



Morgan Stanley Technology, Media
and Telecom Conference

March 5, 2024

Disney Speakers:

Bob Iger

Chief Executive Officer

PRESENTATION

Voice Over

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 expectations, plans or beliefs; strategy or focus; guidance; priorities; plans or opportunities (including for expansion, growth, strategic initiatives and relationships, acquisitions or dispositions and content rights) and potential impact on future performance; potential future growth or performance, including future DTC profitability, and drivers; future capital or content expenditures; trends; drivers of demand; efficiencies; goals; product or service offerings (including nature, timing and pricing); consumer and advertiser sentiment, behavior or demand; value of our intellectual property and content offerings; and other statements that are not historical in nature. Any information that is not historical in nature is subject to change. 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 invest in, our pricing decisions, our cost structure and our management and other personnel decisions), our ability to quickly execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as developments beyond the Company’s control.

Additional factors are set forth in the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and subsequent filings with the Securities and Exchange Commission.

Ben Swinburne – *Morgan Stanley*

Okay, we are ready to go. Hi, everybody. I'm Ben Swinburne, Morgan Stanley's media and entertainment analyst, and we are incredibly excited we are incredibly excited to welcome as to welcome as our keynote speaker today at Morgan Stanley's TMT Conference, Bob Iger, the Chief Executive Officer of the Walt Disney Company.

Bob, it's great to have you to have you back. Thanks for being here.

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

Thank you. Nice to be here.

Ben Swinburne – *Morgan Stanley*

So, it's been about fifteen months since you came back as the CEO of Disney. I wonder if you could start by stepping back and assessing the overall health of the company today relative to when you returned, back in November of 2022.

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

Well, big difference, actually, in fifteen months. I came back and discovered right away that it was a company in need of a lot of fixing. We were dealing with a lot of issues, not just the disruptive forces of technology in our businesses. But we entered the streaming business, and in our zeal to attract global subs took our losses down considerably. And definitely needed to create a robust path to profitability. The company had been restructured and creativity wasn't really put at the center and needed to be.

But more importantly, there wasn't enough accountability, particularly in the creative side. Creatives make the product, spend the money that it costs to produce the product. And they need to be held accountable for how it's monetized. And they weren't. And that was – that was a big issue.

Clearly, the studio has met with some hard times – or harder times. The studio, by the way, has been number one at the global box office seven of the eight prior years. And if you look at their track record in terms of the top movies ever, it's rather impressive. But they hit on hard times – that needed addressing.

Obviously, all of that affected the balance sheet, which needed to be stronger and had been a lot stronger.

Ben Swinburne – *Morgan Stanley*

Apologies, Morgan Stanley A/V difficulties for those on the webcast.

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

I mentioned that the balance sheet needed addressing. And generally speaking, I would say that the task at hand was a little bit more significant or more challenging than I expected it would be.

Fifteen months later I feel great about where we are. I mentioned streaming – we are on a path to profitability. I think the results these last two quarters clearly demonstrate that. We are extremely confident we're going to get there by the fourth fiscal quarter of this year.

I've spent a tremendous amount of time on the studio. Feel very excited about the slate. I don't know if you want to get into that now or later.

But if you look at the films that we've got coming out this year. Starting with – in May, we've got *Kingdom of the Planet of the Apes*, one of the better films in the franchise, actually. I've seen it a number of times. That's followed by a sequel to *Inside Out*, which is a great Oscar winning film from Pixar. That comes in June.

And then in July, we've got *Deadpool and Wolverine*, which I think will be one of the more successful Marvel movies we've had in a long time. And then we finish the calendar year with *Moana*, which had been a TV series. We decided to convert it to a film when we saw that the 2016 version of *Moana* was the most streamed film of the year in the United States in 2023 on all streaming platforms. It gave us reason to think, well, maybe it shouldn't be a TV series, but a movie. And so it will be.

And then of course in in December, we've got *Mufasa* which – obviously in the Lion King family. And then if you look into '25, I feel great about the slate. The year will end with *Avatar*, but we've got *Zootopia*, and we have *Fantastic Four*. So I feel really good about the trajectory of the studio.

I also feel good about our balance sheet. We talked – we gave guidance about cash flow generation in fiscal 2024 at our last earnings call.¹ We're actually right now trending to exceed that guidance, as a for instance.

