Q4 FY24 Earnings Conference Call

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Disney Speakers:

Bob Iger

Chief Executive Officer

Hugh Johnston

Senior Executive Vice President & Chief Financial Officer

Moderated by:

Carlos Gómez

Executive Vice President, Treasurer and Head of Investor Relations

PRESENTATION

Operator

Good day everybody, and welcome to The Walt Disney Company Fourth Quarter and Full Year 2024 Financial Results Conference Call. (Operator Instructions).

After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note, today's event is being recorded.

I would now like to turn the conference over to Carlos Gómez, Executive Vice President, Treasurer and Head of Investor Relations. Please go ahead.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Good morning. It's my pleasure to welcome everyone to The Walt Disney Company's fourth quarter 2024 earnings call.

Our press release, Form 10-K, and management's posted prepared remarks were issued earlier this morning and are available on our website at www.disney.com/investors. Today's call is being webcast, and a replay and transcript, as well as the fourth quarter earnings presentation, will all be made available on our website after the call.

Before we begin, please take note of our cautionary statement regarding forward-looking statements on our Investor Relations website. Certain statements on this call, including financial estimates or statements about our plans, guidance or expectations and drivers, such as future revenues, profitability, earnings, subscribers, demand, investments, content offerings and acceptance, cash position, cost structure and capital allocation, and other statements that are not historical in nature may constitute forward-looking statements under securities laws.

We make these statements on the basis of our views and assumptions regarding future events and business performance at the time we make them, and we do not undertake any obligation to update these statements.

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

These factors include, among others, economic or industry conditions; competition; execution risks, including in connection with our business plans, potential strategic transactions, and our content; cost savings; the market for advertising; our future financial performance; and legal and regulatory developments.

For more information about key risk factors, please refer to our Investor Relations website, the press release issued today, and the risks and uncertainties described in our Form 10-K, Form 10-Q, and other filings with the Securities and Exchange Commission.

Also note that when discussing our results and outlook, we will refer to non-GAAP measures. A reconciliation of non-GAAP measures that are referred to on this call to the most comparable GAAP measures can be found on our Investor Relations website.

Joining me this morning are Bob Iger, Disney's Chief Executive Officer; and Hugh Johnston, Senior Executive Vice President and Chief Financial Officer.

Following introductory remarks from Bob, we will be happy to take your questions. So, with that, I will now turn the call over to Bob.

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

Good morning. As I reflect on the two years since I returned to the company, I'm incredibly proud of how much progress we've made. We have emerged from a period of considerable challenges and disruption and we're well positioned for growth.

We put in place specific strategies to generate growth across our businesses, and our solid results this quarter are a clear indication they've been successful. Given the momentum we see, we believe we can continue to drive healthy growth beyond this year, including our expectation of high-single digit adjusted EPS growth in fiscal 2025, accelerating to double-digit adjusted EPS growth in fiscal 2026 and '27. I'm especially grateful to my leadership team, and everyone at Disney who has played a role in setting us on this path for a new era of growth.

On the creative front, our renewed strength is a result of the extensive work we began two years ago to restore creativity to the center of the company. In television, our branded series and general entertainment programming are performing exceptionally well, drawing new audiences and winning an unprecedented number of accolades, including a record-breaking 60 Emmy Awards.

In film, we're extremely proud of our performance at the summer box office, fueled by the top two movies of the year to date – *Inside Out 2* and *Deadpool & Wolverine*. We're excited to close out the year with two other highly anticipated titles, *Moana 2* and *Mufasa: The Lion King.* Looking to 2025, we have an extremely promising content slate, including *Captain America: Brave New World*, *Lilo & Stitch*, *The Fantastic Four: First Steps*, *Zootopia 2*, and *Avatar: Fire and Ash.*

It's worth noting that a successful Disney movie today drives more value than it ever has in the past, with our increased number of consumer touchpoints extending the reach and impact of our world-class storytelling – from Streaming to Parks and Resorts, Cruise Ships, Consumer

Products, and Games. This multiplier effect means that the system economics of our movie business has never been stronger.

Disney's Experiences segment continues to be the gold-standard for the industry, and we have an investment strategy that is highly targeted in terms of projects, locations, and IP, and is designed to drive operating income growth and attractive returns.

