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Disney Speakers:

Bob Chapek

Chief Executive Officer

PRESENTATION

Ben Swinburne – *Morgan Stanley & Co. LLC*

Hello, everybody. Welcome back. I'm Ben Swinburne, Morgan Stanley's media analyst.

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We are really excited to have with us for our next keynote conversation, Bob Chapek. He is the Chairman and CEO of The Walt Disney Company. Before becoming the seventh CEO in Disney's nearly 100-year history, Bob served as Chairman of Disney Parks, Experiences and Products, basically since that segment was created, and before that was running the Parks and Resorts business.

Bob, it's great to see you, and thank you so much for being with us.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Thanks for having me, Ben. I appreciate it.

Ben Swinburne – *Morgan Stanley & Co. LLC*

It's sort of unbelievable that it's been basically a year since you've been named CEO. We were just chatting about what a year it's been. I'm sure nothing that any of us could have imagined. When you step back and sort of think about where the company is today compared to when you took the job a year ago, how would you size it up for us when you look out from here?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, overall, I think I'd say that despite all the significant challenges that have been laid in our path over the last year, we feel as optimistic now as ever about the future course of the company.

We had three priorities when it was apparent what… was COVID - and what it was going to do to our company and our outlook. And the first one was really to stabilize the company. And our CFO, Christine McCarthy, did a tremendous job of ensuring that we have the liquidity necessary for the long-haul - if it ended up being a long-haul - and certainly, she had the foresight to recognize that, yes, it was going to be a long-haul.

But the other two things are important from a business standpoint. And the first one is obviously the already established pivot to direct-to-consumer. And so we essentially had to make a decision, are we going to stay the course? Are we going to slow down? Because, obviously, an investment would be sort of an important thing when you're trying to reserve cash and be careful. But as you know, we stepped on the throttle pretty heavily and accelerated, figuring this was the time to really make a giant leap forward, if you will. And we did that in two ways. Number one, we increased our dramatic - our investment dramatically in content, and you saw the fruits of that labor at the investor conference a few months ago. But then, we also reorganized the company to facilitate really a complete alignment of all of our interests towards our strategic imperative of Direct-to-Consumer.

So - and then the second one would be the Parks. We wanted to make sure that we took this opportunity. I mean, obviously, nobody wants to have the parks closed for up to a year. But at the same time, we realized that was a unique opportunity maybe to advance some things that would have been difficult, if not impossible, for us to go change in an operating environment.

And so we've made some moves already, but we're going to make further moves, and they're designed to improve the guest experience, while at the same time yielding those moves for the benefit of our shareholders. And at the same time, maintaining the expansion because we've got this wealth of intellectual property. So we took the highest priority projects and kept going on them, even though, obviously, capital was a consideration at the time.

So frankly, it's been a rough year, but we're exiting it now as optimistic as ever.

Ben Swinburne – *Morgan Stanley & Co. LLC*

That's a great start. And maybe, we're going to dive into the Direct-to-Consumer and Parks businesses in more detail, but one thing I wanted to ask you at the top was about what it means for the Disney company to have a scaled distribution business where you have a direct customer relationship with hundreds of millions of people around the world. That's something that the company has never had before. You've been in lots of different businesses inside Disney. You've typically sold through retailers.

What do you think it means long-term beyond just the streaming business to have this kind of customer relationship at scale around the world?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, we've actually, I think, done a pretty good job of having a direct relationship with our customer in the Parks business. Whether you look at our Disney Vacation Club business, our annual passholders that we've got, we've had a pretty good insight as to what our guests prefer, what they do, how they act and have catered to that throughout the years.

I think the difference now with DTC is that we've got the opportunity to increase the frequency of our engagement and the number of touch points. And so I think there's an exponential benefit when you take the deep knowledge that we have of our Parks guest and then the number of touch points that we've got and the frequency of engagement with our DTC.

