Disney Investor Day at ESPN

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Speakers:

Lowell Singer - Senior Vice President, Investor Relations, The Walt Disney Company
Bob Iger - Chairman and Chief Executive Officer, The Walt Disney Company
John Skipper - Co-Chairman, Disney Media Networks and President, ESPN
Artie Bulgrin - Senior Vice President, Global Research & Analytics, ESPN
John Wildhack - Executive Vice President, Programming & Production, ESPN
Rob King - Senior Vice President, *SportsCenter* and News
John Kosner - Executive Vice President, ESPN Digital & Print Media
Rece Davis - ESPN Host
Hannah Storm - ESPN Anchor
Mike Tirico - Announcer, *Monday Night Football*
Aaron LaBerge - Senior Vice President, Technology and Product Development, ESPN
Geno Auriemma – Head Coach, University of Connecticut Huskies Women's Basketball
Sean Bratches - Executive Vice President, Sales and Marketing, ESPN
Ed Erhardt - President, Global Customer Marketing and Sales, ESPN
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Justin Connolly - Senior Vice President, College Networks, ESPN
Stephanie Druley - Vice President, College Networks Production, ESPN
Tim Tebow - College Football Analyst
Paul Finebaum - ESPN Radio Host
Jay Rasulo - Senior Executive Vice President and Chief Financial Officer, The Walt Disney Company
Christine Driessen - Executive Vice President and Chief Financial Officer, ESPN

PRESENTATION

[VIDEO]

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thank you. Thank you, all. All right, good afternoon, and welcome to Bristol, Connecticut, the home of ESPN and to Disney's Investor Day at ESPN. On behalf of all of us, we really appreciate you taking the time to come up here and spend the afternoon with us.

I'm going to begin by spending a couple of minutes going through some logistics for the day, and then Disney's Chairman and Chief Executive Officer, Bob Iger, will start us off.

We planned this day up in Bristol for a couple of different reasons. First, over the past couple of years, there's been a lot of activity in the sports television business. During the same time, we've finalized many key rights and affiliate deals and only strengthened our competitive position. So we concluded that having this meeting up here today would allow us to demonstrate why we are so excited about our future.

Second, we want you to hear and meet some of the 7,000 people who run this business every day. It's an incredibly talented group and they are passionate about sports. And I happen to share that passion, although as you can see on the screen, I haven't done a very good job of picking my professional teams. As you can see, I've endured many years as a Mets and Jets fan. But the good news, I checked this, this morning, the Mets are still mathematically alive in this year's pennant race, so that's great.

And finally, we wanted you to be one of the first groups to come in and see this spectacular new digital center, which will officially open next month. You'll see more of it on the tour, but right now, you're sitting in what in a few months will be our new NFL studio. And behind me, you can see some renderings of what this room will look like in a few months.

So let me share some other logistical information about today. If you look at the agenda in your welcome packet or on the screen, you'll see that we have a full afternoon planned. We hope it's both informative and entertaining.

During today's presentation and tour, you're going to hear from about 20 folks from ESPN who, collectively, have spent almost 400 years with the company. So it's a very experienced group.

We'll begin by hearing from Bob, and then John Skipper. We're going to follow that with presentations about current marketplace trends, and then our programming strategy. We'll then give you a sense of how we take all those programming rights and create content. We'll then head out on a tour of our current and new digital centers, and we'll return and hear a number of presentations about our business model. Disney Chief Financial Officer, Jay Rasulo, will then wrap up the day. And I'm sure a lot of you are going to have questions during the day. I do ask that you hold them until the end of the day when we will have a brief Q&A session.

Today, we are focused on long-term issues, not current trends. And since we're reporting earnings in just a couple of weeks on May 6, we are in our quiet period. As such, and I know some of you will be disappointed, we're not going to be making any comments about the recently completed quarter or the current quarter.

For those of you who are listening along on the webcast, I'm going to try my best throughout the day to keep you updated about our schedules, so you'll know when sessions are ending and the next section will begin.

Now due to some rights issues, we won't be able to webcast many of the videos that we're showing in the room, but we have worked hard to clear the rights on the most important ones that we think people should see during the day.

A couple of logistical issues. First, I ask that people turn off their cellphone ringers. Try to put them on vibrate, that would be helpful. Second, I've been asked to mention that if there is an emergency in the room, you can exit through the door you came in. There's also an emergency exit over my left shoulder behind the stage. So just so you know the exit routes if we have any issues.

If you have any questions during the day, if you look for someone with a red-covered -- a red-colored name card, they'll be able to help you. Those are Disney and ESPN folks, more than happy to answer any requests that you have.

Finally, and I think most importantly, on behalf of all of us, we want to welcome you for taking the time to join us here to learn more about ESPN and The Walt Disney Company.

Announcer

Ladies and Gentlemen, the Chairman and Chief Executive Officer of The Walt Disney Company, Bob Iger.

Bob Iger – *Chairman and Chief Executive Officer, The Walt Disney Company*

Good afternoon to all of you. Thank you. It's my little highlight reel. Here I am in the world of highlights, got to bring your own reel.

By the way, Lowell, my choices are just a little bit better than yours. Yankees won a double header yesterday -- two shut-outs. Green Bay, not too bad. Los Angeles Clippers, 57 games, most in their history. I'm not going to comment about the Knicks.

Anyway, it's good to see all of you. Welcome to ESPN. It's certainly nice that we could all gather here and talk about one of our most important businesses. We certainly appreciate the opportunity to show off what is one of the company's most valuable assets, too. And to present a deep dive, as we're calling it, about a lot of the issues and the elements that are relevant to and top of mind to ESPN.

This is clearly an unprecedented opportunity for us, and I hope you all get a lot out of it. We certainly want you to gain insight into what is such an important part of The Walt Disney Company.

And while we don't specifically break out, as you know, ESPN's results, you can see from this chart that our Cable Network business contributed about 1/3 of our revenue in fiscal 2013, and more than 50% of our total operating income. This includes ESPN and our global Disney Channels, where we've done a fair amount of investing, ABC Family, and of course, our ownership stake in the A&E Television Networks -- A&E, History, Lifetime.

Now we've grown these businesses nicely over the last number of years, actually 8% compounded growth since 2008. And clearly, given the size of this business, this contributed mightily to our strong company EPS growth and to our total shareholder return over that period of time.

As you know, The Walt Disney Company owns an incredibly strong, valuable and unrivaled portfolio of brands, as I think that tape that we just ran demonstrated. And in fact, a pillar of my strategy during my tenure as CEO has been to strengthen our brands or to acquire and invest in other brands, notably, of course, Pixar and Marvel and Lucasfilm.

And this is a great time, I think, to consider the value of that brand strategy to the company, given the immense success of *Frozen*, which has continued to set global box office records as the highest-grossing animated film of all time. I checked and as of last night, *Frozen*'s global box office was over $1.1 billion. Also, *Captain America* already hit $500 million in total global box office, and we're just getting started on production for *Star Wars VII*. So clearly, we have been very, very brand-focused as a company.

And we also believe that increased competition in today's world and increased choice for the consumer actually heightens the value of brands. We think the value of brands actually has risen, and we're certainly experiencing that as a company in today's marketplace.

Now beneath all these brands are a number of sub-brands, or we call them franchises, and we've created and nurtured many of those as well, including some pretty obvious ones in

Mickey Mouse and the Disney core characters, *Toy Story*, *Cars*, Marvel's *Avengers*, Disney Princess, and the most recent one, of course, *Star Wars*.

Now like brands, we also believe that in today's world, there's great value in franchises as well. And ESPN has certainly created its own set of valuable franchises, too -- many of them you'll hear about today -- including *SportsCenter*, *College GameDay*, *X Games*, *Baseball Tonight*, *Pardon the Interruption*, *Mike and Mike*, and many others.

We believe franchises drive long-term value for the company, and thus deserve more investment and more of our support. And in fact, later today, you'll see our new *SportsCenter* studio, which I think is a great example of us investing in the value of a franchise -- investing not only to continue to protect it, but to continue to grow its value.

Now I take great pride in ESPN's success. ESPN has actually reported to me since 1994 when I was COO and President of Capital Cities/ABC. I'm also a big sports fan, I spent 13 years of my now 40 years at the company -- it's hard for me to believe except when I look in the mirror -- I spent 13 of those 40 years working for ABC Sports. So sports, sports television is definitely in my blood.

And I can assure you that we're going to continue to invest in ESPN, in its people, in its programming, and in its technology in order to perpetuate its significant competitive advantage. You're going to hear a lot about that, too, today.

And so today, we want to give you more insight into the breadth of ESPN's rights portfolio, the value of its original content, the nature of its competitive position, the strength of its team -- the story today is actually going to be told by them, and why we are so confident in ESPN's future.

And now it's my pleasure to introduce the real host of today's event, that's John Skipper. I've known John, actually, for almost 20 years when he was working at Disney Publishing. And then in his earliest days at ESPN, I've watched John grow tremendously over that period of time.

For those of you who don't know John, he brings a wide array of talent and experience to this position. He's got many interests as well. And he blends a strong creative sense with, I think, really solid business skills, which is what I like to look for in a senior executive at the company.

On top of that, he just loves sports. If you know him well, he also loves music and literature and technology and a whole lot of other things. And so it is my pleasure to introduce John. Working with John certainly has been a pleasure for me. I can't think of anybody I'd rather be running ESPN than John Skipper. And before John comes up, please enjoy another highlight reel from the company that makes better highlight reels than anybody, ESPN. Thanks.

[VIDEO]

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Thank you, Bob, for those kind words. Good afternoon, sports fans. Welcome to Bristol, Connecticut.

ESPN launched on September 7, 1979, not more than a football field or two from where you sit. On January 1, 2012, I had the great privilege of becoming ESPN's seventh president. I worked for the sixth president, George Bodenheimer, for all 13 years of his tenure. During the last six years, I was Head of Content.

You folks are certainly aware of the results of George's leadership, a remarkable 13 years of expansion, innovation and strong financial performance. I am fortunate to have retained the entire executive team that worked with George to produce those results. The continuity has been seamless and productive, as ESPN has continued to contribute meaningfully to the growth of The Walt Disney Company in 2012 and 2013. I'd like to give you some sense of what that executive team has prioritized over the past two years to achieve that strong performance.

First -- and you're going to hear a lot about this today -- our rights portfolio, which we broadened and strengthened in the past two-plus years. We signed an expanded NFL deal that includes eight more years of *Monday Night Football*. We signed an expanded MLB deal. We extended our Big 12, our ACC, SEC rights, and added a comprehensive Pac-12 agreement. We renewed The Masters and bought all of the U.S. Open tennis. We acquired rights to all the NCAA championships other than men's basketball, and importantly, acquired the rights to the new National College Football Playoffs for the next 12 years. The acquisition of these long-term rights ensures that no significant shift from our current preeminent position in rights can occur in this decade. No competitor can approach our portfolio. I'll give a little bit more detail on this in just a bit.

Second, in the midst of a lot of public hue and cry among programmers and distributors, we have quietly extended our deals with 8 of the 10 largest distributors: Time Warner Cable, Cox, Charter, Comcast, AT&T, Verizon, Cablevision, and DISH. These deals assure that the annual market-leading monthly subscription fees we have will also extend to the next decade.

Third, we have moved aggressively to ensure that our resources and our capital are aligned with growth initiatives. We exited unprofitable television businesses in Europe, divested our stake in our Asia joint venture and we've shifted those resources to high-growth businesses in Brazil, Argentina, Colombia, and Mexico.

Domestically, we have shifted jobs from low-growth areas to new mobile and digital efforts, and you're going to hear a lot later, in fact immediately following me from Artie Bulgrin, about the results and growth in our position there.

Finally, we have continued ESPN's long-standing strategy -- quite consistent with The Walt Disney Company's strategy under Bob -- of embracing new platforms and technologies. We relentlessly introduced new products and services.

In the past two years, we have put ESPN networks on Roku, PlayStation, Xbox. We created the first media partnership with Twitter. We embedded the first video player on a Facebook page. These initiatives have allowed us to continue growing the usage and viewership of ESPN. And these moves have strengthened our position with our key constituents.

I like these numbers. With fans, with advertisers and distributors, we are number one, number one and number one. We're the favorite network among sports fans for 20 years running. And that is among all networks, cable and broadcast. For the past 14 years, cable operators have ranked us number one in perceived value. And just to prove they understand the Roman numeral system, they've ranked ESPN2, as the second -- as having the second highest value for the past nine years. For 10 consecutive years, they have ranked ESPN as the most important network in their system.

Among advertisers, ESPN is at the top in multiple categories. You're going to hear a lot of number ones here, nothing more important than the fact that we're the number one network, again, among cable and broadcast, on which they intend to increase spending. We're number one in terms of the most valuable programming, appealing demographics, use of social media, strategies to retain audience, creating marketing opportunities, the number one environment in which to advertise, and the number one in innovative multi-platform opportunities. It's John Wooden, Bill Russell, Iowa Wrestling, and *Ben-Hur* all rolled into one.

We believe we're in a stronger position than two years ago, and this strong position will allow us to encounter ongoing challenges. We have new competitors. Consumers have more video choices. There are potential challenges to the pay television market. There's a movement of ad dollars to new digital and social platforms. And sports rights cost more money.

However, we have an experienced and stable management team used to dealing with these issues and with a demonstrated track record of growth. We have an unprecedented aggregation of sports rights. Sports will continue to be ascendant in culture, and they will become more valuable in media because they're unique, they're exclusive, and they're the only content that must be watched live.

Our largest revenue stream benefits from significant long-term affiliate deals. We have that demonstrated track record of financial discipline as to costs, just as we have demonstrated a long-standing practice of nimbleness in the face of technological change and disruption.

Pay television is going to remain a large business, though it will exist in a more complicated and dynamic atmosphere, which will require some evolution of our current business model. In our recent deal with DISH, we authorized an over-the-top service targeted to broadband-only homes. You can expect to see us continue to experiment with new models.

Now this quick summary is, in a nutshell, what you're going to hear a lot about throughout the day from the ESPN team. That is our strong position, our ability to continue to grow and thrive. You're going to be quite impressed, I think, by what you see today. And I certainly appreciate the opportunity for me and my team to present that story to you.

Again, thank you, and welcome to Bristol.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thank you, John. You guys will all hear more from John shortly. But I'd say over the last year, the question that we've been asked about most frequently across our entire business has to do with the competitive environment in sports.

So we thought the best way for us to start the presentation part of the day would be to talk a little bit about why we feel so great about how well we're positioned. And I think for that, the best person to talk about is Artie Bulgrin. Artie is ESPN's Senior Vice President of Global Research & Analytics. I think you're going to find his presentation very informative. There's a lot of data here so get ready. And with that, let me welcome up Artie Bulgrin.

Artie Bulgrin – *Senior Vice President, Global Research and Analytics, ESPN*

Thank you, Lowell, and welcome, everybody. It's a pleasure to be here. My name is Artie Bulgrin and I run Research & Analytics for ESPN. I'm celebrating my 25th year with Disney. I've been with ESPN the last 18 years. Prior to that I spent 7 years at ABC, and I started my career in research at the Nielsen Company where I spent 9 years.

I'm a New Yorker, a graduate of C.W. Post College on Long Island, the home of the mighty Post Pioneers, actually nothing mighty about them. Not a powerhouse by any stretch of the imagination, but they're pretty good in lacrosse. Actually, the girls are pretty good in lacrosse.

And this is where things get tough. I'm also a fan of the Knicks, Jets, and Mets, a trifecta of futility for sure. What can I say? We all make bad life choices. But it stopped with my sports. And it begs the question why am I sports fan at all? And to that, all I can say is wait until the next year. Meanwhile, I'll continue to watch Carlos Beltran hit great home runs for the Yankees.

Now my job today will be to provide you with some insight that will demonstrate that ESPN is absolutely playing at the top of its game with a lot to look forward to. I'll give you our view of the multichannel landscape and tell you a few things about sports fans that might not have known. I'll focus on our strongest asset, which is the ESPN brand, how well we're doing in our business, which is television -- in our core business, which is television, and how we're expanding our audience through digital media.

You'll learn why ESPN has become America's quintessential cross-platform media company and why ESPN has a competitive edge to grow our advertising business going forward. So let's begin where ESPN started with our view on the state of multichannel.

Now with so much talk about cord-cutting today, we forget that multichannel subs actually grew steadily through the recession, and since 2010 have remained above 100 million subs. In fact, subs continued to grow right through 2012 to a historic high until the first net loss at the end of 2013. A loss that was estimated anywhere between one-tenth of 1% according to LRG, the Leichtman Research Group, or two-tenths of 1% according to Kagan, which is the data that you see here.

Now we acknowledge that cord-cutting is real, but based on our cord-cutting research, cord-cutting levels remain fractional and almost always driven by tough economic decisions, not by a preference to watch television content on alternate means. And sentiment to cut the cord has not increased in the past year, so we can expect levels to remain fractional.

Cord-deferring or cord-nevers is another phenomena, which involves mainly younger households who are mostly renters and are simply putting off multichannel subscriptions to save money temporarily. As a result, multichannel subs have lagged household formations of late. But ultimately, as these consumers start families and/or improve financially, many of them will subscribe.

Now among those who are considered best candidates to cut the cord, or to be cord-nevers -- millennials -- multichannel penetration remains high, around 75% according to Nielsen. And millennial subscribers kept pace with the overall rate of growth in multichannel from 2007 to 2013.

Now presence of family is clearly a driver of multichannel subscriptions. And similarly, interest in watching sports is an attribute that also strengthens the cord. To that point, almost all current multichannel homes tune into sports over the course of a quarter. And sports viewers are 3 times less likely to even ever consider cutting the cord.

So let's talk more about these sports fans. The United States is clearly a sports nation. We are passionate about sports and will go to great lengths to follow our teams, even suffer years, even decades, of misery. It's a pastime for most Americans and a key driver of media usage and social activity.

Yes, that's me with my buddy Mr. Met. It's amazing how he keeps that smile. And yes, no matter how grim the outlook, I will be watching, listening and checking stats and getting my alerts from ESPN.com with every change in score at least through September. Okay, maybe through the All-Star break.