This all comes at a time when the footprint of our parks & experiences is growing. With six locations that attract guests from across the world, we have multiple exciting expansions currently in the works. After we unveil the *Disney Treasure* next week, Disney Cruise Line's fleet will grow to a total of six ships with seven additional ships currently in development. Plus our collaboration with Epic Games will allow us to integrate our popular brands and franchises in a transformational new games and entertainment universe.

Meanwhile, we ended the quarter with 174 million Disney+ Core and Hulu subscriptions. And in five short years, we have built Disney+ into a streaming destination unlike any other with more than 120 million Core subscribers. And with the addition of Hulu on Disney+, it is the ultimate collection of high-quality content for every member of the household, from our extensive library of branded and general entertainment titles to news and live events. We have invested to make our already-profitable streaming business a significant growth driver for the company, and we are strengthening that streaming offering even more on December 4 with the introduction of an ESPN tile on Disney+.

This is the beginning of an exciting new era for ESPN. We have secured rights to many of the most popular sports for years to come at a time when the value of live sports is undeniable, contributing to an industry-leading portfolio of sports programming for Disney. And this integrated streaming experience moves us one step closer to bringing a full sports offering to Disney+ in the U.S. as we prepare for the launch of ESPN's flagship DTC offering in early fall of 2025.

Taken as a whole, we have a lot to be proud of, both from a creative and a financial standpoint. And as we look to fiscal 2025 and beyond, we are confident in our continued ability to drive sustained growth and create shareholder value through our world-class portfolio of assets.

And now we'll be happy to take your questions.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, Bob.

As we transition to Q&A, we ask that you please try to limit yourselves to one question in order to help get us through as many questions as possible today.

And with that, operator, we are ready to take the first question.

Operator

Thank you, sir. (Operator Instructions). Today's first question comes from Ben Swinburne with Morgan Stanley. Please go ahead.

Ben Swinburne – *Morgan Stanley*

Good morning, and thank you for all the detailed disclosure in the documents this morning and for filing the K along with earnings, appreciate it.

Bob, I feel like the ESPN flagship launch is in many ways sort of the last big strategic pivot of your content assets to streaming, you know, after you've already accomplished that on the Entertainment side. I thought it was interesting you guys are guiding to Sports OI growth in '26, which will be the first year of that product. You also have the NBA cost to absorb.

You talked a little bit about it in the prepared release this morning, but can you give us a sense for what you think that product is going to do for sports fans? For ESPN fans? And you know, how it sort of moves the ball forward, sorry for the bad pun, in terms of customer experience and ultimately drives that segment as you look out beyond, you know, ’25? Because obviously the linear challenges are well known on the ESPN side.

And, I don't know if I could just get Hugh to give us some color on the acceleration in Experiences OI he's expecting in ‘25 from what we're seeing right now. That would be certainly helpful. Thanks a lot.

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

Thanks, Ben. I'll address the ESPN question that you asked. I think as you look at Flagship, you have to consider that it is ESPN like it has never appeared before for the consumer. Meaning, it will have not only basically the basic ESPN services, which is coverage of live sports and studio shows and commentary, but it'll have many, many other features, like betting fully integrated.[1]

But I think one of the things that hasn't been appreciated yet is that when you apply technology to the presentation of sports, almost anything is possible. So, imagine an AI-driven personalized *Sports Center* as a feature, for instance. Imagine essentially being able to tailor your sports experience, not just watching *Sports Center*, but in a thoroughly personalized way. I think essentially it will be designed to serve the consumer in the most compelling way ESPN has ever served the consumer.

The other thing I think you have to look at, just in terms of being optimistic about the migration, is that live is extremely, extremely attractive to advertisers today, and live sports in particular.

[1] The ESPN App will allow tracking of bets placed through ESPN Bet account linking

So, if you look at what's going on today, not just with ratings, but with interest from advertisers, and then you look at the ad technology that we've already built and that we're continuing to improve, and you consider what that can do in an app-based world, not just in a linear world, the value we can deliver, not just to our viewers or customers, but also to our advertisers, is -- will be very compelling.

So, highly customized, highly mobile, fully integrated, with all kinds of features, and in my opinion, the best product the consumer has ever seen in sports.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Yeah, hey Ben, it's Hugh. Obviously for Experiences OI we guided the 6 to 8 for the year. Q1 will be negatively impacted, of course, by the combination of the two hurricanes as well as the pre-launch cost for the *Treasure*.

