



**WARNER BROS.
DISCOVERY**

3rd Quarter 2022 Earnings Release Presentation

November 3, 2022

Important Information

Cautionary Statement Concerning Forward-Looking Statements

Information set forth in this communication contains certain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, forecasts, and assumptions that involve risks and uncertainties and on information available to Warner Bros. Discovery (“the Company”) as of the date hereof. The Company’s actual results could differ materially from those stated or implied due to risks and uncertainties associated with its business, which include the risk factors disclosed in the Company’s 2021 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 24, 2022, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 filed with the SEC on April 26, 2022, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed with the SEC on August 5, 2022, and its subsequent filings made with the SEC.

Forward-looking statements include statements regarding the Company’s expectations, beliefs, intentions or strategies regarding the future, and can be identified by forward-looking words such as “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “intend,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements include, without limitation, statements regarding future financial and operating results, the Company’s plans, objectives, expectations and intentions, and other statements that are not historical facts. Warner Bros. Discovery expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Non-GAAP Financial Measures:

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), this communication may also contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the financial schedules on the Warner Bros. Discovery, Inc. investor relations website at:

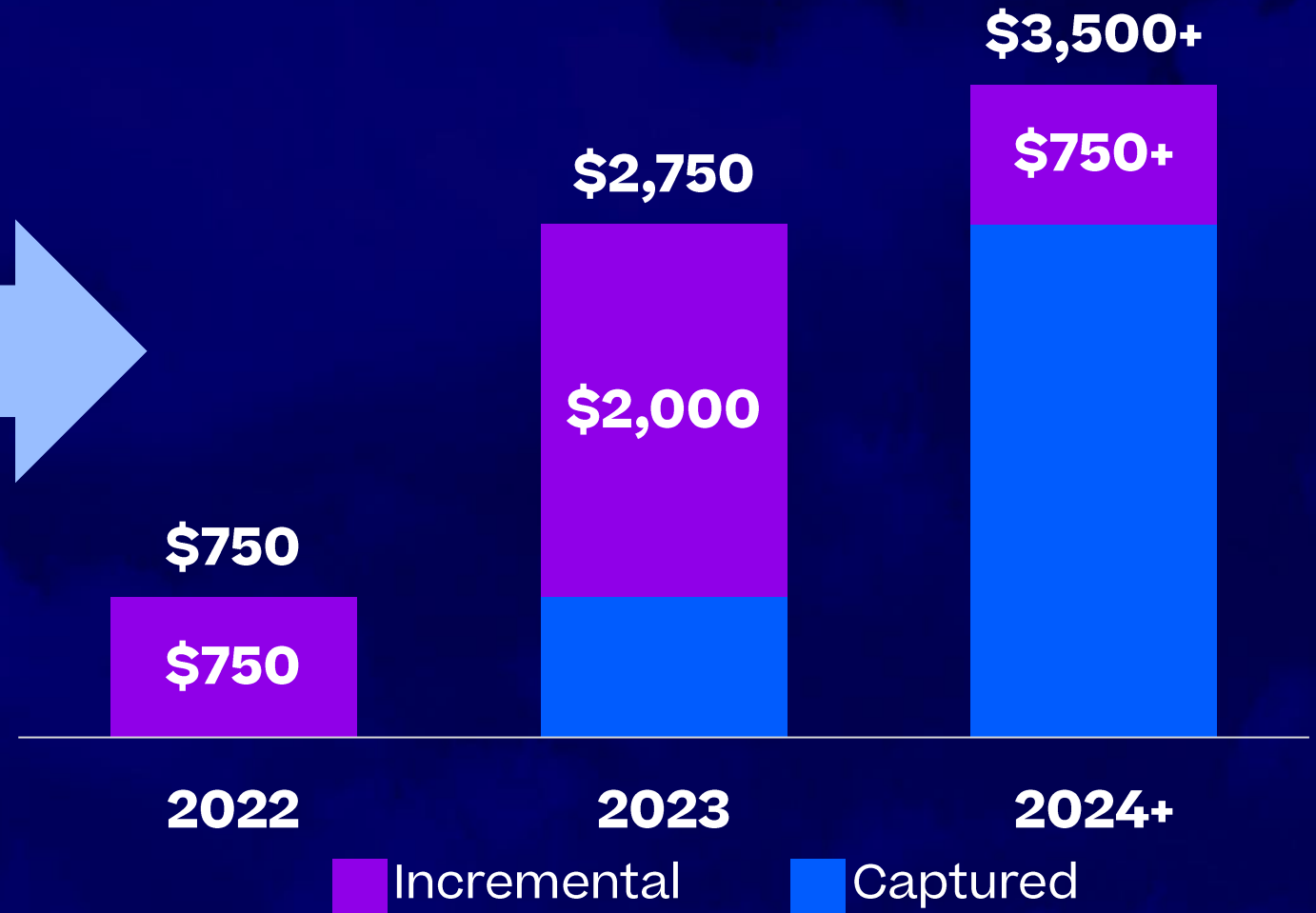
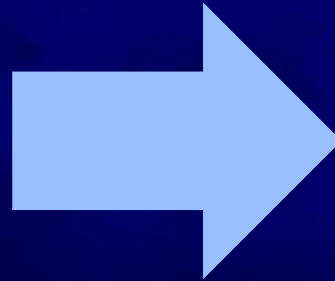
<https://ir.wbd.com>.

