JP Morgan Global Technology, Media and Communications Conference

MAY 24, 2021

Disney Speakers:

Bob Chapek

Chief Executive Officer

PRESENTATION

Alexia Quadrani – *JP Morgan Chase & Co*

Good afternoon, and welcome back to the JPMorgan TMC Conference. I'm Alexia Quadrani, the media analyst here, and we're thrilled to have Bob Chapek, the CEO of Walt Disney Company with us today. Thank you so much, Bob, for joining us.

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

My pleasure. Thank you.

Alexia Quadrani – *JP Morgan Chase & Co*

And I thought before we jumped into your business, I would love to have - get your thoughts on the recently announced planned merger between WarnerMedia and Discovery. How do you see this impacting your competitive positioning, if at all?

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

Well, we remain focused on sort of what got us to the point where we got 100 million households[1] within the first 16 months, which is really a focus on great content put through our creative machines in the company, based on our powerhouse franchises and then scale the distribution as we now expand throughout the world. So we're pretty happy with the template that we have, the strategies that we have. And we think that this, frankly, for us, doesn't really change much at all.

[1] Paid subscribers

Alexia Quadrani – *JP Morgan Chase & Co*

Okay. Well, COVID clearly has presented such unique challenges to Disney from the closure of the parks and theaters to the outsized growth of the direct-to-consumer business. I guess looking back over the last year, how do you see Disney positioned now versus pre-pandemic?

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

I would say that we're as optimistic as ever in terms of our future. As you know, we used the opportunity when the world pretty much shut down to catalyze our DTC plans, and as such, we've got a very deliberate and a very aggressive push towards direct-to-consumer. We've dramatically increased our investment in content, again based on those powerhouse brands and franchises that we have. But we've now got an organization that's really built for this push towards direct-to-consumer and that pivot so that we can guarantee that we've got enough content flow regardless of whatever distribution channel we choose to employ on a particular piece of content. But we've also been working with international expansion and going against that global scale that I talked about earlier. And I think we've got a model for distribution that's very flexible that can toggle either depending on consumer behavior or on the state of the recovery from COVID.

So we feel very confident with our direct-to-consumer business. But also on the Parks side, we feel equally bullish. We've seen really strong demand recovery. In fact, our intent to visit, as I mentioned in the earnings call, is comparable to 2019 at Walt Disney World where we've been actually open for a while. So we think that's a really good sign of what's to come for us. And we've continued to invest in our parks. Most of our Imagineering investments, those improvements that we make for - across our franchises - in our parks across the world have continued.

And so we're going to exit this with really strong new intellectual property instilled inside our parks. And then we've been able to hone our yield management skills, if you will. There's nothing like being artificially constrained to even lower capacities, way below what demand would be. And that's given us an opportunity not only to improve our shareholder proposition, if you will, but also improve our guest experience at the same time. So we feel that we're exiting at a point where all the hard work that the teams have done here over the last year will now pay off.

Alexia Quadrani – *JP Morgan Chase & Co*

I guess more specifically, diving into the parks business a bit further here. COVID caused some unprecedented closure of the parks globally, as you know. Now we've seen such a great pent-up demand for the parks as they have reopened. Maybe you can walk us through the puts and takes of the path to fully recover. What should we look to as indicators of raising capacity limits?

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

Well, you're right. We are encouraged by the trends that we see and our goal is to try to get to normalized operations as soon as possible, as soon as practical and as soon as responsible. We're encouraged by some of the changes that we've seen in terms of the CDC guidance, in terms of social distancing and mask guidance. At the same time, there's a lot of detail behind those headlines, and we're trying to digest those and make sure, as I said, that when we do reopen, we reopen in a way that's very responsible. I think what you're going to find is low double-digit increases in the next several months in terms of our attendance[2] as we sort of navigate some of these changes and some of these guidelines and do it in a way that's kind of going to be sensible, if you will. I think you'll see more of the full benefit of some of these relaxation of guidelines, whether it's social distancing or mask-wearing, closer to the Q4, the end of the fiscal year, we'll see a lot more of the benefit there.

