Q3 FY26 Earnings Conference Call

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Disney Speakers:

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Chief Executive Officer

Hugh Johnston

Senior Executive Vice President & Chief Financial Officer

Moderated by:

Ben Swinburne

Executive Vice President, Investor Relations and Corporate Strategy

PRESENTATION

Operator

Our earnings release and Form 10-Q were issued earlier this morning and are available on our IR website.

Our IR website includes a cautionary statement regarding forward-looking statements. Today's webcast may include forward-looking statements that we make pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

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Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Good morning, everyone, and welcome to The Walt Disney Company's third quarter fiscal 2026 earnings call. Thank you for joining us. I'm Ben Swinburne, Executive Vice President of Investor Relations and Corporate Strategy. With me today are Josh D'Amaro, our Chief Executive Officer, and Hugh Johnston, our Chief Financial Officer.

We will begin today's call with prepared remarks from Josh. After Josh's remarks, we will take analyst questions.

With that, let me turn it over to Josh.

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Thanks, Ben. And good morning, everyone.

This was an excellent quarter for us, and our Q3 results and reiterated full-year outlook show we're operating from a real position of strength.

Total segment operating income came in ahead of our prior guidance, up 21%, with total company revenue growth of 7%. And Disney Experiences delivered record fiscal Q3 revenue and segment OI. Our core platforms – Disney Experiences, Disney+, and ESPN – grew guests, users, and audiences, respectively, versus the prior-year quarter.

We are executing well across our businesses and delivering on the back-half acceleration commitments we made to investors. And despite the continued macroeconomic uncertainty, we are on track to finish the year strong.

During my first five months as CEO, I've been focused on ensuring that we execute as one company around a unified strategy. And what we're seeing this quarter is proof that coordinating our franchises, sharing data and technology, and building seamless fan experiences works.

Disney's fundamental advantage is the depth of our fan relationships, and that translates directly to durable financial returns. Today, we find ourselves in an environment where consumers have more options than ever for their time, and yet, our results show they keep choosing to spend their time with Disney. This success reflects our continued execution across our three strategic priorities: First, investing in creative excellence and world-class IP. Second, leveraging technology to accelerate growth and drive returns. And third, deepening our direct relationships with fans by creating a more connected Disney experience.

Anchoring these strategic priorities is our One Disney operating model, which will allow us to fully capture the value of our portfolio for both fans and shareholders.

I'd like to highlight a few examples from the quarter that demonstrate how the strength of our consumer connections and the power of our IP are expanding our reach and our relevance.

First, we grew our global guests 4% year-over-year, with particular strength at Walt Disney World, while also benefitting from additional capacity at Disney Cruise Line. Forward bookings at Walt Disney World and Disney Cruise Line remain healthy.

Second, the strength of our franchise IP was evident in the financial and cultural impact of *Toy Story 5*, which recently surpassed $1 billion at the global box office.

And third, the unique passion of sports fandom drove over 100% growth in NBA Finals and NHL postseason viewership across ESPN and ABC versus the prior season, making this the most viewed fiscal Q3 across ESPN, ESPN2 and ESPN on ABC since 2016.

Let's dive deeper into our Q3 performance and our full year outlook.

Starting with Disney Experiences, we're proud of the growth that we've had this year, and we're investing to sustain that growth and, over the lifetime of these projects, deliver double-digit returns. As always, we're being disciplined in our capital allocation, with a focus on expanding our capacity around the world and driving incremental demand.

The pipeline includes major attractions at every site, including Villains Land in Orlando and the Avengers Campus expansion in Anaheim, amongst others in the U.S., and our previously announced cruise ship expansion.

At our studios, the blockbuster success of the latest Toy Story installment shows exactly why Disney is different from the competition, and how our stories translate into recurring earnings power. The five Toy Story films have delivered over $4 billion in global box office and over 2 billion hours streamed on Disney+.

Across all retailers, Toy Story generates more than $1 billion in annual global retail sales and reaches fans across every Disney park and cruise ship, including four immersive lands, 19 attractions, and two hotels.

Now, that's the Disney flywheel in action: one powerful and enduring story, told across theaters, streaming, retail, and physical experiences. That integration creates a structure no one else has been able to replicate.

Even when our franchise films don't meet our box office expectations, as with *The Mandalorian and Grogu* and the live-action *Moana*, our investments in these core properties fuel other parts of our company. *The Mandalorian and Grogu* drove healthy growth in retail sales for the Star Wars franchise and drew guests to the updated Millennium Falcon attraction at Disneyland and Walt Disney World, and led to significant engagement in gaming as well. And the live-action *Moana* is expected to be a strong title on Disney+, building on the success of the original film, which is one of the most streamed movies of all time.

Our ability to outperform our prior consolidated fiscal Q3 guidance and reiterate our full-year outlook, despite the mixed box office performance, demonstrates the strength of our diversified entertainment model.

Of course, I'd be remiss not to acknowledge and congratulate everyone on this past weekend's record- breaking opening for Spider Man. Congratulations to Sony, Kevin Feige, and the Marvel Studios team—it's an unbelievable result, and it's one more example that audiences will turn out in force for great theatrical experiences.

