Bank of America Merrill Lynch 2013 Media, Communications & Entertainment Conference

SEPTEMBER 12, 2013

Disney Speaker:

Jay Rasulo

Senior Executive Vice President and
Chief Financial Officer

PRESENTATION

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay, we are going to get started with Disney. It is a pleasure to welcome back Jay Rasulo, CFO of Walt Disney Company. So here is Jay. Thank you so much for coming.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Hi everybody.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Very excited to have you here.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

I am excited to be here, thank you.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So Disney has enjoyed substantial growth during your three-year tenure as CFO. Theme Parks have benefited from expansion projects like *Cars Land* -- I mean 100 projects, that's just one. The Media Networks are nearly all the way through the all-important affiliate renewal cycle. The Studio has achieved new levels of success, we'll put *The Lone Ranger* aside, but you've had films like *The Avengers*. Consumer Products is really -- it is totally rejuvenated. And Interactive has found more healthy footing as well. You seem to be consistently replenishing your growth pipeline.

Between now and fiscal 2016, which new growth drivers are you most optimistic about? And what are the key operating priorities for Disney to deliver on to make sure some of these investments are paying off?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, look, I think in the next few years, 2016 and beyond, I think you will see The Walt Disney Company following what has been a very, very successful strategy for us. We have made a lot of great investments both through acquisition and organically in content -- branded content, it's distribution through technology, it's enhancement through technology, it's distribution geographically, is really what we will be executing against in the next few years.

So if you look at what some of those big projects will be, we are obviously very, very excited about the 2015 release of *Star Wars VII*, the opening of Shanghai Disneyland, continuing to exploit and take advantage of both the Marvel successes with *Avengers*, we have got two more Marvel films coming out pretty soon with *Thor* and *Captain America*, and then, of course, eventually *Avengers 2*, taking advantage of those franchises along with *Star Wars* in our Consumer Products business. On the Disney Channel we continue to invest in great programming, I mean it is really a golden era for content at the Disney Channel and the ratings have really shown that as we continue to climb the mountain in terms of ratings there.

And so, it really is in the next few years about great execution behind the fundamental strategy of developing and buying great IP.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

We estimate -- and I'm just going to move to the balance sheet for a second -- we are estimating a 15% compounded growth rate in free cash flow from the end of fiscal 2012 through fiscal 2015. Even if we assume $5 billion in capital returns during this period, $5 billion per annum, we estimate that you will have a significant cash position of over $9 billion. So how should we think about potential uses of cash? Is Disney strategically complete?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, not commenting on the details of your numbers, I think that based on the investment we have been doing we will see an increase in cash flow. We have also worked our way through a huge capital cycle.

But fundamentally first and foremost we want to continue to invest in our businesses either through the organic implementation of growth initiatives, as I just mentioned weighing in to the great franchises we have, or to continue to grow our Company through acquisition. We've been pretty consistent in how we have deployed capital. If you look at periods of time three years, five years, seven years, we've deployed our capital in a set of numbers I've talked about endlessly with you guys, which is about 60% of the capital that we have goes into our organic investment, about 20% has been spent on acquisition and we have returned about 20% through buybacks and dividends.

I will say that looking into the near future, fiscal 2014, that given our confidence in what you have just said -- the ability of these investments to return, and they are beginning to return -- and our confidence in the overall Company and where our share price sits in the marketplace, that we intend to significantly increase our buyback next year. Probably in the $6 billion to $8 billion range. We bought -- we have been buying at the pace of about $4 billion for the last couple of years. And we really see the opportunity, given where our share price is, given where capital markets are, to target at least $6 billion and possibly up to $8 billion in buyback.

I want to emphasize that we won't do this and don't need to do this by bringing our debt rating down. We are very, very conscious of the strategic value of our single A rating. We think we can accomplish that buyback while maintaining that single A rating even though we will be probably doing some borrowing at the tail end to provide the capital for that plan.

But I think that if the market conditions continue where they are and things turn out as we think they will, that is our plan and target for next year.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

That's great. That is really great news, so happy to hear that. I guess one more question on that -- well, I guess everybody is happy to hear that. What -- on the balance sheet, one other thing, I think accelerated capital returns is obviously very, very positive. And you have been -- in the like last five years or so you have really been the most aggressive of the media companies in terms of acquisitions, everybody kind of pulled in after the recession. And it has helped the Company and will actually drive growth for a long time.