Raising Total Synergy Target to \$3.5B+

Projected Synergy Realization Timeline (In Millions, figures approximate)

Driving workstreams deeper throughout the organization:

- Marketing optimization
- Content workflows
- Technology
- Procurement
- Organizational structures

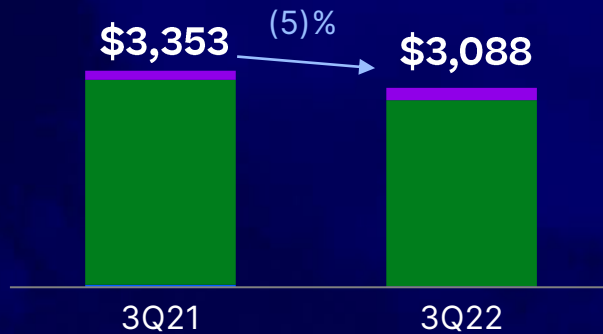


400 additional workstreams moved to implementation stage

Studios: EBITDA Impacted by Theatrical Slate Timing

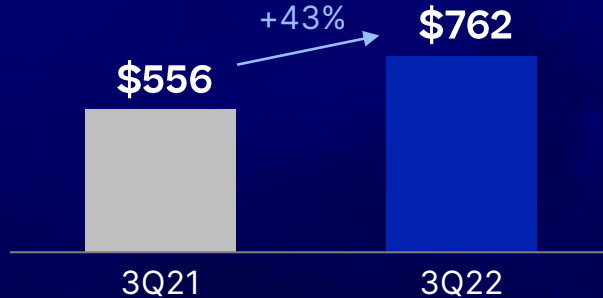
3rd Quarter 2022 Financial Results (In Millions)

PRO FORMA REVENUE⁽¹⁾



■ Advertising ■ Distribution ■ Content ■ Other

PRO FORMA ADJ. EBITDA⁽²⁾



Revenues: (5)% vs. prior year quarter

- + Reopening of London and Hollywood studio tours
- Home entertainment – difficult COVID-driven comp and fewer theatrical releases YTD
- TV licensing – fewer theatrical releases in linear TV window