¹ “Free cash flow” is a non-GAAP financial measure. The most comparable GAAP measure is cash provided by operations. See discussion on page 27 for additional information concerning these measures.

And then I didn't even mention ESPN or Parks and Resorts. But if you look at ESPN, they've had growth in terms of OI and ratings in 2022, 2023, and first fiscal quarter of 2024. Our goal there is to basically put them on a path to going digital and we feel great about the steps they've taken.

And Parks and Resorts is just a wonderful story. Not just in terms of their current performance, but where they're headed. And we'll talk more later about the investments we're making there. But they're off – they've had some record quarters and we delivered great numbers in that segment this last quarter.

And I'm pleased to say that the trends for the quarter that we're in right now look like our Domestic and our International Parks and Experiences business will probably deliver in the neighborhood of low-to mid-teens in terms of OI growth.²

So, great trajectory. And I just feel right now, looking back at all the things that needed to be fixed. I've talked about this publicly, we've really entered into a phase where we can start building again. And when you think about this company and the importance of that, and the ability to do so with a balance sheet that will support it, that's a great position to be in.

And some of the steps that we've taken that are building steps I think are exciting to us. Whether it was the Epic Games investment. Or the steps we've taken with ESPN. Or what we've talked about in terms of investments in Parks and Resorts.

² “Domestic and International Parks & Experiences operating income” is a non-GAAP financial measure. The most comparable GAAP measure is Experiences segment operating income. See discussion on page 27 for additional information concerning these measures.

And when I talk about building, I'm not just talking about building things bigger. I'm talking about growing the company – turning building into real growth.

What I mean by that is growth in our organic businesses, looking for growth outside of those businesses, other opportunities. And of course growing the capital that we return to shareholders in the form of dividends or stock buybacks.

And as we announced in the last quarter's earnings, we increased our dividend and we announced a significant buyback plan for this fiscal year. So I feel good. A lot of momentum and I'm certain we have reason to be optimistic.

Ben Swinburne – *Morgan Stanley*

Absolutely. That's great, great news on the free cash flow that you're pacing ahead of your guidance and great news on the parks segment OI growth.

Bob, you've talked a lot over the last couple of quarters about sort of four main priorities for the company over the next year – years. I'd like to organize this conversation around those, if that works, from here?

Number one is streaming, which you just talked a lot about. Number two is ESPN. Three is the studios. And then four, turbocharging Parks. And we should also touch on efficiency initiatives along the way.

Maybe starting, Bob, with streaming. You mentioned your profitability is a few quarters away. Q4 for DTC. And that's going to be a really important driver for the company long term. Give us

some insight into what the path is to creating, not just a profitable business, but a large, growing, and substantially profitable business over the long term.

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

Well, the path begins with – I talked about restructuring earlier – but putting streaming under a completely new management structure. And in Alan Bergman and Dana Walden, we now have two executives who are managing streaming globally. They also happen to manage all of our content creation on the TV and on the film side. And that's really important when it comes to streaming, because obviously streaming is a path to them monetizing what they make in a much more efficient, much more effective way. But it starts with that.

It also starts with really examining the cost structure. We took \$7.5 billion of cost out of the company. Some of that came out of streaming. We also believe we are on pace to exceed the \$7.5 billion, which will be a great thing. And that's clearly having an impact on the bottom line.

But also when it comes to streaming, it's a variety of different things. When we launched Disney+ in 2019, our goal was to have basically robust video projection – or video experiences at-scale. And we needed that because we signed up 10 million subs in the first 24 hours, and you know we got to 100 million very fast.

But what we didn't have was the technology that we needed to basically lower customer acquisition and retention costs, to increase engagement, to essentially grow our margins by reducing marketing expenses. We're now in the process of creating all and developing all of that technology. And obviously the gold standard there is Netflix.

We need to be at their level in terms of technology capability. And one of the reasons why their margins are so much more significant than ours is because they have that technology. So our marketing expenses are significantly higher. Our churn rates are higher than they need to be.

Obviously to improve churn rates, it's not just about technology, it's about increasing engagement. And that's where Hulu comes in. And we have – we call Hulu Star outside of the United States. But in putting basically Hulu into a Disney+ app experience – which we launched in Beta in December, it comes out of Beta at the end of the month – we are not only increasing the volume of content that we have on the platform. But with that comes significantly more engagement.

And in bundling Hulu with Disney+, we're finding, wherever we bundle, churn rates are down significantly. So that's a path to profitability.