So, Q1 will be negative. As we move through the course of the year, we'll move to positive in Q2 and then see further strengthening over the course of the year. The drivers on that are, number one, obviously, the *Treasure* is coming in and we'll see continued strengthening from that. Number two, we overlap our Q4 labor costs in Disneyland Resort, so that will be a positive from a laps perspective. And then number three, we do expect the consumer to gradually strengthen through the course of the year.

We also know that the bookings that we have in the back half of the year are positive right now. So, we're optimistic about how bookings are looking as we get into the back half of next year. So hopefully that's helpful.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, Ben. Operator, next question please.

Operator

Yes, sir. And our next question comes from Jessica Reif Ehrlich with BofA Securities. Please go ahead.

Jessica Reif Ehrlich – *Bank of America*

Thank you. Can you provide an outlook on consolidated advertising growth in coming years? You have so many tools in your tool chest, like ad tech capabilities, as you mentioned, Bob. But on one hand you have the linear challenge, and on the complete opposite end you have the growth of Entertainment and Sports in streaming.

And then secondly, could you give me some color on CapEx next year? Because it looks like Free Cash Flow will be modestly down.

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

I spoke with Rita Ferro who runs global ad sales for the company yesterday just to get some up-to-the-minute flavor or color on what's going on in the market.

One of the things that she said, by the way, is that linear is very strong right now. One of the reasons for that, by the way, is live. And also because it provides-- linear provides a differentiated audience than, than streaming. And the way we integrate those businesses, not just from a programming perspective or a technology perspective, but from an advertising perspective, gives us some interesting leverage in the business and enables us to offer advertisers a much broader, even deeper offering in terms of avails. So, it's basically the combination of both is working for us.

We're also programming them in an integrated way. So, if you look at the fact that ESPN uses ABC to program the NFL on Monday nights in a simulcast way, significant amount of college football, you'll note when the season opens, NBA will continue to have a great presence on ABC. So, you're not only offering the customer -- the advertiser -- a differentiated audience and live, but you're also offering the consumer that. Meaning the ability to watch sports on multiple platforms. Bottom line, it's working.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Yeah, Jessica I'll add to that as well. As you know, in 2024 advertising grew 3%. We expect to be at or stronger than that as we -- as we enter 2025.

As Bob mentioned, in particular, the ad tech stack that we put together, our ability to deliver the right ads more effectively to consumers, particularly in the streaming business, is a competitive advantage that we've built, and it's owned and is proprietary to Disney. So, we certainly feel optimistic about our ability to gain share in advertising based on that.

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

By the way, one thing that I don't think is appreciated is that we're also working well selling inventory with Google and YouTube.[2] Basically offering advertisers to buy those platforms, a differentiated audience through a trade desk mechanism. And our ad tech obviously enables us to do that.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks Jessica. Operator, next question please.

[2] Google and TradeDesk

Operator

Yes, sir. And our next question today comes from Robert Fishman with MoffettNathanson. Please go ahead.

Robert Fishman – *MoffettNathanson*

Great, thank you. Bob, since hiring Adam Smith from YouTube, anything you can share about his priorities and how that can impact the future of Disney+ or the other streaming products?

And then Hugh, can you maybe just share your confidence in achieving the strong double-digit margins beyond 10% in DTC and fiscal ‘26? And because that guidance doesn't include Hulu Live, maybe just help us think about the future of that product, please. Thank you.

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

Thanks for the question. Adam is already hard at work and making progress in improving the technology across all of our streaming businesses, and he's got a number of priorities.

One, obviously, is flagship. Another is -- and we noted in our comments earlier -- that we're launching an ESPN tile on Disney+ on December 4, so he's working on that. In addition to that, personalization, customization, designed initially to improve engagement. Just basically by adding stronger recommendation engine capabilities on the home page, we're already seeing increased engagement in a very short period of time. He's going after password sharing. We launched in LATAM just this week. And we now are—we have password sharing, or anti-password sharing initiatives I think in over approximately 130 countries. So, that's also on his list. We’re unifying tech stacks, including media serving, and our entire ad stack across Disney+ and Hulu, and basically a lot more.

Obviously, what we're doing here is designed not only to create a better customer experience, but to increase engagement and reduce churn.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Yeah, and Robert, in terms of your answer on confidence around achieving the double digit margins, it's probably best to just sort of go back to the building blocks as to how we get there.

