



Q1 FY25 Earnings –
Prepared Management Remarks
February 5, 2025



Please view these remarks in conjunction with our Q1 FY 2025 earnings release and Form 10-Q that can be found on our website at
<https://thewaltdisneycompany.com/investor-relations/>

We also invite you to listen to today's live question and answer session with Bob Iger (Chief Executive Officer) and Hugh Johnston (Sr. Executive Vice President and Chief Financial Officer) at 8:30 am Eastern Time. The webcast will be available at
<https://thewaltdisneycompany.com/disneys-q1-fy25-earnings-results-webcast/>

FORWARD-LOOKING STATEMENTS

Certain statements in these remarks 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; capital expenditures and investments, including opportunities for growth and expansion; future capital allocation, including dividends and share repurchases; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, subscribers, growth, product acceptance and enhancements, changes to subscription offerings and margins; anticipated demand, 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 and advertiser sentiment, behavior or demand; 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, 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. The Company does not undertake any obligation to update these statements.

Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives (including capital investments, asset acquisitions or dispositions, new or expanded business lines or cessation of certain operations), our execution of our business plans (including the content we create and IP we invest in, our pricing decisions, our cost structure and our management and other personnel decisions), our ability to quickly execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as from developments beyond the Company's control, including:

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

Such developments may further affect entertainment, travel and leisure businesses generally and may, among other things, affect (or further affect, as applicable):

- our operations, business plans or profitability, including direct-to-consumer profitability;
- 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 in these remarks to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

COMMENTARY FROM CEO & CFO

Our results this quarter demonstrate our creative and financial strength as we advanced strategic growth initiatives set in motion over the past two years. In Q1 we saw outstanding box office performance from our studios, which had the top three movies of 2024; we further improved the profitability of our Entertainment DTC streaming businesses; we took an important step to advance ESPN's digital strategy by adding an ESPN tile on Disney+; and our Experiences segment demonstrated its enduring appeal as we continue investing strategically across the globe.

FILM & TELEVISION

Our theatrical business had an outstanding run at the global box office in calendar year 2024 fueled by renewed creativity at our film studios, with Disney becoming the first studio in the industry post-pandemic to surpass \$5 billion worldwide, led by *Inside Out 2*, *Deadpool & Wolverine*, and *Moana 2*. Q1 saw impressive performance from both *Moana 2*, which recently crossed \$1 billion globally at the box office, as well as *Mufasa: The Lion King*, which demonstrated extended appeal at the box office and has attracted audiences for several weeks beyond its holiday release, generating more than \$650 million globally as of this past weekend.

Looking at the rest of the calendar year, we have an exciting slate of theatrical releases from some of our most popular brands and franchises, including next week's release of *Captain America: Brave New World*, followed by *Snow White*, Pixar's *Elio*, a live-action *Lilo & Stitch*, *The Fantastic Four: First Steps*, *Zootopia 2*, and the third installment of the *Avatar* franchise.

With multiple consumer touchpoints, we continue to generate ongoing, long-term value from our theatrical releases, and we now have more ways to leverage film success than ever before. For example, the *Moana* film franchise – with a live-action film currently in development – is approaching \$1.7 billion at the global box office, underscoring the strong and enduring connection that audiences have with our stories and characters, and further validating our strategy of investing in popular IP. The original *Moana* animated film has crossed one billion hours streamed on Disney+ and was the most-streamed movie in the U.S. on any platform for the second year in a row. *Moana* also continues to delight guests across our Experiences businesses, with the most recent addition of *The Tale of Moana* stage show on our newest cruise ship, the Disney Treasure.

Our television series have also continued to demonstrate immense popularity. In calendar year 2024, we had the top four most streamed shows in the U.S., led by *Bluey* with more than 55 billion minutes viewed on Disney+, along with *Grey's Anatomy*, *Family Guy*, and *Bob's Burgers*.

In addition to resonating with audiences, our films and television series have garnered numerous critical accolades. We won six Golden Globe® Awards across our content brands and studios, with the creative epic *Shōgun* sweeping all of its nominated categories and FX breaking its previous record for Golden Globe® wins. We also received 15 Oscar® nominations, including eight for *A Complete Unknown*, and we are looking forward to the 97th Academy Awards® on March 2, which will be available to stream live on Hulu for the very first time, in addition to airing on ABC.