But when we think about future acquisitions, I know the last couple have actually been surprising, are there any parts of your business you think could be improved through acquisition?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, our fundamental acquisition strategy has been across two prongs -- either the acquisition of IP that fits in our wheelhouse, in our expertise that we think we can exploit beyond where it has been exploited, and I would say that would describe both the Marvel acquisition and the Lucasfilm acquisition. But also we have been demonstrative about saying that we are also interested in acquisitions that can increase our distribution capabilities, increase sort of the ecosystem under which we exploit the great -- and monetize -- all the great franchises that the Company develops. So I wouldn't look for acquisitions from Disney that fall outside that basic strategic principle.

I would say at this point in time we don't feel like there are holes that we are out there trying to fill, either in the ecosystem or in the stable of IP that we have and continue to develop. But I think we've demonstrated that we remain extremely opportunistic about things that might show up that demonstrate to us that, yes, this is a way for us to accelerate ourselves into a certain marketplace where our consumers live, where we think they're going to live in the future, or provide us geographies that we might.

So on the flipside, if you look at our investment in UTV, if you look at our investment in Playdom, those were acquisitions to really fill in -- continue to fill in our ecosystem. But I don't think we are in a position today where we feel there is a necessity to go out and buy something. But if you look at the history of the Company, acquisition has definitely been one of the vehicles by which we have grown the Company.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Moving to kind of like your basic business. You derive a large chunk of profit from the U.S. pay TV ecosystem, and that is probably the part of the media sector that has the most uncertainty right now given changing consumption habits and potentially new players -- over top players. ESPN has reportedly talked to some of these OTT players.

What is your view of the likelihood that they will launch in the success -- I guess the success is hard to say since it hasn't launched -- but what can you tell us about whether Sony, Google or Intel -- how we should think about it? Should we think about higher sub fees? Will it be a “me too” product? Is there anything different?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, look, let me start by saying that we are extremely happy in our position in the -- with the channels that we have and the way they are performing. Whether it is ESPN and our sports franchise, the far and away number one position it holds; whether it is the Disney Channel and its two flanker channels that are doing so amazingly well; ABC Family that continues to grow every year; or the ABC network. We are very, very happy with what we bring to the table in terms of content.

And make no mistake about it, our emphasis is to be a player in that marketplace with great content, because we believe that with strong content -- however the pay TV business evolves, from sort of the traditional MVPD ecosystem to over the top providers of various sort, maybe someday a full over the top MVPD supplier -- that when you step to the table with great content you are really in the driver's seat.

We have been as a Company probably the most aggressive content creator in terms of embracing technology. If you look way back when we stepped out on iTunes and people told us, wow, you are going to kill the value of your television product. Well, of course all those things have been proven to be the exact opposite. And when we sit down, even with traditional players in that space we push mobile, we push other services, what we think are consumer facing services and try to be where consumers want to be and will be tomorrow.

So I think that we are very happy to have more players, whether it's the ones you mentioned or Amazon or Netflix or whoever else steps up. And we are engaged in conversations with everyone, we've done many, many deals and I think we have done a really good job at managing the balance between the traditional MVPD ecosystem, which has been very good to us and we are very good to it in terms of the content we provide. But at the same time taking advantage as these new forms of distribution pop up to both be consumer sensitive in meeting their desire to see Disney content on those vehicles as well as monetizing the content that we create more fully.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Can you give us an update on what you are seeing in terms of advertising trends both at the national level and local as well?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Yes. The advertising trends have not changed that much since our last quarterly update in August. We are seeing basically the same trends that have been out there. The market is pretty good. Judging from the upfront we are very happy with both the pricing and the volume that both ABC Network as well as ESPN was able to sell in the upfront. And we feel pretty good about it. No change in trends.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And then retrans is obviously an important growth driver for your business. It has become obviously very public where you have contentious fights most recently with Time Warner Cable and CBS. But it does seem that there is a big step up given the last round with CBS.

