The Walt Disney Company

Q1 FY25 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, and welcome to The Walt Disney Company First Quarter 2025 Financial Results Conference Call. (Operator Instructions).

After today's presentation, there will be an opportunity to ask questions. (Operator Instructions). Please note, this 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 sir.

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 first quarter 2025 earnings call.

Our press release, Form 10-Q, 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 will 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 those regarding our expectations, beliefs, plans, financial estimates and prospects, trends, outlook and guidance, and other statements that are not historical may be forward-looking statements under the securities laws. We make these statements on the basis of our assumptions regarding the future at the time we make them, and do not undertake any obligation to provide updates.

Forward-looking statements are subject to risks and uncertainties. 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; the market for advertising; our future financial performance; and legal and regulatory developments.

Refer to our IR 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 SEC for more information about key risk factors.

A reconciliation of certain non-GAAP measures referred to on this call to the most comparable GAAP measures can be found on our IR 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. Before we turn to our results this quarter, I want to take a moment to express our continued sympathies to all those affected by the devastating wildfires across Southern California, including our own employees, creative partners, and so many others that we know and love.

Our company's roots run deep in Los Angeles, and we feel a strong sense of obligation to support the community that has helped make this company what it is today. I'm proud of the many ways our employees have stepped up to assist their neighbors in need, and Disney remains committed to helping with recovery efforts while our community rebuilds from this tragedy.

Moving on to the quarter, our results in Q1 demonstrate our creative and financial strength, and they reflect the success of our strategic initiatives that we set in motion over the past two years.

Clearly one of the great highlights of the quarter was the performance of our film studios. We had the top three movies of 2024 at the global box office, and I want to thank and congratulate our creative teams on such an incredible year. Looking at the rest of the calendar year, we have a lot more to come with an exciting slate of theatrical releases tied to some of our most popular IP.

On top of our studios' outstanding performance, we saw growth in streaming profitability, historic ratings at ESPN, and the strong and enduring appeal of Disney's Experiences business.

Overall, we're very encouraged by our results this quarter, and 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 us get to as many analysts as possible today.

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

Operator

(Operator Instructions). Our first question today comes from Ben Swinburne with Morgan Stanley. Please go ahead.

Ben Swinburne – *Morgan Stanley*

Thanks, good morning. You guys have a lot going on in terms of platform enhancements this year at Disney+. I'm wondering, as Adam builds out his team, you work on password sharing, bundling ESPN in, what do you think will be the most impactful to driving that business? And what's realistic for investors to, sort of in terms of timeline, to expect kind of tangible results playing out in what we see in your reported numbers?

And then, I thought I would at least ask Hugh if you could comment on the outlook for Experiences and Parks, in particular around the opening of Epic. There's probably no other question I get more than your ability to deliver on your guidance on the domestic parks front for the year. So, any update there would be greatly appreciated. Thank you so much.

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

Thanks for your questions, Ben. Regarding the timing of the different technological advances that Adam and his team are working on, they're actually starting to roll out already and will continue to throughout the next 12 months, but we're not going to obviously stop at the end of the year.

I wouldn't really call out any one of them in terms of one of them having a greater impact than the others, because it's a collection of them. You mentioned paid sharing, that's certainly one. Using technology more and more for personalization, and essentially upping our game from an algorithm perspective; getting less out of our control or curation and more basically into the business of serving the consumer what the consumer wants. We've got some work to do internationally, particularly on the ad tier. Ad tech is also something that we're working on. A variety of different AI initiatives going on, and we're also developing Flagship.

I'd say that of all of them -- one of the things that we are very, very mindful of is that home screen or front screen or the first experience that consumers have, has to be more dynamic. Ours was elegant looking but fairly static in nature. The more dynamic it is, the more people are drawn into it; the more people use it, and the more people don't basically close the app out and go elsewhere. That's a big deal.

But a lot going on. We're still building his team out and I'd say that by the end of the year there'll be significant progress made, but we've already made some progress. We've made some progress already.

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

Yeah Ben, and I'll handle the Experiences question. Obviously no change to the guide that we had previously provided. We had said Experiences would be up 6% to 8% on the year. The strong Q1 increases our level of confidence in the guide for sure. It's obviously quite early, but we certainly feel good about the fact that we were able to power through with stronger performance than our expectations were for Q1.

In terms of the balance of the year, recall the easier comps for the Experiences business occur in the back half of the year, particularly in Q4.

