



## Q2 FY26 Earnings Conference Call

May 6, 2026

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Disney Speakers:

Josh D'Amaro

*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**

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### **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.

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 and decisions; and legal and regulatory developments.

Refer to our IR website, the earnings release and 10-Q issued today, and the risks and uncertainties described in our Form 10-K and subsequent filings with the SEC for more information on risks that could cause results to differ.

A reconciliation of certain non-GAAP measures referred to on this webcast to the most comparable GAAP measures is on our IR website.

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

Good morning. Welcome to The Walt Disney Company fiscal second quarter 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.

While we intend to keep our prepared remarks brief on future earnings calls, as this is Josh's first opportunity to speak to the investment community as CEO, we wanted to take the extra time for you to hear from him directly regarding his priorities for the Company.

You will notice that we have adjusted our earnings materials to shift our focus more toward The Walt Disney Company as a whole, rather than its individual segments. This is deliberate, as we hope it helps explain why we believe the Company is uniquely positioned, lays out our strategy, and illustrates how our various business lines operate together.

We also shifted to a shareholder letter this quarter, with the intent of including all the information we hope is helpful to the financial markets in one place.

After Josh's remarks, we will take questions from the analyst community. And with that, let me turn it over to Josh.

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

Thank you, Ben. I want to begin by saying just how honored I am to be leading The Walt Disney Company. This is one of the world's truly great companies — built over more than a century through powerful storytelling, constant innovation, and a singular ability to forge deep, emotional connections with audiences all around the world. I step into this role with genuine appreciation, a strong sense of responsibility, and real optimism about what lies ahead.

I also want to express my gratitude to Bob Iger. Bob led Disney with extraordinary vision. He led it with discipline, and ambition — and because of that leadership, this company stands on a strong foundation with real momentum. I am fortunate to be leading a company with exceptional assets, talented leaders, and a well-defined strategic direction.

My immediate focus, it's clear. We will execute with discipline against the plans and commitments we have already communicated to the market — staying focused on the priorities that we believe will unlock value for our shareholders.

First, investing in the breakthrough creative storytelling that sets Disney apart. Second, strengthening our streaming business through product and technology innovation. Third, fully capturing the power of live sports as we continue building ESPN's direct-to-consumer business. And fourth, delivering on our bold growth plans at Disney Experiences.

At the same time, while we execute our current plan with focus and precision, we're actively laying the groundwork for Disney's next phase of growth. Disney is uniquely positioned in the entertainment industry — no other company reaches consumers to the same degree across both digital and physical environments.

Our goal is to leverage that position, to extend our reach, deepen engagement, and generate greater value from our world-class intellectual property. To fully capture this opportunity, we will embrace technology more aggressively and build a more connected consumer experience, with Disney+ right at the center.

However, this morning I want to stay focused on execution — how it's showing up in our results today, and what it means as we head into the back half of the year.

In the second quarter, we grew revenue and total segment operating income 7% and 4%, respectively, relative to the prior year, and outperformed our guidance for the quarter. The outperformance was driven by stronger-than-expected revenue growth.

Let's turn to our operating results in the quarter, starting with streaming.

Our focus remains consistent: improve the consumer experience, deepen engagement, and continue building a healthy and more durable growth business. We made meaningful progress during the quarter on the platform itself with product enhancements that improved the Disney+ user experience.

We were pleased with our Entertainment SVOD financial performance this quarter, notably the sequential acceleration in revenue growth from 11% in Q1 of '26 to 13% in Q2. Importantly, subscription revenue growth was driven by both rate and volume. Additionally, we saw double-digit advertising revenue growth compared to the prior year period.

We are highly focused on churn and we continue to see the integrated Disney+ and Hulu experience benefiting retention.

Disney+ has meaningful opportunity for growth internationally, and we're focused on scaling outside the US. We are increasing our local content investments, and early results—they're encouraging. While more work remains, we're pleased with the progress we're making in both the consumer experience and underlying economics.

Our IP remains central to our long-term streaming success, and we continue to invest in the great storytelling, franchises, and talent that define Disney and fuel our film and television content. Highlights in the quarter that demonstrated this focus included returning series *High Potential* and *Paradise*, along with our new limited series *Love Story: John F. Kennedy Jr. and Carolyn Bessette*. And we of course see the potential of this strategy in films like *Zootopia 2*, which not only generated \$1.9 billion in global box office, but the franchise has now surpassed 1 billion hours streamed on Disney+.

