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Disney Speaker:

Jay Rasulo

Senior Executive Vice President and Chief Financial Officer

PRESENTATION

Jason Bazinet – *Analyst, Citi Investment Research*

Alright, well thank you all for joining us this afternoon. I am on stage here with Jay Rasulo, CFO of Disney. I'm sure everyone in this room knows Jay. How are you?

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

I'm well; thank you very much. Thanks for having me.

Jason Bazinet – *Analyst, Citi Investment Research*

Yes, of course, of course. Well, let me just start off with a simple high-level question. Your firm, your stock have both done very, very well over the last few years, and I guess just, big picture question if you look out over the next few years, what are the main priorities for Disney?

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

Well, I don't think that our strategic priorities have really changed. Good thing about our strategy that Bob Iger laid out seven or eight years ago now, basically has three pillars --- great creative product, the use of technology, and expansion internationally --- have really served us incredibly well. And over the next three years I think you will see manifestations of that strategy. Like on the creativity side, obviously across the businesses, whether it's *Star Wars* and Lucasfilm, whether it's the film slate that includes a couple of Marvel titles, whether it's the Pixar titles, these are all the franchises and brands that The Walt Disney Company is really built on. And whether that is in film, in television --- by the way, *Agent Carter* tonight, 8 o'clock Eastern, 7 Central premiering, a Marvel title on the ABC Network. And we really -- it's about executing on these sort of great franchise-building, creative ideas, creative concepts, brands, that of course then populate the rest of our businesses.

In terms of technology, obviously over the next few years, you'll see us continuing to expand in the digital ad sales space. ESPN already very, very big in the multiplatform ad sales, ABC as well. The WATCH app is out there. We continue to look to monetize the digital ad space with our content as well as continuing to push our Interactive business. *Infinity* has had a very, very strong 2.0 start; 1.0 of course was quite successful. Both use great Disney and Marvel franchises as well as technology. And most recently, as you saw announced this morning, the DISH deal, which is another use of technology to get our product out into the mobile space in a strong way.

And then in terms of international expansion, of course, all those franchises are global franchises. If you look at *Frozen* over the last year and how many markets that was the number one film, really gets our brands out there, really gets our franchises out there. And of course, Shanghai Disneyland is under construction to be opened in the not-too-distant future, which we hope will open up the most populous country in the world to Disney in a very, very big way and then be the sort of --- cutting through it all for the rest of our businesses and that they can draft behind when those franchises become popular.

So I think that you can basically see the manifestation of our strategy is something you can expect to see over the next few years.

Jason Bazinet – *Analyst, Citi Investment Research*

Alright. One of the, I guess, I don't know if it's, irony may be the wrong word, but when I look at the media ecosystem broadly or Disney in particular, historically, most of the growth came from Cable Networks. And when I look at how your firm has spent most of its capital in terms of acquisitions --- Pixar, Marvel, Lucas, Maker --- it is decidedly *outside* the cable net ecosystem. And here we sit today and I think a lot of investors are very nervous about the trends in cable networks: cord cutting, cord shaving, thinner bundles, whatever it is, falling ratings.

Did your firm explicitly anticipate that this day would come and not double down on the cable net business that was growing so quickly? Or is it a little bit more of serendipity? Or you just knew that content ultimately is where Disney wanted to go and it wasn't really an explicit view of the potential vulnerabilities to the cable net ecosystem?

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

Well, let me start out to answer that question by saying that we love the cable business. We think it is an incredible value proposition for consumers. We have an incredible hand in that business in terms of the channels we have, in terms of people's affinity to those channels, in terms of how strong they can be in that ecosystem.

But I think if you -- to answer your question more directly, if you only look at the capital that is put into acquisitions, I think you are missing the big picture in how we deploy capital across The Walt Disney Company.

Jason Bazinet – *Analyst, Citi Investment Research*

Okay.

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

For years and years I've been saying that two-thirds of the capital that we deploy is in organic business growth. And if you look at capital deployment in that way, we have invested lots and lots of money in the cable business over the last decade, whether it's rights acquisition, whether it's programming, whether it's the use of technology to expand our business models, etc.