In addition to that, we obviously have lots going on in terms of our ships coming, or our ship coming on as of this quarter, which will support the results from Q2 going forward. And in addition to that, as we built our plans, we did anticipate some small impact. I think we have it effectively hedged in the guides that we've given to you. So overall, level of confidence in the Experiences guide is high.

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

Operator, next question please.

Operator

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

Robert Fishman – *MoffettNathanson*

Thank you. Bob, now that DirecTV and Comcast have launched their skinnier bundles and Hulu Live / Fubo are planning their own, do you expect these skinnier bundles at current pricing to change the trajectory of cord cutting? And if not, what else on the pricing or product side do you plan with Fubo that you couldn't accomplish with just Hulu Live?

And then if I could just take a step back, after the Fubo deal and shutting down Venu, can you discuss Disney's overall sports or broader streaming strategy with the potential for consumer confusion from all the different options, including the upcoming ESPN Flagship launch? Thank you.

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

The goal all along, Robert, as it relates to ESPN is to make ESPN as accessible as possible and in as many ways as possible to the consumer. Some will want to consume it just through an app. Some will want to consume it as part of the more traditional expanded basic bundle. Some will migrate in the direction of skinnier bundles or sports bundles only.

I can't predict whether the emergence of these skinnier bundles is going to have a material impact on cord cutting or not, except to say that we plan to take advantage of the emergence of these bundles because it is a great way to distribute ESPN. And look, what essentially happened is after the decision was made and we started to implement the launch of Venu, the emergence of these skinnier bundles surfaced, and Venu basically looked redundant to us.

And so, this was a great opportunity for us to make ESPN available in multiple skinny bundles and then to actually merge the Hulu Live and the Fubo -- essentially -- channel businesses as one because frankly while we like being in that business, it wasn't a core business to Hulu. This gives us the ability to actually enhance the Hulu Live experience because the combination -- the combined entity, when it's approved, we'll spend more time, put more resources into the user interface, and essentially make the former Hulu Live experience better for consumers.

In terms of our sports strategy, I've touched on some of it, and that is make ESPN available however the consumer wants it, wherever the consumer wants it. Some will want to consume it as part of a linear channel, but we're obviously leaning into the development of what is now called flagship, which is essentially ESPN with multiple -- multiple elements to it, or multiple, essentially, enhancements. And of course the inclusion ultimately of some form of betting and fantasy, and a high degree of customization and personalization, and essentially a much bigger offering in terms of product programming than the linear channels currently offer.

The plan will be to launch it sometime toward the -- in the fall of this year. And we're actually quite excited about it because first of all, it gives us an opportunity to bundle it with Disney+ and Hulu. And we will get really smart and strategic about pricing there, but it gives consumers the option of basically just staying in a sports-only experience or combining it with their other services. And if they happen to subscribe to Disney+ and Hulu, then they can experience ESPN flagship in a one app experience, which will be both convenient from a subscription perspective and also convenient from a user perspective. So, we're bullish.

The other thing I want to mention about ESPN, because I know that others have gotten -- other streamers are getting into the sports game, is we have the advantage of not only a menu of sports and sports programming that no one else has, but we're on 365 days a year, 24 hours a day. So if you're a sports fan, it's not about one day of one boxing event or one day of football, it’s about sports every single day of the year and every hour of the day, and that's a pretty compelling consumer proposition.

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

Thanks Robert. Operator, next question please.

Operator

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

John Hodulik – *UBS*

Great, thank you, and maybe some questions for Hugh. Hugh, can you update us on the cost cutting initiatives and how far along you are? And along with that, it looks like from the Q that you guys trimmed the content budget to $23 billion from $24 billion. Just what's behind that and was that related to the fires in L.A. or just some changes to the overall budget?

And then lastly, I have to ask, your guidance for high single-digit earnings growth for the year started out with earnings growth of over 40% in the first quarter here. Can you just talk a little bit about the cadence of the earnings growth as we look out through the rest of the year? Thanks.

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

Sure, happy. That's quite a few questions, but I'll take a good whack at them. First, in terms of cost cutting, as a company we're focused constantly on identifying opportunities that -- where we're spending money perhaps less efficiently and looking for opportunities to do it more efficiently. That's not a once-a-year thing, that's not a once-a-month thing, that's something that we do every day of the year. It's part of what a what a good management team does, and we do think we're a good management team in that regard. So, we're going to continue to identify opportunities to redeploy money in order to make the company both higher growth and ultimately more profitable.

