years of having this race.

Operator: Our next question is from the line of Kutgun Maral with Evercore ISI.

Kutgun Maral: Two, if I could, around sponsorship. So first, it seems like every other day, you're inking new and attractive deals. Looking at the year-to-date team payment trends, it seems like the full year

budget is tracking exactly in line relative to the first 2 quarters of the year. So should we take this to mean that these new sponsorship and maybe licensing opportunities primarily fall in 2026? Or are there other offsets that we should be mindful of? And second, I was hoping to dig into licensing a little bit more specifically. Licensing is still a relatively small contributor to the business, but it seems like the team has really focused on expanding your efforts there. So maybe you could talk about the strategy and long-term opportunity you see ahead? And are you able to accelerate the momentum next year under the new Concorde?

Stefano Domenicali: Well, thanks. I mean I -- sorry, go ahead, Brian.

Brian Wendling: Yes, Stefano, I was just going to start on the sponsorship and then please add color. But yes, I mean, I think the team is feeling good about where we sit with sponsorship for '26, and a lot of these are long-term agreements, multiyear agreements that accrue to the future years. So as you sign them later in the year, they're going to have less of an impact, obviously, on the current guide.

Stefano Domenicali: Yes. Thanks, -- if I may add, I would say, yes, I think that you know that our strategy is not to talk a lot, but do the things. And the fact that we have shown with facts that every couple of months, we are there to be resilient in continuing the growth, this is our nature. It's our business. It's the beauty of what we have built up now as a great foundation. And the fact that not only new partners, but also partners that are part of us since many, many years are staying with us long term means we do have a credible platform. We have a credible strategy that is not diluting at all the value of them being with us, with other people, with our partners. It is getting stronger because we do believe in a cross-contamination of big partners that can enhance the value of our business and our sports. So we are really looking for the fact that we have now deals that is looking into the future. And what I'm saying is not only the dollars that count, is the awareness that we bring connectivity with new fans. The deal what we have done with LEGO, with Disney, with Hello Kitty is showing the fact that we want to have a community that will engage in long term with our platform. That's really our focus. Our focus is for sure to deliver the result that we promised to our shareholders, to the teams, to our stakeholders for sure, but we have a bigger thing ahead of us. We have a headwind that we want to keep running with it because we feel that the fundamentals are totally strong and totally valid for the next years ahead of us.

Operator: Our next question is from the line of Stephen Laszcyk with Goldman Sachs.

Stephen Laszcyk: Maybe another one on the global media rights opportunity for F1. I'm just curious, as you look out across the globe, where you see the most opportunity up next in terms of increasing monetization? What contracts, what regions, what types of partners do you feel like you could bring in to increase the value either on a monetary basis or along the lines of the holistic partnership where that could be improved? And then maybe secondly, on hospitality, you called out some of the strength in hospitality in the quarter, Paddock Club at F1. Just curious if you could elaborate a little bit more on the drivers of that growth, whether it's strong pricing, whether you've seen more capacity come into the system this year on the back of some race promotion renewals or if most of that is still ahead of us given the renewal calendar when some of those contracts and an expansion of the Paddock Club kick in perhaps next year?

Stefano Domenicali: Thanks. I mean if I may, Derek, I will start. So we have other deals on which we are working on. So I would say stay tuned because there will be some other information going around the media deal in the future. As you know, and I don't want to undervalue what is the value for us to be a global sport. We have a global sport with global deals and the nature of the business is growing everywhere. So I think that we need to have a sort of mix situation around the world. Some of them will be linear in the future, some other will move in a different platform because what we need to do is to make sure that we see the relevancy and the opportunity monetizing as much as we can every market, but also checking what is the trend that every market is offering to us. So I think that this deal, as I said before, has had an effect of accelerating the fact that the long-term deal wants to be even be longer with the part that we have. So it's up to us to make sure that we need to do the right choices for the future, but the dynamic in this stream of revenue will be very important in the future. And even if some of the people will say that the shift between linear or pay TV versus digital will have a sort of drop in dollars optimization, I do believe that the nature of the business that is global will cover that for us in the future because the competition is very high in the different platform. Then with regard to the hospitality,

I think that the reason why we feel confident in the future, this is another asset that despite a long-term deal with a lot of partners, some can say where is the gain that you can have with them. Actually, it's the other way around. because we know that the hospitality hand side is a limiting factor in terms of capacity for us. And the only way that we can have with the promoters to make sure that also this asset will be even stronger is to give them the chance to invest long term. Therefore, that's the strategy we're going to do in a lot of markets because we don't have to forget that we want to increase the quantity of availability, but we cannot lose the quality approach of what we are offering to our customers. And this is not negotiable. We have some examples this year, look what Hungary did in terms of renovation of the infrastructure, what they're going to still doing in the future. And this has an effect that, for example, you have seen what will happen in Austin in terms of new facilities that will be beneficial to our hospitality plan. So everything has an effect in a constructive way with everyone that is part of our ecosystem.