Sixty-five years after his debut, Spider Man remains one of the most popular characters, through consumer products, parks, and streaming. And this weekend, it's a great reminder of just how much strength this franchise still has. And it goes without saying that the success of Spider Man bodes well for our upcoming and highly anticipated *Avengers: Doomsday* film.

The appeal of our IP across multiple consumer touchpoints is central to our strategy, and Disney+ is the digital centerpiece for that. We're the only entertainment company with global scale in both the physical and digital worlds.

During the quarter, we passed an important milestone in app unification, allowing Hulu standalone and bundle subscribers to link profiles and manage subscriptions on Disney+.

We delivered a 13% SVOD operating margin in fiscal Q3 and we remain on track for double-digit margins in fiscal 2026, excluding the 53rd week impact.

Now, we still have work to do scaling Disney+ outside the U.S., and we're focused on driving growth and returns over the long term in under-monetized markets. Our strategy is clear: leverage regional relationships and bring local content onto Disney+ at scale. And that’s how we’ll grow internationally.

Disney’s long-term streaming strategy rests on two pillars: make the core streaming experience the best in the marketplace and connect our businesses into a single digital ecosystem.

Beyond our films and series, Disney+ will continue to evolve, bringing together games, merchandise and other experiences, while offering increased personalization, exclusivity and benefits for subscribers. All of this is designed to deepen engagement, improve the value proposition, lower churn, and – most importantly – increase lifetime fan value. We expect to introduce elements of this expanded ecosystem beginning in Spring of 2027.

Disney+ provides the global reach to develop new fans and the consumer data to drive personalization, which are both core to our long-term strategy.

That same strategy also extends to sports, where ESPN gives us another powerful way to deepen our relationship with fans.

We’ve all witnessed the unparalleled power of live sports over the past few months. The NBA Finals between the champion New York Knicks and San Antonio Spurs were the highest-rated NBA Finals in 28 years. And ESPN generated its most-watched first half of the calendar year since 2012.

As we evolve Disney+, we’ll continue to bring select premium sports events to the platform to both strengthen the service and drive upsell to the trio bundle – our highest LTV product. At the same time, ESPN remains the primary destination for daily sports content. Live sports aren’t just a viewership play; they’re a fan engagement and ecosystem play. When a sports fan engages with ESPN, Disney+, or our parks, their lifetime value increases.

Underpinning all of this work is our deep commitment to embracing emerging technology. Our company was founded on the convergence of creativity and breakthrough technology – and continuing that tradition is a priority for me and this leadership team. That’s why we’re leveraging AI to bring the most innovative tools to our storytellers. As I’ve said before, AI isn’t simply about efficiency – it’s about enhancing a creative process that will always be human-centered, artist-driven, and creator-led.

AI lets us work faster and smarter, particularly in areas of pre- and post-production. Our teams can personalize content and experiences for fans around the world at scale. And we are doing all of this while keeping human creativity at the center. AI amplifies what our storytellers can do – it doesn't replace them.

This efficiency, it matters financially, too. When our teams work smarter, we can serve more people across our parks and digital platforms and do it more cost-effectively. That frees up capital to reinvest aggressively in what drives long-term value: new content and next-generation guest experiences, as well as technology infrastructure that keeps Disney at the forefront of entertainment.

To sum it all up, there is clarity of purpose inside this company right now. We know what Disney is: a storyteller with an unmatched ability to reach fans across every format and every geography. We know how technology amplifies that power. And we know that when we operate in an integrated fashion with speed, discipline, and efficiency, we can create long-term shareholder value.

With that in mind, let me turn the call back to Ben for analyst Q&A.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

We're going to start our analyst questions on the Experiences segment.

This is a question from Robert Fishman from MoffettNathanson: "Now a few years into the $60 billion 10-year parks CapEx investment cycle, can you provide an update on future revenue growth and long-term margin upside from expanding parks capacity plus the growing cruise ship fleet? How do you balance pricing versus volume growth for parks, looking out over the next couple of years?"

Probably makes sense for you to take this, Josh.

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Yeah, I'll take that. Okay, well, thanks, Robert.

These are great questions, particularly in light of the results that we just reported today and the solid returns that we're seeing in our business, and it probably makes sense just to start right there with Q3, a pretty clear demonstration of our ability to drive growth, and we did this through investment in new initiatives, and of course, it's on the heels of our base business which remains really strong.

It was another record revenue quarter for the Experiences segment. Revenue was $10 billion. It's 10% above where we were in Q3 last year. And I know there was a fair amount of speculation about the strength of our domestic parks. Well, clearly they were strong.

Outside the parks, we also saw expansion at Disney Cruise Line. We had the Disney Destiny and the Disney Adventure performing quite well. In Paris, over at Disneyland Paris, we expanded with the opening of World of Frozen and that's been really well received by our guests. And then consumer products' business, it also benefited from our theatrical slate.

