



Q3 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, Investor Relations and Treasury

PRESENTATION

Operator

Good day, and welcome to The Walt Disney Company's Third Quarter 2025 Financial Results Conference Call. (Operator Instructions).

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

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, Investor Relations and Treasury, The Walt Disney Company*

Good morning. It's my pleasure to welcome everyone to The Walt Disney Company's third 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 IR website. Today's call may include forward-looking statements that we make pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements, including regarding the company's future business plans, prospects, and financial performance are not historical in nature and are based on management's assumptions regarding the future and are subject to risks and uncertainties, including, among other factors; economic, geopolitical, operating, and 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 concerning factors and risks that could cause results to differ from those in the forward-looking statements. 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*

Thank you, Carlos, and good morning, everyone.

Before we take your questions, I'd like to share some updates related to our strategic priorities, including a few exciting announcements.

At a time of great change for our industry when a number of companies are contracting, we are operating from a position of strength and building across our company with a continued focus on quality and innovation.

We are building on the creative success at our film studios, resulting in the continued emergence of popular new franchises at a level that is unparalleled in the industry.

We are building on Disney's value proposition in streaming by combining Hulu into Disney+ to create a unified app experience featuring branded and general entertainment, news, and sports, resulting in a one-of-a-kind entertainment destination for subscribers.

We are building ESPN into the preeminent digital sports platform with our highly anticipated direct-to-consumer sports offering launching on August 21st, and our just announced plans with the NFL that would expand ESPN's programming and content offerings for fans.

We are building on our best-in-class Parks and Experiences businesses, with more expansions underway around the world than at any other time in our history.

I'd like to dive deeper into the steps we are taking to drive growth for our company, beginning with our film studios. Our renewed momentum continued in Q3, adding to our popular brands and franchises and further demonstrating their ability to generate ongoing, long term value across our businesses.

The live-action *Lilo & Stitch* recently crossed the \$1 billion mark at the worldwide box office, making it Hollywood's first film to reach that milestone this year and Disney's fourth billion-dollar film in just over a year.

Lilo & Stitch is on track to become the company's second-largest consumer products merchandise franchise this year behind only Mickey Mouse, with more than 70% revenue growth compared to last year.

Meanwhile, Marvel's *The Fantastic Four: First Steps* opened to rave reviews two weeks ago, successfully launching this important franchise into the Marvel Cinematic Universe. And later in the calendar year, we will release more highly anticipated titles, including *Zootopia 2* and *Avatar: Fire and Ash*.

Turning to our streaming business, today we are announcing a major step forward in strengthening our streaming offering by fully integrating Hulu into Disney+. This will create an impressive package of entertainment, pairing the highest caliber brands and franchises, great general entertainment, kids programming, news, and industry leading live sports content, all in a single app.

By creating a differentiated streaming offering, we will be providing subscribers tremendous choice, convenience, quality, and enhanced personalization, while at the same time continuing to grow profitability and margins in our entertainment streaming business through expected higher engagement, lower churn, operational efficiencies, and greater advertising revenue potential.

As we detail in our shareholder letter, Hulu will now become our global general entertainment brand, and in the fall, it will replace the Star tile on Disney+ internationally. Over the coming months, we will be implementing improvements within the Disney+ app, including exciting new features and a more personalized homepage, all of which will culminate with the unified Disney+ and Hulu streaming app experience that will be available to consumers next year.

The other key component of our streaming strategy is sports, and on August 21st, we will launch ESPN's direct-to-consumer offering, making ESPN's full suite of networks and services directly available to fans for the first time.

The enhanced ESPN App will be a sports fan's dream, with key new features planned for launch such as multi-view, enhanced personalization, integration of stats, betting, fantasy sports and commerce, and a personalized SportsCenter. And fans with subscriptions to the Disney+, Hulu, and ESPN bundle will be able to watch ESPN content directly inside Disney+.

In addition, yesterday ESPN and the NFL announced plans for ESPN to acquire NFL Network and certain other media assets owned and controlled by the NFL. In exchange, the NFL will receive a 10% equity stake in ESPN. This announcement paves the way for the world's leading sports media brand and America's most popular sport to deliver an even more compelling experience for NFL fans, in a way that only ESPN and Disney can.