I think if you think about the throttles to the increase in attendance, I think there's a couple of things that you have to consider that sort of frame that up a little bit. And one of them, of

[2] Reference is to attendance capacity, as noted on page 22.

course, is labor. There's been plenty of headlines about how hard it is to get labor back. We've actually had a really good go at it. We have found that the great majority of our cast members who we call back are ready, willing and able to return. So we're very, very pleased with that. And that's, of course, a big one. But aside from that, you've got things like booking windows, Walt Disney World is sort of a multi-month booking window from the time that people contemplate a visit until when they actually come. So there's a little bit of a lag there.
But there's also the wildcard, of course, of international travel, which we don't really have a good feel for right now, although that's a much smaller constituency in terms of visitation at our domestic parks.

And then we have health and safety constraints that I referenced earlier. You've got things like inside attractions versus outside attractions. You've got domestic versus international guests. You've got guidance that we've been given for our guests, which says from the CDC, no social distancing. But then we've got things like cast regulations from OSHA that still have social distancing requirements. And then we've got sort of the famous 0-feet versus 3-feet versus 6-feet.

So we're navigating all of those challenges. But we really think that we'll get most of our significant scale benefits once we approach full capacity because, again, it is a large fixed cost business at the same time. So we expect that, if you will, the benefits will be exponential as we approach full capacity.

Alexia Quadrani – *JP Morgan Chase & Co*

And you said low double-digit growth. Just do you get a sense where that brings you to full capacity in terms of when?

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

Yes, low double-digit growth. Well, we hope - depending on the park, right? Because you've got Disneyland, which just opened. So it's much further down the curve versus Walt Disney World where we've been doing this now for about 9 months. So we're hoping that by the end of the year, like I said, that we would be at a point where we would start to accrue most of the benefits, both from an attendance standpoint and from a bottom line standpoint in terms of when we will get there. So we're hopeful that, that will be the case.

But again, there are so many rules to be interpreted. And like I like to say, beneath every podium headline, there's generally a stack of about 25 pages of operating guidelines that have to be digested and figured out, and we're in the midst of doing that. We've got the best team possible to figure that out for us. But we're going to do it in a way, like we have done everything in COVID, where it's very responsible and very measured.

Alexia Quadrani – *JP Morgan Chase & Co*

And are you surprised how strong the demand looks like or maybe some color on what the demand looks like? And any thoughts also on Disneyland Paris reopening?

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

Yes. Well, like I said, our intent to visit at Walt Disney World, which is probably the best barometer because it's been open a while, is comparable to pre-COVID-19 levels. So we're pretty confident.

I think we've done a lot, though, honestly, to put wind in the sails of the confidence in the consumer. Obviously, there's travel, things that we don't control when someone jumps on a plane, how they feel about that. But we've had such a great track record of, again, opening responsibly that I think people feel pretty comfortable coming back to a Disney park. And I think that's going to show through in terms of intent-to-return scores, whether it be in California or in Florida, we're just a bit further behind because we've only been opened up a number of weeks in California. So...

Alexia Quadrani – *JP Morgan Chase & Co*

You were able to make improvements with the parks closures that you may not have otherwise been able to make. And maybe you can talk about some of these technological improvements and efficiencies, and how you improved the experiences of the parks?

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

Sure. We took the opportunity to revisit sort of our legacy operations to improve the yield because it is the ultimate in a capacity-constrained environment but also to improve our guest experience where we've had an opportunity to look at things like pricing and ticketing outside the constraint of an ongoing concern and ongoing business when we shut down for a year. So that really gave us the opportunity to say, when we emerge, how do we want to emerge and how does that fit our yielding strategy and our guest experience strategy? Things like annual pass. There's probably no better example here than annual pass, where it's a legacy system, and people keep signing up year after year after year, which may or may not play into your yield management strategy in an ideal way. So we had a chance to thoughtfully and thoroughly reconsider that.