Since 1994, we've monitored the size, avidity and composition of the sports fan population with the ESPN sports poll. And from it we know that in 2013, nearly 9 in 10 Americans were sports fans, that's just over 231 million sports fans, which is an all-time high since we've been measuring.

The poll measures the level of sports fan avidity based on a simple 0- through 10-point scale. Now avid fans, on top in the red there, are those that rate themselves 8, 9 or 10 and represent nearly one third of the total population; casual fans are 4 to 7 on that scale, they represent 42%; and occasional fans, 1 to 3 on the scale, are 15% of the population.

Avids account for the heaviest consumption of all things sports and are most representative of ESPN's core audience on a daily basis. For example, the *SportsCenter* viewer. They're younger, male skewing, more affluent than the general population, and more diverse in terms of race and culture.

For example, the average *SportsCenter* viewer is 32% more likely to be a bi-cultural Hispanic male than the general population. So ESPN can serve a narrow, selective and valuable audience such as avid fans, but we also have the ability to achieve significant reach with our events. In fact, quite often, the live drama and social aspect of sports forces the audience to actually transcend the fan base for a sport.

For example, the total fan base for college football in 2013 was 163 million people aged 12-plus. But during the 2013 season, nearly 180 million people tuned into college football programming across all ESPN networks. That's 70% of the population reached by just 1 sport, and just on ESPN. Extraordinary. Extraordinary numbers. And numbers that exemplify ESPN's strong position in college sports, and John's going to elaborate on that a little bit later.

So ESPN benefits from a very large and passionate nation of fans to serve, but the single biggest driver of ESPN's success is the brand and what we mean to fans. Since we started in 1979, ESPN has evolved from being a highly unique and niche brand, essentially a narrow caster, to one that is a household name, a leading consumer brand. But we still maintain an important relationship and relevance to the core avid sports fan. In simple terms, they see ESPN as being absolutely synonymous with sports. It's all we do, and we do it with authority and personality.

Here are just a few brand highlights for you. Now this chart shows that nearly 90% of Americans are familiar with ESPN, which means that they know something about us, higher than any other sports brand, including the Olympics, Nike or the NFL. And in fact, it's almost impossible to get to higher levels.

Today, ESPN is more than just the leading sports brand. It's an elite consumer brand based on trusted industry data from BAV Consulting, a division of Young & Rubicam. As you see on that chart, in terms of key pillars of brand strength and brand stature, the horizontal vertical access here, ESPN is a leadership brand on par with consumer brands such as The Walt Disney Company, Coca-Cola, Apple, and Google -- up there in that neighborhood in the right-hand quadrant.

And we're the only sports media brand with that kind of brand equity. Fact is ESPN is number one in the repertoire of choice when it comes to sports media, and for some fans, the number one choice in media overall. So that when a fan thinks about sports or just even turning on the television, they think about ESPN first. That's the power of our brand. And we didn't get to this point by accident. We've worked really hard to cultivate a brand that resonates with our fans.

Now here are two spots which highlight the essence of our brand, as well as a spot for the upcoming World Cup.

[VIDEO]

Go USA. Just a small sample of how we connect our brand to fans, a connection that started in television years ago. To that point, ESPN since 1998 has consistently received the most mentions as the favorite television network among men in an annual national probability survey conducted by research firm, SRBI. These are the latest results from September. And ESPN typically ranks as the favorite cable network among adults.

Now when we narrow the competitive category down to just sports television, ESPN's preference in the repertoire of choice rose dramatically. For example, when thinking about watching sports news, sports fans are 9 times more likely to name ESPN over number two Fox Sports as their favorite. It's not even close. And the combination of brand preference along with the most live hours of high-quality event and studio content on television, plus compelling original content, like *30 for 30* and the X Games, has resulted in ESPN being the most-watched sports network in 2013 by a very wide margin, in a year where we probably faced the most competition in our history.

So in this next chart you see a summary of total day average minute household audiences for nationally-measured sports networks for 2013. ESPN alone delivers an audience that is more than 50% larger than all other national sports networks combined.

This next chart, we include the other ESPN networks for the comparison. Note that ESPN2 has the second-largest audience, which is 70% larger than its nearest competitor, the NFL Network. And when you add up the ESPN networks, in combination they deliver more than twice the audience of all other sports networks combined.

Now there's good reason for ESPN's significant audience advantage. With *SportsCenter* and other popular live studio shows, consistent assets throughout the week regardless of the sport event or match-up each day, ESPN has become a destination network for millions of sports fans, meaning our viewers tune in for more days, more frequently than they do other networks.

For example, in fourth quarter 2013, both ESPN and ESPN2 had more days viewed than any other national sports network. And even when we are compared to the highest-rated cable networks, ESPN still leads in number of days viewed.

Let's talk about growth. While the flagship ESPN has increased its audience through the years, as you see here in the red bars, our other networks have grown almost exclusively incrementally to ESPN. In the last five years, the other ESPN networks have increased the overall ESPN TV network audience by 46%. And between 1994 and 2013, ESPN's total television audience has grown 127%.

Now a significant point of difference for ESPN is that we air the most live content in television. In 2013, ESPN aired nearly 23,000 hours of live event or studio programming across our networks. That's about 2.5 hours for -- of live content for every hour in the year. On the ESPN flagship network alone, 71% of the telecast hours are live. As a result, ESPN remains one of the least time-shifted networks in television.

In 2013, 96% of viewing to ESPN was done live. And while sports is still viewed live, more and more scripted content is being time-shifted, particularly in primetime. In fact, live viewing to broadcast prime content has declined 24% in the past five years to just 58% in the current TV season-to-date, that's through February. In that time, the share of live viewing going to sports has actually increased. Sports fans simply need to watch sports and even sports news live, a behavior that's not likely to change much in the future. And so the time-shifting of non-live television programming actually creates a greater opportunity for sports to be seen as other programming has temporarily been put on the shelf. It takes a priority.

So that's an overview of our very strong position in television. Now I'd like to spend a little time on ESPN digital media.

In 2013, ESPN digital media had a terrific year. Including all PC and mobile platforms, ESPN digital and media led the sports category with an average 31% share of the digital sports audience according to comScore's multiplatform data. That's larger than our next three competitors combined. It's larger than Yahoo! Sports, Bleacher Report and NFL.com combined.

And ESPN's big point of difference is engagement. If you look at the second column here, the minutes per user, with the average user spending nearly 100 minutes with ESPN digital media platforms each month. That's more than twice the amount of time they spend with any other competitor.

So ESPN digital media is the undeniable leader in engagement, but has also been setting new records in reach. From September 2013 through January 2014, ESPN set a sports category record in unique visitors by reaching more than 60 million users over five consecutive months. And in September, ESPN set an all-time record in the sports category for reach with 73 million unique visitors.

As you see here, this record reach is due in large part to our growth in mobile platforms. 36% of ESPN's users relied solely on ESPN mobile platforms and another 29% accessed ESPN content of both online and mobile during the month.

The audience scale that ESPN digital media achieves today, and I mean just web app and app content on PCs or mobile devices, actually significantly out-delivers the audience of our rival television sports networks.

Since the launch of FOX Sports 1 last year through the end of the 2013, ESPN digital media's total day average minute audience -- essentially a rating -- was 38% higher than FOX Sports 1 and 54% higher than NBC Sports Network.

Now one of our fastest-growing and innovative digital platforms is WatchESPN. You're going to hear a lot more about WatchESPN throughout the day. It's now available in 70 million homes and it's a service that truly embodies ESPN's mission to serve sports fans anytime, anywhere and follows that ‘Best Available Screen’ philosophy that we've been talking about in the marketplace for some time.

WatchESPN allows our multichannel subscribers to watch the ESPN networks anytime and anywhere online or on iOS and Android apps on mobile devices. Subscribers can also enjoy an interactive WatchESPN experience right on their television set through Xbox, Apple TV and Roku.

Now from September through March of this year, WatchESPN has reported very strong growth across all devices and networks. Viewing of our linear networks -- ESPN, ESPN2 and ESPNU -- is up over 200% year-over-year for the average month on WatchESPN, and engagement levels are up as well. Minutes spent with WatchESPN per device has grown 79% on average.

Specifically, we've seen very high engagement levels for WatchESPN on Apple TV and Roku devices, which launched just late last year. For example, WatchESPN on Roku averaged almost 815 minutes per user. That's about twice the rate of viewing we see for our television networks on traditional multichannel platforms, perhaps an indication of how a more interactive environment will increase viewer engagement in the future.

Now we're also seeing solid growth in ad starts, that's up 91% year-over-year. And the WatchESPN audience is exceptionally valuable as well. It's a hard-to-reach target, mostly male with a median age of 29, 18 years younger than the typical TV viewer, and a median income of $74,000, which is 54% higher than the typical TV viewer.

So ESPN's audience has been expanding beyond TV across multiple platforms, but it's no accident. Since establishing our mission statement to serve sports fans anytime and anywhere, we have grown our audience on each new platform and more than doubled the number of ESPN multiplatform users. This is our future.

But in order to monetize this value, we need valid, reliable and timely measurement that's accepted industry wide. But the industry is moving too slow. So we decided not to wait, and instead, we chose to lead the industry in developing a cross-platform measurement service with scale for the entire industry.

So in September 2012, we announced the collaboration between comScore and Arbitron to create the first 5-platform measurement system for the industry. It's a project we call *Project Blueprint*. *Project Blueprint* was designed to measure ongoing usage of content across TV, radio, PCs, smartphones, and tablets, and for the first time ever, measure net reach and time spent across all of those platforms.

Now upon sharing this data with the industry beginning less than a year later, the reaction, as you can see here from these clippings, has been overwhelmingly positive. So let me share with you what *Project Blueprint* is telling us about ESPN's multiplatform audiences.

Now the most important fundamental measure that *Blueprint* provides that has never existed before in our industry is counting net unduplicated reach of audiences across these different platforms. So for the first time, we know that in the average month, ESPN content on TV, radio, PC, smartphone, or tablets, delivers unduplicated reach of over 190 million adults or 79% of the population in the average month, and 101 million men or 86% of that population in the average month. Extraordinary.

To give you an idea of the significance of this reach, consider that in the average month during the same period, there are 196 million adult Internet users in the United States across PCs, tablets and smartphones. So essentially, ESPN's multiplatform reach is as big as everyone on the Internet.

Just as impressive, in just one day, ESPN media can reach 64 million adults, that's more than 1 in 4 adults, and 36 million men or nearly 1/3 of all men. And the exclusive reach of ESPN Radio and digital media actually increases the reach of ESPN TV by about 50% -- important information to advertisers who need to get their message seen, let's say, today, to get seats in a movie theater for tomorrow's premier.

The fact -- and *Project Blueprint* has also given us a lot of insight. For example, it's exploded the misconception that digital media would cannibalize television. The fact is that as more ESPN media platforms are used, more time is spent with each and every platform, including television.

In this chart, we compare the time spent with ESPN in the average month among those who only watch TV, only watch ESPN on television; watch us on TV and use one other platform, either a digital or radio platform; and watch ESPN on TV and used two additional platforms, digital and radio.

Now two things happen in this case. The overall time spent with ESPN media more than triples from 5 hours to 17 hours for the multiplatform user on the right-hand side, and at the same time, TV viewing goes up. It's a rising tide that floats all boats.

Now increasing audiences across platforms is great, but what's even better is the positive impact that it has for our advertising. It's a game changer. This simple chart shows the results of three real ad campaigns that ran across four ESPN platforms: TV, radio, digital, and ESPN the Magazine.

Our tracking research for advertisers, which we do on a continuous basis, tracks the audiences that use one, two, three, or all four of these platforms. And what is clear is that ad campaigns running across platforms amplifies the marketing message. In this case, simple ad awareness can improve by as much as 20 points for a campaign.

This is our future, and it's why advertisers are expecting to increase their investment in multiplatform campaigns from 20% to 50% in the next three years according to the Association of National Advertisers.

So here are the five things I want to leave with you today. First, multichannel subs remain near historic highs. Cord-cutting is fractional, driven by economic circumstances, and multichannel penetration remains remarkably high among millennials.

The ESPN brand has never been stronger. ESPN is number one in the repertoire of choice among sports fans.

Three, ESPN is the clear leader in sports television and we're facing our greatest competition and we're leading them by a wide margin, delivering more than twice the combined audience of all competing networks -- sports networks combined.

Four, ESPN is growing across media platforms, with multiplatform users spending more time with each and every ESPN platform, and is fueled, in large part, by the growth of ESPN digital media, which led the sports category in every single metric.

And finally, ESPN is a premium advertising environment that is poised to grow from increased cross-platform investment and the assurance of a live audience.

So if you think we do this only for the money, I'm greatly offended. The truth is we do it for the kids. The more than 30 whose parents named their children after the number one brand in media, and by the way, the millions more who have even considered it. Let's face it, nobody's – ain't nobody is naming their kids Fox Sports 1. Thank you very much.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Artie. That's great. Look, I hope that gives you some sense of why we are so confident about our position in the marketplace. Now admittedly, that was a rather detailed, dense presentation. So we thought it would be fun to have a moment of levity and what says levity more than bloopers.

[VIDEO]

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

I think the takeaway from that video is if you need to see Dick Vitale without pants, you should be thankful it's an old grainy video and not HD.

Look, another driver of our strong competitive position is our vast portfolio of sports rights. And John Skipper in his current role as President and in his previous role as head of Content has been intimately involved in negotiating all of ESPN's right deal -- rights deals. So I don't think there's a better person to come up and talk to you about this portfolio and our competitive position than ESPN's President and my fellow co-suffering Jets fan, John Skipper.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I'm back. I know it feels like I never left. It feels that way to all the people who work at ESPN too. You'll notice there were no bloopers from the last 2.5 years. As I've had an initiative to eliminate mistakes. Okay.

I want to be clear about one thing. In Artie's presentation, he suggested that we do it for the kids, and we do do it for the kids, but we also do it for the money. And I don't take any offense, and I wouldn't think I would take any offense from this audience for doing it for the money.

I've had a long history at The Walt Disney Company. I actually joined Disney Consumer Products in 1990 out in Burbank, California as Bob referenced before. I moved to New York City to start ESPN Magazine in 1997, managed our digital businesses in Seattle, Washington in 2003 through 2005. Moved back to New York City in 2003 to manage our ad sales businesses through 2005. I think I got some of those dates wrong, but you get the picture, I think. And then ran our content group for six years here in Bristol, Connecticut from 2006 to 2011.

Like Artie and Lowell, I'm afflicted with the New York Jets. Tottenham, if you're not familiar, actually is the New York Mets of the English Premier League, so it's kind of the same thing. I'm fortunate to follow one significant winning team, and that's the North Carolina Tar Heels. I'm at opposition here with Lowell who is a Duke graduate, of course. Of course, I'm a Tar Heel born and bred, which explains this accent as well. And I've tried very hard. I don't appear to be able to do anything about it.

I'm going to take a few minutes next to talk you about our programming strategy at the company. Central to that strategy is live rights, and I'm going to get out of the way here because this impressive slide is hard to read because there's no way to display the number of premier properties we have locked up long term without this ad chart. And we'll bear down on it so you can see it a little bit.

We have the broadest and deepest set of rights in the industry and the lengths of these deals assures that the position is unassailable. Among the three most important professional leagues, we have the NFL and Major League Baseball through '21. We have MLB -- we have NBA through 2016. And this represents an extraordinary amount of content. It's Monday Night Football. It's baseball games on Sunday night, Wednesday night and Monday night. NBA games on Sunday afternoon, Monday and Wednesday. We have playoff games throughout the NBA season. We have playoff games starting Saturday all the way through the finals, which we hold through '16.

In the golf and tennis, we have emphasized the majors and most notable here is we hold all the rights to Wimbledon, and beginning in 2015, we'll hold all of the rights to U.S. Open tennis. The only place you'll be able to see those two events is on ESPN. I'd be remiss if I didn't mention a spectacular event we're going to have this summer, which is the World Cup in Brazil. I believe we will win, but I will assure you that our results do not depend upon it.

Our longest deals are with college conferences, including all the NCAA championships other than men's basketball through '24, Pac-12 through '24, Big 12 through '25, the Rose Bowl and the College Football Playoffs through '26, ACC through '27. And this one won't even fit on the chart -- this says through 2034, we hold the SEC rights. And despite being an ACC fan, I'm very happy to have those SEC rights. It's the most rabid fan base in the company -- in the country, and you're going to hear more about that in a little bit.

Now if you want -- if you look at these and you want to understand who among our competitors can challenge our position, you will need, among other things, an actuarial table. All right, I was told it was a tough crowd. Here is a more aesthetically pleasing way to look at the rights we hold. We have rights agreements with all 24 -- 21 of these major entities. We have more games and more hours of quality national rights than all of our competitors combined.

Obviously, the competition does put pressure on rights fees, and some have asked, perhaps some in this room, about our ability to sustain growth as the fees increase. Well, it's quite simple and very analogous to what you do. We manage a portfolio. And like many of you, we manage that portfolio for profits. We have long demonstrated clear prioritization about what we buy and financial discipline relative to our overall spend.

And within those parameters, we have still assembled a portfolio that will allow us to maintain our competitive advantage with our rights portfolio for quite some time. Because we have acquired all of those rights, there is not a lot of rights available over the near term.

And this bleak desert environment is meant to suggest that there are only two deals to be done in the next -- in the rest of this decade. First with the NBA and then with the Big Ten. And obviously, I cannot provide you any guidance as to the likelihood of our renewing these deals, but you will see that we have a clear successful track record in renewing those things which we prioritize.

It's also important -- and you heard Artie talk about multiplatform and how we use our rights -- we acquire rights in a dramatically different way than others. And we've been doing this since 2006/2007, which is, unlike the traditional network model, we do not acquire three-hour game windows. We acquire rights broadly to use across all platforms. We have games we can show on all platforms. We get extensive highlight rights to fuel *SportsCenter* and other news and information programming. We get data for digital platforms, radio rights. We get unique access and content that allows us to continually launch new products and services. And in that regard, as the inestimable Professor Bulgrin showed you, we have long rejected the notion that new media cannibalizes existing usage.

As the chart above illustrates, we hold cross-platform rights to the five most popular sports in this country. That is a position that no other entity holds. We have those rights across almost everything. There's one carve out, which is you can watch Monday Night Football on every device but your cell phone. You can watch it on your iPad and on your desktop computer.

