



# Q4 FY25 Earnings Conference Call

November 13, 2025

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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 Treasurer*

**PRESENTATION**

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**Operator**

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

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

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

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**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 fourth quarter 2025 earnings call.

Our press release, Form 10-K, and management's posted prepared remarks were issued earlier this morning and are available on our website at [www.disney.com/investors](http://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 statements regarding forward-looking statements on our Investor Relations 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 Investor Relations website, the press release issued today, and the risks and uncertainties described in our Form 10-K, subsequent Form 10-Qs, 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 Investor Relations website.

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

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

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

Thank you, Carlos, and good morning, everyone.

This was another year of great progress as we strengthened the company by leveraging the value of our creative and brand assets and continued to make meaningful progress in our direct-to-consumer businesses, resulting in strong earnings growth for the company. Adjusted EPS for fiscal 2025 was up 19% from fiscal 2024, and over the past three fiscal years we have delivered a

19% compound annual growth rate in adjusted EPS. Our strategy and portfolio of complementary businesses, coupled with a strong balance sheet, enable us to continue to grow adjusted EPS and free cash flow over time.

For fiscal 2026, we expect to deliver double digit adjusted EPS growth compared to the prior year. The expected growth in earnings and cash flow enable us to continue investing in our businesses, and to increase our return of capital to shareholders. We are targeting \$7 billion in share repurchases in 2026 – double the \$3.5 billion we repurchased in fiscal 2025.

We're also pleased to announce that the Board has declared a cash dividend of \$1.50 per share, a 50% increase over the \$1.00 paid to shareholders in fiscal 2025.

Before we take your questions, I'd like to touch on a few highlights from the quarter.

First, our film studios. This summer's box office once again demonstrated the global and cross-generational appeal of our storytelling and IP. To date, Disney's live-action *Lilo & Stitch* remains the highest grossing Hollywood film at the global box office this calendar year, and its success has extended across our interconnected businesses and consumer touchpoints. The film achieved 14.3 million views during its first five days on Disney+, becoming the second-biggest Disney live-action premiere on the platform ever. Retail sales for Stitch from our Consumer Products business also continues to grow, eclipsing \$4 billion in fiscal 2025. The popularity of this global phenomenon underscores the franchise's enduring strength and the effectiveness of our strategy to invest in popular stories and characters.

Over the past two years, our studios have delivered four global franchise hits that have earned more than \$1 billion each, while no other Hollywood studio has achieved a single one during that same period. Additionally, with the strong opening of *Predator: Badlands* — the biggest

opening in the franchise's nearly 40-year history — The Walt Disney Studios has now crossed the \$4 billion mark at the global box office for the fourth consecutive year.

Heading into the holiday season, we are excited to bring audiences *Zootopia 2* and *Avatar: Fire and Ash*. Looking ahead, next year's slate includes numerous highly anticipated titles such as *The Devil Wears Prada 2*, *The Mandalorian and Grogu*, *Toy Story 5*, the live-action *Moana*, and *Avengers: Doomsday*.

We saw strong viewership of our television content in Q4, fueled by series such as *Alien: Earth* — FX's biggest premiere ever on Disney+ and Hulu; Season two of *High Potential*, the No. 1 original broadcast series across all platforms among Adults 18-49; the Korean global hit *Tempest*; and Season 34 of ABC's *Dancing with the Stars*, which made history as the only fall show to increase its overall audience for six straight weeks following a season premiere — something that has never been achieved by any show since Nielsen began electronic measurement in 1991.

And we have more highly anticipated titles to come over the next few months, including new seasons of *Paradise*, *The Secret Lives of Mormon Wives*, *Percy Jackson & the Olympians*, *American Idol* and the revival of the comedy *Scrubs*. We're also excited to bring viewers Taylor Swift's *End of an Era* docuseries as well as the concert film *Taylor Swift: The Eras Tour: The Final Show*.

At our Entertainment segment, our streaming business had another quarter of profit growth, with operating income up 39% in Q4. For the full year, we hit \$1.3 billion - in operating income — up \$1.2 billion - from last year and \$300 million ahead of our original guidance. That is a

significant achievement when you consider that just three years ago, our DTC business was running a \$4 billion - operating loss.<sup>1</sup>

As we continue to build DTC into a core growth engine, we're rolling out a more unified app experience to better serve our consumers and unlock new value. In October, Hulu became our global general entertainment brand. And we continue work to consolidate all of our entertainment content domestically within a single app, which will simplify the user experience, highlight the full value of our bundles, and unlock global marketing efforts.