You guys have articulated a target of $400 million to $500 million by 2015. Some of your peers have said $1 billion by 2017. Obviously there are just different size station groups, but you all get reverse comp. What makes your opportunity different than anyone else's? Is it the O&O size, I mean (multiple speakers)?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, yes, I think, Jessica, it is very hard to compare what companies say about their forecast for retrans. Because, as you said, it is a different footprint, we are always talking about different time periods, CBS is now into their sort of second phase of retrans and the numbers and targets they're talking about probably have to do with years beyond where we have given the target. So it really is very hard.

I feel pretty confident that with the strength of our stations -- we are number one in seven out of the eight markets where our local TV stations are and -- we feel pretty good about the reverse comp that we're getting for those stations. So I wouldn't read too much into the nominal numbers that are given out because they are very hard to compare company to company.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay, but logically no difference unless this allocation -- it just doesn't really make that much sense, but anyway, moving on -- ESPN. Obviously your roster of sports programming has been unparalleled, your success in monetizing that is also unparalleled, your number of brands that you have created, it is just unparalleled.

So is there something you need to do given the rising competition? You are obviously by far the dominant player, I'm not even saying anything else. But do you see any impact from this upcoming -- from this newer competition, both Fox and NBC? And what you need to do to kind of ensure your dominance?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Yes. Well, look, I think that the game plan we followed at ESPN -- we have had the ability because of our position in the business, so far and away the number one brand in sports -- that we have really been able to follow our own compass. And our own compass has been to acquire the sports rights in their fullest monetizations capable, sort of in the traditional linear as well as digital and mobile, and lock them in for a long time.

And the result of that has been a portfolio of sports we have today -- sports rights -- that is really unequaled in the business and puts us in a very, very strong position. So not only do I feel like our position is great today, but I see it as many of these deals give us sports rights up to eight, 10, 15 years out, as really having a great lock.

I mean when we look at the size and the -- if you look at, for instance, just in terms of size and scale and how far and difficult it is to build the brand, since Fox Sports 1 launched on August 18 the increase in viewership on ESPN year over year is about equal to the total viewership that Fox Sports has had since they launched. Just the increase, the delta from prior year. So that is not to say they don't have a great -- they are not launching a good network and they are not doing a good job. It just is an indication of the scale and how far along the curve we are in our business relative to those who are entering the business.

So we feel pretty good about it, we are not complacent, we are not sitting back on our laurels, we don't have our head in the sand. We are aggressively out there continuing along the strategy that has made ESPN so successful: buy great rights, constantly look for new ways to get sports programming in front of viewers on the best available screen that they have for them at the time they want to view, and thirdly, continue to use technology and push ourselves to do great production.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

You bought some long-term sports rights. How should we think about the durability of ESPN's operating margins over the next three to five years?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, we have been saying for some time and I think quarter after quarter and year after year demonstrate it, we still see ESPN as a growth business. We don't manage the business on a quarter-to-quarter margin basis. We really manage it along the terms that I mentioned to you.

There are not that many variables in the business. There's the affiliate fees, which seven out of our 10 big affiliate deals are done, the next couple will be done soon, they are long-term. The fundamentals of our cost base are pretty well locked in in the long-term sports rights we have.

Advertising continues to be strong because up through today 96% of people -- or 96% of sports are viewed live and that makes it very appealing for advertisers. So we continue to try to offer something that excites sports fans every day in terms of following their passion.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Maybe moving on to the Parks, I want to make sure we cover all your businesses. Your domestic attendance in the fiscal third quarter was up 3%, which was substantially better than the pure play theme park operators and actually pretty notable given that you had the unfavorable Easter shift. There was some tough weather in Orlando. And you had price increases as well. What were the biggest drivers of your outperformance?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, I think you can view our outperformance really as the result of a very strong investment strategy that we embarked on about five years ago.

And that is of course the investment first and foremost at the Disneyland Resort behind *Cars Land*. That has hit every note we hoped it to hit both in terms of the increase in attendance at the Disneyland Resort, our ability to price behind those investments, as well as a radical change in the distribution of visitors between Disney California Adventure and the traditional Disneyland. So it has been a home run, has been really the driver on the West Coast.

On the East Coast we are just about wrapping up a big investment program there in *Fantasyland*. The Magic Kingdom is the most visited theme park in the world, *Fantasyland* is the most popular part of the most visited theme park in the world. And reinvesting in it, reinvigorating it, giving guests the services they want to experience has been the fundamentals beyond the driver there.

