



The
WALT DISNEY
Company

Goldman Sachs
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Disney Speakers:

Bob Chapek

Chief Executive Officer



PRESENTATION

Brett Feldman – *Goldman Sachs Group, Inc.*

All right, welcome, everybody. This is a very exciting session for me. It's a great pleasure to welcome in person, for the first time ever, to our Communacopia + Technology Conference, Bob Chapek, the CEO of The Walt Disney Company. Bob, thank you so much for being here.

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

Thank you. Thanks for having me.

Brett Feldman – *Goldman Sachs Group, Inc.*

All right, and I think you have to go through your safe harbor really quickly before we jump into it.

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

Yes, the lawyers gave me a tremendous statement to read.

So certain statements today, including statements about our plans, beliefs, expectations, guidance or business prospects or other statements that are not historical in nature, may constitute forward-looking statements under security laws.

We make these statements on the basis of our current views and assumptions regarding the future and do not undertake any obligation to update them.

Forward-looking statements are subject to a number of risks and uncertainties. Actual results may differ materially from the results expressed or implied in the light of a variety of factors,



including factors including our Form 10-K and other filings with the SEC as well as the legend you see here and on our IR website.

Thank you for your patience.

Brett Feldman – *Goldman Sachs Group, Inc.*

You're nothing if not compliant. That is the first we've ever had a round of applause for the safe harbor language.

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

They wouldn't let me include my joke. I had a joke sort of integrated in there, and the lawyers said, "Nope." So I tried to make it fun, sorry.

Brett Feldman – *Goldman Sachs Group, Inc.*

Well, there's a lot of fun stuff to talk about here.

So, listen, Disney's about to wrap up a fiscal year that has seen its streaming business soar past 200 million subscribers. Your parks business is now putting up financials that are better than what we saw before the pandemic.

And so as you look ahead into fiscal 2023, what do you see as Disney's biggest opportunities, and how are you factoring in the current macro environment?

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

I would say the first thing is, obviously, we want to keep the great quarterly operating performance up and continue to exceed expectations.



But the way that we do that at The Walt Disney Company is through extraordinary content. And any of you who had seen some of the coverage coming out of our D23 fan convention this last weekend know that we have an embarrassment of riches in terms of the plethora of wonderful content that we have coming from all of our creative engines.

And so we're really excited about what's to come to keep fueling that great operating performance.

At the same time, we realize we're at an inflection point. Next year starts our 100th anniversary of The Walt Disney Company, believe it or not. And that gives us the ability to have a strategic accelerant, pivot, catalyst, whatever you want to call it, towards next-generation storytelling that takes the great storytelling capabilities as a company that we have and sort of supercharge them, if you will, and use them to tell different types of stories aided by technology, all to cater to our broad, diverse group of consumers across the world.

Brett Feldman – *Goldman Sachs Group, Inc.*

All right, let's start off by talking a bit by your direct-to-consumer segment. You said that you expect to reach between 135 to 165 million core Disney+ subscribers by the end of your fiscal '24, and that Disney+'s service will achieve profitability the same year.

Where do you believe the service is most underpenetrated, and what gives you confidence that you can not only hit your subscriber targets, but also your profitability targets?

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

We look at each constituent of fandom within Disney+, and the good news is that we still see headroom regardless of how a fan self-describes themselves as being primarily a Pixar, a Lucas, a Disney – however they define themselves, we see that they still have headroom.



By "headroom" I mean how many people intend to subscribe versus how many people actually have subscribed. So we know in our core franchises, we're not even close to done.

But the biggest opportunity, to answer your question directly, that we see in terms of an opportunity is the general entertainment area.

And I think people say, "Really? For Disney?" I think it's only natural, if you've got some young kids and maybe you put them to bed at 8 o'clock at night and you've just finished watching *Dumbo*, chances are the parents aren't going to want to watch *Pinocchio* right after that.

And so our fans are broad in terms of their taste, and we're lucky in The Walt Disney Company that we've got plenty of general entertainment to enable that. It's just sort of in one particular area right now, and that could change over time.