During the quarter, we released Pixar's *Hoppers* to critical success — a strong reminder of Pixar's track record of creating meaningful, original IP that resonates with audiences all around the world. We are thrilled with last weekend's opening of *The Devil Wears Prada 2*, and, as we

look ahead, we are excited about our upcoming film slate, including *The Mandalorian and Grogu*, *Toy Story 5*, the live-action *Moana*, and *Avengers: Doomsday*.

When you look at our upcoming slate of franchise films, each has the potential to resonate with our fans well beyond its initial release, moving across platforms, experiences, and products in a way that deepens engagement and extends reach over time.

At Disney Experiences, we continued to demonstrate strength in the core business and make progress against our growth initiatives, with strong revenue growth of 7% and segment operating income growth of 5% in the quarter. Both revenue and segment operating income were ahead of our prior expectations and represent second quarter records.

Over the past few quarters, the team has successfully navigated known attendance headwinds. We are now starting to lap these headwinds and expect attendance trends at our domestic parks to improve in Q3, when compared to the results we reported for Q2 today.

Since our last call, Disney Cruise Line launched the *Disney Adventure* — our first ship home-ported in Asia — and at Disneyland Paris we opened World of Frozen as part of the reimagined Disney Adventure World.

These are meaningful milestones that extend the reach of our brands to new markets and new fans around the world. The strong demand that we're seeing for these attractions reinforces our confidence in the long-term opportunity across our portfolio of experiential assets — parks, cruise line, and immersive experiences alike. We remain mindful of the near-term variability, but are also well positioned to benefit from sustained consumer demand for live entertainment at a scale unique to Disney.

Speaking of the power of live, ESPN continues to build toward a stronger direct-to-consumer future. Enhancements to the ESPN app, including Multiview, Verts, and SportsCenter for You, are making the offering increasingly compelling for fans. As we manage this business in transition, we remain focused on serving sports fans in a way that fully captures the value of ESPN and live sports within Disney's broader direct-to-consumer offering.

Looking at the first half of the fiscal year and our expectations for the second half, we're executing with focus, delivering against our stated commitments, and investing in areas that we believe will drive long-term value.

As we look ahead, my strategic priorities as CEO build directly on that foundation. Let me summarize my longer-term perspective briefly here.

First, creative excellence. It'll remain at the center of everything that we do. Disney's greatest competitive advantage has always been the quality of our storytelling and the enduring connection our brands have with audiences all around the world.

Second, we have a real opportunity to deepen our direct relationship with our fans by creating a more connected Disney experience across streaming, sports, games and Experiences — with Disney+ playing an increasingly central role.

Third, technology: it can be a powerful accelerant for Disney — improving the consumer experience across our business lines, driving operational efficiency, and unlocking new possibilities for creativity, growth, and returns.

To wrap up, our immediate priority is disciplined execution, but I am equally energized about the opportunities ahead.

Disney has iconic brands, extraordinary creative talent, powerful platforms, and unmatched experiences. Our job is to execute with rigor, to invest with confidence, and connect those strengths in ways that create lasting value for consumers and shareholders alike.

With that, I'll turn it back over to Ben to begin our Q&A.

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

Thanks, Josh. We will now turn to questions from the analyst community.

Our first question is from Sean Diffley from Morgan Stanley. This is for you Josh on strategic priorities: “What are your 3 biggest priorities going forward? What are the biggest synergies between the businesses today and any examples of how Disney can leverage learnings across its businesses?”

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

Okay, great. Well, thanks, Sean. I guess first and foremost, what I’m focused on is executing on the priorities that we’ve already communicated to the market, and I think this group knows these. In fact, I just hit them in my prepared remarks.

First, we’re focused on creating best in class content. We’re doing really well there. Second, we’re strengthening our streaming businesses, and driving top line growth in profitability as well. Third, we’re continuing to take advantage of the growing power of live sports and build ESPN’s direct-to-consumer business, and then of course we’re turbocharging Disney experiences all across the globe.

