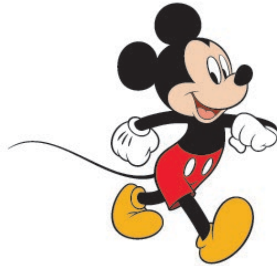

The Walt Disney Company

Morgan Stanley Technology, Media and Telecom Conference

March 9, 2023

Disney Speaker:

Bob Iger

Chief Executive Officer

©Disney

PRESENTATION

Ben Swinburne – *Morgan Stanley*

Okay. Good morning, everyone.

Please note that important disclosures, including personal holdings disclosures and Morgan Stanley disclosures, are all up here, as a handout available in the registration area, and on the Morgan Stanley public website.

And we are really excited to welcome to the conference, Bob Iger, the CEO of The Walt Disney Company. Bob, so happy to have you here.

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

Thank you very much. I guess I'm the former and the current CEO of The Walt Disney Company.

Ben Swinburne – *Morgan Stanley*

Exactly. Before we get started, I'm going to read a forward-looking statement on behalf of Disney.

Certain statements today, including statements about the company's plans, beliefs, expectations, strategy or business prospects and other statements that are not historical in nature may constitute forward-looking statements under securities laws. The statements are made on the basis of management's current views and assumptions regarding the future, and management does 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 results expressed or implied in light of a variety of factors, including macroeconomic or industry factors and execution risks and other factors contained in the

company's Form 10-K, other filings with the SEC, as well as the legend you see here and on the company's IR website.

I've never read that before, how did I do? Was that okay?

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

You don't have a future necessarily in performance, but not bad.

Ben Swinburne – *Morgan Stanley*

Thank you. I'm not sure what this is.

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

Well, different kind.

Ben Swinburne – *Morgan Stanley*

Yeah, exactly. Well, listen, I want to start, Bob, with some high-level questions for you.

You stated on the earnings call a couple weeks – months ago – that your top priority is to improve the economics of your streaming business. Which is on everybody's minds, to put it mildly.

I realize you're only a few months in, so we have that. But what's the playbook to build streaming at Disney to not just profitability but hopefully a scale that's big enough to really drive earnings and growth for the whole corporation?

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

Well, first of all, I'm generally bullish on streaming as a great consumer proposition. As a really robust platform to deliver high-quality content under easily-used circumstances. And I am extremely bullish on some of our streaming prospects, notably Disney+, which grew to just such a – at such a meteoric rate.

And I think the reason it grew is the strength of the content, those brands that occupy that space. We know in terms of delivering profitability and growth to that platform, that we have to better rationalize our costs. Obviously we have to attract more subs, but I think one of the key things that we have to figure out is a pricing strategy that makes sense.

I think in our zeal to grow global subs, I think we were off in terms of that pricing strategy. And we're now starting to learn more about it, and to adjust accordingly. When you think about streaming in general, it's a consumer's delight in the sense that we used to talk often when it came to linear programming about a-la-carte – this is the ultimate a-la-carte proposition for the consumer.

And while I'm pro-consumer generally, I think we have to take a look at how easy it is for the consumer to, not just sign on, but sign on sometimes under promotional circumstances where it's not only less expensive, in some cases, it's free. And the sign on you get – for three months you get one month free, watch all you want in a month, sign off that and go to another one that's doing the same thing. So, I think we have a lot of rationalization to do from a pricing perspective.

But that's one path to profitability. Another is we do have to grow subs. A third is, basically coming to grips with rising costs of production. And also figuring out just how much volume we need for that platform.

Then, I don't know whether you're going to get specific about Hulu, but that's a different set of circumstances.

Ben Swinburne – *Morgan Stanley*

Yeah, of course. We'll get to Hulu in a minute. Just on Disney+, are you optimistic that there is opportunity to grow subscribers from here? You've talked about how that is important to getting the business to where you want to go.

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

Yes, I am optimistic. Obviously, as I mentioned, we grew at such a meteoric rate, we're not going to see that kind of growth trajectory going forward. But in many of the markets outside of the United States that we've launched in, it's still very, very new.

And I think that there's sub growth ahead, particularly as we get more consistent in terms of our content delivery. One of the things that also happened, obviously, is COVID interrupted production. And so the flow of production onto the platform has not been that even. It was very low to start, then it was interrupted by the pandemic, and we're now just hitting our stride in that regard.