Regarding your question on the guide overall, obviously, the results were certainly in excess of expectations in the first quarter. It certainly gives us confidence, an even higher level of confidence than we probably even had before as we get into the balance of the year.

At the same time, given the rapidly evolving macro environment, we think it would be premature at this point to change the guidance. That said, to the degree that the business momentum and the business performance justifies it, we're certainly not a management team that's afraid of overdelivering if in fact that is where the business takes us. So, generally speaking, feel better about the about the balance of the year, and we started out the year feeling very positively about it.

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

Thanks, John. Operator, next question please.

Operator

Absolutely. Our next question today comes from Jessica Reif Ehrlich with Bank of America. Please go ahead.

Jessica Reif Ehrlich – *Bank of America*

Thank you, I got two things. One, on the NBA, can you talk about the -- how you view the path to profitability in the new contract, given the weaker season-to-date ratings and obviously the step-up next season.

And then on DTC, maybe we could drill down a little bit on how you're thinking about subscriber drivers. Bob, you mentioned password sharing crackdown. How do you think about the TAM or the potential subscriber impact? Obviously some great films coming onto the platform later this year. And then, how important is news to the overall product offer?

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

On the NBA, we don't talk about profitability for any one of our licensed sports packages. We obviously believe in the NBA long term. It's a great sport. We think it's a growth sport. We don't really look at ratings year to year that carefully. First of all, it's not even -- we haven't even seen half a season, but we're not distracted by in any sense what's happening ratings wise in the NBA this season at all. We're happy to have it for now 11 more years, including the finals 10 of those years and it will be -- it is and will continue to be a marquee part of ESPN's offering.

In terms of subscribers, we believe that in order for us to grow subscribers it's really a combination of things. We have to continue to make great products -- films and television series. We clearly have demonstrated over the last couple of years the ability to do that, and we are confident that we will deliver on a consistent basis high-quality films and television over the long run.

Second, you need really strong technology, and this is where we have -- as we have said very publicly, we had a lot of work to do. And while we've made progress already, in some ways we're just getting started.

The only way you succeed in global streaming, both from a subscription perspective and a profitability perspective, is with a great combination of high-quality product with volume and technology. And we feel if you look at all the competitors that are in that space, we're very well positioned to both grow subs and grow profits over the long run, and actually over the next few years where we've already demonstrated the ability to make this a much more economically attractive business. And with the technology that we've got in place combined with the success of our content, we actually are bullish about our ability to grow subs too.

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

And Jessica, the only thing I would add to Bob's comments are we gave you guidance in terms of ESPN for next year.[1] We knew all of the aspects of the NBA contract when we made that deal, and there is nothing that is changing in our mind in that regard.

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

And one last thing, you asked about news. We like the opportunity to make room for our news output, both the ABC News output and the output of our local stations as part of the app experience.

With improved technology, we're now offering Streams on the Disney+ Hulu app, and news does occupy one of those streams, and it will continue to be a feature of our overall Disney+

[1] Guided in Q4 fiscal 2024 earnings press release to low single digit percentage segment operating income growth for Sports in fiscal 2026.

and Hulu offering.[2] And it's also something that differentiates us from some of the others in the space.

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

Thanks Jessica. Operator, next question please.

Operator

Absolutely. Our next question today comes from Michael Ng at Goldman Sachs. Please go ahead.

Michael Ng – *Goldman Sachs*

Hi, good morning. Thank you for the question. I just wanted to follow up on your comments, Bob, about streaming and news. Could you talk a little bit about your decision to add the *SportsCenter* daily show to Disney+ instead of ESPN Flagship?

And with Streams and *SC+*, the investments in live content, what have you found to be the benefit of live as it relates to gross ads and churn and streaming? And could you expand a little bit about the competitive advantage that Disney has in producing and distributing live relative to some other streaming services? Thank you.

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

Well, I think we've all seen the benefit of live. Just look at ESPN's ratings, as a for instance, or talk to anyone in the advertising business. Live is extremely attractive and we have the benefit, as I said earlier, of having live programming every day of the week, every day of the year, or every week of the year. And so, you know, I think that as we provide our consumers with a one

[2] In September, we introduced Streams on Disney+, which include Disney+ Playtime and ABC News streams available for all U.S. subscribers and four additional streams available to premium subscribers in the U.S.

app experience, live will be a major component of basically our -- the growth in that business. It will contribute to the growth in that business for us.

