ELEVATION CAPITAL MANAGEMENT LIMITED:
DISCOVERY COMMUNICATIONS INC [DISCA:US]

IMPORTANT DISCLOSURE AND DISCLAIMERS: PART I

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IMPORTANT DISCLOSURE AND DISCLAIMERS: PART II

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CONCERNING DISCOVERY COMMUNICATIONS INC.

Discovery Communications Inc. is referred to as "Discovery" within this presentation.
All content owned / licenced by Discovery Communications has been authorised by Discovery for use within this presentation.

INVESTMENT SUMMARY & OPPORTUNITY

Discovery
DISCOVERY THROUGH THE DECADES

DISCOVERY: INVESTMENT SUMMARY

#1 Pay-TV Programmer In The World
Discovery Communications reaches 3 billion cumulative subscribers in more than 220 countries and territories, with popular brands/channels such as Discovery, TLC, Animal Planet and Eurosport

Strong Growth and Robust Business Model
Discovery has experienced 30 years of strong growth with a superior business model – creating and distributing its own content that is evergreen, cost effective to produce, has global appeal and local relevance

Three Reporting Business Segments
- U.S. Networks (49% Revenue*)
- International Networks (48% Revenue*)
- Education and Other (3% Revenue*)

Premium Content Is King
Discovery is a premium "must-see" content producer. It is well placed to continue to deliver its growing content library to consumers worldwide through multiple distribution channels

Controlling Shareholder – John Malone
We believe the strategic alliance between Discovery, Liberty Global and Lionsgate is very powerful. This alliance could be a fully integrated content business, challenging the likes of Comcast, Fox and Disney.

Stock Price Weakness Suggests Investment Opportunity
Fears among U.S. media investors concerning the growing number of "cord-cutters", "cord-shavers" and Over-The-Top (OTT) services have pressured the listed U.S. media sector, including Discovery which has under 50% of its revenue exposed to the U.S. market

Potential Catalysts
1. The weakening/stabilising USD in medium/long term
2. Strong organic growth in near/medium term
3. M&A activities, especially relating to Malone's entities
4. Demonstrating its strong business model in an evolving media consumption environment

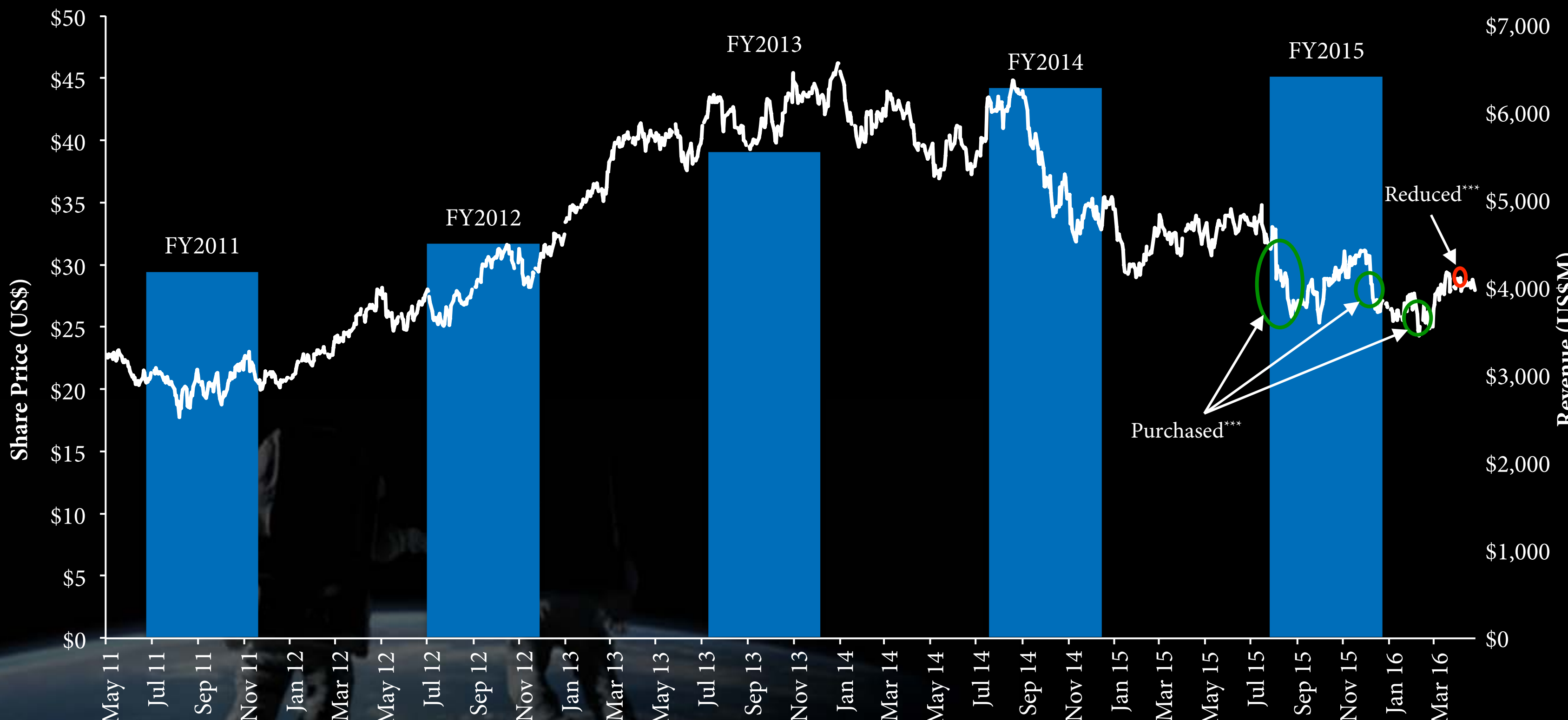
Risks
1. Continued f/x headwinds
2. Failure in carriage renewal negotiations
3. Changes in consumer tastes and preferences
4. Reacting too slow to evolution in distribution platforms
5. Heavy investment in Eurosport and future M&As not creating value for shareholders

Conclusion - Buying a "Wide Moat" Business at a Discount
With its long-term growth prospects and strong economic moats, Discovery is trading at a considerable discount to our estimate of intrinsic value. We believe this asymmetric payoff characteristic should deliver reasonable returns for long-term minded investors

* FY2015

DISCOVERY: INDISCRIMINATE SELLING PRESENTS OPPORTUNITY… (1)

- For the last two years, fears among U.S. media investors concerning the growing number of "cord-cutters", "cord-shavers" and Over-The-Top (OTT) services have pressured the listed U.S. media sector.
- Discovery is well positioned, with worldwide brands, and approximately 50% of its revenues generated outside the U.S., particularly in those markets where pay-TV subscribers are still growing in aggregate numbers.
- Current share price* = US$ 27.93 (Market Capitalisation = US$ 17.4B*)
- Elevation Capital Value Fund Average Cost = US$ 28.26**



* We assume all Series A and Series C Preferred Shares are fully converted (Refer page 43)
** As at 25 April 2016
*** Elevation Capital Value Fund Historical Trades

DISCOVERY: INDISCRIMINATE SELLING PRESENTS OPPORTUNITY… (2)

Cord Cutting and Cord Shaving is Real… But…

"For heavy consumers of content and sports fans, cord cutting and cord shaving doesn't save as much as one might expect."

Accenture "Pulse Of Media" 2015 Report

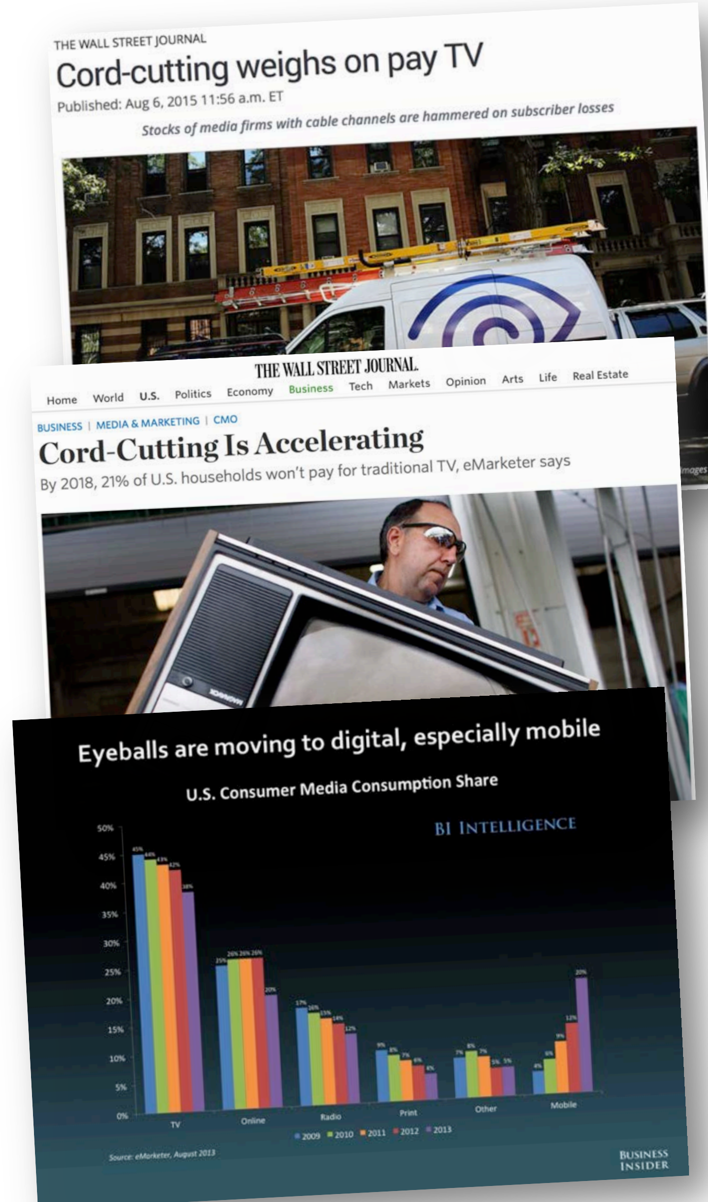
"*We haven't seen any tipping point*"

Time Warner Chairman/CEO Jeff Bewkes discussing cord cutting and cord shaving, December 2015

Figure 11: For heavy consumers of content and sports fans, cord cutting and cord shaving doesn't save as much as one might expect.

	Cord Cutter	Cord Shaver	Cord Shaver 2	Cord Keeper
Cost Reduction/Savings:	$26-$35	None	None	
Content:	Catalog/past seasons On Demand HBO current season Current seasons (paid)	Same as Cord Cutter Live linear No sports More catalog via TVE/VOD	Same as Cord Shaver 1 plus sports and additional channels More catalog via TVE/VOD	Live linear HBO GO TVE VOD
Access:	Primarily device agnostic	Primarily device agnostic	Primarily device agnostic	Increasingly device agnostic
Key Challenges:	Tracking availability of content on services	Tracking availability of content on services Authentication	Tracking availability of content on services Authentication	Authentication

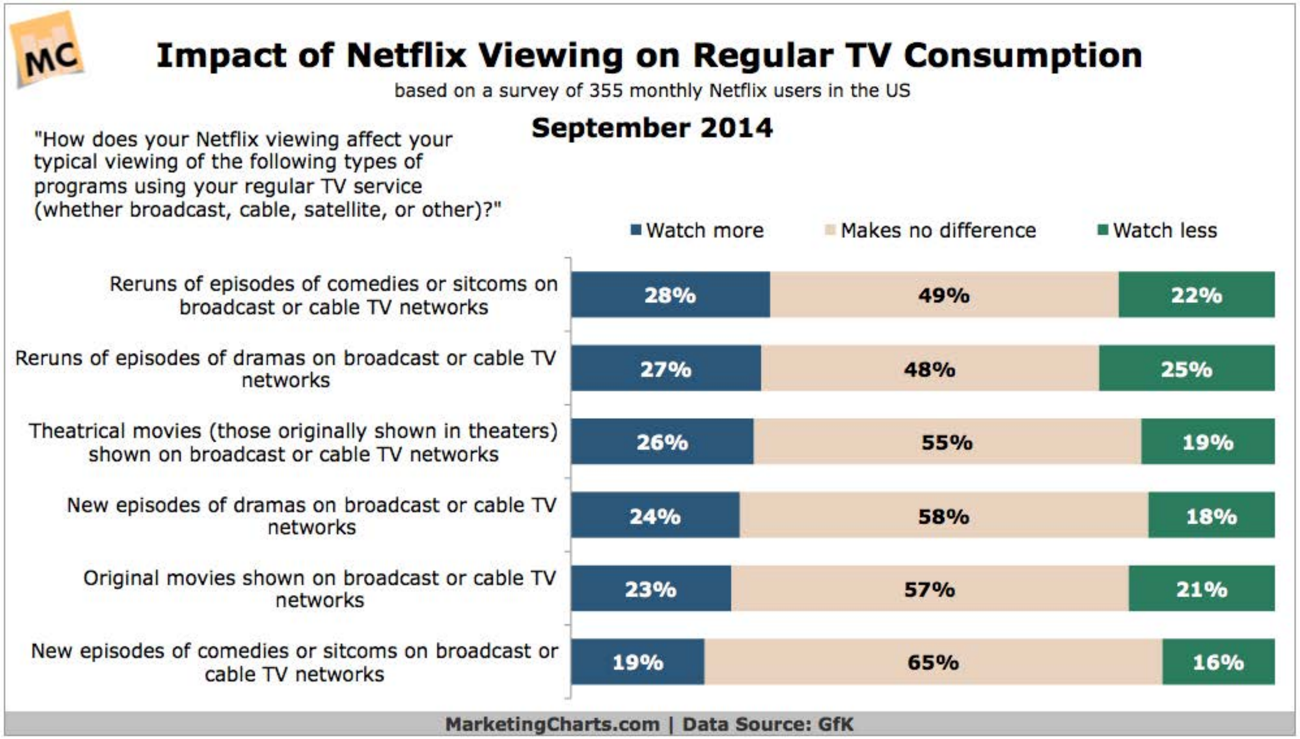
Source: DIRECTV, SNL Kagan, Netflix, Hulu, HBO, iTunes, Accenture analysis



DISCOVERY: INDISCRIMINATE SELLING PRESENTS OPPORTUNITY… (3)

Over-The-Top* ("OTT") Services – Friend or Foe?**

- *"Recent studies (refer table below) seem to indicate that OTT services actually drive increased consumption of linear TV."*
- *"OTT services are largely an incremental offering rather than an entire replacement of pay-TV services."*
- *"Discovery owns virtually all of its content and in the long run should be increasingly platform agnostic in terms of distribution."*

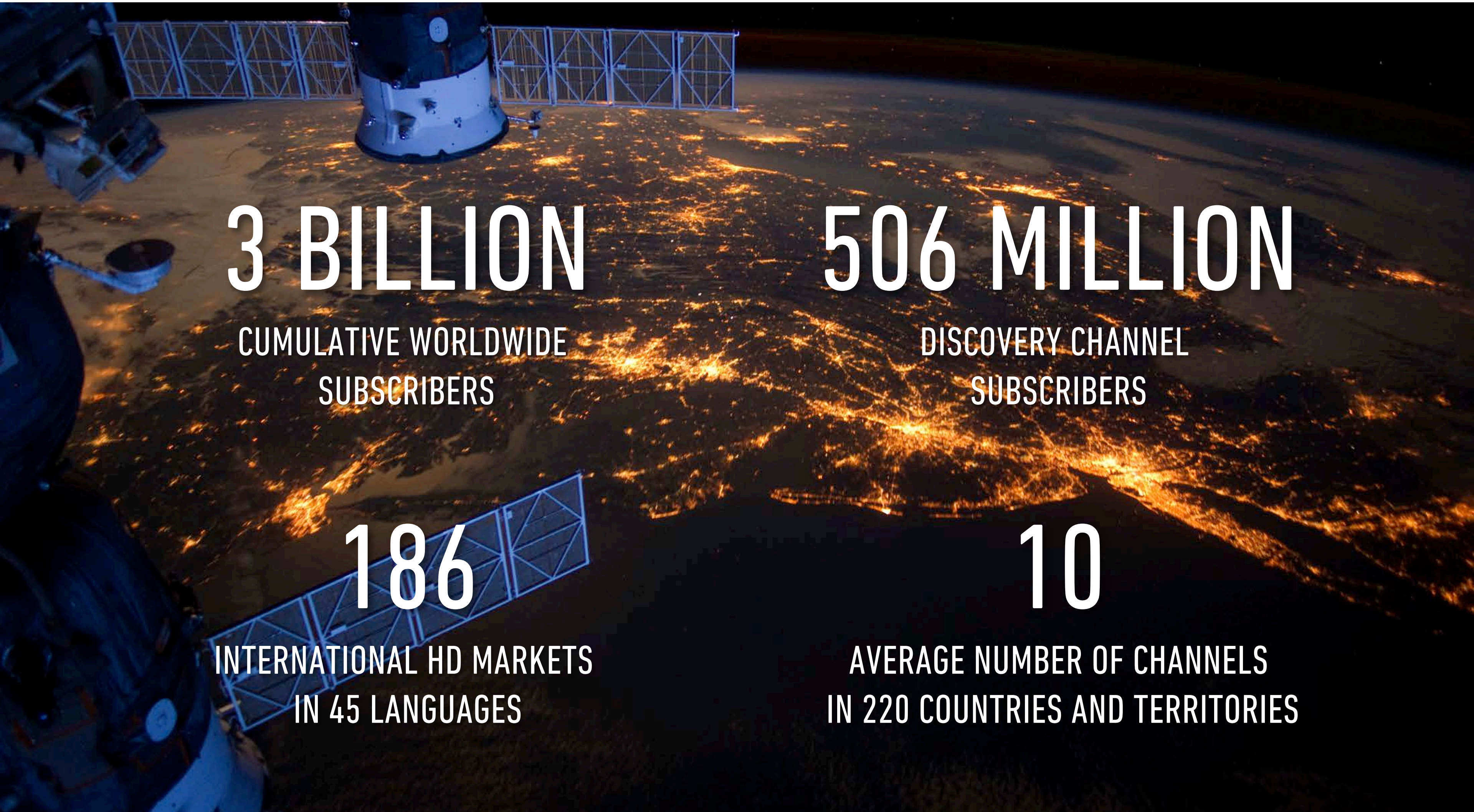


* Over-The-Top (OTT) is the delivery of media content via internet, without requiring users to have a cable subscription.
** Source: Boyar Research – January 2015

OVERVIEW & HISTORY

DISCOVERY: #1 PAY-TV PROGRAMMER IN THE WORLD

Discovery Communications (“Discovery”) is the world’s #1 Pay-TV programmer reaching 3 billion cumulative subscribers in more than 220 countries and territories.