The other thing I didn't mention in terms of path to profitability is advertising, which is also still very new on that platform. And when you think about a relatively reduced ad load, the purity of those brands and the specificity of that audience – and an audience that's not only very engaged but loyal, it's an advertiser's delight. And that's very new for us.

Ben Swinburne – *Morgan Stanley*

Sure. One of the other things that you've talked about on the call, and you've spoken quite passionately about, Bob, is re-establishing a direct link between content decisions being made

at Disney and financial performance. For those of us outside of The Walt Disney Company, why is that so important?

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

Well, the company had been restructured after I stepped down as CEO to create, essentially, a giant revenue generating division which was in charge of distribution, advertising sales, subscriptions, etcetera. And it separated – it was completely separated from the content side which is where all the money was being spent.

I happen to believe that there needs to be a direct connection between what's being spent and what's being earned from a revenue perspective. It's all about accountability. It's about understanding how deep the marketplace is. So when you make decisions on spending, it's tied directly to revenue generation as a for-instance. And revenue generation needs to be tied back to what's being spent.

The other thing that was disconnected was marketing, where there were people who were responsible for marketing platforms, and other people were responsible for marketing programs. And that needed to be put back together, not just because – for sanity purposes, but also because there are opportunities to reduce expenses.

I don't think it was as efficient as it could have been, or as targeted as it should have been. And that's – again, one of the learnings coming back was discovering that we were spending too much marketing platforms and not enough marketing the programming that was on the platforms. And I think that may have had a negative impact on our sub growth.

Ben Swinburne – *Morgan Stanley*

So, for those of us who were analyzing the company and trying to value Disney, did severing those connections, you think, impact financial results? And how quickly can you benefit from reestablishing those?

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

You know, it's hard to tell how much it impacted financial results because it happened during the pandemic and everything was changed at that time. And I don't want to be – I can't be stat-specific. Frankly, if you had asked me what the number was, I don't know.

What I do know is that this new structure gives us an opportunity to reduce expenses. We announced we're reducing expenses by $5.5 billion. That's partially the result of this reorganization. It also gives us an opportunity to be, I think, not just efficient but effective.

Another side to the reorganization that was – that we've just done that I think will prove valuable, is that there was a disconnect between what we were making in international markets, and what we were making in the United States for global distribution.

And I think that we might have created an imbalance of sorts because territory managers of the Disney+ platform were leaning more into what they were producing locally, which has some value, but perhaps not relying as much on what was being produced for global consumption. And that's another opportunity for us in terms of reducing expenses.

Ben Swinburne – *Morgan Stanley*

Ok, great. Maybe one last sort of bigger picture question. Particularly since earnings, I've had a lot of conversations with investors about your stock, and it often sort of looks at streaming between just basically two paths for the company.

It's sort of a branded Disney+, focusing on franchise IP. Sort of, not call it niche, but more targeted service. Or all the way to the other extreme, broad, general entertainment, maybe biggest TAM but less differentiated.

What's the right path for Disney? Or is that even the right way to think about it? Is there a lot of paths ahead?

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

Well, one path that we know is right because of the success that we've had already, although as we've talked, we have to turn it into a profitable business, is Disney+ and that branded play. Which is highly differentiated. Highly.

And it gives us an ability to both price more aggressively, sell more aggressively in terms of advertising, and market more effectively, too. Because those brands have such built in marketing equity already.

When you think about – I'll call it, non-branded or undifferentiated, obviously then you immediately lead to Hulu. Alexia Quadrani, who's our head of Investor Relations, gave me a synopsis yesterday, I think, of what all the different companies that are in streaming have been saying lately. Every one of them is going to be highly profitable in a couple of years, and grow subs by the tens of millions. It can't possibly happen.

There are six or seven basically well-funded, aggressive streaming businesses out there all seeking the same subscribers and, in many cases, competing for the same content. Not everybody's going to win.

So, what we're doing right now, because we own two-thirds of Hulu, and we have an agreement with Comcast that may result in us owning 100%, is that we're really studying the business very, very carefully, all those competitive dynamics, with an understanding that we have a good platform in Hulu. We have very strong original programming. Actually highly awarded original programming, some delivered by FX, which is a great, not only producer, but brand. And we also have a good library.