Additionally, we have to look at the entire go-to-market strategy really meaning to the consumer of the business. One is we have significant distribution costs as well that we're going to take a look at longer term. We think we can improve that too.

And of course you have to look at your content. And in our case we benefit greatly from the power of those great films. They drive so much engagement and so much – obviously, interest in our platforms that when they are great – and *Moana* is a perfect example of that – the platform obviously benefits tremendously.

So simply, it's not just about improving the movie slate, but with great Pixar films and Marvel films and Disney films, and of course, Star Wars and Avatar – we haven't even really talked much about Star Wars yet. But those will all help in terms of the path to profitability.

But I think to your question for us I should emphasize, it's not just about profitability. It's about turning this into a real growth engine for the company. And I believe that with all of the things that we've just discussed, all the steps that we're taking, it will become a real growth business for us.

Ben Swinburne – *Morgan Stanley*

You guys signed a really interesting deal with Charter last year to bundle Disney+ into the Charter sort of system. I'm a Spectrum customer just got my notice that I'm now provisioned for it – I think I've got Disney+ four or five times. So we're in good shape with...

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

As long as you're paying both ways, or multiple ways.

Ben Swinburne – *Morgan Stanley*

I guess the question for you is, what are the pros and cons of those kinds of deals? And do you think you'll do more of those in the future, at least in the US market?

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

Well, there's really no con, although I guess some people would suggest that a wholesale rate is not as strong as a retail rate. But let's point out that we are infusing the platform with advertising. So, if you can – by basically a wholesale agreement, you can increase subscribers – that obviously helps generate more revenue on the advertising front.

There are no other cons to it at all, it's a win-win proposition for Charter and for Disney. We obviously get – the Charter subscribers all will get Disney+. That's a good thing, particularly as it relates to what I just discussed.

The wholesale sale or distribution of our apps will always be some component of what we do. Obviously, we prefer retail, but wholesale is fine too as we as we seek to grow subs.

One thing we have to look at carefully is in wholesale whether the churn rates are higher than they would be in retail sales. We need to have access to consumers. We need to know when they might be potentially a consumer that's about to lapse.

We need to have the ability to engage with them directly to basically keep them as subscribers and essentially not lean into churn. That would be the only negative.

But we feel good about that deal. Overall, not just for Disney+ and for Hulu, but also for ESPN.

Ben Swinburne – *Morgan Stanley*

Can you talk a little bit about your long-term vision for Hulu within the streaming strategy? You mentioned you have Star integrated into Disney+ in a lot of the international markets. What role does Hulu play long term in your domestic streaming strategy?

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

We've built a good brand, certainly domestically. That's clear. They've got great content. Recent successes like *The Bear*, *Only Murders in the Building*. I don't know how many of you have had a chance to see *Shogun* we've – I guess the third episode hits today. It's a hell of a series and

doing quite well on the service. So we clearly have demonstrated that Hulu is a home for great content. That's great.

It also gives us the ability to put that content into a Disney+ experience without putting the brand at risk. It gives us the wall that we need, and it gives us the ability to give the consumer basically choice in terms of parental guidance – parental controls. And that is really working. That Beta that we're seeing of Hulu on Disney+ is really encouraging for us.

So when it comes out of Beta it will be a much more integrated experience. And with that comes, obviously I think improved business results too.

It's interesting, about 50% or more of the new subscribers to Hulu are now bundling with Disney+.³ And wherever we have a bundled subscriber, we have lower churn.

So Hulu I think is – long-term fits really well into our global streaming plans. Even though we may not turn it into a global brand, because the Star brand is actually working in EMEA and certainly in Latin America and parts of APAC. But the content will basically mirror one another longer-term, save obviously for localization.

Ben Swinburne – *Morgan Stanley*

Okay, that's great. Let's pivot to sort of the second priority that I wanted to talk to you about, which is sports and ESPN.

Couple of quarters ago, you talked about transitioning ESPN into the preeminent digital sports platform. Can you walk us through how you plan to do that? What is the strategy to take ESPN to sort of – a new level for the business?

³ Reflects percentage of total Disney+ retail sign-ups in a Duo or Trio bundle with Hulu

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

Well I think, by the way, I think it almost everything that has to be turned into a digital platform these days. And while linear isn't going away immediately, we know that linear is suffering from the effects of disruption. And is, just generally speaking, not a growth business for the industry.