Separately, ESPN and the NFL reached an agreement which includes expanded NFL highlight rights within multiple fan-engagement platforms, and more interactive features for ESPN's DTC offering and the ESPN App, including betting and fantasy.

ESPN will also gain the ability to sell and bundle NFL+ Premium, which includes NFL RedZone, to ESPN DTC subscribers, along with rights to additional non-exclusive preseason NFL games for its DTC offering, both starting in the 2025 season. And an additional agreement extends ESPN's NFL Draft rights, with the ability to stream ESPN and ABC's draft coverage on ESPN DTC, Hulu, and Disney+.

We are also excited to announce that ESPN will be the exclusive home for WWE Premium Live Events, further expanding ESPN's rights portfolio, and we look forward to sharing more soon.

Looking to our Experiences segment, expansion projects are underway across every one of our theme parks globally, from a new World of Frozen land opening at Disneyland Paris in 2026, to the Villains and Cars themed areas at Magic Kingdom, to a Monsters Inc. area at Disney's Hollywood Studios, to an Avatar-themed destination at Disney California Adventure, in addition to a new theme park coming to Abu Dhabi.

And Disney Cruise Line continues to grow, as we prepare for the launch of two new ships later this year – the Disney *Destiny* and the Disney *Adventure*, our largest ship ever and the first to be docked in Asia – bringing our fleet to a total of eight cruise ships operating around the globe.

Taken in their totality, our efforts across the entire company reinforce that Disney operates in a league of its own, with a robust portfolio of growth businesses that work seamlessly together to generate value, supported by a deep library of beloved IP and enabled with cutting-edge technology.

With ambitious plans ahead for all of our businesses, we're not done building, and we remain optimistic about the company's trajectory.

And with that, Hugh and I would be happy to take your questions.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, 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 questions today as possible.

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

Operator

Thank you. (Operator Instructions).

Our first question today comes from Ben Swinburne with Morgan Stanley. Please go ahead.

Ben Swinburne – *Morgan Stanley*

Thanks, good morning. A lot of news to digest this morning.

Bob, I guess I'd love to hear a little more on the NFL relationship. Clearly, strategically aligning with that league is good for ESPN. I think that's pretty obvious. But you gave up 10% of the network from a value point of view.

How does this agreement and the content you're getting help Jimmy grow that business faster? Can you talk a little bit about how you see this playing out in terms of revenue growth, subscriber growth and the benefits you think it means to the business?

And I just wanted to check with Hugh, is the '26 guidance that you've given in the past still intact; so double-digit EPS growth and low single-digit growth OI at Sports, given all the stuff we learned today? Thank you very much.

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

Ben, there are a number of aspects of these deals, and I say plural because there are two – there are separate deals, one to license content and another to basically cover the asset exchange.

Let me start with the fact that the result of these agreements will give ESPN more games – more NFL games – than they've ever had before. Basically, there will be 28 windows for NFL games, which is an increase over what we've had before. Previously, there were 22. That obviously is of major significance in terms of both ESPN, but also in terms of the audience.

We're basically giving ESPN – we're giving NFL fans – more opportunities to watch NFL games than they've ever had before. Because of the acquisition of the NFL Network, not only will we continue to distribute it from a linear perspective, but it will be fully, essentially included in, or ingested within the ESPN direct-to-consumer app. So those games, the seven games that are on, that will be on, the NFL Network will all be part of ESPN's direct-to-consumer offering. That's obviously where the major value will come.

But in addition to that, there's a number of other elements, we're calling features and functionality, that will improve the quality of the experience and actually grow the quality of the experience of the fan on the ESPN app. And that includes smooth integration with fantasy, with betting, and a combination of our fantasy businesses, by the way, with stats, with the ability to basically personalize SportsCenter with NFL highlights, I could go on and on, a commerce opportunity off of the ESPN app to buy NFL merchandise.

All of it added up obviously gives ESPN the opportunity to go forward with a more compelling app. But I should also note that from an economic perspective, even with this exchange of assets, and the fact that the NFL, obviously, will be paid a dividend from ESPN's earnings, it will be accretive in the first year that – after it closes, and I think that's significant.