In many of our deals, we acquire international rights that help fuel local businesses, particularly, as I mentioned before, in Latin America. And Russell Wolff is going to be up here a little later to talk to you about those businesses.

Of course -- and again, you heard a little bit of this from Artie -- there's no platform more important than our signature news and information programming -- program, *SportsCenter*. *SportsCenter* is the center of a sports fan's universe. If you walk across any college campus and peer into dorm rooms, you will see ESPN on. If you're in a college union, you will undoubtedly see ESPN on. Walk through any airport and ESPN is a ubiquitous background of the terminal. Walk through any town, peer through the windows of a bar, and ESPN is guaranteed to be on. Now if you go into the bar, you can get a better view and an adult beverage. It is a tough crowd. I guess finance is not funny. It's serious business.

SportsCenter was the first program on our air September 7, 1979. It is now available 24 hours a day, 8,760 hours per year, and yet, as you're going to see later today in our studio, hear later from some of our executives, we're in the process of the most dramatic improvements ever to our signature programming -- to our signature program.

And we complement *SportsCenter* with an array of studio shows that covers every major sport, and in almost every case is the signature programming in this -- program in that sport. You see here, *PTI*, which is the highest-rated daytime studio show in the history of sports television. *Mike & Mike* has been the sports morning show of record for nearly 15 years. *College Game Day* is required viewing for fans on Sunday morning.

This past year, for the first time, we went head to head with FOX Sports 1's new college football show, and we beat them 28-1. That means we had 2 million viewers on an average Saturday, they had 73,000. I'll try again. If you put this in the perspective of this room and assume we have 100 folks here, 97 of you will tune into *College GameDay* on Saturday and 3 will tune into FOX Sports 1. I'm going to try again. We're in the process of identifying those three people, and you will be removed from the room at the next break. There we go.

At ESPN, we have a long culture of risk taking. Our goal is to do something that many companies consider to be contradictory. We want to be the clear leader in share but remain the clear leader in innovation. This is a remarkable slide and shows a selection of the 80 new shows and content offerings we've launched just since January of 2013. That's in the last 15 months. We have launched 80 new content offerings. That is five a month. That is more than one a week.

It includes *ESPN FC*, a new daily soccer show; *Nine for IX*, our documentary series commemorating the 40th anniversary of Title IX; *FiveThirtyEight*, Nate Silver's new data journalism site; *The Paul Finebaum Radio Show*; as well as Colin Cowherd's new Sunday morning football show. This relentless innovation creates surprise, delight and engagement among our fans and, we hope, dazes and confuses our competitors.

This coming December, we will introduce a spectacular new innovation, the new College Football Playoff. No U.S. sport is more tribal nor inspires more passion than college football. And this is truly the last great national championship as a championship within the sport, which is now clearly the second most popular sport in the United States.

[VIDEO]

I think it's clear that players can dance and coaches cannot dance. As you saw before, we have long-term agreements with the five major conferences. Only ESPN is in business with all of them. These five conferences create a national footprint: the ACC in the Southeast and Mid-Atlantic; the Big 10 in the Midwest; the Big 12 in the Southwest; the Pac-12 on the West Coast; and of course the SEC in the Southeast, again, the most fervent audience for college football in the country. You're going to hear later from Justin Connolly and Stephanie Druley about a new network dedicated to the SEC, which I think has a lot of potential for us.

These conference agreements provide us with a very significant position in college football. Last year, we produced and aired 400 college football games, starting with 30 games on Labor Day weekend alone. Our competitors do about four games per week, of course, unless you are NBC, which apparently does a half a game a week, since the season is 14 weeks long. My math skills are on display there.

This leadership position makes us the natural partner for the new National Championship playoff in the college football postseason. ESPN, in a finely calibrated and well-executed strategy, holds the rights to 33 of the 35 bowl games; allows us to start the season with Labor Day in those 30 games, run through the season with *College GameDay*, to these 33 bowl games at the end and this wonderful new College Football Playoff at the end. The guy who's running the prompter is completely confused because that was not on there.

As you can see on this slide, and I want to point out one thing just for the sake of accuracy, these are the sponsors from last year's bowls. We found out in the course of doing this presentation there is no way to get a logo that doesn't have the sponsor embedded on it. Tostitos will not allow there to be a Fiesta Bowl without that. We're in the process of renewing some of these and replacing some of these.

There will be three games on New Year's Eve, three games on New Year's Day. Clearly, these six games are going to dominate that national holiday of bringing in the New Year, New Year's Eve, New Year's Day, followed a week later by the new National Championship game, and all of this is going to be on ESPN. This National Championship game is clearly destined to be the second most important day in the sports calendar after the Super Bowl. And it's all on ESPN.

So that is a little bit of what our programming strategy is. It is, first and foremost, about live events. Our preeminent news and information program, *SportsCenter*; that full array of studio shows you saw across all sports; the multi-platform approach to distributing all this content; our commitment to continuous adoption of new technologies; and relentless innovation. It leaves out only one crucial ingredient that our guys are great at and that you see every day on ESPN, and that is storytelling. Superior storytelling suffused with passion and humanity.

And I want to leave you with a little taste of this with an excerpt from a 22-minute Emmy Award-nominated *SportsCenter* segment about a lovely former ESPN producer named Lisa Fenn and a remarkable relationship that she formed with two athletes with disabilities in Cleveland, Ohio: one nearly blind and one who lost his legs in a train accident. These two athletes and Lisa formed a bond and rebuilt their lives together through sports, a remarkable story of perseverance, profoundly moving and a testament to the resilience of the human spirit and the redemptive power of sports. Thank you.

[VIDEO]

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

I have to tell you the full 22-minute piece is amazing, and I'm guessing some folks in the room haven't seen it so when you come back from the tour, we're going to put a copy on everyone's seat so you can watch it on your way home tonight or at your leisure. It's really powerful and quite emotional. It's incredibly well produced, so we hope everyone takes the time to enjoy it.

I hope John's presentation gave everyone a sense of why our rights portfolio is another huge advantage for us and we think positions us very well into the future. However, the rights are only part of the story. So we now want to shift gears a bit, and we want to show you how we take all those rights and we actually create content on a scale and scope that is unique in the industry.

And for that, to kick off that section, I'd like to welcome up three executives who lead ESPN in this area. John Wildhack joined ESPN in its first year of operation, and now 33 years later, he serves as its Executive Vice President of Programming and Production. Rob King has been with ESPN for 10 years, he's our Senior Vice President of *SportsCenter* and news. Now I don't know this for sure, but when I was preparing, I looked at his slide and I'm sensing he's from D.C., it's just a guess. And John Kosner has been with ESPN for 17 years, he's our Executive Vice President of ESPN Digital and Print Media. In this role, John, among other things, is responsible for ESPN3 and WatchESPN.

So with that, let me welcome John, Rob and John to the stage.

John Wildhack – *Executive Vice President, Programming & Production, ESPN*

Thank you Lowell, and again welcome to ESPN everyone. As Lowell said, my career with the company began 33 years ago after I graduated from Syracuse University. And to this day, I'm still in pain over the Orange's late-season basketball collapse and early defections to the NBA.

Now when I started here, one small building housed all our production and business facilities, and that building was supplemented by numerous trailers that served as an office for all the departments. It's been a privilege and an honor to witness the growth of ESPN firsthand. The one common thread through those 33 years is the word passion. Our passion for sports drove us 33 years ago, and it drives us today.

Rob King – *Senior Vice President, SportsCenter and News*

My name is Rob King. Yes, I am from D.C. I'd rather have the six seed and play Toronto than the five seed and play Chicago, but that's just how it turned out.

I'm a graduate of Division III Wesleyan University in nearby Middletown, Connecticut, where in 1982 I became only the second Wesleyan Cardinal in school history to dunk in a game. And if you went to Williams, I dunked on you, too. If you went to Amherst, you dunked on me. Shortly, Hannah Storm's going to come up here and she's going to walk you through the power of *SportsCenter* and give you an inside look at the next generation of *SportsCenter*.

John Kosner – *Executive Vice President, ESPN Digital & Print Media*

Hi, I'm John Kosner. I'm a New Yorker, and I've been with ESPN for 17 years. I'm a Stanford graduate and was a sports columnist at the Stanford Daily when John Elway was our quarterback. In my 17 years at ESPN, I've learned something important: never underestimate the level of passion and interest of sports fans, especially when you can deliver exactly and everything that they want. After you hear from Hannah, Mike Tirico will tell you more about the digital revolution at ESPN and give you a unique tutorial on all of our digital platforms.

John Wildhack – *Executive Vice President, Programming & Production, ESPN*

Now back in the day when I started at ESPN, any live event was considered a big event for us, and in 1980 we never dreamed ESPN would be home to the major events that we carry today. We love big events and cover them on a scale and scope that is unique in this industry.

And to give you an inside look on how we cover a major event, it's my pleasure to introduce the voice of Thursday night college football and College Basketball *GameDay*, Rece Davis.

Rece Davis – *ESPN Studio Host*

John, thank you very much. A lot of handshakes to go around for all the executives there. You know sports is my job and I feel as if I never go to work a day in my life because I have great passion for the games we cover. But when you do what I do for a living, sometimes you have to divorce yourself from the subjectivity of being a fan. Therefore, I don't want to put my favorite teams up on the screen because money is my passion. I thought it'd be helpful for all of you now to see all of my favorite Wall Street firms up on the screen rather than my favorite sports teams, and conspicuous by his absence, my very good friends at JP Morgan, who I did want to include, but there is that matter of the credit balance on my recently expired corporate credit card that is yet to arrive in my house. So once you get there, then maybe we can make some adjustments on the top three.

Earlier, during the program, John Skipper walked you through our vast portfolio of rights, and now we want to show you how we take those rights along with our original content and program our linear networks, our digital and mobile platforms and all of the other places that you can find ESPN.

College basketball season just wrapped up, and it turns out that there are close to 9 million Duke fans and more than 6 million North Carolina fans in this country. But, as you might have figured out by now, we have two of the most rabid of each of those fan bases, each of those constituencies here in the crowd: John Skipper, North Carolina Tar Heel; Lowell Singer, Duke Blue Devil. Since John's the boss: go Heels, John.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Go Heels.

Rece Davis – *ESPN Studio Host*

Go Heels. There you go. Last month, ESPN aired our 48th Duke-North Carolina game, which many of you know is the fiercest rivalry in college basketball and some would say the most fierce rivalry in all of sports. And as you've heard many times already, we at ESPN thrive on the big event. It's not just the event itself, though, it's the buildup, the *SportsCenter* hype, it's the radio talk, the second-screen experience, the digital, the mobile, and all of the postgame coverage.

Nobody is better at making an event feel big than ESPN. And to show you just how we roll with big events, here are Wendi Nix and Sal Paolantonio.

[VIDEO]

Lowell, seriously? I did not know that you were an early pioneer of the Google Glasses. There was a distinct Bob Saget look working for you there. And those of you might not know since you are numbers crunchers here, if we had to set an over-under on number of dates Lowell got while wearing those glasses, I'm going under. But I will say this. Lowell met his lovely wife while a student at Duke, correct? And she said, "Lowell," if I can quote you, "Yes, you're the kind of guy at Duke I wouldn't have dated." But I'm delighted it worked out for you very well. And by the way, if we haven't picked on Lowell enough, you might have heard Mr. Vitale during that taped piece saying, "Will this be Jabari Parker's last game at Duke?" Yes, Jabari Parker is entering the NBA draft, so more condolences to you, my good friend.

You know that three of the top five most-viewed regular season men's college basketball games in ESPN history belong to Carolina-Duke, including the most viewed regular season men's college basketball game. But one of the beauties and one of the great things about ESPN is once that gigantic huge event is over, we just flip the page to the next.

And now for a little broader view of the sheer volume of content on ESPN, here are the hosts of ESPN2's hit show, *Numbers Never Lie*, Jemele Hill and Michael Smith.

[VIDEO]

Remarkable, mind-blowing numbers. And as John Skipper alluded to earlier, we broadcast more than 400 college football games, which totaled about 1,400 hours of live college football this past fall. And that doesn't include the three hours of *College GameDay* each Saturday morning. The backbone of *GameDay* for more than 25 years has been Lee Corso.

Coach Corso's showmanship and credibility is a huge part of why he's so popular, and there is no one in this sport who has done more to increase the popularity of college football than Coach Corso, who also happens to be responsible for one of those truly "No, I'm not making you another pancake right now. Stop hitting your brother. Turn up the volume. Hand me the remote. I got to see what Coach Corso is going to do," one of the must-see moments every fall Saturday morning.

[VIDEO]

Sunshine Scooter, the eternal optimist. Never thought I'd see the day where Corso invades Wall Street. That is probably a scary thought to some of you.

I know that we have a lot of college football fans in this room or, at least, we should. Anybody in this room have any idea which school's mascot head we just used for that piece? Speak up. This is your interactive portion of the program. Anybody? No? Pardon? You are a winner, sir. There'll be a fabulous parting gift for you at the end of the day. It is the South Florida Bulls, and no *College GameDay* has ever made it to South Florida. And as long as they keep going 2-10 and losing to McNeese State as they did last year, I'd rate the *GameDay* hosting stock as bearish for South Florida.

Lee Corso and his 60 seconds of madness every fall Saturday morning exemplifies everything we love about sports: passion, unpredictability and, dare I say, magic.

[VIDEO]

Nope, never going to work, Ron, never going to happen. Although if I were Ron Burgundy, I might look to lay low for a while, safe house or relatives, perhaps, while he recovers his image. I hope there are no portfolio managers in here who are following the Ron Burgundy stock pick.

And as you well know, Ron turned out to be very, very wrong. Back in 1979, a lot of people said that, and they've been wrong from that time forward. *SportsCenter* has become the flagship program of ESPN. And from Ron Burgundy, who once said to himself, "I'm kind of a big deal," to someone who really is a very big deal, the one and only, Hannah Storm. Hannah?

Hannah Storm – *ESPN Host*

Geez, Rece, that's a nice intro. Thanks for the intro. I can't believe what he did to my Notre Dame Fighting Irish. Hi, everybody. Great to have you in Bristol, and great to be with you today in Digital Center 2, which next month becomes the new home of *SportsCenter*, and we are very excited about it. Shortly, you're going to finally get to get up out of your seats. You're going to walk over and tour the new *SportsCenter* studio, and it's absolutely incredible. We'll show you more about that in just a sec.

As we begin this very exciting new chapter in our continuing mission to provide coverage with both authority and personality, *SportsCenter* really enjoys a special place in the hearts and the minds of our fans. And you've heard some of the numbers already, but here we go.

In a recent survey of more than 1,900 sports fans, 84% of them indicated that they watch *SportsCenter* every single week. 88% said they consider *SportsCenter* a trusted authority for covering sports. And in recent years, we have moved the *SportsCenter* brand across digital platforms. And well, we're happy to say that our fans have followed - 53 million users have come to enjoy our customizable mix of video, news, information, scores, and, of course, statistics.

You can see from the chart that *SportsCenter* reaches a young, affluent, male, multicultural audience, which, as you know, advertisers absolutely love. The median age of the *SportsCenter* audience is 35. That's compared to 47 for the average U.S. TV audience.

Men 18 to 34 represent 32%, almost a third of *SportsCenter*'s audience. That's compared to just 8% of the average U.S. television audience. And the median income of the *SportsCenter* audience is $63,300 a year, 30% higher than the average U.S. TV audience. Yep, pretty impressive. Pretty incredible. And later today, you're going to learn about the importance of these demographics when Ed Erhardt, always a highlight, speaks with you about advertising strategy.

Now the power of *SportsCenter* is tangible. This is my favorite: if *SportsCenter* were a cable network, it would be the fifth most-watched network -- just *SportsCenter* -- among men 18 to 34, and it would trail not only the aforementioned ESPN, also Cartoon Network, Comedy Central and TBS. That's pretty remarkable when you think about it. And while much has been written about league-specific networks, *SportsCenter* is still the show of record and the most important news and information program for all sports.

ESPN's total day rating is a 0.9. *SportsCenter* alone generates a 0.48 rating. The aggregate rating of the six top non-ESPN sports networks is meaningfully lower than *SportsCenter*'s ratings all alone. And their numbers include live games as well as news and information, so it's not just studio. Fans overwhelmingly prefer our multi-platform sports offerings at *SportsCenter*. And this is what we found really interesting, let me give you a couple of examples over the course of the last year, that even when an event airs on another network, fans tune into *SportsCenter* afterwards. They want to see our postgame coverage.

Okay. After Fox's October 30 broadcast of the final game of the World Series, viewers chose ESPN over FOX Sports 1. ESPN's live postgame *SportsCenter* had 9 times the viewership of FOX Sports 1 in the exact same time slot. And then following Fox's broadcast of the Super Bowl, fans, once again, tuned to ESPN for postgame coverage. Even though, of course, all during the Super Bowl, they had been promoting FOX Sports 1, ESPN's viewership was almost 8 times larger than FOX Sports Live's viewership in this time period. So no one else has the equity with fans that *SportsCenter* enjoys.

And regardless of where or when an event happens, fans, they make their way to *SportsCenter* for the most entertaining, the most authoritative sports news anywhere. 15 million people watch *SportsCenter* every day. That is more people than tuned into *The Colbert Report* or *The Daily Show*, *Morning Joe* and *Fox & Friends* combined on any given day.

Men 18 to 34 viewed 62 billion minutes of *SportsCenter* in 2013. And just to try to break down these numbers again -- this 62 billion is virtually incomprehensible unless you calculate what it means -- it's like each one of you, every investor in this room watching *SportsCenter* for the next 1,180 years continuously.

Well, I hope that demonstrates the power of *SportsCenter*. We are not resting on our laurels. As I mentioned, next month we're going to move *SportsCenter* into a new studio, and that's going to really allow us to take *SportsCenter* into a new era, really, it's revolutionary in terms of sports studio television.

So here you go. This is what you're going to see in a few minutes, but a sneak peek at what that studio is going to do for us.