So yes, our acquisitions have had a very clear strategy of either looking for and purchasing underutilized franchises, or looking at ways to expand our ecosystem like Maker is doing for us, for instance. But if you look at the way capital is deployed broadly, that capital that is not returned to shareholders, you will see very quickly that a lot of that goes into cable programming, sports rights acquisitions and other forms.

So we have very, very aggressively invested in the cable business because as I said, we love the business, it has been good to us, it's a great consumer proposition --- value proposition, and we have incredibly strong brands in it that we think provide us competitive advantage in that space.

Jason Bazinet – *Analyst, Citi Investment Research*

It's a very fair point. In terms of your cable net exposure, while you have a handful of cable nets, I think most investors sort of when they think of Disney and your cable nets, they think of ESPN. And there is a raging debate that is --- I shouldn't say raging debate --- it's an intense debate among a minority of investors right now about whether or not sports-centric cable nets are the best place to be --- because you can't get the content anywhere else, because you can't time shift it --- or it's actually the most vulnerable because it's the only type of cable network that has these very long-term, fixed cost outlays that leave you less flexibility to adjust if the world changes. How would you answer that question in terms of sports cable nets relative to --?

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

Well, I have already hinted at my answer, that we love the business and we love being in the sports business per se. But having said that, let me make a couple of points. First, if you look at the cable business per se and the sports business, not all sports cable channels are created equally, right? So there is ESPN, a national sports channel that really targets fans of sports. It's the sports-interested fan that is going to subscribe to ESPN. Many of the other RSNs and whatnot are team-focused channels that by definition can't get scale beyond a certain level. So we have that advantage.

We also have all of the things that you kind of implied in your question about live viewing, the inability to shift that live viewing, really makes ESPN an incredibly strong property for advertisers, makes it an incredibly strong property for our partners in the MVPD ecosystem. Consumers love it, advertisers love it, operators love it. We know statistically that people who subscribe to ESPN are much more likely to subscribe to high definition as a service, are much more likely to be broadband customers or much more likely to be Triple Play customers in general.

So again, I think that you -- I don't want to talk in general about sports networks, but more about the hand that we have. I think the fact that we've invested a lot of money in that really has given us an incredibly defensible position. When you think about what everybody in the world is --- in the sports world is talking about right now, the first-ever College Playoff series, we have 33 out of 36 Bowls and, guess what? Nobody else can have them if we have them. And I think that sports allows you to have that kind of exclusivity on major events that has really driven the viewership of ESPN.

So overall, I think we look at it as a strength and not a vulnerability and I think that if you play your cards right, as I think we certainly have on the acquisition side, we certainly have on the brand building side, and you see increasingly on the technology side, to make ourselves available where consumers want to view sports --- that's why the WATCH app was such a big push for us. I mean the world is increasingly becoming mobile and we need to be there.

We've had a strategy that ESPN dubbed a 'best available screen' strategy for a long, long time, even before mobile was as important as it is today and it has served us incredibly well.

So I feel like we're in a very strong posture. We love the business. We love what ESPN has done for us, and we see it as a business that will continue to grow for us.

Jason Bazinet – *Analyst, Citi Investment Research*

I'm going to ask one last cable net question and then I'll get off of it. There are some changes happening on the periphery of the cable net ecosystem, where we've seen some cable companies offer these broadband plus Free-to-Air packages plus HBO or something like that, where I think they have limits on how many they can sell. And we saw DISH's announcement the other day with their *Sling TV*. Is it fair to say that investors may see sort of slight undulations in the quarter-to-quarter numbers in the Cable Net division as these new offers come at us but the right way to interpret it is don't panic, it has no long-term bearing on the long-term growth of the business, or do you --?

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

Well, look, I would say this. We have now done multiyear deals with 10 out of 10 of the major MVPDs. So I don't expect to see quarter-to-quarter fluctuations, although there are fluctuations in our income due to step up in rights fees --- and you guys know all that and ladies know all that stuff.