And you put them all together, all enabled by technology and a keen sense of what we want to do from a marketing standpoint. And obviously, with our - then our parks close, right? So we've never really had the two perfectly aligned where our parks are cranking and our DTC business is anything but embryonic. Well, that moment is about to come. And so we feel really enthusiastic about what's going to happen when we take one-plus-one and make it three.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Makes sense. You guys, as you mentioned earlier, Bob, had your second Investor Day around streaming, not too long ago. You increased your outlook for Disney+ subscribers pretty substantially. You were at 60 million to 90 million if we go back to April 2019. Now it's 230 million to 260 million. And even if we back out the Hotstar subs, it's still 150 million plus.

We all know you've had a really strong first year out of the gate, but what else could you tell us informs your view and the team's view that the opportunity is this much larger than you thought?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right. Well, what's the same – is the total addressable market, we knew it was 1.1 billion households. So implied in that, given that our sub numbers are so much higher, is that we've had much higher penetration. So we step back and we ask ourselves what happened to make that be a reality.

And the first one, we know our product, we know our library, but we were even surprised at the global appeal of our product and the level of engagement that we're seeing in our services across the world. And that really comes down to the following: it's the 4-quadrant appeal. What we didn't realize was the non-family appeal that a service like Disney+ would have. In fact, over 50% of our global marketplace don't have kids, of our subscribers don't have kids. And that is the big difference. And so now you can see that sort of - I'm sure we'll be talking about Star, but you can see where those strategies get born.

When 50% of the people in Disney+ don't have kids, you really have the opportunity now to think much more broadly about the nature of your content.

Ben Swinburne – *Morgan Stanley & Co. LLC*

That makes sense. That's interesting. You guys have been also raising your investment appetite around the business, as you mentioned earlier. And there's a lot of focus, as you know, Bob, in the investment community and in the press about the streaming wars and all the capital being put to work and streaming.

What gives you confidence that at the end of this process, you're left with a profitable business? Because I know you're a numbers guy at the end of the day…

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

First of all, I think I would challenge the idea that it's a war in the sense that there's one winner. We think there's going to be multiple winners.

At the same time, though, we're highly confident that we're going to be one of them. I think if you look at our unparalleled brands, the franchises that make up those brands, the tremendous content creators we have leading each one of our segments - as evidenced by the way, last night with our success at the Golden Globes. And then the actual content that's pouring out and the amount of content that's pouring out, we think that we're tremendously positioned for the future of DTC services.

Ben Swinburne – *Morgan Stanley & Co. LLC*

And how do you guys think about budgeting the business? In other words, you guided to $8 billion to $9 billion of investment at Disney+ by '24. Obviously, we don't know it as a crystal ball, but how do you think about the amount of capital needed to get where you want to go from a revenue and sub point of view?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right. Well, within an approach of discipline, we sort of look at where the needs are. And we really come down to three basic areas that we want to fund.

And the first, obviously, is no surprise. It's going to be the original content under our powerhouse, 5 core brands that go into Disney+. That's obviously priority one.

But the second priority, too, is really these general entertainment offerings that I mentioned earlier because of the success that we've had with broad appeal beyond just the family households. So that was another one. And again, that was relatively new news. We knew that we had interest in those general entertainment offerings. But that you didn't really realize how important they could be towards our overall proposition, if you will.

And then third, because we are in international markets, the importance of local content.

So you add those 3 things together, and all of a sudden, you're in a position where you're spending a lot more money than you originally envisioned, but we're being rewarded in the marketplace by the number of subs escalating as well. So really, I think it's really about discipline in budgeting and application of those budgets to get you sort of the best overall result to keep the fire burning.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Yes. You guys have been very transparent if you go back to April '19 and your disclosure in terms of letting us track your progress in DTC. And you've continued to emphasize or expect that '21 will be the year of peak losses for the business and then profitability in fiscal '24.

I'm wondering, Bob, how you would describe your priorities as we go through these next few years? Is there anything that you think would either lead you to bring profitability forward or conversely actually spend more money as we get into '22 and beyond than you're currently planning?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right. Well, we obviously blew our expectations and everyone else's expectations away in terms of number of subs, but then we took up commensurately our investment, and we did that to build a strong foundation.

So you mentioned what's the #1 priority, the #1 priority is to build a strong foundation for the future. And obviously, it's a very dynamic environment. And guidance can change and years that you hit profitability could change. But we're pretty happy with the projections that we gave you two months ago at the investor conference. And I will say that we're very pleased with all of our rollouts across the world. So no reason for any pessimism here.