[VIDEO]

Okay, it's very cool. You guys are going to go in there. You're not going to believe how big it is. There's a monitor on the floor. There's a huge track up above for a jib camera, and I know none of this probably is exciting in your world, but in our world it's absolutely incredible. We're going to have so much fun with it. Our viewers have never seen anything like it and the possibilities are absolutely endless. And we start rehearsals in there next week. Everybody is very fired up.

I understand also that earlier today, a couple of you guys tested your knowledge with an ESPN sports quiz. I have the results, they've been tallied. The two most knowledgeable fans who will get a chance to go off and tape a *SportsCenter* segment are Paul Ruvinsky and John Marion. Paul and John, are you -- stand up, please. Where are you, Paul and John? There you go. Well done. Very good.

Okay, guys, listen. It's a piece of cake. It's so easy. You won't have any problems at all. Just sit in our chairs and talk off the top of your head. See what it's like to anchor a *SportsCenter* segment. It's a lot of fun. I want to see the tape afterwards.

All right. So I promise you all you're going to have a great time. When you break for the tour, meet us at the back of the room. And here to tell you more now before you go about the digital revolution at ESPN, here is my very tech-savvy, peripatetic colleague, he's everywhere and he's got his devices with him at all times, Mike Tirico.

Mike Tirico – *Announcer, Monday Night Football*

Thank you, Hannah, very much. Appreciate it. Good to see you. Hello, everyone. Phil and John, congratulations. I look forward to seeing you guys do *SportsCenter*. The job trading thing probably works better for you doing our job than for us doing your job, but we'll see how that goes later on this afternoon.

As you saw in that video, one of the really cool advanced aspects of that new *SportsCenter* studio that you'll tour in a little bit, is the ability to integrate *SportsCenter* and the *SportsCenter* app and social media. Now my role is calling Monday Night Football games, doing play by play, NBA basketball, anchoring events like The Masters or the U.S. Open. So it's vitally important that I get up-to-date sports information and stay up-to-date during those games.

So at any moment, I could be on a number of devices, iPhone, iPad, et cetera, just like all of us are seemingly every moment of the day. And fortunately -- or unfortunately -- a camera caught me in the act yesterday on my journey here to Bristol. So let's take a look.

[VIDEO]

And that concludes my acting career, so I will not be changing jobs. I don't know if you know, but that was actually in my house. You could see because there was a fire detector, a smoke detector that was not properly working, it was hanging from the ceiling, so my wife will be telling me about that when I get home. Tech-savvy, yes. Handy, no.

Since its inception as the first sports website in 1995, ESPN has really blazed a trail of the digital content and technology department, enabling fans to get their sports information anytime, anywhere on their favorite screen. What it's become, really, is America's current sports page. For fans, ESPN is the primary digital setting such that our biggest traffic days are the first two days of the NCAA tournament and NFL Sundays, events for which we don't actually have live rights.

Now over the last half decade, we've committed ourselves to a singular product vision, focusing on serving sports fans wherever they are and making mobile really our winning advantage.

At work, ESPN.com is the TV set for millions of sports fans, offering them instant updates, breaking news and highlight clips while they're at the office. At home, there's WatchESPN on the iPad. It's essentially a second TV or a handy second screen while the game is on. Say you're going for coffee at Starbucks, well, the *SportsCenter* app, it's perfect. Lightning-fast way to get scores, read a quick article or share an interesting post as we were doing there when I stopped for coffee.

On the go, ESPN comes to you through alerts. Among media companies, ESPN has unprecedented scale in notification. So let's say you're in your car, ESPNRadio.com is going to bring you all of ESPN's linear programs, best-ofs and the largest selection of sports podcasts on the planet such as Bill Simmons' *B.S. Report*. And, if you're the Tigers' Cy Young Award winner Max Scherzer and you happen to be at a friend's wedding reception, the game's right there with WatchESPN on your phone. Some of you may have done that at a wedding. I would suggest doing it with a friend. Makes the car ride home a bit easier.

Audience data bears out our remarkable growth over the past five years. Check out these numbers. Number of monthly visitors has tripled. Number of total visits, up 5 times. Total monthly minutes increasing six fold. And we're rapidly extending that lead.

Let's talk about monthly unique visitors for a minute. Five years ago, we were second to Yahoo. Today, we're number one.

Back to monthly total visits. We have added 8 share points and, again, have overtaken Yahoo. And in total monthly minutes, we are up 13 share points to once again take the number one position. I like all those number ones.

And a significant shift has occurred because for the first time, ESPN's mobile usage now exceeds that of desktop usage. It's a result of not only ESPN creating experiences for fans everywhere but really a testament to having those great products like WatchESPN, *SportsCenter* and Fantasy Football or Baseball available on all screens. So good news for us because it enables marketers to reach young men all day long, wherever they are, whatever they're doing.

Let's go back to 2008 for a second here. We were behind Yahoo in average minute audience. By 2009 we surpassed them to become number one. We've extended our lead to the point that by January 2014, our average minute audience exceeded that of the number two, three and four players combined. If there were ever a day where you needed all these apps and second-screen experiences, I've got one for you. It's Thursday, June 12, just a couple of months away.

All in one day, I'll be in Rio with the rest of our team getting set for the opening day of the World Cup soccer tournament. We'll also be airing the first day of the U.S. Open Golf Championship at Pinehurst in North Carolina. And on ABC, they'll be airing game 4 of the NBA finals, likely in Miami. On that day, like every other day around this place, *SportsCenter* will act as the hub in and around all of these huge events, keeping everyone connected.

You've seen a lot about how we produce our content, how we distribute to a multitude of platforms. And you can imagine, to make this happen you need cutting-edge, transformative technology. I'd love to tell you all about it, but as you've seen, I can't act. So while I use these devices, I don't know how to make them work.

So for that, let me introduce Aaron LaBerge. He is our Senior Vice President of Technology and Product Development. He will help us out with this.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Thanks for the intro, Mike.

Mike Tirico – *Announcer, Monday Night Football*

Aaron, I'm sorry, it's the tech-savvy way to say hi. I'm not hip and young like you are. Good to have you with us.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Good, good. As you can see on the screen behind me, I am a proud South Carolina Gamecock. I've been with ESPN since 1997, and I helped to launch and build the first version of ESPN.com.

Mike Tirico – *Announcer, Monday Night Football*

So we owe a thank you to you. We just showed what a day in the life of content looks like here at ESPN. But we all do know that making great content is just not possible without the technology. So Aaron, maybe you can shed some light. Tell us a little bit about technology's role here at ESPN.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Sure. It's pretty simple. ESPN lives at the intersection of content and technology. They are inextricably woven into everything that we do, and we have been at the forefront of innovation since 1979.

Mike Tirico – *Announcer, Monday Night Football*

Let's dive in a little bit deeper and talk about innovation. It's something that's near and dear to my heart and for most of you who are football fans, near and dear to your heart as well. That yellow line, the 1st and Ten line, we like to call it.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Sure. We debuted it during an NFL telecast between the Cincinnati Bengals and Baltimore Ravens in 1998. And today, it is still a perfect example of how we combine content and technology to enhance the fan's experience.

Mike Tirico – *Announcer, Monday Night Football*

It's a must-have. Now it's hard to imagine watching any football game without seeing that yellow line that we debuted back in '98. Let's talk for a second about another game-changing technological innovation, really, and that's ESPN HD.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Sure. In 2003, high-definition television was in its infancy. Yet anticipating its importance, we made the decision to design our first digital center as one of the world's first HD production facilities.

Mike Tirico – *Announcer, Monday Night Football*

And it's beautiful. It's turned out that ESPN has been credited with being the driving force behind the widespread adoption of HD. And the consumer electronics industry has stated several times, different places, that ESPN made the move to HD. When that happened, it was a real tipping point for the whole technology of HD that we now almost take for granted as a standard.

Sports fans have always been early adopters of early -- of new technology, I should say. And more and more, fans are mobile. They're out and about and transient, so they want their information anytime, anywhere. So that's another innovation. How are we addressing that one?

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Mike, nothing speaks better to this than WatchESPN. We were the first network to offer our syndicated viewers real-time streams of our networks on any screen or device. This has redefined what consumers come to expect from programmers.

Mike Tirico – *Announcer, Monday Night Football*

And something like that, Aaron, reinforces the idea that the live games matter the most. So that's a quick glimpse of where we have been. Now let's get all techie, if you will, and lean on Aaron for that. Wow us with the power of ESPN's technology infrastructure.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

All right. Are you ready?

Mike Tirico – *Announcer, Monday Night Football*

Yes.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Here we go. The scale of our content production and distribution is unmatched in this industry. This provides us with a significant competitive advantage in many ways and widens ESPN's moat. Simply put, our technological capabilities allow us to process information at a speed and volume unmatched in the industry.

As example, let's take something we've all done recently, filling out our NCAA bracket. ESPN's tournament challenge generated over 11 million brackets, and at our peak, we were processing over 200 brackets per second.

Mike Tirico – *Announcer, Monday Night Football*

Wow. Pretty fast.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Unfortunately, only 1.9% of them had Mercer beating Duke. But the tournament challenge is an example of how we consider technology to be product at ESPN.

Mike Tirico – *Announcer, Monday Night Football*

More Duke mentions, Lowell, we continue to go down a certain road here. And by the way, thank you for using my bracket because I had Connecticut...

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

I pulled it especially for you.

Mike Tirico – *Announcer, Monday Night Football*

In the finals, the eight straight years that I've had the finals picked exactly right.

Sure.

Now Digital Center 1 and where we are, Digital Center 2, provide the infrastructure for television and radio, desktop, mobile, and print across more than 50 ESPN business entities. So DC1 and 2, as we like to refer to them as, they really enable our media businesses to collaborate for the benefit of fans in powerful ways that no one else can, not just here but globally. So can you tell us about some of the other benefits of DC1 and DC2?

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Sure. Our digital centers allow us to own live. We record over 95,000 live feeds per year, which translates into over half a million hours of content.

And the second the live event concludes, we take the fan experience to another level. We published over 30,000 video clips last year. Those clips were watched over 2.5 billion times and generated over 3 billion advertising starts. How's that for a stat?

Mike Tirico – *Announcer, Monday Night Football*

I'm working on it. Keep going. Go ahead. But before you do that, I can give some perspective, at least, to these numbers that you clued me in on, to be candid. If someone in this room were to sit in front of a TV for 57 consecutive years, then you could watch all those live feeds. Pretty impressive, to say the least.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

I'd say so.

Mike Tirico – *Announcer, Monday Night Football*

ESPN has also created this really interesting private fiber network. It connects Bristol to New York, Los Angeles, Brazil, London, Australia, and other points around the world, which sounds really neat, but what's the benefit of it all?

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Well, with this network, we have enough speed to download the entire text of the Library of Congress 169 times a day. We use it to serve 28 television networks all around the globe. We also process nearly 45 petabytes of data per day, which is twice the amount of data that Google processes in the same time period.

Mike Tirico – *Announcer, Monday Night Football*

You have to go on Google to understand all these terms. But there's a lot of processing capacity there, so what's the benefit of that?

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

This gives us the ability to distribute every piece of content we create across multiple platforms. For example, we produce a remote game. We send the game back to Bristol. The game is screened one time. Metadata is stored on our servers one time. The game is then edited and has studio quality highlights -- with studio quality graphics. Those clips are then made available instantly to all of our distribution platforms. We do this once, which eliminates the need to duplicate efforts, and technology helps to make that happen.

Mike Tirico – *Announcer, Monday Night Football*

Wow. Now let's talk about where we are right now, this building that we're standing in. If you can walk us through what Digital Center 2 is going to be capable of.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Well, Mike, it's simple. DC2 will be the most technologically advanced content production facility in the world. It is designed to never become obsolete, and we consider it to be beyond the limits of today's state-of-the-art.

Mike Tirico – *Announcer, Monday Night Football*

It's also going to provide studio space, some of which we're in now, some you'll tour in a little bit, to produce new content. In total, DC2 will have five studios, 16 edit rooms and six production control centers.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

There's also more than 6 million feet of fiber-optic cable in the building, which is enough to stretch from here to Walt Disney World in Orlando. DC2 will also house technology found nowhere else on the planet. For example, we have the world's only video router capable of moving data at the rate of 92 terabits per second.

Mike Tirico – *Announcer, Monday Night Football*

Which I know is the equivalent, and trust me, I have this off the top of my head, of moving 60,000 high-definition sporting events simultaneously. It's all incredible stuff. Needless to say, we are in a state-of-the-art building and facility, and Aaron's a big part of it. Aaron, thank you very much.

Aaron LaBerge – *Senior Vice President, Technology and Product Development, ESPN*

Thank you, Mike. Appreciate it.

Mike Tirico – *Announcer, Monday Night Football*

It's clear technology is one of the key components of ESPN's leadership. And you will all now have a chance to see firsthand what we're talking about on a tour of DC1 and DC2. So I'm now going to ask Lowell back up here to walk you through the logistics of your road trip. Thanks for your time. Enjoy the rest of your time in Bristol.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, guys. Thanks, Aaron. All right. Thanks, Mike and Aaron. I hope that presentation gave everyone a sense of why the content we produce here every day and the technology that powers that is really unrivaled.

So we're now going to break to tour our current and new digital centers. For those listening on the webcast, we are going to break now. We will reconvene in about an hour, close to 3:30, so please rejoin us then.

[TOUR BREAK]

[VIDEO]

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

It is, as we said, the highest-rated studio show in the history of sports television, a daily show. The guys are terrific, and Tony will be here this evening. I hope you had a good time on the tour in the world's largest studio. Welcome back. I hope you got the sense that we do think of Bristol, Connecticut as the center of the sports world.

But Connecticut was the center of the sports world for another reason last week, which is the men's and the women's teams both won the national championship. We sometimes think of ourselves almost without peer in the State of Connecticut, but we have a peer in the State of Connecticut, and we're going to bring him out right now.

Just to tell you that the coach I'm going to bring out right now has a win-loss record of 877 wins and 133 losses. This is a kind of record we like at ESPN. I'd like you to welcome Geno Auriemma, the coach of the women's team at University of Connecticut, and our next-door neighbor.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Thank you.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Good to see you.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Good to see you.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Just sit down, we'll be more comfortable.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Thank you.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

And Geno's going to be happy because I'm only going to ask him one question. Congratulations, Geno. You now have nine national championships; one more than the great Pat Summitt, one less than the great John Wooden. And I'd like you just to talk for a couple minutes about the pursuit of excellence over an extended period of time. You won nine championships in 19 years. That's a remarkable accomplishment. How do you do it?

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Watching *PTI* all the time.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Okay. It's only been on 15.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

That's right. That's ...

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

You got -- the first four years, you were on your own.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

That's where I get all my inspiration.

I think one of the simple things, the answer to that, that you all probably already deal with every day is I don't recruit bad people. I don't have a lot of skills in my skill set. But one that I do have is it doesn't take me very long to figure out whether I want to coach somebody or not, and it has nothing to do with how good a player they are. And I think you do, too.

I think you sit across the table from somebody and in about 30 seconds, 45 seconds, you know exactly whether you want to work with that person or you don't. You may have to and you might convince yourself that it's a good idea because they're going to make you a lot of money, but deep in your heart you know whether that's somebody you want to spend time with or not. So I try never, never -- I try not to bring people into my organization that I don't think I can work with and I don't think are great people that are going to get better. So we start out with that.

And then there's a limit to what people think they can do and they set their own limits and that's another thing that I'm really good that getting people to do things that I never felt like doing when I was their age. I'm not exactly a plan guy. I don't really get into like five years from now, 10 years from now, whatever. But I think I know what makes people better, and I work really, really hard with my staff at making them better.

So we have kind of an informal kind of a structure. I coach my coaches really, really hard, and I demand that they be great every single day. Then my coaches coach the upperclassman, then the upperclassman coach the sophomores and freshman and then it just carries on year after year after year where there's a culture established that when you come to Connecticut, these are the expectations and we don't deviate ever, ever, ever from those expectations.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Well, that's great.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

That's kind of simple. But when you're dealing with 18-, 19-, 20-year-old, those of you that have children, those of you that have sent kids off to college, there comes a point where you just cross your fingers and hope you've done a great job. Because by the time I get them, when they're 18, 19 and 20, if you haven't done a great job, there's not much I can do with them.

So we depend on kids who come from the right families, the right parents who understand the difference between right and wrong. In today's world, if you show up, you get a gold star. If you jog, people say, "Good job. You're really running hard." And if you run, they think you're sprinting. So we try to teach them the difference between walking, jogging, running and sprinting, and they get rewarded when they sprint. And when they walk, they get something less than rewarded.

And they're used to that because when you have good parents, they've taught you that as you're growing up. When you do this, you get rewarded; when you do this, you do not. And we just try to tap into that. And plus, we recruit the best players in America.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Who are great people.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Who are really great people, who -- those of you that are basketball fans, no coach has ever won championships coaching mediocre players. I don't care if you're coaching the Yankees or if you're coaching UConn Women's basketball.

If you coach the best players who happen to be the best people, then you have a chance to win championships. And I just saw something today that I thought you'd be interested in. Take a guess who was the least fined -- the NBA does a list at the end of the year, which players position and which teams had to pay the most fines for bad behavior in the NBA during the past year. Take a guess which team was fined. Some teams, the New York Knicks, paid $450,000 in fines this year.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

San Antonio Spurs ...

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

One team paid $14,000 in fines this year.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Spurs ...

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

One team is San Antonio, and one team is the New York Knicks. One team has the best record in the NBA, the other team is not playing in the playoffs. And it's not all about talent.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Right.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

It's about getting the right people in your organization.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

We have certainly done that. Geno is a great neighbor of ours. He's been a great friend of ESPN. He came by today to say hello despite a very busy schedule last week. I want to thank you for coming by to see us.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Well, I heard today was a big day out here, that this doesn't happen very often. I'm glad you know now you don't need a passport or visa to get to Bristol, so hopefully you'll make another trip out here in the near future. And John is one of my favorite people, and I've known him long before he got to the position that he's in and he's one of the good people. And that's how I want to live. I want to spend all my time with the really good people, and John's certainly one of them.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Thank you. Appreciate it.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Thanks, John.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Thank you for coming.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Thank you, everybody.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Coach Auriemma.