Source: Discovery Communications Q1 2016 Globe Quarterly Newsletter as reported 5 May 2016

DISCOVERY: STOCK OVERVIEW*

LISTED ON NASDAQ

THREE SERIES OF COMMON STOCK:

DISCA, DISCB, DISCK

(Voting) (Supervoting) (Non-Voting)

STOCK PRICE (DISCA) =

US$ 27.93

MARKET CAPITALISATION** =

US$ 17.4B

ENTERPRISE VALUE** =

US$ 25.0B

52W HIGH/LOW (DISCA) =

US$ 34.94 / US$23.74

* As at 25 April 2016

** We assume all Series A and Series C Preferred Shares are fully converted (Refer page 43)

DISCOVERY: KEY STATS – FY2015*

REVENUE =

US$ 6.4B

[2008 – US$ 3.4B]

NET INCOME =

US$ 1.0B

[2008 – US$ 317M]

P/E** =

17.7x

P/B =

2.1x

P/FCF** =

14.8x

EV/EBITDA** =

10.8x

ROE =

+18.7%

ROA =

+7.8%

ROIC =

+9.3%

* As at 25 April 2016, based on FY2015 Financials and Thomson Reuters Eikon

** We assume all Series A and Series C Preferred Shares are fully converted in our MarketCap, P/E, P/FCF and EV/EBITDA calculations (Refer page 43)

DISCOVERY: 30 YEARS OF COMPOUND GROWTH...

1985	John Hendricks founds Discovery Communications – On 17 June 1985, John Hendricks' vision became a reality as Discovery Channel debuted to 156,000 subscribers across the United States.
1989	Discovery Channel launches in the UK and Scandinavia.
1991	Discovery acquires The Learning Channel.
1995	Discovery goes digital with the launch of Discovery.com
1996	Animal Planet debuts as Discovery's third flagship network. Discovery also launches four new digital networks: Discovery Science, Discovery Home & Leisure, Discovery Kids and Discovery Health.
1997	*The Crocodile Hunter* Steve Irwin premieres on Animal Planet. Animal Planet also expands with first international launch across central and eastern Europe and the Nordic region.
1998	Discovery en Espanol launches to Spanish audiences in the U.S., Discovery also debuts online with Discovery News.
2000	Discovery unveils hit program "Walking with Dinosaurs" earning eight household ratings and nabbing six primetime Emmy nominations
2001	Discovery becomes the world's most widely distributed television brand.

DISCOVERY: 30 YEARS OF COMPOUND GROWTH...

2004	The Company reaches the 1 billion subscriber milestone across its networks.
2007	David Zaslav becomes President and CEO of Discovery Communications.
2008	Channel Investigation Discovery debuts and the Company also lists on Nasdaq.
2010	Discovery Education launches its first digital textbook.
2011	Discovery teams up with Oprah Winfrey Networks to unveil the OWN network channel.
2013	Discovery acquires SBS Nordic adding twelve channels to the suite of eight channels in Scandinavia.
2014	Dplay – a new direct-to-consumer content streaming product was launched in the Nordics. The Company acquires controlling interest in Eurosport.
	Discovery's International revenue surpasses U.S. revenue for the first time.
2015	Discovery agrees to acquire the remaining 49% stake in Eurosport from TF1 Group for €491M.
	Discovery/Eurosport win Olympics broadcast rights in Europe for the period 2018-2024 - Cost €1.3B.
	Discovery and Liberty Global each acquire 3.4% stake in Lionsgate for US$195M each, and the partners enter into commercial agreements.

BUSINESS SEGMENTS

DISCOVERY: BUSINESS SEGMENTS

- Discovery Communications has three business segments:

U.S.
NETWORKS
(49% of 2015 Revenue*)

INTERNATIONAL
NETWORKS
(48% of 2015 Revenue*)

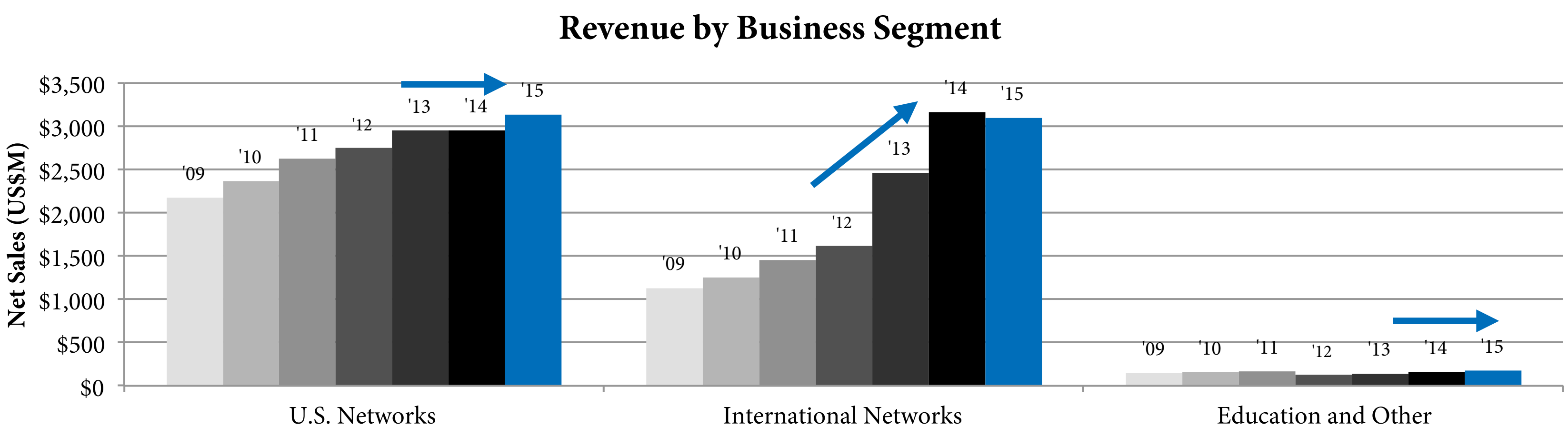
EDUCATION
& OTHER
(3% of 2015 Revenue*)

* Discovery Communications 2015 10-K Report

DISCOVERY: BUSINESS SEGMENTS (CONTINUED)

U.S. NETWORKS VS INTERNATIONAL NETWORKS

- Revenue from the international networks has declined in 2015 mainly due to US$ appreciation and the resultant impact on fx translation.
- Significant growth has being driven by the international networks in recent years.
- 2014 was the first year that international revenue surpassed U.S. revenue.
- Foreign exchange is now an important factor in determining revenue & profits.



DISCOVERY: BUSINESS SEGMENTS – U.S. NETWORKS

- Stable and growing business historically.
- Discovery's Top-10 U.S. Channels are:

#1 Discovery

The world's most widely distributed pay-tv network.

94M U.S. subscribers*

#2 TLC

TLC (formerly The Learning Channel) is the world's #1 pay-tv brand for women.

92M U.S. subscribers*

#3 Animal Planet – Surprisingly Human

The world's only entertainment brand that immerses viewers in the full range of life in the animal kingdom.

91M U.S. subscribers*

#4 ID Investigation Discovery

Investigation Discovery is the world's leading mystery and suspense network on TV. It is one of the fastest growing networks in the world.

86M U.S. subscribers*

#5 OWN

Oprah Winfrey Network - The first and only network named for, and inspired by, a single iconic leader.

79M U.S. subscribers*

#6 SCI Science

Science Channel encourages viewers to question everything. Explore science news, behind-the-scenes and original videos.

72M U.S. subscribers*

#7 Velocity

Velocity is an upscale men's cable network that focuses on thrilling automotive content for its viewers.

68M U.S. subscribers*

#8 Discovery Family

Discovery Family Channel debuted in 2014, is a family-friendly network with a mix of original and acquired children's programs, along with family-oriented science and nature-themed programs.

66M U.S. subscribers*

#9 AHC American Heroes Channel

AHC tells timeless stories of heroes facing challenging villains and situations.

57M U.S. subscribers*

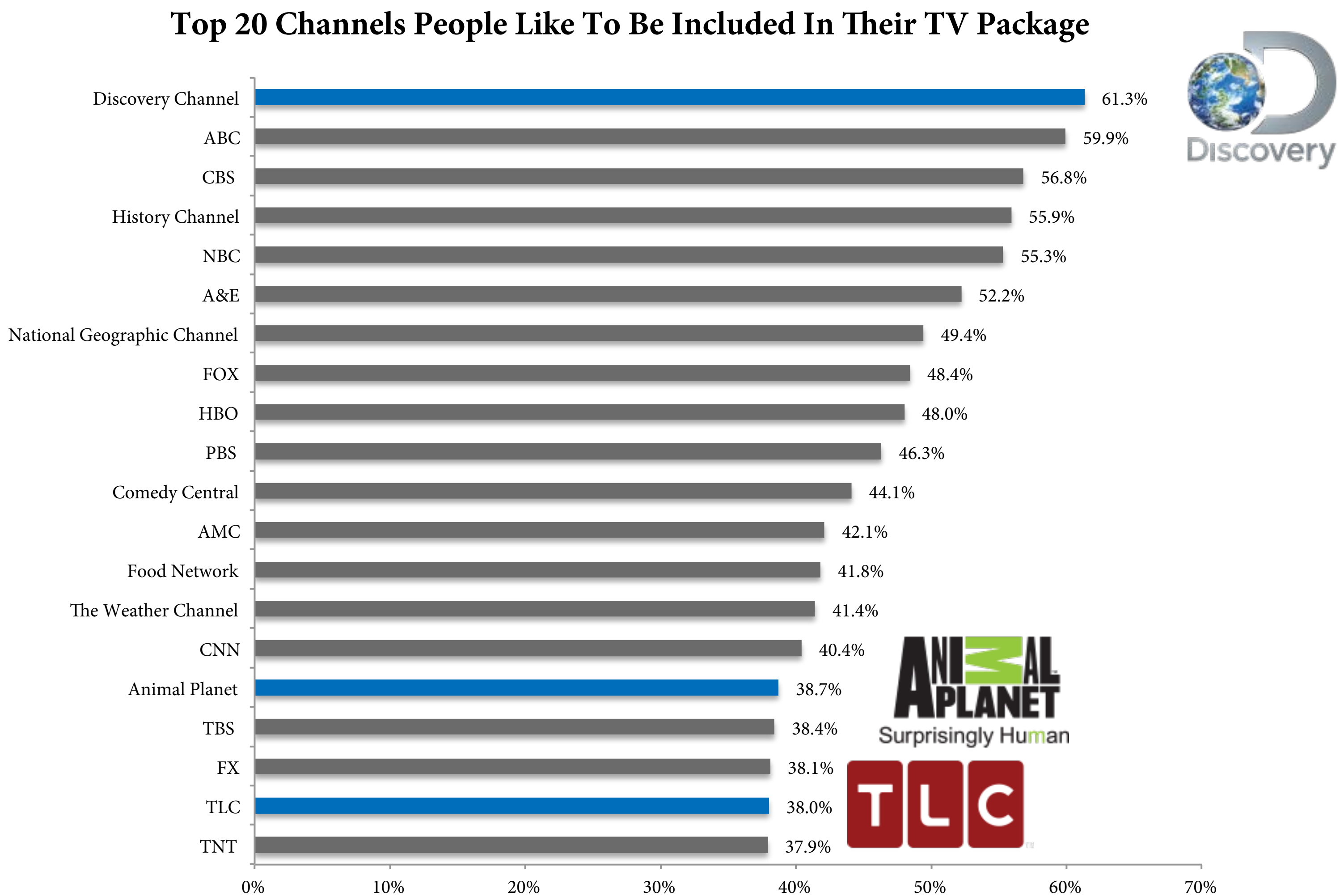
#10 Destination America

The only network celebrating the people, places and stories of the U.S.

56M U.S. subscribers*

* Source: Discovery Communications Q1 2016 Globe Quarterly Newsletter as reported 5 May 2016

DISCOVERY: TOP CHANNELS PEOPLE WOULD LIKE IN THEIR U.S. TV PACKAGE



Source: Digitalsmiths Q4 2015 Video Trends Report

DISCOVERY: BUSINESS SEGMENTS – INTERNATIONAL NETWORKS

Discovery's Top-10 International Channels are:

#1

The world's most widely distributed pay-tv network.

412M international subscribers*

#2

TLC (formerly The Learning Channel) is the world's #1 pay-tv brand for women.

332M international subscribers*

#3

The world's only entertainment brand that immerses viewers in the full range of life in the animal kingdom.

306M international subscribers*

#4

Eurosport is the #1 pan-European sports media brand that provides viewers with European and international sporting events.

160M international subscribers*

#5

Investigation Discovery is the world's leading mystery and suspense network on TV. It is one of the fastest growing networks in the world.

118M international subscribers*

#6

Discovery Kids lets children explore their awesome world and ignites their natural curiosity by providing content that is fun and educational.

102M international subscribers*

#7

Switchover Media is an Italian broadcaster that owns channels such as .GXT, K2, Freisbee, Giallo and Focus.

101M international subscribers*

#8

Discovery Science Channel encourages viewers to question everything. Explore science news, behind-the-scenes and original videos.

97M international subscribers*

#9

DMAX is a men's lifestyle channel that is widely available throughout Europe. It is the only free-to-air mainstream channel with a focus on non-fiction entertainment, unique in German media.

85M international subscribers*

#10

Quest is a television channel in the United Kingdom. Quest provides factual, lifestyle, entertainment programmes and other imported material.

81M international subscribers*

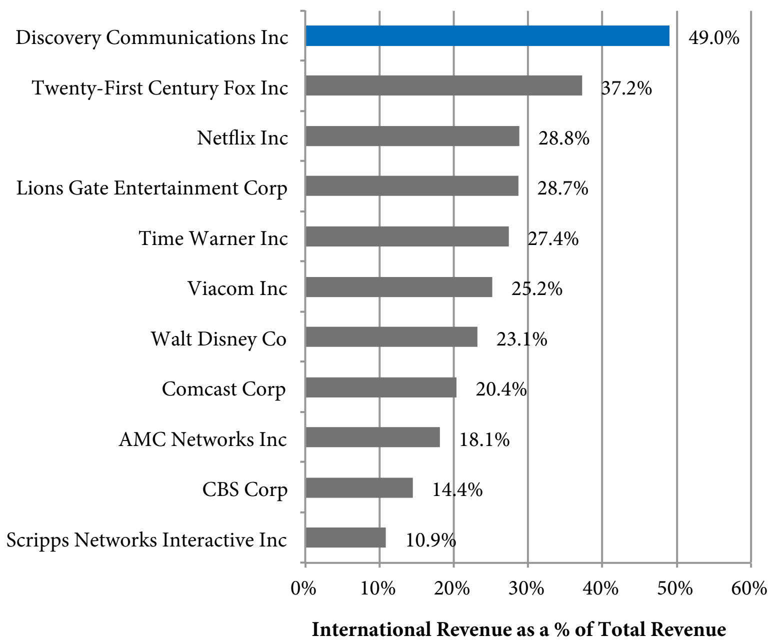
* Source: Discovery Communications Q1 2016 Globe Quarterly Newsletter as reported 5 May 2016

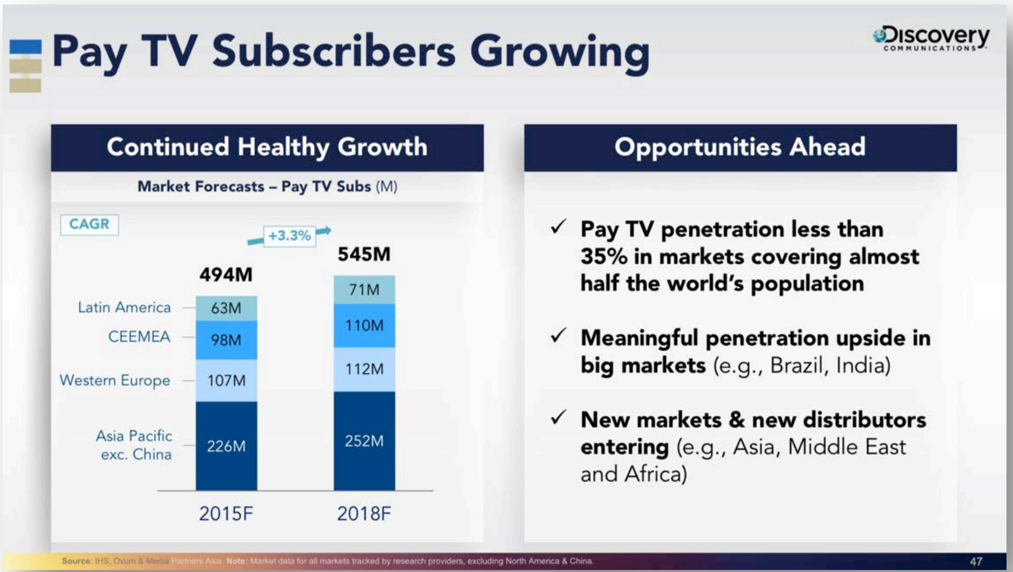
DISCOVERY: BUSINESS SEGMENTS – INTERNATIONAL NETWORKS

Strong Growth Outlook In International Networks

- International markets still look like the U.S. in the 1990's – underpenetrated and underpriced.
- Discovery is accordingly well positioned to benefit from its significant international market exposure versus its peers.