Derek Chang: Yes. I would also just point you to Stefano's previous comments on that we've done -- we just recently announced a deal with renewal Televisa in Mexico. We previously announced the deal with Globo in Brazil. And as he said, there's a couple more deals on the table that are coming on the media rights side. So I think it is shaping up to sort of be an environment going forward here. We've got the right partners in the markets that are important to us, and that will continue to drive, I think, engagement and awareness of the sport.

Operator: Our next question is from the line of Joe Stauff with Susquehanna.

Joseph Stauff: First question is on Vegas. I'm wondering I think in general, is it fair, number one, to assume most of the growth this year will be from the higher end? And if you can give us maybe a little bit more color on what you're seeing from the lower end? That's the first question. Second question is on MotoGP and race renewals. I guess since Liberty did for Moto, where our count is that there's been approximately 9 renewals. I think there -- I guess it's more of a clarification, another 6 to 7 to go that expire at the end of '26.

Shane Kleinstein: Joe, I think we got your second one, but we missed your first. So why don't we have Carlos take the second? And then if you could just repeat your first question after, please.

Carlos Ezpeleta: Yes, we have seen a lot of traction on a number of fronts since the announcement of Liberty Media. One of those has definitely been promoters where we see a lot of interest, of course, with a limited number of races. And we do see a lot of increases in the renewals. The total number was higher than that actually, but a number of those have already been renewed. We still have 8 events to be renewed for the 2027 season and 8 of which have already been renewed or announced in the past 12 months. And we continue to see a lot of interest from both new locations, but also interest in expanding the current events in Europe and outside with increases.

Joseph Stauff: Understood. I'll repeat my first question. I apologize for the background noise. In Vegas, is it fair to assume most of the growth you'll see this year is coming largely from the higher end? And just wondering if you could comment on what demand looks like VA or the lower end of demand.

Stefano Domenicali: Thanks, Joe. I mean I can say 2 things that are relevant to the fact that this year, we do believe that everything is on track and what we wanted to have another successful season. First of all, there has been a big change on the pricing and how we position our tickets during the year. What has happened is factual in the past has been the last couple of weeks a drop in pricing. But what we have done this year is exactly the opposite. We were announcing a great different packages offer with the fact that we were explaining to everyone that has been that our strategy was different. Therefore, do not expect to see prices going down because this will not happen. It actually is actually not happening. The other thing is it's -- of course, the demand is very strong, much stronger in all the areas. We have also created packages for GA to allow even the community to be closer to the event. And this is something that is hand-on-hand with the fact that we also have a ticket -- daily ticket that has been in the package. And of course, this is -- we said since the first day coming in Vegas. we had to learn the lesson of being in a community that is new -- was new for F1. Therefore, I think that the incredible job that Emily and her team is doing is taking the experience that has been done in the first years in order to progress in all the dimensions of this business. That will be -- I don't want to say something that people will not believe me, a great success because Vegas is understanding the value of our business there, too. And this is very, very important also for them.

Operator: The next question is from the line of Peter Supino with Wolfe Research.

Peter Supino: Shane thank you, and best of luck, you'll be missed. I wanted to ask about operating leverage generally and the Concorde agreement specifically. I think your last comment on the Concorde agreement in '26 is that it provides for modest operating leverage, assuming the business is on track. And I wonder if you could give a perspective on refresh that and then talk about the possibilities beyond 2026.

Brian Wendling: Yes, Stefano, I can start with that and feel free to add any color. But yes, with the new agreement, we would expect some modest leverage. We can't really say much more than that into 2026 and similar to what you've seen over the last few years. And then beyond that time, the percentage we would expect to be fixed and then you'd hope to see leverage in the underlying base business.

Stefano Domenicali: Yes. I mean, Brian, you are very clear. And I would say, for me, what we can add is really the fact that we can see a great stability in the sport in the future with regard to the governance to the fact that we are solid looking into the next 5 years in a condition where we really think that everything will be done, understanding that the team are part of the growth. And their financial strength is the strength of the business. And this is very, very important to recognize that. Therefore, on everything, I do believe that now we are finalizing the details. I want to thank not only the team, but also the President of FIA, Mohammed Ben Sulayem because we are sharing a great future together that is great because in this moment, we just need to make sure that all the conditions are stable to keep growing together.