Ben Swinburne – *Morgan Stanley & Co. LLC*

You guys, I think, unveiled 100 new titles at your Investor Day back in December, which was certainly impressive. You also emphasized flexibility, Bob, in terms of how you bring these titles to market. I'm wondering if you could talk about how you balance the benefits and costs of shifting content windows, especially around theatrical as that's a huge focus for investors because they understand the power of your tentpole product.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right, right. Well, we believe in the power of exhibition to build our franchises. Obviously, in 2019, the last normal year we had, we had 11 billion dollar films. And so that is a big deal to us.

And that will continue to be a big deal, we believe, but we realize that this is a very fluid situation, and it's fluid for two reasons. Obviously, the short-term impact - longer than we want it to be - but the short-term impact of COVID on the number of screens that are open, consumers' willingness to actually go back into theaters, but then there's also the fundamental changes that are happening in consumer behavior, which for me are much more profound. And of course, they're catalyzed by the first issue, which is COVID itself.

And so we're watching very carefully, consumer behavior and preferences and to see how long-term those preferences are going to shift.

And that's one of the reasons we talk about flexibility so often. We want to have a nimble organization. That's one of the reasons we did the reorganization, knowing that the sands under our feet are shifting, consumer behavior is shifting, consumer preferences are shifting, and we want to make sure that as that happens, we're on the front end of the wave, anticipating those changes. But we've got - we're pretty happy with our three-pronged strategy in terms of how we'll go to market. And we think that's the best program right now.

Ben Swinburne – *Morgan Stanley & Co. LLC*

And I know from your home entertainment days, you're quite familiar with all the windowing debates in the movie business. It doesn't seem like - at least in my opinion - that we're going to go back to the way the theatrical business was pre-COVID. It seems like some things will probably change. Do you see an argument for Disney to have a shorter theatrical window around your tentpole releases? Or is this still sort of to be determined?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, I think with our three options for commercializing content… 1 is being you go straight to theatrical and then window, as you suggest, to the service. Option 2 is obviously doing a Premier Access, which is a day-and-date with theatrical. And option 3 is going direct to the service.

I think within that conceit, we're going to continue to evaluate, given the recovery that's at hand, but I think the consumer is probably more impatient than they've ever been before, particularly since now they've had the luxury of an entire year of getting titles at home pretty much when they want them. And so I'm not sure there's going back, but we certainly don't want to do anything like cut the legs off of a theatrical exhibition run. But I don't think the consumer… again, we'd like to let the consumer be our guide in almost all situations.

And I don't think they'll have much of a tolerance for a title, say, being out of theatrical for months, yet it hasn't had its chance to actually be thrown into the marketplace and another distribution channel, just sort of sitting there getting dust.

Ben Swinburne – *Morgan Stanley & Co. LLC*

So yes. Yes. You've got your second Premier Access title coming up here very shortly with *Raya*. What do you - does this play a big role, Premier Access, in your go-to-market over the long term, based on what you know so far?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

It's going to be one of our strategies. It certainly makes a lot of sense right now in a COVID world to have an option. *Raya* - obviously, theaters aren't going to be 100% back. But it's nice to know that we've got the ability if people do want to enjoy it in their homes because they don't quite feel confident in going to a movie theater that they've got that choice.

What this looks like in the future? Well, we're going to gain a lot of experience and a lot of data points.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Let's shift gears to general entertainment. You mentioned that earlier, Bob - I think Star was launched basically last week, I believe, as the sixth tile in a lot of markets. Why did that make the most sense for you from a strategy point of view? There was certainly a lot of talk about Star being its own business on the streaming side.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, as you know, across the world, we've had a different strategy for going to market and that's because the variables are so different across the world… variables like what are the consumer preferences in terms of their content appeal? What's our suite of our content that we've got in terms of rights? That varies across the world. What are the local content obligations or preferences for the consumers? What's the value of our library in various parts of the world? What are the demographics, and importantly, what are their affinities for sports? So all these variables are unique.