Weather was not a big effect on us last quarter. And we had a record third quarter at the Disneyland resort, a record third quarter at Walt Disney World in terms of attendance. So it is just great management of the business, continuing to give guests what they want, being eager and proud to invest in high return projects that are incremental that create both incremental pricing and incremental attendance.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Right. And you mentioned on the last call that international visitors I think just really ticked up a lot, it seems like they've really come back to --.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Yes. The international visitation has picked up. It was up 7% year on year. The drivers there on the East Coast, not shocking, Brazil has been the biggest driver there, the U.K. was also a driver last quarter. And on the West Coast the influx has been from Mexico, Australia to some extent, Canada. But, yes, we are very happy with the appeal and the breakthrough that we have gotten with these large investments in international markets.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

What is the range of international visitors?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

The range of international visitors on the East Coast is like usually between 17% of total -- it has been as high as 23% or 24% of total. But with the investments that we've talked about we have also grown our domestic base a lot. So I'm not sure that is a very important measure. And on the West Coast it is less than that, I think it is more around the 10% range.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

I think the only reason it might be important is don't international visitors stay longer?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

They tend to stay longer. More importantly they spend more because -- it's fundamental economics. The costs -- the fixed costs in them arriving at the front gate are so substantial that spending more when they are there is a much smaller percentage of their budget, versus a family that wakes up in Southern California and drives to Disneyland, it is a very different economic decision.

But they have been a great contributor to the profitability on that business. And they do -- in Orlando in particular they do tend to stay like two weeks in market as opposed to the typical eight days that domestic visitors stay. But -- been a fundamental building block in our growth and success in the business.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

You have been making significant investments in technology in the guest experience with *MyMagic+*. It's rolling out I think in the first fiscal quarter of 2014. Can you discuss the ins and outs of the initiative? What should we expect from an ROI perspective? And you have alluded to revenue opportunities, and then maybe if you could give us some color on that. And also the cost was like a kind of a -- the cost was coming through, when does start to -- does that start to come down?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Okay. So *MyMagic+*, for those of you who don't know, is a very sophisticated system that is a pre-visit, during visit and post visit use of technology to basically enhance the guest experience at Walt Disney World. I would say there are two fundamentals about the revenue opportunity behind it. The first and most important is that we have known for many years the further in advance guests plan their vacation to Walt Disney World the more time they spend with us.

So a decade ago, 20 years ago we used to talk about ticket sales at origin, trying to get people to buy tickets as part of a package, this is -- fast forward 20 years -- this is full resort visit planning, online, very sophisticated tools including booking your fast passes, booking your restaurants, booking everything that you wish to book in advance about your stay, at home, receiving all of that booking data on an RFID-based wristband that you wear while you are in the Park that becomes your hotel room key, your wallet, your admission ticket to the park, etc., etc., etc. And also allows us to, if you wish and you opt in, to know where you are when.

So the fundamental driver that we feel is, number one, like every other enhancement of our product, the better the product gets the more people want to come and visit. Whether that's new attractions, new services, or in this case the combination of planning tools and on-site conveniences that this technology will provide. That -- in terms of its ability to drive volume and spending, because people who plan in advance tend to spend more at Walt Disney World -- are the key drivers of the revenue push behind that.

However, a secondary driver of revenue will be the services that we can now offer on a personalized basis because we know who you are, where you are and, if you tell us, why you are coming to Walt Disney World for this vacation, whether you're a first time visitor, a 50th time visitor, it is your child's fifth birthday, it is a graduation, it's an anniversary. The more you share with us as a guest the more we are able to tailor services and we think get lift in selling those services. So that is the fundamental economics.

The investment in the project is nearly behind us because, in fact, we are in an end-to-end beta test right now of the system. We continue to increase, about 125,000 guests have experienced this with very, very positive results in terms of their experience. And we are walking before we run so that when you come down and use the service you are going to feel really good about how it works and not experience glitches, which is our business and not the guest's business.

So we are cautiously rolling it out, but by the end of the first quarter of fiscal 2014 we will have substantial coverage of our resort guests and ultimately all guests who visit the property under this technology.