Cost management. We had a chance to really sort of wipe the slate clean and look at how we manage cost throughout our operations. And just things like - guest-facing things like mobile food ordering. Our mobile food ordering has skyrocketed because, we advanced the cause while we were out doing everything by app. And that obviously has some implications on labor, things like contactless check-in when you go into a hotel. That obviously has guest benefits. Once again, guest benefits, but also cost benefits for us as well.

And then things like virtual queues. We played around with virtual queues when we had the unprecedented demand with Star Wars Lands when we opened those up on both coasts. But now we've got an opportunity to sort of explore that as a guest experience lever to make sure that people can do things and not spend too much time standing in lines and in queues.

So I think this is sort of likely to impact our prospects going further into the future in terms of margins well beyond COVID because, again, it's not often you get 12 months, unfortunately, where you have to stop the world and stop our business. But we certainly took full advantage of that to re-contemplate how we run our business.

Alexia Quadrani – *JP Morgan Chase & Co*

And just jumping back to dynamic pricing. I think it's something you've been using for several years, which has helped you manage yield. Do you see potential then for better yield management longer-term as you can kind of continue to explore that?

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

Yes. It's more important than ever, I think, not only from a demand management standpoint, but also from a guest-experience standpoint. Our yield has been up double-digits, as I think I referenced in the earnings call. And there's a lot of shifts between the constituencies of ticket types that we will be proactively managing. Again, tremendous disparity in yield or per caps per guest depending on what ticket type they kind of come in at. And this gives us the opportunity to really look at that. And of course, we've got a new reservation system at Disneyland, not unlike the one that we've got at Walt Disney World. Disneyland, of course, being our most constrained park in terms of demand being in excess of supply.

And that's going to give us a chance to really strategically manage that attendance versus price balance that we've been working on as you referenced. So I think it's really going to be almost a paradigm shift. We've had essentially so many legacy systems that we've relied on that have somewhat constrained us from a technology standpoint in terms of fully going into yield management in a sophisticated way as we'd like. And this pause has given us the ability to do that. So we're looking forward to reemerging fully once we get full demand and employing a lot of these utilities.

Alexia Quadrani – *JP Morgan Chase & Co*

And before we jump into other parts of your business, any comments on the international parks, where we are with them and in terms of their state of - on their path to recovery.

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

Well, the good news is, we got guidance that we can reopen Disneyland Paris on June 17, and that's the latest one to kind of come in, come back, come in again. So it's kind of flip-flopped back and forth. But our Asia parks, we're extremely pleased, really pleased with what we see in Shanghai. Hong Kong also, while we still have the constraint of international visitation there, that's one we hope to be getting liberated a little bit on. Given the limited audience that we're pulling from, we're really thrilled with what we're seeing in terms of demand.

And Japan, as we had chatted a bit earlier before the conference started, that one sort of being metered by, I think, some cautionary measures taken by the government to make sure that they can manage the spread, so they can get the Olympics to go off. So that one's kind of constrained in terms of supply, what our attendance can be. But not because of demand, but more because of the government's emergency procedures that they put in place.

But really across all our territories, again, with Europe sort of getting back in the swing of things here in June, really pleased with how demand has bounced back in our Asia parks.

Alexia Quadrani – *JP Morgan Chase & Co*

Moving on to the studio side. It was obviously hard hit during COVID as theaters were closed. Disney released *Mulan* and *Raya* on Disney+ Premier Access, while other movies went direct to the service. What have you learned so far from these different distribution methods during COVID?