Number one, we're looking to continue to grow subscribers, as we have. And the thing I'd remind you of in that regard, given the point that we're at, many ways -- the DTC business shares a lot of the characteristics of a software business where an incremental subscriber has very, very high margins attached to them because it's relatively low incremental cost. So continuing to grow subscribers, number one.

Number two, we'd certainly look to continue to increase pricing in-line with the value that we're providing to consumers. And a lot of the growth that we're seeing right now is because of the exceptional content that's coming out of both the movie and the TV studios that's obviously our proprietary content. So that -- that will certainly enable us to increase pricing over time.

Number three, as Bob mentioned, a lot of Adam's priorities around product updates and features that will increase engagement and reduce churn, including improving the recommendation engine, is certainly going to be a benefit to our growth.

Increasing our ad monetization, as I was just discussing, with the ad tech that we built.

And then of course, international continues to be a significant opportunity.

So, add all of that together, we wouldn't have given any of the guidance that we did if we didn't have confidence in delivering it.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks Robert. Operator, next question please.

Operator

Yes, sir. Our next question comes from Steven Cahall with Wells Fargo. Please go ahead.

Steven Cahall – *Wells Fargo*

Thank you. So, you know, a multi-year guide is really impressive and it's helpful since there is so many moving pieces of the segments. You know, over the last five years or so, I think Disney investor experience with guidance has at times been mixed under prior management. So just wondering how we should think about the ideological approach here to guidance as it relates to some of the conservatism that you've baked in.

And in broad terms, is the acceleration in EPS growth from fiscal 2025 to fiscal 2026, is that basically just comping the flagship launches and the hurricanes and that sort of thing?

And then just on flagship, just how do we think about maybe what the year one launch costs are, what the ARPU of that product could be? And when you think you might be able to get to break even on that product? Thank you.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Sure, so why don't I handle the guide. In terms of the way that we're thinking about it, it's really driven by a couple of things. Number one is obviously the significant improvement in DTC, where we've invested a considerable amount of money in building that product. And number two, it's in light of the significant investments that we've made and are going to continue to make in Parks and cruise ships and in -- even in Consumer Products.

So, as we thought about those investments, we've obviously talked about the results that we've seen and we feel very, very positively about those results, but we thought it was also very fair to give to investors, not just operational results, but an expectation as to what we expect these investments to return. Hence the guidance. Rather than just focus it on the narrow pieces -- although we've given you, I think, good segment detail -- we thought it was also important to give you a picture of the overall company. So philosophically, because we've invested, we do feel like it's appropriate for us to give you a multi-year look because these investments are obviously multi-year in nature.

In terms of our confidence in delivering it, obviously we've got confidence in it otherwise we wouldn't do it. We know it's important to deliver the guidance that we give and that's why we've given it.

So, as relates to flagship, I think it's a bit early to be talking about ARPU on flagship. We do think that product will be additive to us in 2026. And yeah, there'll be an investment then that's part of the 2025 guide. But that investment, we're looking to pay back relatively quickly in 2026.

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

To add to that, we have considerable visibility on our content pipeline as well. And one of the things that we've seen lately that is heartening is that when we have success in a feature film or even when there is expected success, the consumption of basically prior films -- movies that have been made prior to the one that's coming out goes up -- spikes significantly on the platform.

So, if you were to look at the numbers for *Inside Out* one as *Inside Out 2*'s trailer hit, or what's happening with the first *Moana* film, or what's happening with a number of Marvel properties since *Deadpool and Wolverine* came out, and I could go on and on. It's quite interesting for us in terms of raising consumption.

So, as we look ahead, I noticed some of the films in 2025, which is going to end with *Zootopia* and *Avatar*. And then you look at 2026 and you consider that we've got a Star Wars film, *Mandalorian*, an Avengers film, a live action version of *Moana*, and on and on. You know, we feel that, one, we're confident in our ability to execute those films in a way that will serve us well, both qualitatively and commercially. And two, we have a strong sense that they're going to enable us to strengthen our streaming performance significantly as well, as we're currently seeing with the films that we're putting out.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, Steve. Operator, next question please.

Operator

Thank you. And our next question today comes from John Hodulik with UBS. Please go ahead.