But in terms of our confidence, we've got not only the great, vibrant creative engines all humming, as I had communicated a little bit earlier in the opening question, but we've also got an ad service that's coming which is going to enable us to really cater to diverse consumer needs.

And given the success of our advertising subscription business on the Hulu side, we're expecting great things on Disney+.

Brett Feldman – *Goldman Sachs Group, Inc.*

Let's talk a little bit about the ad-supported product. So on December 8, you're going to be launching that on Disney+ in the US, and you sort of touched on it. How important is this product to achieving those long-term streaming subscriber targets?



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

We're looking at our business not only from a target standpoint from sub adds, but we're also looking at it from an operating income standpoint. And we expect that our ad-driven business will be margin neutral at worst to the full-priced non-ad version. Therefore, it's somewhat indifferent in terms of how you break up our subs.

But certainly our plans, let's just say, were much less baked on the advertising side when we gave the sub guidance. So I think this just puts wind in our sails in terms of being able to achieve the numbers that we've stated.

And given our success in the ad business on the Hulu side and the considerable ARPU impact that that has, I think it's going to aid not only getting the actual sub goal itself, but also hitting that operating income target. So we're very optimistic.

Brett Feldman – *Goldman Sachs Group, Inc.*

I think some people were a little surprised that you launched at the same price point you currently have in the market. What gave you confidence that coming out with an ad-supported product at that price was the right way to go?

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

How we understand our price value proposition with consumers, as I think everybody in the room would probably acknowledge, the launch of Disney+ at that introductory price was pretty absurd, it was so attractive to the consumer.



And what have we done since then? We've continually invested and reinvested and taken up our investment and taken up our investment again. So the value proposition to our customers is extraordinary.

I think we have a lot of room on the price-value range, and I think we believe that our churn implications of taking up the price, even in the big chunks that we're doing it, is going to be negligible.

Brett Feldman – *Goldman Sachs Group, Inc.*

Okay. I want to come back to the pricing in just a minute. But we were talking about your long-term subscriber targets.

In addition to that core subscriber target, you continue to see the opportunity to reach up to 80 million Disney+ Hotstar subscribers by fiscal '24 as well, and that's even without streaming rights to the IPL, although you've added some additional cricket rights in India with the ICC.

And so a question that we get, and it's a question I have for you, is where does India fit into your long-term streaming strategy?

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

You know, a lot of companies have tried and failed in India, and we've actually had a lot of success, both on our linear business and in terms of generating subs for Hotstar. So we certainly don't take that lightly. It's a big growth market, as you know. A lot of companies have had challenges trying to be successful there.

And I have to say I'm really proud of our team on what they orchestrated on the cricket rights, because our hope is they come for cricket, but they stay for Disney.



And I think what you're going to find is we did a surgical plan to try to get the linear rights right through IPL, knowing that the market got a little too frothy for us on the digital rights. But then we came back and got the ICC digital rights, which were not as frothy and a much better value for our shareholders, and then kind of spun off the excess linear rights because we already got that from the IPL.

So I think it's a great example of us trying to seek value different ways, not to say on, off, or yes or no, but what we do, the extents that we go to try to orchestrate a scenario that's going to be accretive for our shareholders and enable us to still play the growth game in that particular market. So we're still bullish about India.

Brett Feldman – *Goldman Sachs Group, Inc.*

All right, so I do want to come back to pricing.

We talked about the launch of the ad-free tier at the current price. Following that launch, or really in conjunction with that launch, you're going to be implementing a price increase for subscribers who prefer to remain on the ad-free tier, and that's about a 38% increase, I think. And that's pretty in line with some of the other pricing adjustments you've made or announced that you intend to make on your other streaming services.

We spend so much talking to clients about what they perceive to be increased competitive intensity in the streaming market. So with that backdrop, what gives you confidence that you're going to be able to flow through?

It sounds like your preliminary view is that the churn impact's not going to be that big. And maybe just as an extension of that answer, your general thought process around raising price over time.