We're also expanding our international reach by investing strategically in our own originals and working with local studios to license content that brings more high-quality local storytelling to the platform. We are taking a disciplined approach to the markets we are prioritizing, and we have confidence in our long-term strategy.

Turning to sports, we ushered in a new era with the launch of ESPN's full direct-to-consumer service and enhanced ESPN App, making ESPN's full suite of networks and services available directly for the first time. We're thrilled by the response from fans so far, especially to the upgraded ESPN App, which now includes features such as Multiview, SportsCenter For You, Catch Up to Live, and tools like live game stats, betting, fantasy sports, and commerce integration. Viewership of our industry-leading portfolio of live sports also remains robust, with ratings across ESPN networks, including ESPN on ABC, finishing the quarter up 25% over the prior year quarter.

At our Experiences segment, we delivered record operating income for both Q4 and the full year, with operating income up 13% for the fourth quarter compared to the prior year and up

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<sup>1</sup> Operating loss of \$4 billion reported for the fiscal year ended October 1, 2022 for Disney Media and Entertainment Distribution Direct-to-Consumer, which included Disney+, Hulu, and ESPN+.

8% for the full year. We are looking forward to two new cruise ships joining our fleet in the coming months; The *Disney Destiny*, which sets sail next week, and the *Disney Adventure*, which will become our first ship homeported in Asia when it launches in March. This will bring our fleet to a total of eight cruise ships. And in the spring, we are excited to open World of Frozen at Disneyland Paris.

With expansion projects underway at every one of our theme parks, five additional cruise ships scheduled for launch beyond fiscal '26, and a new theme park planned for Abu Dhabi, the strategic investments we are making now will help ensure our offerings remain best-in-class and appeal to audiences worldwide well into the future.

Overall, this quarter caps another strong fiscal year for the Company. We continue to execute across our strategic priorities as we build for the future, deliver the very best in entertainment, and create value for shareholders.

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

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**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 get to as many analysts as possible today.

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

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**Operator**

Yes sir, our first question today comes from Ben Swinburne at Morgan Stanley. Please go ahead.

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**Ben Swinburne** – *Morgan Stanley*

Thank you, good morning. Bob, I think we've been talking about ESPN going direct-to-consumer for, I don't know, it feels like a decade or so now, and you've got the product in the market. I know it's not been a ton of time, but I'm wondering if you could share a little bit about what you've learned so far in terms of adoption, engagement, anything interesting in terms of what kind of packages people are attracted to? And really the question is, does this product kind of change the outlook in any meaningful way for the business as you look out over the longer term?

And I just want to ask Hugh on the cash from operations guidance that you provided with the \$1.7 billion cash tax swing, if I sort of adjust for that, I'm getting kind of underlying growth of well over 20%. So, is there anything else we should be thinking about? Maybe it's The One Big Beautiful Bill tax benefits or anything else in the cash outlook that suggests such a strong cash flow year in 2026? Thanks so much.

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

Ben, I'll take the first part of your question. The ESPN launch has been a real success for a number of reasons.

First of all, what we set about to do was to attract basically new users, people who had either been subscribers to the multi-channel linear bundle or people who had not, but wanted to



engage more with the ESPN, and we've done extremely well in that regard, signing up essentially new users.

The other thing we wanted to do was we wanted to give people who wanted to stay in the multi-channel linear bundle a chance to use the app and to engage with us more deeply because the app has so many more features than the linear channels do. And the authentication rate of people who are already subscribers has been very, very encouraging.

Third, we ended up signing up a substantial number of subscribers to what we call the ultra product or the ultimate ESPN product, which is essentially mostly attracting cord-nevers, people who want to engage with sports, but maybe they don't want to engage as deeply as those that get linear channels or those that have subscribed to the main app. So, it's been very successful in that regard.