And each one - and in Europe, again, we saw the power of general entertainment content to augment our family content, that would lead you to believe that maybe a more integrated option would be great with Star as a sixth brand tile. And so that's what we did.

So rather than trying to mandate a one-size-fits-all across the world, we're actually reading all these variables and making our determination, given what the consumer is looking for and what we have to deploy.

Ben Swinburne – *Morgan Stanley & Co. LLC*

We talked a lot about -- or you showed us a lot of content back in December. We didn't spend a ton of time on local original programming, though. My sense is that's actually a pretty big part of what's happening right now with Star.

Can you give us a sense of your appetite for local programming? And if that's - if we think out a few years, is that going to be a pretty substantial part of the Star playbook overseas?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

We believe it is. Our overall strategy is to make sure that content for Star is rooted in properties and content that we own as opposed to third-party properties.

So therefore, as we know how important local properties are, local content is going to be, then yes, we have to crank up the production machines for local-driven content, and we're doing that.

That, of course, will augment the unbelievable quality of global, high-volume, franchise-driven content that we have, that will serve the world. But we will have a lot of programming that's specifically programmed to subscribers within each market. In fact, we're thinking that by FY '24, we'll have 50 originals on Star. Original titles.

Ben Swinburne – *Morgan Stanley & Co. LLC*

50 local originals on Star.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Yes. Yes.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Got it. And you guys, as I mentioned earlier, launched overseas in a lot of markets with Star last week. You also took up price at the same time. I know it's probably way too early, but I thought I'd ask whether you feel like that was received well or how the launch has gone relative to your expectations?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, as you know, we took the price up €2, and we think that's very reflective of the price value addition we have - actually conservative. And I would say that we're very pleased with how the market has received that new offering, despite the increase of the price at €2.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Got it. You guys came in - you launched in the U.S. and among other things, you had your Verizon partnership, which I think has been quite a success for both Disney and Verizon.

Globally, you're doing a lot of the same kind of deals around distribution deals. Can you talk about the trade-offs that these agreements represent in terms of the benefits and what you give up going through a third-party on the digital side?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right. Well, the benefit is that they really help us accelerate growth at a relatively efficient marketing spend. The detriment, obviously, is the fact that you're going to get a lower ARPU because of it, because now you've got someone else who's participating in the revenue stream.

So we're very selective. We've got guidelines in terms of what percentage of our overall constituency we want to come from a third-party so that we can get the - extract the benefits of those type of relationships.

And the important thing is those relationships have to be organic. We're not just going to go ahead and do promotions with businesses that don't make a lot of sense. They have to be directly involved in the media world and help us get the benefit of the faster sub growth and lower marketing cost of acquisition.

But going forward, we're going to keep our eye open for the right deals when they pop up, but we're pretty happy with our balance right now of retail versus wholesale subs.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Do you give up anything on the wholesale side in terms of data or your customer relationship and knowing your customer?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

No. No.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Got it. I think at least from my perspective, I feel like the market still doesn't have a great view of - or well-understood view of what Star represents for Disney. And what Hotstar Disney+ can be over time. This was a business that at least was, when it was inside of Fox, always had a lot of promise, but often wasn't delivering on the expectations in the marketplace.

What can you tell us about Star overall as a business that you guys were able to acquire through that transaction? And what's the opportunity in Southeast Asia and India from that business, both on the streaming and kind of traditional side?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Right. Well, I think if it's confusing, it’s because there's so much there. There's so much to unwind and unpack, and that's good for us. First, from a broadcaster standpoint, it’s India’s #1 broadcaster. India is one of the few markets in the world where television viewing is actually up.

We've got the leading sports portfolio in India, which is, as you know, critically important there.

And we've got the leading local content engine with Fox Star Studios.

So even just from a studio standpoint, it's a very vibrant business, but then you layer on the Hotstar business. It's got 17,000 hours of original programming every year that we've got, which is fantastic. And we believe it's the ultimate streaming destination in Southeast Asia and in India. It's the exclusive home for cricket events. And we're really pleased with the way that business has unfolded in Southeast Asia and India.