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

Again, I think it's what the market will bear, which is a direct reflection of price value, and I think we're way underpriced relative to the value that we provide. Therefore, we owe it to our shareholders to try to get that recognized.

And obviously, we have lots of data, whether it's what we just announced a few months ago on ESPN and looking at what happened there, it's our own consumer data in terms of what consumers' intentions are, our own churn data.

And I think suffice it to say that we think we made the right move, and we're still in some cases significantly under where our competitors are, which again speaks to that introductory price that we came out at.

And so I don't think if we came out at a more moderate price to start with, people would be looking at where we're at now and say, "Oh, my gosh, you took such a big price increase." It's only relative to where we started. But I think everyone recognizes that that's a tremendous value, and it helped us get to where we're at in terms of those huge sub numbers.

It's hard to believe we've only been at this 3 years and we've gotten to the point where we're at. But that said, I think we've got a long way to go, still.

Brett Feldman – *Goldman Sachs Group, Inc.*

Okay. Well, let's spend some time talking about your content strategy.

And you've continued to take a "one service does not fit all" approach to streaming in most of your markets, I think most notably in the US, where you have three streaming services that can be purchased a la carte or in a discounted bundle.



Why have you sustained this approach when your largest competitors are increasingly focused on an all-inclusive service profile?

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

Well, we still have the ability for consumers to bundle. It's a soft bundle, as you know. And as you can see through our pricing moves, we encouraged, when we took the price up, we encouraged people to go to that bundle.

Why? Because the churn is so extraordinarily low in that bundle. So that's a good value proposition for them, plus it's beneficial to us, so it's really a win-win-win, if you will.

At the same time, we also know that there is going to be an opportunity at some point – in '24, specifically – because of the put/call arrangement we have on Hulu, to reconsider the way that we go to market.

Now some of you may have noticed in Europe, Disney+ has a sixth brand tile called Star, which includes our general entertainment from a company there. And so we're going to have a lot of experience in integrating Disney general entertainment into a sort of Disney+ one integrated, what I would call a hard bundle. It's a hard bundle.

And so we're all about consumer choice and personalization, so we want to give the consumer choice. And whether we offer something that's a hard bundle going forward in the future when we have the ability to do that, whether we do a soft bundle or some combination of a la carte and hard bundle or a la carte and soft bundle, we will maximize the consumer choice because we believe that benefits us and benefits our shareholders.



Brett Feldman – *Goldman Sachs Group, Inc.*

It's interesting. When you talk about the Star example in Europe, one of the advantages for those consumers is it's all literally in one place. Versus when you buy the bundle in the US, you sort of have to know in advance.

What have you seen in terms of consumer engagement or behavior when they have this single point of entry versus they have to figure it out?

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

I have to tell you the thing that you worry about when you're Disney is brand friction with some of the content that we might have in the general entertainment.

And I am amazed every day in this job how elastic the Disney brand is, and I would tell you that we have had no blowback whatsoever in terms of including that general entertainment content on a Disney-branded streaming proposition, which I'm not saying it would be received exactly the same in the US, but I think that gives us some reason to believe that we have more degrees of freedom than anybody would have ever suspected to put general entertainment on a Disney banner and still not have it be subject to organ rejection by the consumer.

Brett Feldman – *Goldman Sachs Group, Inc.*

Just coming back to Hulu, you pointed out that the option to buy in Comcast when their stake kicks in, in 2024, would you consider a quicker resolution, and do you need to have full ownership of Hulu in order to more fully integrate the service with Disney+?



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

I do believe that we'd have to have full ownership of Hulu to integrate it into Disney+. We would love to get to the endpoint earlier, but that obviously takes some level of propensity for the other party to have reasonable terms for us to get there.

And if we could get there, I would be more than happy to try to facilitate that.

Brett Feldman – *Goldman Sachs Group, Inc.*

And are you confident you can continue to execute the strategy if the products were to have to remain separate up until 2024?

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

Yes, 2024's not that far away, first of all, and look at the success of our soft bundles. So we're kind of doing it anyway.

