

FRIDAY – MAY 8, 2026

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Hello, and welcome to The Dividend Cafe. I am your host, David Bahnsen, and we are doing something a little bit different today, but very exciting. We're going to look at a particular business transaction, a really big one, a pretty famous one with a lot of people and companies that you've heard of involved.

And I'm going to look at not only the story of this transaction, but try to extract a business principle from it that applies to us. I'm going to look at the investment takeaways that are particularly relevant to us at The Bahnsen Group as dividend growth investors and how we feel about the types of companies we look at.

Now, what's ironic in the example I'm using is that none of the companies involved are ones that we own or have ever owned, but that doesn't change the fact that what is kind of going on under the surface in this particular story, besides it being historical and current and interesting, really does allow for us to extract some takeaways that matter to the way we believe in investing money and the way we want our clients to think about long-term investing opportunity.

The genesis of this inspiration—I did not decide to talk today about a controversial figure like Rupert Murdoch because I want the hate mail I'm going to get. It's okay, because I'm not going to read it, so don't worry about sending it. But I'm not doing a puff piece on Rupert Murdoch, nor am I saying anything critical of him. I'm describing a business transaction.

But I am aware that Rupert Murdoch is a very polarizing figure, that a lot of people hate him and a lot of people love him. I'm not writing about that. So if you want my opinions on Rupert Murdoch, I guess you can ask for them, but I'm not even sure I have them because it's outside the scope of things I have time to deal with or think about or care about.

I certainly have opinions about modern media. I have opinions about what Fox News is doing versus what MSNBC or CNN are doing or what have you. But Rupert Murdoch—and by the way, Rupert's not just controversial because he happens to have a conservative right-leaning news network with Fox News. He's controversial in his personal life, he's controversial in other tactics he's done in tabloid journalism.

He owns a very credible establishment newspaper like The Wall Street Journal, but he also owns something which is more of a guilty pleasure like the New York Post. So listen, I'm just trying to get this out of the way. You can have all kinds of opinions about Rupert Murdoch, and I'm going

FRIDAY – MAY 8, 2026

to talk about a major, major transaction he did, which is now about seven years ago, but I'm not really doing it in any context of Rupert himself and Fox News and all those things.

Likewise, Disney, which is the counterparty in the transaction, is another company a lot of people have strong opinions about. This is not really about Disney as a company or certainly an ideology or politics or anything like that. So I put that disclaimer out there because we are living in a time—and I assure you my inbox is a reflection of it, or at least what people tell me—where people are ignoring what I'm saying about the intent.

I get it. People have strong opinions on things, and it can be emotive. But this is a transaction that you should have strong opinions about, or at least an interest in learning about as an investor.

Because in 2019, Rupert Murdoch, who is the chair and primary shareholder of Fox, which now is the Fox Corporation, a different company than it was prior to 2019, owned the legacy Twentieth Century Fox Studios, which went back to 1915 and was one of the most iconic film studios in America.

You look at the television programming and the movie studio and TV studio alone, the intellectual property—brands such as The Simpsons, Planet of the Apes, the Marvel characters. Even though Disney had bought Lucasfilm, Fox still had distribution rights to Star Wars and the first six movies in the trilogies. They owned a big piece of Hulu that moved over to Disney, who was another shareholder in the Hulu ecosystem. There was National Geographic Magazine, India broadcasting, and a whole slew of products.

Disney bought all of this for \$71.3 billion. And I think the story here is not what Rupert Murdoch sold, but why. Not what Disney bought, but why. And then what Rupert didn't sell, and why. That's what I want to get into today.

First, let's beat the story a little bit by just going to part of the conclusion—not the why, but the what. I'm going to put a chart up on the screen right now that reflects the stock price of Disney since the transaction and the stock price of Fox.

What you see is that over roughly seven years, while the market has more than doubled overall, Disney is lower than it was before the transaction and Fox has nearly doubled. Now people could say, "Well, Disney got hammered during COVID because of the theme parks," but actually Disney stock rallied during the COVID lockdown period, probably because of optimism around streaming and eventual reopening.

But what you clearly see is that Disney has struggled since this \$71 billion acquisition, while Fox has done quite well. The point is to evaluate why.

FRIDAY – MAY 8, 2026

As far as Disney's expensive purchase of the Fox assets, allow me to defend Disney a little bit. They spent a ton of money on Pixar, Marvel, and Lucasfilm, and they've made a fortune on all three. Their ability to buy intellectual property and monetize it across film, television, streaming, merchandising, toys, and theme parks has historically been very successful.

So when they bought Fox assets, they were buying Avatar, The Simpsons, Marvel properties, and enormous intellectual property that they hoped to monetize for decades. What Rupert Murdoch did not sell was Fox News, Fox Business, the broadcast sports rights, and other live-event-oriented content.

Essentially, Rupert Murdoch made the determination that entertainment assets were becoming massively capital intensive because of streaming. There would be huge technology costs, huge content costs, and increasing competition.

But news and sports were different. They were durable, real-time, less susceptible to disruption, and required less reinvention. So Rupert held onto the more durable cash-flow-generating businesses and sold the more capital-intensive and uncertain ones.

Disney wanted scale in streaming and believed content scale would give it that advantage. Rupert wanted out of the escalating streaming wars. What you've seen since then is more or less exactly what Rupert anticipated.

Streaming became enormously competitive. There was massive overinvestment and malinvestment. The economics became difficult, and Disney paid a huge premium at the outset, leaving little margin of safety.

Meanwhile, Fox ended up with a business model that had significantly higher margins, lower capital intensity, and more repeatable cash flow. What Rupert effectively did was move the risk of the streaming wars onto Disney shareholders.

This reminds me somewhat of what happened in hospitality after the 1986 tax reforms, when hotel companies shifted from owning real estate to asset-light management models. Content is different than real estate, but the principle is similar.

Fox retained the businesses with durability and recurring cash flow. Disney acquired the businesses requiring enormous reinvestment and long-duration expectations.

And this gets into a very important concept: duration. In bonds, duration refers to how long before principal is returned. But duration applies to equities too.

FRIDAY – MAY 8, 2026

Long-duration assets depend on expectations far out into the future. That's what many AI, semiconductor, and streaming-related investments represent today. You're paying today for expected future payoff.

In the dividend growth world, we prefer shorter-duration equity profiles. We want current cash flow. We want businesses that de-risk themselves over time by paying us as we go.

Long-duration assets carry not just execution risk, but unknown future risk. You don't know what changes are coming over ten or fifteen years. Current cash-flow-generating businesses help mitigate that uncertainty.

That's one of the reasons we like dividend growth investing so much. We're amortizing the investment as we go. We're getting paid while we wait. There's less dependence on unknown future outcomes.

Some of our investments are more capital intensive than others, but there are very few industries more capital intensive than streaming media and scripted entertainment in the current environment.

What Murdoch did in this transaction was differentiate between the content that was capital intensive and the content that wasn't. It paid off very well for him and for Fox shareholders, but it also illustrates principles we deeply believe in as dividend growth investors.

We focus on durability, repeatability, current cash flow, and managing risk-reward relationships and duration profiles inside equity investing.

Sometimes the payoff of news and a great sports game can be much better than the payoff of a blockbuster movie—let alone the risk of a flop.

Thank you for listening, thank you for watching, and thank you for reading The Dividend Cafe.