International Market Exposure - Discovery vs Peer Group





Source: Discovery Communications Investor Day Presentation – 29 September 2015

DISCOVERY: BUSINESS SEGMENTS – DISCOVERY EDUCATION

- With unparalleled access to the world's premiere educational media, Discovery Education delivers high-quality, engaging content that transforms classrooms, empowers educators and captivates students.

50%

of U.S. K-12 schools are Discovery Education's clients*

50%

of U.K. primary schools are Discovery Education's clients*

3M

The number of educators reached by Discovery Education's leading broadband content*

30M

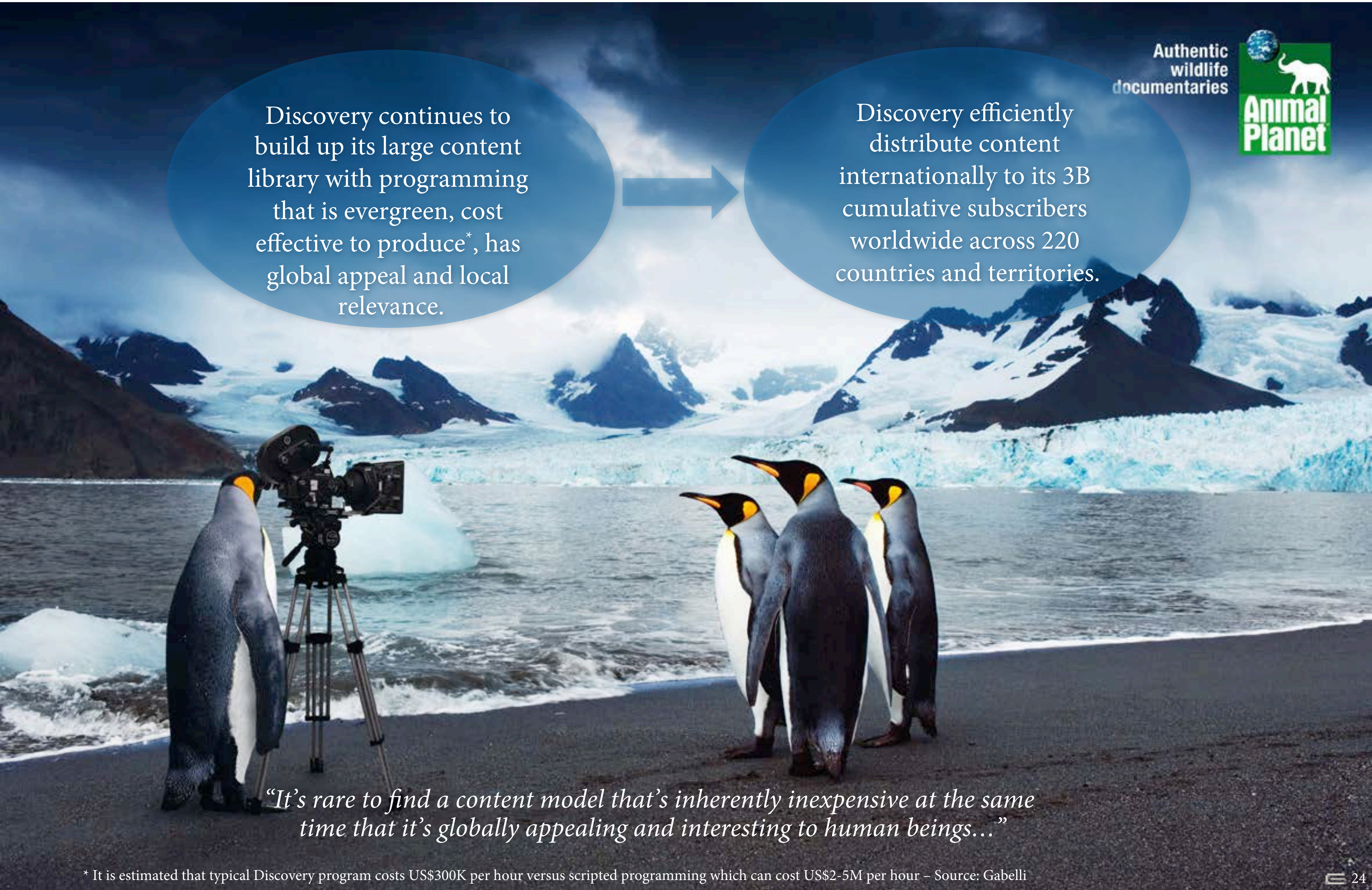
The number of students reached by Discovery Education's leading broadband content*

Discovery Education | STREAMING PLUS   Discovery Education | COMMUNITY   Discovery Education | PROFESSIONAL DEVELOPMENT   Discovery Education | TECHBOOK

* Source: Discovery Communications Q1 2016 Globe Quarterly Newsletter as reported 5 May 2016

ROBUST BUSINESS MODEL WITH FUTURE GROWTH POTENTIAL

DISCOVERY: ROBUST BUSINESS MODEL



Discovery continues to build up its large content library with programming that is evergreen, cost effective to produce*, has global appeal and local relevance.

Discovery efficiently distribute content internationally to its 3B cumulative subscribers worldwide across 220 countries and territories.

Authentic wildlife documentaries

Animal Planet

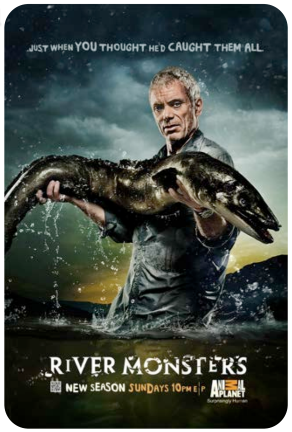
"It's rare to find a content model that's inherently inexpensive at the same time that it's globally appealing and interesting to human beings..."

* It is estimated that typical Discovery program costs US$300K per hour versus scripted programming which can cost US$2-5M per hour – Source: Gabelli

DISCOVERY: TOP-10 GLOBAL SHOWS REACHED 2.2 BILLION VIEWERS

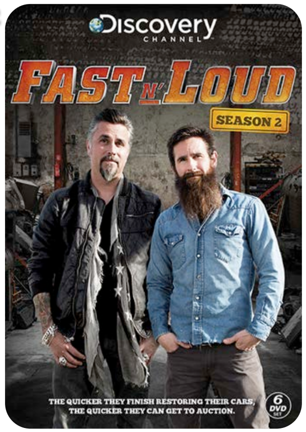
- The Company reaches three billion cumulative subscribers in more than 220 countries and territories*.
- Discovery's Top-10 global shows reached 2.2 billion viewers worldwide in 2014**.

#1



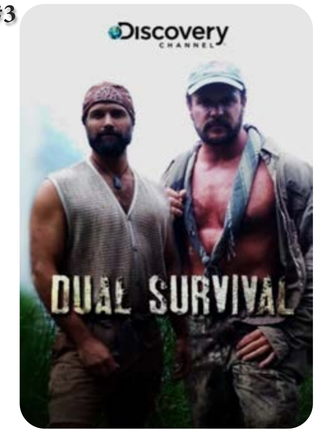
U.S. Reach: 88M Viewers
Intl Reach: 191M Viewers
Global Reach: 279M Viewers

#2



U.S. Reach: 97M Viewers
Intl Reach: 153M Viewers
Global Reach: 250M Viewers

#3

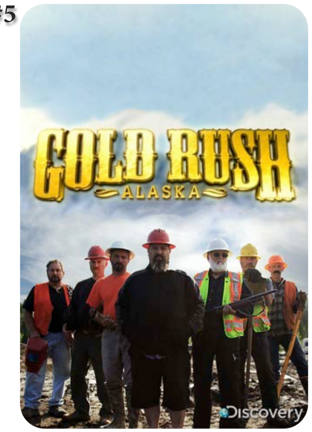


U.S. Reach: 63M Viewers
Intl Reach: 177M Viewers
Global Reach: 240M Viewers

#4

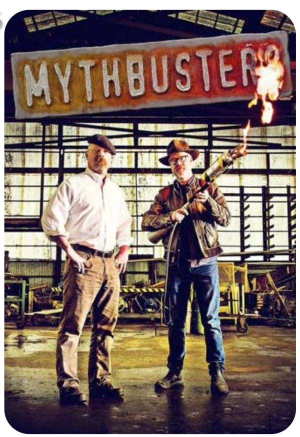
U.S. Reach: 114M Viewers
Intl Reach: 118M Viewers
Global Reach: 231M Viewers

#5



U.S. Reach: 69M Viewers
Intl Reach: 157M Viewers
Global Reach: 225M Viewers

#6



U.S. Reach: 80M Viewers
Intl Reach: 139M Viewers
Global Reach: 218M Viewers

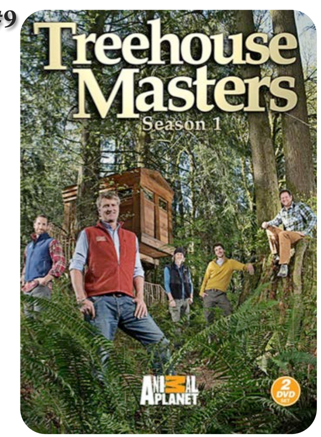
#7

U.S. Reach: 99M Viewers
Intl Reach: 101M Viewers
Global Reach: 200M Viewers

#8

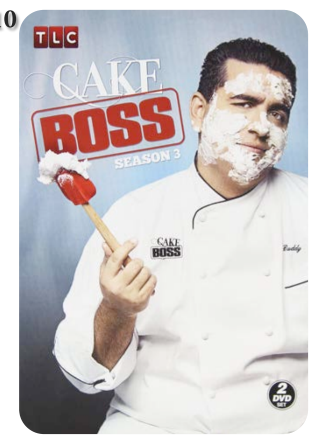
U.S. Reach: 27M Viewers
Intl Reach: 165M Viewers
Global Reach: 192M Viewers

#9



U.S. Reach: 79M Viewers
Intl Reach: 107M Viewers
Global Reach: 186M Viewers

#10



U.S. Reach: 53M Viewers
Intl Reach: 128M Viewers
Global Reach: 182M Viewers

* Discovery Communications Q1 2016 Globe Quarterly Newsletter as reported 5 May 2016 ** Discovery Communications 2014 Annual Report

DISCOVERY: DIVERSIFIED DEMOGRAPHIC VIEWERSHIP

"The first thing (Spielberg) told me was that his kids' TVs are set to our channels. Our channels are interesting and safe. Then he went on to talk about how he spent the whole weekend watching (old episodes of) Deadliest Catch to get ready for (this season's) premiere episode. When you think about Discovery, it opens any door."

CEO David Zaslav on talking to Steven Spielberg to make high-profile shows about science*

* David Zaslav's interview with David Lieberman, USA TODAY, 9 February 2009

DISCOVERY: NARROWCASTING TO A FRAGMENTING GLOBAL AUDIENCE

The Rise of Discovery 41

Discovery and National Geographic Channel are the world's main factual television narrowcasters, and major providers of factual media content. Their approach is to address a transnational but targeted audience, reflecting the way in which, through transnational communication, people are 'increasingly being addressed across national boundaries on the basis of their purchasing power' (Thussu, 2000: 79). Similarly, the former Managing Director of BBC Worldwide, Dick Emery, points out that Discovery has 'struck a chord, with a valuable demographic' globally (Emery, Former Managing Director, BBC Worldwide, interview with author, London, 16 May 2003). In Europe, 46 per cent of Discovery's viewers had a high medium income, 23 per cent had a medium income, and only 20 per cent in the category of low income (Discovery Mediapack, 2003d). The total audience in Europe is mixed with only a small skew towards the male audience: 52 per cent male and 48 per cent female (Discovery Mediapack, 2003c). In Latin America, it is the elite that subscribes to MTV, HBO, CNN, Disney, and Discovery, as 'the mass audience not only tolerate, but rather enjoy seeing locally made programming (much of it not at all exportable), material which is nationally produced and distributed' (Sinclair, 2005: 212). This is supported by market research company Synovate, who reports that Discovery Channel is the most-watched television channel by 'affluent adults' in Brazil (23.5 per cent) and Mexico (18.4 per cent), and is the second most watched television channel by this group in Argentina (Marketing Charts, 2007). The Latin American television audience is stratified, and 'partly for this reason, the different levels are not mutually exclusive—that is, the build-up of global channels in Latin America does not drive out local, national, and regional programming, any more than the rise of regional programming could ever have hoped to replace the global' (Sinclair, 2005: 212). As in Latin America, Discovery is targeting the wealthiest audience segment in South East Asia. A marketing research survey conducted in Discovery's 'key markets' Bangkok, Hong Kong, India, Jakarta, Kuala Lumpur, Manila, Seoul, Singapore, Sydney, Taipei, and Tokyo claims that Discovery Channel is the most watched regional channel among: 'Business Decision Makers (BDMs), Professional, Manager, Executive, Business Men (PMEBs) and high net worth individuals. The channel also reaches 30% of top management viewers on a weekly basis' (*Indiantelevision*, 2006).

The consequences of narrowcasting have been especially visible within children's television in many parts of the world. Discovery is also active in this audience segment through its Discovery Kids television channel. The American terrestrial channels had 98 per cent share of the children television audience in the 1980s. This share has been drastically reduced. In 2006, the American terrestrial channels had around 15 per cent of this audience, and the cable channels drew 77 per cent of the youngest audience (Alexander and Owers, 2007: 59). Also in Europe, the themed cable and satellite television channels Cartoon Network, Nickelodeon, and Disney's television channels Disney Channel, Playhouse Disney, Toon Disney, and Jetix (76 per

Source: Media Globalization and the Discovery Channel Networks (Ole J. Mjos)

Discovery is one of the world's premier factual TV narrowcasters. Its portfolio of channels serves as a vehicle for advertisers who wish to target different demographics.

Narrowcasting is the ability to target and reach a desired audience.

"Don't count the people you talk to, talk to the people who count."

DISCOVERY: EUROSPORT – NEW GROWTH ASSET

"Taking full control of Eurosport is the culmination of our commitment to strengthening Eurosport as a premier sports brand and fully integrating this business within Discovery's unmatched global portfolio."

- Discovery Communications CEO, David Zaslav

236M

Cumulative Subscribers

93

Countries in Europe, Asia-Pacific, Africa and the Middle East.

EUROSPORT

2012 Discovery takes a 20% minority stake in Eurosport for €170 million.

2014 Discovery increases its stake to a 51% controlling stake in Eurosport.

2015 Discovery agrees to acquire remaining 49% stake in Eurosport from French broadcaster TF1 for €491 million.

Discovery wins the pan-European TV and multiplatform broadcast rights for 2018-2024 Olympic Games for €1.3 billion.

* Source: Eurosport At A Glance – 31 May 2016

DISCOVERY: EUROSPORT – TO BE THE ESPN OF EUROPE (1)

WHY GET INTO SPORTS NOW? *

- Discovery Channels: **12%** of U.S. cable TV viewing, **3%** of affiliate fee revenue
- Sports channels: **10%** of U.S. cable TV viewing, **38% of affiliate fee revenue**

WHY EUROSPORT? *

- Discovery was simply too late to participate in sports in the U.S. market.
- Discovery has the distribution power and capital to support Eurosport to evolve into a major European Regional Sports Network (RSN).
- Distribution into 135M homes at present, with an addressable market of ~216M homes**.

EUROSPORT

"I don't think the market appreciates this (regional sports network) strategy for Europe."