We're encouraged that people have found all the new features and are using them, particularly the SportsCenter For You and what we call VERTS, which is essentially just vertical sports highlights. And the algorithm seems to be working as well; I know it's working for me, where if you watch certain videos on ESPN, and particularly if you click like, then your feed is populated by sports news and sports highlights that you are more interested in. So, I guess in almost every way you look at it, it has worked; it's also working for advertisers because obviously there's real value in the data that we provide advertisers on the direct-to-consumer platform. And so we're attracting both more advertising and new advertisers to the service.

And as we look ahead, we believe that we've created a product that is very, very consumer friendly, very advertiser friendly, and actually works both for the traditional distribution ecosystem and for what I'll call the DTC ecosystem, if there is such a thing. So, we're very, very encouraged. I think it's a very positive step for the future of ESPN because while nothing

necessarily provides future-proof concepts or circumstances for a business that is constantly changing, but this certainly is a step in the direction of solidifying ESPN's future going forward.

The last thing that I'll say is the great thing about the app is this incredible variety of sports that you can access on it. So where the linear channels provide, obviously live sports and studio programming, more of what I'll call along the lines of the traditional sports television, the new app gives users a chance to engage with thousands and thousands more sports events over the year, and I think that's not only a sports fan's delight, but I think overall it's about as consumer friendly as it gets.

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

Okay, Ben, yeah, and I'll take the question on cash flow. You're right, if you adjust for tax, we're up about 28% year-over-year.<sup>2</sup> Because of the timing on tax payments, the reported number is closer to 7%, driven by a couple things.

Number one, obviously, OI growth is quite strong. Number two, we've been investing for a couple of years, and we've now sort of leveled off in terms of those levels of investment. That's something that we think you can look forward to in the out years. Continued strong free cash flow growth from Disney, which obviously gives us a lot of flexibility in terms of the ability to return cash to shareholders, which was evidenced today by the doubling in the share repurchase and the 50% increase in the dividend, so we feel very good about the free cash flow growth going forward.

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<sup>2</sup> Refers to fiscal 2025 cash provided by operations of \$18 billion and the Company's forward guide for fiscal 2026 of cash provided by operations of \$19 billion, and the impact on year over year growth of \$1.7 billion in taxes, which were deferred from fiscal 2025 to fiscal 2026 as a result of tax relief granted due to the California wildfires.

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**Ben Swinburne** – *Morgan Stanley*

Thank you.

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

Before we take the next question, Carlos.

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

Thanks, Ben.

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

Before we take the next question.

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

Go ahead.

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

Before we take the next questions, Carlos, I just want to add something to the question that Ben Swinburne asked about ESPN. One of the things that we're also very encouraged by is the fact that of the subscribers that have signed up to the new app, a substantial number of them, about 80%, have signed up to what we call the Trio Bundle, which includes Disney+ and Hulu.

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

Thanks, Bob, and thanks, Ben. Operator, next question, please.

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**Operator**

Our next question comes from Stephen Cahall with Wells Fargo. Please go ahead.

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**Steve Cahall – Wells Fargo**

Thank you. So just on content, you had a pretty strong last couple of years in general entertainment. Bob, you talked about some of the things like *Alien: Earth* and FX that have done really well. As we look into this year for the studio, I mean, it's a big slate with *Avatar* and *Moana*, you're off to a little bit stronger – or a softer start, I think, implied in the guide for the first quarter. So, I was wondering, if you could just talk a little bit about what kind of growth you think you can do at the studio this year or over the next couple of years?

And then, Hugh, just a tactical one. Given the ongoing carriage dispute with YouTube TV, have you provisioned anything in the EPS guidance for a sustained blackout, or is the economic impact actually more minimal because you think those folks would resubscribe elsewhere, including maybe the ESPN app? Thank you.

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

Hugh, I'll take the first part of the question. Stephen, thank you. We're very encouraged by the studio slate that is coming up. In fact, we have a premiere of *Zootopia 2* tonight. That is our Thanksgiving release. And then we finished the calendar year with *Avatar: Fire and Ash*. Obviously, we have very high hopes for that.

And if you look at the slate for the rest of the year, it's about as strong as it's been in a while, maybe stronger than it's been in a while, including *The Mandalorian*, *Toy Story 5*, a live-action *Moana*, and then we're going to finish the calendar year with *Avengers: Doomsday*. So, we are

very bullish on the slate ahead. As we look at the slate well into '27 and into '28, we feel that we've got similar strength to the strength that I just described for fiscal and calendar year '26.