What we did with ESPN and the *SportsCenter* show that you mentioned is we put an ESPN tile, as we call it, or presence on the home screen of Disney+. That was, in part, designed to increase engagement for Disney+ Hulu subscribers. Gives them something to see on a daily basis. And obviously as we've talked today, growing engagement is critical, particularly to lowering churn.

It also gives us the ability to use it as an introductory offer, sort of an introductory ESPN digital offer. And ultimately when flagship is launched, people who use the ESPN tile will have an opportunity to subscribe to flagship right from that tile. And if they do subscribe to it, then it becomes a completely integrated app experience with Disney+ and Hulu. So, it's there to improve, but to do two things: to benefit Disney+ and Hulu, and it's also there to ultimately benefit ESPN flagship.

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

Thanks Michael. Operator, next question please.

Operator

Yes sir. Our next question comes from David Karnovsky with JPMorgan. Please go ahead.

David Karnovsky – *JPMorgan*

Alright, thank you. With Experiences, wanted to see if you could provide any color on the Disney Treasure launch, how the early returns look relative to expectations and the read-throughs for the launches later this calendar year?

And then just sticking with Parks, maybe you could discuss the roll-out of Lightning Lane Premier, which I think you recently expanded access for. What type of take rates are you observing on the product and how is that impacting other spending buckets or the overall experience? Thanks.

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

Yeah, good morning. Disney Treasure is off to a spectacular start, certainly in terms of selling out the rooms, we've done terrifically well. The feedback and guest experience, the high percentage of people that are rating it excellent, very much in line with the rest of our ships. And this is just, sort of, in the initial cruises, so I feel terrific about that.

As we've said before, our expectation is for the ship to be profitable in the first quarter -- the first quarter it's in the water. And frankly, that is very much our expectation from here going forward. So, feel great about that one.

Lightning Lane, we're launching that product, but remember it is a premium product. It is a product that we are learning how to use, so we are marketing it very gently initially. It's very much in line with our expectations, but we are moving slowly with that product in order to make it a great experience both for the purchasers of Lightning Lane and for the rest of our guests in the parks. So, feel great about it. It's going to build over time, but it's certainly very much early days.

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

Thanks, David. Operator, next question please.

Operator

Absolutely. And our next question today comes from Mike Morris with Guggenheim. Please go ahead.

Mike Morris – *Guggenheim*

Thank you. Good morning. Two questions about your outlook. First, in Experiences, Hugh, on the fourth quarter call you mentioned that bookings in the back half of the year were positive at that point in time. I'm wondering if you can give us an update there. Are they still positive? Do you have any more visibility? How's that trended?

And then my second question is on Direct-to-Consumer. You had a really strong first quarter. I think you grew about $400 million year-over-year on operating profit, and your guide only implies about $100 million a quarter for the next three quarters. So, can you talk a little bit about what goes into that outlook, what the puts and takes are maybe on investment that would have that growth slow for the balance of the year? Thank you.

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

Yeah, happy to cover both of those. Hitting on DTC first, as I mentioned, it's obviously an evolving environment. Our expectations are for the business to do terrifically well. We made $300 million in the quarter. For the full year, our expectation is to be a little over $1 billion. So we obviously still have some work to do, but we're out of the blocks very, very quickly.

As I mentioned earlier in this call, we're certainly not afraid to over-deliver if the business momentum gives us that, but that's something to be seen. It's premature to be thinking about raising guidance, in my opinion, after just one quarter of results.

And the second question was. Oh, in terms of--

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

At the end of the year. The bookings.

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

Oh, the bookings. I'm sorry, I should have written that down. Basically, we are further into the curve, but the messaging is exactly the same as I gave you last quarter.

Bookings are up in the summer right now, so certainly feeling positive, and obviously we have more of them in given that we're 90 days later. So certainly, the outlook is good in that regard but, as always, we're going to take a view at this point that it's premature to be changing guide in that regard, but off to a great start in Experiences.

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

Operator, next question please.

Operator

Yes sir. Our next question today comes from Bryan Kraft at Deutsche Bank. Please go ahead.

Bryan Kraft – *Deutsche Bank*

Hi, good morning. So, I had one on Sports and then just a follow up. So, first on Sports, you're obviously going to see a step up in rights costs for the NBA next year, but you've guided to low single-digit OI growth in fiscal 2026 on top of 13% growth this year.

So, I just wanted to ask if we should be thinking about some offset in other sports rights coming out of the business to offset the NBA increase? Or if the fiscal 2026 growth is more a function of OI growth from flagship or a big improvement in pay TV sub declines because of smaller price -- excuse me, lower price, small sports and news packages? So just trying to get underneath the drivers of that strength.