We have felt from the very start that this is a project with very attractive returns, double-digit returns for us. And we have seen, whether it was [*Magic Your Way*], which was, at the time, an innovative pricing and ticketing plan, whether it was *Disney's [Magical] Express* which brings people from the airport and so on and so forth. Every one of these projects pays great dividends for us down there. We are very optimistic about this one too.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Moving on to something you guys are even more optimistic about, Shanghai is well underway and it's -- I guess the plan is to open late 2015. Can you talk about some of the challenges in terms of opening it up in time, meeting local demand, I guess --.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Sure. The timeline, obviously when you're taking on a huge construction project, which this is, you are always concerned about the complexity of the project, a new market where we haven't done a big construction project. But so far I'm happy to say that it has been smooth sailing, whatever speed bumps along we have hit we have overcome with our partners, the Shanghai government. So we are very much along the track of opening at end of calendar 2015 as we have planned. And as of right now we don't see any obstacles to making that date.

In terms of demand, obviously the challenge is there, when you go to a new market you can never really know how guests are going to respond to your creative. But from our perspective, from the Disney side, we are pushing it out there to the limit of new -- using new technologies, really introducing products that have not been seen before, and really looking at the Magic Kingdom in 2015 as opposed to the Magic Kingdom in 1955.

We've really kind of stepped all the way back and said, hey, if this -- kind of a zero based budgeting -- if this was the first time you were doing this, how would you design it as opposed to what was done in the past. It would be clearly recognizable as a Magic Kingdom by you, by anybody who has ever been to one of our Magic Kingdoms. But I think it really speaks to 21st-century guests and their desires.

The blend -- the sophisticated blend between the Disney content and the Chinese local adaptation of that and Chinese local content is something that we've put an enormous amount of attention to. We always think, and I think we've been right, that when we bring our products to markets, even new markets, guests fundamentally want Disney. But they also want a recognition of who they are, what their traditions are, what their culture is, and how they can have the most fun when they are there. So we put a lot of attention to that.

The capacity that we are building means someday Shanghai Disneyland has the landmass probably to be our second largest destination around the world, anywhere in the world. And that is -- our second largest destination today is the Tokyo Disney resort which does about 28 million guests a year. So we think it can surpass that someday and certainly the capacity is there.

On opening day we are providing, we think, enough capacity not to be capacity constrained as we were a little bit in Hong Kong where we thought we built to the market there but clearly smaller than we had built in the past. We've subsequently added a lot of attractions and they have been very quickly absorbed in terms of the attendance in Hong Kong Disneyland.

By the way, Hong Kong Disneyland is really on fire and it is a great sign leading up to our Shanghai opening. But I think we are going to be fine in terms of capacity for opening day. And at the same token both we and our partners are ready for a rapid expansion if the market turns the way we expect it to in Shanghai.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And increasingly we hear about theme park developments in and around mainland China. What is your assessment of the competitive landscape?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Look, I think -- we have never worried anywhere in the world about theme park alternatives and what other people do. We do what we do, we are very successful at it, we are good at it. And we feel good about how we conduct our business.

However, I think it is a very good indication of where the Chinese middle class is. They are at the point in middle-class development where they are really demanding entertainment. And I am thrilled and we are thrilled as a Company that the form of entertainment they're demanding and that the market is responding to is this form of outdoor recreation.

So we see it as a very, very good sign that there is inherent interest in this, people go, families go and have a great time. And we think that it really is a very auspicious trend relative to our opening in 2015.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay, I would love to talk about Shanghai more, but we have three more divisions and I have to get to Q -- to the audience. So on the film side, you have an incredible outlook in fiscal 2015 and 2016 -- *Avengers 2*; *Finding Dory*, the sequel to *Finding Nemo*; I think *Pirates 5* you just moved back a little bit; but obviously the big kahuna, *Star Wars*, the next -- the first one in the next trilogy. How do you feel about the slate between now and then?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

We feel very, very good about the direction that our Studio slate is headed. Some of that has been through being smart on the acquisition front and really allowing ourselves to do big budget, tentpole movies with the confidence behind them, like *Star Wars*, like Marvel films, like Disney animation, like Pixar animation, which, by the way, makes up the vast majority of our slate, those films behind those four franchises.