But you're right; there's a little bit of consumer friction there in terms of having to go out of one app and into another. So I think long term, we can avoid that. But yes, 2024's not that far away.

Brett Feldman – *Goldman Sachs Group, Inc.*

So there's been recent news articles that have suggested that you have plans to offer a membership program that would package streaming, parks, and shopping together for consumers. Is there anything you can tell us about that?

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

The Walt Disney Company only has two business units right now – you know we used to have, I think, five – physical and media. And as simple as that is now for us and requiring less and less



going over the transom to have synergies and collaboration inside the company, the way the consumer looks at it, it's one entity.

And interestingly enough, we've taken five databases down to two. But if we can have a universal guest experience, recognize that a person who spent 7 days in the park, 24 hours a day, and we know all that information about them, is the exact same person who watches XYZ on Disney+.

And we can identify that person as the same one, and it gives us the ability to go ahead and use the data that way, we can now customize and personalize an experience way beyond anything we've ever been able to do before, bringing now the two pieces of The Walt Disney Company into one for one common guest experience that will give us a competitive advantage.

Because who else has got the deep physical data that you get on somebody if they spent 7 days with you, and they essentially live with you for a week? And then how does that affect what they see on Disney+?

So Disney+ will be conscious of what you do in a park and will then feed you information, not on people that look like you in terms of viewing habits, you know "People that watch this watch that. Therefore, we'll feed you this" – we'll do it specifically on what you did during your 7 days and vice versa--what you watch on Disney+, then, will have an impact on your guest experience at the park.

And I think that's going to put us in a tremendous position of competitive advantage.



Brett Feldman – *Goldman Sachs Group, Inc.*

So it sounds like the goal you're working towards is to have Disney+ effectively become that single point of engagement with the Disney fan. Whether they're a fan of your content, a fan of your experiences, a fan of your products, that's really what you're striving towards.

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

It will become a platform for consumer engagement with The Walt Disney Company, not just a movie service platform.

Brett Feldman – *Goldman Sachs Group, Inc.*

But within your entertainment services, there is another service, at least in the US, that's part of the bundle but is not fully integrated.

It's ESPN, or ESPN+. And you've said in the past that it's a question of when, not a question of if, ESPN will go a la carte, meaning that the streaming service would be available outside the pay-TV bundle.

What factors are you monitoring to assess when it would make sense to implement this transition, and what gives you confidence it can be done in a way that's accretive to Disney?

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

Our whole approach is to proactively prepare for that moment without prematurely disrupting and unnecessarily disrupting the business that is what it is today.



Everybody knows that the cable bundle is deteriorating over time, and we're preparing for the moment that the consumer tells us that they're ready for such a step.

That said, we've got tremendous abilities to read the marketplace and understand when it might be time to do that. Obviously, there are significant benefits to The Walt Disney Company right now for us to maintain in the cable business. It's still a significant business, very appreciative from a cash flow standpoint for us.

But at some point, we see the writing on the wall where this is going, and we're preparing for that. But we're not going to do anything rash or harsh, and we're going to follow the consumer.

Brett Feldman – *Goldman Sachs Group, Inc.*

So I guess we have a couple of follow-up questions on that. The first would be there's obviously been a big debate around, recent debate around whether ESPN really fits into the company long term. You've said you think it does.

So I was hoping you could maybe expand on that, and maybe as a part of that answer, talk a bit about how you think sports gambling fits into ESPN's future.

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

Well, The Walt Disney Company adds a lot to ESPN, and ESPN adds a lot into The Walt Disney Company, and you can look at something as simple as the soft bundle.

But you can also look at the tremendous benefits that live sports brings to the company, whether it's from an advertising standpoint or from an audience standpoint or from a fandom standpoint, and we think that's very important.



We think that The Walt Disney Company is a place where ESPN can be maximized relative to possibly anywhere else, that asset sitting anywhere else. And as such, we've been pretty staunch supporters despite the tremendous market demand for us to sell it or spin it.

There's a lot of people that are interested in getting a piece of ESPN, but we like our own hand. We like how it sits, we like our long-term strategic plan, and we're confident that the best place for ESPN is within The Walt Disney Company.