ABC's *World News Tonight with David Muir* was the number one newscast for the ninth year in a row in 2024, and we are especially proud of the remarkable journalists and producers at ABC News and our local affiliate KABC for the work they have done to keep the public informed during the devastating wildfires in Southern California.

STREAMING

Streaming remains a success story for the Company as we build Disney+ into the ultimate digital destination for audiences to access the very best we have to offer in film, television, sports, and news – all in one place. And our Q1 Entertainment Direct-To-Consumer results reflected improved profitability, with nearly \$300 million in operating income, representing an improvement of more than \$430 million compared to Q1 last year.

We expect engagement with the platform to grow over time given the global strength of our content and our focus on platform enhancements, including well received recent improvements like prominently showcasing our Top 10 series and movies, implementing further personalization features, and offering Streams – our programmed playlists on Disney+ that launched at the end of September that are driving engagement with curated content, such as high-interest live news events. This focus on platform enhancements remains one of our top priorities and will continue to expand as this year progresses.

In December we introduced an ESPN tile on Disney+. Like the successful launch of the Hulu tile on Disney+ earlier last year, the ESPN tile provides bundle subscribers access to the full range of ESPN+ sports content, while also making select ESPN content available to all Disney+ subscribers, including certain live sports events and games, studio shows, series, and documentaries. Early indications are encouraging – standalone Disney+ subscribers engaging with a sample of ESPN and Hulu content are more engaged than those yet to take advantage of the full breadth of our offer, reaffirming our belief in the power and value of aggregating our content and brands in one app. To that end, we are excited to add new live Sports studio shows that will be exclusive to Disney+ later this year, including a daily *SportsCenter* show called SC+. We are only months away from our launch of ESPN's full suite of networks direct-to-consumer in early fall, which will also be made available on Disney+. Meanwhile, Hulu on Disney+ surpassed one billion hours of viewing since it launched last fiscal year, and over 50% of bundle subscribers are primarily using Disney+ as their app of choice. The combination of our world-class branded, general entertainment, and sports content for bundle subscribers in Disney+ also presents a compelling

proposition for advertisers, particularly with Disney's outstanding portfolio of high-quality live programming.

SPORTS

ESPN's flagship offering that will launch in early fall has been and remains our priority, and we expect the elevated product and content experience – which will all be housed within the ESPN app – will be a digital destination for sports fans unlike anything available in the marketplace today, with the full suite of ESPN's networks and ESPN+, and highly interactive and personalized features.

As we've seen, live sports have the power to convene enormous audiences. The 2024 season of *Monday Night Football* was ESPN's second-most-watched in the company's 19-year history of airing this storied NFL television franchise. In addition to professional football, fan interest in college football continues to grow. This was our first season broadcasting the entirety of the SEC schedule, contributing to strong ratings across our college football programming. In 2024, ABC averaged 5.8 million viewers for 46 regular-season college football games, an impressive 56% increase year-over-year and ABC's best college football season in 15 years. These ratings once again demonstrate that we are well positioned to serve fans across platforms with an exceptional portfolio of sports programming thanks to our disciplined and focused rights strategy. Our array of live sports rights, combined with our unparalleled studio programming, offers sports fans thousands of hours of content 365 days a year, generating constant viewer engagement on our platforms.

EXPERIENCES

Our Q1 results for our Experiences segment demonstrated Disney's strong and enduring appeal in family travel. We continue work on a robust slate of new projects as we bring our most popular IP to life in innovative ways and execute against a carefully designed and planned investment strategy. We also remain deliberate about pricing and the guest experience, and are focused on providing guests great value with a vast array of options to visit our theme parks.

This quarter we successfully launched the Disney Treasure – the sixth ship in Disney Cruise Line's fleet – and we opened *Tiana's Bayou Adventure* at Disneyland Resort as well as the new Island Tower at Walt Disney World's Polynesian Village Resort. Looking ahead, we are excited to kick off Disneyland's 70th anniversary celebration in May and Hong Kong Disneyland's 20th anniversary celebration later this year. And there are another seven cruise ships in development, with two expected to launch toward the end of calendar year 2025 – the Disney Destiny and the Disney Adventure – as we leverage this growing business to bring our beloved IP to more corners of the globe.