But I would say this. I think that forward-looking companies like The Walt Disney Company that see evolving technologies and evolving consumer tastes as an opportunity, and not as a challenge to our business, are going to constantly be out there testing, experimenting, whether that's in terms of distribution strategy, whether that's in terms of pricing, whether that's in terms of targeting of specific customers. You mentioned *Sling*. *Sling* is a product --- *Sling TV* is a product that is targeted at a very specific customer that is TV-interested but a broadband only household. That is a fairly narrow target. And this is a product that is really targeted that does not substitute for the value of the extended basic package, which we still believe --- and I think most consumers in America still believe --- is an incredibly strong value.

But you are going to see forward-looking companies really start to experiment and push and I think that whether you go all the way back to us being the first company, the first network to put television programming on the iTunes platform when everybody said it was the beginning of the end, it was very prescient. It was, guess what, this is what consumers want. At the end of the day, we want our product to be in front of consumers and we're going to find a way to get it there.

Now we had a corollary to that. We are going to get paid for everything we do, and that has worked out incredibly well for us. But I don't think we are at the end of that. I think there is an evolution underway. There is a shift, and we are going to continue to move along with that.

Jason Bazinet – *Analyst, Citi Investment Research*

Mr. Iger, I think it was on the last earnings call, made some interesting comments about the efficacy of some of the Nielsen data that everyone is using and I think it was subsequently echoed by other companies. Can you elaborate on that a bit, and specifically what is the implication of that in terms of the advertising revenue Disney will generate? Does it mean that Nielsen may not be fully capturing what's actually happening and therefore you are under earning? And when these things get fixed, there's like a catch up that will ultimately happen? Or is there some other implication --?

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

There are a lot of facets to that question, but let me try to take them one by one. First off, I think what Bob was trying to say is that Nielsen and others --- I don't think he was trying to single anyone out --- are behind the evolving consumer consumption patterns for media, and that means that they don't capture in their ratings all the places that consumers are watching stuff. So whether that is out of home, whether that is on products like WATCH, whether that's DVR-ed product, whether that’s post 7-day viewing, they are not capturing all that.

And by the way, this isn't any surprise to them, and it isn't any surprise to anyone else. And all of the agencies are trying to figure out ways to catch up to that. So I think that's what his statement was about and there is a lot of investment and a lot of experimental work underway to try to use census data, to try to capture that stuff.

In our case, notwithstanding that, we have fundamentally, due to our multiplatform sales strategy, been able to monetize even things that Nielsen is not picking up in terms of direct advertising, in terms of things on WATCH, so we are monetizing a lot of it. Are we monetizing all of it? Probably not. But we are monetizing a lot of it and I think probably the biggest single increase or move that you all will notice is when it is --- C7 is more broadly sold than C3 and that's not happened yet. But when it does happen, I think you'll see that in our revenue.

But otherwise I think we have found ways to basically capture the revenue from things that the rating agencies haven't caught up to. When they catch up to them, of course, we will continue to monetize them and I don't expect there to be a big bump, but there are some things like C3 to C7 that I think is a real revenue opportunity for us.

Jason Bazinet – *Analyst, Citi Investment Research*

Interesting, because I will divulge that we still buy live ratings from Nielsen and I've been --- over time I've been waiting for a bigger and bigger tracking error to show up between my erroneous currency that I'm buying and the ad dollars that the companies are generating. And I haven't really seen it. It's almost as if there is some other leakage in the bucket where you're getting paid for C3 but something else is going on, but you are saying with the shift to C7 we will actually see, you think, a bump?

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

Yes, yes. I think we will start selling more ratings points because there'll be those four additional days of viewing.

Jason Bazinet – *Analyst, Citi Investment Research*

Okay. And when do you think that begins in earnest? Is it sizable? Is that like --?

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

You know what? It's funny because I think we've been always talking about it, well, maybe the next 12 months, but I don't want to take any guesses.

Jason Bazinet – *Analyst, Citi Investment Research*

Okay, okay. I learned this probably eight years in, covering your Company, something like that, that Disney was actually the only company that didn't farm out any of its film risk to third parties, and in that regard you were unique among the major film studios. I think that's just because it's so hard for us on the outside to really know what's going on with all these film financing deals.

But can you just, A, confirm that that's true --- I think it's true? But also just elaborate a little bit on the underlying logic behind that. Why is it that you think Disney is sort of out here alone and everyone else is trying to smooth their earnings streams on the film division?