John Hodulik – *UBS*

Great, thanks, two if I could? First of all, Bob, it looks like Comcast is going to move ahead with a spin-off of its cable networks. And I know you guys have looked at something similar in the past, maybe with -- on the linear entertainment side. Is that something that you guys could revisit either as part of, sort of this sort of more industry move? And then to be more broadly, does the change in the administration, does that change your view in terms of opportunities with regard to M&A?

And then secondly, maybe for Hugh, and I know you guys get this question every quarter, but just give us an update on sort of your view on the impact that the launch of the Epic Universe is going to have. It looks like that -- that's going to hit early summer, sort of just as you're expecting an acceleration in the Parks business. Just how you expect that to impact the sort of mid-year and that acceleration in Experiences. Thanks.

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

John, Hugh and I will both take the question as it relates to divestitures or consolidation. I'll start on the consolidation front.

You know, in late 2017, when we announced initially that we were acquiring assets from 20th Century Fox, we specifically mentioned that we were doing so through the lens of streaming. We saw a world where streaming was going to proliferate and we knew we needed not only more content, but more distribution, and with that came just a tremendous amount of content. We talk about -- when you talk about 60 Emmys, so much of that came from that acquisition. Or when we talk about *Avatar* as a for instance, that came from that acquisition. I could go on and on.

In addition to that, people forget, that came with control of Hulu and ultimately ownership of Hulu. That distribution packaged well -- integrated well with Disney+, has enabled us to achieve the numbers we've achieved, which is approximately 174 million global subscribers[3] and an ability to really see into the future of streaming through a very optimistic lens.

So, in a way we've already consolidated. And while I think we'll always look opportunistically at opportunities as we've proven in the past, we certainly aren't -- don't shy away from those, we

[3] Approximately 174 million Disney+ and Hulu subscriptions

know, in many respects, we've already consolidated. We don't really need more assets right now, either from a distribution or from a content perspective, to thrive in basically a disruptive media world.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

And John, I'll answer the divestiture piece as well as your question on Epic. Regarding divestitures, one of the first things I did when I came in as CFO of PepsiCo was to take a look at whether there was an opportunity here to create value through divestiture, and candidly I just didn't see one. And I spent a considerable amount of time studying it.

First, from a financial perspective, and you know it's always easy to sort of play with spreadsheets and sort of make the math look like there's value creation, but at the end of the day, there's two things to consider. Number one is what are the prices you would get? And then number two, what's the frictional cost operationally of separating those assets? And as I went through the math on both, it was pretty clear to me that there wasn't a value creating opportunity for Disney. I can't speak to other companies and what opportunities they have with the assets they have, but I absolutely did not see that for Disney.

Regarding Epic, we did model that into our expectations for the experiences outlook. As I mentioned earlier, the early bookings that we have next summer are actually positive, so that's certainly a positive indicator. We also looked at the history of other attractions opening up and other parks opening up in Florida, and it's generally been beneficial to us. So that is all very much captured in the -- in the guide that we provided.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, John. Operator, next question please.

Operator

Thank you. And our next question comes from Michael Morris at Guggenheim. Please go ahead.

Michael Morris – *Guggenheim*

Thank you, good morning guys. A couple questions, first with respect to content production that you've been focused on quality over quantity, have you been -- you know, as you've been strengthening the core of the business, how are you thinking about growth in spend into that pipeline going forward both in 2025 and maybe just sort of the pace of content growth beyond that?

And then secondly, appreciate the listing of the new projects that you have on the Experiences side. You have a number of footprint expansions, especially in the US, so when you think about the longer term return on these investments, how much of that is driven by really expanding capacity and accommodating more guests maybe versus driving, you know, the pricing power at the parks because you have these great new attractions. Thank you.

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

I'll take the content production side. You know, we feel we have a great hand. But as we look to grow our streaming business, we believe there will be opportunities and even a need for us to do some selective investing outside the United States, notably in EMEA and in APAC. We've slowed down our investment in those markets, and in fact we're being careful about our overall investment until we get the technology right, until we improve the technology. Because clearly, if we can use technology to reduce churn, which we're already doing, then in reality what we're doing is we're increasing return our investment in content.

And so we don't want to spend on the content side until we're confident that we can get the necessary returns on those investments. But we know as we look to grow our streaming business that prioritizing markets outside the United States with specific content in those markets will be part of that strategy.