Discovery CEO David Zaslav - 2014

* Summary of WSJ's 12 January 2016 article "Discovery Communications Wants to Be the ESPN of Europe"
** Source: Eurostat

DISCOVERY: EUROSPORT – TO BE THE ESPN OF EUROPE (2)

STRATEGY*

- Target cheaper regional popular sports
- Package Eurosport channels with Discovery's other channels in Europe
- Regionalised advertising business
- Add storytelling and talk shows to better engage sports fans

RISKS

- Lack of tier-one premier sports rights (ex-Olympics)
- Potential expensive rights acquisitions (e.g., Olympics)
- Changing business/market dynamics and viewer behaviour (e.g., Cord-cutting, Cord-shaving)

EUROSPORT

We suggest time-shifting viewership continues to rise for traditional programming as consumers shift toward on-demand content. This decreases the value of paid advertising. However 99% of sports events are viewed live, in comparison to just 53% of regular TV content, driving value for advertiser and increasing potential advertiser revenues.

We believe Sports taps into a global and extremely loyal fan base which allows compound growth through high audience retention.

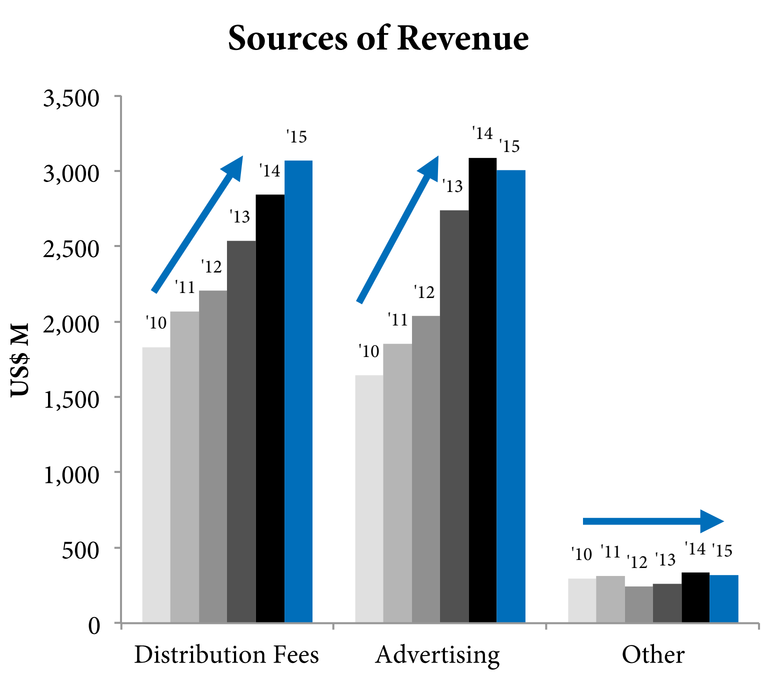
* Summary of WSJ's 12 January 2016 article "Discovery Communications Wants to Be the ESPN of Europe"

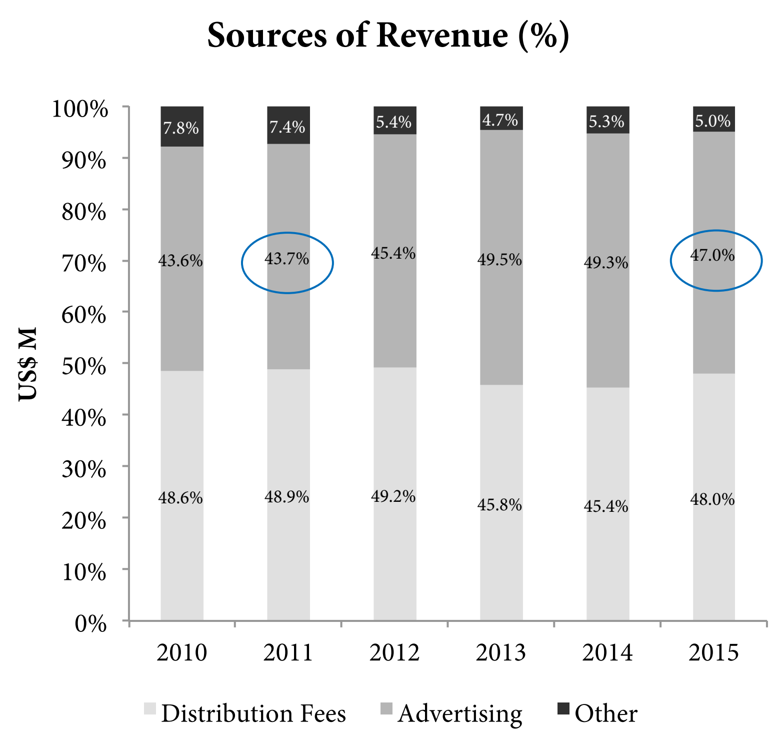
FINANCIALS & CAPITAL ALLOCATION

DISCOVERY: MAIN SOURCES OF REVENUE – DISTRIBUTION & ADVERTISING

43.7% → 47.0%

We suggest one of the key reasons for the increased revenue from advertising from 43.7% in 2011 to 47.0% in 2015 is Discovery's increasing stake in Eurosport since 2012.



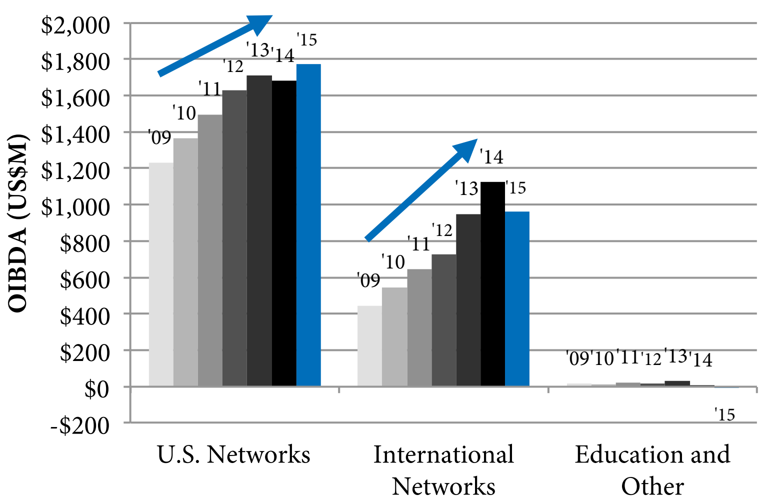


Source: Discovery Communications 10-K and Annual Reports

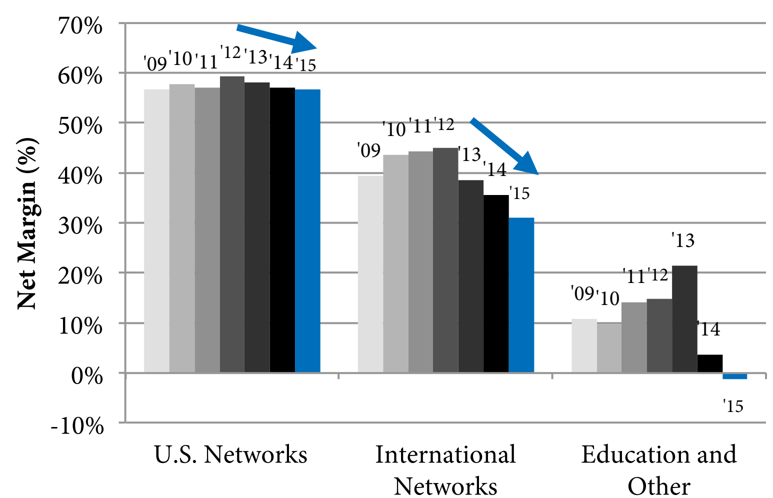
DISCOVERY: SEGMENT OPERATING PROFITS

- The Company measures its businesses using the metric – Adjusted Operating Income Before Depreciation and Amortization (AOIBDA)*. Management believes this measure is relevant to investors because it allows them to analyse the operating performance of each segment using the same metric management utilises.
- The Company has been able to growth its AOIBDA in both U.S. and International Networks in the past, with the exception of 2014 (US) and 2015 (International).
- However, the story is different on the AOIBDA margin front, with declines in both U.S. and International Networks since 2012.
- The Management have warned investors that its investment program in Eurosport will continue to depress margins for International Networks in the near term.
- As long-term investors, we are comfortable with Management (given their historical track record) making prudent long-term investments that can cause short-term earnings declines and margin volatility.

AOIBDA by Business Segment



AOIBDA Margins



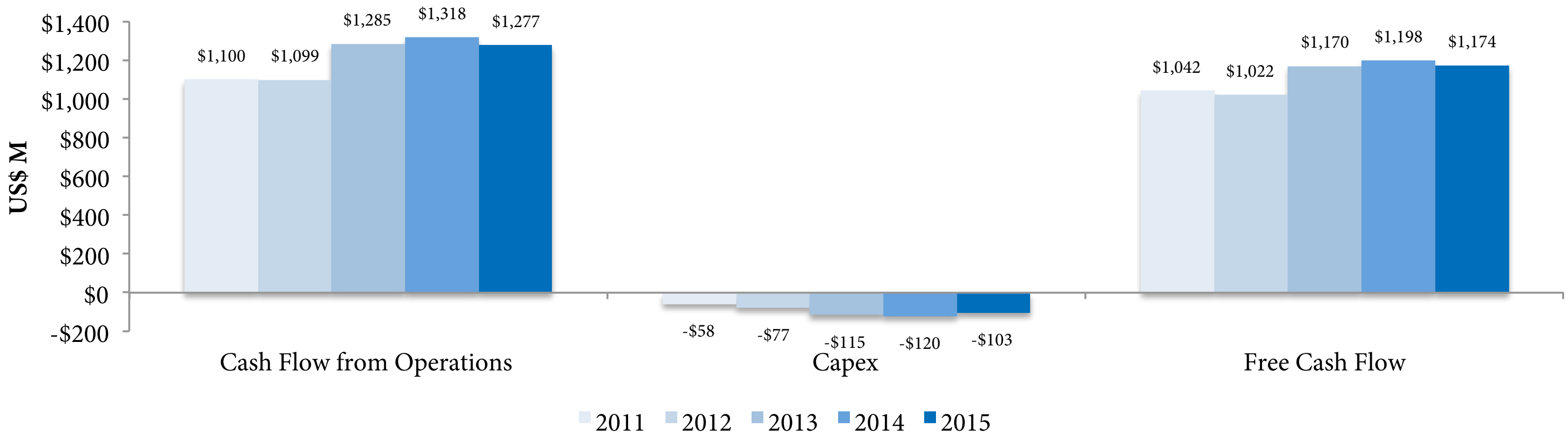
Source: Discovery Communications Annual Reports

* Adjusted OIBDA is defined as operating income excluding: (i) mark-to-market equity-based compensation, (ii) depreciation and amortization, (iii) amortization of deferred launch incentives, (iv) restructuring and other charges, (v) certain impairment charges, (vi) gains and losses on business and asset dispositions, and (vii) certain inter-segment eliminations related to production studios.

DISCOVERY: CAPITAL EXPENDITURE & FREE CASH FLOW GENERATION

- Discovery has an impressive free cash flow generative business model that generated over US$1 Billion of free cash flow in each of the past five years.

Operating Cash Flow, Capex and Free Cash Flow*



"And when you look at the simple metrics of our free cash flow to debt yield today is mid teens, and it's going to be growing to high teens. I mean, that is a significant amount of cash flow to debt yield. And so as we think about, we have no maturities until 2019, there's no one year in the next 15 years that a maturity is more than our expected cash flows, and so we have a very de-risked cash flow model with debt, so we feel comfortable taking on that additional amount.

What I'll say then that our expectation is, you really don't use leverage to buy back shares. I think it's more you use of cash flow to buy back shares, maybe you use debt equity to do acquisitions and investments, maybe you use free cash flow. And so we're going to be very, obviously, prudent about it. We're still going to focus and prioritize organic growth, second, strategic acquisitions, and third, share repurchases."

- Andy Warren (Discovery CFO) at Morgan Stanley TMT Conference on 1 March 2016

* Data Source: Thomson Reuters Eikon – As at 25 April 2016

DISCOVERY: FINANCIAL POSITION

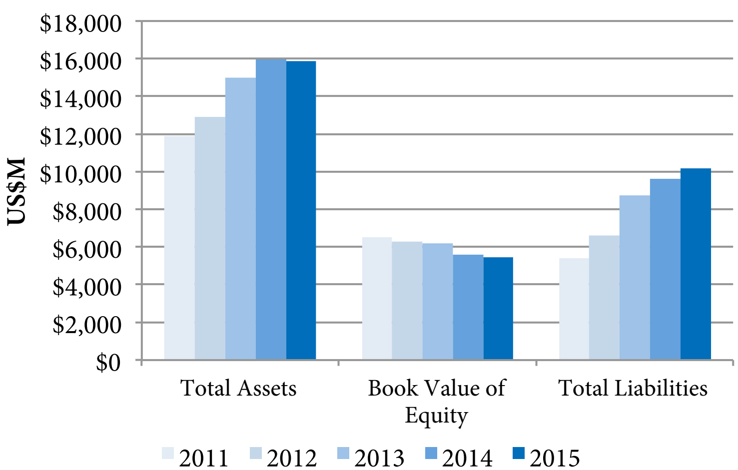
BALANCE SHEET

- Strong growth in Total Assets in recent years (except 2015), mainly due to increase in intangible assets/goodwill
- The balance sheet has been leveraged up in recent years. However, as noted in the Free Cash Flow slide (page 34), Management is comfortable with the current debt levels versus FCF generated.
- Equity (i.e., Book Value) continues to decline due to share buybacks*

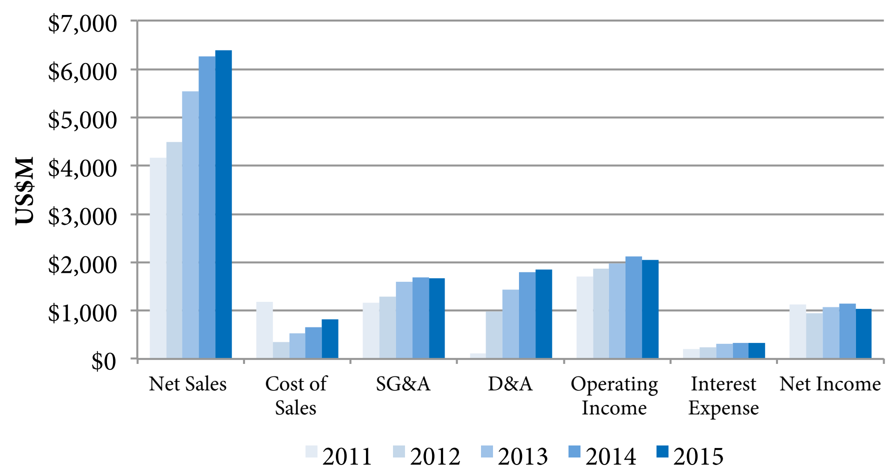
INCOME STATEMENT

- Management's commitment to continue to invest and increase spending for content on its networks (especially in the International Networks/Eurosport where the growth is coming from) means a significant increase in content amortisation cost.
- We are comfortable for Management to invest for the long term to grow these valuable brands and channels, even though it would depress GAAP accounting profits in the short term.

Total Assets, Book Value, Total Liabilities



Revenue, Costs and Profits

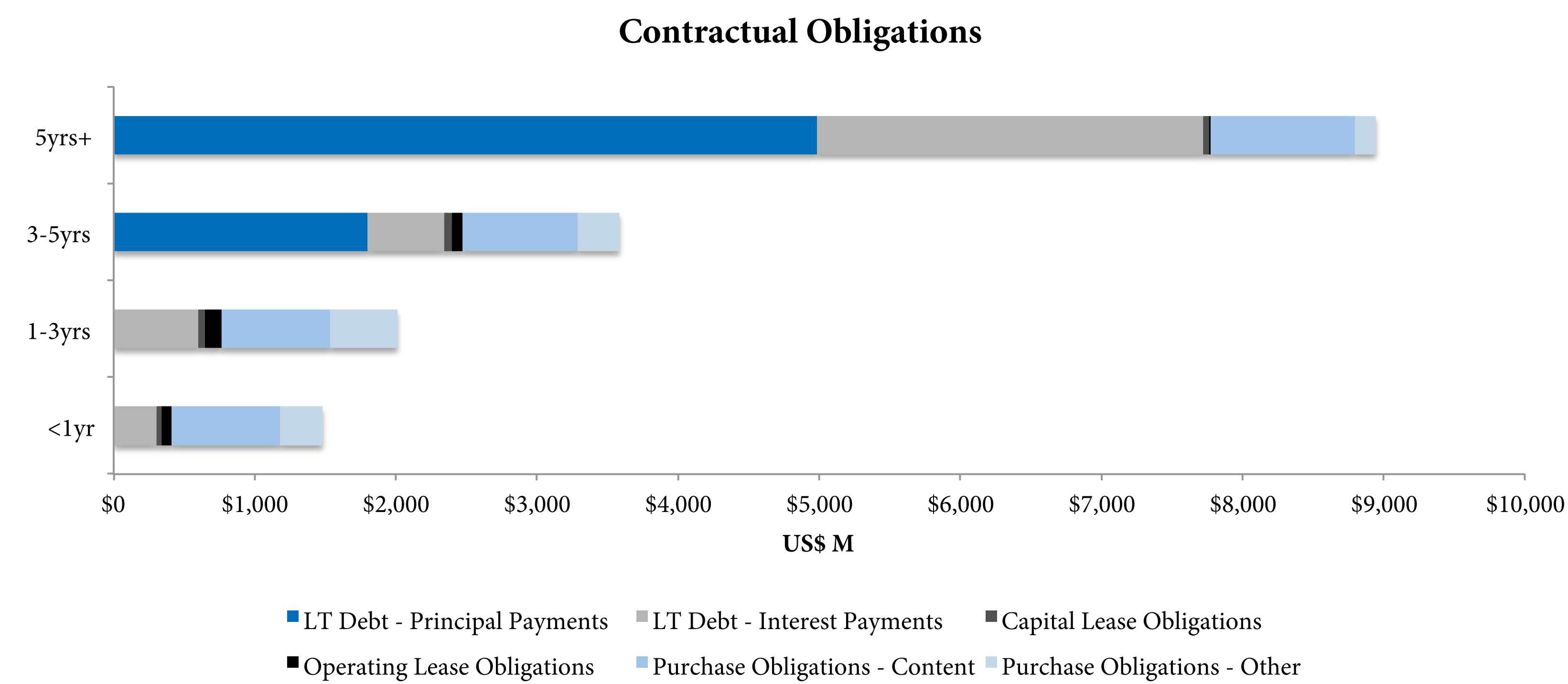


Data Source: Thomson Reuters Eikon as at 25 April 2016

* As at 31 December 2015, the Company bought back US$5.5B of common stock under the stock repurchase program, which reduces the Book Value by the same amount.