Overall, this quarter proved to be a strong start to the fiscal year. We are optimistic about the year to come, and we remain confident in our strategy for continued growth.

FINANCIAL REVIEW AND OUTLOOK

We delivered strong consolidated Q1 fiscal 2025 financial results compared to the prior-year quarter, including 44% growth in diluted earnings per share (“EPS”) excluding certain items,¹ 5% growth in revenue, and 31% growth in total segment operating income.¹ These strong results reflect our continued focus on implementing our strategic priorities across each of our businesses.

During Q1, we completed a transaction to form a joint venture (“India JV”) that combines the Company’s Star-branded and other general entertainment and sports television channels and Disney+ Hotstar service in India, and certain media and entertainment businesses controlled by Reliance Industries Limited. As a result of the transaction, we hold a 37% interest in the India JV.² Our results this quarter reflect the deconsolidation of Star India’s results as of November 14, 2024. Q1 included approximately one and a half months of Star India operating results, whereas fiscal year 2024 included a full year of results. Our India business will contribute \$74 million to Entertainment segment operating income in fiscal 2025, compared to \$254 million in the prior year; and \$9 million to Sports segment operating income, compared to a \$636 million loss in the prior year.

After November 14, 2024, we began recognizing our share of the India JV in “Equity in the income of investees,” which is not included in segment operating income. In Q1, we recognized a \$33 million loss primarily due to the impact of purchase accounting, and for the full year we expect to incur a loss of approximately \$300 million largely driven by the impact of purchase accounting.

ENTERTAINMENT

Entertainment segment operating income increased significantly in the first quarter versus the prior-year quarter due to improved results at both Content Sales/Licensing and Other and Direct-to-Consumer.

Content Sales/Licensing and Other generated more than \$300 million in operating income in Q1, which is consistent with the guidance we previously provided and reflects the strong

¹ Diluted EPS excluding certain items (also referred to as adjusted EPS) and total segment operating income are non-GAAP financial measures. The most comparable GAAP measures are diluted EPS and income before income taxes, respectively. See the discussion on pages 9 through 10 for how we define and calculate these measures and a quantitative reconciliation of measures thereof to the most directly comparable GAAP measures.

² See discussion of the Star India transaction under “Acquisitions and Dispositions” on page 13 of our Q1 fiscal 2025 10-Q.

performance of *Moana 2*, compared to an operating loss of \$224 million in the prior-year quarter.

Operating income at our Direct-to-Consumer business grew by approximately \$430 million versus the prior-year quarter to approximately \$300 million due to growth in subscription revenue, partially offset by higher technology and distribution costs and an increase in programming and production costs. Direct-to-Consumer advertising declined 2% compared to the prior-year quarter. Excluding the impact of the Disney+ Hotstar service in India, Direct-to-Consumer ad revenue was up 16%.³ For the full year fiscal 2025, we continue to expect Direct-to-Consumer operating income to increase approximately \$875 million versus the prior year, including a comparison to an adverse impact of the Disney+ Hotstar service in India of approximately \$200 million in the prior year.

We ended Q1 with 178 million Disney+ and Hulu subscriptions, an increase of 0.9 million compared to Q4. Disney+ subscribers declined by 0.7 million from the prior quarter, which was in-line with the guidance we previously provided. In Q2, we expect a modest decline in Disney+ subscribers versus Q1 as we continue to manage an expected temporary uptick in churn following our recent price increases as well as the expiration of a wholesale deal in Europe. Our focus is on continuing to grow DTC revenue and operating income to drive margin expansion over time, including by growing our subscriber base globally through execution of key initiatives, including product enhancement to increase engagement, operationalizing paid sharing, and making targeted investments in international content.

Linear Networks operating income declined 11% in Q1 compared to the prior-year quarter. Domestic Linear Networks was comparable to the prior-year quarter as higher programming costs and lower affiliate revenue were offset by lower technology costs and higher advertising revenue. At International Linear Networks, operating income declined by roughly \$85 million versus the prior-year quarter reflecting the impact of the Star India transaction.⁴

As we look to the remainder of the year, we continue to expect Entertainment segment operating income for fiscal 2025 to increase double digits compared to the prior year.