I don't think you should consider those investments to be enormous in nature by any stretch of the imagination because we know that we're making content that has global application. If you look at just the movies that I mentioned as a for instance, that work not in all markets but in most markets, that we don't have to spend as much as some of our competitors. And as those movies -- that's not just the franchise value, as they become more successful -- obviously they drive more value as well.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Yeah, Mike, and just add to Bob's comments on that, we have modeled in some incremental growth in content spend. Not enough to be significantly disruptive to the overall cash flow or algorithm for the company, but we have absolutely modeled that in because we do view international as a terrific opportunity.

Regarding your question on Experiences and particularly the parks, pricing versus attendance. What we projected in is a balance of both. So, I don't want to get into the specific numbers on it, but we're not assuming it's going to be just price or it's just going to be attendance. There'll be a balance of both and frankly we'll have the ability to flex that as we learn our way into it. But I think we've got it modeled reasonably conservatively.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks Mike. Next question, please.

Operator

Absolutely. And our next question today comes from David Karnovsky with JPMorgan. Please go ahead.

David Karnovsky – *JPMorgan*

Hey, thank you for the question and forward commentary. You know, one area that understandably received less focus in the outlook was Linear Networks. Interested to understand better how you built the multi-year forecast, how you thought about managing that business over the next several years.

And then just relatedly, the first call post the Direct TV Agreement, can you speak to any important impacts to Disney? How we should think of that deal structure as a template going forward versus some other deals you've done in the recent past, like Charter. Thanks.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

I'll handle that one David. Regarding linear, we modeled that it would continue to decline. You know, the beauty of the position we find ourselves in right now with roughly 175 million streaming consumers is we have a bit of a natural hedge in the way that our portfolio operates.

So to the degree that people leave linear and, and choose to go the streaming route, generally speaking, they're going to be coming our way and we have obviously terrific ways to monetize those. So as that evolves based on consumer choice, I think we're well positioned if they decide to stay in linear for longer, I think we're well positioned if they decide to move over to the streaming side.

And frankly with what we've put on the service and what the plans that we have to put more things on the service, I think in many ways, we're sort of a must have platform inside of most households.

Regarding Direct TV, like all of these deals, they're basically uniquely crafted to the situation of that particular partner. So, I wouldn't try to read through any of that into any other deals. I think it's a good deal for us, I think it's a good deal for them, and we both feel good about where we've gone. But I think these things are generally going to be somewhat bespoke.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks David. Operator, next question please.

Operator

Yes, sir. And our next question today comes from Laurent Yoon with Bernstein. Please go ahead.

Laurent Yoon – *Bernstein*

Thank you for taking the question. It's great to see continuing momentum in streaming and the margin expansion story is certainly very promising. You're building on your comments around the building blocks of that growth. Could you provide some color on how much of that growth is subscriber growth versus pricing in the foreseeable future? And of course, the 2025 -- fiscal year 2025 in particular.

And on a related question, local language content seems paramount to -- very important to increase engagement in the local market. And we see your competitors expanding local content perhaps more than what we see on Disney platforms. So, do you have plans to be more aggressive in international expansion with more locally tailored content? Thank you.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

We're happy to address those. Regarding streaming, we expect our growth to come from a balance of pricing as well as sub growth. It may tilt slightly towards pricing. And again, we're going to read the market, and we can react to it as it plays out. But our expectation right now is it will be both subs and pricing, a little bit more tilted towards pricing.

Regarding local content, I'm not sure I have much more to add to what Bob had already mentioned, which is we do see it as valuable. We actually do a reasonable amount of that already, particularly in APAC with some of the Korean dramas that we do. And we also do some in Latin America. But as Bob mentioned, we don't want to invest too heavily there until we feel like we're comfortable with the products such that we'll have the churn operating at the right level. So that's my expectation.

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

I'll add to that, you know, we had two billion-dollar movies so far this year. Actually, the only two in the industry. The box office that those movies garnered came from all over the world. So those movies resonate in those markets. And if you look at some of our competitors who don't have, you know, movies of basically that quality or you know, that level of success, they have to spend more in local content because they don't have that.