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

Well, one of the things we learned is flexibility is good because there's two dynamics going on: One is people's willingness to return to theaters, and theaters' ability to return in a meaningful way. And then the second one is the changing consumer behavior that's happening naturally with COVID probably acting as a bit of a catalyst, but it was going to happen anyway. And so we've got those two dynamics at once. And that's where the flexibility comes in. Because for us, whether we're looking at a theatrical exclusive window with a fairly dramatically shortened timing window between the first and second offerings, or whether we're looking at theatrical plus our Disney+ Premier Access, or whether we're looking at taking something directly to our service, we're really celebrating that flexibility. And I think we're trying to offer consumers more choice as they gain confidence in how they want to go ahead and return to theaters.

Theatrical exhibition for us is a very good thing because it helps us build our franchises, which then turn the Disney flywheel, and create so many opportunities across parks and consumer products. But as we've seen with the domestic box office and to a lesser extent, the international box office that seems to be recovering at least in some markets a little bit more robustly, if you will. But we're seeing some hesitancy to return in a way that would look anything like normal back in 2019. And as such, during this sort of interim period, it's really nice to be able to give consumers some flexibility.

Alexia Quadrani – *JP Morgan Chase & Co*

And *Black Widow*, it will be simultaneously released in theaters on Disney+ Premium Access, I believe, which was somewhat a surprise at least to me, given it's a big Marvel film. And meanwhile, I think *Luca*, a Pixar film, will be going direct to the service. I guess how do you decide which film gets distributed either direct to the service or through Premier Access or just in theaters?

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

Well, there's a whole bunch of data points we have to assimilate to make those decisions. But the first consideration is that a big tent-pole theatrical franchise. And if it is, it's something that like a Marvel movie or a Lucas movie, something that's going to have a lot of legs and plays into a larger mythology, and that's the way that those fans tend to prefer to consume the movie.

On the *Black Widow* question, we've already delayed *Black Widow* a couple of times. We didn't want to delay it again, yet at the same time, we always knew that there was a risk that its exhibition wasn't going to be fully developed or that consumers wouldn't want to go back and sit in theaters. So we realized that we had to sort of prime the pump and give theatrical exhibition a chance, but we couldn't put all our eggs in the theatrical exhibition basket because we knew that in the weeks leading up to the decision, the domestic market was not coming back, and it's still fairly weak. And so we're really confident that we made the right call there. So we've given the consumer choice to either watch it in theaters if they feel comfortable or if not watch it in the comfort and the safety of their home.

On the *Luca* question, when you have a direct-to-consumer service, we've increased our investment in creative content to ensure that all channels of distribution have a full complement of offerings to sort of keep everybody happy, but nowhere is that more the case than Disney+. And we want to make sure given the importance of Disney+ to us and the marketplace and our shareholders that we keep feeding that machine. And taking a wonderful family film like *Luca* in the middle of summer and putting that direct on the service will have sort of a similar impact like we saw when we did *Soul* back at the holiday time, and that was a huge boost to Disney+. And we believe that *Luca* will get a lot of eyeballs, a lot of people seeing, a lot of people enjoying it as we put it on the service for free this summer.

And then in terms of the exclusive theatrical window, we announced 2 titles. Obviously, we announced *Shang-Chi* and *Free Guy*, both with reduced 45-day windows. And that's later in the summer when we hope, we hope, we're not sure, but that the theatrical marketplace will recover more fully and that type of exclusive distribution will make more sense. But again, flexibility is a good thing. At some point, though, you've got to kind of step like I'd like to say off the dock and onto the boat. And I think those are the titles we're going to take a shot at it and see how it goes.

Alexia Quadrani – *JP Morgan Chase & Co*

So I guess when theaters are more fully reopened globally, do you expect to see a more traditional theatrical window for most films? Or I guess, can you maybe give us a ballpark sense of where you think windows may end up if they - again, if they shorten, does that also make sense for splits to change?

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

Well, we haven't really - beyond this current fiscal year, we've not really said what we're going to do because we're - again, we're celebrating that flexibility that we've given ourselves so that we're not going to make a decision and sort of regret it depending on the rate being too conservative or too aggressive. So we really haven't gone there.