Ben Swinburne – *Morgan Stanley & Co. LLC*

I'll ask you the same question about Hotstar I asked you about Disney+ earlier. What is it that informs your view of that business - can go from kind of 30 million paid subs today, to your new guidance of 70 million to 100 million or so by fiscal '24?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, it's really the programming investment in entertainment and sports that we're making.

But at the same time, we realize this is a very unique market, right? So we've got distribution partnerships, Jio in India and Telkomsel in Indonesia. But it doesn't even end there because the product localizations are absolutely critical here because there's low broadband speeds, and it's a mobile-first market. So all that has to be taken into consideration as you sort of create your plan.

And again, one of the things I think we're doing a fairly decent job of is being very specific in various markets in terms of the program. This is not a one size fits all. In India certainly, it's sort of the, if you will, the shining example of the need to be unique and cater to that market.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Why don't we shift gears to Hulu, which is a business that has been - they're really the first in the U.S. into streaming-at-scale… built a big AVOD business… has a real brand. You guys have, obviously, guidance out there on that - how big that business is expected to be.

How does Hulu fit into your broader Direct-to-Consumer strategy? And how do you get the business to profitability? Because you've got a substantial revenue base today, but it's still losing money.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, we're really thrilled with everything that Hulu has accomplished - and keep in mind that we only got management control less than 2 years ago of Hulu. But in the meantime, we've been able to scale the business, I think, in a fairly impressive way.

The secret weapon with Hulu is, obviously, the rapid-growing, robust advertising business that's inherent in this - that plus the Disney bundle. And those two things are, sort of make it a very impressive force for us.

And when it features great content like *Nomadland*, which obviously won last night, and that's sitting up there on the big “brand barker” - it's going to draw people in. And so the combination of great content, and really being part of the Disney bundle. And the very impressive growth in advertising is, I think, going to make that a winner for us.

Ben Swinburne – *Morgan Stanley & Co. LLC*

And then lastly, on the Direct-to-Consumer portfolio front is ESPN+… another one that you've increased your guidance significantly, actually doubling the guidance from your first Investor Day to the next. What is it that you think is going to take that business to the next level over the next several years?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, our ESPN+ business is one that is absolutely critical to us going forward in the future. And we're going after mass market penetration in that business to be an even broader appeal to global -- to our sports fans in the U.S. I think our updated guidance of 20 million to 30 million households really is a function of the uptake once again of the incredibly successful streaming bundle that we've got.

And I would say that rights are always obviously an important thing, and we're steering as many rights as possible towards ESPN+. As a matter of fact, we won't contemplate rights deals going forward that don't envision ESPN+ being a major player in the use of those rights, if you will.

But our subscriber guidance that we've given so far doesn't really take into account any transformative changes either way - either on the upside or the downside. In other words, we predicted basically on a static basis what it would be going forward. So we're really pleased.

And whenever we get into any kind of rights negotiations with ESPN+, we are making sure that with our rightsholders… we're making sure that ESPN+ is going to be a really big part of that in terms of our flexibility because as the consumer flexes, once again, we want to be able to flex with them.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Got it. I want to come back to the rights stuff in a little bit, but I want to shift gears right now to the Parks business… obviously, one that was - has been massively impacted by the pandemic.

We can look back at prior economic cycles, Bob, and so to assess how we think the business will react as we come out of this downturn. But this is just a totally different situation than I think we've been in in the past. What's your expectation for the Parks business as you come out of the pandemic? And do you subscribe to this idea of sort of pent-up demand that we keep hearing about, including earlier today from some of the other conversations?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

We are thrilled with the way that our guests have responded to the precautionary measures that we have put into our parks at least in terms of those that we've been able to reopen. I think that speaks to brand confidence. And I think that actually then sort of fuels the fire once COVID sort of breaks, and we can actually either increase the penetration in our theme parks or get to a position where we can open some of those that have not been.

So part of the brand promise and that brand security that they expect is actually something that's been out there.

That said, the actual recovery itself is going to be a function of a couple of variables - the speed of the vaccine, that's a big deal. Travel readiness from our guests, what is their willingness to actually go on vacation and go sort of put themselves out there?