So, it's a solid platform. And it's also a very attractive platform for advertisers. It's already proven to be valuable for them and advertising has proven to be valuable for us. But, the environment is very, very tricky right now. And before we make any big decisions about our level of investment, our commitment to that business, we want to understand where it could go.

The whole streaming business – other than Netflix, which is relatively mature – it's a nascent business for most of us. And we're also in an interesting point in the world from a media perspective, where a lot of people are still getting linear programming, or consuming media on traditional platforms.

And while I think – I've said publicly, that the future of linear, I don't believe, is very bright. And eventually I think everything will migrate to streaming. We're not quite there yet.

And so you have erosion of a traditional platform and its economics, and some growth in the new platform, but not the kind of compelling growth that we will all need to be profitable. And I think it's just a tricky period of time.

Ben Swinburne – *Morgan Stanley*

Yeah, sure. When you talk about general entertainment, you use the word curated a lot. What does that mean from a financial point of view?

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

Well, what we've talked about, and I think we're going to get there regardless of what happens with Hulu, is that I think we have to get much more judicious in terms of not just how much we're spending, but what we're spending it on.

You know, there is so much consumer choice right now, and it comes back to what can – what is differentiated? One thing, obviously, we talked about are those brands, Star Wars and Marvel and Disney and Pixar, for instance.

But quality is also our differentiator. I think HBO proved that well in their halcyon days when high-quality programming made a big difference to them. And not volume.

And because the streaming platforms require so much volume, one has to question whether that's the right direction to go. Or can you be more curated, more – basically, I used the word judicious a few times. But I guess more picky about what you're making, and concentrate on quality and not volume. That's what I talk about.

Ben Swinburne – *Morgan Stanley*

Okay. Makes sense. Let's talk a little bit about the DMED organization, sort of the whole media company within Disney, and we'll get to parks later.

You announced plans to reduce headcount by 7,000 jobs, cut $2.5 billion of non-content spending, $3 billion of lower content spending. And these announcements were all made concurrently with the reorg that you've announced.

That’s a lot at once. What's been the reaction inside the organization to those changes?

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

There's huge buy-in, certainly across the entire senior team, on the need to reduce costs. And on the SG&A front, the $2.5 billion – the reorg, obviously is a contributing factor, but it's more than that. It's just getting more disciplined about how much we spend on almost everything.

On the content side, I'm really pleased that the support that I'm getting from the content creators at the company is significant and real. And it comes in the form of, one, reducing the expense per content, whether it's a TV series or a film. Where costs have just skyrocketed in a huge way. And not a supportable way, in my opinion. They all agreed to that.

And also, which is, I think, a result of – whether you call it more aggressive curation or whatever, or understanding how much volume we need – reducing how much we make.

So, it's how much we spend on what we make, and how much we make.

And the $3 billion is achievable. It will not come right away because we have full commitments certainly through this year and somewhat into 2024. But the support that we've gotten from the content side of our business is real, and we will deliver it.

Ben Swinburne – *Morgan Stanley*

Great. One of the other areas that came up a lot this week among the media executives, I wanted to ask you about, is also the opportunity around licensing.

Disney has always had a massive licensing business. And as you moved into streaming aggressively, some of that obviously has come under pressure.

Is there an opportunity to sort of grow that again? And are you thinking differently about things like windowing and exclusivity now that you're back?

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

Well, we're definitely thinking about windowing and exclusivity among our own platforms. Meaning between the traditional platforms, the channels mostly. But, to some extent, the movie channel, too – meaning exhibition and the streaming business.

I think it's already clear to us that the exclusivity that we thought would be so valuable in growing subs, while it has some value, wasn't as valuable as we thought. And content can actually exist on the traditional platform and on the streaming platform quite well without doing damage to either one because it's actually very, very different audiences consuming those platforms.

Significant in terms of an age difference, by the way. It’s by as much as 30-some-odd years. *Abbott Elementary* airs on ABC, where the median age of ABC is substantially higher than the median age of the *Abbott Elementary* viewer on Hulu. By about 30 years. It's actually an incredible number.

So why not have them live on both? You amortize your costs better. I think you could argue there's some marketing impact, positively, on that as well.