Brett Feldman – *Goldman Sachs Group, Inc.*

Okay, and then the gambling side of that?

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

Yes, the sports gambling side is one piece of the proposition as to why we think this is a good long-term, I'll say bet, for The Walt Disney Company.

There are several long-term initiatives that we're looking at that really make this a great proposition to counter some of the headwinds that we have from a cable universe shrinkage standpoint. But sports betting is certainly one of those propositions, and we've been looking at this for quite a long time.

And I guess much like the general entertainment inside Disney+, we look at data and research all the time, and our data is undeniable at putting a link out, for example, which would probably be the most likely application – a link out – not as an app, an application – a link out to a sports betting site, ESPN-branded, would have no impact on brand equity for Disney but would have a very positive impact on the brand equity for ESPN because our younger audience is demanding that.



And you talked about friction. It's the same thing. How do you eliminate that friction? Do you have to have four screens going on at once or is one ESPN experience that?

So we're pretty bullish on that, but it's really one of many things that we're entertaining to maximize ESPN's shareholder value within The Walt Disney Company.

Brett Feldman – *Goldman Sachs Group, Inc.*

And you noted that ESPN+ right now is available in that soft bundle, the Disney bundle of services. When you reach that point where it makes sense to take the full ESPN experience a la carte, would you look to make that available inside Disney+ the same way you want Disney+ to be that point of entry to everything else Disney?

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

We've not crossed that bridge yet. Obviously, we like the idea of eliminating friction.

But in terms of overlap, we see, as I mentioned earlier, there's a huge overlap between Disney+ fans and wanting general entertainment.

And obviously, there's some overlap between Disney+ fans and ESPN+ fans, but I don't know that we would ever go that far, but who knows?

Brett Feldman – *Goldman Sachs Group, Inc.*

Okay. Just thinking about sports more broadly, you've been increasingly selective in pursuing or renewing sports rights. Just recently you walked away from renewing the streaming rights to the IPL India. As you noted before, you also did not renew the Big 10 College Football rights that you had.



As the value of sports rights continues to escalate, how do you assess whether they should be part of your portfolio?

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

Our ultimate filter is shareholder value. If it's accretive to shareholder value, then we do it. If it's not, then we don't do it.

Obviously, you have to have critical mass. But with the wealth and the plethora of sports rights that we have, whether it's professional or college or things like Formula One or combat sports, we're very well positioned to be well past the critical mass point and be able to blend that into the most respected and trusted brand in sports promise that we have on ESPN.

So we're nowhere near anywhere where we can't say no and be pretty darn confident we're in good shape, and that's exactly where we want to be. And we're proud of our sports assets that we've got rights to and believe that that ultimately is the power of ESPN.

Brett Feldman – *Goldman Sachs Group, Inc.*

Okay. The domestic box office has shown a pretty strong recovery over the past year, and several Disney titles have led the way.

But box office receipts are still below pre-pandemic levels, and there increasingly seems to be a big performance gap between the big franchise films that you're excellent at and, really, everything else.

How have these trends influenced your view on Disney's film strategy, including your assessment of how to best exploit the theatrical window versus your streaming platforms?



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

Well, as you know, we did a reorganization about 2.5 years ago that turned out to be fairly prophetic, I believe, in terms of preparing for this day when distribution decisions are much more complicated.

And we love the theatrical exhibition window. We love linear television, network television with ABC. But we also realize that not every bit of content is going to be best suited for that, and some will be best suited for the old legacy first channels of distribution with a shortly quick window back and forth. And we're doing a lot of work to essentially maximize that with professionals that are well equipped to do that type of work.

We've had, as you said, some success in getting the blockbusters to return. We like that, particularly on the Marvel business and the Star Wars business and some of the big blockbusters that we've got coming up, *knock on wood, Avatar, The Little Mermaid*. And we believe those are really best served first by taking advantage of the enormous market that wants to see that kind of film in theaters.