But while we're figuring all this out, we're also importantly, making sure that when we reenter into the marketplace in a bigger way, - that we're going to have a better guest experience. This gives us an opportunity to make some step function changes on things we've always wanted to do in the park in terms of improving the guest experience and then yielding those changes for the advantage of our shareholders. And so this is a perfect time to make operations changes.

But we're seeing right now extremely strong consumer sentiment. We're very happy with that. And we think that demand is going to rebound quite handsomely when -- if and when we can either increase the number of folks that we're putting into our parks or open them up for the first time.

Ben Swinburne – *Morgan Stanley & Co. LLC*

There's a lot of technology that's at work at your parks, I'm sure, much more than any of us see when we're there. But I want to come back to your point and see what I can get you to tell us about because this idea of trying things, a step function change and sort of the way you go about running that business is really fascinating.

Anything you would be willing to share with us at this point about the sort of digitization efforts or anything else you're doing on the tech side that may make that business better for consumers, but also more efficient on the other side of this?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Sure. We - I guess, I would say, we think of the application of technology in our Parks and Resorts business in 2 different ways.

One is really about more immersive storytelling… using technology to better tell a story, increase the sense of realism without having the technology be apparent. And you and I, before we started, were chatting up the Galaxy's Edge, the *Star Wars* Land, and the Rise of the Resistance. And that is a perfect example of using technology to tell a story. There's a million lines of codes - of code in that program that runs Rise of the Resistance, which makes it extremely complicated, but it also makes it extremely immersive storytelling. And so we imagine that, that's sort of the world going forward, really in-depth storytelling and increased levels of personalization.

But the other area that we do it in, and it's a little more pedestrian, but equally important in terms of the guest experience, are things that enable us to simplify and enable a more frictionless experience that the guests would have at our parks… things like keyless check-in, let's say. Mobile order of food, so there's no waiting in the park, you get to - wherever you want to have lunch and your food is ready for you. Contactless screening, which, of course, again, is an outgrowth of COVID, but it's going to be something that's going to have some persistence as we move forward. And even things like itinerary planning and fully leveraging the information we have in terms of preferences - sort of going back to one of the earlier questions about the different ways that we can gather information from across the company and all of our guests or our consumers and really make things customized and personalized. So really a big opportunity, I think, going forward to use that technology in a seamless sort of invisible way to enhance the guest experience.

Ben Swinburne – *Morgan Stanley & Co. LLC*

There's a lot of exciting opportunities there. You guys, before the pandemic, Bob, had been implementing dynamic pricing over a number of years. Is there still an opportunity, you think, on the pricing side for optimization and yield maximization when we get out of this pandemic?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

I guess, Ben, the way I would look at it is that maybe the ultimate expression of yielding is when you're so constrained on the number of people you can put into a park… that all that benefit of the learnings that we've had over the last 5, 6, 7 years of dynamic pricing now come into play.

I'm now going to blend in the idea that we just talked about with technology because, frankly, when we got involved in this dynamic pricing, we really didn't have systems that were actually built to do that. So now you take the capabilities of the system to truly build in true, sort of world-class dynamic pricing, plus this idea that we've been doing it a while, and now we've got this test case where we're artificially constraining the demand for our park. And we're getting pretty good at this supply demand thing. But the key is that every one of these programs that we're putting in place will improve the guest experience, so that in the end, it's a win-win for everybody.

Ben Swinburne – *Morgan Stanley & Co. LLC*

I know you get the question all the time, Bob, about long-term margin potential of the Parks business. But it sounds like these are all things that create at least the opportunity for margins to continue to be not just impressive, but maybe higher than they were pre-pandemic.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, Ben, there's no doubt that when we reopen a park after it's been closed for a prolonged period of time, there's going to be some reopening costs. We've got to go rehire labor, which we're more than glad to do. We want to put people back to work. But at the same time, there is a fundamental shift where we can be more efficient practices, yield management strategies in a more profound and unlimited way, if you will.