SPORTS

Sports segment operating income in Q1 improved to approximately \$250 million compared to an operating loss in the prior-year quarter of approximately \$100 million primarily due to improvement in Star India's operating results, as there were no significant cricket events aired in the quarter prior to the closing of the Star India transaction, whereas in Q1 fiscal

³ Advertising revenue for the Disney+ Hotstar service in India was approximately \$15 million in Q1 fiscal 2025 and \$165 million in Q1 fiscal 2024.

⁴ See discussion of the Star India transaction under "Acquisitions and Dispositions" on page 13 of our Q1 fiscal 2025 10-Q.

2024 the ICC Cricket World Cup was aired.⁵ Q1 Domestic ESPN advertising revenue grew 15% versus the prior-year quarter primarily due to higher rates.

In Q2, we expect segment operating income to be adversely impacted by approximately \$100 million due to college sports, including the shift of three College Football Playoff games from Q1 into Q2, and one additional NFL game in the quarter compared to the prior year. Additionally, Q2 will be unfavorably impacted by a write-off of approximately \$50 million as a result of exiting the Venu joint venture.

We continue to expect Sports segment operating income for full year fiscal 2025 to increase approximately 13% versus the prior year.

EXPERIENCES

Experiences revenue in Q1 grew 3% and operating income was comparable to the prior-year quarter, as growth in International Parks & Experiences operating income was offset by a decline in Domestic Parks & Experiences. Q1 results reflect the adverse impact of Hurricanes Milton and Helene of approximately \$120 million, and approximately \$75 million of pre-opening expenses driven by the launch of the Disney Treasure, which in aggregate drove an estimated 6 percentage-point headwind to the year-over-year segment operating income growth rate. Overall, the quarter proved to be a solid start to the fiscal year across our Experiences businesses.

International Parks & Experiences operating income in Q1 increased 28% compared to the prior-year quarter driven by higher guest spending and attendance, partially offset by higher costs related to new guest offerings.

Domestic Parks & Experiences operating income declined 5% compared to the prior-year quarter driven by higher costs including from fleet expansion at Disney Cruise Line, and lower attendance reflecting the impact of the hurricanes, partially offset by higher guest spending. We estimate the hurricanes and pre-opening expenses at Disney Cruise Line had a 9 percentage-point headwind to the year-over-year operating income growth rate.

For the full year, we expect total pre-opening expenses related to Disney Cruise Line expansion of approximately \$200 million, including roughly \$40 million in Q2.

For fiscal 2025, we continue to expect full year segment operating income growth to be in the 6% to 8% range compared to fiscal 2024.

⁵ See discussion of the Star India transaction under “Acquisitions and Dispositions” on page 13 of our Q1 fiscal 2025 10-Q.

RECENT DEVELOPMENTS & OUTLOOK

In January, we announced a transaction to combine certain Hulu+ Live TV assets with fuboTV Inc., which is expected to enhance consumer choice through more flexible programming offerings. As a result of the closing of the transaction – which is subject to regulatory approvals, Fubo shareholder approval, and the satisfaction of other customary conditions – the Company will have a 70% interest in Fubo.⁶ We also entered into an agreement that will allow Fubo to create a new Sports & Broadcast package.

After careful consideration, ESPN, Fox, and Warner Brothers Discovery collectively agreed to discontinue the Venu Sports joint venture and not launch the streaming service. For our purposes, we determined it was best for us to meet the evolving demands of sports fans by focusing on existing products and distribution channels, which provide choice for consumers, including recently announced sports-centric packages.

Looking forward, we continue to expect fiscal 2025 results to reflect the progress we are making across our strategic priorities. We still expect to deliver high-single digit adjusted EPS⁷ growth for the year and approximately \$15 billion in cash provided by operations.

Our strong balance sheet allows us to invest in our businesses while returning capital to shareholders. We recently announced a dividend of \$1.00 per share to be paid in fiscal 2025 in two \$0.50 semi-annual payments, and we repurchased \$0.8 billion of our stock in the first quarter, keeping us on pace to repurchase \$3 billion in fiscal 2025.

Bob Iger, Chief Executive Officer

Hugh Johnston, Senior Executive Vice President and Chief Financial Officer

⁶ See discussion of the Fubo transaction under “Acquisitions and Dispositions” on page 12 of our Q1 fiscal 2025 10-Q.