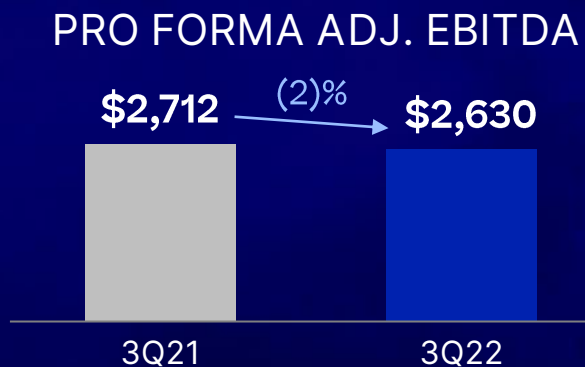
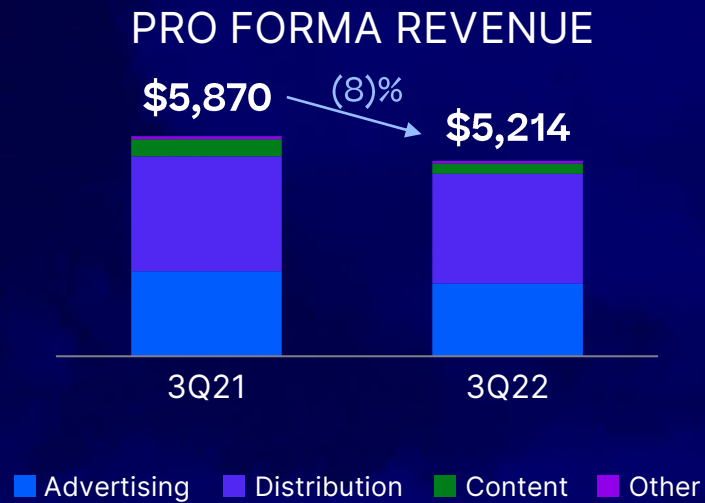
Operating Expenses: (14)% vs. prior year quarter

- + Cost of revenue: (11)% due to lower theatrical and TV content expense
- + SG&A⁽⁴⁾: (21)% due to lower marketing spend from fewer theatrical releases

Note: \$ shown incl. FX impact; growth rates shown on an ex-FX basis⁽³⁾
(1) (2) (3) (4) Refer to Notes in Appendix

Networks: Focusing on Cost Management in Soft Ad Market Environment

3rd Quarter 2022 Financial Results (In Millions)



Revenues: (8)% vs. prior year quarter

- + #1 portfolio in U.S. total time spent by viewers⁽⁵⁾
- + 6 of the top-ten cable networks in Primetime⁽⁶⁾
- Advertising: (11)% vs. prior year quarter
 - Macro conditions
 - Timing of sports in 2021 (Olympics, NBA)
- Distribution: (2)%
 - Lower U.S. subscriber count
 - Lower EMEA contractual affiliate rates

Operating Expenses: (14)% vs. prior year quarter

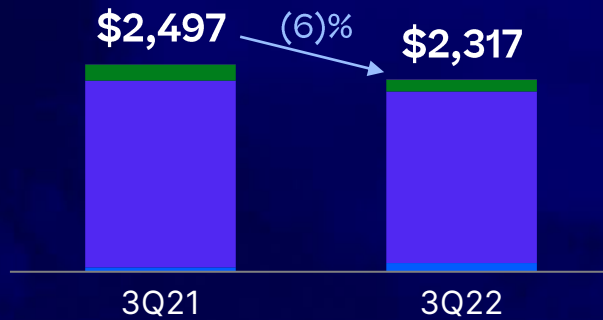
- + Cost of Revenue: (16)% due to lower sports rights from Olympics and lower content expense in U.S.
- + SG&A: (8)% due to lower personnel and marketing

Note: \$ shown incl. FX impact; growth rates shown on an ex-FX basis
 (5) (6) Refer to Notes in Appendix

DTC: Revenue Predominantly Impacted by Amazon Deal Expiration

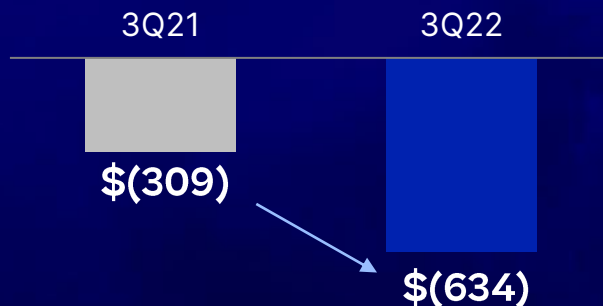
3rd Quarter 2022 Financial Results (In Millions)

PRO FORMA REVENUE



■ Advertising ■ Distribution ■ Content ■ Other

PRO FORMA ADJ. EBITDA



Total DTC subscribers⁽⁷⁾: 94.9M (+2.8M net adds vs. Q2 2022)

Revenues: (6)% vs. prior year quarter

- + Amazon wholesale deal expiration in September 2021
- + HBO Max and discovery+ retail subscriber growth
- DTC Advertising up more than 100%