So that the revenue that we will derive from distributing the NFL network and from distributing other NFL properties will obviously increase our revenue and increase our operating income for

the ESPN business. That does not even factor in a potentially lower churn rate for the ESPN app once we go to market and once the NFL games are all included.

And obviously, there's advertising value as well. I probably could go on and on because – but there are many different elements to this. But it's extremely exciting. I've talked about it being one of the most important steps ESPN has taken, really since they went from half a season to a full season of the NFL back in 1987.

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

Hey Ben, it's Hugh. Just as a reminder, we try to stay pretty disciplined about doing guidance for the following year on the fourth quarter call. The one thing I would say is given we had the NFL deal and the WWE deal, if we had something of substance in terms of a change to that, we'd be sharing that with you right now.

The fact that we're not sharing with that should tell you that we don't see it as materially different. And as Bob noted, we feel great about the NFL deal. It likely won't close until the end of next calendar year, but it will be about a nickel accretive before purchase accounting. So, we certainly feel good about the financials of the deal.

Ben Swinburne – *Morgan Stanley*

Thank you so much.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Ben. Operator, next question please.

Operator

Absolutely. Our next question comes from Robert Fishman at MoffettNathanson. Please go ahead.

Robert Fishman— *MoffettNathanson*

Thank you. Bob, can you talk more about how you can accelerate DTC growth by fully integrating Hulu into Disney+, and the related subscriber and advertising revenue opportunities? Just curious also, what does that mean for the future of Hulu as a stand-alone app?

And then for Hugh, if I can, just again back to the guidance, the strong DTC profitability and raised full year guidance that we saw there, any updated thinking to your double-digit margin target there on DTC, especially with the opportunity to take out costs at Hulu now? Thank you.

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

I think the way to look at the combination is to start with the consumer. You're going to end up with a far better consumer experience when those apps are combined. By combining all of the program assets of both apps, both current apps, and obviously, with an improved consumer experience comes the ability to lower churn, which is obviously something that we're very, very focused on and committed to doing.

We obviously will deliver efficiencies. When these are together, they'll be on one tech stack as a for instance, one tech platform. We already sell the advertising together, but this will give our sales organization a chance to package them far more effectively than they have before. I imagine down the road, it may give us some price elasticity as well that we haven't had before.

And it also provides us with a tremendous bundling experience because when you have the one app that has a significant amount of all of the Disney and the other Disney branded programming with the general entertainment programming bundled for instance, with the ESPN direct-to-consumer app, I think you end up with a proposition from not only a consumer perspective, but also from our perspective that's far better than what we've had before.

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

Robert, no update on the guidance versus what we've talked about in the past. As I said, we'll talk about '26 guidance on the Q4 call, but no update on DTC at this point.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Robert. Operator, next question please.

Operator

Absolutely. Our next question comes from Michael Morris at Guggenheim. Please go ahead.

Michael Morris – *Guggenheim*

Thank you, good morning, guys. So, Hugh, I know you don't want to talk about '26 yet, but I have to ask on the Experiences side, your guide for the fourth quarter implies that you'll be exiting the year at a high in terms of operating income growth. So as we look to fiscal '26, can you give us any preview on how to think about any puts or takes with respect to the rate of growth next year that might be informed by the fourth quarter guide?

And then secondly, on the stand-alone ESPN app, I think there's a perception and a fear that when you launch an app like this, it's sort of all or nothing with respect to how people sign up. But clearly, you're going to make it available to your Pay TV partners as well.

So, I'm curious if you can talk about your expectations for engagement with the app from people who come from outside the ecosystem like cord cutters versus those inside, and how it benefits you to have people who pay for Pay TV to also engage with the app? Thank you.

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

Okay, let me talk about the '26. I'm sure this will shock you Michael that I'm going to defer on talking about '26 until the Q4 call. The only thing I would remind you is we are launching a couple of ships at the tail end of this year and into next year. So, we'll have the costs associated with launch on those in the earlier part of the year, which obviously impacts the line of business.

Regarding engagement, generally with the deals and the ESPN app, look, we think it's all going to be additive. And as a reminder, our goal with ESPN is to basically reach sports fans as they choose to be reached. So, if they choose to be reached through the ESPN app, great. If they choose to be reached through the Disney+ Hulu app, great. If they choose to be reached through cable, great. Our goal is to engage them where they are.