⁷ Diluted EPS excluding certain items (also referred to as adjusted EPS) is a non-GAAP financial measure. The most comparable GAAP measure is diluted EPS. See the discussion on pages 9 through 10 for how we define and calculate these measures and why the Company is not providing a forward-looking quantitative reconciliation of diluted EPS excluding certain items to the most comparable GAAP measure.

NON-GAAP FINANCIAL MEASURES

This executive commentary presents diluted EPS excluding certain items (also referred to as adjusted EPS) and total segment operating income. Diluted EPS excluding certain items and total segment operating income are important financial measures for the Company but are not financial measures defined by GAAP.

These measures should be reviewed in conjunction with the most comparable GAAP financial measures and are not presented as alternative measures of diluted EPS and income before income taxes as determined in accordance with GAAP. Diluted EPS excluding certain items and total segment operating income as we have calculated them may not be comparable to similarly titled measures reported by other companies.

Our definitions and calculations of diluted EPS excluding certain items and total segment operating income, as well as quantitative reconciliations of each of these measures to the most directly comparable GAAP financial measure, are provided below.

The Company is not providing the forward-looking measure for diluted EPS, which is the most directly comparable GAAP measure to diluted EPS excluding certain items, or a quantitative reconciliation of forward-looking diluted EPS excluding certain items to that 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.

Diluted EPS excluding certain items

The Company uses diluted EPS excluding (1) certain items affecting comparability of results from period to period and (2) amortization of TFCF and Hulu intangible assets, including purchase accounting step-up adjustments for released content, to facilitate the evaluation of the performance of the Company's operations exclusive of these items, and these adjustments reflect how senior management is evaluating segment performance.

The Company believes that providing diluted EPS exclusive of certain items impacting comparability is useful to investors, particularly where the impact of the excluded items is significant in relation to reported earnings and because the measure allows for comparability between periods of the operating performance of the Company's business and allows investors to evaluate the impact of these items separately.

The Company further believes that providing diluted EPS exclusive of amortization of TFCF and Hulu intangible assets associated with the acquisition in 2019 is useful to investors because the TFCF and Hulu acquisition was considerably larger than the Company's historic acquisitions with a significantly greater acquisition accounting impact.

The following table reconciles reported diluted EPS to diluted EPS excluding certain items for the first quarter:

(in millions except EPS)	Pre-Tax Income/ Loss	Tax Benefit/ Expense ⁽¹⁾	After-Tax Income/ Loss ⁽²⁾	Diluted EPS ⁽³⁾	Change vs. prior year period
<u>Quarter Ended December 28, 2024</u>					
As reported	\$3,660	(\$1,016)	\$2,644	\$1.40	35 %
Exclude:					
Restructuring and impairment charges ⁽⁴⁾	143	213	356	0.20	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	397	(93)	304	0.16	
Excluding certain items	\$4,200	(\$896)	\$3,304	\$1.76	44%
<u>Quarter Ended December 30, 2023</u>					
As reported	\$2,871	(\$720)	\$2,151	\$1.04	
Exclude:					
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁵⁾	451	(106)	345	0.18	
Excluding certain items	\$3,322	(\$826)	\$2,496	\$1.22	

(1) Tax benefit/expense is determined using the tax rate applicable to the individual item.

(2) Before noncontrolling interest share.

(3) Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

(4) Amounts relate to the Star India Transaction.

(5) For the current quarter, intangible asset amortization was \$327 million, step-up amortization was \$67 million and amortization of intangible assets related to a TFCF equity investee was \$3 million. For the prior-year quarter, intangible asset amortization was \$380 million, step-up amortization was \$68 million and amortization of intangible assets related to a TFCF equity investee was \$3 million.

Total segment operating income

The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income (the sum of segment operating income from all of the Company's segments) as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that information about total segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and other factors that affect reported results.

The following table reconciles income before income taxes to total segment operating income:

	Quarter Ended		
	Dec. 28, 2024	Dec. 30, 2023	Change
Income before income taxes	\$3,660	\$2,871	27%
Add (subtract):			
Corporate and unallocated shared expenses	460	308	(49%)
Equity in the loss of India joint venture	33	—	nm
Restructuring and impairment charges	143	—	nm
Interest expense, net	367	246	(49%)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	397	451	12%
Total segment operating income	\$5,060	\$3,876	31%