DISCOVERY: CONTRACTUAL OBLIGATIONS

- We consider the Company's contractual obligations to be at reasonable levels, considering it has generated ~US$ 1.2B of Free Cash Flow in the past three years.
- ~40% of the contractual obligations are long-term debt principal payments that can be paid by issuance of new senior notes. We will continue to monitor the amount of interest payments, with a view that interest rates could be on its way up.
- We also note that the Company contributes to defined contribution and other savings plans for its employees. It made total contributions of US$ 36M in 2015 (US$ 33M in 2014, US$ 28M in 2013), and are recorded as part of the SG&A expenses.

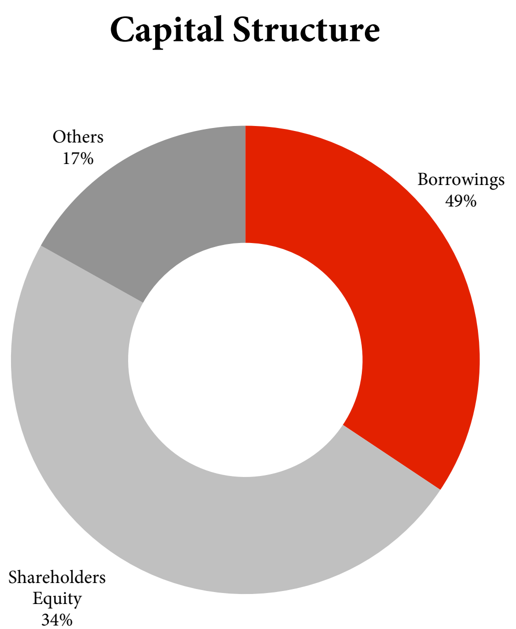


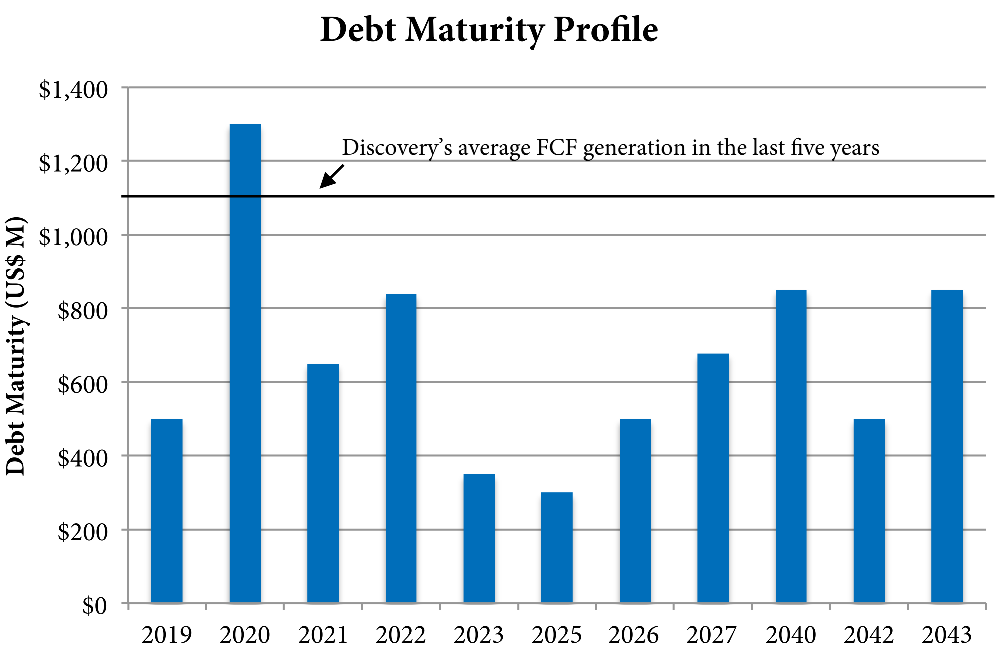
Source: Discovery Communications 2015 10-K Report

DISCOVERY: DEBT & TERM STRUCTURE

DEBT (48% OF TOTAL ASSETS)*

- The Company has debt totalling US$ 7,990M**.
- The Company has no debt maturing until 2019.
- 30% of the debt has maturities beyond 2040.





* Data Source: Thomson Reuters Eikon – As at 25 April 2016
** Discovery Communications Q1 2016 Earnings Release – 5 May 2016

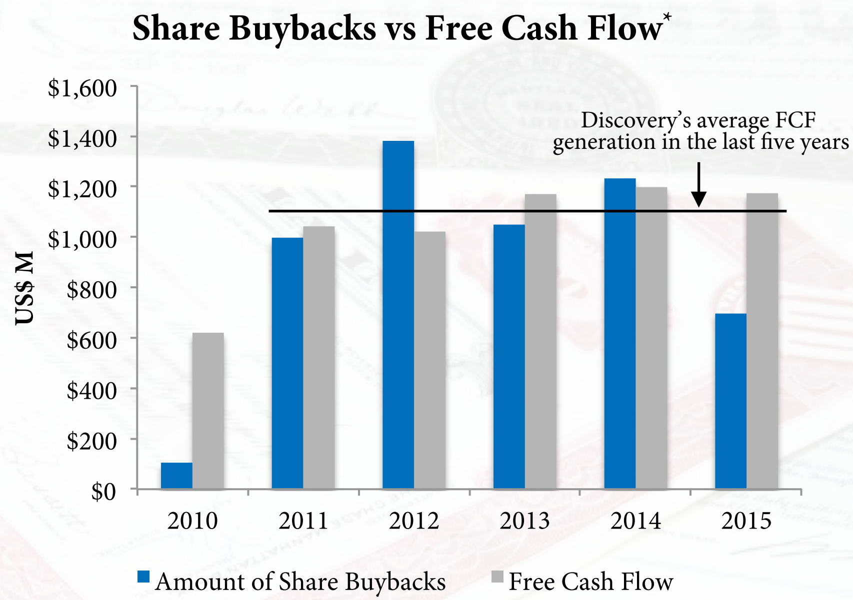
DISCOVERY: AGGRESSIVE CAPITAL RETURN VIA SHARE BUYBACKS (1)

NO DIVIDENDS

- "*We have not paid any cash dividends on our Series A common stock, Series B common stock or Series C common stock, and we have no present intention to do so.*" – Discovery Communications 2015 10-K Report

SHARE BUYBACKS

- The Company utilises share buybacks as the sole means to return capital and create value for shareholders.
- US$ 7.5B has been authorised since 2010 when the share repurchase program was initially implemented.
- There remains US$ 1.8B** authorised for future repurchases (which will expire on 8 October 2017).
- The Company is capable of repurchasing more than US$ 1B of shares annually based on its strong free cash flow generation.



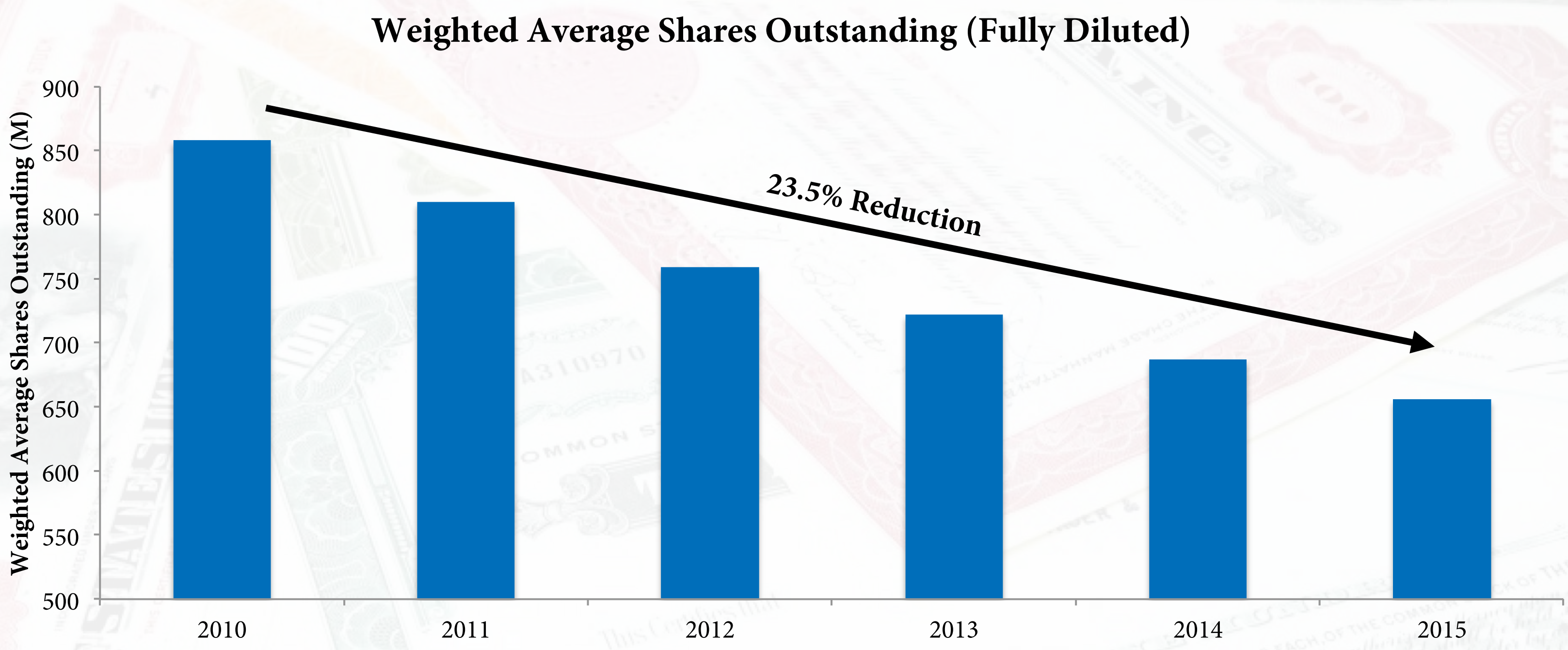
"***We did get back into the share repurchases more aggressively**, because when I look at where our stock is today, and I look at our free cash flow per share growth, I mean, **it is just an incredibly compelling return** for myself, Dave, and the Board, and so that's what drove the decision.*"

- Andy Warren (Discovery CFO) at Morgan Stanley TMT Conference on 1 March 2016

* Data Source: Thomson Reuters Eikon – As at 25 April 2016, and Discovery Communications 10-K and Annual Reports
** Discovery Communications Q1 2016 10-Q Report – 5 May 2016

DISCOVERY: AGGRESSIVE CAPITAL RETURN VIA SHARE BUYBACKS (2)

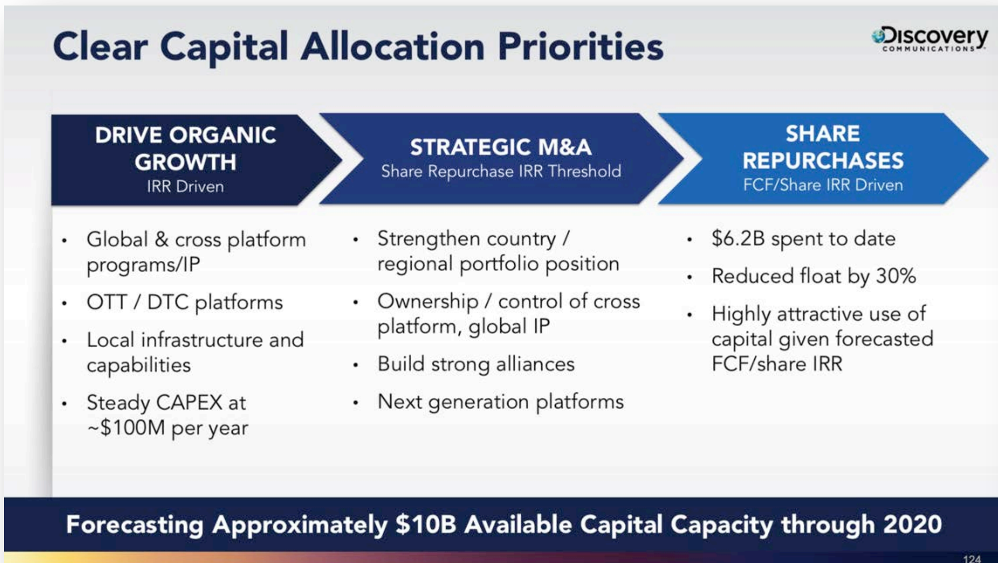
- The chart below illustrates the stock repurchase program has significantly reduced the number of shares outstanding since 2010*.
- The Company has purchased 30%+ of the outstanding float, including preferred stock.
- As at 31 March 2016, the Company had bought back US$5.7B of common stock under the stock repurchase program*.



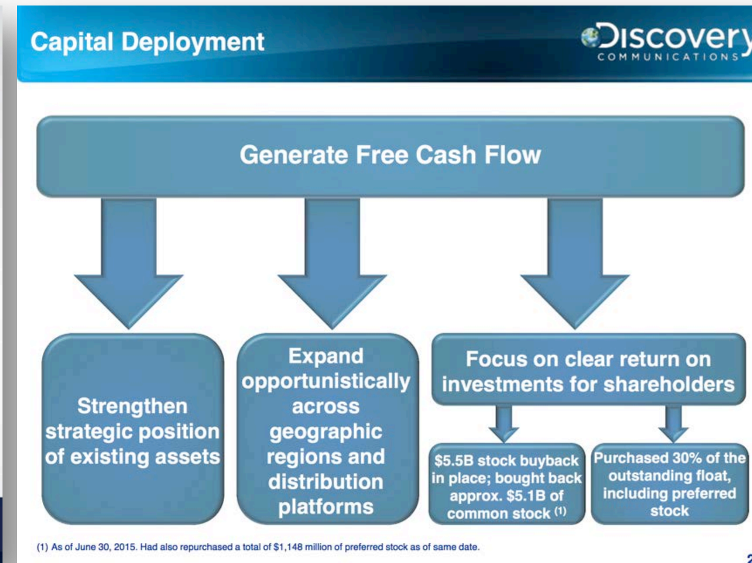
* Discovery Communications 2015, 2014 10-K Reports
** Discovery Communications 2016 Q1 10-Q Report

DISCOVERY: CAPITAL & CASH FLOW DEPLOYMENT STRATEGY

- We believe the Company's capital/cash flow deployment strategy will continue to create shareholder value in both the short term (via share buybacks) and the long term (CAPEX investment and via M&A).



Sources: Discovery Communications September 2015 Investor Day Presentation p124



Sources: Discovery Communications August 2015 Presentation p27

"What I'll say then that our expectation is, you really don't use leverage to buy back shares. I think it's more you use of cash flow to buy back shares, maybe you use debt equity to do acquisitions and investments, maybe you use free cash flow. And so we're going to be very, obviously, prudent about it. We're still going to focus and prioritize organic growth, second, strategic acquisitions, and third, share repurchases."

\- Andy Warren (Discovery CFO) at Morgan Stanley TMT Conference on 1 March 2016

OWNERSHIP & CONTROLLING SHAREHOLDERS

DISCOVERY: OWNERSHIP HISTORY…

1982	John Hendricks founded the Cable Educational Network, Inc.
1986	One year after the Launch of Discovery Channel, John Hendricks sold 49% of his business to Tele-Communications, Inc. (TCI, controlled by John Malone), 25% to Newhouse Broadcasting Corp (Advance/Newhouse, controlled by the Newhouse family) and 25% to Cox Cable Communications.
1999	AT&T acquired TCI for US$ 48B.
2001	AT&T spun off Liberty Media, which holds the 50% stake in Discovery Communications.
2005	Discovery Holding Company (DHC) was spun off from Liberty Media. It consists of a 50% stake in Discovery Communications (DCI) and Ascent Media.
2007	Cox exchanged its 25% DCI stake for the Travel Channel and US$ 1.3B Cash, resulting in DHC's ownership of DCI increased to 66.7% and A/N's ownership of DCI increased to 33.3%.
2008	DHC spun off Ascent Media to its shareholders, with its 66.7% stake in DCI remaining.
	A/N agreed to combine its 33.3% stake in DCI with DHC's 66.7% in DCI to form a new publicly-traded company called Discovery Communications Inc. A/N exchanged its 33.3% stake in DCI for convertible preferred stock.
TODAY	▪ John Malone – 3.3% of economic ownership, and 21% of voting rights. ▪ Advance/Newhouse – 34% of economic ownership, and 25% of voting rights.