Operating Expenses: +7% vs. prior year quarter

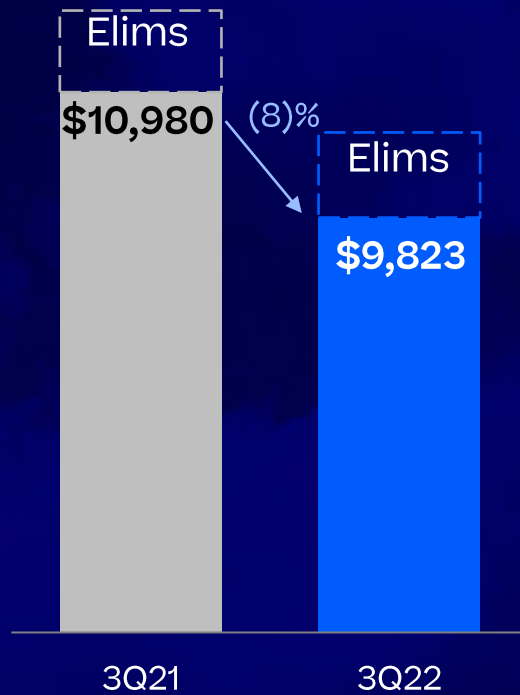
- Cost of Revenue: +22% due to programming
- + SG&A: (18)% due to marketing efficiencies

Note: \$ shown incl. FX impact; growth rates shown on an ex-FX basis
 (7) Refers to Notes in Appendix

Sequential Improvement in Y/Y Adjusted EBITDA Trends

3rd Quarter 2022 Financial Results (In Millions)

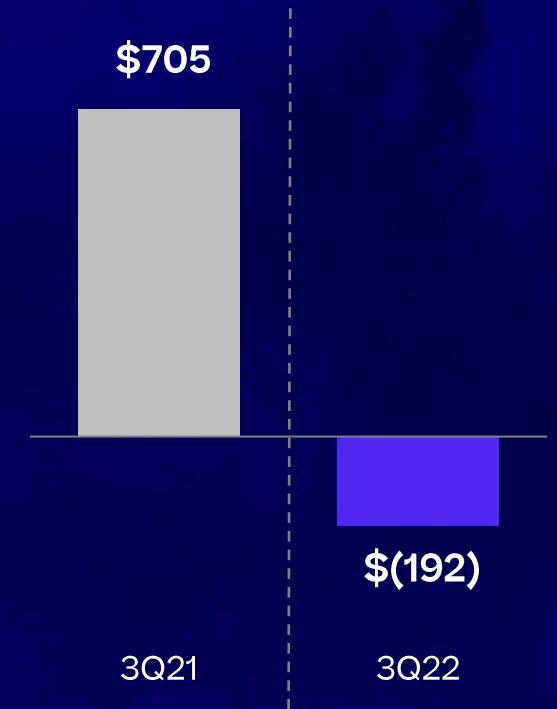
PRO FORMA REVENUE



PRO FORMA ADJUSTED EBITDA



REPORTED FCF⁽⁸⁾



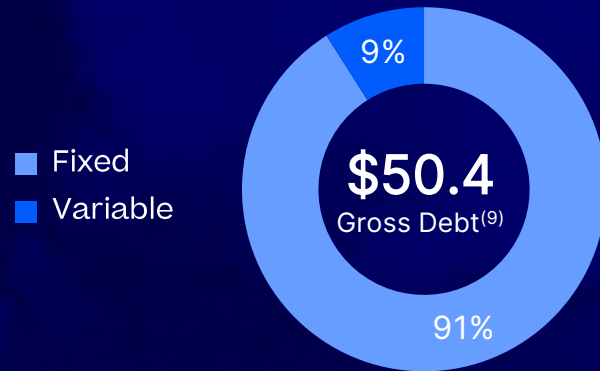
FCF Primarily Driven by Merger and Integration Related Costs and Timing

Note: \$ shown incl. FX impact; growth rates shown on an ex-FX basis
(8) Refers to Notes in Appendix