Geno Auriemma – *Head Coach, University of Connecticut Huskies Women's Basketball*

Thank you. Appreciate it.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

That was great. Thanks to Coach Auriemma for taking the time and coming over this afternoon. I thought that would be a great moment for everyone.

So I hope everyone enjoyed their tour, got a snack and is refreshed because we're in the home stretch now. And after spending the morning talking about how we buy and utilize rights, we want to switch gears and now for the rest of the afternoon, we want to talk about how we generate financial returns.

And there's no better place to start than our compelling distribution story. And Sean Bratches, as Executive Vice President of Sales and Marketing at ESPN, has led the negotiation for the most important deals we've done over the last 2 decades. Sean's been with ESPN for 25 years. He, on top of affiliate sales, is in charge of advertising sales and research. He has a big portfolio, and I'm really delighted to welcome him to the stage right now to walk through our distribution story. Sean Bratches.

Sean Bratches – *Executive Vice President, Sales and Marketing, ESPN*

Lowell, thank you. Hello, and once again, thank you for joining us here in Bristol for Disney Investor Day at ESPN, a little home field advantage for us.

I started my career here over 25 years ago, many of those spent here on campus, and it continues to evolve to represent the great and innovative culture of this company. I'm here to talk to you about our distribution revenue, our largest source of revenue at ESPN. It's only right that we start the conversation with what's arguably the most important and powerful metric in our -- in the business, our industry-leading rates.

When considering national networks by programming group, according to Kagan, our networks clearly hold the leadership position, and ESPN is the linchpin of that success. This chart gives me great pride as I think back to the negotiations we had with operators in the early days of my career to simply launch ESPN on their 35-channel cable systems. Now ESPN is the centerpiece of our distributor's core basic cable business and commands the highest rates in the marketplace. None of this happened overnight. It's taken us 35 years to get here.

So how do we become a marketplace leader? While ratings are important, we believe the key to success lies in the indispensability of a network to its audience. When you get down brass tacks, there is no more important network on pay television than ESPN.

Part of our indispensability is the power of the genre in which we toil, sports. Sports is the last bastion of live viewing. As already said earlier, 96% of ESPN's viewing is done live. It's the only content that day in and day out is part of the immediate social currency.

Our collection of exclusive events has grown steadily over the years. Over the past decade, we've moved numerous marquee events from broadcast to cable, including Monday Night Football, the new College Football Playoff, U.S. Open Tennis, Wimbledon and the Open Championship.

For our distribution partners, the fact that our extensive portfolio of rights resides on pay television drives tremendous value as it creates a greater demand for their products and services.

We evaluate how well we're serving sports fans by asking two very critical questions, first, how much would our fans miss us if we were not part of their multichannel subscription; and secondly, would they change providers if our networks were not available?

According to our ongoing studies with Hart Research, ESPN networks are the number one reason that people subscribe to pay television, and more subscribers would change TV providers if we were not available than would do so for any other network. Indispensability is absolutely paramount to distribution value, ahead of ratings and other metrics that are cited in the media.

Core to our success is our ability to maintain strong relationships with our distribution partners and support their businesses. As John Skipper mentioned earlier, ESPN -- Beta Research rank ESPN the number one most important network in cable for the 10th straight year, and it doesn't stop in video service. ESPN is also critical to selling advanced services.

Our viewers are higher-income earners and more likely to buy critical growth products for MVPDs, such as HD, DVR and high-speed data services. ESPN also ranked number one for the 10th straight year as the network with the most valuable programming to help generate local ad sales revenue.

ESPN has the best affiliate sales group in the marketplace. Period. We've completed 8 out of 10 long-term renewals with the largest operators in the marketplace. All of these deals were done without a service disruption. We negotiate in the executive suite rather than the press.

Distributors have made long-term investments in us and on this business model evidenced by the recent deal we completed with DISH Network. These long-term deals have secured the framework of the multichannel bundle well into the next decade.

We're focused not only on sustaining the value of ESPN, but on positioning it for the future. This industry is changing faster than ever before, and that creates extraordinary opportunities for established brands such as ours. We're well positioned to capitalize on these new opportunities largely due to our long-standing culture of innovation. ESPN is always at the forefront of developing and exploiting technology.

I'd like to discuss three significant ESPN innovations. With WatchESPN, we became the first linear network to stream live content on the Internet on an authenticated basis. The evolution of Watch on Xbox is also a great example of our continuing to innovate. Sports, like no other genre, is positioned to take advantage of the capabilities of new platforms like Xbox.

The interactive channel guide allows subscribers to curate specific content into channels, such as latest news, live television and college football. Companion viewing allows viewers to simultaneously watch live sports highlights while playing -- highlights to the side of the main engagement screen. And a sure favorite among active gamers in Snap Mode, which gives fans the ability to watch ESPN video content on screen while gaming. These innovations and the capabilities of the Xbox platform drive usage 46% higher for the key 18 and over demographic than on traditional multichannel platforms.

We're not only focused on keeping subscribers in the ecosystem, but also creating new services that serve fans while driving revenue growth for ESPN and our distribution partners. ESPN3, our flagship dual-revenue stream broadband network now available in over 90 million homes, does just that. It carries a variety of popular, exclusive content like NCAA football and basketball, cricket, international soccer, and my personal favorite, collegiate lacrosse.

ESPN3 has supported the value proposition of high-speed data for over a decade. But as screens converge, we're working with our distribution partners and exploiting technology to also take ESPN3 content to the television.

It's critical for us that we remain at the forefront of emerging platforms and that we work to establish business models that makes sense for us and our partners. Among our biggest announcements in 2014 was the new personal subscription service that we developed with DISH Network.

This is a product we will be targeting to the younger demographic that is part of the 7 million broadband-only homes in the marketplace. We expect the personal subscription service to be comprised of networks people most watch as opposed to the strip down offerings of the so-called economy tiers in the marketplace today.

While we can't get into deal specifics, based on the name personal, you can expect the service will be delivered and directed at individuals. We see this as a valuable on-ramp to the multichannel service rather than a vehicle to exit traditional pay television subscription.

You've heard what I've had to say about our leadership position in the market and our indispensability and value to affiliates, but don't just take my word for it. I had the opportunity to speak with the President of Cox Cable, Pat Esser, in his office in Atlanta recently and asked him to share his thoughts. So let's roll that tape.

[VIDEO]

So as we look to the future, we will continue to marry innovation with sound business strategies. It's imperative that we retain our leadership position with fans and distributors. We'll continue to embrace innovation in order to position ourselves for the future, touching more sports fans each day, wherever, whenever and however they want our content.

Thank you very much, and I look forward to seeing all of you at dinner this evening.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Sean. I hope that presentation does provide some insight in how well positioned we are with regard to this really important revenue stream. Now there's another important revenue stream for us, and that's advertising. Ed Erhardt is the President of ESPN Global Marketing and Sales, a position he's held for 15 years. And I think you'll see that during Ed's leadership, ESPN's ad sales performance has been excellent.

He's going to provide some insight into how we've accomplished what we've accomplished and why we remain the name that we remain with advertisers.

So with that, let me bring up Ed Erhardt.

Ed Erhardt – *President, Global Customer Marketing and Sales, ESPN*

Thank you, Lowell. It's great to be here with all of you. So as you can see, my two favorite teams are Nielsen and post games. So at customer marketing and sales, we use that name because we literally put our customers first in everything we do, from our relationships with the top CEOs and CMOs in the business, to our growth strategies and go-to-market communications.

We lead with understanding our customers' needs. Yes, we're selling advertising. We're also selling our customers' products. And the more goods and services we move for them, the better it is for our business and for theirs. It's the heart of our competitive advantage.

The proof, well, it's in the pudding. Advertising represents a significant portion of ESPN's total revenue. And at ESPN, as you can see, we've outperformed the marketplace. Whether it's the total media market, television market, sports market, over the past five years, ESPN has outperformed in a big way.

So how do we do this? We focus on the customer. At the highest levels, our customers consistently tell us there are 3 main areas of focus for their marketing success. First, increasing fragmentation of audiences, both within and across screens; second, ad model disruption, the result of time-shifting, ad skipping and new content formats; and third, macro demographic trends, specifically U.S.-Hispanic growth and changing societal roles. We see these as opportunities, opportunities to accelerate revenue growth and widen our competitive advantage.

So let's take the first one, audience fragmentation. As you've heard, ESPN's mission is to serve sports fans anytime, anywhere. To our customers, this means that ESPN is always on across screens and at scale. Increasingly, time spent with more screens throughout the day is a live experience and it increases our revenue opportunities.

Watching a live game on television, checking scores in the *SportsCenter* app on your mobile phone, or tracking your favorite players on a tablet through GameCast, these are all live experiences. They're additive behaviors. So for ESPN, we're growing on all screens, not cannibalizing among screens.

In this era of DVRs, binge viewing and time-shifted television, ESPN's live. Our advertisers know they are reaching the audience they want to right now, not days later. Live also allows our partners to leverage the significant social buzz around real-time events, and we program with that in mind. Advertisers recognize that they're always on across screens, and they reward us every $1 of every $4 that we write in advertising today is nonlinear.

Part of that revenue growth is fueled by the growth of WatchESPN, which Aaron and Sean mentioned. We pioneered all these on with our Watch product, and it's a new and different advertising stream. WatchESPN allows us to play in both the digital and the television marketplace. It's a unique stream with dynamic ad insertion. It allows us to garner, in many cases, CPMs that are often double our television CPMs, and we've got a growing number of advertisers who are now on board, 200 and counting.

So why is that? It's effective. According to our own cross platform research, when marketers add WatchESPN to their advertising mix, consumer purchase intent increases by up to 85%.

A good deal of that growth is now being fueled by the over-the-top devices which are of their age, Apple TV, Xbox, Roku and more, and ESPN is on every one of them. Not surprisingly, we're seeing that the WatchESPN audience is younger, more affluent and more technologically savvy than both the general television audience and ESPN's linear audience. And we believe as addressable, data-driven advertising picks up steam, WatchESPN is in an excellent position to take advantage of this opportunity and industry trend. This provides us another way to monetize our fans wherever they consume sports.

Among our advertisers who spend $2 million or more, 80% buy ESPN on multiple screens, and that's a 23% growth since 2009. As clients demand for more improved measurement, we think this will accelerate ESPN's ability to monetize all screens and widen our gap over our competitors. As already said, we're leading the industry to accurately count impressions across all devices.

We're also investing in understanding consumer behavior on those screens. Marketers want to know how multiscreen consumption impacts their advertising, something ESPN is uniquely positioned to do because of our scale.

Our clients come to us for expertise on which combination of screens, at what levels and how they can drive specific results for their marketing goals, whether that be awareness, brand favorability, purchase intent and most importantly, sales. This is a core advantage for us.

John Skipper referred earlier to our share in growth in mobile. Currently, as you guys know, mobile is the platform that's the most challenged in terms of measurement. It's also the one, as the industry figure this out and they will, that has the most upside for ESPN. We also see that opportunity in audio, and we see it in out-of-home. Our leadership in these areas differentiates us and provides revenue upside.

Our clients' second challenge is the disruption of ad models. Being live, of course, very nature of sports, blunts the effect of time-shifting and ad skipping. But we don't rely solely on that to best serve our customers. Just as ESPN is always on, we're also always innovating.

That innovation comes to life in three key areas. The first is breakthrough ad formats, which we're doing across every screen. In television, we recently created the transition unit between live events and S*portsCenter*. This allows us to hold fans' attention to the advertising and helps increase ratings at the same time.

In digital, we introduced the Flip Unit, which was created at our own 2013 Ad Sales Hackathon. The ad flips back and forth between advertising and content and keeps the user engaged and the advertising viewed.

And in print, we launched a never-been-done before branded integration unit with Coors Light Cold Hard Facts, a television-inspired idea. An industry-first, it puts a print spin on branded content. Native advertising maybe the latest trend. But at ESPN, we've been doing native advertising for many years.

The second way we innovate is to branded solutions fueled by Creative Works, our in-house marketing agency. These innovations create compelling ways to connect brands with our fans. And you know them well. They range from the highly successful GameDay built by The Home Depot, to the Nissan Heisman House and the Wendy's Wooden Award and so many more. These are IP free, co-branded kinds of sponsorships opportunities. In fact, we're happy to announce today that HP-12C is the exclusive sponsor of today's Disney Investor Day at ESPN, sold by Lowell Singer, I might add.

This success has led to clients such as Charmin, Duracell, Toyota and Paramount, to ask us to create their brand advertising, as they know we speak to men better than anyone.

We're very proud of the branded content that we've done for clients such as this video series for Levi's, which stars the Super Bowl winning quarterback, Russell Wilson. Take a look.

[VIDEO]

So our new distribution channels enable us to pioneer beyond our walls to engage consumers wherever they are. Fans can watch ESPN on Xbox, get instant replays from Twitter and WatchESPN video on AOL. We regard social as an opportunity, not a threat. We use Twitter, for example, as a distribution channel for our highlights, in partnership with Verizon, while still controlling the sales channel and connecting fans back to the scale of ESPN.

So for us, social is complementary. We do it well and we figured out how to monetize it. Dunkin' Donuts partnering with us during the NFL season to run Vine videos as billboards in Monday night countdown. This was the first ever television advertising made completely from

Vine videos. And the proof of how ESPN innovates in ad disruption is in our numbers because, as you know, the numbers never lie. Take a look at these numbers. 23,000 on-air features with our customers' brands integrated into ESPN's content, 850 integrated sponsorships, that's scale.

The biggest focus for our clients, which transcends their marketing and their media strategies, is the changing macro demographic trends that we see across America. We're ahead of this curve and we're well poised for growth.

First of all, on the Hispanic front, ESPN Deportes has long been the product of choice for targeting Hispanics sports fans. And as you know, sports is the great unifier. As population growth and marketing budgets shift from Spanish-dominant to bicultural and English-dominant Hispanics, demand for English language programs on ESPN will only increase. And we're bridging language and culture to better serve our fans and our customers. Moreover, young Hispanic men greatly over-index on mobile, so there's a significant upside and leverage to our strength and scale in mobile for this market.

Our clients recognize our power here and use us to reach this growing population both in English and in Spanish. For example, Toyota sponsors *SportsNation* on ESPN and *Nacion* on ESPN Deportes; T-Mobile, partnering with our own Creative Works to do our first ever dual language, co-branded spot. The casting reflects the diversity of the Hispanic market and the ad ran in both English and Spanish. With the magic of a little editing, we took the liberty of giving you the flavor both in the same spot.

[VIDEO]

Another macro trend clients are embracing is the shifting role of men in society. More men are staying single longer, and if and when they do marry, they're assuming nontraditional roles in the family. Men are picking up more responsibility for childcare and grocery shopping, which increases their buying power.

According to the National Retail Federation, men spend 39% more per visit than women around the holidays. This means men, who have largely been ignored by high-spending categories such as fashion, retail and consumer packaged goods, are now lucrative targets for a whole new group of advertisers. And those advertisers turn to ESPN first to understand how to best market to men.

As the men's grooming category grow, so grows ESPN and so does our client base. In 2009, we had clients such as Gillette and Old Spice. Since then, the number of men's grooming brands on ESPN has increased by 75%. 2014, we carry advertising from all these brands. And this category is growing and we're getting more than our fair share, as you would expect.

However, what you might not expect is the growth in the retail category we're experiencing. As men's fashion becomes more mass and e-commerce more popular, our retail business has grown 44% since 2009. And ESPN now does business with retailers such as Macy's and Target, which traditionally had targeted women. We have helped retailers, such as Men's Wearhouse, Belk and Jos. A. Bank, grow from regional to national players. And we're helping drive e-commerce with all of these clients, as well as the online companies like Overstock and Amazon.

So at ESPN Customer Marketing and Sales, we're optimistic about future growth. All the winds of change blowing across the marketing and media landscape play to our strength. We have opportunities to compete in so many different marketplaces and across new and growing categories. And this leads to new advertisers.

Across all media, ESPN signed 630 new advertisers in the last year. These new advertisers have an average spend of $200,000, so that gives us a lot of room to grow that business. This year, as John discussed earlier, we're bringing a very exciting product to the marketplace, the College Football Playoff.

We're excited because we're the exclusive sales agent not only for the media but for the marketing rights, and this is a unique opportunity in the landscape of sports. We're building true vertical partnerships that are seasoned and year-long with some of the very biggest brands around the college football playoffs led by Dr. Pepper's recent announcement, ESPN has a dozen deals and counting to announce over the next 90 days.

Clients like our college football partners recognize ESPN strength. So don't take just our word for it, John Skipper mentioned the most recent Beta Research study, studies 225 advertising media professionals. Not surprisingly, ESPN was number one in all of these areas, outranking 42 other cable media companies and all four broadcast networks.

Over the past three years at our annual upfront event in New York, senior executives at leading companies have been gracious enough to talk on the record of how ESPN drives their business results. And here's what just a few of them had to say.

[VIDEO]

I love those Cheez-it guys. So to end, let's go back to where we started, it's about our customers being at the center of all we do. It drives our success, not just for today, but for where we're going to go next. Thanks.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thanks, Ed.

Ed Erhardt – *President, Global Customer Marketing and Sales, ESPN*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

That's great. Thank you, Ed. Now I remember it was just a couple of years ago we started talking about men's grooming as a category, and people would look at us funny. And it's become a real significant category for ESPN, so I think that's a credit to Ed and his team and the work they're doing with clients.

So we're often asked about our international business and we've spoken a little about this over the last five years, but not extensively, so we thought this is a great opportunity to dive in a little deeper. And here to take us through that is Russell Wolff, Executive Vice President and Managing Director of ESPN International.

He's going to talk about a few of our international initiatives. Russell has been with ESPN 17 years, he leads our efforts outside the United States, and I'm pleased to welcome him up right now, Russell Wolff.

Russell Wolff – *Executive Vice President and Managing Director, ESPN International*

Thanks, Lowell. Good afternoon. I know we're getting to the end of the day, so stick with us here.

I'm Russell Wolff, and I lead our businesses outside United States. I'm excited to be here. I've been with the company since 1997, and while I'm based in New York today, I've had stints in Hong Kong and Singapore. I'm both a Dartmouth and Tuck School graduate.