And then just from an OI and a margin perspective, the Experiences segment again delivered Q3 records, which was - it was fueled by the strong revenue growth. And then on top of this, and this is really important, we delivered 4% global guest growth, and we had 3% attendance growth at our domestic parks. And on top of that, spending was up. We saw 4% growth in per cap spending at our domestic parks.

It's important, I think, to highlight that we're performing significantly better than our competition, and in doing that, delivering strong volume and per cap spending results, and to remind everyone, we're achieving this even during a period where there's a fair amount of macro uncertainty.

So I guess when you think about it, the takeaway here, it's pretty clear. The consistent investments that we've made over time, combined with the fact that the experience Disney provides to its fans, it's truly differentiated and highly valued. And I think that should give you in the broader investing community confidence that we can - we'll continue to grow over the years to come, especially as we continue to invest in our global capacity.

Now, in terms of future returns, having previously led this segment, I can also say that our capital investments, all of them - they go through very, very rigorous evaluations and are supported by clear and well-defined return expectations.

So looking forward, while we haven't provided a longer-term revenue or margin outlook for the segment, we did just this morning guide to the high end of our prior high single-digit OI growth for fiscal year '26, and that excludes the 53rd week, and this performance will be driven by the overall strength of our portfolio.

So, Robert, back to your specific question, we expect to balance both volume and yield, particularly as we're expanding through our capital plan so that ultimately we can serve more fans and make the experience, whether that's on land or on sea, even more desirable. So I hope that's helpful.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Great. Another question on our capital plan and returns, from Laura Martin at Needham.

Hugh, I think probably for you: “When we think of return on invested capital on the parks capital investment, are the ROICs on the early years CapEx higher than the later years? That is, are there declining returns as Disney spends more money? The idea is the earliest spending is low-hanging fruit.”

Hugh Johnston – *Chief Financial Officer, The Walt Disney Company*
Got it. Thanks for the question, Laura.

You know, as Josh said, we greenlight projects that really are driven by two things. Number one, attractive returns on the projects. And number two, they bring value to the guest experience. Our return on invested capital experiences has increased meaningfully over time, and we do expect strong returns into the future.

You're right in observing that we are seeing the impact of those projects quickly with the Q3 global guest increasing at 4%, segment margin increasing for the quarter. So we certainly are seeing a positive impact, but you shouldn't expect to see the returns on projects deteriorate over time.

In fact, what drives the timing of those projects is much more around the operational needs that we have and the capacity of shipyards and things like that, more than it is just jamming all of the attractive return projects up front.

So, we did try to help you all in the shareholder letter and the link we provided to give you a little bit more sense of the sequencing of the projects that are out there on the horizon. But we feel good about the returns of these projects well into the future.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*
Thanks, Hugh.

Question from Rich Greenfield at Lightshed Partners: “You've rolled out several new discount programs at U.S. parks recently. There's an after 2 p.m. pricing at Walt Disney World, Anaheim resident pricing at Disneyland, and a new evening access option. Are these designed to offset continued weakness in international visitation? Do they signal any increased concerns about attendance trends?”

I'll give that one to you, Josh.

Josh D’Amaro – *Chief Executive Officer, The Walt Disney Company*
Okay, thanks Rich.

Well, it actually seems like this is a pretty timely question given our performance in Q3 and hopefully the results and the answer that I'll give here can provide some comfort or at least some context that when you see promotions in the market, it's really, it's not something to be concerned about or it shouldn't be a measure or a gauge of the health of our business.

We've been deploying promotional offers regularly and what they're really about is going after a targeted market segment to drive incremental value and ultimately make sure that we're making the best use of our assets and all the capacity that we have available to us.

Now each of these programs, it’s - they're designed to reach a specific guest and that could be a value consumer, maybe we're going after a local resident, it might be a guest who's looking for some flexibility in how and when they visit, and this is really consistent with how our commercial strategy has evolved and been refined over time, basically to deliver more curated and targeted offerings.

Just a minute ago, I'd mentioned that Q3 global guests increased 4% above Q3'25, and that our domestic parks attendance was up 3% in Q3. And this strength was supported you know in large part by our sophisticated commercial tools, and inside of those tools are targeted discounts and I think it's pretty clear that with 4% per cap growth we're certainly not discounting our way to volume growth.

Now, Rich you asked about our domestic parks specifically and we did see strong domestic tourist and local resident growth, and that growth helped offset continued international attendance softness, although we've seen some moderation in that regard.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Okay. Our last question on the Experiences side, from Barton Crockett at Rosenblatt Securities.

Hugh, maybe you take this one: "How is the variability in fuel costs and the volatility of conflict in the Middle East impacting Disney? Is there any impact on parks attendance, margin, the new Abu Dhabi park development?"

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

Okay, great. Thanks, Barton. I guess that's about a four-part question, so let me try to break it down a little bit for you. First of all, at this time, you've seen in the numbers, demand is strong across domestic parks and cruises. Consumer products also had a terrific quarter, benefiting from the IP strength we have.