And so we – our plan is to continue to take advantage of linear, in terms of the – obviously, the revenue and the profits that it generates, but at the same time making the transition. So we're trying to create essentially a smooth transition. The Charter deal provides for some of that, as a for instance.

What we're doing with ESPN – and we should stop for a minute and pause to say, sports, by the way, in today's media environment is incredibly attractive. You look at obviously how robust the ratings have been, the interest in live in general but in sports overall. It's a great business to be in. We're very well-positioned in terms of many of the sports we have. We have we have a wonderful brand. And we've also great programing that's not live sports, but about live sports – *SportsCenter* is a good example.

And the ratings for these programs continue to grow, which is very interesting, in light of the fact that there's erosion of the basic business model that forms the underpinning of the service. So I think it says a lot about sports.

What we're trying to do is be very, very pro-consumer – consumers of all ages, by the way. And that basically means make ESPN available in multiple ways so the consumer can enjoy the sports that they want to watch.

The joint venture that we created with Fox and with Discovery Warner Bros. is an example of that. You've got a lot of people, young people who have not subscribed to the multichannel bundle and you have a lot of people that used to be subscribers that lapsed. We want those subscribe – we want them in, they want to watch sports. We're trying to provide them a less expensive, more focused opportunity for them.

So, I know a lot of folks claim that was disruptive to the bundle. It's – I'm not sure, by the way, the bundle was ever going to get some of those consumers back. Or the generation our kids are part of – get them into it. This is a way to do that.

Additionally, ESPN will launch their – we're calling it flagship – and will launch its primary service as an app-based service available on an-la-carte basis. That too is just an augmented way for people to access ESPN that will be made available to both linear subscribers, and ultimately will be made available to people who are part of the joint-venture. Where if you want the ESPN app and you're already a subscriber to the JV, there'll be a way to do that. Whether it will be an upsell, we haven't really determined that.

And then I think, ultimately way down the road, ESPN will be a fully digital platform. And the flagship service, the true, I'll call it, rich app, that will become ESPN, will also have far more integration of essentially other features like sports-betting, as a for instance.

Ben Swinburne – *Morgan Stanley*

Interesting. And we should expect the JV product I think this fall and flagship next year? Is that right?

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

We've said '25. I'm not sure – I can't remember whether we've specified a month, but sometime in '25.

Ben Swinburne – *Morgan Stanley*

And any update on the strategic partnership conversations that you guys have talked about at this point?

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

No, no updates. We've been engaged in conversations. Not much to add right now. We thought, as we think about a direct-to-consumer ESPN only proposition, figuring out a way to bring in partners, either on the tech side, or the distribution side, or on the content side might be smart. We're engaged in conversations, but nothing more to add.

Ben Swinburne – *Morgan Stanley*

Okay. Maybe just lastly on ESPN, every time you guys sign a rights deal, these are long-term obligations. How does Jimmy and the team sort of approach rights renewals, just given all of the dynamism around the business model underneath ESPN?

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

Well, obviously, we look at them all very carefully. And we look at them not just in terms of their impact on the bottom line and the potential risk, but we look at them in terms of the value of the sport, and we look at them in terms of how – what place they occupy in the overall menu of programming that ESPN offers.

We've made decisions, in some cases, to extend and buy up. In some cases, we made decisions to exit – NASCAR is an example of that; some college football, PAC – Big 10, for instance; we were in golf pretty significantly.

On the other hand, we're leaning more into the college football that we have: a long-term deal with the ACC and the SEC. Obviously, we love our relationship with the NBA. That negotiation is unfolding. It's our goal to stay in that relationship because we love the sport.

We have a long-term relationship with the NFL that has really been firing on all cylinders. The ratings have been great. And you look at basically the new deal that we have, which includes more post-season inventory and a Super Bowl in '27 – early '27 – and extra post season. That's really working.

So I'd say if you look at ESPN's menu of sports today, it's about right in terms of what we feel we need to continue to basically grow the business, but also to make the transition to a digital platform.

Ben Swinburne – *Morgan Stanley*

Great. Okay, let's shift to the studio. And you talked about some of the films you're excited about, but just wanted to step back. I think we both agree the movie performance at Disney matters a lot to the stock, even more than necessarily the earnings contribution. And there's certainly investor concern over sort of the strength of Marvel, Disney Animation, and Pixar. Those studios probably come to mind first.

What are you doing at the management level and with Alan and the team to address performance of the tentpole films?