Now while I spend about 50% of my time outside United States visiting with our staff, our clients and rights holders, I still get a chance to play ice hockey when I'm home in New York with my men's league team, which is great. I cheer for the New York Rangers, as you can see, big game tonight against Philadelphia in the opening of the playoffs for them, and a few other teams, which you may or may not recognize, including the Indian national team.

Over the last few years, we've made some moves that refined our international strategy and our portfolio. We're now focused on our multimedia businesses in Canada, Latin America, Australia, New Zealand and our digital businesses around world. You'll hear a bit more about our strong digital presence in India in just a few minutes.

As you can see from this next map, we have a very broad footprint. ESPN has a presence in almost every country around the world in at least 1 media. We have 24 television networks outside United States that reach 162 million households. These networks are complemented by more than 50 websites, mobile applications, radio, broadband and other -- and magazine in key markets.

In honing our strategy, we believe we're focusing our efforts on the TV markets and global digital spaces that have the best marketplace structures, dynamics and continued growth projections to continue to create profitable and growing ESPN businesses. ESPN International continues to grow. And today, the revenues in this business, including our joint ventures which includes the Canadian business, are in excess of $1 billion per year.

Today, we'd like to introduce you to two very specific businesses at ESPN and their growth dynamics; our Latin America business, which I'll get to in a few minutes.

But first, let me introduce you to ESPN's multiregional cricket business, ESPN Cricinfo, the world's number one cricket website and online cricket brand which we acquired in 2007. Cricinfo provides the best cricket content in the world whether that's breaking news, statistics in a sport that has more statistics than baseball, detailed analysis or live match coverage.

We're excited about the growth prospects of this business. It's driven by cricket fan avidity in places like India and other Commonwealth countries, the technology adoption that's going on in these places whether Internet-enabled phones or tablets and broadband, and the immigration patterns right here of South Asians in United States. Today, almost 30 million Americans self-identify as cricket fans, 30 million.

Product improvements on ESPN Cricinfo continue to deepen engagement with fans. From 2009 to 2013, we've seen Cricinfo grow 190% across the web, mobile and apps. And in March, the short form of cricket, the Twenty20 format, had its World Cup in Bangladesh. And now the world awaits to the 2015 ICC Cricket World Cup. This is cricket's equivalent of the FIFA World Cup. We are well positioned to take advantage of the strong growth factors in the cricket business around the world. And we expect the '15 World Cup to set an all-time record for Cricinfo.

Now I imagine most of you don't spend much time in the world of cricket like I do, so I thought we'd take a minute to show you the world that Cricinfo plays in.

[VIDEO]

It may not be where you spend your time, but last week we had our first-ever live cricket match on ESPN2, the final of the cricket T20 world championship. For U.S. cricket fans, Cricinfo and, yes, there are U.S. cricket fans, Cricinfo is about live cricket, including 125 match days under contract from key rights holders whether the ICC, the Indian Premier League or others.

We've integrated, as you can see here, the ESPN3 experience right onto the front page of Cricinfo for U.S. fans. And it's working, we're growing usage. In December alone, we had 2.1

million video starts on Cricinfo here in the United States. The top 10 exclusive events on ESPN3, a product you've heard a lot about today, are all cricket events. And we've just come off this great T20 event in Bangladesh. It was one of the best cricket tournaments we've ever aired on WatchESPN and ESPN3, and it ended up garnering the most uniques and highest minute -- average minute audience of any event on WatchESPN in its history. And as I said, the final of this event also aired live on television on ESPN2.

The interesting thing about Cricinfo's fan base here in U.S. is it's mostly additive. 40% of Cricinfo users are not ESPN.com users; they're coming to our company for cricket. We're now preparing for and poised to take advantage of the upcoming 2015 ICC World Cup. In the U.S., where we have the TV rights, we'll air the event in full and we will cover the event, cover to cover, start to finish, digitally around world.

Now let me take it back from the world of cricket down south to Latin America. As I introduce you to ESPN's business in Latin America, you'll see that this landscape has many of the characteristics that the U.S. media landscape had 20 years ago, such as low and fast-growing pay-TV penetration; developing and fast-growing TV ad sales marketplaces; emerging economies and rising middle classes; an accelerating adoption of media technologies such as broadband, mobile phones, HDTV and tablets.

Let me tell you a little bit about how we think about Latin America. We've divided Latin America into two main regions, Spanish-speaking Latin America and Brazil, always shown in green. This division is driven primarily by Portuguese and Spanish language distinction between the two. This business, which we first entered in 1994, has grown significantly over the years. And from 2008 to 2013, the operating income CAGR on the entire ESPN Latin America business has been 45%.

This growth has been driven by four really important factors, first, multi-channel television households growth; then ESPN subscriber growth and subscriber fee rate increases, both achieved through negotiations with platforms; and, of course, ad sales marketplace growth.

Over the past five years, to continue to serve fans in these markets and take advantage of these dynamics, we have launched 12 new products, networks and services in Latin America. With Spanish-speaking Latin America, we further divided it into Latin North and Latin South. The North being anchored by Mexico and rounded out by Central America, and the South being anchored by Argentina. The division is based primarily on fan avidity for various sports, with Mexico having more interest in U.S. sports and the South having interest in rugby and polo.

But of course, in both places, soccer, wildly popular. We're focused on being pan-regionally efficient and driving local appeal at the same time, whether in Brazil, Mexico or Argentina. As we deliver fans great multimedia content, we lead the industry in Latin America with a combination of technologically-driven products, such as WatchESPN, piggybacking on the products here, and it leverages our U.S. technology group and the investments we've made. We're also replicating our very successful U.S. sales strategies.

First, the multimedia ad sales and sponsorship approach, which you heard about from Ed. Our sales team is both locally focused and part of our global customer sales and marketing organization. Our global, regional and local capabilities allow us to sell the clients where they want to buy.

On the distribution side of our business, which you heard about from Sean, we've modeled Disney and ESPN media networks team after our joint U.S. distribution team, which does an excellent job across the industry with Disney and ESPN products.

We believe these four areas of leverage provide a smart, efficient and cutting edge products for fans and amazing approaches for clients, while positioning us for ongoing growth.

Let me take you into the region for a bit more detail, if you don't mind. As you look at Latin South, it's anchored by the TV networks listed above, ESPN, ESPN+ and ESPN 3 and ESPN HD. The ESPN Extra product is offered to cable operators around special events. These networks are complemented by ESPN Radio, ESPN.com and the ESPN Play, our broadband product in Latin America, which is just like ESPN 3 here in the U.S.

Football is key to fans in the South in the Andean regions, and we have a very strong mix of products, including the UEFA Champions League, Spanish League and English Premier League. Argentine rugby and polo are wildly popular and have very strong appeal. We have an excellent rights position in these territories in rugby, polo and football.

As we head North, we also have a suite of TV networks tailored for the market and complemented by multimedia offerings that you see here on the left. Football remains at the heart of our offering with fans and the Champions League, Serie A are key. We also have a package of Mexican football in the mix, which of course, is a fan favorite. In Brazil, where football is king, we have a growing position in local Brazilian football, here, Copa do Brasil.

We're expanding our presence in the Under 20 and Under 17 product, which we were the first ones to ever launch, and that's in addition to our main position in the main Brazilian football league. Brazilians are also everywhere in European football.

Brazil is the number one exporter of football talent to Europe where 515 Brazilians currently play, making European football, of course, a Brazilian fan favorite. And to serve these fans, we have a variety of European leagues to complement our Brazilian football efforts, and that's headlined by the UEFA Champions League.

U.S. sports are popular across the region. The NBA works in almost all these markets. Major League Baseball has strong appeal in the Dominican Republic and elsewhere, and the NFL is highly popular in Mexico. The offering of major golf and tennis events in the South is similar to the North, and both hold really strong appeal.

Our Brazilian fans also love the grand slams and majors and are offered the best of both throughout the year. Now no matter which rights set we have in any market, ESPN is always focused not just on the game, but also on the game around the game, which you've heard about today. The *SportsCenter* franchise, which you've got a chance to tour, is at the heart of our news and information effort in Latin America as well, and it's continuing to grow. We now have six additions. Let's take a look.

[VIDEO]

The business is also poised to benefit from the growing interest in sports, all sports, including products like the NFL, which had a record-setting performance during the recent New York Super Bowl. The 2014 Super Bowl was up 60% in Mexico and up 100% in Brazil with men 18 to 34. We'll also benefit from the big events, which will hit the region over the next few years, to which we hold rights, the 2014 FIFA World Cup in Brazil and the 2016 Rio Olympics, which we're really excited about.

The 2014 FIFA World Cup represents ESPN's most globally integrated production effort yet. Teams from TV, print, digital and radio covering the U.S. in English, the U.S. in Spanish, Spanish-speaking Latin America, Brazil and the rest of the world will work side by side, presenting the best coverage for our key markets. The view on the right here is from our exclusive studio in Copacabana Beach in Rio. If any of you are in Rio during the World Cup, we'd love to you have you by for another studio tour.

I hope you enjoyed the tour of our Latin America business from Mexico in the North to Argentina in the South. We believe we're poised for future growth, and that there are some very key growth drivers in our corner, first and foremost, ESPN's brand strength; then the emerging middle class and economic expansion; multi-channel TV penetration, where it is today and the growth potential it has; the ad sales marketplace development, which is ongoing; and technology adoption, such as broadband, smartphone and tablets. Of course, the growing popularity of all sports is behind us as well, and the U.S. leagues are right there.

We're excited about the future growth prospects around the world for ESPN. Cricinfo is just one, and our multimedia approach in Latin America is another. They're good examples of why we think of ourselves not as a U.S. media company, but as a global sports media company serving fans around the world.

I'd like to thank you, all, again for taking the time to come to Bristol, an interesting place to hear about the rest of the world. Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Okay. Thanks, Russell. Struck me during Russell's presentation, had we been thinking ahead, we would have planned this day for June in Rio, but instead you got April in Bristol.

Okay. So while most of you are out touring, our two lucky quiz winners got to film their *SportsCenter* highlight. And now we're all going to get to see the results. So first, we're going to have Phil Ruvinksy. Phil, thank you for doing this. We appreciate it. As you see the clip, you are going to hear a producer in Phil's ear. That's what he heard. He had two highlights. I think they're relatively straightforward. So let's take a look and listen.

[VIDEO]

Yes. That was great. Phil, that was great. I have to tell you that as part of a training program about five years ago, I had a chance to do that, and it is incredibly difficult to do. And that was super, Phil. So you might want to stick around after dinner. There could be some work for you tonight.

But look, here's the reality, it's not always so easy, and things don't often go as we plan. Sometimes, we veer off the script, and sometimes, things take a certain TV twist. So now we're going to take a look at John Marion, who had a situation that, I'd say, was moderately different from the one Phil faced. And John, let's see how you handled it. We can roll that one.

[VIDEO]

Well and good. That was great. Thanks, John, and thanks, Phil, for doing that and thanks to Lee Fitting, who was in his ear and having some fun, I could tell. We'll make sure that you guys get copies of both of those. It will be a memory to hold on to. That's fun.

All right. For our last business presentation, we want to turn to our newest network, the SEC Network. And in a moment, you will hear from Justin Connolly. Justin is the Senior Vice President for College Networks, and he's leading the SEC Network. He's been with The Walt Disney Company for 14 years and 11 of those at ESPN after a short stint in corporate, working in our treasury group.

Now I realize that most people in the room don't live in SEC country and don't regularly attend SEC football games. So before Justin comes out, we thought these spots might give you a sense of the passion fans have for the SEC and why we are so excited about the launch of this network.

[VIDEO]

Justin Connolly – *Senior Vice President, Programming for College Networks, ESPN*

Good afternoon. One of ESPN's hallmarks is building great creative campaigns, and we've done it once again there. What you just saw is a small sample of our SEC Network marketing campaign, which will ramp up in anticipation of the network launch on August 14, 2014. We are inviting fans to take it all in, take in the magnificence, the spectacle, the excellence that defines the Southeastern Conference, and will live on our newest network.

As Lowell said, I'm Justin Connolly. I'm the Senior Vice President of College Networks at ESPN. And I've spent most of my 11 years here at ESPN within our affiliate sales group, working on distribution deals with our cable, satellite and telco partners on behalf of all of The Walt Disney Company properties and ABC. Now our crack Investor Relations team has done some advanced scouting and among our 100-plus guests here today, I understand that only two are SEC graduates. Now I'll reserve any judgments on that fact for the moment.

However, in light of that information, I thought a quick review of SEC geography and membership is only appropriate. So the Southeastern Conference schools span across 11 contiguous states. There are 14 total schools that comprise the SEC, including Alabama, Arkansas, Auburn, Florida, Georgia, Kentucky, LSU, Ole Miss, Mississippi State, Missouri, South Carolina, Tennessee, Texas A&M and last, but not least, Vanderbilt.

Now I've spent a better part of the last year traveling the Southeast and experiencing almost all of those 14 campuses. I personally have had a chance to take it all in. And if you haven't enjoyed a fall Saturday tailgating in Tuscaloosa; Athens, Georgia; Lexington, Kentucky; or Oxford, Mississippi, you should add it to your bucket list.

It's a powerful and eye-opening experience. It's a must for anyone seeking a collegiate fountain of youth, and it's unlike any college experience in the country. The SEC is unique, and it is special. Now many in the room are familiar with the Big Ten Network. They launched in 2007. And despite some early hiccups and challenges, they ultimately achieved both distribution and financial success.

Now we believe the passion among SEC fans and the SEC athletic performance is superior to any conference in the country. We're optimistic and enthusiastic about the opportunity in front of us.

So the game plan for today is to dive into this area -- into this and cover it in a more deep fashion in three ways. First, we want to show you why we feel so strongly about this opportunity, and we're going to do that in the context of the overall marketplace. Second, we're going to demonstrate how we're going to succeed in this space by highlighting the core tenets of our content plan. And third and finally, we'll review the initial response and traction among fans, distributors and advertisers.

So let's start by talking about the marketplace and the source of our optimism. First and foremost, we are a nation of college sports fans. Now you've seen a version of this data before this afternoon. College sports taken as a whole has become the second most popular sports category behind the NFL. And the biggest driver of the popularity of college sports is the interest in college football, which above every other professional league, except the NFL, in total fans and, most importantly, among avid sports fans.

So let's take a look at where those avid fans live. While there are pockets of avid college football fans or fans throughout the entire country, in the Southeast, college football fan avidity is off the charts, particularly in those states with SEC schools, and that fan avidity translates into ratings and viewership for college football on ESPN.

9 of the 10 highest-rated DMAs for college football are in SEC country. Those pesky Ohio State Buckeye fans make Columbus, Ohio the only DMA to crack the top 10 outside the SEC footprint. And likewise, if you dig a layer deeper, when you look at how college football games featuring SEC teams compare to those games featuring schools from all other conferences, the interest in leadership position is clear.

On the ESPN networks, games with SEC teams deliver more than double the rating for those games without an SEC team. The SEC's dominance in football is legendary. SEC football is the closest thing to the NFL. The SEC has won seven of the last eight BCS National Championships, and one of those games for the 2011 championship actually featured two SEC teams playing each other. This past year, Auburn was less than two minutes away from making it eight in a row for the SEC.

The college football measuring stick is chiseled in the SEC. Yet, if we focus only on football, we'll miss the bigger, more impressive story. SEC's dominance, success and strength across a broad range of sports is unrivaled. Since 2000, the SEC has won 87 total national championships, 46 men's titles and 41 women's titles. The interest in sports across all categories also translates into ratings and viewership beyond college football.

Across ESPN, on a total-day rating basis, 8 of the 10 highest-rated DMAs are in SEC country. Now you've heard a lot today about the power of the ESPN brand. ESPN is the most well-known brand in sports. It is more recognized than brands like the Olympics and the NFL.

While we are marrying together the most well-known brand in all of sports with the recognized leader in college sports, when self-identified college sports fans were asked, "Whom do you consider to be the leaders in college sports?" The SEC was mentioned 27% of the time; ESPN, 21%; Alabama, an SEC school, was third, mentioned 17% of the time; and the Big Ten is fourth, with mentions 15% of the time.

We are drawing on the strengths of the SEC and ESPN. We are bringing together unprecedented quality and expertise to watch the SEC network.

And so now I want to introduce to you Stephanie Druley. Stephanie is the Vice President of Production for College Networks, and she's going to lay out for you the core tenets of our content plan.

Stephanie Druley – *Vice President, College Networks Production*

Thank you, Justin. I came to ESPN fresh from the University of Texas 24 years ago. And in Texas, we're all about football. And I've been lucky enough to make a career out of it covering NFL for 16 years before launching the Longhorn Network three years ago. So it's fitting that my next step is to launch a network for the most passionate football fans in the country.

I'll highlight the keys in our content plan, and I'll get some help with it from a few others along the way. First and foremost, we'll extend ESPN's mission to serve SEC fans anytime, anywhere. We'll surround them with content across platforms, mobile devices, tablets, PCs, so they can take it all in wherever they might be.

Our content focus will be on events. In total, we'll air over 1,000 exclusive live events in year one. We will do over 450 events on the television network and another 550-plus exclusive events on the networks' digital platforms. We'll cover the full breadth of SEC sports, basketball, baseball, softball, volleyball, soccer. If the SEC competes in a sport, we're going to cover it.

At the same time, we're going to make a big priority of football. During college football season, every Saturday, we'll feature a triple-header exclusively on the SEC network. In total, we'll air over 45 exclusive games. Each weekend, we'll feature games at noon, 4 and 8 p.m. Eastern. We're also going to launch the college football season with a bang. On August 28, we'll have a doubleheader of SEC action.

Texas A&M will play South Carolina, a key conference matchup with national championship implications. In a later window, Temple will visit Vanderbilt. Rarely do SEC teams play on Thursdays, but on this opening Thursday, we'll have three teams who will rank on the top 25 to close out the previous season. And it's not just about big games for us. It's about big names.

A legendary voice in college football, Brent Musburger, will call our premier game every week. Brent called the national championship game in January; and in August, he'll call Texas A&M and South Carolina on opening night. Joining Brent in the booth will be Jesse Palmer. Jesse has been an analyst since 2007 for ESPN. And for the past six seasons, he's been in the booth for our Thursday Night prime time game. Jesse has SEC roots, having spent three seasons as the Florida quarterback.