Operator: The next question is from the line of Steven Cahall with Wells Fargo.

Steven Cahall: First, Stefano, I just wanted to ask you on competitive balance. We've seen some good racing this year between some of the top drivers and the top teams. I think we still have about 6 out of 10 teams that don't race for podiums most weekends. And I was wondering if there's anything that you might be implementing in the next couple of years that could improve that since it can tie to future growth in the value of the sport. And then, Derek, I think you said you expect some continued growth in the cost base this year as you invest into growth strategies. I was wondering if you could just expand on what those elements are and what the return on investment for some of those things look like?

Stefano Domenicali: Steven, I mean, with regard to the competitive balance, I would say we've never seen such in the last couple of years, a competition with a lot of teams that before we were not even able to score any points. I can nominate one team on top of the other is has, just to give you an example. And the gap between the cars and the driver is minimal. And therefore, I would say what we are living today is really something unique and which we are very proud of. And all the teams now due to the budget cap, due to the fact that the races are very interesting due to the fact that the business is so solid, are willing to invest and be even more stronger into the future. And this is very, very important. And we don't have to forget this is very relevant to make sure that without this kind of situation living today, Audi Honda Ford Cadillac would have come next year in our sport or even more with more investment. So as we always said, the sport is at the heart of our platform and never -- and no one has to doubt about it. You know that next year, we're going to have change in order to be cope with the fact that the technology applied to F1 has been always very relevant. We will have sustainable fuel at the center of the use of new powertrain. And it is normal to think that when there is such a big change of regulation, there could be a big difference at the beginning. But the regulation is done in a way that if this would happen, we know that there are mechanisms to make sure that the gaps can be reduced in a smaller time than normal. And therefore, this is a very important element to keep the dynamic of our sport at the center. And therefore, I think that no one -- and if you didn't have these dynamics, no one would have been interested to come in, in our sport. That's why, as I said, Steven, this is, for sure, one of the main focus that we need to keep to keep the center of our business, the sport and the racing itself.

Derek Chang: Thank you, Stefano. And an exciting off the track news, Charlotte I was engaged yesterday. On the question of incremental costs, I think that was related to MotoGP. And I think we've made this comment in the past, and it's not dissimilar to sort of coming into a new business, trying to ultimately drive growth and drive revenue growth long term, but making upfront investments that will

lead us to that point. I think as we've talked about previously, some of the investment in sort of expertise, personnel with the right expertise to drive the commercial side of the business, but also even revenue-generating assets, including things like the track, signage, investments into the video pass product, enhancements, all that sort of stuff is sort of ongoing and had already been ongoing prior to us closing the deal. But I'll let Dan give some more detail on that.

Dan Rossomondo: Thanks, Derek, and thanks, Stephen. I think Derek hit on a few of the really key areas of investment that we have started as early as last year, focused on, one, on the marketing side of the business in terms of new hires and also on the storytelling side, how do we reach new fans -- and not only new fans, but new fans based on the geographies that they are, we have to tailor that content to them. So that is taking significant time and investment in order to reach those people. Derek also mentioned what we've done to improve the look and feel of both the racetracks, the circuits and also The Paddock. So we've done some investment there. And the last thing I would say is we continue to innovate and iterate on our digital properties, specifically video pass to try to make sure that the digital offerings we have to consumers matches the innovation that we have on track.

Operator: The next question is from the line of David Joyce with Seaport Research.

David Joyce: Another MotoGP question. You mentioned that new races are coming in Brazil and Argentina, but you've also had a number of other renewals. So as you go through these renewals, do they allow for some rotating races given that you're already maxed out at 22 per year given your agreement with the teams? And does that somehow impact your media rights renewals cadence? If you could provide some color on that.

Derek Chang: Sure. This is Derek. Look, I think right now, we are in a position where we have either some capacity in the sense that some races come up for renewal that we may -- if we choose to go to a different location, we have that capability to go do that. So the concept of rotating races right now is probably not in the near term. And I will then -- I guess, Carlos, if you want to comment on that further, go ahead.