Looking forward, the forward bookings at Walt Disney World are up nicely. And the cruise line bookings also look very healthy as we look out to our book of business. That said, we're certainly not immune to the macros and in particular, fuel obviously touches the entire economy. As an example, we have seen a weaker consumer in Asia in our parks in Shanghai and Hong Kong in Q3, and that's continuing in Q4.

The good news is, we do have a global portfolio and as you saw in the announcement and heard from Josh, we now expect the Experiences segment to deliver a wide growth at the high end of the previously provided high single digit growth guidance for the fiscal year, excluding the 53rd week.

As relates to Abu Dhabi, look, that new park is being designed with a long-term view. These are multi-year projects to put in place, and obviously once we put them in place they last decades and decades. We continue to believe in the strategic rationale behind the project, and we are fully committed to seeing that project through.

On the topic of fuel, specifically through the hedging program and the fuel efficiency initiatives that we have at the cruise line, we're really seeing very little impact from the fluctuations in the price of oil during the current year.

And then last but not least, while we're on these types of topics, tariffs. We had about $100 million of tariff refunds in the quarter at Disney Experiences, which hit segment OI with no impact on revenue. There'll be a smaller benefit, if one at all, in Q4, and the full year impact will really be immaterial because the costs associated with those tariffs were actually in the first half of '26. So, really next to some - basically nothing for the year.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Okay, great. Now we're gonna turn to questions on M&A, strategic priorities and capital allocation.

Let's start with a question from Mike Morris at Guggenheim. “Fiscal '26 plans include at least $8 billion of share repurchases and approximately $24 billion of content spend. How do you weigh the pace of the buyback against continued investment in content and Experiences capacity expansion? At what free cash flow or leverage threshold does the buy back pace step up? And should investors expect the current authorization to be fully deployed within fiscal '26?”

Obviously, we had an update on the buyback front in the letter this morning. So, Hugh, why don't you take that one?

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

Great. Thanks for the question, Mike.

You know, as you well know, our company generates a lot of free cash flow, and we do have a very strong balance sheet. And we're not really looking to build cash, and we're not looking to deliver the balance sheet meaningfully from here. We like where we sit in terms of leverage right now.

So the goal as a company is to both drive growth and to drive capital return to shareholders. And we actually had the capacity to do both.

As we think about our capital allocation priorities, number one is always going to be investing back in the business to drive growth, and we're doing that. We're turbo charging the Experiences growth with our $9 billion of fiscal '26 CapEx, and you can see the results on that in terms of the accelerated growth we're seeing in that business.

We also plan to grow content spending from the current levels over time. We've talked about international in particular as being an opportunity where we think we can make a difference. On content, we're on track to spend $24 billion across the company this year. That's up modestly year over year.

And then as we think about shareholder returns in that aspect of capital allocation, I'd certainly highlight two things. Number one is the semiannual dividend, which we've obviously been increasing. And number two, in terms of the share purchase program, recall we originally guided to about $7 billion in fiscal '26, and now we're up to at least $9 billion. And the reason we're doing that is largely to utilize the cash that had been set aside previously for the OpenAI deal and now from the expected proceeds from the A&E transaction, which was announced overnight.

One thing I'll add, Mike, as Josh said, we're highly focused on operating with speed and agility and improving productivity and efficiency across the company so we can invest in accelerating growth. I will tell you that this work is ongoing as we look at meaningful reductions to cost, including labor and SG&A, and we'll update you on progress as we move forward.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Okay, great. Josh, another question from Robert Fishman.

I'll ask this to you, so: "With more strategic corporate actions taking place following Fox's Roku acquisition and Comcast announcing an NBCU spin-out, can you share updated thoughts on how Disney's portfolio of assets is positioned to compete against this changing media landscape? And do these moves by your peers impact your bundling strategies with Fox One and ESPN Unlimited or even potentially Peacock?"

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Okay, alright, great. Well, thanks, Robert. There's a lot going on in this space, so I figured this question, it might come up.

I guess I'll start with the fact that each of the situations in your specific question is actually specific to the companies involved, and for us at Disney, I feel good about the fact we're running our own playbook here, and it's working for us.

In order for us to compete successfully in a media landscape that's changing so fast, we - we're clear on what we need to do and that's invest in our core competitive advantages, and you're seeing that in our investments in content and in streaming and in experiences.

Our approach, and I've said this before, is to leverage our owned IP and own that direct consumer relationship through all of our platforms, whether that's Disney+ or Hulu, ESPN, and even the parks for that matter, and I think that approach positions us to best monetize across Disney, across the entire ecosystem. We just fundamentally believe that owning that relationship, it gives us the data, it gives the consumer insight, the pricing control to keep improving the value proposition over time.

But Robert, what your question highlights is that the streaming industry, it’s consolidating through M&A and through a growing number of partnerships, and there's no individual deal that's really deterministic I don't think of the industry outcome. And we don't see Comcast restructuring or Fox's acquisition of Roku as moves that will change our own strategic path. In fact, the way that I see it is there's actually opportunity in these developments. A more consolidated industry is really a better investment backdrop. And we have a long history of partnering and streaming and we believe that we can just keep building on that.