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

Well, I think it's part and parcel with the fundamental strategy that we've had to focus our investment in the film space behind the strong franchises that we've built or acquired. So when you're going out with a slate that looks like Disney Animation, Pixar Animation, Marvel Live Action, Lucasfilm Live Action, Disney Live Action, and a much more limited number of releases

per year, I think that we feel like we are strategically stacking the deck toward success. And rather than give that success away by bringing in financing partners and having them experience that upside, we have the capital, we are not a capital constrained company, and we've decided that these are each and every one good bets and good investments.
Now does that mean that every single film we ever release is going to be a blockbuster hit? No, of course not. That's not what creative endeavors are about. But we think that the deck is sufficiently stacked because we invest behind these franchises that we know each and every one has their own following, that we feel like every film is more likely to be a success than not.

So it's less for us about protecting downside risk, which is what you do when you sell off participations on the financial side, and more about being able to harvest what we believe is the potential upside of these films.

There was a time in the past when Disney released 30 films a year, and by the way, we did do film financing at that time. But we have not done those in a long time and look, I never want to predict what's going to happen down the road, but it's not in our current plans to use outside financing on our film slate.

Jason Bazinet – *Analyst, Citi Investment Research*

It's very interesting, as a stock I never remember part of the narrative for why people own a stock residing within the filmed entertainment division. Your stock is one of the first where this has ever happened where it is a very clear part of the narrative among institutional investors. They own Disney stock because of your upcoming film releases.

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

Well, I think when you look at a Disney film, you have to look at much more than the theatrical window, the pay-TV window, the DVD window, etc., and ultimately the broadcast television window. You have to look at the ecosystem we've built around franchises and whether that's a franchise that starts at the Disney Channel or whether that's a franchise that starts at the film Studio, the back end is what The Walt Disney Company is good at, right? The Consumer Products business, the Theme Parks and Resorts business, the Interactive entertainment business, all use the feeder that comes out of the Studio and the Disney Channel, which fundamentally changes the economics of the film business for us. And when you look at those ultimates, you have a lot longer tail on them. So the rates of return to our films tend to be a lot different than the classical returns in the classical film business.

Jason Bazinet – *Analyst, Citi Investment Research*

You've made as a firm some very large capital investments in the Theme Park business in recent years: you did upgrades at Disneyland with *Cars Land* and I can't remember the name of the --- California Adventure, but two new cruise ships, *MyMagic+* at Disney World, among other investments. Are there any broad takeaways that you have as a management team regarding all of these investments? Have some worked better than others? Have you knocked the cover off the ball on all of them?

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

I think the biggest takeaway is a long-held belief that you don't invest --- at Disney you don't invest around business cycles. Because what we put out there, whether it's a film, whether it's a television show on the Disney Channel, whether it's a television show on ABC, ABC Family, whether it's in our Theme Parks or Cruise Lines, are long-term assets that have a long life and we hope have long affinity --- long-term affinity with consumers. So we had this notion that you don't invest around business cycles.

A lot of those Theme Park investments, which was really a stacking of a lot of individual good ideas with their own economics and their own business models that happened to stack up from a calendar basis all at one time, a lot of those occurred during the --- not the best economic times. But the fact is that every single one of them that has come out of the ground and has basically moved from introduction into what it's going to look like long-term --- is producing incredible returns. I mean our cruise ships almost always sail full. If you simply look at the results quarter to quarter of our Parks and Resorts segment, the quarter-on-quarter building of that business, year-on-year building of that business, is the result of those investments that we've made even if we don't break each and every one of them out. That's what's fundamentally moving that ship forward.

So I think that we've kind of reinforced the notion that we've had for a long time that good investments that consumers are going to love, at least at Disney, should not be subject to vagaries of the business cycle that are unpredictable in their length and their depth, but that if we have the capital and we are --- and we do generally have the capital --- that the best day to start those projects is today because that means they'll open two to three to four years from now, and consumers will start enjoying them.