In terms of the splits, I think it was the Cinemark CEO that said, "I won't look for any significant change in splits relative to what the historical splits have been." So I don't really think those necessarily will change.

I think the consumer is driving the shorter windows. If you have a movie that plays for 4 weeks or 6 weeks, there's not a lot of reason to sit on it for the next 6 or 7 months. And I think the consumers have realized that they've got the power and they can essentially make those calls. And we're a consumer-friendly company, and we'll follow their lead and hence, the 45-day windows.

Alexia Quadrani – *JP Morgan Chase & Co*

Do you think it changes consumer behavior in the sense that they might choose to wait and not go to the theaters and wait for the 46th day or too soon to tell?

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

46 days, 6 weeks, that's a long time to wait. If you're a *Black Widow* fan, you're not going to wait that amount of time. If you're a *Free Guy* fan, you're not going to wait that amount of time. If you're a *Shang-Chi* fan, if you're an *Eternals* fan, I don't really see 6 weeks - I mean, if you said 6 days, then maybe. But we see the fervor when we release new content on Disney+ how at midnight, people are lined up to watch that title. I don't think people have that much patience, to be honest with you. So I don't really see that as being a causal thing. I think it's an effect thing of changing consumer behavior.

Alexia Quadrani – *JP Morgan Chase & Co*

Moving on to your streaming business, you've increased your 2024 subscriber goals for Disney+ from 60 million to 90 million to 230 million to 260 million. I guess what informs that increased outlook? And how do you plan to achieve that sub guidance?

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

Well, we said from the beginning that the total addressable market is 1.1 billion households. And essentially, what we found with our blowing away our initial guidance is that our penetration's higher. And so when we look at why the penetration is higher, it's pretty obvious, not only are we doing really good against families, but we're way exceeding our expectations not only in every market[3], but against the general audience families without kids. And we've definitely seen a 4-quadrant appeal for our movies where over 50% of our households don't

[3] Refers to initial expectations in every region

have kids that are subscribed to Disney+. And our optimism is really fueled though, I mean, I guess, really, if you come down to it by fantastic content built off great brands and franchises. Our initiative for Star in general entertainment internationally, our market expansion cadence, which you know, we've not disappointed ourselves in any market that we've launched in yet, the power of the bundle. Never underestimate the power of the Disney+ bundle because it is a very, very powerful machine and a great value for consumers.

And then just again, the shifts in consumer behavior where people, if they want to stay home and watch a movie, they want to stay home and watch a movie and they don't want to be coerced into doing something that they don't want. I think you've got all those things. Plus our - sort of our secret weapon, which is we've not had Disney+ operating in any sense in a full robust way while our parks have been operating, right? Because as soon as Disney+ kind of got really going, our parks shut down because of the pandemic. And so for the very first time, we've got the opportunity to take our original direct-to-consumer business, which is our park business, and use it for our newest direct-to-consumer business. And we've got tremendous amount of information on our consumers from our parks business and what would happen if we married that and actually mine that data to help people subscribe to Disney+ knowing what we know.

And I think it really gives us a big opportunity to take a leap forward on our direct-to-consumer business. But I think it's also important to note that we're not really managing our platforms for quarter-to-quarter growth. We're really managing it for the long-term. We're still essentially in a launch phase. We've been ramping up in content and it's really content-dependent. But content has been sort of stymied, the supply chain, because of the shutdown of production. So now that we're pretty much up to full production, and we expect to have full content flow by FY '22 or '23 when we're really in the kind of cadence that we want to have going forward. And the fact that we hit 100 million households[4] in 6 months - or 16 months, in 16 months on Disney+, despite the fact that we didn't have full content flow is really an incredible feat, I think.