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

We're doing a lot. When we talk about improving our film slate, there are really three approaches: One is you have to kill things you no longer believe in. That's not easy in this business because either you've gotten started, you have some sunk costs or it's a relationship with either your employees or with the creative community, and it's not an easy thing. But you got to make those tough calls. We've actually made those tough calls. We've not been that public about it, but we've killed a few projects already that we just didn't feel were strong enough. That's very, very important.

Second, you have to look at everything you're making that you do believe in, and you have to take a position that good is not good enough. You have to basically strive for perfection. And I know I talk about the relentless pursuit of perfection. It's really important in the movie business. Hard to achieve because creativity, obviously, is a lot of unknowns and a lot of variables.

But look, I mentioned earlier it's a studio that was number one at the box office for seven out of eight years. That was not an accident. That's a combination of both, obviously the IP that we have, but also the execution, both the management execution and the execution from the creative side. And it's important, and that basically means spending a lot of time with the creators watching these films, giving detailed notes in these films, engaging in a respectful process that results in improvement.

And actually, when I talk about being relentless, it's not letting certain things get in the way of making something great. Whether it's more resources that have to be thrown at it or more time is really important.

The third thing is you have to put into the pipeline things you really do believe in, and we're working on that as well. We also – we did make some management changes at the studio. I feel good about those. We're also managing our costs more aggressively.

Most importantly, in all of this discussion, is focus. And that's not just focus on management, it's focus of your creative team. And in Marvel's case – and I should pause by saying Marvel's released 33 films. The total box office of those films is, I think, \$50 million under \$30 billion. So just about \$30 billion in box office for 33 films. That is not an accident.

Ben Swinburne – *Morgan Stanley*

We got spoiled.

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

Well, I'd like to say we've got to return to something akin to that, and I actually am confident that we will. But one of the things you have to do is, and I talk about focus, is you can't make too much. A lot of people think it's audience fatigue. It's not audience fatigue. They want great films. And if you build it great, they will come.

And there are countless examples of that. Some are ours and some are others. I mean, *Oppenheimer* is a perfect example of that. Just a fantastic film. Enough of the commercial message for our competitors, but – so its focus is really important. We've reduced the output of Marvel, both number of films they make and number of TV shows, and that really becomes critical.

But I feel good about the team. I feel good about the IP we're making. I've talked about a lot of the projects. We look years ahead, really, and it's iterative. It doesn't – you don't say, well, here's our menu of movies from now until 2029. You keep looking and you keep looking. And not only do you look at the films you're making, you look at every part of that process: who are

the directors, who's being cast, reading scripts. I personally watch films three to five times with the team. And just create a culture of excellence and respect, which is really important with the creative community.

And again, the track record speaks for itself, we need to get back to that. But with *Apes*, and with *Inside Out*, and with *Deadpool*, and clearly, I'm excited about *Moana*, and I'm excited about *Mufasa*. And I look into the next year, and then after that, we're making a Toy Story film, and we're making *Mandalorian* into a feature film in Star Wars.

So if you look at the Disney slate between now and, let's call it, '26, it's really strong. And I feel that we will return the studio to not only excellence creatively, but excellence in terms of the bottom line. And what that – the impact of that on our streaming globally is significant.

But you said something interesting earlier, and I'm very mindful of this. Perception of Disney is incredibly linked to the quality and the success of our films. And that's true, by the way, in – through decades. It's fascinating. I'm a student of the company, obviously.

But you look at Walt's day and you look at Michael Eisner's day, and, whether it was the *Snow White* through *Cinderella* and *Peter Pan* of Walt, or Michael Eisner's *Beauty and the Beast*, and *Little Mermaid*, and *Lion King*, for instance. And the years later that we had *Moana* and *Zootopia*, we haven't even talked about *Frozen*, and *Tangled*, and all of those great films. And it's not quite as animation – as movies go, so goes to the company, but it's extraordinary when you think about it. It's bottom line and its brand perception.

Ben Swinburne – Morgan Stanley

If there is one film this group should see this year from The Walt Disney Company, which one?

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

I would hope it will be more than one.

I think *Deadpool* is going to be really big. I'm a big *Moana* fan, great music, great characters, bringing Dwayne Johnson back, for instance, is the voice of Maui.

Ben Swinburne – *Morgan Stanley*

You can't pick one.