So I think we’ve certainly learned that. We have experienced at our Theme Parks with *MyMagic+* in particular, that our guests --- that consumers for a long-standing experience --- Disneyland will be open 60 years next year --- for a long-standing experience that people have a lot of great memories with and experiences with, technology can in fact enhance those. And *MyMagic+* is proving that if you bring technology in a consumer-friendly way, even to a business that the experience of --- prior to the thought process behind *MyMagic+* --- the thought of going to a theme park seemed like a pretty traditional analog experience. But when you bring technology to it, there are whole new ways that guests can experience that and everything to do from better planning, more insightful planning, itineraries that they carry around with themselves electronically, the recognition of where they are, the ability to tap into a system that tells them where the park is less full than where they are right now, etc., etc., really does enhance their experience.

And I think that you are going to see that as a fundamental belief system that every one of our guests enters our parks carrying their own personal computer. We've enhanced our knowledge of their whereabouts with technology and we are going to continue to build on that not only at Walt Disney World, but we are starting to look at where else we can use that among the theme park sites around the world.

Jason Bazinet – *Analyst, Citi Investment Research*

Do you think that the capital that you have invested in *MyMagic+* at Disney World, do you think the full financial benefits of that have already manifested themselves on the income statement, or this is more --?

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

No, I think we're at the front end of that. We definitely are seeing revenue lifts. I've been saying for a long time all of the communications about *MyMagic+* have really emphasized that the biggest benefit we believe to our company and our company's financial performance will be that people who pre-plan spend more time with us on their trip to Orlando. So for the last 30 years, people have come to Orlando basically for an eight-day vacation, on average. People overseas are visitors who come for two weeks --- but on average, the core guest comes for eight days.

The question is how many of those eight days are they going to spend at Walt Disney World and how many of those eight days are they going to spend elsewhere among other attractions that are in the Orlando area? We know that when people plan at home before they arrive they spend more time with us. So enabling them with this planning tool called *MyMagic+* has --- we knew that if people used that tool --- and many, many people are using that tool, I mean today over 50% of our guests are using the *FastPass+*, which is an inherent part of *MyMagic+* --- we know that they will spend more time with us.

So that's what you are beginning to see in the financials, but we are just at the front end of that. Remember the product probably has been in full execution among all guests for only a year and I think that you'll continue to see the returns from that grow.

Jason Bazinet – *Analyst, Citi Investment Research*

Okay. It's no surprise to anyone in this room that the Internet is playing a more important role in everyone's lives and your intellectual property is more relevant to consumers than I think ever before.
However, your Interactive division, while growing nicely and now profitable, doesn't sort of rise to the level of prominence among investors yet. Maybe because of its size, maybe it's because people can't quite imagine what the world could look like a few years from now. Do you think that changes? Do you think the Interactive division could become what the film Studio is to the stock today three years down the road?

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

I think to be fair --- let me decompose your question a little bit. If everything that was happening on the Internet and in the Interactive space were focused in a segment called Disney Interactive, it would be a huge segment for The Walt Disney Company because every one of our businesses is engaged in Interactive business activities.

Take our publishing business today. So our publishing business is not only in the process of launching a lot of interactive, sort of, 'toys meets the Internet'. But our digital books division, our digital --- we launched a learning initiative within the publishing business. That could very well have been moved to the so-called Interactive business.

So there is a lot of Interactive and Internet-based businesses that are buried in our business divisions --- the Marvel interactive comic book business, the publishing business, Disney stuff, Disney learning, a product called *Playmation* that is basically interactive. All these projects could well have been recognized in the Interactive division. And I can go through each business unit, *Disney Movies Anywhere*, etc., etc. Every business unit has digital and interactive products.

But if you look at the Interactive business per se, I think that what you've seen over the last six to nine months is a slightly different but not dissimilar version of what we did with our Studio. It's a narrowing of focus. It is more investment behind properties that we think have legs. So we restructured the business. We cut out a lot of peripheral activities that each and every one had their raison d'etre, they were all fun and entertaining products, but they were not big enough for a $50 billion company to continue to pursue. Kind of like the film Studio was five, 10 years ago, where we used to release 26 or 28 movies a year, many of which would not have legs and we knew that when we greenlit them.

So we've narrowed it down. I think that products like *Infinity* that are big are going to have future versions, are going to utilize our franchises in new and exciting ways for kids, are the kinds of things you're going to see us invested in.