[4] Paid subscribers

And so in the end, as you know, in entertainment, really is all about content. I think over the next - basically by the end of the year, we've got 6 Marvel titles. We've got *Black Widow*, we've got *Shang-Chi*, we've got *Loki*, we've got *Hawkeye*, we've got *Ms. Marvel*, we've got *What If?* All these great series coming to Disney+. We've got Han Solo - I mean, Boba Fett from Star Wars, Boba Fett from Star Wars, and we've got *Monsters at Work* from Pixar. So you look at that cadence of content, and you look at our distribution plans and the great price value that we offer consumers, and we can't help but be bullish.

Alexia Quadrani – *JP Morgan Chase & Co*

So when you said end of - I think you said fiscal '22 in terms of more to kind of get into the steady state, is that when you'll see the sort of the one significant content drop a week that I think you talked about as a goal for Disney+?

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

Yes. Our goal is something new every week for our guests, and we think that we're going to have a normalized content flow. But like I said, by fiscal year '22 and '23, and those will consist of our originals under our core franchises, our originals under Star General Entertainment internationally and a tremendous amount of relevant local content that we're going to have across the globe.

Alexia Quadrani – *JP Morgan Chase & Co*

And with the significant ramp in content, Disney+ raised its price by $1 a month domestically at the end of March and increased its pricing in Continental Europe and other territories with the introduction of Star. I guess what have you learned thus far from the price increases? Do you think there's more pricing power ahead as you plan to reach profitability by fiscal '24?

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

I guess I'd say as a headline, we're really thrilled with the price-value relationship that we offer consumers. And I think that's borne out by the fact that in the U.S. when we took our first price increase, we didn't really observe any significantly higher churn than we had been seeing. And internationally, when we did the price increase there, we also added the Star content at the same time as a sixth brand tile. And we actually saw an improvement in our churn rate. More retention. So I think that really says something about the price-value relationship and we'll reserve the right to increase our price-value relationship through further pricing actions as we add more and more content and get to that point where we're adding a new piece of content essentially every week.

Alexia Quadrani – *JP Morgan Chase & Co*

Moving to Star, how has the initial rollout been received in Continental Europe and elsewhere? You mentioned churn actually coming down a bit. I don't know if there's some other feedback you can provide?

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

Well, we're really pleased with the launch in Europe. Our vast amount of subscribers have activated Star, those prior Disney+ subscribers. We've had higher engagement across all audience segments. And as you know, engagement is directly correlated with retention. So I think that, again, says something about that churn rate and that price value rate. But we're really, really thrilled with what's happened with Star in Europe.

Alexia Quadrani – *JP Morgan Chase & Co*

Have you seen a greater mix of households without kids signing up for the service? And any surprises since the launch?

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

Well, generally, we're surprised even with Disney+. So on Star, we're not as surprised. But yes, it continues to complement the Disney+ broad audience, four-quadrant audience with an even further extent because of the nature of the kind of content that's on there. But it seems to have something for everybody which is really positive.

Alexia Quadrani – *JP Morgan Chase & Co*

And at Hotstar, Disney has established such a strong lead versus other global streaming platforms in India. I guess what can you share with us about your longer-term opportunity to grow that market further?

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

Well, we have an unparalleled collection of entertainment and sports in our Hotstar offering, something we're really proud of. But it's a unique market. That's the case around the world. That really is a unique market. It's unique because we have particularly what I'll call mass-market pricing and distribution. But it's a unique market in terms of that distribution because it's really a mobile-first market, which is kind of unusual. They have low bandwidth. And so we have to tailor our offerings to match that low bandwidth. And local languages are particularly important there. And so we have to sort of customize for each of those unique elements. But we think that our premium programming evidenced by the sports I referenced, especially things like cricket and that local content, we have, I think, 17,000 hours a year of local content that we create for Hotstar. And I think that really drives our local affinity, and we're excited to launch in Malaysia on June 1.