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

And let me just add to that, if you don't mind. We're asked a lot about linear versus streaming. We're at a point, given the way we're operating our businesses where we don't really look at being in the linear business and the streaming business; we're in the television business. And what we're doing is we're giving our customers or our viewers a chance to watch our programming really, as Hugh just said, wherever they want.

If you're watching ABC prime time shows on the linear channel, great; through a multi television provider, fantastic; or if you want to go to a streaming and watch it on the Disney+ and Hulu app, that's fine as well. The same is true for National Geographic, for FX, for the Disney Channel, and that will also be true for ESPN.

And I will say that the features and functionality of the ESPN app will have more on them or in the app than obviously any linear channel can provide. It will really be a sports fan's dream in terms of everything they'll be able to do and watch on that channel. There will also be a far greater volume of sports covered on the ESPN app than is covered on their linear channels.

But we are, generally speaking, as a company now operating these businesses completely as one. And that gives us an opportunity to not only run them more efficiently, but to aggregate sub fees and advertising revenue across a very, very broad range of television distribution platforms.

Michael Morris – *Guggenheim*

Thank you, appreciate it.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Mike. Operator, next question please.

Operator

Absolutely. And our next question comes from Steven Cahall with Wells Fargo. Please go ahead.

Steve Cahall – *Wells Fargo*

Thanks. So first, on Experiences I think fiscal year-to-date OI is up about 7%, and you raised the guidance to 8%. Hugh, I think on CNBC this morning, you were talking about the strong domestic per caps, which accelerated nicely in the quarter.

So could you give us a little color as to what you're seeing in both domestic parks and cruises that's driving some of that acceleration into the fiscal fourth quarter? Sounds like things there are pretty good, but there's always a little bit of economic uncertainty.

And then a different fiscal '26 question that maybe you can address. So, you have some new sports rights coming on. How do we think about overall cash content spend next year? My guess is sports are going to be going up with things like WWE, and then, of course, content is the lifeblood of the company. So, any good way to think about content spend as we look out for the next 12 months or so? Thank you.

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

Good morning. A couple of things: in terms of Experiences, obviously, we really have a terrific portfolio of Experiences businesses. As I mentioned this morning, Walt Disney World just had a record Q3 revenue number as we emerged from last quarter. So, we certainly feel great about that.

In addition to that, the Disneyland Paris business, we expect to do very well. As a reminder, we have some easier overlaps due to the Olympics last year. But in addition to those laps, the business is performing strongly.

China, as we've noted on past calls, is a little bit challenged, not so much from an attendance perspective, but from per caps perspective, as there is some stress with the China consumer.

And then in addition to that, the cruise ships are doing extremely well right now. Forward bookings look great, and we're running at very high occupancies in terms of the cruise ships. In terms of thinking about bookings for Experiences for the fourth quarter, right now, they're up about 6%. So, we certainly feel positively about that as well.

As regards to cash content spend for '26, I know you're going to be shocked at this, but I'm going to defer on talking about that until the Q4 call.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Steve. Operator, next question please.

Operator

Yes sir. And our next question comes from Jessica Reif Ehrlich with Bank of America. Please go ahead.

Jessica Reif Ehrlich – *BofA Securities*

Thank you. One follow-up on Experiences and then maybe move on to Content.

So on Experiences, I know everyone is trying to get some guidance for next year, but you do have a ship launching in Singapore, a large ship, can you talk about how you see the impact on that, moving to another region, another side of the world, and how you think about the impact of that ship on pretty much all of Disney's businesses?

And then on Content, you've given positive commentary, but the guide indicates very tough fourth quarter. Can you talk a little bit about the ins and outs of what you see in content in the year ahead?

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

Regarding the ship in Singapore, launching out of Singapore, Jessica, that's the biggest ship that we've ever built. And to give it some perspective, our big ships today sail with about 4,000 passengers each. This will sail with about 7,000 passengers.

We've said in previous calls that sales, when we went to the market and started selling trips on this ship, were extremely robust, sold out very, very quickly over, I think, the first two quarters of operation.

This will give us an opportunity to basically sail or float the Disney brand in all of its glory into a region that we think has huge Disney brand affinity, and it creates a huge opportunity for us.