And we feel that we have found our stride in basically a slate that looks like two Marvel films a year, one *Star Wars* either trilogy film or origin story film, one Disney animation, one or two Pixar animations. We really feel that that, combined with one, two, maybe three if the creative juices allow it, Disney live action tentpole movies. And then some other films that will be Disney live-action branded but not be of a tentpole nature.

I think we have also learned -- and you mentioned *Lone Ranger*, I think we have also learned that there needs to be a cap on tentpole, non-franchise movies. We need to cap those at a level that allows us to experience good economics and doesn't quite put as much at risk. So going forward you're really going to see a cap on the spending on those movies, which I think from a risk management perspective, puts us in a much better place in terms of our Studio slate.

Now in the coming year -- this year we have *Maleficent*. We have *Frozen* from Disney animation, which is coming out which I can tell you I have seen multiple cuts of this film, it is going to be absolutely fantastic. We have *The Good Dinosaur* coming out from Pixar, which we are very excited about. And we have got the sequel to our first origin film on *Thor*, which is in great shape, we screened it last week, extremely exciting and fun and continues to grow that franchise. Same thing along with *Captain America: The Winter Soldier*, which will be the follow-up to the original *Captain America*. Leading, again, into *Avengers 2*.

So we feel really good about what's going on on the Marvel film franchises. And of course we are putting enormous effort in the Company, by the way, not only at the Studio but every part of the Company behind *Star Wars VII*, which we cannot be more excited about.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And on -- *Star Wars*, I mean it has been 10 years since the last live-action movie was released. How do you market this to like the younger audiences? What are the challenges that you have?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, I don't think we see any particular challenges to marketing *Star Wars* to a broad audience, young audience and families and everyone alike. Remember that even in -- and this is a franchise that has been evergreen for 35 years. Even in long gaps of film production it has been a leading licensing price, always in the top few franchises in terms of licensing revenue for franchises around the world. So clearly that licensing is mostly, particularly for *Star Wars*, has been mostly around the toy category and mostly to kids.

So this is not a new franchise to kids even if they haven't seen the film, whether they have experienced it through Lego, whether they have experienced it through other versions and forms. When we introduced our *Jedi Training* at our Parks, kids were lined up for a mile to train as a Jedi. Now where did they learn what Jedi's do and who they are and why and who Darth Vader is? I don't know. Maybe like Disney they learned it from their parents. But the point is the market is extremely hot for everything *Star Wars*. So of all of our worries that is not one of them.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

You mentioned two things, so just to follow up quickly. On the Consumer Products, when you bought Lucasfilm, Consumer Products revenue was only like $215 million.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Right.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So can you give us an update on -- but you said it has been a consistently huge licensed product -- so where do you stand in terms of reinvigorating that whole Consumer Products effort?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, the strategy behind the *Star Wars* Consumer Products, number one, put out a great film, right, that is number one. But other than that, as I mentioned, *Star Wars* has been very narrowly focused in the licensing world around toys and books, a few other categories. If you look at Marvel and Disney, we are both much broader in terms of other categories -- soft goods, housewares, all the stuff you see us in and now you see Marvel in.

They have also been somewhat U.S.-centric relative to Marvel and Disney. So our strategy was always both broaden the licensed offering as well as broadening and deepening the geography in which *Star Wars* will be offered. Like a lot of smaller companies, like Marvel when we bought them, they don't have the bandwidth to have their own arms and legs around the world promoting their products, their licensed goods doing deals. They used a lot of reps and agents.

Our strategy with Marvel and again with *Star Wars* is to take that all in-house into what is the most -- biggest and most powerful licensing organization in the world. And so, up until 2015 we will lay the groundwork for all of that just as we did with Marvel in anticipation of *The Avengers*. And then when the film comes out in 2015 we will be ready to blow it out.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And on the Theme Park side, how much flexibility do you have to exploit the IP in the Park? Could there be a *Star Wars Land*?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

I think the sky is the limit. There is incredible flexibility. In the late 1980s George Lucas and Disney teamed up to introduce *Star Wars* into Disney parks. There is a *Star Tours* ride in every Disney location. And it was so natural for consumers, they got it right from the get go, it has been incredibly popular. Most of them have been updated, some will be updated. We did the *Jedi Academy*. So we know this is a good fit for our Theme Parks and it is an unbelievable palette for us to create from.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

I need another hour with you, but I only have time for one question before we open it up for the audience. And at least touch on Interactive. You released *Infinity* on August 18th. Can you give us -- it is such a different product for you. Could you give us an update on like kind of early reaction, early consumer response to that product?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

We are extremely happy with the early days of *Infinity*. Make no mistake about it, it's early days, we launched in August. Of course at launch we thought there would be huge interest. There was. We are now, seasonality-wise, in a slow period, beginning of school not the best, but of course anticipating very big things into the holiday selling period starting November up until the end of year holidays.