Largely Fixed, Long Duration Capital Structure

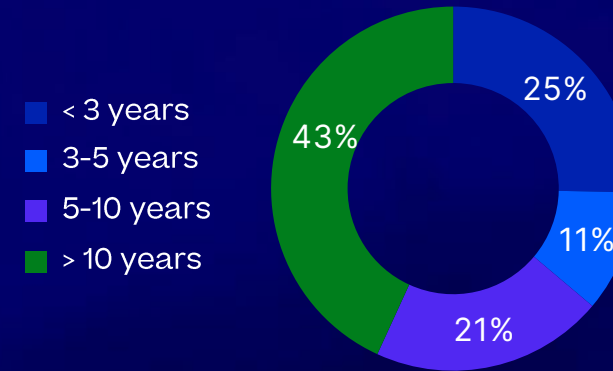
(As of September 30, 2022; In Billions)

DEBT STRUCTURE



Average cost of debt
4.3%

DEBT MATURITIES BY YEAR



Average maturity of
14+ years

Deleveraging Plans

- Net debt was \$47.9B⁽¹⁰⁾ at the end of Q3 with cash of \$2.5B
- Maintaining long-term gross leverage target of 2.5 – 3.0x⁽¹¹⁾
- Expect to hit gross leverage target by end of 2024
- Anticipate being within our current ratings category range by mid-2024 or earlier

Paid Down \$6B of Debt Through September

(9) (10) (11) Refer to Notes in Appendix

2022 and 2023 Outlook

2022

Reiterate:

Adj. EBITDA
\$9.0 - \$9.5B

&

Reported FCF
\$3.0B, after costs to
achieve synergies

2023 Tailwinds

~\$2B incremental
synergy capture

Full-year impact of
course correction
actions (e.g. CNN+)

DTC relaunch in U.S.
and Latin America

2023 Uncertainties

Macroeconomic /
geopolitical

Secular / Pay TV
ecosystem

FX impacts

2023

Working towards:

Adj. EBITDA

\$12B

&

Reiterate:
Reported FCF
33% - 50% conversion



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Appendix



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Notes

Numbers presented in the following materials are on a rounded basis using actual amounts. Minor differences in totals and percentages may exist due to rounding.

(1) Pro Forma Combined Financial Information: The unaudited pro forma combined financial information in this presentation presents the combined results of the Company and the WarnerMedia business as if the transaction whereby the Company acquired the WarnerMedia business (the “Merger”) had been completed on January 1, 2021. Management believes reviewing our actual operating results in addition to pro forma combined results is useful in identifying trends in, or reaching conclusions regarding, the overall operating performance of our businesses. Our combined Networks, DTC, Studios, Corporate, and inter-segment eliminations pro forma financial information is based on the historical operating results of the respective segments and includes adjustments in accordance with Article 11 of Regulation S-X to illustrate the effects of the Merger as if it had occurred on January 1, 2021. The unaudited pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the Merger had occurred on January 1, 2021, nor is it indicative of future results. The unaudited pro forma combined financial information includes, where applicable, adjustments for (i) additional costs of revenues from the fair value step up of film and television library, (ii) additional amortization expense related to acquired intangible assets, (iii) additional depreciation expense from the fair value of property and equipment, (iv) adjustments for transaction costs and other one-time non-recurring costs, (v) changes to align accounting policies, and (vii) adjustments to eliminate intercompany activity. These pro forma adjustments are based on available information as of the date hereof and upon assumptions that the Company believes are reasonable to reflect the impact of the Merger with the WarnerMedia business on the Company's historical financial information on a supplemental pro forma basis.

Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined business.

(2) Adjusted EBITDA: The Company evaluates the operating performance of its operating segments based on financial measures such as revenues and Adjusted EBITDA. Adjusted EBITDA is defined as operating income excluding: (i) employee share-based compensation, (ii) depreciation and amortization, (iii) restructuring, facility consolidation, and other charges, (iv) certain impairment charges, (v) gains and losses on business and asset dispositions, (vi) certain inter-segment eliminations, (vii) third-party transaction and integration costs, (viii) amortization of purchase accounting fair value step-up for content, (ix) amortization of capitalized interest for content, and (x) other items impacting comparability. The Company uses this measure to assess the operating results and performance of its segments, perform analytical comparisons, identify strategies to improve performance, and allocate resources to each segment.

The Company believes Adjusted EBITDA is relevant to investors because it allows them to analyze the operating performance of each segment using the same metric management uses. The Company excludes employee share-based compensation, restructuring and other charges, certain impairment charges, gains and losses on business and asset dispositions, and transaction and integration costs from the calculation of Adjusted EBITDA due to their impact on comparability between periods.