Obviously, not every film works. We know that. We've been around long enough to understand that. But if you look back at the year and you look at the fact that we've already crossed a substantial global box office level, we feel that we had some real strength, two billion [dollar] films in the fiscal year. The biggest film of the year, fiscal 2025 and calendar 2025 to date, which was *Lilo and Stitch*, which also had tremendous, tremendous consumption when it went on the platform.

So we feel good about the direction of the studio, both the current slate, the slate that's coming up, and what it looks like in the future.

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

Right, and Steven, just to add to Bob's comments, in terms of Q1, that's more about what we're overlapping rather than the slate for the year itself. Just the timing of the overlap, particularly with *Avatar* coming at the very end of Q1, is what's driving the guide that we shared with you all.

As relates to the discussions with YouTube, obviously, I'm not going to comment much on ongoing negotiations that are live right now. The only thing I would say is in terms of our guidance, we built a hedge into that with the expectation that these discussions could go for a little while. In terms of the dollar impacts, keep in mind there's two pieces to it. There's the piece that we're not getting paid for, and then the piece that we're picking up by virtue of subscribers moving elsewhere. But beyond that, I don't want to comment because it is a live negotiation right now.

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

Thanks, Steve. Operator, next question, please.

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**Operator**

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

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**Robert Fishman**– *MoffettNathanson*

Good morning, everyone. Bob, as we think about Disney+ as a portal to all things Disney, can you talk about the future roadmap and how subscribers will be able to use Disney+ as a super app, for not only Hulu and ESPN that you started to talk about, but also engage with your parks and other assets?

And then, Hugh, do you see a path ahead for sustained double-digit DTC revenue growth through a combination of subscriber engagement and advertising increases? Thank you.

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

Thanks, Robert. First of all, regarding Disney+, we're in the midst of rolling out the biggest and the most significant changes from a product perspective, from a technology perspective, since we launched the service in 2019. And we're really encouraged because it's enabling greater personalization, resulting in a product that's just more dynamic, more engaging, and basically it's working. And as I mentioned in my remarks, we've turned Hulu into a global general entertainment brand, which we think is going to create more awareness and basically create closer alignment with our US product.

So, as we look ahead, these things are obviously all designed to create a one-app experience, but we also see, particularly with the deployment of AI, the opportunity to use Disney+, as you suggested, as a portal to all things Disney. There's clearly an opportunity for commerce. There's an opportunity to use it as an engagement engine for people who want to go to our theme parks, want to stay at our hotels, and want to enjoy our cruises – our cruise ships.

And obviously, there's a huge opportunity for games and the investment that we made and the agreement that we reached with Epic Games. While that will largely be on their platform, gives us an opportunity to integrate a number of game-like features into Disney+.

The other thing that we're really excited about, that AI is going to give us the ability to do, is to provide users of Disney+ with a much more engaged experience, including the ability for them to create user-generated content and to consume user-generated content, mostly short form, from others.

So, a lot going on. We're pleased that the progress that we've already made from a technology perspective. We've made some great hires, by the way, in the last year in that regard, including Adam Smith, who's also brought in some real talent. And the opportunity here, we think, is enormous in terms of increasing our engagement with Disney fans across the world.

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

Okay, and Robert, regarding your question on DTC, a couple of comments. Number one, obviously, we guided you to the double-digit margins,<sup>3</sup> as we've been talking about in the past and as was expected coming into the year.

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<sup>3</sup> Refers to guide of operating margin of 10% for Entertainment DTC SVOD.

Number two, in no way are we going to get there through cost-cutting. The way we're going to get there is through revenue growth and through driving operating leverage through the business. We didn't give a specific revenue guide, but our objective and our aspiration is very much to be growing the top line of that business by double digits, as we did on an apples-to-apples basis in Q4. That's what we're looking to do going forward is to grow the top line double digits.

And, again, as a reminder and as we've discussed in the past, getting beyond '26, we're certainly looking to gain margin in chunks, not in basis points, as we think beyond '26 and into the future. We think this is a terrific business that's really going to be super strategic for the Walt Disney Company and is going to be a growth driver for us for many years to come.

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**Robert Fishman**— *MoffettNathanson*

Thank you both.

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

Thanks, Robert. Operator, next question please.