Now, of course, we're gonna look at every distribution opportunity on its merits, and we'll always assess whether it's consistent with our strategy of owning the consumer relationship. You know, where we're unique, and where, I point you, if you want the real differentiator, it's our ability to segment the marketplace through bundling in a way that, I don't think our competitors can really do, at least domestically.

When we look at customers who've been with us for a similar length of time, retention improves the further up that ladder they go from a single product up to a dual bundle to the trio bundle, and I think we're in a good position. We have a good hand to play and I like where we sit.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Question from Kannan Venkateshwar from Barclays: “You've reaffirmed double-digit adjusted EPS growth for fiscal '26 and fiscal '27, and the flywheel narrative is that content feeds both parks and streaming. With a couple of high-profile titles underperforming, how much of that reaffirmed earnings growth is dependent on content-driven downstream value versus the more capacity-driven pieces, things like experiences, building out cruise, and the direct-to-consumer margin ramp?”

Hugh, you want to take that one?

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

Sure, and thanks for the question, Kannan.

Look, theatrical performances is important to us, of course. And we certainly aspire to deliver consistent financial results for our films. But the nature of the film industry is such that it is more of a portfolio game.

The good news for us is our diversified business helps us basically cover the volatility that comes out of the film business. The results today, I think, in a lot of ways, illustrate that the growth drivers for the company right now are Experiences and streaming.

Underpinning those growth drivers are clearly the IP, but the theatrical window, in lot of ways is it's just one data point, and the real value of that IP is the cumulative benefit of decades-long storytelling and our ability to take that IP and play it into the entirety of the Disney flywheel.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Now I'm going to move to some questions on our direct-to-consumer strategy, first from David Karnofsky at JPMorgan.

Josh, I'll ask this one to you: “Can you update on where things stand with the Disney+ and Hulu integration and what consumer-facing or backend enhancements are outstanding?”

And David's follow-up is: “Hulu, through add-ons like HBO Max and Starz, serves as a platform for other entertainment services. Do you foresee a similar role for Disney+?”

Josh D’Amaro – *Chief Executive Officer, The Walt Disney Company*

Great, okay, thanks David. It's actually a timely question given the key milestones that we reached between Disney+ and Hulu in the quarter - this most recent quarter.

So, now Hulu subscribers can link their profiles and watch history on Disney+ while also getting a much more personalized and unified experience. There's still work to be done on unifying the tech stacks between the legacy standalone services, as well as on integrating what have historically been disparate data sets. And by the end of this calendar year, subscribers, they'll be able to see live TV and add-ons in addition to new features rolling out.

I think you've maybe seen this, one of our more recent features is Verts. It'll be strengthened by the new deal that we have with TikTok, which will bring more curated feeds and fan created content right onto Disney+. So, I'm pretty excited about that.

And David, yeah, you're right that Hulu is an efficient platform for other entertainment services, some that have been part of the Hulu value proposition to partners and consumers for years now. And we do think that Disney+ can be an aggregator of third-party services and that we can do this both through bundles and add-ons. And with Disney+, this is an opportunity on a global basis as well. I mean, given number one, our history and current Hulu add-on offerings, and number two, our DTC scale. We're one of a very short list that's well-positioned for aggregation.

I'd flag, in particular, the Disney+, Hulu, HBO Max bundle. This is a very popular bundle, and it works well for both us and Warner Bros. Discovery, and it's very sticky. The churn on the bundle's significantly lower than our Hulu or Disney+ standalone products when we look at similar tenure cohorts.

So, I feel good about where we are from an integration standpoint and, you know, feel like these opportunities for bundling will be out there for us and will certainly help us from a churn and engagement perspective. So, thanks for the question, David.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*
Okay, from Peter Supino at Wolfe, maybe Hugh, want to take this one: “You've called ESPN a strategic asset. When will ESPN direct-to-consumer have enough subscribers to materially boost traffic to Disney+?”

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

Thanks for the question, Peter.

First and foremost, it's worth highlighting that the sports segment today is growing when you look at the guidance that we have for the year, which excludes the 53rd week.

Now, when we think about ESPN, we tend to think about two things. Number one is we want to be the place where the consumer comes for sports. We talk about ESPN and meeting the sports fan anytime, anywhere. And in doing so, what we do is we focus on ESPN's contribution to the overall business and healthy consolidated earnings growth that we expect to deliver to shareholders.

Now, how material will sports be to viewership on Disney+? You really have to think about it from a consumer segmentation perspective, okay? The Trio bundle, including ESPN Unlimited or the traditional MVPD subscription are the best options for big sports fans like me and Josh and Ben.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Go Red Sox.

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

I'd say go Mets, but...so our strategy on Disney+ is to bring additional sports content to Disney+ users and to drive additional upsell into Disney+, Hulu and the ESPN Unlimited Bundle. Now, you can expect us to lean in in all of these areas.

We have the most trusted brand in sports, with the most comprehensive rights portfolio, and we are operating from an absolute position of strength with ESPN.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Hugh, there's always next season. There's always next year.