As it relates to – so we're looking at that. We're also looking at movie windowing, because we were so aggressive at supporting the streaming business. In some cases, we made a lot of films just for streaming. In some cases, we made films with shorter exhibition windows. In almost all cases, we made films that no longer had the sell-through window in it. Which home video at one point, as we called it, was extremely lucrative for our company.

So, we're looking at all of that. The reorg is helping us do that too, because the same people that are responsible for making the content are responsible for monetizing it. And if the best way to monetize it is to make use of all platforms, streaming and traditional, then they have the ability to do that. The goal being monetization. Or profitability.

On the licensing side to third parties, we have one of the largest TV production, and actually film production, businesses in the country. I think probably the largest. And as we look to reduce the content that we're creating for our own platforms, there probably are opportunities to license to third parties.

It was – for a while, that was considered verboten, or something we couldn't possibly do because we were so favoring our own streaming platforms. But if we get to a point where we need less content for those platforms, and we still have the capability of producing that content, why not use it to grow revenue? And that's what we will likely do.

Ben Swinburne – *Morgan Stanley*

Presumably, the core franchise, branded stuff, would stay in-house.

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

Correct. Yes. Now there are other things to look at, too, which is windowing. If you look, for instance, when we bought Fox, we bought a lot of, what's called, adult animation. A lot of it aired on the Fox Network in primetime. And we're talking about not just *The Simpsons*, but *Bob's Burgers* and *Family Guy*, all of those.

By the way, I saw something recently about the number of billions of hours that that content is consumed on Hulu. It's extraordinary. Over 3.5 billion hours[1] of that content consumed on Hulu, as a for instance.

So that suggests that there are opportunities to license the content to others first, as *The Simpsons* has done. *The Simpsons*, there are over 33 episodes[2] of *The Simpsons* on Disney+, and it's one of the more popular programs on Disney+. Yet it's – they've all been on the Fox Network.

So that's, I think, an interesting learning for us that you can still put product on – that does extremely well in streaming, but that is – we're driving more revenue with a balanced model of licensing to third parties and streaming to ourselves.

Ben Swinburne – *Morgan Stanley*

Got it. We've spent this conversation on monetization and distribution, which, of course, is important. But I've always felt like the Disney investment case kind of – the foundational piece was the strength of the IP. And the content and storytelling of the company.

You guys made acquisitions under your prior tenure with Marvel, Lucasfilm, Pixar, and had what seemed to be almost a never-ending content cycle. I want to ask you what you think the health of those core franchise and studios and brands are today?

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

Well, I think a lot of – all of them, of course, but they're all my babies in a way.

[1] Inclusive of all animation on the platform in FY22, including adult, anime and children's animation
[2] There are currently thirty-three seasons of *The Simpsons* offered on Disney+

Disney is very strong. It's the most powerful brand in, certainly, family entertainment. And we have a film coming up, *Little Mermaid*, in live action. I think when you see that, it will remind you of just how strong the brand is.

It's also – it's, pretty interesting. Disney is a 100-year-old brand. It was created in 1923. And when you think about brands in the world that have survived ten decades of existence in a world that doesn't look anything like the world looked like when they were created, there aren't many you could name.

There's actually only one, I think it's Coca-Cola, when you think about it. None of the other brands that existed when we were created, still exist as – certainly as significant brands. And I think that says a lot. As we celebrate the 100th anniversary, we're still very vibrant.

Marvel, there are 7,000 characters, there are a lot more stories to tell. I think what we have to look at at Marvel is not necessarily the volume of Marvel storytelling, but how many times we go back to the well on certain characters. Do you need – sequels typically work well for us. Do you need a third and a fourth, for instance? Or is it time to turn to other characters? So, there's nothing in any way inherently off in terms of the Marvel brand. I think we just have to look at what characters and stories we're mining.

And if you look at the trajectory of Marvel over the next five years, you'll see a lot of newness. Now, we're going to turn back to the Avengers franchise, but with a whole set of different Avengers, as an example.

Star Wars, we made three, what we call, saga films, which is obviously the successors to George Lucas's first six. They did very well at the box office, tremendously well as a matter of fact. We made two, so-called, standalones in *Rogue One* and *Solo*. *Rogue One* did quite well. *Solo* was a little disappointing to us. It gave us pause just to think maybe the cadence was a little too aggressive. And so, we decided to pull back a bit.