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**Operator**

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

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**Jessica Reif Ehrlich** — *Bank of America*

Thank you. I've got a couple things. One, you've grown content via both building and buying, and clearly we're going to see M&A in media in the coming year with a lot of moving pieces across the industry, some companies being broken up. So, I'm just wondering, do you see any



role for Disney, and if not, any concern that you'll see a stronger competitor coming out of all of this?

And then secondly, on advertising, could you maybe go a little bit under the covers? There are a lot of things going on in DTC and linear, both entertainment and sports. Could you give us some color on your outlook for fiscal '26? Thanks.

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

First part of the question, Hugh –

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

Hey, Jessica.

Go ahead, Bob, sorry.

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

Go ahead.

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

So, Jessica, on M&A, a couple things. Number one, obviously, we don't comment on M&A specifically. That said, with what's happening in the industry right now, Bob and the team really built the IP portfolio that we have over the last decade, whether it was the Fox acquisition or Lucas or Pixar. So we actually feel like we've got a great portfolio, and we don't need to do anything. From that perspective, I think we'll let this play out. In terms of other competitors, we'll see how the various moves play out, but we like the hand that we have right now. So, I wouldn't expect us to participate in making any significant moves.

As relates to the advertising side, what you saw for the year for us last year was advertising grew 5%.<sup>4</sup> Sports was particularly strong.<sup>5</sup> DTC obviously has had supply coming into the market. That said, we did see CPMs improve at Disney over the last two quarters, so we feel like that's trending in the right direction. And then from a linear perspective, obviously, that's driven by what happens with subscribers. Going forward, we do expect advertising growth going into '26 as well, despite the fact that we're overlapping political advertising in the first quarter of '26.

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

Thanks, Jessica. Operator, next question, please.

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**Operator**

Thank you. Our next question today comes from Michael Morris at Guggenheim. Please go ahead.

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**Mike Morris** – *Guggenheim*

Thank you. Good morning, guys. I want to ask you first on the Experiences business. Can you talk a little bit more about the drivers of the segment into fiscal '26, in the context of that high single digit operating income growth that you guided to? So, how is demand currently trending, and how much of the guided growth comes from revenue as opposed to margin expansion in the coming year?

And if I could ask one on the Sports side, you talked about some of the content-driven cost pressure in the second and third quarters of the year, I would assume that comes from the NBA

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<sup>4</sup> Refers to fiscal year 2025 advertising revenue growth for the Company compared to the prior year, excluding the impact of Star India in each year. Fiscal year 2025 total company ad revenue was \$11.1 billion, down \$0.8 billion or -6% compared to the prior year, including \$0.1 billion and \$1.4 billion of advertising revenue from Star India in fiscal 2025 and fiscal 2024, respectively.

<sup>5</sup> Refers to fiscal 2025 ESPN advertising revenue growth of 13% compared to the prior year.

investment. Can you talk a bit about how the NBA investment is positive for you and will drive your growth over time? Thank you.

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

Okay, yeah, happy to jump in on both of those. In terms of the Experiences business and drivers for '26, obviously we've made big investments in cruise, and we're expecting cruise to be a meaningful contributor to growth of Experiences during the course of the year, particularly in the second half, as we get past the launch costs and some of the dry docks that we have in the first half of the year.

Number two, obviously, we're always going to have a combination of some pricing and some attendance growth, so certainly feel positive about that. And then obviously with the slate that we have coming on the film side, consumer products ought to be a meaningful contributor as well.

As far as Sports goes, from the perspective of the NBA, because of the timing of the rights costs, it does create a little bit of bumpiness during the course of the year. Again, the latter half is where we'll really see material growth in ESPN. And then in terms of NBA being a contributor, the NBA is obviously a phenomenal property. We were fortunate enough to get out in front of that and create an attractive deal both for the NBA and for ourselves. It obviously, like a lot of other live sports, attracts audience, and in the case of the NBA, like the NFL, attracts scale audience, which obviously is super attractive to advertisers and therefore is strategically beneficial to us as well.

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**Mike Morris** – *Guggenheim*

Thanks. If I could follow up, can you share anything about what you're seeing on the demand side currently domestically for the parks in terms of advanced bookings or per caps?

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

Yes, yes. Sorry, I forgot to answer that portion of your question. Bookings are up 3% in the first quarter, so feel good about that. And they're also up for the year.<sup>6</sup> So, feel good about where demand is right now.