The caliber of the booth that we put together speaks to the commitment to quality that we're making for the SEC Network. And that commitment, we'll be seeing every Saturday morning, when we launch SEC Nation, a weekly pregame show from a different SEC campus. We're going to provide the best storytelling, insight and analysis for the games that day, and bring the SEC tailgate experience to the fans at home. A familiar voice on ESPN, Joe Tessitore, he'll be our host for two hours. Joining him will be the two gentlemen I'd like to introduce to you now.

The New Yorker dubbed Paul Finebaum, "the voice of the South." And for the past 24 years, Paul has hosted a radio show in the heart of SEC country.

[VIDEO]

In August, Paul's radio Show can be seen on SEC Network five days a week, from 2 to 6 Eastern.

And Tim Tebow. I'm not sure there are many people who don't know who Tim Tebow is, but I will remind you that he won two national championships and 1 Heisman Trophy at the University of Florida. He has 2.5 million Twitter followers. And he made his ESPN debut on the BCS championship where he predicted that Florida State would win 35-31. Tim was wrong. Florida State won 34-31.

Please welcome, Tim Tebow and Paul Finebaum.

Tim Tebow – *Analyst, College Football*

I look young in that picture.

Stephanie Druley – *Vice President, College Networks Production*

You do.

Tim Tebow – *Analyst, College Football*

I do. I like it. Those were my better days, my younger days. How are we doing? Stiff room, tough room. Gosh. How are we doing? That's what I'm talking about. I like it. All right.

Stephanie Druley – *Vice President, College Networks Production*

Thank you, Tim.

Tim Tebow – *Analyst, College Football*

All right. Paul, you're up.

Stephanie Druley – *Vice President, College Networks Production*

All right. Paul, you -- I'll start with you, first, since Tim has gotten the first word in. You made a career in the SEC, and you have a new book coming out in August, My Conference Can Beat Your Conference. What makes your conference in the SEC so unique?

Paul Finebaum – *EPSN Radio Host*

Well, I think, if you look at the picture, that is a cover shot. We have fans who come to Tuscaloosa on a very cold November morning from all over the country. It's on their own expense because they wanted to experience this cover shoot, and be on the cover of a hopefully a best-selling book.

The SEC is unique for a lot of reasons. I think, perhaps, the most important is the fact that, in the South, there are not many professional sports. This isn't New York where we have two teams of every kind. And the fans take ownership.

This Saturday, I'm going to be in Tuscaloosa for a spring football game. That means, you divide the teams up and you play each other. Alabama officials are expecting 100,000 fans, Saturday. And that would break the old record of 92,000 held by Alabama.

Alabama is unique. I spent most of my career there. It's not uncommon for children to be named after the legendary coach Bear Bryant. One person I know tried to -- he actually named his older daughter Crimson Tide. And his wife stopped him when he wanted to name the younger daughter Ally, A-L-L-Y-bama.

Tim Tebow – *Analyst, College Football*

It's not what we're most proud of in the South, but ...

Paul Finebaum – *EPSN Radio Host*

He, by the way, he won ...

Tim Tebow – *Analyst, College Football*

It's just the passion.

Paul Finebaum – *EPSN Radio Host*

He did win the battle to name his dog, Nick Saban.

Stephanie Druley – *Vice President, Production, College Networks*

Tim, you've had a unique experience that not many people get to have. What it's like to play on Saturday in an SEC stadium?

Tim Tebow – *Analyst, College Football*

It's not just a game. It's a way of life. I don't know how you can explain that. It's just when people go to support you, they come to your games. They're not coming to hope you win, or we're going to go support the team, or clap them on, or like, playing in the Rose Bowl, when your team scores, they give a nice little -- like soft clap.

Like they're going crazy. They're living and dying with this. And I know because I grew up that way. My grandfather, it was his dream to see Florida win an SEC championship. And he passed away before that could happen. But every time my grandma would come to a game, she would say, "You wouldn't believe how happy your grandfather would be if he could be here." Like you just don't know what it would mean to him.

My parents' first date was at the Florida-Georgia game where it's red and black and it's orange and blue split right down the middle. And it's the most intense environment you'll ever be in. But as a player, you don't want anything else.

When we go to a [Gator wap] before a game or go into the swamp, where no one else likes to really come because they don't get a lot of wins there. But when we're walking into it, I wouldn't be surprised if I'm shaking everybody's hands. And I see two or three guys with my face tattooed on their shoulder.

Like, these people really love this game. And they're passionate about it. And it's just different. We got to play other conferences, and go -- and I've been able to play around the country on different teams, and there's just not a place like it.

Stephanie Druley – *Vice President, Production, College Networks*

So you would be Florida experience. Paul spent most of his time in Alabama, so he knows those fans really well. Paul, you've heard a lot of Alabama stories. You just gave us a couple. But what's the one that sort of impacted you the most?

Paul Finebaum – *EPSN Radio Host*

Well, there's a family in Birmingham, the Reese family. And Mr. Reese was trying to attain the record of having attended the most consecutive Alabama football games of 831, started -- that streak, started in 1946, and finally ended in 2012. He was felled by a bad case of the flu. So I think it stops somewhere in the 700s. But he's not known for the games he attended, he's known for the wedding that he missed. I think you can figure out where I'm going.

In 1993, his daughter decided to get married and his family, the family, Betty and Fletcher said, do not get married during the football season. She, like some children, resisted and she decided to get married on the day of the Alabama-Tennessee game. They did not go to the wedding. They went to the game, but they did get to the church in time for the reception. And the most important part of the day, Alabama won.

Stephanie Druley – *Vice President, Production, College Networks*

So Tim, just one last thing. So tell us what it's like to be a player in the SEC to take the field.

Tim Tebow – *Analyst, College Football*

Well, every game is so big. Every team thinks you're their rival but, really, you only have a few real rivals. And for us, those top three rivals were Florida State, Georgia and Tennessee. Ever since I was a kid, if we would win, I couldn't wait to go somewhere and tell people, if we would lose, I would beg my parents, please don't make us go to church tomorrow because I don't want to have to face all the opposing fans. And for me, probably, like my greatest accomplishment, or something I'm most proud of because it means the most is that I was 11 and 1 versus my rivals because those games mean more than anything else.

They mean more than the Heisman Trophy. They mean more than championships because in the South, that's your legacy. It's what you did versus your rivals. What did you do versus Georgia? What did you do versus LSU? What did you do versus FSU? Those games mean more to the fans of the SEC than anything else. That's why winning the SEC, a lot of times, means more to the players and the fans than winning a national championship.

Stephanie Druley – *Vice President, Production, College Networks*

Well, you got some of those, too, though. So I will thank both of you. Paul and Tim, thank you very much.

Tim Tebow – *Analyst, College Football*

Thanks, guys.

Stephanie Druley – *Vice President, Production, College Networks*

Thank you, guys. As a reminder, our SEC Nation debuts in August, and that's just a little under four months away. So a little bit of work to do.

The final piece of the content, probably, the storytelling. In addition to ongoing player profiles and features on the network, we're going to expand the franchise that ESPN Films group has built over the past several years. We're doubling our production of SEC-storied features. The incremental films will debut exclusively on the SEC Network.

And before I leave you, Justin and I want to give you a sample of a recent SEC-storied film that aired -- that captured the essence of this brand and the stories that we aspire to tell.

[VIDEO]

Justin Connolly – *Senior Vice President, Programming for College Networks, ESPN*

Now needless to say, there is a deep well of stories waiting to be told on this network, and our efforts are actually already bearing fruit among fans, distributors and advertisers.

SEC fans are among the most dedicated in all of sports, as you just heard. There are approximately 430,000 students enrolled at SEC institutions and over 3 million total graduates.

SEC fandom lives in all corners of the U.S. And both SEC fans and fans across the country have told us that they want the SEC Network. We asked self-identified college sports fans if they want the SEC Network and hands down, it has national appeal. Across the country, approximately 75% of people said that they would like their TV provider to add the network. And certain large distributors have already acted.

Four months prior to the launch, we have both AT&T U-verse and DISH Network onboard. We will continue to use the time prior to launch to build on this early success. Likewise, we have a series of advertisers and sponsors already committed to the network. This is just a cross-section of both national blue-chip advertisers, like Dr. Pepper, Allstate and AT&T, among others and a growing list of regional players, like Belk and Regions Bank. They all understand the power of connecting their brands with the upcoming network, and this list is growing.

So I want to thank you for the opportunity to share our vision and our plan with you today. This is an important initiative and a big growth opportunity for ESPN. As demonstrated, it's right in our wheelhouse. And we look forward to having all of you take it all in this coming August.

Now we'll leave you with one last glimpse into the spirit of the SEC.

[VIDEO]

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

That's great. And I hope -- I hope that entire presentation gave everyone in the room a sense of why we're so excited about the launch of this network. I hope you enjoyed hearing from Tim and from Paul. I love that people have his face tattooed on their shoulder. It's quite remarkable. And listen, Paul's book is coming out in August.

I'm delighted to tell you that everyone in this room, when it is released will be getting from us a digital copy of Paul's book, so you can learn a little bit more about the SEC and the passion and culture of the conference.

In a minute, Jay Rasulo, our Chief Financial Officer, is going to come up and he's going to wrap up the day. But before that, I hope that during the day, you got a sense of the importance of *SportsCenter* to ESPN. Over the years, we've supported the franchise with our incredibly successful *'This is SportsCenter'* campaign. Now we thought you would enjoy seeing a few of the spots we've run over the years, including one you may have missed.

[VIDEO]

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

Okay. So it's pretty obvious that doing commercials is not in my job description. What is in my job description now, as it is certainly in Lowell's and Bob Iger's, is talking to all of you about the great parts of our company and how you can think about them. But that is not in the job description of John Skipper and his management team here at ESPN. And they -- I hope that you will all agree that they did a terrific job in delivering to all of you how they think about their business, where the value comes from. So please join me in giving them a huge hand for that.

So Bob mentioned, when we kicked off this morning, that ESPN has been an important driver of the growth in our cable businesses. Over the past five years, cable operating income has grown 8% on a compounded annual basis, as he showed you. These results have been a huge contributor to the strong growth in the overall earnings per share during this period of time.

Today, you heard a lot about the ESPN business and strategy. As you know, we don't break out ESPN's financial results. So today, I'm going to provide some insight into the financial outlook for our cable business, of which ESPN is obviously a large component.

Overall, we feel very good about the long-term growth prospects for our cable business. We've renewed deals with 8 of our top 10 affiliate partners, and we expect to complete the last two deals by the end of this calendar year. These are long-term comprehensive deals and we expect them to drive high single-digit compounded annual growth in domestic cable affiliate revenue through 2016.

ESPN's programming costs constitute the majority of the total programming costs for the cable segment. And since ESPN's key sports rights contracts are in place through 2016, we have a very good sense of visibility into cable programming cost growth over this period as well. Additionally, we continue to aggressively manage non-programming costs across the cable business. And over the next three years, we expect them to grow at a rate meaningfully below the growth rate of our programming expenses.

Given this, and assuming a relatively stable economic environment, we expect total operating income to grow at high single-digits compounded annual growth through 2016 for our cable group. Due to the timing of the affiliate contract renewals, new sports rights contracts and other comparability items, annual operating income growth may be above or below that compounded rate during any year during that period.

Let me discuss some of the factors based on what we know today that will influence the results in '14, '15 and '16. In fiscal 2014, we have the first full year of our Major League Baseball contract. You'll also see a partial impact of our new NFL contract in the fourth quarter of the year, as the season gets underway in September. And as we mentioned during our Q4 call, we expect the impact of these new contracts to drive high single-digit growth in cable programming costs for fiscal '14, with the increase predominantly in the second half of the year.

In fiscal 2015, you'll see continued impact from our new NFL contract during the first quarter. In the second fiscal quarter of 2015, our new deal to broadcast the college football playoffs will take effect. Also, in 2015, our results will benefit from a 53rd week. If you recall, due to our accounting calendar, we have an extra week in our fiscal year approximately every six years. In fiscal 2016, our results will comp against the benefit of that 53rd week in the prior year.

So there's no disputing the tremendous power of ESPN, both as a brand, and as a cultural phenomenon in the preeminent sports media entertainment business. What you saw here today and what you see every day, whether it's on your television, your radio, tablet, PC or mobile phone is the product of a 35-year history, a culture of innovation and countless hours of hard work and dedication from an incredibly talented team of individuals who are passionate about sports and about storytelling.

While the financial outlook I just provided pertains to the cable business as a whole, I'd like to summarize the key takeaways from the presentations you heard about the ESPN business today. These are what I think they are. Bob stated -- started the day out by stating that, like Disney, ESPN is a franchise-driven business. We believe the strategy has been very successful and positions us to continue to deliver strong financial results.

ESPN is committed to serving sports fans anytime, anywhere. This simple, yet powerful mission is ESPN's guiding principle, and it's evident in everything they do. ESPN is the clear leader in sports multimedia television, and is well-positioned for the foreseeable future. Artie already touched on the competitive landscape and while we take the competition very seriously, we're confident in our ability to sustain and even extend our strong leadership position.

Our confidence is due to a number of factors, of which the strength of our sports right portfolio is one. Simply put, we hold the deepest and broadest set of sports rights by a long shot, which further strengthens our position in the marketplace. And it's not just about sports rights. ESPN's ability to create compelling content in and around the game is unrivaled. Whether it's franchises like *College GameDay*, *SportsCenter*, or *Pardon the Interruption*, viewers recognize ESPN is the home of both marquee sporting events and the destination for comprehensive news, information and analysis after the game is over.

You got a sense today for the technology infrastructure that powers ESPN. We've made investments over the years in assets and people to ensure that ESPN is always at the forefront of technological innovation. ESPN's culture of technology can't be easily replicated, and it's a significant competitive advantage. Our focus is on serving sports fans with the deepest and broadest content in sports. This has led ESPN to be consistently rated number one with fans, number one with advertisers and number one with affiliates.

We continue to invest to further strengthen our relationship with fans. ESPN has enhanced the value of the multichannel television subscription with its best available screen strategy that enables authenticated subscribers to watch ESPN across devices wherever they are.

We work in close partnership with multichannel operators to enhance the value of the multichannel subscription through innovation and the delivery of products and services that consumers demand. Increased digital and mobile consumption of ESPN provides a meaningful revenue opportunity. And once we have third-party cross-platform measurement in place, we believe this will unlock an even greater monetization opportunity.

We're capitalizing on a number of growth opportunities, which include a growing multimedia business in Latin America and digital businesses around the world. Also, we see tremendous opportunity presented by the popularity of college sports, and the strongest brand in college football, the SEC. Justin and Stephanie gave you a sense of why we're so extremely excited about the launch of the SEC Network.

And finally, we feel very good about the long-term growth prospects for our cable business. As I mentioned earlier, we expect high-singledigit compounded annual growth in both cable domestic affiliate revenue and operating income through 2016.

I hope you found the day productive and have a greater appreciation for why we feel so incredibly good about ESPN, its competitive position in the marketplace and our financial outlook.

With that, I'm going to turn the floor back to Lowell, and he's going to lead us through a Q&A session.

Q&A

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Thank you, Jay. I just want to make one thing clear because someone has already asked me on the growth forecast. The chart said '14 through '16. Those are the three years of forecasts. Obviously, '13 is the base year for that. So just so everyone's clear on that.

So Jay and I are going to be joined on stage right now by John Skipper, who you heard from earlier, and by Christine Driessen. Chris is the CFO of ESPN, a role she's held for 20 years. She's been with ESPN for 28 years, joining in August of '85 as ESPN's Controller.

And I just want to note on a personal note, since I joined Disney seven years ago, Chris has been an unbelievable partner for us in Investor Relations and a great support to everything that we do in our efforts to try to better inform the Street. So we appreciate that.

We're going to try to take as many questions as possible in the time that we have. We obviously have a bunch of our talent waiting for cocktails, but we will try to get through some questions before we head down there.

We do have a bunch of people listening to the webcast, so I'd ask that you raise your hand. I will call on you. Please wait for a microphone, so the folks on the webcast can hear you. And let me apologize in advance, we won't have time to get to all the questions, but we will try to get to as many as possible.

So with that, let's start with Mr. Swinburne in Aisle 4 on the left.

Do me a favor also, just give me your name and firm name, so people in the room and on the webcast can hear you.

Ben Swinburne – *Analyst, Morgan Stanley*

Sure. Ben Swinburne from Morgan Stanley. Can you guys talk about your vision for what the personalized subscription service is going to look like from a consumer perspective other than streaming and personal as the name suggests? And how do you get comfortable that, that's not going to be something that might cannibalize the core pay-TV business?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

We do not think that's a substitute for the core pay-television business. As it suggests, it's a personal subscription. We believe, as Sean said exactly, that it's an on-ramp for people who don't currently have the service, not a trade-down for people who do have the service. As it rolls out through DISH, I think you'll understand even more clearly why that's not the case. But we do not -- we do not fear that consequence.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Needless to say that in the deal, there are many elements, some of which we can't discuss, some of which are really DISH's to discuss, that give us some comfort.

Ben Swinburne – *Analyst, Morgan Stanley*

And I was just curious, are U-verse and DISH fully distributing the SEC Network nationally?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Yes.

Ben Swinburne – *Analyst, Morgan Stanley*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

I should also note that every executive who presented today has rejoined us. So if there's a question that we want to go to them on, we have that capability.

Someone in the back has their hand up. I can't see who it is, but let's bring a mic back there.

Barton Crockett – *Analyst, FBR Capital Markets*

It's Barton Crockett from FBR. There are a couple of big unknowns in your outlook over the next three years. One is the timing and the level of carriage for the SEC Network. The other is the NBA programming negotiations. I was wondering if you could give us some parameters of how much impact various kind of likely scenarios for those things could have on your forecast for the high single-digit operating performance?

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

So let me start out by saying, if I heard everything you said, Barton. I don't know, for some reason, mics don't carry that well up here.

Let me start out by saying that in that outlook we gave you, it did include all those growth opportunities you saw us present today, including the SEC Network was included in that. And you heard -- because of all the factors that Justin and Stephanie shared, how confident we are as to ultimately getting carriage on the SEC network. So we've rolled it into our numbers. We're pretty confident about it. And you can assume that that it is in there.