We still are developing Star Wars films. We're going to make sure that when we make one that it's the right one. And so, we're being really careful there. In the meantime, we've made a number of Star Wars series, led by *The Mandalorian*, that are extremely successful. And that says a lot.

Just last night, I got a clip of a Star Wars series that's going to air in – on Disney+ in 2024, called *Acolyte* that looks brilliant. And they've done *Andor* and they've done *Obi-Wan*. And they have one coming up for young kids, which is called *Young Jedi Adventures*, something like that. I have a lot in my head on these things. But television – series programming is working for them. So, I think that's quite healthy, too.

And Pixar has a brilliant movie coming up called *Elemental*, where the characters are actually elements like water and fire, etcetera. And that's pretty interesting as well.

Ben Swinburne – *Morgan Stanley*

I was going to ask you for your recommendations from your slate this year, but you already gave us *Elemental* and –

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

Well, *Indiana Jones*, we have coming up. And I mentioned *Little Mermaid* and *Elemental* and *Guardians of the Galaxy*, and – it's a good year.

Ben Swinburne – *Morgan Stanley*

Yeah, it's a good year ahead. Let's talk about ESPN. So, you've decided, as part of, again, this reorg, I think you put all of sports kind of globally under Jimmy Pitaro. And you'll be reporting ESPN separately to all of us.

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

You're salivating over there.

Ben Swinburne – *Morgan Stanley*

I can’t wait. I guess the question is why make those changes? Both the management changes, but also the reporting changes.

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

Well, I wanted the – the new organization of the company is aimed at being very, very simple and streamlined. And very clear. Not only clear to the investment community, but clear inside the company as well in terms of span of control and accountability. That's critical, by the way, in this case.

And so, Jimmy is accountable specifically for his business, for its costs and its revenue generation. And decide – we finally decided that not all sports are global, we know that. But sports are becoming more global. If you look at the NBA, that's a great example of that. Or even the popularity of, what the Europeans call football, in the United States.

It suggests that there may be an opportunity to look more globally at what we license and how we program and how we manage that business. And maybe also how we brand.

Ben Swinburne – *Morgan Stanley*

You know investors, not telling you anything you don't know, are quite cautious on linear TV, and ESPN in particular. It's obviously a large business that's got headwinds.

I get the sense, and push back, if you want, that you and Jimmy are more optimistic, constructive. And you talk a lot about the health of the ESPN brand, that the brand is healthy.

What does that mean in terms of financial terms? Or just how should we think about your optimism?

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

Well, I think one of the reasons we're optimistic is we know the power and the popularity of live sports. And we know how attractive it is, not just to consumers but to advertisers.

It's a great play for advertisers. And with all the disruption and all of the choice that consumers have – you look at ratings for sports, particularly the NFL, it's extraordinary when you think about it.

And then you think about – so I'm bullish on well, sports coverage and media. When you think about brands in sports, and we'll think about it from the United States lens first, other than the NFL, what would you name – obviously, the NBA and Major League Baseball have value, but that is – certainly in media, there isn't another one.

And I think brands matter. The more choice people have, the more important brands become because of what they connote or what they convey to consumers.

And if you look at ESPN's ratings, ESPN's ratings have actually held up nicely, particularly when you consider the erosion of the platform that they're on.

Then we have to look at what ESPN+ has done, which you know 25 million subs is nothing to sneeze at. And it's – at this point, it's what I call a flanker business or a brand to the main ESPN brand.

Down the road, at some point, I think it's inevitable because of what's happening within media in the world and technology, it will become a direct-to-consumer business. And when you give – when you combine the strength of live sports and the brand, and the value of advertising, so that you can create a business that's not just subscriber-dependent, but dependent on advertising and subscriber revenue, I think there's a reason to be bullish.

Now there's more competition. There's always been a lot of competition. It's just now there are new entrants. And interestingly enough, at a time when, I think some of the incumbent sports broadcasters are going to have a tougher time because that business model is suffering.

So, I'm not sure that the nature of competition has changed as much as people have concluded. But I think, again, we think we're well positioned. And it doesn't mean that we're not going to be open-minded about its future, but right now, we're bullish about it.

Ben Swinburne – *Morgan Stanley*

Yeah. Anything to do in sports betting, just given, again, the power of the brand and the growth of betting in the U.S.?