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

They're all my kids. I get excited about it. You ask me who's my favorite kid; I have four. Tough one.

Ben Swinburne – *Morgan Stanley*

I won't ask you that.

All right. Let's keep moving on to the Parks business: turbocharging growth. That's really how you guys have been talking about it. Your CFO, Hugh, on the call, talked about your \$60 billion 10-year investment plan at the parks and 70% of that capital going to expanding capacity, and really around the world.

So give us a sense of what the big opportunities are for expanding the Parks business and when we might see that investment ramp begin?

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

Well, I think the whole thing starts with how do you allocate capital as a company? And if you look at the return on invested capital of that business over the last 20 years, particularly over

the last 10, the track record is extraordinary. And we have thousands of acres of land still to develop. We could actually build seven new full lands if we wanted to around the world, including the ability to increase the size of Disneyland in California – which everybody thinks is kind of landlocked – by 50%.

So you look at the returns and where you're going to place your bets in terms of capital to deliver value to shareholders, that's the business to do it. It's not the only business, but it's a business.

Not just on land but on sea because the return on invested capital of our cruise ships has also been excellent. We have five, we're building three more. And I'm very excited about the expansion there, including one which will carry 7,000 passengers and will be based in Singapore because we'd like to open the family cruise ship business in Asia.

Going back to your question, you can look at every single location that we've got, and there's land opportunity. But most importantly, we have so much IP to mine, that there's opportunity there to create experiences that we know people will love to have in our parks. So, many examples. We have one Avatar-based land, Pandora, in Florida. We're going to put a second one in California. That doesn't mean we can't put one in – somewhere in Asia and somewhere in Europe, as a for instance.

We opened up a Frozen land in Hong Kong in November – tremendous response to that. Good investment, big investment, but build it right, build it with excellence, and they will come. We opened up a Zootopia land, which maybe people might have found strange in Shanghai, but *Zootopia* is one of the most successful animated films we've ever released in China, and it's phenomenal there. And success in terms of visitation is tremendous.

So when you look across – like the two Star Wars lands that we opened up in the United States in Florida and in California, also tremendous. So you look at our IP, you look at the land that we

have, you look at the demand that exists in the marketplace and you look at the return on invested capital. It's a no-brainer to invest that way.

So going all the way back, when I talk about growth, it's growing ESPN into a digital platform. It's growing streaming as a business. It's growing the studio again into a great generation of IP; and the bottom line, it's growing Parks and Resorts beyond where it already is.

I talked earlier about the results. This quarter that we're in, when I talked about it growing low to mid-teens in OI over the second quarter a year ago, that's with some pretty tough comps.⁴ In the second quarter a year ago, we had a 50th anniversary in Florida, and we've had continued increase in labor expenses there, and we're growing by double digits in this quarter. So I think it says a lot about – in terms of why we should be investing in that business long term.

Ben Swinburne – *Morgan Stanley*

Makes sense. I wanted to just ask one more on the Experiences front. You guys made a really interesting announcement and investment into Epic Games, \$1.5 billion on your last earnings call. How does that translate in your mind over time to sort of value for the company and for shareholders?

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

Well, it started with really looking at demographic trends. And young kids, Gen Z and Gen Alpha, are spending just as much time playing games as they are on movies and television, about 30% of their screen time. I saw that number, and it was stunning to me because we have to think long term when we run these businesses too. And I always talk about – you need a foot in the

⁴ “Domestic and International Parks & Experiences operating income” is a non-GAAP financial measure. The most comparable GAAP measure is Experiences segment operating income. See discussion on page 27 for additional information concerning these measures.

present to operate your company well, you need a foot in the future to see where the business is going.

When I looked into the future, I realized we're underrepresented in games. We've had a decent licensing business, the Spider-Man game and Sony, for instance, one of the most successful games of 2023, I thought we could do more. And as we studied it, we were really impressed with what Epic had been able to accomplish with *Fortnite*. We knew them well. They were part of an incubator program at Disney years back, and we knew Tim. So we engaged with Tim, and we talked about – like basically, it was a what-if.

And the result was an agreement that is really twofold in nature: a commercial agreement where we build a universe, a Disney universe, which essentially will enable consumers to engage with all of our IP – Marvel, and Pixar, and Star Wars, and Disney– both in terms of creating their own games from the IP, playing games that we create, watching, particularly short form, buying digital goods. And Epic will build that at their expense.