DISCOVERY: EQUITY OWNERSHIP

THREE SERIES OF COMMON STOCK*:

- Series A Common Stock – One vote per share (150,092,266 shares outstanding)
- Series B Common Stock – Ten votes per share (6,514,584 shares outstanding)
- Series C Common Stock – No votes (253,992,180 shares outstanding)

Series A Common Stock – Top Shareholders*	%*
ClearBridge Investments	12.0%
The Vanguard Group	8.4%
Hotchkis and Wiley Capital	6.6%
Newton Investment	5.6%
BlackRock Institutional Trust	4.2%
Jackson Square Partners	4.0%
State Street Global Advisors	4.0%
Eagle Capital	3.1%
Bessemer Trust Company	2.9%

Series B Common Stock – Top Shareholders*	%*
John Malone	93.54%
Paul Gould	1.34%
Vantage Investment Advisory	0.20%
Robert Beck	0.17%
Dimensional Fund Advisors	0.13%
TIAA Global Asset Management	0.10%
Geode Capital Management	0.02%
UBS Securities	0.01%
Tower Research Capital	0.01%

Series C Common Stock – Top Shareholders*	%*
The Vanguard Group	8.7%
Brown Brothers Harriman	7.9%
Vulcan Value Partners	7.3%
John Malone	5.3%
BlackRock Institutional Trust	4.4%
State Street Global Advisors	4.3%
Jackson Square Partners	3.6%
First Manhattan	2.4%
Eagle Capital	1.6%

TWO SERIES OF PREFERRED STOCK:

- Series A Preferred Shares (Owned by Advance/Newhouse, 71,107,312 shares**)
  - Convertible to one share of Series A Common Stock and one share of Series C Common Stock
- Series C Preferred Shares (Owned by Advance/Newhouse, 33,055,763 shares***)
  - Convertible to two shares of Series C Common Stock
- *We assume all Series A and Series C Preferred Shares are fully converted in our Market Cap, P/E, P/FCF and EV/EBITDA calculations.*

* Data Source: Thomson Reuters Eikon – As at 25 April 2016
** Schedule 13D/A filed by Advance/Newhouse on 22 February 2016 *** Form 4 filed by Advance/Newhouse on 9 May 2016

DISCOVERY: ADVANCE/NEWHOUSE PROGRAMMING PARNTERSHIP

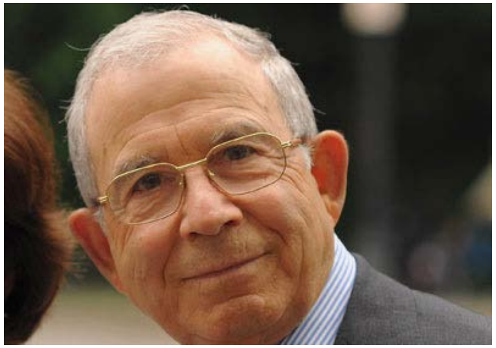
ADVANCE/NEWHOUSE PROGRAMMING PARTNERSHIP

- Its Parent Company is Advance Publications, a private company that is owned by the Newhouse family.
- Advance Publications is one of the largest private companies in the U.S., which owns Bright House Networks (6th largest U.S. cable company, recently sold to Charter Communications), Conde Nast magazines (the New Yorker, Vogue, Vanity Fair, Wired, etc.), various newspapers serving 26 cities; a stake in Discovery and other businesses.

Samuel Irving Newhouse Jr. – Chairman of Advance Publications

LARGEST SHAREHOLDER VIA PREFERRED SHARES

- Owns 71,107,312 shares of Series A Preferred Stock*
- Owns 33,055,763 shares of Series C Preferred Stock**
- Represents 34% of economic ownership, and 25% of voting rights.



Donald Newhouse – President of Advance Publications

* Schedule 13D/A filed by Advance/Newhouse on 22 February 2016
** Form 4 filed by Advance/Newhouse on 9 May 2016

DISCOVERY: CONTROLLING SHAREHOLDER – DR. JOHN MALONE

John Malone is one of the best business owners / operators / investors in our time…

JOHN MALONE OWNS MOST OF DISCOVERY'S SUPERVOTING B SHARES

- Owns 93.5% of Series B shares (0.3% of Series A shares*, 3.5% of Series C shares*).
- Represents 3.3% of economic ownership, and 21% of voting rights.

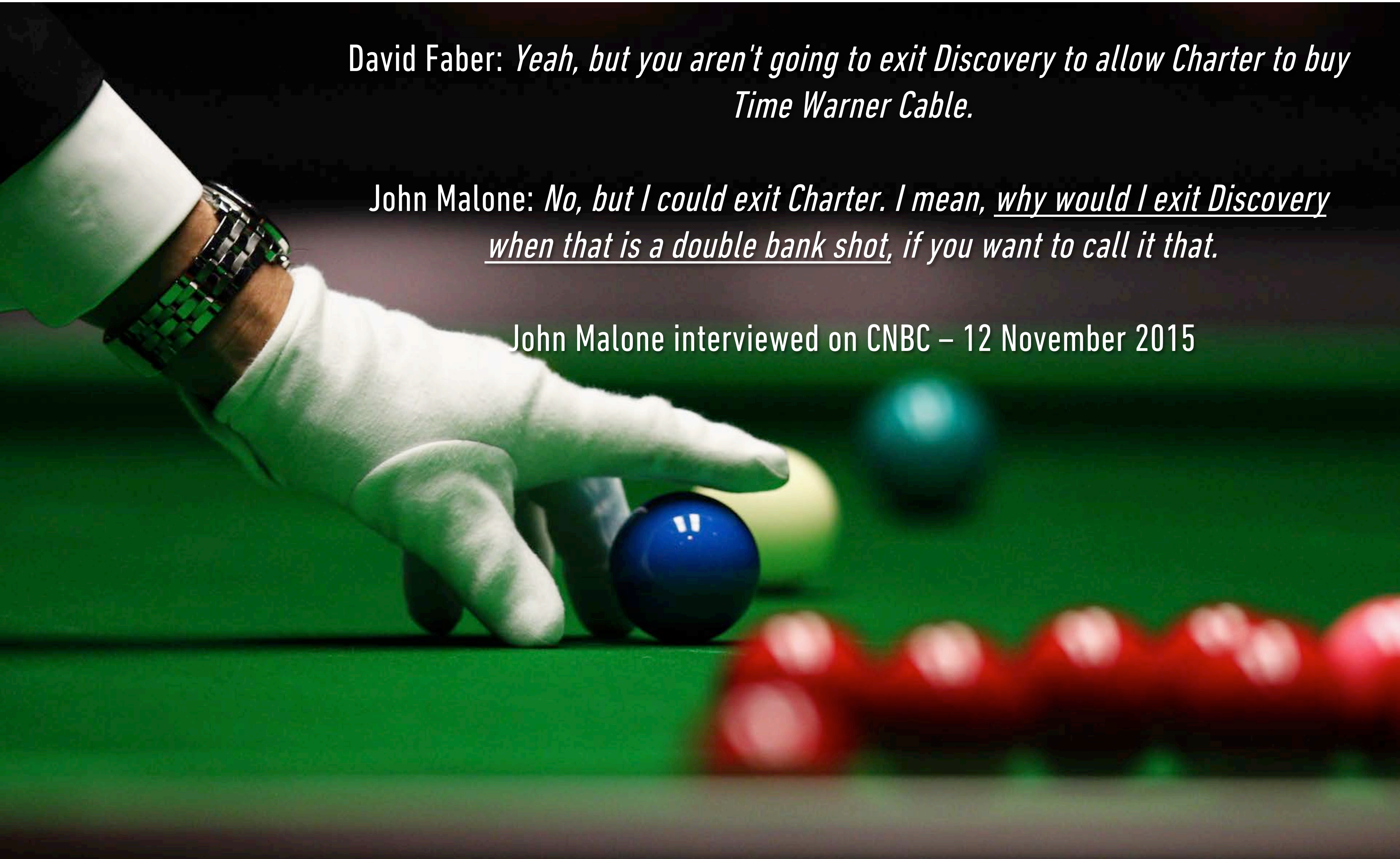
WIZARD OF FINANCIAL ENGINEERING AND OPERATIONAL OPTIMISATION

- Focus on wealth creation and levered cash flow growth.
- Focus on tax efficiency / minimisation in every aspect of business activities.
- Developing strong business cultures and employee loyalty through decentralisation, autonomy and generous incentives.
- Utilisation of leverage (Ownership, Operational, Financial) with tools such as supervoting stocks, holding company structure, joint venture, borrowing, etc., to maximise influence.
- Horizontal and vertical synergies / scale.
- Creating / realising value for shareholders via:
  - Opportunistic share buybacks;
  - Spinoffs / Reverse Morris Trust / Mergers / Stock swap;
  - Tracking stocks.

"John Malone proved once again that he's arguably the most powerful man in cable… and he's the nation's biggest individual landowner." - Forbes

* Assume Series A and Series C Preferred Shares owned by Advance/Newhouse are fully converted.

DISCOVERY: “A DOUBLE BANK SHOT” – JOHN MALONE



David Faber: *Yeah, but you aren't going to exit Discovery to allow Charter to buy Time Warner Cable.*

John Malone: *No, but I could exit Charter. I mean, <u>why would I exit Discovery when that is a double bank shot</u>, if you want to call it that.*

John Malone interviewed on CNBC – 12 November 2015

Source: http://www.cnbc.com/2015/11/12/cnbc-exclusive-cnbc-excerpts-liberty-media-chairman-john-malone-charter-communications-ceo-tom-rutledge-speak-with-cnbcs-david-faber-today.html

DISCOVERY: DR. JOHN MALONE'S CABLE & MEDIA EMPIRE

Liberty Global PLC

MarketCap = US$ 32.6B
Economic ownership = 3%
Voting right = 26%

It is the largest international cable company, with 27M customers in 14 countries.

Liberty Broadband Corp
MarketCap = US$ 5.4B
Economic ownership = 8%
Voting right = 47%

Principal assets: 26% of Charter Communications, TruePosition and 1% of Time Warner Cable.

Liberty Media Corp
MarketCap = US$ 12.5B
Economic ownership = 9%
Voting right = 47%

It owns interests in a broad range of media, communications and entertainment businesses.

Liberty TripAdvisor Holdings
MarketCap = US$ 1.6B
Economic ownership = 6%
Voting right = 4%

Principal assets: TripAdvisor and BuySeasons.

LIBERTY INTERACTIVE CORPORATION

QVC Group Tracking Stock
MarketCap = US$ 18.0B
Economic ownership = 6%
Voting right = 37%

Liberty Venture Group Tracking Stock
MarketCap = US$ 18.4B
Economic ownership = 6%
Voting right = 33%

5%

JOHN MALONE'S ECONOMIC OWNERSHIP OF HIS CABLE & MEDIA EMPIRE

US$ 106B

TOTAL MARKET CAPITALISATION OF HIS CABLE & MEDIA EMPIRE

31%

JOHN MALONE'S VOTING RIGHTS FOR HIS CABLE & MEDIA EMPIRE

MERGER TALKS

Discovery Communications Inc
MarketCap* = US$ 17.4B
Economic ownership = 3%
Voting right = 21%

Is the world's #1 pay-TV programmer, reaching 3 billion cumulative subscribers in more than 220 countries and territories.

Starz
MarketCap = US$ 2.9B
Economic ownership = 6%
Voting right = 33%

Is a leading integrated global media and entertainment company that provides premium subscription video programming, global content distribution and animated television and movie production.

Lions Gate Entertainment Corp
MarketCap = US$ 3.6B
Economic ownership = 3%
Voting right = 3%

Is a leading global entertainment company with a strong and diversified presence in motion picture production and distribution, television programming and syndication, home entertainment, family entertainment, digital distribution, new channel platforms and international distribution and sales.

* We assume all Series A and Series C Preferred Shares are fully converted (Refer page 43)

DISCOVERY: DISCOVERY, LIBERTY GLOBAL, LIONSGATE & STARZ

- We believe the strategic alliance between Discovery, Liberty Global and Lionsgate is extremely powerful.
- If this relationship is deepened further, it should create significant operational leverage and therefore benefit Discovery shareholders.
- From John Malone's point of view, the current structure of the alliance is providing him insight and optionality in the media sector, specifically in content creation. This alliance could also be a fully integrated content business, challenging the likes of Comcast, Fox and Disney.

RECENT EVENTS

Feb/15

Lionsgate swaps shares with Starz as John Malone joins Lionsgate board.

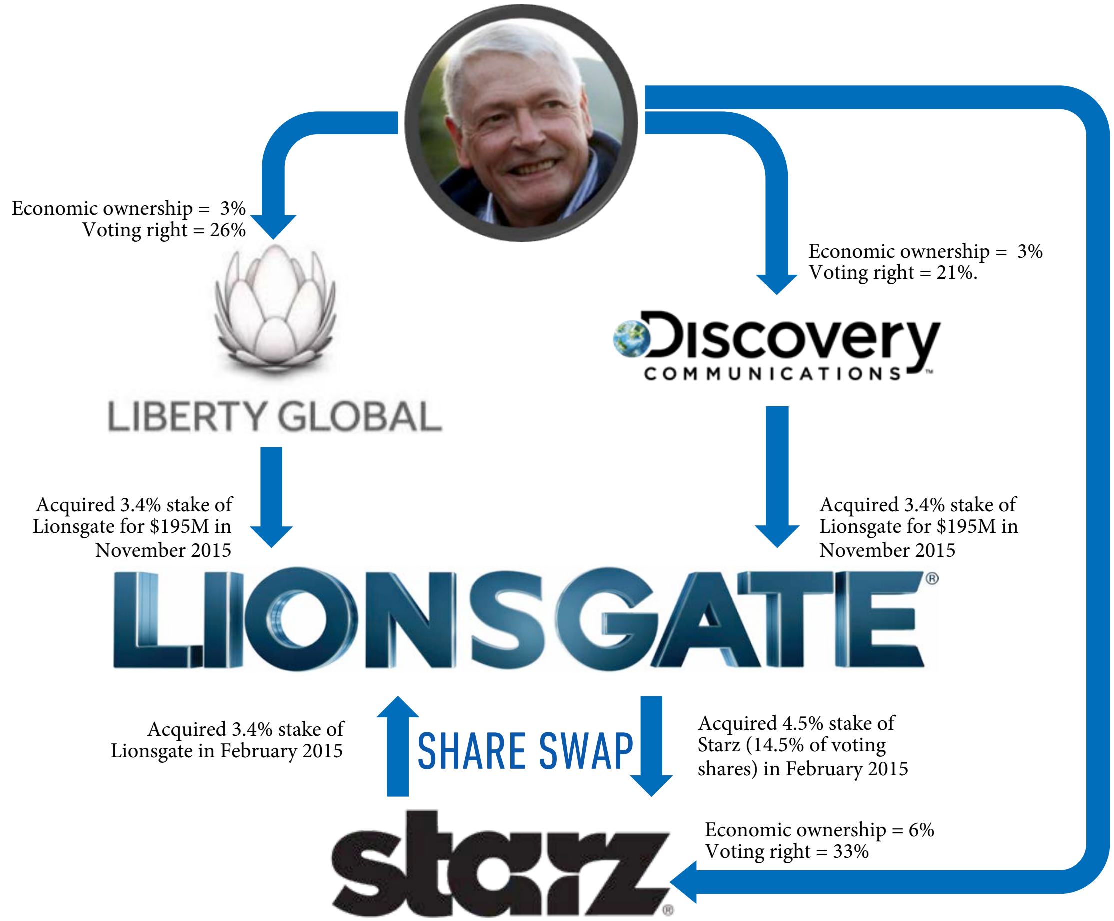
Nov/15

Lionsgate announces the partnership with Liberty Global and Discovery Communications:

1. Liberty Global and Discovery each acquire 3.4% stake in Lionsgate.
2. Liberty Global CEO and Discovery CEO to be named to Lionsgate board.
3. Partners enter into commercial agreements.