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**Mike Morris** – *Guggenheim*

Great, thank you, Hugh.

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

Yep.

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

All right, thanks, Mike. Operator, next question, please.

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**Operator**

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

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**Kannan Venkateshwar** – *Barclays*

Thank you. Bob, any interest from you on becoming a broader bundler of streaming? You already have ESPN and Disney+ and Hulu bundled. And of course, you also have Fox One and HBO. And it feels like there's an opportunity here for Disney to maybe emerge as a new form of

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<sup>6</sup> Refers to forward bookings at Walt Disney World Resort.

bundler, which nobody in the industry appears to have attempted yet. So, any thoughts on that would be great.

And then just to understand the impact of ESPN bundling on Disney+ and Hulu a little bit better, anything you can share with respect to maybe the churn benefits or any kind of subscriber acquisition cost tailwinds that you saw in the quarter, what you expect going forward potentially from that? Thank you.

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

So, I'll answer both parts of your question. First of all, as it relates specifically to ESPN bundling, what we've found is that subscribers that bundle, either that bundle Disney+ and Hulu or subscribers that bundle Disney+, Hulu and ESPN are healthier subscribers, in the sense that the churn rates are lower than the subscriber that only subscribes to one app. So, what I mentioned earlier, the fact that about 80% of all the subscribers to the new ESPN service are actually buying the Trio or the triple bundle, that's a very positive sign for us in terms of lowering churn into the future.

We've also found that bundling with others, for instance, we've been bundling with [HBO] Max in the United States, also has a lower – an effect of lowering churn. And we've expressed the desire to do more bundling with other companies and have been in discussions on and off with other companies about doing just that. So typically, the opportunity to bundle definitely – and to bundle more exists. And we also have proven that it works both for us in terms of our subscribers and also for the subscribers that we attract for the bundling entity. If you were to ask the folks at Warner Brothers Discovery about the impact of the [HBO] Max bundle on them, they would tell you that they've signed up a substantial number of subscribers thanks to the bundle with us.

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

Thanks, Kannan. Operator, next question, please.

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**Operator**

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

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**John Hodulik** – *UBS*

Great. A quick follow-up on the parks business, and then a question on cruises. It looks like domestic parks attendance was a little light in the fourth quarter. Hugh, is that driven by sort of competition, macro, or are there any other factors that may have accounted for that?

And then on the cruise side, just comment on overall demand for the cruise business. And could you remind us, how do the margins in cruises compare to overall margins in the parks business? And what should be the impact on that segment as that business grows as fast as it's slated to over the next several years?

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

In terms of the demand, demand was, I wouldn't characterize it as light. It basically came in line with our expectations. We've talked about Epic in the past, in particular, as something that we knew was going to be a factor in domestic parks, and, in fact, was very much in line with our expectations. If anything, it seems to be, in fact, impacting the rest of the competition down in Florida more than it's impacting us. From a consumer perspective, we certainly feel good about it.

In terms of demand for cruise, very, very strong, despite the fact that we've added as much capacity as we have, our utilization rates are in line with what we've seen in the past. So we're

filling all of that capacity as quickly as we can add it.

Regarding margins, we don't really talk about specifics on cruise margins. That's not a disclosed item. But, obviously, it's a very attractive business. We're capable of pricing it at a good level. The guest satisfaction scores are higher than basically anything else in the company, so the margins in that business, as you would imagine, are quite attractive.

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

Thanks, John. Operator, next question, please.

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**Operator**

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

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**Kutgun Maral** – *Evercore ISI*

Good morning, and thanks for taking the questions. Two, if I could, first on direct-to-consumer, I was hoping you could share some of the puts and takes on the cost side in 2026, especially as you continue to invest in technology and programming, but I didn't know if there was some maybe cost savings associated with integrating the tech stacks, for example, that we should be mindful of.

And then, Hugh, just a housekeeping one, if I could, around the 53rd week. Thank you for providing a clean guidance for the year and on an underlying basis. With that, can you help quantify the impacts of the extra week to this year? And as we look to fiscal '27, would the expectation be that you could grow EPS double digits again, even without adjusting for the 53rd week comp? Thank you.