Alexia Quadrani – *JP Morgan Chase & Co*

And switching gears to the ad-supported SVOD front. I mean, Hulu has been the driving force behind your DTC advertising success. I guess how do you view the growth potential on the advertising front?

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

Well, we've enjoyed double-digit ad growth in addressable advertising. And I think it's a function of a couple of things: Number one, great content because you have to have great content for people who want to watch for advertisers to want to go there. So it obviously starts with that unparalleled content. But it also says something I think about our audience-focused data and technology, and our ability to make that advertising truly addressable, which we're excited about.

But then we go even further in terms of our direct customers, and we have really self-service programmatic advertising. So that people can get in and sort of buy media in a different way, a much more modern way of doing it. So there's a lot of behavioral shifts that are happening in the marketplace, whether it's got to do with the consumers themselves or the advertisers themselves. And we are pretty proud of where we're at. We think we're ahead of the market. We're ahead of the curve, and we're seeing tremendous gains in addressable advertising, as I think you know.

Alexia Quadrani – *JP Morgan Chase & Co*

Just jumping to sports for a bit. ESPN has gained additional content - ESPN+ has gained additional content - with the new rights to the NHL and the NFL renewal, which can be simulcast, I know in the linear channel and on ESPN+. As more content migrates over to DTC, how do you expect the ESPN+ service to evolve?

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

Well, as you know, we've got new deals with the NFL, with Major League Baseball, with NHL and La Liga. And that flexibility for us, as we need, to pivot towards a direct-to-consumer ESPN+ type platform, has been an important component that we insist upon for each one of these deals. So whether it's an exclusive right or a simulcast right, it's important that we go ahead and utilize our content that we have purchased the rights to in a way that we see fit, again given that distribution flexibility that we talked about so much at the onset of this conversation.

But the speed of how we do this is going to really depend on, I would say, a couple of factors: Number one is consumer behavior and where they want to watch. I watched some great golf matches on ESPN+, following individual golfers this weekend, which was really, I mean, fascinating. They're doing a great job with things like that. But at the same time, there's rights constraints that we have that might meter how fast or how slow we go. And then existing deals can do that as well. And then, of course, we'll only do it if it's accretive to our shareholders. So when the time is right to really stomp on the gas, and go even stronger into our direct-to-consumer platforms for sports, we'll do that.

Alexia Quadrani – *JP Morgan Chase & Co*

And it's still very much a balance between your linear media business, which remains a huge part of your business and a huge profit contributor, and your investment to longer-term growth of DTC. I guess any color you can give on how you kind of balance those 2 businesses?

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

Balance is a good word. To some extent, our linear businesses right now are just generating a ton of cash flow, which for a business that's emerging from a very tough year from a COVID standpoint where we took on some debt to give us a better cash position, pandemic-related, I think it's nice to have a strong cash flow business like those linear businesses. And frankly, they're also funding our DTC investments; that would be pretty difficult without that cash flow.

But over time, we're in a multiyear transition to a very strong DTC business. And the pace of that could accelerate as we get out of COVID, and as the consumers vote with their pocketbooks to go direct-to-consumer. And so as I've said before, we don't want to be on the back end of that wave. We want to be on the front end of that wave. So if anything, we'll lead it a little bit, but we're only going to do that if we can maximize the long-term value to shareholders.

Alexia Quadrani – *JP Morgan Chase & Co*

The - just jumping back for a second to just Star, I wanted to ask a follow-up question on that. You recently decided to delay your launch of Star+ in Latin America from June, I think, until August. I guess how do you expect to benefit better from the timing of that launch?

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

Well, we're going to sort of sync that up with some of the sports rights that we've got, which we believe are going to be major drivers for sub adds. And so while we would prefer not to have delayed it, we think that's actually going to be a better launch time for us because as you know and as we learned with our launch of Disney+, getting out of the gate fast is an important one, getting that momentum, and I think the few months' delay is going to be well worth it so that we can sync up those rights.