Feb/16

Lionsgate announces it "*intends to explore whether there is a potential mutually beneficial combination of the two companies (Lionsgate & Starz).*"



"BEST IN CLASS" MANAGEMENT

DISCOVERY: DAVID ZASLAV – PRESIDENT AND CEO SINCE 2007

CEO HIGHLY INCENTIVISED TO CREATE LONG-TERM VALUE FOR SHAREHOLDERS

- In 2014, the Company extended employment contract with David Zaslav to 31 December 2019.
- The vast amount of this total direct compensation package is performance based (98%).
  - US$ 3M annual base salary (six-year term with no base salary increase)
  - 224,845 Sign-On Performance-based Restricted Stock Units (PRSUs)
  - 910,000 Performance-based Restricted Stock Units (PRSUs)
  - 3,702,660 Stock Appreciation Rights (SARs)
- The purpose of these performance-based compensations is to align Mr. Zaslav's interests to those of the shareholders for the long run. For example, the 3.7M SARs granted at the beginning of 2014 will have no value to Mr. Zaslav right now with the stock price been much lower than when it was granted.
- In 2014, controlling shareholder John Malone also granted stock voting right and first-refusal right to Mr. Zaslav with regard to Mr. Malone's ~6M Class B shares .

"Securing David for the next six years recognizes his value to the enterprise, and provides continuity, strong leadership, and his trademark high energy to Discovery for many years to come."

– John Hendricks, Founder of Discovery Communications

DISCOVERY: UNDER DAVID ZASLAV'S LEADERSHIP…

- Text

	2008	2015	△
Cumulative Subscribers	1.5B Subscribers	3.0B Subscribers	+100%
Countries	170 Countries	223 Countries	+31%
# of Networks	100 Networks	200 Networks	+100%
Revenue	US$ 3.44B	US$ 6.39B	+86%
Adjusted OIBDA*	US$ 1.31B	US$ 2.40B	+83%
International Revenue	34%	48%	+14%

"David has done a superb job. He built a strong management team that has expanded the company's reach and relevance, increased its market share domestically and around the world, and created a bigger, stronger portfolio of brands. We look forward to working with David to do more of the same over the next six years."
– John Malone

* Operating Income Before Depreciation and Amortisation

DISCOVERY: ADDING EXPERIENCED MANAGERS – EXAMPLE – RICH ROSS

GROUP PRESIDENT OF DISCOVERY CHANNEL, ANIMAL PLANET AND SCIENCE CHANNEL

- In October 2014, the Company announced the appointment of former Disney executive Rich Ross to the position of President of Discovery Channel.
- In August 2015, the Company promoted Mr. Ross to be the Group President of Discovery Channel, Animal Planet and Science Channel.
- He spent 16 years working at Disney, and is credited with the successful Disney's global kids' TV business, and the launch of the highly successful Disney Channel Original Movie franchise. Mr. Ross was named Chairman of Walt Disney Studios in 2009, overseeing Disney's film, music and theatrical groups.
- He also worked at Nickelodeon, Fox and FX in the past.

"What I do believe is must-have programming is what fuels a brand.

I hear loud and clear from my boss and our board to do exactly what my boss said at Disney, and my boss said at Fox, and my boss said at Nickelodeon, and my boss said at FX. They say: 'Make what people want to watch and the rest goes with it'. I don't think that has changed at all.

My job every day is to make what people want to watch."

– Rich Ross' interview with The Guardian in August 2015

COMPARABLE COMPANIES ("COMPCO'S")

DISCOVERY: COMPARABLE COMPANIES – MARGINS AND RETURNS

- Discovery's margins are superior to the majority of its peers due to its superior business model (low-cost non-fiction content that appeals to a diverse global audience) and its scale (world's #1 Pay-TV programmer).
- As noted earlier, short-term returns and net profits are currently impacted by a significant content/programming investment in International Networks/Eurosport.

Company Name	Net Profit Margin	Gross Profit Margin	Normalised EBITDA Margin	Normalised EBIT Margin	ROE	ROA	Market Cap (USD M)
Lions Gate Entertainment Corp	7.6%	45.2%	10.0%	9.7%	7.3%	5.9%	3,031
CBS Corp	10.1%	40.1%	22.4%	20.5%	22.4%	6.0%	25,830
Twenty-First Century Fox Inc	28.9%	36.0%	22.9%	20.4%	14.3%	16.4%	59,308
Viacom Inc	14.5%	48.2%	26.7%	25.0%	53.1%	8.9%	17,318
Time Warner Inc	13.5%	42.5%	27.2%	24.8%	15.7%	6.0%	60,858
Walt Disney Co	16.0%	45.9%	29.7%	25.2%	20.6%	10.3%	171,135
AMC Networks Inc	14.2%	55.9%	31.4%	28.2%	0.0%	9.3%	4,745
Comcast Corp	11.0%	69.7%	33.1%	21.5%	15.6%	5.2%	148,066
Scripps Networks Interactive Inc	20.1%	67.3%	43.8%	39.3%	41.8%	13.7%	8,266
Netflix Inc	1.8%	32.3%	56.8%	4.5%	6.0%	1.4%	39,587
Starz	13.9%	46.7%	70.1%	24.1%	177.4%	15.1%	2,575
Discovery Communications Inc	10.7%	63.4%	61.0%	32.1%	12.4%	6.6%	17,413*
Median	14.2%	45.9%	27.2%	24.8%	15.7%	8.9%	25,830
Mean	15.1%	50.1%	27.5%	23.8%	21.2%	9.1%	55,395

Data Source: Thomson Reuters Eikon as at 25 April 2016

DISCOVERY: COMPARABLE COMPANIES – FINANCIAL LEVERAGE

- Based on balance sheet ratios (Net Debt / EV, Total Debt / Total Equity, Quick Ratio), Discovery is a more leveraged business versus its peers – reflective of John Malone control and the strong cash flows of the business.
- However, if we look at earnings/cash flow-based ratios such as Net Debt / EBITDA, Discovery is actually less levered than a number of its peers.

Company Name	Net Debt to EV	Net Debt to Normalised EBITDA	Total Debt to Total Equity	Quick Ratio	Market Cap (USD M)
Lions Gate Entertainment Corp	33%	2790%	156%	0.00	3,031
Viacom Inc	41%	355%	347%	0.98	17,318
AMC Networks Inc	32%	294%	0%	1.85	4,745
Scripps Networks Interactive Inc	30%	286%	263%	1.77	8,266
Time Warner Inc	26%	283%	101%	1.34	60,858
CBS Corp	24%	262%	152%	1.26	25,830
Twenty-First Century Fox Inc	20%	247%	111%	2.01	59,308
Comcast Corp	25%	204%	101%	0.68	148,066
Walt Disney Co	8%	89%	39%	0.93	171,135
Starz	29%	86%	477%	2.30	2,575
Netflix Inc	1%	7%	107%	1.54	39,587
Discovery Communications Inc	39%	180%	142%	1.64	17,413
Median	26%	283%	111%	1.26	25,830
Mean	27%	535%	141%	1.20	55,395

Data Source: Thomson Reuters Eikon as at 25 April 2016

DISCOVERY: COMPARABLE COMPANIES – VALUATION

- The media sector as a whole has been under pressure in the last few years due to advances in technology and structural changes to the industry.
- Most of companies listed below are trading at low valuations relative to historical levels, given the market's prevailing view of a widespread permanent decline in business values/valuations.
- Discovery has been hit harder than most of its peers, and hence is now trading at a significant discount relative to its peers on all traditional metrics primarily (we believe) because of the negative f/x impact on ~50% of its revenue, which derives from its international business.
- In the long run, we believe that Discovery should command a premium to its slower growing peers due to its economies of scale, international growth profile and superior business model.

Company Name	P/E	Forward P/E	P/S	EV/ Normalised EBITDA	P/CF	P/B	Gross Div Yield	Market Cap (USD M)
Lions Gate Entertainment Corp	28.3	83.6	1.4	25.7	20.3	3.2	1.6%	3,031
Netflix Inc	407.1	350.1	5.5	12.7	0.0	17.1	0.0%	39,587
Twenty-First Century Fox Inc	8.3	18.0	2.2	11.8	20.0	4.1	1.0%	59,308
Walt Disney Co	21.0	18.0	3.2	11.7	15.0	4.1	1.3%	171,135
AMC Networks Inc	14.9	11.3	1.8	9.9	12.8	-120.8	0.0%	4,745
CBS Corp	16.4	14.1	1.8	9.6	18.4	4.7	1.1%	25,830
Time Warner Inc	14.2	14.4	2.2	9.6	15.8	2.6	1.8%	60,858
Comcast Corp	17.4	17.5	2.0	8.7	7.9	3.3	1.6%	148,066
Scripps Networks Interactive Inc	11.9	12.8	2.7	8.5	10.2	5.4	1.4%	8,266
Viacom Inc	9.1	8.8	1.3	8.3	8.1	4.6	3.5%	17,318
Starz	15.1	11.1	1.5	3.7	10.3	11.9	0.0%	2,575
Discovery Communications Inc	17.7	15.2	1.8	4.9	9.1	2.1	0.0%	17,413
Median	16.4	17.5	2.2	9.9	15.0	4.1	1.3%	39,587
Mean	59.9	60.0	2.5	12.0	13.4	-8.5	1.1%	57,870

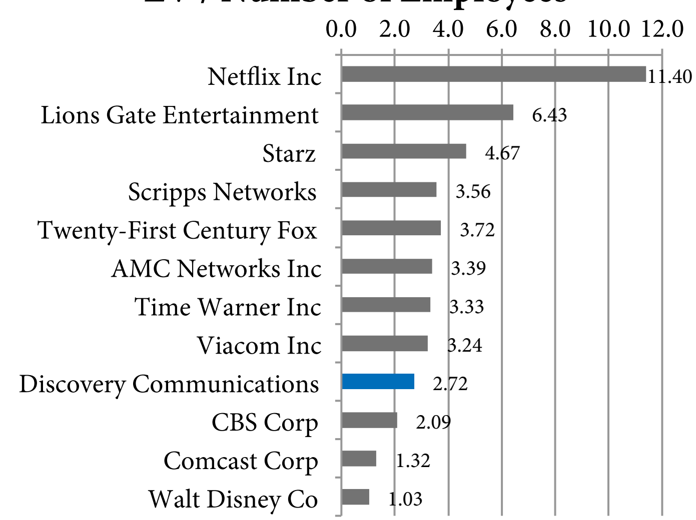
Data Source: Thomson Reuters Eikon as at 25 April 2016
CF = Cash Flow, BV = Book Value

DISCOVERY: COMPARABLE COMPANIES – EMPLOYEE EFFICIENCY

- We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or an industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.
- We suggest the reasons Discovery has a below average EV/Employee ratio are because of the following:
  - An overly pessimistic valuation of the Company's shares
  - The Company's significant expansion, growth and acquisitions/investments in international markets in recent years which has an inherent higher cost basis (technology, infrastructure and content costs. e.g., re-languaging the content into 40 languages) versus the U.S. markets which is the most profitable media market in the world.
- Management recently commented: "*…we'll see international margin expansion over time. We have said now that when we bought some of the assets that we've purchased, [SBSU or sport], there's a step down in margin, and we understand that, and then we're going to build margins for that new base…*"*
- We concur with the Management and expect the Company to improve its margins and operating efficiency in the years ahead.

Company Name	Current EV (USD M)	Number of Employees	EV / Number of Employees
Netflix Inc	39,886.5	3,500	11.40
Lions Gate Entertainment Corp	4,626.7	719	6.43
Starz	3,601.8	772	4.67
Scripps Networks Interactive Inc	12,465.1	3,500	3.56
Twenty-First Century Fox Inc	76,360.4	20,500	3.72
AMC Networks Inc	7,371.9	2,175	3.39
Time Warner Inc	82,523.7	24,800	3.33
Viacom Inc	29,846.6	9,200	3.24
Discovery Communications Inc	19,025.7	7,000	2.72
CBS Corp	33,955.1	16,260	2.09
Comcast Corp	201,215.6	153,000	1.32
Walt Disney Co	189,989.4	185,000	1.03
Median			3.56
Mean			4.72

EV / Number of Employees



Data Source: Thomson Reuters Eikon as at 25 April 2016
* Andy Warren (Discovery CFO) at Morgan Stanley TMT Conference on 1 March 2016

HISTORICAL INDUSTRY CONSOLIDATION MULTIPLES & POTENTIAL SUITORS

DISCOVERY: HISTORICAL INDUSTRY CONSOLIDATION MULTIPLES

- Content distributors have been active in consolidation in recent years, we note the two big deals in 2015:
  - Charter's announced US$ 55B acquisition of Time Warner Cable (approved on 25 April 2016)
  - AT&T's US$ 49B acquisition of DirecTV (July 2015)
- Content producers may need to consolidate in order to maintain their negotiating positions with distributors. Discovery's unique international channel infrastructure makes the Company an attractive strategic target for major U.S. media companies looking to increase their exposure to international markets.
- The table below details M&A transaction precedents (where content producers are M&A targets) over the past 13 years, demonstrating a median takeover multiple of 14.5x EV/EBITDA.
- If we use the median EBITDA multiple of 14.5x to generate what we believe Discovery may be worth in a takeover situation today based on TTM EBITDA. This generates an estimated intrinsic value of US$ 41.67 per share (versus current price of US$ 27.93 per share).

Acquirer	Target	Year	Deal Value (US$)	EV/EBITDA
Comccast Corp	Dreamworks Animation Skg Inc	2016	3.9B	nmf
Dalian Wanda Group	Legendary Entertainment	2015	3.5B	n/a
Discovery Com/Liberty Global	All3Media	2014	930M	8.5x
21st Century Fox (failed)	Time Warner	2014	80B	12.6x
Walt Disney Co	Locasfilm	2012	4.1B	n/a
Disney/Hearst	A&E Networks	2012	19.2B	15.0x
Walt Disney Co	Marvel Entertainment Inc	2009	4.0B	12.5x
Comcast Corp	NBC Universal Inc	2009	31.5B	12.3x
Hasbro	50% of Discovery Kids	2009	300M	19.0x
NBCU/Private Equity	Weather Channel	2008	3.5B	15.0x
Cablevision	Sundance Channel	2008	496M	14.0x
Cox	Travel Channel	2007	684M	18.0x
Time Warner	Court TV	2006	1.5B	18.0x
Walt Disney Co	Pixar Inc	2006	6.5B	25.4x
CBS	CSTV	2005	325M	17.0x
News Corp	Fox Entertainment Group Inc	2005	7.1B	12.7x
LOC Acquisition Co	Metro-Goldwyn-Mayer Inc	2004	4.8B	6.2x
GE	USA Networks	2003	8.7B	17.0x
		Mean		**14.9x**
		Median		**14.5x**
		Discovery	**EV = 19.1B**	**10.8x***

* We assume all Series A and Series C Preferred Shares are fully converted in our Market Cap, P/E, P/FCF and EV/EBITDA calculations (Refer page 43)

DISCOVERY: POTENTIAL ACQUIRERS

We suggest the following to be potential acquirers of Discovery:

- John Malone/Liberty Global
  - We suggest the continuation/strengthening of the alliance between Liberty Global, Discovery, Lionsgate and Starz could result in Liberty Global acquiring Discovery.
- Major U.S. Media Companies
  - Discovery's unique international channel infrastructure makes the Company an attractive strategic target for major U.S. media companies looking to increase their exposure to international markets.
- Major U.S. Technology Companies
  - Discovery's valuable "premium" content library and its robust business model makes it valuable to technology companies that are contemplating an invasion into the media/entertainment business.
- Chinese Media/Technology Companies
  - In recent years, Chinese companies have shown significant interest in Hollywood and the U.S. media industry. The latest speculation is that Alibaba, Dalian Wanda Group and Fosun International are among the potential buyers for a stake in Paramount. Earlier this year, Dalian Wanda acquired Legendary Entertainment for US$3.5B.

KEY OPPORTUNITIES & RISKS

DISCOVERY: KEY OPPORTUNITIES (1)

Fee Increases In US

Discovery's audience share in the US is at 12% yet its share of revenue is just 3%. Management has stated that they believe there is margin expansion potential for the US market over time. The recent increases in distribution/carriage fees instituted with Comcast (July 2015) is evidence of the pricing power that Discovery's suite of channels can command despite widespread uncertainty and bearishness in the sector. Fee increases are expected to drive high single digit growth in US revenues in the medium term.

Ancillary Rights Monetisation - TV Everywhere, Over-The-Top* (OTT) and Other Platforms

Discovery (in our opinion) has been slow to monetise ancillary content rights. It has began this process with Time Warner Cable in 2013 and Comcast in 2015. These agreements provides TV Everywhere access to Discovery content. In additional to TV Everywhere rights with existing distributors, we expect Discovery to more freely monetise its content via OTT platforms to provide a third revenue stream to its current dual revenue (distribution fees and advertising) model.

We believe the popularity of OTT services such as Netflix, Hulu and Amazon Video will create opportunities for content providers like Discovery to be on such platforms. In addition, the Company could garner revenues from providing content directly to consumers through the internet (e.g., Eurosport Player) or via a platform such as Apple TV and Amazon Video. This would create an additional monetisation mechanism for the Company's deep library of content.

Eurosport Player has 10 to 30 live feeds at any given time

* Over-The-Top (OTT) is the delivery of media content via internet, without requiring users to have a cable subscription.

DISCOVERY: KEY OPPORTUNITIES (2)

TV Everywhere – “Discovery Go” App

- On 1 December 2015, Discovery launched its own streaming app “Discovery Go” to provide a new way to deliver digital content to pay-TV cable subscribers.
- Nine channels are available to US customers: Discovery, TLC, Animal Planet, Investigation Discovery, Science Channel, Destination America, American Heroes Channel, Discovery Life, and Velocity.
- The current episodes will be available the day after they air on TV.
- The app also provides live streams of each network, so customers can watch live TV whenever and wherever they want.