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

Yeah, first on DTC, it's really consistent with what we've talked about in the past. So, we expect to grow revenue at an attractive rate. As I mentioned earlier in the call, our aspiration is to be double digits in that business. In terms of then the line items underneath, we'll obviously continue to invest at a reasonable level in content, leaning a bit more towards the international side as we identify opportunities in specific markets to grow the international business where we have a big opportunity.

In addition to that, we'll be investing in product. So, the technology area will get some level of investment as well. And obviously, as we put the two businesses together, there's opportunities to do a bit of savings on SG&A. That said, I would expect P&L leverage, in other words, expenses growing less quickly than revenue, across all of those items, which is how we drive the margin growth that we would expect to see.

In terms of the 53rd week, again, I would expect us to figure out as we get to Q4 what the 53rd week is worth. And then as we determine that, as we have in the past two times we've had the 53rd week, we would share something on that with investors and we'd look to grow double digits off of that.<sup>7</sup>

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

All right. Thanks, Kutgun. Operator, we have time for one more question.

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<sup>7</sup> Refers to double digit adjusted EPS growth in fiscal year 2027 compared to adjusted EPS for fiscal year 2026, excluding the impact of the 53<sup>rd</sup> week in fiscal year 2026.



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**Operator**

Thank you. And our final question today comes from David Karnovsky with JPMorgan. Please go ahead.

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**David Karnovsky** – *JPMorgan*

Hey, thank you. Bob, you noted generative AI earlier, but it sounded primarily as a use case within your apps, and I'm wondering how you view the opportunity or risk to license out content or IP to some of the emerging video creation platforms? And then just relatedly, as it pertains to production costs over time, what role do you see for generative AI to drive cost efficiencies in the business? Thanks.

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

Very good question. We've been in some interesting conversations with some of the AI companies, and I would characterize some of them as quite productive conversations as well. Seeking to not only protect the value of our IP and of our creative engines, but also to seek opportunities for us to use their technology to create more engagement with consumers.

And we feel encouraged by some of the discussions that we're having. It's obviously imperative for us to protect our IP using – or with this new technology, and we've been pretty engaged on that subject with a number of entities, and I'm hopeful that ultimately we'll be able to reach some agreement, either the industry or a company on its own, with some of these entities that would, in fact, reflect our need to protect the IP.

We also, as we look ahead, we see opportunities in terms of efficiency and effectiveness by deploying AI, not just in the production process, but really across our company as we engage with our cast members and our employees, but also our guests and our customers. There are

opportunities, as Hugh talked about earlier, about what I'll call the office and creating efficiency there.

There are great opportunities in terms of our collection of data and our mining of data, and I'd say, above all else, there's phenomenal opportunities to deploy AI across our direct-to-consumer platforms. Both to provide tools that make the platforms more dynamic and more sticky with consumers, but also to give consumers the opportunity to create on our platforms.

I also, before we end the call, Carlos, I just want to say one thing, because I know there was reference to where we are with YouTube, and I just want to end the call, because we've been so engaged in this over the last few weeks, by kind of giving an overall summary of just where things stand.

First of all, obviously, we care deeply about our consumer, and our priority has always been to remain on their service without interruption, to close a deal on a timely basis so that interruption does not occur.

The deal that we have proposed is equal to or better than what other large distributors have already agreed to, so we're not trying to really break any new ground, and while we've been working tirelessly to close this deal and restore our channels to the platform, it's also imperative that we make sure that we agree to a deal that reflects the value that we deliver, which both YouTube, by the way, and Alphabet have told us is greater than the value of any other provider.

So, we're not trying to break new ground. The offer that's on the table is commensurate with deals that we've already struck with, actually distributors that are larger than they are. We're trying really hard, as I said, working tirelessly to close this deal, and we're hopeful that we'll be

able to do so on a timely enough basis to at least give consumers the opportunity to access our content over their platform.

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

Thanks, Bob, and thanks to everyone for your questions. We wish you all a good day.

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**Operator**

Thank you. That concludes today's conference call. 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, timing and margins) and expected drivers; business plans and opportunities, including transactions for which conditions to close have not been satisfied, including entering into additional agreements, regulatory or other approvals or other conditions; future programming and production costs, capital expenditures and investments, including opportunities for growth and expansion; 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, including share repurchases, 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,” subsequent 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.