On the NBA, we've talked for a very long time about how we think about sports rights. You've seen the net result of what, for lack of a better term, and I think John even used this earlier today, is a portfolio concept about just like you guys and women manage portfolios. And you'd like to own everything in the world, but you pick and choose among what you think are going to be the key drivers.

We've got two properties that John showed in his presentation that are not part of our long-term portfolio. And we will deal with acquiring those as we have with everything, with a sense of financial discipline on the one hand, with a sense of knowledge about what drives our business on the other.

So I can't really give you any more impact than that. But I will say, for the growth numbers we gave you, the NBA won't be part of that because the NBA renewal will start after 2016.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Both the NBA and the Big Ten would lie outside the scope of '14 to '16. And the only thing I'll say on the SEC Network is, you saw the quality of content. We're highly confident in our distribution prognosis for that.

Barton Crockett – *Analyst, FBR Capital Markets*

Thank you.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Sure. Let's go to this side, Michael Nathanson, row 3.

Michael Nathanson – *Analyst, MoffettNathanson*

Thanks. Michael Nathanson. Jay, you mentioned in your summary that one of the issues facing you is just a better measurement system for online ratings. So I wonder -- maybe for John or for Ed -- how much of a gating factor has it been not to have Nielsen rating across the platform? I know later this year, it's coming. So can you talk a bit about maybe how big you think that opportunity could be and any examples of it holding back growth?

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

I think John can answer that.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Well, you clearly see how significant we think it can be by the fact that we started doing it without waiting for anybody else. And it's just a question of the rate at which we can monetize the opportunity we have. We have such a lead. It's very important for us to get the measurement, to get the opportunity. You saw Ed talk about the fact that already 22% of our revenue is nonlinear, and we -- and that, that had, I think -- I can't remember, Ed, exactly the growth rate we had over the last couple of years was...

Christine Driessen – *Executive Vice President and Chief Financial Officer, ESPN*

10.5%.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

10%? No, no, the growth rate of the nonlinear business.

Ed Erhardt – *President, Global Customer Marketing and Sales, ESPN*

23%.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

23% growth for that 22%. Clearly, we can accelerate that kind of growth if we can get the measurement.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

David Miller here, row 2.

David Miller – *Analyst, Topeka Capital*

A question for John. How are you doing?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I hope well. I hope we're very, very well.

David Miller – *Analyst, Topeka Capital*

Nice to meet you.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Thank you.

David Miller – *Analyst, Topeka Capital*

So turning to the Big Ten, the Big Ten contract, which comes up in 2017. How do you think about that negotiation? And obviously, we have a few years here, but how do you think about that negotiation in light of potential Big Ten expansion beyond the 14 teams that exist right now?

And within that, there's this sort of rumor going around in the college sports world that the SEC and the Big Ten may collude to poach additional ACC teams. We've already seen that with Maryland going to the Big Ten.

The SEC is rumored to want maybe Duke and North Carolina. The Big Ten wants Virginia because it's a land-grant university. It kind of fits in academically, whatever. If there's expansion there on both those swaths, if you will, how do you think about those negotiations and how do you think about the ACC and your rights there if the ACC becomes a shell of what it once was?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Look, it's a profound -- it's been one of the more interesting things happening in the college landscape. It's a fairly profound matter for us. And I'm happy to tell you that the five conferences, major college conferences, their members are pretty locked in. In the deals that we have, there are grants of rights. I do not expect there to be movement from the ACC, out of the ACC, into the Big Ten, into the SEC.

Now we are not responsible for -- I mean, I can tell you, those schools are pretty locked. And again, we don't expect any big movement. We have been on record as preferring there not to be movement. And I don't think there will be significant movement. I think it is quiet for the time being. I don't expect the conferences to expand.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Let's go Jessica, sitting back there.

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

Jessica Reif Cohen from Bank of America Merrill Lynch. I just want to go back to the OTT service. It took you a long time to reach a deal so obviously, you guys were very thoughtful about it. Is this the blueprint for more deals? Do you expect more OTT deals? And can you give us any color on the things that you were looking for and how do you -- how you actually price? I don't expect a number, but how you priced versus the linear -- how you price versus the linear service when you're breaking up your own bundle? They don't have to take the full suite of ESPN channels.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Well, the first thing I'll speak to is, Jessica, is your point about the time that it took to get the deal. We were quite anxious again, as we pointed out before, to have this happen in a negotiating room, to not go public with interruption of service because with all the sort of Sturm und Drang in the atmosphere, we wanted to avoid that. So that's the reason for the length of time. It wasn't really about the personal subscription service.

We do -- we do believe that we will -- you heard me say that we will continue to experiment with new business models, so I don't think this will be the last over-the-top deal we do. Whether it's a model, I don't know.

We'll talk -- as Sean pointed out -- to all of our distributors about how to create value. And again, we don't comment on the price, but we've been very clear that we value relationships we have. We value the cable television subscription. And you cannot expect to see us undercut that.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

I think it's also important to know in that deal, our most important networks are part of that service, if and when they launch it. So it's not as if we weren't giving them a bundle. Most of the rate is captured in that deal across our networks. So I think we feel very good about that offering.

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

And I don't think you can talk about it as an OTT deal, the way you would talk about an OTT-only provider. Remember, the whole deal was done and negotiated in the context of an MVPD full-service provider.

And as we did with Comcast, I've told you all many times, there were 70 separate services, some of them are very different from what has become part of this DISH deal. Every one of those negotiations is somewhat different. And they are negotiated, however, in the context of one of the tenets that I think I even mentioned in my wrap-up, which is we want to continue to create value for the end-consumer of the MVPD infrastructure, and this was one of those examples.

I agree with John, it's very unlikely to be the last, but we only have two more to go in this round, which is quite a long round.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Mike Morris, sitting back there.

Michael Morris – *Analyst, Guggenheim Securities*

Thanks. Mike Morris with Guggenheim. My question is on advertising. A couple of things. Can you help us with what type of advertising growth is implied in your guidance for the operating income outlook and the affiliate outlook?

And second of all, are you seeing -- you talked about the strength of sports programming and its unique qualities, are you seeing pricing on average for sports-related programming above that for entertainment-related programming and/or are you seeing a trajectory that pricing for sports is growing faster than for entertainment? Thank you.

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

Okay, so let me try to address those. First on the first question, Mike, I think we provided today the outlook that we're going to provide, which I think is a big step for us because we don't generally provide it. But I think we want -- we have some visibility into affiliate revenue, and we have some expectations for how we can grow the business.

I don't think we're going to get into the specifics of what our advertising outlook is, but I think if one were to infer from Ed's presentation that we are confident in our ability to grow that business, I think that would be a reasonable inference to draw. I think the historical performance of our ad sales group has been spectacular. And we've talked about all the reasons why we think ESPN is a great place for advertisers to be.

On the second question, we actually looked at this recently for some work we were doing in Corporate, and it's a very complicated answer. It comes down to, it depends. I will tell you that we are seeing great pricing power on sports in general for all the reasons that Ed laid out. A lot depends on what show you're comparing it to, but there are clearly -- there are advertising opportunities on ESPN where you can charge CPMs that are at rates that would be at the high-end of what we're seeing in the entertainment industry. There are other things that are sold at rates below the average of the entertainment industry.

Remember, we've got multiple networks. We're selling 24/7, a tremendous amount of live programming. So I think it is a very complicated answer, and I think you should know that we're obviously pushing as hard as we can on the rate side.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Alan?

Alan Gould – *Analyst, Evercore*

Alan Gould from Evercore. John, can you tell us what impact do you think that changing the BCS has on the network, the ratings, the advantage? I mean, what are we going, from three games to seven games?

And Jay, can you give us some idea of the economics, the extra cost, is there a sponsorship? Obviously, the advertising will come with the ratings.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

If you remember before, there were four games embedded. There were -- there were four bowls and one championship game. So it went from four games and one championship game to six games and a championship game. So then the addition of two games. In addition, two of those six are semifinals now, right? So you kept the four bowls, added two semis and then got the championship. We think that the ratings impact will be pretty profound. You heard me say, that I think it will be the second most important sports day in the calendar after the Super Bowl. So we think it's fairly profound.

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

I am not going to give you guidance, obviously, on the economics of that. First of all, I think as we've said many, many times, it never makes sense at ESPN, and I think what you've seen today supports that, to talk about any weekend square peg that you buy to fit into -- to fit a strategy because you're talking about overall stickiness to and value to affiliates, stickiness to consumers, and it's a portfolio. But I'm sure that Chris can take you through the components that we look at when we make a purchase like this and obviously, make the evaluation as to what we're willing to pay and how it works.

Christine Driessen – *Executive Vice President and Chief Financial Officer, ESPN*

So we look at the value to our affiliates, first off, and we look at also then the advertising, not within -- not only within the three-hour window of the game itself, but the lead-in for that day, studio shows, as well as the impact on *SportsCenter*. So we look at all of that. We are pretty tight on our production. So that's a number we feel really comfortable about given the many years we've done doing this.

This championship game will be a little bit different because of the visibility. So we will obviously factor that in as we think about our production and scope of production. But we look at all that at the end of the day and then we get comfortable and work very closely with Ed's team on where we want to put pricing on CPMs, sell-throughs, ratings, all the guarantees on that, and it all rolls up into the final P&L.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

You did hear Ed say that, you can expect to hear about a dozen announcements in the next 90 days relative to sponsorships.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Let's go -- David, is that you? I can't see. David Bank?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Kind of an existential question, “is that you, David?”

David Bank – *Analyst, RBC Capital*

I did not expect to hear the term "existential" today. So there's been a lot of chatter. There's always a lot of chatter, I think, about the high cost of sports programming as a portion of the overall MVPD sell, and how it pressures the consumer. And I think you've illustrated really well the fact that, that seems to be more chatter than reality because subscriber trends have been sort of un-impacted. It's almost a -- it's like a phantom problem. But I do think, historically, you've allowed the MVPDs to offer lower-priced tiers without sports programming. And I'm wondering if that carve-out has evolved over time, whether or not it's being used.

If you look at this round of affiliate agreements, you just did 8, you have two more left. The ones before that, were the carve-outs materially different or are the trends in the carve-out for the lower-priced tier, basically, kind of the same that we've seen?

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

I don't -- look, we do our deals, the previous era and this era under a set of NDAs, and I don't want to talk about the details of the deals. But I think that what you heard from Artie, what seems to be the case, is that to the extent that we see smaller packages that exclude our product, we believe that -- and we've been told by the MVPDs -- that this is fundamentally due to economic circumstances that they believe, and have told us, are temporary. They want to keep the family, the household in the system, with the hope, they tell us, of getting them back to full service.

So there hasn't been, to Artie's point, what we see in the decrease in subscriptions has been fractional. You saw the data he presented. I don't think I have to repeat it. And I don't want to talk about how our deals changed between the last time and the first time because I don't think it's fair to our partners. And so I hope that gives you some insight into that question.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Laura?

Laura Martin – *Analyst, Needham & Co.*

I'm kind of losing my mind with age. But John, my recollection is DC1 cost about $100 million, which we amortized over about 10 years. So you own that free and clear. So going into the cost of this facility, I'm going to estimate $300 million. I'd be interested in two things. One is, I thought on the tour, they said that it was going to be up and running 70%, and they were having issues figuring out when they were going to upgrade the rest. So using my estimate of $300 million, does that mean I have another $100 million to spend or have another 30% to spend?

And then Jay, amortization. Has it hit the P&L already the cost of this building, which I know is substantially done, or does it come in kind of evenly over 10 years?

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

I'm going to let John talk about the timing of it and whatnot. But let me -- first of all, DC1, there's nothing static in the technology world, right? So DC1, just because it was built 10 years ago and whatever that number is, I don't know it, so I don't have to tell you that it's right or wrong. But whatever that number was 10 years ago, there's been lots of stuff added to it. You know that when you build a facility like this, there are some aspects of it, the technology side of it, that depreciates very rapidly. There's the building and et cetera, improvements that depreciate more slowly.

But having said that, and I am not going to give you any guidance on your $300 million number, could be high. There's an over and under. We can take a poll here. But the simple fact is that, it has not -- it's not put in service. Today, I don't think counts. And when it is, which John will tell you when, then we will obviously start to depreciate it.

I will tell you that the vast majority of the investment is behind us. And as you can imagine, the infrastructure it takes to put together a studio like this far exceeds what the fit-out of the studio itself is ultimately. So the vast majority of the spending, there's not one third of the spending or half of the spending left to go.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

Yes. We will do our first *SportsCenter* from the new *SportsCenter* set you had a chance to see on May 26, coming out of a conference championship, NBA conference championship game. You'll see us use the NFL studio, August? [September, John? September. The NFL studio in September. Fully operational by...by September, I mean the whole facility?

John Wildhack – *Executive Vice President, Programming & Production, ESPN*

Yes.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

You did hear Mr. LaBerge say, it is built to never become obsolete. So we'll be using it for a long time.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

All right. We're going to take two more questions. I see Tuna here. So let's go to Tuna.

Tuna Amobi – *Analyst, S&P Capital IQ*

So Tuna Amobi, S&P Capital IQ. I'm trying to understand ESPN International. It sounds to me that this can be a much bigger business than the $1 billion revenue that you're doing today. I know that you kind of took back your operations in Asia. You had some challenges in the U.K. So clearly, you're focused on Latin America.

And I'm just kind of wondering, what are the barriers to growing this international business, and how big do you think that it can get? I mean, is it a question of the rights issues in some of these countries?

And talking about that, there's been a few assets in the international marketplace that have come to market, sports assets, and I'm not sure if you guys are kicking the tires on those and how you view the overall international opportunity, that would be helpful. Thanks.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I think on Latin America, I think Russell was quite clear. We're very bullish that we will continue to grow that business at significant rates. I believe it was 45% CAGR over the last -- what was that Russell, five years?

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Five years.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

And the barriers are the continued factors that Russell laid out, right? Growth that Russell laid out, the income growth in the region, the growth of multichannel subscribers, our ability to negotiate deals with new increases to get more subscribers. We expect all those to continue to grow. And we believe that the model we have in the U.S., the multi-platform, using *SportsCenter* as a flagship, that those things all work. We -- and it is why we took resources and moved them to Latin America because we believe that is the most immediate and the most significant opportunity we have.

Tuna Amobi – *Analyst, S&P Capital IQ*

So I understand your opportunity in Latin America, but outside of Latin America, where do you see other opportunities?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

We think that's going to be in digital news and information. And while Russell laid out Cricinfo, we think ESPN FC is a real opportunity. We have grown from the 18th largest soccer site, what was that John, when did we change the FC, John?

John Wildhack – *Executive Vice President, Programming & Production, ESPN*

November 4.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

November 4, we were the 18th largest soccer site, football site in the world. We're now the fourth-largest in the world. So we think that's a fairly significant growth opportunity. We're going to look for other places to do *SportsCenter*, news and information. You'll look for us to think about other kinds of partnerships and opportunities.

Tuna Amobi – *Analyst, S&P Capital IQ*

And just real quick, any color on the margins, international versus domestic? Thanks.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I bet you the answer is no to that.

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

It's a complicated story, first of all. I'm not going to tell you what the margins are. And if I've told you once, I've told you guys a million times, that is not how we run our business. You guys and ladies are obsessed with that. We are not obsessed with that. We are obsessed with the growth of the income of our business.

Having said that, remember, there's a mix of some equity interest internationally and some directly-run businesses. So even if I told you the number, you wouldn't be able to make sense of it one way or another because it is a mix of those two business models.

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I can confirm that they pressure us for growth and not margins.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

All right, let's do one more. I see a hand up, I don't know, five rows back, yes. Is that [Will]? Okay.

Will Danoff – *Portfolio Manager, Fidelity*

It's been a very impressive day. I'm curious, John, if you could describe the advantages and disadvantages of being part of a large corporation like Disney? And secondly, if you were an independent company, running an independent company, if you'd be doing anything differently than you are today?

John Skipper – *Co-Chairman, Disney Media Networks Group and President, ESPN*

I'm highly satisfied to be a division of The Walt Disney Company. Let me emphasize, I am highly satisfied.

Look, I was at The Walt Disney Company when they bought -- ABC/Cap Cities acquired ESPN. And I had the opportunity to move over in 1997. The company has been transformed since 1997 because of the investments, the capital, the resources that The Walt Disney Company has been able to put into ESPN. And nobody in ESPN, my predecessor, George Bodenheimer, or his predecessor, Steve Bornstein, would all make the same answer.

The other thing that works very well for us is our culture is very similar. You heard Bob talk about franchise focus. You heard Bob talk about integrity. You heard Bob talk about innovation. You heard him talk about being flexible, being nimble-minded, and that suits our culture. And that's part of what we wanted to relay today. It's what kind of division we are and how we think about doing things. And you heard Bob talk about how he thinks of it fitting within The Walt Disney Company. We're a very comfortable fit.

And while I was having fun with the answer to the first question, it's also a genuine answer. So thank you.

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

I'll remind you, Will, that obviously, when you get up with a user interface like we're at today, ESPN and Disney look very different, ABC. They all look very different. Somewhere down in the stack and particularly, remember, when you are dealing in a MVPD universe, in which you enter with the package of assets that you would like distributed, we have a single unified team that does the negotiation of these 8 of 10 deals and soon, 10 of 10 deals that you've heard about. And we think that we are able to share expertise and be better at that because of ESPN, because of Disney Channel, because of ABC and the other things that are involved in those negotiations.

So there are definitely some shared benefits that, by the way, Disney franchises get and learn from what goes on technologically here and vice versa. So there's more than meets the eye. I know at the user interface, it looks like these could be completely different companies, but we try from an enterprise perspective to take as much advantage as we can of the commonalities that occur somewhere down in the stack of running this business and the others.

Lowell Singer – *Senior Vice President, Investor Relations, The Walt Disney Company*

Okay, thank you, Jay. Will, thanks for the question, and thanks everyone for their questions.

I'd like to let everyone on the webcast know that this will be the conclusion of our webcast. We thank you for joining us on the webcast today.

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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 28, 2013 and in subsequent reports on Form 10-Q under Item 1A, "Risk Factors".