We've made some changes already. You've heard about some changes in our annual pass program at Disneyland, which, in a non-COVID environment, would have been a pretty tough one to make because they just keep renewing and renewing. But when you start lapping a year without anybody going for an annual pass program, that gives you the chance. And so we're going to use that, though, in order to have an even better guest experience at Disneyland and really manage the crowd, so that no matter what day you go to Disneyland, you're going to have an extraordinary experience.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Got it. All right. We've got about 10 minutes left. So I want to shift to all the studio production businesses and some of the content businesses at the company. Maybe starting with Marvel.

I can remember when you guys announced that acquisition, to say it's paid off would be an understatement. But at the same time, there's always concerns about superhero fatigue and how long this IP could continue to resonate with consumers, not every studio that has comic book IP has had the same success that you have had. What are you guys doing? What are you and Kevin and the team doing to make sure that Marvel continues to thrive, particularly as you weave in Disney+? And the amount of content coming to us is going up pretty dramatically.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

I would say the situation is the same for Marvel as it is Lucas. If you look at it, we've averaged over $1 billion a film since the acquisition of both Lucas and Marvel, which I think is an absolutely incredible statistic. And it goes to speak to the talent of not only Kevin and his team, but Kathy Kennedy and her team over at Lucas. And we're really fortunate to have both groups being led by such stellar creative talent.

But in terms of fatigue… I guess that's borne out in the numbers, right, to some extent, and they keep finding a way.

Let's just - let's go back and take Marvel, for example. You've got *WandaVision*, which is about the most unique creative take on Marvel mythology, but it's done in a unique, all different way, which I think is - it's fascinating. It's riveting. It's certainly riveting to me. But then you've got the upcoming *Falcon and Winter Soldier*, which is really an epic, almost cinematic-type experience. I mean it's big and bold. And if it were strung together in a movie theater, it would be completely legitimate. And then you have *Loki*, which I'm not going to say too much about because it's not out yet, but let's just say it will be equally creative and inventive and another chance for our creative team to do what they do best, and that's make great content.

So the creative canvas, if you will, is very broad for both Lucas and Star Wars as well as Disney, and very multi dimension. So yes, it's superheroes in Marvel's case, but it's more. And yes, it's a galaxy far, far away for Lucas, but it's very more. And those - they're just going to keep on growing because of the great creative talent we have.

Ben Swinburne – *Morgan Stanley & Co. LLC*

It must be interesting to see how the television product on Disney+ reinforces the film product, and that should be something that we see play out now over the next couple of years, I'd imagine.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Yes. That's where they're at their best, managing that mythology so that there's little pieces here and there that they dribble out and they all connect, and it's really amazing. Geniuses.

Ben Swinburne – *Morgan Stanley & Co. LLC*

Yes. No question. On the, I guess, the sports studio, the way you guys are now running the business, particularly around ESPN… you've got some big rights renewals right in front of you. There's been obviously some press about the NFL and Monday Night Football.

Can you just give us a sense for what your kind of strategic priorities are when you are staring at what are enormous numbers, no matter where they fall, these are big dollars. And your eyes are wide open, Bob, about the challenges facing the linear television business. So what can you tell us about how you're approaching deals like the NFL and Major League Baseball?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Our approach is really simple. If it's accretive to shareholder value, we'll do it. If it's not accretive to shareholder value, we won't do it. It's not a mandate to us that we get these rights, but we certainly have long relationships with most of the leagues, very symbiotic relationships, if you will, and we'd like to continue that. But if they deliver economic value for us, we'd love to remain in business with them.

So it's not a deal in any price-type situation as I think I made clear at the earnings call, the last earnings call, but one that reflects the marginal value to our viewers and to our business. So we'll approach it with discipline. And once again, ESPN+ will be a critical component to any rights deal we do in the future.

Ben Swinburne – *Morgan Stanley & Co. LLC*

My guess is we'll be hearing more about that shortly. Maybe just to wrap up on the studio side. You guys announced, as you mentioned, Bob, at the beginning, a pretty massive reorg. And I think I asked you this question back, I think maybe in November, about how the organization has absorbed these changes. I think about some of the executives… Jimmy Pitaro at ESPN, Dana Walden, Peter Rice, John Landgraf. These are people who've risen up to the most senior levels and been very successful in the entertainment business, and they're now no longer running a P&L. They're in charge of running very important powerful studios, but it's a big change, nonetheless.