But we also realize that the days of needing to sit on that film, then, for 6 months before it comes out to the subsequent distribution channels is kind of an old, archaic model. And so within a relatively short period of time, we move those over to the streaming services, and we get a win-win.

It helps in the marketing because the first window acts as a marketing vehicle for the second if they're relatively short, and it also is red-hot when it goes to the streaming services. That doesn't mean there's not going to be some content, some titles that go directly to the streaming services, if that's their best use.



So we talked very beginning, very early in the pandemic about flexibility. We're still practicing flexibility. Flexibility in terms of determination of the optimal distribution channels and flexibility because we're reading what's happening in the marketplace, whether it be the theatrical business not quite coming back outside of theatrical blockbusters or it's the melting ice cube with the cable bundle, or you're changing consumer behavior.

We're reading all these dynamics, making real-time decisions and, hopefully, optimizing the asset for our shareholders.

Brett Feldman – *Goldman Sachs Group, Inc.*

Your parks business has shown a pretty significant recovery over the last year as well. I think one of the last data points you gave us was that per capita spending in the domestic parks are still trending over 40% higher than where you saw them in 2019.

I know you've gotten this question before, but to what extent do you see this as consumers working through over 2 years of savings and pent-up demand versus maybe something that's more durable in terms of the structural changes you've made? And as part of that, how do you know?

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

We keep, obviously, a close eye out on the macroeconomic situation and inflation and recession and all those parameters and very conscious of watching for it.

And by the way, if they ever do hit The Walt Disney Company's businesses, we have the systems now, with like a reservation system inside our park to deal with that. The yield management, it's made for that type of situation.



But it's also made for the situation that we have right now, and we foresee into the future, which is strong – strong demand for our parks products, as we communicated in our last earnings call, and a world where we will still be practicing our yield-based strategies, not because there's not enough people in the park, but because we have more demand than we have supply, which is currently the situation. And all the lead indicators indicate that that's the case for the future.

So we keep an eye out on those macroeconomic trends and recession, but we are not seeing any indication right now that it's going to be impacting us. And so is there some pent-up demand? I'm sure there is.

People love Disney and when they've had a two-year absence, that's a big deal. But we've been open at Walt Disney World for quite a while now, and there's no end in sight, it seems.

Brett Feldman – *Goldman Sachs Group, Inc.*

And maybe just thinking bigger picture, how do you think about the key growth drivers of the park business over the longer term?

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

Well, it's kind of a symbiotic loop. If you think about it, back when I was running the parks, I think it was starting like, I don't know, 10 years ago, we started really increasing the investment behind our new intellectual property and putting in guest-preferred big attractions.

And that has created all this demand that I just referenced. Then that demand in excess of supply then gives us the ability to yield those businesses, which then gives us the returns, then, to make more investment. So it's a fortuitous loop, if you will, of success.



And we're just absolutely thrilled with how our parks business has bounced back. And it is the physical manifestation of the magic, and we love to welcome our guests in all our Parks.

And it's just really great now that we actually have our international parks starting to come back and seeing tremendous results in places like Paris and around the world where we're practicing, by the way, the same yield management strategy that we do domestically.

So this sort of fortuitous loop of investment, demand, yield, success kind of looping back on itself is, I think, part of our long-run strategy.

Brett Feldman – *Goldman Sachs Group, Inc.*

So last week you celebrated both Disney+ Day and the D23 Expo. In your view, what were some of the highlights, and how are you using these types of events to deepen engagement with the core fans?

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

For Disney, it really is about the content engine. I've been with the company 30 years, in this role about three now, a little bit short of three.

And as I sit in that room for 4 days straight and just see the endless talent that's up there, the tremendous variety and depth of storytelling that we have, it just gives me optimism and pride that that engine which drives the whole company is going to continue to perform.

And with the new distribution channels that we have with streaming, it enables us to tell stories in a way that we've never done before.



But that's the way that we define the streaming platforms today, which is just ways to serve up content. But as that then evolves to something much bigger, which is this next-gen storytelling platform, and then you add in things like the membership platform, you have to step back and look at this as Disney as a lifestyle. It's a lifestyle brand, and it's not just a bunch of small businesses put together that sort of de facto create a lifestyle, but we need to embrace that.