All right, question from Steven Cahall from Wells Fargo, and I think Josh should take this one: "Disney has achieved scale in direct-to-consumer revenues, but scaling margins has been harder. Plus, growing engagement is a challenge against competitors that have far more content volume. What do you need to see at direct-to-consumer to reinforce that streaming is the best strategy? Alternatively, how do you think about going back to a content licensing model so Disney can be more streamlined to focus on creativity and experiences?"

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Okay, thanks, Steven. By the way, we appreciated your thoughtful note on this subject a few weeks back. Let me try to address the streaming versus licensing question. I'll do that head on and then I'll talk about what we're looking for to validate our view.

First, there shouldn't be much of a debate about whether streaming can be a highly attractive business with fairly recurring and predictable revenue growth as well as the high incremental margins that we're looking for. Netflix has shown that that's possible.

Now we've been at it globally for just about six years now and if you were to compare where we are today at our revenue scale, compared to where Netflix was at a similar revenue scale, we actually, we look quite similar in terms of margins.

But your question isn't really about streaming as a business, but more whether Disney can continue scaling and, listen, I believe the answer is absolutely yes.

Beyond our confidence in the financial model, we strongly believe that a large global user base is strategic to ensuring that we're able to drive longer term growth, especially as new technology cycles emerge like AI.

And the consumer touch points that our streaming platforms provide, they give us a global user base to communicate with and importantly, a critical first party data set that will enable personalization and continue product innovation, and it establishes a foundation that we can build new revenue streams on top of over time. And this is only possible through a direct-to-consumer relationship inside a wholly controlled and branded environment.

As we look to make Disney+ the, I've said this before, the digital centerpiece of our relationships with fans, we're just playing a different game. It's an opportunity that's unique to us. The shift to purely licensing model, it could sacrifice all of that strategic value.

Content licensing is by nature - it's a lumpy business, it's subject to supply and demand dynamics in the marketplace at a given time. I mean it's not to say that there isn't a role for content licensing. We do license some content to third parties today, but exiting direct-to-consumer for licensing exclusively would likely lead to both inferior strategic and financial positions for our company and our shareholders.

The last part of your question, what do we need to see to validate that our strategy is working? The nature of technology as we spoke about last quarter is that many small and incremental improvements, they're gonna compound over time and we're focused on that approach. It requires some patience, which we acknowledge it can be challenging, but here are three observations that hopefully will give you a sense of what we're tracking and why we feel encouraged.

Internationally, those subscribers that watch our international originals, they churn far less than those that don't. Our Trio bundle including Disney+, Hulu, and ESPN Unlimited in the U.S., it's the lowest churn base that we have when we look at similar 10-year cohorts, and finally we're seeing broader engagement benefits when we can tie directly back to product improvements over the past year.

So, there's a lot of good going on there. I know this is a long answer, but hopefully it helps address your question

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Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Great. Hugh, anything to add to that? Okay, terrific.

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

I said enough.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Last question on the streaming front: "The industry's investing…"

Sorry, this is from Michael Ng at Goldman Sachs: "The industry is investing against free streaming products at an accelerated pace. Again, calling out Fox and Roku announced transaction. Would you talk about the merits of fast channels and whether Disney would consider doing more of that as a top of funnel for Disney+ paid or as a standalone product?"

Josh, you wanna take that one?

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Yep, I've got it. So, thanks Michael. Yeah, we're exploring a free product for consumers, one that will allow us to accomplish several goals and hopefully do that efficiently.

First, we see it as a way to expand our reach to a customer segment that's, that's more price sensitive and expanding our reach, as we've talked about before, one of our strategic priorities.

Second, unlike a lot of our AVOD competitors, we're fairly well sold, meaning more inventory would actually help us accelerate our ad revenue growth.

And then finally, as you mentioned in your question, a free offering could help us drive top of funnel Disney+ subscriber growth. So, nothing specific to announce today, but definitely something that we're considering.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

It's a good, actually, segue to an advertising question next from Jessica Reif Ehrlich at BofA. Hugh, you want to take this?

“You have what appears to be an extremely strong hand in advertising for the coming year given your sports portfolio, the Super Bowl, political, etc. across your platforms. Can you provide color on tone, trends, the Upfront, etc.?”

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

Yeah, absolutely. Thanks for the advertising question, Jessica.

Look, overall, we're pleased with the Upfront results. Really driven by the unmatched live events calendar that we have, including the Super Bowl, the College Football National Championship, the Grammys, the Oscars. We really have a tremendous calendar coming up.

In terms of a couple of numbers, total volume commitments were up double digits versus last year. Sports volumes were up low teens. And we are very, very pleased to announce that we have sold out the Super Bowl inventory.

Now, overall, the current tone I would have is to characterize the market as healthy in sports, which obviously plays to our strength heading into the fall, but at the same time, competitive in streaming, especially given the growth of supply in the marketplace. That supply, of course, is creating some pricing pressure for us and for others, which you saw in our SVOD ad sales growth rate this quarter.