In addition to that, in order to do that, we agreed to take an equity position in Epic that we also feel quite good about. This will launch in a few years; we haven't said specifically when. And I know that they – the word Metaverse was thrown around almost too much to the point where maybe it became a cliché. I'm not going to – we're calling this a universe, I think just so that we don't use the word Metaverse, but this will be a deep – a rich, fully immersive, engaging experience for consumers. And I think not only does it speak to how young consumers are spending their time, but it speaks to basically how much more we can leverage our IP in a completely different medium.

And I think, again, it's a unique position that we're in as a company. And we know it already, there's – Disney has a presence in *Fortnite*. And so this universe will live side-by-side to *Fortnite*, but there will be an interoperability to it. If you buy digital goods in one, you can put it into the other and so on. And we feel – we're excited about this. It came at a time when we had great

earnings. We had a number of other announcements. Unto itself, this would have been a big announcement and should have been.

Ben Swinburne – *Morgan Stanley*

Definitely. One other piece of news recently was, I think, a week or so ago, you announced plans to sort of contribute your assets in India into a new joint venture. I'm wondering if you could just quickly touch on the rationale behind that.

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

We wanted to stay in India. We made a big investment in India when we purchased the assets of 21st Century Fox. We're one of the biggest media companies in India. But, even though it's the most populous country in the world, and we felt we want to be there because of that, we also know that there are challenges in that market.

And we had an opportunity to align with Reliance, which is obviously the company that has done very well there and one that we respect. And in doing so, end up owning part of a bigger media company. And we believe that that not only should benefit us in terms of the bottom line, but de-risk us as well there.

So it's kind of the best of both worlds. We stay in the market at a significant level. We have a very good partner in Reliance, and we get to have a chance of growing a business and lowering the risk of doing so.

Ben Swinburne – *Morgan Stanley*

Got it. That makes sense.

Okay, so I think as everyone here knows and obviously is focused on, Disney is in the middle of a contested proxy season with two activist investors in trying to gain board seats. What would you say to shareholders who are sort of debating the merits of their claims, Bob?

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

I think – this discussion, I think demonstrates or illustrates that this is a very complex company to run. There are many moving parts; there are different markets; there are different industries that we're in– cruise ships, and streaming, and movies, and TV, and theme parks, and you name it– there are different dynamics. It's – obviously, many of the businesses are experiencing the effect of disruption, as a for instance. It's one that takes not only a significant amount of knowledge, but a tremendous amount of time and focus.

And I'm not talking about just me, I'm talking about me and the entire senior management team of the company. We're at this hard every day.

And when you go from fixing, which was significant and heavy lifting, to building, to really creating meaningful growth for our shareholders, the only way you achieve that is by focus. And this campaign is, in a way, designed to distract us. To take our eye off all of those balls that we talked about that are necessary – that time and focus is necessary to generate what we need to generate for the shareholders. It's that simple.

And I am working really hard to not let this distract me because when I get distracted, everybody who works for me gets distracted, and that's not a good thing. I'll leave it at that.

Ben Swinburne – *Morgan Stanley*

Got it. That's helpful. Thank you.

So listen, to wrap up here in our last couple of minutes, you often talk about being an optimist, but being a realist as well. I sort of shamelessly used that in my note over the weekend. I hope you don't mind.

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

Did you quote me or did you plagiarize me?

Ben Swinburne – *Morgan Stanley*

In retrospect, quoting you. Hopefully, everyone picked up on it at the time, it was obvious.

But you've been running the company for the better part of two decades. And as you think about putting the company on a path to be successful for the next couple of decades, how are you feeling about the prospects for Disney as you think about what you and the team are doing and working on every day?

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

Well, I do believe, by the way, it's important when you lead any organization, you need to be an optimist, but I also think it's important that optimism is based on fact or reality. And I think I've cited a number of reasons why I should be optimistic.

So I am very optimistic. I feel the momentum, but it really starts with a great team. We have great people running our four key businesses. And we've strengthened our executive team significantly. You mentioned Hugh earlier. It's great to have him aboard, very experienced CFO, admittedly in a different business, but he's hit the ground running and been one of the best students I've ever seen in entertainment. I think it's a lot of fun, too, by the way.

We have a new person running HR; we've got a Chief Brand Officer; we have a great senior management team; we do have great assets, I think we have an enviable collection of those

assets. We've got a stronger balance sheet, the wherewithal to invest in our businesses to create growth. And a market that – I think one of the things that we're so fortunate to have is – this is a world that needs to be entertained. We're in a business that is serving a global population in a very, very important and a very, very, I think, valuable way.