And there's no place you do that more than a convention like D23, where we have, I guess it was 80,000 fans that show up just to celebrate fandom. But it does all start with the creative content, and so that's why we're so bullish.

Brett Feldman – *Goldman Sachs Group, Inc.*

There's been a lot of volatility in your cost structure over the last 2-plus years as we've been going into and out of COVID, as you've been launching and expanding Disney+. And so I have two questions here around cost.

One, are you still actually incurring any excess costs, things that were brought in during COVID that may be holding back margins a little now?

And then I think just a lot bigger, how do you think about the opportunity to just improve the cost efficiency of the business and scale your cost structure more over time?

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

Right. Yes, movie and TV productions are still experiencing, obviously, very stringent standards. And there's, of course, a cost to providing those stringent standards that wasn't there before COVID.



Obviously, there's inflationary pressure as well in general. But Christine and I are locked-arms, and the world's changed since COVID. We've all kind of returned, and we're thrilled with the demand that we've got. And again, optimistic that it will continue into the future.

But at the same time, know that the world has changed, and so maybe there are certain things that have become sort of commonplace at The Walt Disney Company in terms of how we operate that we should reconsider, and we're certainly reconsidering those.

So we're spending as much time looking at the top line and driving revenue and growth and great content expenditure as we are squeezing the middle and looking at our cost base, and that work is underway.

Brett Feldman – *Goldman Sachs Group, Inc.*

Do you have any targets in mind yet, or are you still in the evaluation process of figuring out what makes sense?

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

We're still in the evaluation process, but we've got some areas that we're kind of focused on. But no numbers attached to it yet.

Brett Feldman – *Goldman Sachs Group, Inc.*

All right. I'm going to squeeze in my last question here. The Board recently renewed your contract for three years, so where do you see Disney three years from now?

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

As I mentioned earlier, the 100th anniversary is an opportunity for us to pivot. And I only mentioned it, I think, once today, which is certainly not reflective of its importance. But our



next-generation storytelling enabled by technology caters specifically towards guests' personalized and customized needs, is really where the company's going.

And within the next three years, we think that we're going to be well down the road of being able to demonstrate what that promise is and start to use our streaming platforms, again, not just as a way to serve up content – you know, pick your tile for your content – but really to build out that whole lifestyle brand and continue to make magic for people in ways that they never envisioned The Walt Disney Company could do.

We sort of live for this statement when we see a guest or a consumer say, "How did Disney do that?" That's what we want for the future. And I think the 100th anniversary is going to put a lot of wind in our sails to get the entire company motivated to go do the unimaginable.

Brett Feldman – *Goldman Sachs Group, Inc.*

That's great. Bob, thanks so much for being here.

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

Thank you.

**Forward-Looking Statements**

Certain statements in this discussion may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding potential future growth and anticipated drivers of growth, long-term plans, strategy or focus, trends, opportunity, the expected impact and performance of our product or service offerings or business decisions, future product offerings, guidance, subscribers, future financial drivers, consumer demand and behavior, future commercial flexibility and resiliency, future business, strategic and spending decisions, future demand and market fluctuations; 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 or other business decisions, as well as from developments beyond the Company’s control, including: further changes in domestic and global economic conditions; changes in or pressures from competitive conditions and consumer preferences; health concerns and their impact on our businesses and productions; international, regulatory, political, or military developments; technological developments; labor markets and activities; consumer or advertiser demand and behavior; adverse weather conditions or natural disasters; legal or regulatory changes; the advertising market for programming; and timing, availability and performance of content; 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): our operations, business plans or profitability; demand for our products and services; and the performance of the Company’s content.

Additional factors are set forth in the Company’s Annual Report on Form 10-K for the year ended October 2, 2021 under the captions “Risk Factors,” “Management’s Discussion and Analysis,” and “Business,” and subsequent filings with the Securities and Exchange Commission, including, among others, quarterly reports on Form 10-Q.