The Company also excludes the depreciation of fixed assets and amortization of intangible assets, as these amounts do not represent cash payments in the current reporting period. Certain corporate expenses and inter-segment eliminations related to production studios are excluded from segment results to enable executive management to evaluate segment performance based upon the decisions of segment executives. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income and other measures of financial performance reported in accordance with U.S. GAAP.

Notes – cont.

(3) **Foreign Exchange Impacting Comparability:** In addition to the Merger with the WarnerMedia business, the impact of exchange rates on our business is an important factor in understanding period-to-period comparisons of our results. For example, our international revenues are favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S. dollar strengthens relative to other foreign currencies. We believe the presentation of results on a constant currency basis ("ex-FX"), in addition to results reported in accordance with U.S. GAAP provides useful information about our operating performance because the presentation ex-FX excludes the effects of foreign currency volatility and highlights our core operating results. The presentation of results on a constant currency basis should be considered in addition to, but not a substitute for, measures of financial performance reported in accordance with U.S. GAAP.

The ex-FX change represents the percentage change on a period-over-period basis adjusted for foreign currency impacts. The ex-FX change is calculated as the difference between the current year amounts translated at a baseline rate, which is a spot rate for each of our currencies determined early in the fiscal year as part of our forecasting process (the "2022 Baseline Rate"), and the prior year amounts translated at the same 2022 Baseline Rate. In addition, consistent with the assumption of a constant currency environment, our ex-FX results exclude the impact of our foreign currency hedging activities, as well as realized and unrealized foreign currency transaction gains and losses. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies.

(4) **SG&A expense:** SG&A expenses exclude employee share-based compensation and third-party transaction and integration costs.

(5) Source: Nielsen, 3Q22 (6/27/22-9/25/22), Live+7, Total Day, People age 2+, 6-min qual.

(6) Source: Nielsen, 3Q22 (6/27/22-9/25/22), Live+3 program-based data (000)s, Primetime, Ad-supported cable, excl. breakouts and nets with less than 50% duration per day. Actual rankings were TLC #2, TBS #4, Discovery Channel and HGTV #7 (tied), Food Network #9, and TNT #10.

Notes – cont.

(7) **Direct-to-Consumer (“DTC”) Subscriber:** The Company defines a “Direct-to-Consumer (“DTC”) Subscription” as: (i) a subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue, whether directly or through a third party, from a direct-to-consumer platform; (ii) a wholesale subscription to discovery+, HBO, or HBO Max for which we have recognized subscription revenue from a fixed-fee arrangement with a third party and where the individual user has activated their subscription; and (iii) a wholesale subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue on a per subscriber basis.

We define a Domestic subscriber as a subscription based either in the United States of America or Canada. We define an International subscriber as a subscription based outside of the United States of America or Canada.

We may refer to the aggregate number of DTC Subscriptions as “subscribers.”

The reported number of “subscribers” included herein and the definition of “DTC Subscription” as used herein excludes: (i) individuals who subscribe to DTC products, other than discovery+, HBO and HBO Max, that may be offered by us or by certain joint venture partners or affiliated parties from time to time; (ii) a limited number of international discovery+ subscribers that are part of non-strategic partnerships or short-term arrangements as may be identified by the Company from time to time; (iii) domestic and international Cinemax subscribers, and international basic HBO subscribers; and (iv) users on free trials.

(8) **Free cash flow:** The Company defines free cash flow as cash flow from operations less acquisitions of property and equipment. The Company believes free cash flow is an important indicator for management and investors of the Company’s liquidity, including its ability to reduce debt, make strategic investments, and return capital to stockholders.

(9) **Gross debt:** The Company defines gross debt of \$50.4 billion as total debt of \$50.1 billion plus finance leases of \$268 million.

(10) **Net debt:** The Company defines net debt as gross debt, as defined above, less cash, cash equivalents, and restricted cash of \$2.5 billion.

(11) **Gross Leverage ratio:** Leverage ratio is calculated by dividing gross debt by the sum of the most recent four quarters Adjusted EBITDA of \$2.5 billion.



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