I don't want to be too definitive about something that is in early days, but if you think about a really great product that has come out recently that has some similarities to *Infinity* which is *Skylanders* and *Skylanders Giants* in particular, the second round. Our sales have been on par with that even though we launched in August and usually they do theirs in September/October. The sales have been actually on that level, a little better.

So it is an early indication of people being interested, we've got some great early feedback about the age demographic using the game. It is a little older than we anticipated, average [age] is like 13, we've got a certain percentage of users over 20. The most interested platforms are what they call next gen platforms which is not DS, not Wii, but deeper platforms, Xbox and

PlayStation, which is very good for -- means the core gamers are really interested in this and are interested in the depth of the content.

Our sales have over indexed at places like Game Stop, where core gamers go as opposed to other broad retailers. So all indications are great, but very early days, but we are excited about it.

Q&A

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Let's open it up.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Sure.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay, and I know there will be questions.

Unidentified Audience Member

Jay, I guess one result of your business that I find perplexing is the rate of growth recently in Consumer Products licensing. So from 2005 to 2008 that business grew consistently double-digits on a year-over-year basis. And since that period of time you have reorganized, you have got the benefits of Marvel, you've had great film content. My anecdotal observation is that your product is actually expanding with consumers. Yet the growth for the last -- since 2011 has only been about low single-digit growth. Why that discrepancy or that moderation?

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Well, look, I think that when you look at any time period for our Consumer Products business you have to be very careful about the starting point and ending point because there are franchises -- we look at managing our Consumer Products business across a huge spectrum of episodic franchises that have sort of big bursts when there is entertainment product issued and things that -- and are lower when there isn't, and evergreens which are always high.

But there are some franchises within what we do, like *Cars* for instance, that are absolutely on fire when we put new product out into the market. We saw an indication of that when we introduced *Planes*, which is from the world of *Cars* and saw how even *Cars* merchandise took off again in addition to *Planes* merchandise.

So over long periods of time we are very, very happy with the growth of that business. It is a wild contributor to the margins of the Company, it is a wild contributor to the OI of the Company. And we continue to fuel that engine knowing that the timing of release of entertainment products, there is going to be ebbing and flowing among the portfolio. And as I said, you measure different time periods and you get very different growth rates.

But I don't think there is anything secular that I'm worried about in terms of the growth trajectory of that business. I think you will see some unbelievable years. I would guess in 2015, given what Jessica just said, *Nemo* was a gigantic merchandise franchise. *Star Wars* is coming out. You will come back and say, wow, can you sustain that 20x percent growth in Consumer Products? So you've got to be a little careful about how you measure it.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay. We're actually out of time. Thank you so much.

Jay Rasulo – *Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company*

Thank you.

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Forward-Looking Statements:
Management believes certain statements in this call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made. Management does not undertake any obligation to update these statements. Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives (including capital investments or asset acquisitions or dispositions), as well as from developments beyond the Company's control, including:

- adverse weather conditions or natural disasters;
- health concerns;
- international, political, or military developments;
- technological developments; and
- changes in domestic and global economic conditions, competitive conditions and consumer preferences.

Such developments may affect travel and leisure businesses generally and may, among other things, affect:

- the performance of the Company's theatrical and home entertainment releases;
- the advertising market for broadcast and cable television programming;
- expenses of providing medical and pension benefits;
- demand for our products; and
- performance of some or all company businesses either directly or through their impact on those who distribute our products.

Additional factors are set forth in the Company's Annual Report on Form 10-K for the year ended September 29, 2012 and in subsequent reports on Form 10-Q under Item 1A, "Risk Factors".

Reconciliations of non-GAAP measures to closest equivalent GAAP measures can be found at www.disney.com/investors.