It's a floating, essentially, ambassador for the Disney brand because if you've been on any one of our ships, particularly the new ones, we effectively use our IP built into the entire experience. And so, I think this will create a great opportunity for us in Asia but particularly in Southeast Asia.

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

Hi Jessica, regarding your question on content, I assume you're asking generally about CSLO and Entertainment in Q4. The thing I would remind you of is we will be overlapping *Inside Out 2* from last year, which is obviously a tough comp. But all of that is considered in the guide that we gave you of \$5.85 for the overall company for the year.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Jessica. Operator, next question please.

Operator

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

David Karnovsky – *JPMorgan*

Hi, thank you. Bob, I wanted to follow up on your comments regarding theatrical franchises.

Disney has had great success certainly with sequels and reboots. I'm interested, though, in how you think about launching new IP into today's exhibition market. Is it a fair comment that that's a tougher proposition than in the past?

And then separately for Hugh, it might be early, but can you discuss or even quantify potential tax benefits at Disney from the Big Beautiful Bill and return of 100% bonus depreciation?

Thanks.

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

Thank you, David. We continue to be focused on creating new IP. Obviously, that's of great value to us long term. But we also know that the popularity of our older IP remains significant, and the opportunities to either produce sequels or to basically bring them forward in a more modern way, as we've done, or convert what was previously animation to live action, like we're doing with *Moana* in 2026, it's just a great opportunity for the company and supports our franchises.

So, I wouldn't say that we've got a priority, one way or the other. Our priority is to put out great movies that ultimately resonate with consumers. And the more we can find and develop original property, the better, of course.

We are developing original property under the 20th Century Fox banner and under the Searchlight banner, and look, you could even argue that Marvel continues to mine its library of characters for original property. Even though, for instance, there have been *Fantastic Four* movies before, we kind of consider the one that we did an original property in many respects because we're introducing those characters to people who were not familiar with them at all.

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

Yep, I got it, Bob. And regarding tax, I assume you're asking about the impact of OB3 [One Big Beautiful Bill]. Basically, from a book tax perspective, it won't have any material impact on the company. From a cash perspective, it will be a positive to us. And again, we'll talk about that more on the Q4 call, but we do expect a positive cash tax impact, which obviously benefits us from a cash flow perspective.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, David. Operator, next question please.

Operator

Absolutely. Our next question comes from John Hodulik with UBS. Please go ahead.

John Hodulik – *UBS*

Great, thank you. Maybe just following up on the ESPN launch. Given the attractive pricing for the service from an ESPN DTC bundle standpoint, can the launch of the ESPN platform accelerate growth on the DTC side either from a subscriber standpoint or from an engagement standpoint? Thanks.

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

The answer is absolutely. We won't predict exactly how much, but for \$29.99, you can get Disney+, Hulu and ESPN, which is an incredible, incredible bargain for the consumer. And we would hope that that will enable us to grow our sub base.

Additionally, with ESPN and all of its programming bundled with Hulu and Disney+, we fully expect that engagement will increase as well, which we know is one of the key ways that you can reduce churn. So, we're very excited about those prospects.

The other thing we haven't even touched upon is that with the NFL deal, we have the ability to bundle NFL+ Premium service, which includes RedZone digitally, and we'll bundle that with the trio bundle of Disney+, Hulu, and ESPN, and with ESPN. And that's also an opportunity to lower churn, increase engagement across the – basically the apps that we'll be selling.

Carlos Gómez – *Executive Vice President, Investor Relations, The Walt Disney Company*

Thanks, John. Operator, next question please.

Operator

Absolutely. And our next question today comes from Kutgun Maral with Evercore ISI. Please go ahead.

Kutgun Maral – *Evercore ISI*

Good morning and thanks for taking our questions. I had a follow-up on the cruise line, I mean not just the Disney *Adventure* but more broadly about the business where you've laid out a transformational road map with the fleet set to double over the coming years.

It feels like we're nearing a major inflection point, particularly with the *Treasure* launched last December and both the *Destiny* and *Adventure* coming online later this calendar year. As we work through trying to better understand the financial implications, can you help frame the opportunity ahead?