“The demographic is over half is 18 to 35 years old, and so that’s something that we honestly didn’t expect… We’re getting a lot of information on both consumer behaviour and allows us opportunities with ad insertions, etc, to monetise it uniquely. So viewership is better than we thought, the demographic is better than we thought, and right now the revenue profile is better than we expected. So, so far it’s early, but we’re very pleased with it.”

Andy Warren (Discovery CFO) at Morgan Stanley TMT Conference on 1 March 2016

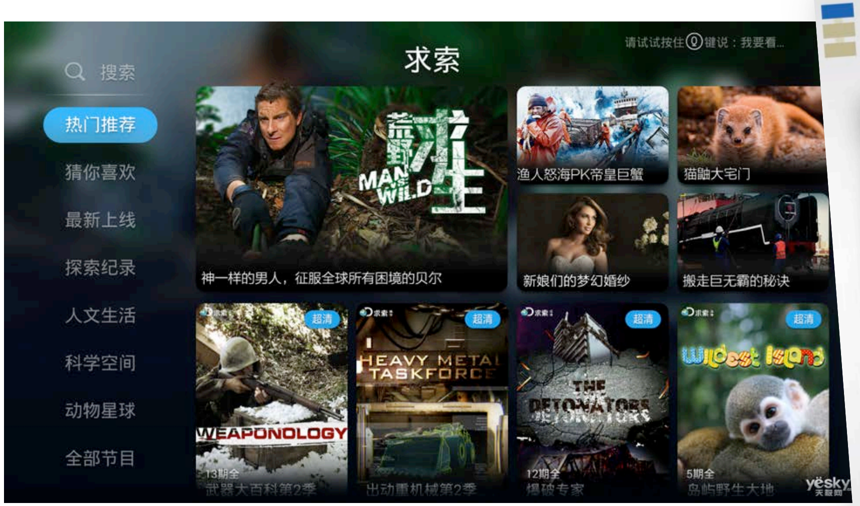
DISCOVERY: KEY OPPORTUNITIES (3)

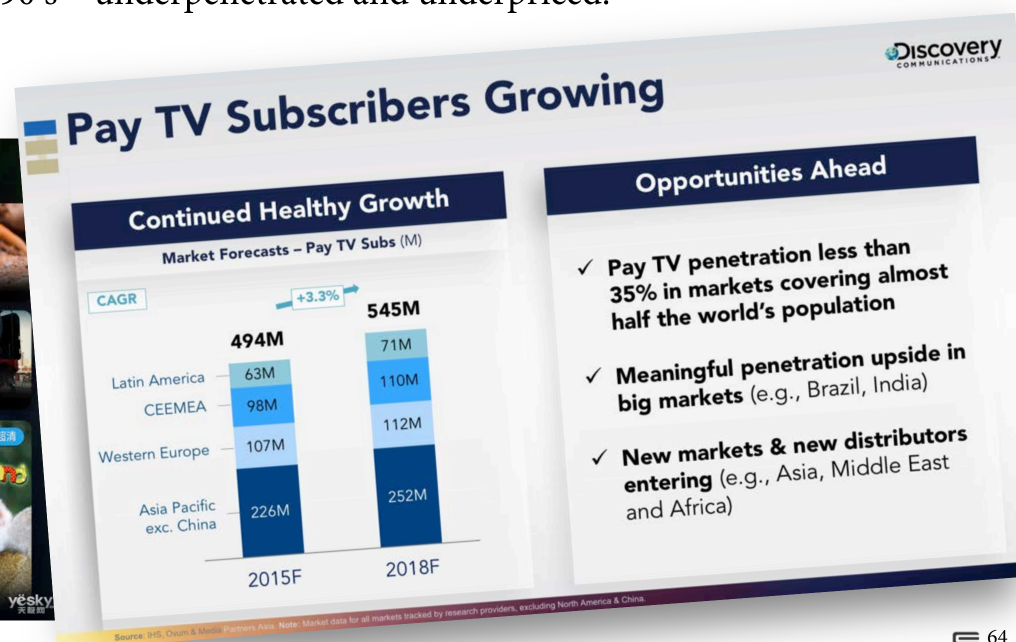
Growth In Sports Revenue In Europe

The acquisition and full control of Eurosport is expected to provide long-term growth opportunities from existing and future paying subscribers. Discovery intends to invest in additional sports programming to make it the No 1 sports channel in the European continent. This will help the Company to maximise its reach to Europe's 700 million residents across all platforms and increase the number of paying subscribers which currently stands at 300,000.

Continued Expansion Overseas

Discovery has terrific opportunities to grow organically through increased penetration and reach. This is possible due to the ubiquitous nature of content that Discovery produces which has the ability to transcend boundaries / nationalities. The strong growth in audience share achieved in countries like Brazil and India is evidence of that and we see tremendous growth in emerging markets given their significant population bases. We note that international markets still look like the U.S. in the 1990's – underpenetrated and underpriced.





DISCOVERY: KEY RISKS (1)

Consolidation Between Cable and Satellite Providers

The top 10 cable and satellite firms comprise 90% of Discovery's revenues in the US. In addition many of Discovery's international markets have a small number of dominant distributors. Continued consolidation within the industry could reduce the number of distributors thereby putting pressure on affiliate fees as distributors seek greater discounts from programming and content providers like Discovery.

Changes In Consumer Tastes and Preferences

Reduced public interest of Discovery's content could decrease its audience share and adversely affect advertising and subscription revenues. This could be due to changing preferences of viewers in general or in specific demographic categories. The availability of alternative forms of entertainment and leisure time activities could also influence demand.

Evolution In Distribution Platforms and OTT Services, Problems with Ratings

The advent of subscription video on demand (SVOD) from companies like Netflix and traditional distributors could potentially reduce the demand for Discovery's programming content. Further more, the move to digital/multi-platform consumptions has created some problems in measuring ratings, and hence potentially affecting Discovery's content attractiveness to advertisers in the short term.

FX Risk/s

Half of Discovery's revenues come from international markets subjecting the Company to foreign exchange risk due to a strengthening US dollar. Moreover international exposure is likely to increase given the likelihood of those markets outstripping US growth in the long run. Foreign exchange has been a major source of headwinds for Discovery in 2015.

DISCOVERY: KEY RISKS (2)

Threats from Netflix and Other Tech Giants

- Discovery and other content producers are under pressure to serve up programming piecemeal to the likes of Netflix, Apple, Amazon, etc.
- We believe Discovery as a premium content producer is well placed to distribute its growing content library via various distribution networks, including directly to its viewers.
- We continue to believe that "premium" content is king. We would rather own "must-see" content than the distribution networks/models/technologies that potentially could be disrupted/replaced by the advance of new and unforeseen models/technologies (Netflix vs iTunes vs Blockbuster, Blue-Ray vs DVD vs VHS, etc.).
- We also prefer to own "profitability" vs. "promise".

	Discovery Communications	Netflix
Market Cap (US$)	17.4B	39.6B
Sales (US$)	6,494M	6.780M
Net Profit (US$)	1,034M	123M
P/E	17.7x	407x
Forward P/E	15.2x	350x
P/S	1.8x	5.5x
EV/ Normalised EBITDA	4.9x	12.7x
P/CF	9.8x	Negative
P/B	2.1x	17.1
Gross Dividend Yield	0.0%	0.0%
Net Profit Margin	11%	2%
Gross Profit Margin	63%	32%
Normalised EBITDA Margin	61%	57%
Normalised EBIT Margin	32%	5%
ROE	12%	6%
ROA	7%	1%
Net Debt To EV	0.4	0.0
Net Debt To Normalised EBITDA	1.8	0.1
Total Debt to Total Equity	1.4	1.1
Quick Ratio	1.6	1.5

Data Source: Thomson Reuters Eikon as at 25 April 2016

DISCOVERY: KEY RISKS (3)

Acquisition Risk/s

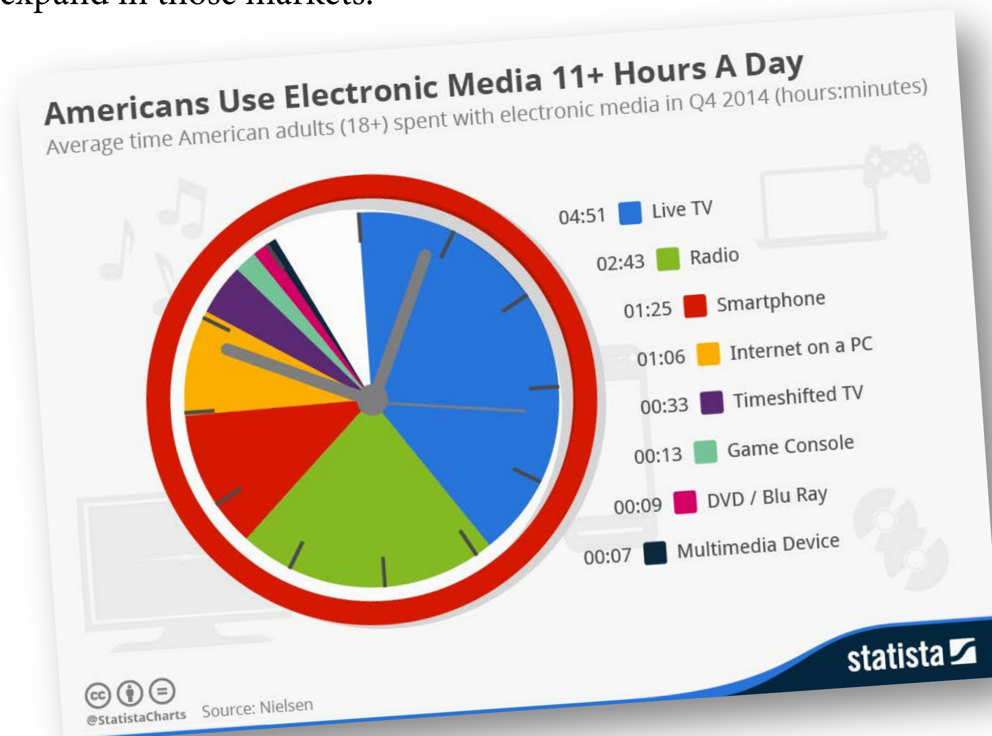
Management supplemented organic growth with acquisitions to increase penetration, reach and broaden its network offerings. However, should future acquisitions fail to drive growth and audience share and/or are made at high valuations then that would undermine shareholder value.

Regulation

Programming service providers and cable and satellite operators are highly regulated by US federal laws and regulations and administered by various federal agencies. Similarly international markets in which Discovery operates have varying degrees of laws and regulations. An increase in regulation could impinge Discovery's business, results of operations and the ability to expand in those markets.

Competition

Discovery faces competition from other rival programming networks vying for audience share and distribution rights and also competing media such as desktop streaming, mobile videos, periodicals and movies. Advertising growth on websites and search engines has seen significant growth primarily due to the migration of ads from traditional cable and satellite networks.



CONCLUSION

DISCOVERY: ELEVATION CAPITAL CONCLUSION (1)

Wide Economic Moat

We are attracted to the Company's wide economic moat, created by the combination of the following factors:

ECONOMIES OF SCALE

#1 Pay-TV programmer reaching 3 billion cumulative subscribers

BRAND VALUE

"Must-have" channels such as Discovery channel, Animal Planet, TLC, etc.

ROBUST BUSINESS MODEL

Large content library of evergreen content that has global appeal and local relevance which are produced and distributed in a very cost efficient manner.

MANAGEMENT

Management and controlling shareholder/s who are experienced, visionary and shareholder-oriented.

DISCOVERY: ELEVATION CAPITAL CONCLUSION (2)

Indiscriminate Selling In Media Stocks

- For the last two years, fears among U.S. media investors concerning growing number of "cord-cutters", "cord-shavers" and OTT services have pressured the listed U.S. media sector, and compressed U.S. media sector multiples significantly.
- Discovery is well positioned, with world class brands, and about half of its revenues generated outside U.S., particularly in those markets where pay-TV subscribers are still growing in aggregate numbers.
- In the long run, we believe that Discovery should command a premium to its slower growing peers due to its economies of scale, international growth profile and superior business model.

Potential Catalysts

- The Company's premium content is geographic/platform agnostic and should still thrive with the next generation of media distribution/consumption models.
- Excluding currency fluctuations Discovery is expected to achieve high single digit growth in revenues, EBITDA and earnings per share in the medium term as both its US and international networks are forecast to grow strongly.
- In our view, at the current share price levels Discovery could be an attractive acquisition candidate for global media companies (e.g., Fox, CBS, Time Warner, etc.) intending to further bolster their content and international presence, including John Malone's entities.

DISCOVERY: ELEVATION CAPITAL CONCLUSION (3)

Valuation

Discovery is trading at a considerable discount to our estimated intrinsic values and therefore appears inexpensive compared to its long-term growth prospects. We believe this asymmetric payoff characteristic should deliver reasonable returns for long-term minded investors.

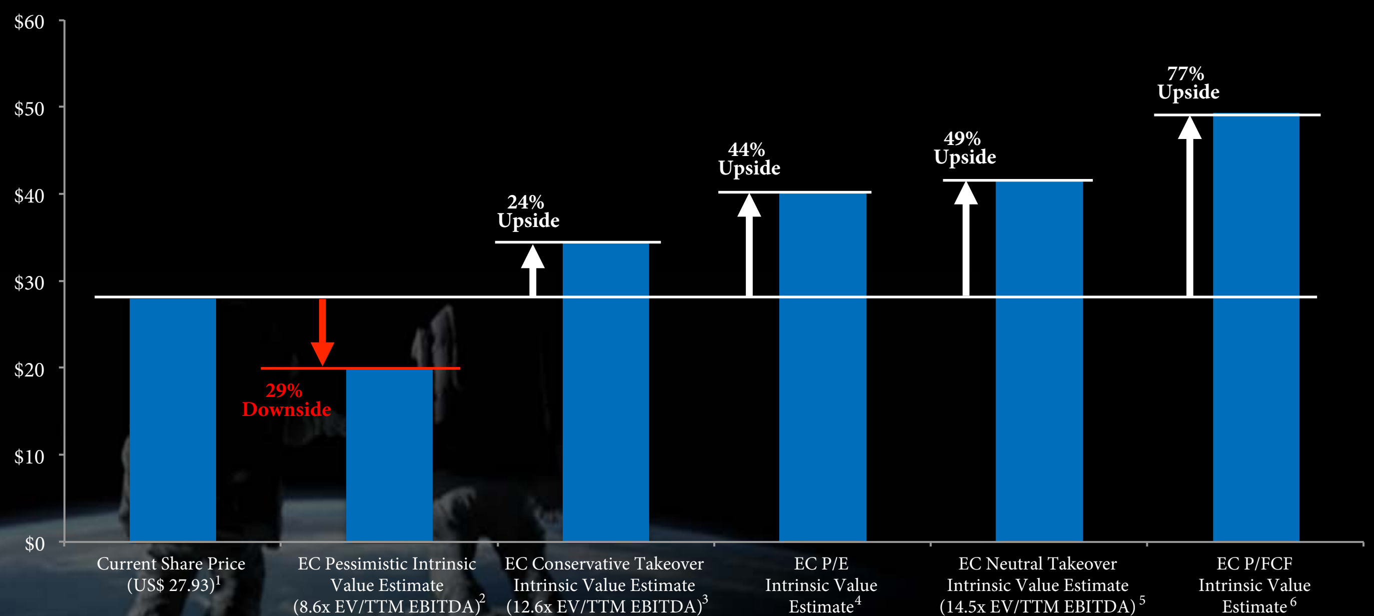
Elevation Capital Estimated Intrinsic Value Range:

US$ 19.91 - US$ 49.44 PER SHARE

Downside / Upside Potential Range:

-29% - +77%

Valuation Summary



1. Share Price as at 25 April 2016
2. EC Pessimistic scenario is based on a 20% discount to current EBITDA multiple of 10.8x
3. EC Conservative Takeover scenario is based on EBITDA multiple of 12.6x, which is the multiple 21st Century Fox offered to acquire Time Warner in 2014
4. EC P/E Intrinsic Value Estimate is based on current P/E multiple of 17.7x, and EC estimated 2018 EPS based on Company's indicated low double digit EPS CAGR
5. EC Optimistic Takeover scenario is based on EBITDA multiple of 14.5x, which is the median takeover multiple of 14.5x EBITDA of selected M&A transaction precedents
6. EC P/FCF Intrinsic Value Estimate is based on current P/FCF multiple of 15.6x, and EC estimated 2018 FCF based on Company's indicated low double digit FCF CAGR

CONTACT US

Elevation Capital Management Limited
1 Akaroa Street
Parnell
Auckland, 1052
New Zealand

Phone: + 64 9 307 6741

Website: www.elevationcapital.co.nz
Email: info@elevationcapital.co.nz
Twitter: @ElevationNZ

ELEVATION CAPITAL®

‘INDEPENDENT THINKING – DISCIPLINED INVESTING’

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **ində’pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you’re several thousand miles away from Wall Street in a different nation, it’s easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd inves’ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. Our investments are premised on the concept of “Margin of Safety” which we believe reduces risk.

ELEVATION CAPITAL®