Alexia Quadrani – *JP Morgan Chase & Co*

Okay. We continue to see closures of some of your international cable networks. Are there more to come? And how should we view, I guess, your longer-term strategy there?

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

Well, we closed 30 channels in FY '20 - or in '20. We plan to close 100 in '21. So yes, we will continue and continue at a robust rate. And then the content, to your question, will continue to migrate to Disney+. The great majority of that content will migrate to Disney+. And again, the decisions that we make on individual channels and individual markets and the timing of such are sort of framed up by existing deals that we've got and some of the constraints we've got there. But as you can see, that continues to be a core strategy for us as we pivot towards direct-to-consumer.

Alexia Quadrani – *JP Morgan Chase & Co*

And you mentioned earlier when you were talking about Hotstar, the investment in local language and how that's a significant driver of the success you've seen in Hotstar. Can you talk generally about the local language and your investment you're making in local language when you think about continued growth in Disney+ globally?

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

For a company that's got content around the globe, that's beloved like Disney, there would be a tendency to want to do a one-size-fits-all strategy. We know that doesn't necessarily work everywhere. And that's why we've got different distribution mechanisms across the world in Latin America versus Asia versus the U.S. versus Europe. That said, maybe the most unique market of all would be Southeast Asia and particularly India, given the strong affinity towards cricket and the mobile-first, the low bandwidth, all those things that we mentioned, and that local language customization is absolutely critical. So it's the cost of entry. It's the ante to play the game, and we recognize that. And I think one of the reasons we've been so successful across the globe in launching Disney+ is we're very, very sensitive to the local market needs and not doing a one-size-fits-all.

Alexia Quadrani – *JP Morgan Chase & Co*

All right. We're almost out of time, but I've got one more question. Looking forward, Disney will be celebrating its 100th birthday in a couple of years, and Walt Disney World is going to celebrate its 50th anniversary, I believe, this fall. I guess, what are you most excited about for the next few years at the company?

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

Well, there's a lot I'm excited about. We continue to reach new audiences through storytelling and experiences just like Walt sort of aspired to do back in his day. I think the future for us is really bright and as bright as it's been in the past 100 years, because we've got a tremendous brand, we've got powerhouse franchises that I think are the envy of the industry, we've got powerful distribution platforms, we've got a robust cadence of content, we've got new markets that we're releasing across the world. And importantly, on our Parks businesses, we've got those one-of-a-kind experiences that our consumers look for.

And I mentioned our enthusiasm about our Parks business. We've got low double-digit growth, as I mentioned earlier, that we're striving for and that we see in capacity[5] in a month-by-month basis. And if nothing else tells us that we're going to be able to emerge strong from this pandemic, I think that's it. So you've sort of got the next 100 years and to some extent, we're looking at the next 100 days. But we would like to make sure that we're managing for today, but we're also managing for the long-term, and we've got some optimism for both of those. But I think the second 100 years will be as successful as the first 100 years, and if that's not a cause for optimism, then nothing is.

Alexia Quadrani – *JP Morgan Chase & Co*

All right. Well, that's a great place to end it. Thank you so much, Bob. We really appreciate. This has been great.

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

All right. Thank you. I appreciate it.

[5] See footnote 2 on page 4

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; expected drivers; 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, theatrical releases and business openings); future operations (ours or others’) and related impacts, timing, conditions, precautions or market responses; consumer sentiment or demand; workforce matters; the continuation of external circumstances (including COVID-19); the future impacts of COVID-19 on our business; our hopes, strivings and goals; 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:

- changes in domestic and global economic conditions;
- changes in competitive conditions and consumer preferences;
- health concerns;
- international, regulatory, political, or military developments;
- technological developments;
- labor markets and activities;
- adverse weather conditions or natural disasters;
- and each such development 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):

- demand for our products and services;
- the performance of the Company’s theatrical and home entertainment releases and other content;
- the advertising market for programming;
- 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.