I'm just wondering if you could talk about the implications of all this, any growing pains and whether it's playing out as you'd hoped. Are you achieving your goals that you - when you put this in place last year?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Sure. Well, just like Kevin and Kathy and Sean at the studio, Jimmy, Dana, Peter and John are absolute treasures for us from a creative standpoint, driving this machine to give you the kind of content that you saw at the investor conference.

Obviously, way before the rest of the world knew what we were going to do from an organizational standpoint, I began a socialization process of the idea. And these very same people that you've talked about… I socialized this idea sort of expressing the benefit of this. And I'll tell you, we've had very strong buy-in. People like the idea of clear accountability. They like the ability to be nimble, to be able to pivot and to respond in a way that the consumer is going. And it requires a very collaborative environment, which I'm pleased to say we're seeing. But at very clear swim lanes. And certainly, it's change, and change can be disruptive, but I have to say all the folks that you mentioned have been spectacular in terms of their flexibility and their willingness to be elastic and understand the bigger organizational benefits. And as a result, we're seeing the advantages in this dynamic fast-moving world that we're competing in.

Ben Swinburne – *Morgan Stanley & Co. LLC*

That makes sense. Well, great. Listen, we're more or less out of time, but I wanted to wrap up - I remember when we first met you on the sell-side, I think it was in February in New York last year. And among other things, I recall you describing yourself as the guy that delivers the numbers. I don't know if you remember that or I'm remembering it myself, but it stuck with me.

I'm just curious, when we look out over the next kind of 3 to 5 years, how do you think we should be measuring success for The Walt Disney Company?

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Well, we're about to hit our 100th anniversary. And I think success in the future is going to be to have the second 100 years be as innovative, as creative, as full of growth, as the first century was.

We're all about magical entertainment. And if we can continue to sort of define and redefine magical entertainment in this new world - respect legacy, but never stop innovating - I think we'll have a successful second 100 years as we did our first 100 years. And we're proud of the team and all the work that they've done to sort of dig us out of the pandemic hole, but the best is yet to come.

Ben Swinburne – *Morgan Stanley & Co. LLC*

That's a great note to end on. Bob, I really want to thank you for your time today. Appreciate it. It's great to see you.

And thank everybody who joined us on the webcast, and we will see you tomorrow for day 2. So thanks again.

Bob Chapek – *Chief Executive Officer, The Walt Disney Company*

Thank you very much.

Forward-Looking Statements

Certain statements in this call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business or financial prospects, position, strategy, plans, investments, resiliency, growth or future; financial or performance estimates or expectations; estimates of the financial impact of certain items, accounting treatment, events or circumstances; the anticipated availability, timing or nature of, our offerings (including content included within our products and services and theatrical releases); future resumption of operations (ours or others') and related impacts, timing, conditions, precautions or market responses; future consumer sentiment or demand; workforce matters; the continuation of external circumstances (including COVID-19); plans to give guidance in the future; and other statements that are not historical in nature. 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 our reorganization announced October 2020, capital investments, asset acquisitions or dispositions, integration initiatives. new or expanded business lines, or cessation of certain operations) or other business decisions, as well as from developments beyond the Company's control, including:

- further changes in domestic and global economic conditions, competitive conditions and consumer preferences;
- adverse weather conditions or natural disasters;
- health concerns;
- international, regulatory, political, or military developments;
- technological developments;
- labor markets and activities;
- and each such risk includes the current and future impacts of, and is amplified by, COVID-19 and related mitigation efforts.

Such developments may further affect entertainment, travel and leisure businesses generally and may, among other things, affect (or further affect, as applicable):

- the performance of the Company's theatrical and home entertainment releases and other content;
- the advertising market for programming;
- demand for our products and services;
- construction;
- expenses of providing medical and pension benefits;
- income tax expense; 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 October 3, 2020 under Item 1A, "Risk Factors," Item 7, "Management's Discussion and Analysis," Item 1, "Business," and subsequent reports including, among others, quarterly reports on Forms 10-Q, which risk factors should be read together with the above factors.

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