The other thing I would just want to say about pricing, is it's not just about raising pricing, it's about moving consumers to the advertiser supported side of the streaming platform. So right now, in the United States, about 60% of all new subs[4] are going to -- are buying our streaming

[4] Disney+ subscribers

services, advertising supported or AVOD. I think right now, I think it's 37% of total subs in the US are AVOD subs -- 37% in the US and 30% globally.[5]

So, the pricing that we recently put into place, which is increased pricing, was actually designed to move more people in the AVOD direction because we know that the ARPU and interest in it from advertisers and streaming has grown.[6]

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, Laurent. Operator, next question please.

Operator

Thank you. And our next question today comes from Tim Nolan with Macquarie. Please go ahead.

Tim Nollen – *Macquarie*

Hi, thanks very much. Could you please address the topic of divestitures in India? I think you mentioned in the guidance, a few lines that incorporate those. I just wonder if there's anything more to add to adjustments we should make for the sale of the assets in India. And then relatedly, what are the -- what is the business going to look like for you in India? I think you're going to retain a stake with Reliance. Just talk a little bit about your presence in India, post the divestiture or the partial sale, please.

[5] Disney+ subscribers
[6] Sequential Disney+ AVOD ARPU compared to prior quarter

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Yeah, happy to address that. We're very, very excited about the deal with Reliance. Obviously, they're a terrific company and have a huge presence in India. Going forward, we will have a percentage ownership in the high 30s. And obviously that the Reliance people with -- with their share of ownership will be managing the business.

In terms of the specific implications on Disney's financials, we did anticipate closing. We've got it included in the guidance to the degree that you have more detailed questions around that I'm sure that the Investor Relations team can help you model that out.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks Tim. Operator, we have time for one last question.

Operator

Thank you. And today's final question will come from Bryan Kraft with Deutsche Bank. Please go ahead.

Bryan Kraft – *Deutsche Bank*

Thank you. Good morning. I wanted to ask just one on Parks and one on Disney+. So, on Parks, is the softness in domestic behind you at this point? It seems like performance there was better than you expected when you reported back in August. And on the international side, it seems like there was some new softness that showed up in 4Q in the International Parks. So in light of that just wanted to ask how we should think about international growth going forward.

And then my question on Disney+ really has to do with the sub growth in the quarter, which was strong in international core subs. Was there anything chunky in the quarter like a wholesale relationship coming online or is this seasonality? I know there was a similar jump in 4Q 2023. Or was it some other factor? Thank you.

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*

Sure, happy to take those Brian. You're right, in domestic we certainly feel like the consumer is strengthening as I mentioned earlier. We obviously saw growth in Domestic Parks and certainly feel very positively about that. So, and that that's our expectation going forward, is a gradual strengthening in the consumer.

Regarding international, two factors. Number one, the Olympics in Paris. That whenever there is an Olympics in the city that we have a park, we typically see an attendance hit, and that's exactly what we saw. And we saw that coming, which is why we indicated that to you back on the Q3 call in terms of our expectations. In addition to that, we saw some consumer softness in Shanghai. Candidly, we expect that to be temporary, and we expect that to bounce back as well. But it was nothing that should be concerning for the long term regarding the parks.

Regarding international subs. No, nothing chunky. This was -- this was good solid addition to the subscriber base in international. So, we came off of Q3 and obviously had considerable success in adding subs in Q4.

Carlos Gómez – *Executive Vice President, Treasurer and Head of Investor Relations, The Walt Disney Company*

Thanks, Brian. And thanks everyone for your questions. We want to thank you again for joining us and wish everyone a good rest of the day.

Operator

Thank you. This concludes today’s conference call, and we thank you all for attending today’s presentation. You may now disconnect your lines and have a wonderful day.

Forward-Looking Statements

Certain statements in this communication 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, cash position and margins) and expected drivers; business plans and opportunities; future programming and production costs, capital expenditures and investments, including opportunities for growth and expansion; impact of leadership decisions; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, growth, subscribers, product acceptance and enhancements, changes to subscription offerings and margins; anticipated demand and drivers, timing, availability or nature of our offerings (including experiences and business openings, content within our products and services and content releases and distribution channel); consumer or advertiser sentiment, behavior or demand; cost reductions and available efficiencies; strategies and strategic priorities and opportunities; expected benefits of new initiatives; value of our intellectual property, content offerings, businesses and assets;; 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 streaming 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;
- 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;
- taxation; 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 most recent Annual Report on Form 10-K, 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 to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.