Hugh, I'm not trying to tease out 2026 guidance, and I understand that it might be too early to give specifics, and that there are still unknowns around pricing, maybe cannibalization and margins. And I'm not sure if we should look at the current fleet's economics per ship or maybe state room and apply them to what you have coming ahead. But the point is more that even with conservative assumptions, the potential operating income contributions look quite meaningful. So, I would appreciate any views you could share. Thank you.

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

Hugh, I'll let you handle the economic side of that question. Let me just point out a few, I think, salient points regarding the expansion of the cruise ship line.

First of all, we've discovered that many of the people who sail on our current ships have such a great experience that they are the first to want to sail on our new ships. So interestingly enough, what we're getting is, in effect, repeat visitation onto new ships. So, we're building a bigger base of consumers, it's also one of the best experiences that we offer across our Experiences business. So that's one way to look at it.

The other way to look at it, as I referenced with regard to Singapore, is that there are many destinations in the world that we haven't visited, and this gives us an opportunity to not only bring our brand to those destinations, but to attract customers from those regions who may want to sail in their region.

And so, by expanding, we feel we expand the business in terms of our access to people around the world. And we also give people who have sailed on our current ships an opportunity to sail again but with a different experience because they're on a new ship.

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

Right, and from a financial perspective, the best way to think about it, I think, really is in the multi-year guidance that we gave you back last fall for the Experiences business. Obviously, we don't break out cruise ships, but we did contemplate all of the builds that we had coming on as a part of providing that guidance.

The thing I can tell you in addition to that is, and as Bob noted, our cruise ships continue to be incredibly well received. As we sit here today, we're already basically half booked out for all of next year and the newer ships are even higher in that regard. So, we feel terrific from the perspective of consumer receptivity to our new offerings.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Kutgun. Operator, next question please.

Operator

Absolutely. Our next question today comes from Peter Supino with Wolfe Research. Please go ahead.

Peter Supino – *Wolfe Research*

Hello, good morning. I wondered if you could comment on engagement trends regarding – or of your existing subscribers on Disney+ and Hulu, and how your current DTC strategies could contribute to those trends?

And then a related longer-term question, not a 2026 guidance question, your DTC segment reported 6% operating margins. As DTC surpasses your 10% margin objective, is there an opportunity to accelerate DTC content spending for the sake of market share over the long run? Thank you.

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

Well, I'll take the first part. Maybe I'll take the second, too. When we combined – when we gave people an opportunity to have a more seamless experience between Disney+ and Hulu, we saw engagement increasing, and we would hope that when we take this next step, which is basically full integration, that that engagement will go up even more.

In addition to that, we've implemented a number of technological improvements that are designed to increase engagement. And we're really pleased with what we're seeing already, but we also know that it's still a work in progress, and we have a lot more work to do.

For instance, just the strength of our recommendation engine. We're also experimenting like crazy, where we're basically trying different elements out on consumers and getting data back from them in order to figure out what works the best. That includes basically the homepage experience and basically what they see when they open up an app.

In addition, we've added Streams, which was a technological advancement. There are some great Streams – you can watch, I think, thirty-some-five seasons or whatever it is of *The Simpsons* on one Stream, as for instance, that's also something that increases engagement. There's an ABC news Stream that you can watch. So, there's some news on all the time on the service.

So, what we're basically doing is by, one, combining them, we hope to increase engagement more. Two, with all the technological advances, we will increase engagement more.

In addition to that, as it relates to content spend, I'd say that from a domestic perspective, you shouldn't expect that we need to increase the spend on content significantly. Where we believe we should be investing is to grow our international businesses.

So one, we're going to brand the general entertainment from Star to Hulu across the world, for instance. Two, these technological advancements will obviously help in markets where our engagement has not been as high as they need to be. Three, we probably will invest in very selected markets internationally where we really feel there's a potential to grow our bottom line – to grow subs, to grow advertising revenue, and to grow our bottom line.

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

And the only thing I'll add to Bob's comments, our objective with this business is to maximize OI over time through a growth-oriented strategy that's not through cost management, although we'll manage cost effectively, but through growing this business. We have a significant opportunity in the U.S. to grow through higher engagement, and internationally we have a significant penetration opportunity.