I think if you look outside of the US in Japan, we are incredibly big in the mobile business because that is a business that has deep opportunity for Disney. There is a lot of affinity to Disney products and a game called *Tsum Tsum* that ultimately made it over to the US, has been a huge moneymaking activity for us.

We have *a Star Wars* game out right now that's doing incredibly well. So you'll see fewer titles, more investment behind those titles and like the film Studio, focused investment behind franchises that we know people want to engage in.

So to answer your question: is it ever going to be the film Studio or is it ever going to be Parks and Resorts? Remember, you're comparing it to pretty big businesses, right? I don't know the answer to that, but our strategy is now very consistent with the strategy in the rest of the company, focus behind franchises that we know have legs.

Jason Bazinet – *Analyst, Citi Investment Research*

Are there any questions from the audience for Jay because we're certainly happy to ---?

Unidentified Audience Member

I guess with Disney embracing technology and perhaps apropos here for the CES Conference, can you give us some sort of insight as to when Disney will embrace 4K video, particularly via ESPN? I know I'm looking for it at home and hoping you'll get it out in the next few years.

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

I don't know the answer to that question explicitly. Obviously, that would be incredibly consistent with the points I just made about us embracing new technologies. You know that ESPN at one time went out with 3D programming, and we ran that for a few years and I think we were ahead of our time. The market wasn't ready for it.

Whether or not the market is really ready for 4K product I'm not 100% sure, but I can assure you that we want to be on the front end of the introduction of new technologies, particularly in the sports space where we have the dominant brand in sports and the expectation is that we are going to embrace new technologies to distribute that.

So I don't know the answer explicitly to your question, but I would say it is certainly in keeping with our fundamental strategy at ESPN.

Unidentified Audience Member

Thanks. Kind of expanding on that theme, maybe you could talk a little bit about what you guys think about Over-the-Top? I think you are in this new DISH package in terms of being able to get the ESPN programming over the Internet, and what your thoughts are on someday just doing it yourself direct to the consumer or something like in an iTunes store or something like that, maybe if the unbundling of content ever comes along?

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

Well, I'm going to repeat a little bit of what I said, but let me try to put it in context. First of all, we are extremely big believers in the value of the bundle and I think most American consumers are big believers in the value of the bundle. And I say that because it's very hard to find alternatives in entertainment that actually come to your home as cheaply as the extended basic bundle in terms of the investment behind those channels, the investment we make, the investments others make, and the cost of consuming that. It doesn't mean that there isn't going to be experimentation sort of under that demand curve. When we were all in school, we learned about maximizing profit for an industry is to harvest under the demand curve and there are different points along that curve and different kinds of consumers.

I think, as an example, the *Sling TV* is a product that is targeted at a niche, that people who are kind of slower for whatever reason to get into the extended basic or the MVPD ecosystem but are still big sports fans and maybe fans of some of the other networks that are part of that, and it's a very targeted product. I think it's a very poor substitute for extended basic.

However, it does have attributes that will appeal we believe --- and obviously our partners believe --- will appeal to a niche that's out there. It doesn't include the whole ESPN package, it doesn't include all of our offerings in terms of networks and it doesn't include the ABC Network and many other things. But it is sort of a rifle shot into a big value package that we think that some people might want to have Over-the-Top.

Remember, if you add the cost of having broadband delivered to your home on a freestanding basis, it's not $20 a month, right? It's $20 a month plus the cost of having broadband delivered to your home.

So anyway, I think you're going to see more of that and in terms of an Over-the-Top, direct-to-consumer ESPN delivery, I don't think we're there yet. I don't know if we'll ever get there to be honest with you. We are huge beneficiaries of the MVPD ecosystem; it reaches a lot of people with an incredible value proposition and we like being part of it. So I think that you've seen --- this won't be the last version --- *Sling TV* won't be the last niche product we see out there and I believe some we'll participate in and some we probably won't.

Jason Bazinet – *Analyst, Citi Investment Research*

You've done a good job on a quarter-to-quarter basis sort of making sure that institutional investors are aware of discrete things that are likely to affect the comparability of your quarterly earnings. Without getting into any of the quarterly results or anything, are there any sort of beacons that are out there for 2015 that you think people should at least be aware of as issues? Be it FX swings, Russian TV station exposure, Pay-TV consolidation, that you'd just like to highlight so people are at least aware of --?