Carlos Ezpeleta: Yes. Thank you, Derek. I would completely agree. We don't see sort of the short-term need to have rotating races. We think it's important. One of our main goals that's been sort of confirmed also in these first months of Liberty Media is one of our key priorities and targets is to invest in our events and turn our races into more and more of entertainment events globally. And a part of that is, of course, improving the events itself and where possible, also the event locations. We have Brazil coming in already in 5 months from now after more than 25 years and Buenos Aires, which will be another city where we race that. So all these events are a key focus for us in entering new markets. We do see that we still have capacity to bring in new events probably outside Europe, and there's no need to sort of rotate on current events in the short term. We don't see this impacting our media rights at all. We continue to have 22 events. All 22 events have sprints, and that's been a part of the investment of making these events more of entertainment events, having more action, more notorious action on track around the whole weekend. And that's something that we've also leveraged together with other assets to be able to increase on our media audiences. So we don't see that the race mix will affect our media rights.

Derek Chang: The whole concept here is to improve sort of the quality of the product across the board, including where we have races, who our local promoter partners are that help us drive promotion of the sport and all that, which will ultimately lead to deeper and broader engagement, which in theory will drive media coverage and media rights.

Operator: Next question is from the line of Ryan Gravett with UBS.

Ryan Gravett: Just in terms of the upcoming split-off, does anything change in terms of your capital allocation plans or priorities at Formula One Group? And along those lines, any expected changes to operations or the commercial relationship between Quint and Formula One after the split occurs?

Derek Chang: I'll take that. So that would be probably no on both, and we'll leave it there.

Ryan Gravett: Okay. Fair. Just maybe just a follow-up on MotoGP then in terms of the hospitality offering for that business. I was wondering if you could talk to the opportunity there and when some of the benefits of the integration could start to materialize?

Derek Chang: Yes. I think we do see significant opportunity on the hospitality side of Moto. I don't know if any of you guys have been to a motor race, but it is a pretty thrilling event to attend, I think where we

do see opportunity is sort of the experience at the track that goes beyond what you're watching and what you're feeling. And so just like the F1, having that opportunity to upgrade elements of that hospitality product is something our team is -- Dan and his team are very focused on and actually working with Quint on that particular dynamic. So Dan, if you want to give a little bit more color, feel free.

Dan Rossomondo: Yes. Thanks, Derek. I think what he said is correct. I think we do have a lot of -- we've made some really good improvements at MotoGP in the hospitality offering from both a service and an experience standpoint. We now have to execute on a plan that is to reach both our existing consumers to get them more involved throughout the weekend and also, though, to find a new set of fan base, a new group of fans to purchase hospitality, particularly at the races where we do well but have room for capacity room. So what I would say is working with Quint, what we're trying to do is not only look at pricing, but look at the ladder, making sure that we get a good product ladder so that we can offer people things at different price points so we can upsell on experiences because what MotoGP does have is we are a hugely accessible sport. So we have the ability to package in really great experiences with our base hospitality program that I think is unique in the sports industry. So we see a good upside here. It's just going to take some execution, and we're looking forward to collaborating with Quint on that.

Operator: Our last question will be coming from the line of Matthew Harrigan with Benchmark Company.

Matthew Harrigan: Actually, first of all, thanks to Shane for all the classic Investor Day schedules, which I hope are going to be available on an archival basis because they were really, really great. Obviously, other people at Liberty were involved, too. I think Shane was a main architect. I think my questions are partially answered, but are you seeing all the teams be able to adequately cope with the new 26 engine regs? And do you see anything commercial and tangible coming out of the Saudi Aramco Synfuels venture? I know you touched on those questions to some extent, but if you could amplify a little more, that would be great.

Stefano Domenicali: I definitely think so. I definitely think so. I think the fact that on The Paddock, everyone believes that it's faster than the other means that there are so many variables that everyone believe to have the secret recipe of being more competitive. I do believe that, of course, the level of technology that is needed in terms of knowledge is not only on the power unit. We forget that it's a new car. We forget that it's a total different dynamic on how you have to drive your car is a dynamic aerodynamics. It's a different way to manage the tires. It's a different way to manage the energy. It's a different way for the drivers to drive with the new regulation. So everyone is really focused on. And the beauty of that, that we have still teams that are fighting for points that are -- will be converted in dollars at the end of this season for the championship. So there are still some developing during these -- the last couple of races because no one wants to give up. So it's all fascinating. I think that really all the elements of adventure are there and which we should be very, very proud.

Derek Chang: Great. Thank you, Stefano. I think with that, we're going to wrap it up. Again, thank you, Shane, for all of your great work over the years. We look forward to seeing where you go next.

Stefano Domenicali: Thank you Shane, from the F1 side. altogether, one family.

Derek Chang: Thanks, Stefano. With that, we'll wrap it up. And again, just finally, Investor Day on the 20th, followed by the F1 Business Summit in Vegas for those of you who can make it. See you there.

Operator: This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation. Have a wonderful day.