And then secondly, just on Disney+, if you could talk about the outlook for Disney+ subscriber growth this year. I think you're guiding to essentially flat subs through the end of 2Q. What are you expecting in the second half of the year directionally and what are some of the key factors that are shaping the outlook for the rest of the year? Thank you.

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

Yeah, so in terms of ESPN and the NBA, obviously there are a lot of variables that go into ESPN's P&L, including the advertising market for live sports, which is obviously very, very strong. It's also in terms of aggregate cost management, not just rights costs for the entire business, and Jimmy and the team do a phenomenal job managing their costs, and that's a tailwind.

And then in addition to that, we're going to look at everything else that's out there and we'll make decisions that are reflective of the discipline that I think this team has shown in terms of what we're looking at in rights going forward. So, I'll leave it at that, but as I said earlier in the call, we mentioned low single-digits next year. We're still very much committed to that based on the aggregate of all of those inputs.

In terms of outlook for DTC subscribers, our expectation is to grow them for the year. So, given we're basically sort of slightly up in the first quarter, we'll be similar in the second quarter.[3] Our expectation is, particularly as paid sharing starts to take hold and as we add more of the movie slate that we produced in the back half of 2024 into the streaming service in 2025, we think that content will drive sub growth as well.

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

And I'll add to what Hugh said. We actually are very pleased with where we are sub wise for Disney+ and Hulu. As you know, we took prices up significantly, fairly recently, and expected the churn would be significantly greater, and it turned out we delivered numbers that were better than we had expected. So the combination of Disney+ and Hulu, actually we grew subs modestly in the quarter.[4]

Now while we did that, we also are implementing, as we talked earlier, these technological advances or enhancements that will enable us to lower churn and continue to grow subs, and we also have a great product pipeline coming.

So, we're bullish about our ability to turn streaming not just into the profitable business that it is today, but into a growth business for the company due to the combination of all these things, and that includes the ability to successfully bundle both for the consumer and for our shareholder, Disney+, Hulu, and ultimately ESPN.

[3] Disney+ subscribers were slightly down in Q1 fiscal 2025 compared to Q4 fiscal 2024 (-0.7M subscribers). Guided in Q1 fiscal 2025 earnings press release for Disney+ subscribers to be slightly down in Q2 fiscal 2025 compared to Q1 fiscal 2025.

[4] We ended Q1 fiscal 2025 with 178M Disney+ and Hulu subscriptions, an increase of 0.9M compared to Q4 fiscal 2024.

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

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

Operator

Thank you, and our final question today comes from Kannan Venkateshwar with Barclays. Please go ahead.

Kannan Venkateshwar – *Barclays*

Thank you. Maybe on ESPN flagship, Bob, just in terms of the vision that you have for the product and the objectives with that service. Is this to basically further grow the Sports business relative to where it is today? Or is it more to preserve existing profitability and preserve the ecosystem as it is today? It would be great to get your thoughts on that.

And then maybe another one on just the industry-wide consolidation efforts that we're seeing. If there is an effort to rollup cable networks across the industry, would there be any interest from your end, potentially, to participate in that with some of your smaller networks? Thank you.

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

Let me just make a quick comment about the linear networks. We actually are at a point where the linear networks in our company are not a burden at all. They're actually an asset. We are programming them and we are funding them at levels that actually give us the ability to enhance our overall television business that obviously includes and leans into streaming, which, let's face it, is really the future of the television business.

So, while I won't rule out the possibility of some of the smaller networks, in some form or another, being configured differently in terms of how we bring them to market, maybe even ownership -- but we're not right now -- we actually feel good about the hand that we have and the manner in which we're managing both the linear and the streaming businesses across the board at Disney.

Regarding flagship, it's pretty clear that young viewers, I guess you call them, or young consumers, are leaning more and more into streaming experiences, both fixed televisions on walls and mobile devices. And the more ESPN can be present for a new generation of consumers with a product that serves them really well, the better off ESPN's business is.

So, flagship is not really designed to preserve a business, it's designed to grow a business in a market that's evolving or changing right before our eyes. So we're extremely, extremely excited by what's coming and bullish about it because we think it's not only a good business proposition, but it's a sports fan's dream.

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

Thanks Kannan, and thanks everyone for your questions this morning. We want to thank you 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 on this call 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 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; 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); shareholder returns and capital allocation; 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; estimates of the financial impact of certain items, accounting treatment, events or circumstances; 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 and on this call to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.