So I love how we're positioned. I don't get daunted by disruption. I believe, basically, the best way to contend with disruption is to embrace it, actually become a disruptor. There are multiple examples of how we did that.

The first one to put programming on iTunes. We were the first traditional media company to go into the streaming business. One could argue that we might have done it earlier, but we had to be mindful of the impact that was going to have. We're willing to take chances. We're willing to make big bets. We know fundamentally that the most important thing is to create great things. And I'm sitting here today, whatever how many years I've been in this job with, I guess, an 11-month interruption of sorts for what was a pleasant retirement, and I feel great.

Ben Swinburne – *Morgan Stanley*

Well, I really appreciate you being here with us, Bob, and I hope you come back next year.
Thanks, everybody.

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

Thank you. Thank you all.

Non-GAAP Financial MeasuresFree Cash Flow

“Free cash flow” is a non-GAAP measure and is calculated as cash provided by operations less investments in parks, resorts and other property. Cash provided by operations, which is the most directly comparable GAAP measure, for the full fiscal year is currently trending slightly higher than our expectations at the time Disney provided its free cash flow guide in its first quarter fiscal 2024 earnings release. Quantitative reconciliation of estimated measures of forward-looking free cash flow to cash provided by operations for the fiscal year 2024 is provided below.

The following table reconciles cash provided by operations to free cash flow:

(\$ in billions)	FY2024E
Cash provided by operations	~\$14
(-) Investments in parks, resorts and other property	(~6)
Free cash flow	~\$8

Domestic and International Parks & Experiences Operating Income

“Domestic and International Parks & Experiences operating income” is a non-GAAP financial measure and is calculated as Experiences segment operating income less Consumer Products operating income. Disney estimates year over year growth in Experiences segment operating income, which is the most directly comparable GAAP measure, in the second fiscal quarter fiscal 2024 to be approximately in the low teens. Disney is unable to provide without unreasonable efforts a quantitative reconciliation for forward-looking Domestic and International Parks & Experiences operating income to that most directly comparable GAAP measure because Disney is unable to predict information which is in certain cases out of Disney’s control and could have a potentially significant impact on future GAAP and non-GAAP financial results.

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 our expectations, beliefs, plans, financial prospects, trends or outlook and guidance; financial or performance estimates and expectations (including estimated or expected revenues, earnings, operating income, free cash flow and margins) and expected drivers; business plans and opportunities; future programming and production costs, capital expenditures and investments, including opportunities for growth and expansion; organizational structure and leadership decisions; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, advertising, revenue and subscriber growth, pricing, product acceptance and enhancements, expansion, changes to subscription offerings, churn, engagement and margins; anticipated demand, timing, availability, pricing, utilization or nature of our offerings (including experiences and business openings, content within our products and services and content releases and distribution channel); shareholder returns; consumer and advertiser sentiment, behavior or demand; cost reductions and available efficiencies; strategies and strategic priorities and opportunities; expected benefits of new initiatives, including for which definitive agreements have not been signed and may not be consummated or subject to regulatory approval or other conditions, and other strategic transactions; value of our intellectual property, content offerings, businesses and assets, including franchises and brands; and other statements that are not historical in nature. Any information that is not historical in nature is subject to change. 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 invest in, our pricing decisions, our cost structure and our management and other personnel decisions), our ability to quickly execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as from developments beyond the Company’s control, including:

- the occurrence of subsequent events;
- deterioration in domestic and global economic conditions or a failure of conditions to improve as anticipated;
- deterioration in or pressures from competitive conditions, including competition to create or acquire content, competition for talent and competition for advertising revenue;
- consumer preferences and acceptance of our content, offerings, pricing model and price increases, and corresponding subscriber additions and churn, and the market for advertising sales on our DTC services and linear networks;
- health concerns and their impact on our businesses and productions;
- international, political or military developments;
- regulatory and legal developments;
- technological developments;
- labor markets and activities, including work stoppages;
- adverse weather conditions or natural disasters; and
- availability of content.

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, including direct-to-consumer profitability;

- our operations, business plans or profitability, including direct-to-consumer 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 September 30, 2023, 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.

The terms “Company,” “Disney,” “we,” and “our” are used above and in this discussion to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.