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

There are opportunities, not for us to go into the betting business, but we've talked about this. And it's something that my predecessor was very interested in to incorporate elements.

We're already doing it with betting. Fox is doing it, too – I know Lachlan was here earlier – into the sports programming. I think that's important for consumers, particularly young consumers.

I mentioned earlier in another meeting, I have two sons who are 24 and 20. And it's not just about fantasy sports, but they're interested in it. And I'd prefer to wait as long as possible. But

when I think about them – but I think it's inevitable that there'll be basically a seamlessness between sports programming and sports betting.

Ben Swinburne – *Morgan Stanley*

Yeah. I know we're both Knicks fans. The Knicks are now favored a lot. I can’t believe it.

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

The Knicks have won 9 of the last 10. They're playing in Los Angeles next Saturday if you want to come to the game.

Ben Swinburne – *Morgan Stanley*

Thank you for that, thank you for that.

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

It's a 1:00 game against the Clippers.

Ben Swinburne – *Morgan Stanley*

I'll ask my wife if I can make it. So, what's – we have about seven to eight minutes left. So, let's turn to the business that generated all the profits last quarter, which is the parks business and the DPEP segment. That business has been tremendously strong coming out of the pandemic.

What are your priorities for the parks? And the market is a bit anxious that maybe you're over-earning just because of the per caps and the consumer demand has been so strong. What's your perspective on that?

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

Well, it's a great business. It proved how resilient it is. It's proven that before, by the way, whether it was the economic downturn of ‘08 and ‘09, or the effect of the terrorist attacks of 2001. It bounced back really well post-pandemic.

And not just in the United States but globally. Actually, if you listened to our last earnings call, I'm sure you did, Shanghai, Disneyland Paris, doing extremely well. So that's great.

On the over-earnings front, I've always believed that Disney was a brand that needed to be accessible. And I think that in our zeal to grow profits, we may have been a little bit too aggressive about some of our pricing.

And I think there's a way to continue to grow that business, but be smarter about how we price so that we maintain that brand value of accessibility. And we made certain steps – we took certain steps when I came back to do just that, and they've resonated extremely well with consumers. And we're not only going to continue to listen to consumers, but we're going to continue to adjust.

One of the things that we had to do was we had to improve the guest experience by reducing crowding. And it's tempting to let more and more people in. But if the guest satisfaction levels are going down because of crowding, that doesn't work. We had to figure out how we reduce crowding but maintain, obviously, our profitability. And we did that well.

But we have to be careful about that as well because, in doing that, you're actually – you actually end up increasing the price or putting features into your pricing that are viewed by some consumers perhaps being a little too aggressive. And that's where we're being careful about.

Ben Swinburne – *Morgan Stanley*

I'm going to be there in a week and a half so, I'll let you know how the crowd –

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

Well, it's interesting because one of the things when you ask – you'll see it when you go, what we can do with those businesses is we -- certainly, in Florida, we have a lot of property, and we have a lot of opportunity outside the United States. We actually have more opportunity in California than people are aware.

As we continue to invest in those businesses, which is essentially building out new capacity or new attractions, it gives us the ability to, one, service more people. The more attractions you have, obviously, the more people have to do.

We can also mine our IP more effectively. So we announced in the earnings call that we're going to build an Avatar experience at Disneyland. It has done extremely well in Florida. Those are really important because those franchises that we do well with in film and in television are truly leverageable at the parks level. As we learned with the Star Wars investments that we've made, the Avatar investment we made in Florida, the Toy Story investments that we've made.

And that creates growth for us because it increases capacity, and it improves our marketability. In that we have opportunity that is almost -- I mean, I'd say endless, but we obviously don't have endless amounts of capital. But in terms of IP to mine, we have almost endless opportunity there, and that's growth.

And if you price all of that right and market it well, and manage your costs so that you can maintain pretty decent margins, it's a business that, obviously, we're betting on. I would bet on.

Ben Swinburne – *Morgan Stanley*

Yeah, absolutely.

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

It's also – we also are differentiated. Those brands, and the quality of the experience that we offer – pretty special.

Ben Swinburne – *Morgan Stanley*

There were a lot of investments made at the parks during the pandemic. You guys always invest – continually invest in the business. Things like dynamic pricing and yield management. Do you think those would allow the business to sort of navigate a recession better than maybe what we saw in the last couple of cycles? I know it's a cyclical business but –

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

We're not recession-proof, but the strength of the experience and the strength of the brands, the quality of the experience, I think, puts us in better stead during a downturn.