Across international, especially in EMEA, we're seeing real demand for Disney+ as we expand our ad tier and we optimize the sell-through in our growth markets.

From a categories perspective, as is typically the case, it's a bit of a mix. We're seeing good momentum in healthcare, in financial services, and in political categories while telecom and restaurants and CPG are displaying some softness, as you would expect with the consumer environment these days.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

All right, our next topic is on AI and technology.

This is from Sean Diffley at Morgan Stanley: "How is AI being used in filmmaking at Disney today? How can we think about cost savings across different film types? Or is it more of a velocity accelerator and creativity unleash?"

Josh, that one to you?

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Yeah, I'll take that one.

So, thanks Sean. Yeah, you're spot on. We're using AI strategically across not only our studios, but across the whole enterprise. And we're doing that to gain efficiency, to be faster, to accelerate velocity, and unleash creativity inside of Disney.

And we look at our studios as technology leaders in content production. And this goes back, like this goes back to Walt over a century ago, we've always pushed the cutting edge of innovation in our storytelling. We've done this at ILM (Industrial Light and Magic), at Pixar, Disney Research Studios, at Walt Disney Imagineering, and basically we're building upon years of machine learning by now innovating with AI tools.

And with AI, it's of course not just about efficiency. We use it first and foremost to enhance a creative process. That creative process, by the way, will always be human-centered. It'll always be artist-driven and creator-led.

We've cultivated the world's richest portfolio of IP and production experience across now a century of filmmaking, and this gives us a huge advantage over our peers that - I don't think there's any other entrant that could come in and quickly replicate.

So, I'll call out a few important examples across our business.

Start with our studio, we're leveraging AI across core technical processes throughout our production pipeline to increase our ability to get films to market in a speedier fashion. It's letting us expand the number of titles that we can offer in 3D, basically making more of our films available in premium formats, which as we know are highly demanded. Letting us bring visual effects to more shots where it would have been previously difficult or maybe even not economically viable. And it lets us accelerate processes like rendering and things like denoising, which is reducing the time it takes to complete shots.

At our streaming business, AI is helping us improve personalization on Disney+ and it allows us to further enhance our recommendation engine. And this is really important.

Our technology, advertising, and marketing teams, they're also exploring GenAI Power Creative, and they've implemented ad delivery in this format.

ESPN, I think is doing a really nice job. They've done a lot in this space, and they have three goals that map to their AI workflows. First, fan engagement, including the recently launched Sports Center for You. If you haven't tried that, you should. It's fantastic. They're looking at revenue growth, including brand new ad formats and obviously productivity as well across initiatives like live captioning and highlight clipping which they're doing a great job of.

And then on the Experiences side, we clearly understand how much a Disney vacation means to our fans and we're using AI to reduce some of the complexities that come along with planning and booking a trip to one of our parks while making that whole experience specifically tailored to what our guests want.

So, there's a lot going on in this space and our teams are gonna continue to push across the company. It's a pretty exciting time for us.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*
Okay, next question's from Bryan Kraft at Deutsche Bank.

Again, I think Josh, probably for you: "You've discussed making Disney a more agile and technology-enabled organization and have been investing in technology. Where have you seen success thus far? And where do you see the most upside from further investment in tech?"

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*
Okay, thanks Bryan.

It's actually a pretty good follow-up to the prior question on AI because we do think more broadly about the overall impact technology and innovation can have across all of our workflows and across all our earnings base.

One area that's an enterprise-wide priority for me and our whole team is data unification.

Large companies with multiple businesses, especially ones that have been built over time through a series of acquisitions, they often end up with disparate data sets that sometimes don't talk to each other, and we're putting real resources behind fixing that.

So essentially, we're unifying our consumer data across the entire company so that we can serve our fans better and then drive lifetime value.

There are very few companies in the world with the breadth and richness of data that Disney has across parks and streaming and studios and consumer products. Almost nobody else can connect a fan's experience the way that we can, and unifying that data, it actually lets us use it.

We're also investing pretty aggressively in technology that creates better experiences for our guests in our parks and in our cruise ships. Our research and development labs are developing next generation robotics that can interact with guests in personal and emotional ways, not just in functional ways.

And in Imagineering, our teams are using AI tools that let our Imagineers design more ambitious, more exciting experiences for fans around the world, and they're doing it a lot faster than they could do it before.

That same discipline, it's showing up, as I've talked about in our studios, we're using technology to drive efficiency throughout the production process so that we can direct more of our resources to what actually matters, and that's the quality of our storytelling.

So, I guess if you put it simply, we're focused on becoming a more effective, a more agile, more innovative company in everything that we do at Disney, and technology is the connective tissue that makes all of that possible.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Alright, we're gonna take some questions from some of the news this morning on our TikTok announcement. Couple questions: one from Jessica Reif Ehrlich; one from Sean Diffley.

I think the punchline is essentially, how do we define success? How does this agreement sort of fit into our strategy overall at Disney+?

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Yeah, well this is a big announcement for us this morning and an important one as well. TikTok is a platform where millions and millions of creators are coming to discover new IP, to create new content.