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

Yes, probably all those things, but I think I highlighted --- we highlighted on our last earnings call things that might --- will or might affect 2015. Look, I would say there are no --- I'm not going to --- I have no big surprises to reveal about 2015. There are a few ins and outs. The 53rd week is going to --- an accounting issue is going to have a positive effect on us. There is some pension stuff that's going to have a slight downdraft. But in the big picture, if you go back and look at the transcript of the call, you'll see the numbers. They are not of the kind of thing that you would say wow, that's something I wish I knew.

Jason Bazinet – *Analyst, Citi Investment Research*

Okay.

Unidentified Audience Member

I'm just wondering, I've been listening to you and because of the type of company you have, you have many topics you are talking about from cruise ships to amusement parks to digital media to cable to movies. Could you give me a little --- just a brief insight into your corporate suite and how you guys make decisions, because these are different types of decisions, whether it be ESPN to Theme Parks. And you seem extremely well-versed on that, as you should be, but how does the day-to-day corporate suite work? Obviously you're doing a good job and the team does. Could you give us a little insight into kind of how all that works?

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

Sure, happily. So we have --- you know the divisions of the Company that we have. Each one of those divisions has a president or chairman that reports directly to Bob Iger. There are six of those people and each of the business units is delegated a lot of responsibility for dealing with, certainly all of the tactical issues, and a lot of the strategic issues that they face over time.

We also have a small corporate team and so in total, Bob Iger has like a dozen people who report to him, some on the corporate staff, some heading up the business units, and of course beneath them are strong decision support, analytic people, either in the strategy area, the finance area, the marketing area, and so on and so forth. And as a team, and I really can't describe it any other way, we configure and reconfigure on a constant basis around decisions that affect each and every one of the businesses.

So it isn't formulaic in the sense that the same people are in the room making all the decisions. There are people coming in and out of the room or in and out of the decision circle depending on the issues at hand. But it is a sort of constant team of people who are very, very deep in their knowledge of the Disney consumer, the ESPN consumer, the ABC consumer, and now increasingly in our Company, the Marvel fan, the Lucasfilm fan, and every single one of those people have a voice in the decisions that pertain to the particular issue at hand.

So we get together at least once a week as a total group. We talk about issues that both are individual business unit issues, in terms of sharing those, but also issues that affect the enterprise. And then, of course, there are lots of meetings in the course of the week that involve a limited number of those direct reports who focus on an issue and generally they will bring along members of their staff to sort of fill in the gaps of information and give their own insights into decision making.

So I would say it's a --- we often talk about sort of the notion of companies that are very centralized and where the federal government has a lot of power and there are companies in which the state governments have a lot of power. And I would say that if you looked at Disney, we are a very state-oriented Company, because first of all, even though at the highest level we all adhere to the same tenets of great brands, great franchises, embracing technology, looking to expand our businesses internationally, beneath that ESPN is very different from Disney, which is very different from Marvel, which is very different from Pixar, very different from Lucasfilm, and we want to retain the strength and integrity of the consumer appeal of those brands and franchises and not homogenize them such that we lose what Marvel is to Marvel fans. We don't want to 'Disnify' that, if you can imagine that. And the same thing, we don't want the Marvel strengths to bleed into the Disney fan who is a different fan. By the way, we all --- many of us are fans of many of those things, but when we are consuming Marvel, we want it to be Marvel. When we are consuming *Star Wars*, we want it to be *Star Wars* and not be *Frozen*.

So we are very careful to keep those divisions in place when we are making decisions about things. But of course we ultimately are driving an overall enterprise forward that adheres to very similar strategic underpinnings. I hope that helps. It's a complicated question, but --

Jason Bazinet – *Analyst, Citi Investment Research*

No, it's a great answer. We are out of time, but, Jay, thank you so much for your time.

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

You're very welcome.

Jason Bazinet – *Analyst, Citi Investment Research*

Very helpful discussion. Thank you.

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

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

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

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

Additional factors are set forth in the Company’s Annual Report on Form 10-K for the year ended September 27, 2014 and in subsequent reports on Form 10-Q under Item 1A, “Risk Factors.”

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