And also, look, the ability for a family to experience one of our parks is something that they don't give up right away. I remember, someone telling me once they'll wait and buy – they'll hold on to their car longer, or their refrigerator, so they could take their kids to one of our parks. I don't know how much that's true or not. It was one of our parks people that told me that.

But I think it's just – it's something that families aspire to do. And when they do it, it's typically a good enough experience that they want to come back.

Ben Swinburne – *Morgan Stanley*

There's been a lot of cost inflation generally out there, and the team seems to have navigated that well. Are those pressures starting to build here in ‘23? Or are you starting to see that maybe moderate?

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

There's nothing right now from a dynamics perspective that would suggest that cost inflation is going to have a significantly negative impact on us. We've managed that well.

Ben Swinburne – *Morgan Stanley*

Well, I want to wrap up with basically succession. And really how you're thinking about the two years ahead of you. What are the things that you're focusing on and excited about as you’re obviously very busy?

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

Is that a succession question?

Ben Swinburne – *Morgan Stanley*

I don't know if it’s a succession question, but it's really about what do you want to highlight as your area of focus as you think about the sort of two-year sprint to the finish line?

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

It's a good question. Succession is pretty much at the top of the list between me and the Board. In fact, we have a succession committee at the Board. We had a meeting yesterday, as a matter of fact. They're meeting regularly.

We all know that not only is it an important decision, but that we don't have endless amount of time to make it. And we're mindful of that. And Mark Parker, who is our new Chairman, is chairing this committee. And so the conversations have been great, and I'm confident that we'll identify the right successor at the right time.

I know for me, coming back was quite actually an interesting experience because it was clear that the company needed to be stabilized. It was clear that the reorganization was necessary, because of the disconnect that we talked about earlier between spending and revenue generation, and marketing. And it was also clear that we had to come to grips with our cost structure for a variety of reasons. Whether they were competitive, disruptive or global-economic.

And we've done all of that already. We have stability. We have reorganization. We have truly aggressive cost-cutting efforts.

Now it's about getting our content pipeline right, making sure that we're making the right decisions. And making sure that we're making the right number of decisions in terms of how much we're making.

And then it's, I think, really being mindful of a world that is not getting any less complicated. And, in fact, that technology is only going to disrupt more. And making sure that we're positioning those great brands and this great content generation business in the right way to deliver the kind of value that shareholders need long term.

I know it sounds simple. It requires a lot of execution. There's a great team in place. And I have a lot of confidence in our ability to do that. And my goal is essentially to leave here in two years with a trajectory, whether it's my successor or the structure of the company or the creative pipeline or revenue generation or innovation, that is very optimistic and positive.

Ben Swinburne – *Morgan Stanley*

Great, Bob. Well, listen, we really hope you'll come back again next year. Thank you so much for being here.

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

Thank you very much, Ben.

Ben Swinburne – *Morgan Stanley*

Thanks, everybody.

Bob Iger – *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 plans; expectations; strategy or focus; organizational structure and leadership decisions; priorities; opportunities; potential future growth and anticipated drivers of growth; trends; efficiencies; cost reductions and source; goals; product or service offerings (including content and content releases); 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 capital investments, asset acquisitions or dispositions, new or expanded business lines or cessation of certain operations), our execution of our business plans (including the content we create and IP we investment in, our pricing decisions, our cost structure and our management and other personnel decisions) or other business decisions, as well as from developments beyond the Company’s control, including: further deterioration in domestic and global economic conditions; deterioration in or pressures from competitive conditions, including competition to create or acquire content and competition for talent; consumer preferences and acceptance of our content, offerings, pricing model and price increases and the market for advertising sales on our DTC services and linear networks; health concerns and their impact on our businesses and productions; international, regulatory, legal, political, or military developments; technological developments; labor markets and activities; adverse weather conditions or natural disasters; and availability of content; each such risk includes the current and future impacts of, and may be 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; the performance of the Company’s content; our ability to create or obtain desirable content at or under the value we assign the content; the advertising market for programming; 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 1, 2022, including under the captions “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business,” quarterly reports on Form 10-Q, including under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and subsequent filings with the Securities and Exchange Commission.