We know specifically with Disney, we have you know, some of our biggest fans are creating their own stories, they're discovering new content, they are sharing their love of the brand and it's important for us as the Disney company to be out there with the fans, making sure that they're seeing us, they're engaging with us, and at the same time, we're now gonna have the ability to port some of the best content from TikTok over into Disney+.

You've heard us talk about Verts in the past, and this is gonna be an opportunity now to have that native TikTok content come over to Disney+, and so our biggest fans on Disney+ will now be able to engage regularly.

And essentially what that does is it creates a more complete experience on Disney+ and it's a stickier app, people stay around for longer. And obviously that benefits our whole ecosystem then. People discovering more of our content and participating more with the Disney company. So this is a pretty big deal for us and very much in line with our long-term strategies on streaming.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Great, and then a couple on the Park's results.

Sean Diffley from Morgan Stanley thanks us for the additional disclosure on cruise launches. You're welcome, Sean: “How much visibility and confidence do you have in those timelines?”

Maybe I'll throw that one to you, Hugh.

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

Yeah, Sean, thanks for the question.

We are actually highly, highly confident in those timelines. The ships that will be coming in from here forward are ships that are very consistent with the way we have traditionally built ships, sort of from scratch ourselves. We have the slot, the manufacturer of the ship builder is highly reliable in terms of building them out. So from that perspective, we certainly feel extremely confident that we will hit the timelines.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Great.

And then a question from Robert Fishman at MofettNathanson, also on parks: “Can you frame how much of Walt Disney World growth is from your organic investments versus a snap back from the initial attendance headwinds from Epic opening last year? Looking ahead with all your new experiences coming in the portfolio, how can that continue to – can that continue to deliver double digit returns?”

We talked about returns already, but maybe you guys could just talk about you know, the sort of underlying drivers in the business that we're seeing versus kind of easy comps.

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

Yeah, happy to talk about that.

And Robert, you may recall last year when there was a lot of concern about this, we were not terribly concerned about it. And we had put out some forecasts and frankly, our forecasts were extremely accurate on that front in terms of the impact of the Epic park. So credit to the park's team for doing that so effectively.

The consequence of that, of course, is right now it's almost entirely driven by our own organic actions, the investments that we're making in the business, the marketing executions, all of what we're doing to drive attendance growth, in particular in the domestic market. So, we certainly feel very, very good about that.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

All right, we have a question from Batya Levi at UBS.

Experiences OI now expected to come in at the high end of our high single digit growth guidance for the year, excluding the 53rd week. Batya's asking: "Is this just the tariff refunds in terms of the higher guidance or core outperformance?"

Hugh, you wanna take that?

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

Yeah, thanks for the question, Batya.

No, in fact, tariffs really have nothing to do with it. Everything that's happened in tariffs, the tariffs we paid were in the first two quarters of this year, and the refund was in the third quarter.

If there's anything in the fourth quarter, we expect it to be immaterial. So for the full year, essentially tariffs have zero impact.

Instead, what's driving the performance is actually terrific execution by the Parks team. Both from the perspective of the domestic parks and certainly Paris is doing well as well. So, and the cruise ships of course are driving strong growth, we feel great about the attendance growth. We feel great about the per caps we're receiving. And we think we're competing effectively in the marketplace and that's why we're doing so well.

Ben Swinburne – *Executive Vice President, Investor Relations and Corporate Strategy, The Walt Disney Company*

Okay, that was our last question. To close out the call I'm going to hand it back to Josh.

Josh D'Amaro – *Chief Executive Officer, The Walt Disney Company*

Thanks, Ben. And thank you all for the time this morning.

I think you can see in our results and hear in our answers to your questions that we believe we're uniquely positioned in the global entertainment industry. We have clear growth drivers in Experiences and streaming, and unmatched breadth and depth of IP.

In an increasingly fragmented attention economy, consumers are choosing to spend their time with us across our core platforms – Experiences, Disney+, and ESPN. Finally, we're delivering on the financial commitments that we've made to the market.

We look forward to continuing to engage with the investment community and our shareholders, including on our Q4 earnings call scheduled for November.

Thanks, everyone.

Forward-Looking Statements

Certain statements on this transcript 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, outlook and guidance; financial or performance estimates and expectations (including estimated or expected revenues, earnings, operating income, returns, expenses, margins and cash flow) and expected drivers; future capital allocation, including investments, content spend, capital expenditures, dividends and share repurchases; the completion or benefits of, as applicable, new initiatives, agreements, future projects and technologies; plans, expectations, strategies and opportunities for the growth of, and future benefits of investments in, our products and services and expected drivers; anticipated demand for and timing, availability or nature of our products and services, including at our parks and experiences and streaming services, the content and functionality within our products and services and our content releases, including the applicable distribution channel; potential future efficiencies and cost reductions; 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 for and acceptance of our content offerings and the distribution channel (including pricing and bundling of our streaming services and impact on churn and subscriber additions) and our travel destinations;
- the market for advertising sales on our 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;
- the continued availability of our licenses;
- 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;
- 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 to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.