As we grow engagement and reduce churn in the U.S., that presents opportunities from a marketing spend perspective, some of which can be basically reinvested into international content. And our intent is to do that through a rifle shot approach with specific markets. So, we intend to be deep rather than broad in terms of the way that we do that in a number of markets around the world.

As a result of that, I would tell you, we certainly don't intend to stop at 10[%] margin.¹ We think there's still lots of margin opportunity once we hit double digits. But we're going to do it through a growth-oriented strategy, not through a cost-oriented strategy.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Peter. Operator, next question please.

Operator

Our next question today comes from Mike Ng with Goldman Sachs. Please go ahead.

Michael Ng – *Goldman Sachs*

Hi, good afternoon. Thanks for the question. I just have one on domestic theme park trends.

The per caps in the quarter were up 8% year-over-year. I think that was the best growth in over two years.

¹ The Company's earnings release for the fourth quarter of fiscal 2024 included the following guidance and outlook for fiscal 2026: 10% operating margin for our Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service). Operating margin for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) is calculated as operating income divided by revenue. Operating income for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) is a non-GAAP financial measure and consists of the operating income for the Direct-to-Consumer line of business at the Entertainment segment less our Hulu Live DMVPD service. The most comparable GAAP measure to this non-GAAP measure is Entertainment segment operating income. The Company is not providing the forward-looking measure for Entertainment segment operating income (and related margin), which is the most directly comparable GAAP measure to operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service), or a quantitative reconciliation of forward-looking operating income (and related margin) for our Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) to this most directly comparable GAAP measure. The Company is unable to predict or estimate with reasonable certainty the ultimate outcome of certain significant items required for such GAAP measure without unreasonable effort. Information about other adjusting items that is currently not available to the Company could have a potentially unpredictable and significant impact on future GAAP financial results.

I was just wondering if you could talk about whether the per cap growth was impacted by the mix of attendance between local, out-of-state, international, and were there any divergent attendance trends between those cohorts of domestic park patrons just given the noise around competitive park openings and international visitation to the United States? Thank you.

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

Hey, Mike. In terms of the mix of visitors, that's obviously one of the factors that plays into per caps. That said, the ones that you mentioned, specifically international, nothing material going on there. It's always going to be a mix of sort of local versus visitors from elsewhere, and there isn't a particularly material trend that's worth trying to model or worth trying to note.

Overall, we feel good certainly about the per caps. But frankly, we feel good about the attendance as well. In light of the fact that there's a competitive offering in the marketplace, the fact that attendance came in as well as it did is something that we feel terrific about.

So overall, as we've talked about in the past, the intent is to grow through both increased attendance and increased per caps in a balanced way. And I expect that's what we're going to continue to do.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Thanks, Mike. Operator, one question – last question.

Operator

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

Kannan Venkateshwar – *Barclays*

Thank you. Bob, with respect to the sports offering, in terms of your go-to-market strategy, what we see right now, how close is that to the potential end state?

And is there an opportunity, maybe to tier the product now that you have products like RedZone, for instance, as a pay-per-view offering or a separate tier?

Or even bundling with others like Fox launching their own sports offering, for instance, is that an opportunity for you to bundle other sports offerings in the market and consolidate streaming more broadly?

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

Yes, we believe there may be opportunities for us to bundle other company's sports offerings. We've actually had some discussions with some other companies on doing just that. Nothing to report on that.

But, obviously, we're not only interested in growing engagement and growing our own subs, but we're interested in serving consumers better as well, and the more sports can be offered in one destination for the consumer, or if we can improve the ease of use for consumers, ease of finding things – because as a devoted sports fan, I often have to work to try to find where – what platform sports are on – if we can help that – if we can help consumers in that regard, we're certainly going to try.

Carlos Gómez – *Executive Vice President, Investor Relations and Treasury, The Walt Disney Company*

Okay, thanks everyone for the questions. We want to thank you again for joining us this morning and wish everyone a good rest of the day.

Operator

Thank you. This concludes the conference call. You may now disconnect your lines.

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, including transactions for which conditions to close have not been satisfied, including entering into definitive agreements, regulatory or other approvals or other conditions; 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; completion and expected benefits of new initiatives and future projects; 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, including tariffs and other trade policies, 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.