While we're focused on executing these priorities, we're also starting to lay the groundwork for the next phase of growth and you're going to hear more about this over time, but maybe today, I'll just share some high-level thoughts on that.

First, we're going to continue to build and fully leverage all of our IP. Of course, this starts with great storytelling, but the opportunity is going to be much broader than that. We'll invest in both existing franchises and new IP. So that means building on brands like *Toy Story*, while also at the same time creating new stories that connect with generations of fans across the globe.

And the key here is fully harnessing that IP across the whole company. That's in film and in streaming, across our experiences and products, and in games, so that each of our successes — it compounds in value over time.

Then second, I think we have a real opportunity to deepen our direct relationships with our fans and we can do this by creating a much more connected Disney experience, and we'll do that across streaming and sports and games and experiences, and we'll put Disney+ right at the middle playing an increasingly central role.

And then third, technology, I think it can be a real powerful accelerant for Disney. I think it can improve the consumer experience across our businesses. It will certainly drive operational efficiency for us and then unlock brand new possibilities for creativity, for growth and returns.

And then when you step back and you put all that together, our next phase of growth, it will be centered on creative excellence. It will be a more connected fan experience and we'll use technology as an accelerant.

But I just want to be clear, as I said, in the immediate term, I am staying focused on delivering against the priorities that we currently have in motion. But thanks for the question.

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

Great, thanks Sean. Thank you, Josh. We're going to now turn to three questions on our direct-to-consumer streaming strategy. First question is from Michael Ng from Goldman Sachs. Probably

for you, Josh: “The success in the parks was built on driving per capita and attendance through high-touch, immersive storytelling. As you take the helm of the company, how do you replicate this high LTV model within Disney+? Specifically, does Disney+ become less a video repository and more of an interactive hub including merchandise, park access, and games integration?”

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

Okay. Well, thanks, Michael. I guess we'll start — lifetime value is something that we're focused on across the whole enterprise. And you start with our fan base. Disney has the world's most passionate and loyal fans. It's something, if you go to our theme parks, you see it all the time. They're a high-touch, high LTV business and our biggest fans, they come off and they tend to be repeat visitors.

Now a large number of our park visitors, they're also Disney+ subscribers but there are millions of Disney+ subscribers who aren't regular park visitors. And so this is where we're focused. Our parks, they're essentially the physical centerpiece of the company and similarly, we're building Disney+ to serve as the immersive interactive digital centerpiece of the company.

And in the long-term, what you'll see is those pieces of the company become increasingly connected. And when we do this well, which we will, the lifetime value equation, it starts to change fundamentally. A fan who watches a Disney film, for example, or visits a park or plays a game and buys our merchandise, it's not just a subscriber, they're in a relationship with a company, one that spans years and can generate value across every part of our business and that's the model that we're building toward right now.

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

Great. We're now going to take a question from David Karnovsky from JPMorgan. Again, I think for you, Josh: “As you think about Disney+ domestically, what paths do you see to organically grow engagement? How do you think about this in terms of your own content, but also through making the platform a portal through which third parties can distribute programming?”

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

Okay, a lot in there. Thanks, David for the question. So I'm happy to talk about engagement. I think you asked domestically, but it's really around the world. I'll start with maybe something that's obvious. It's a competitive streaming marketplace out there right now. But despite that, we saw an increase in engagement in the quarter. And then when we look ahead, our key drivers for engagement growth, they include content and product enhancements.

On the content side, we're obviously going to continue to deliver exceptional content, not just the popular franchise films, but across television and live sports and general entertainment, and international local programming as well.

On the product side, our team is really focused on improvements that reduce user friction that allow more intuitive discovery for our subscribers and help users decide what to watch and to decide sooner. So you think of it — think of it like a visual homepage, easier navigation, more personalized recommendations.

There's a good example of this in our video and browse initiative, it launched in the United States back in January. And what it does is it lets subscribers preview content directly while still browsing, so they don't have to click in and out of titles. So yeah, our tech team is making some really nice strides here, always learning and they're iterating and doing a lot of experimentation.

And then engagement, of course, is critical to reducing churn on the service. All of the opportunities that we have to drive value at this company, reducing churn, Disney+ might be the single most significant opportunity that we have. And so it's probably not surprising that I'm pushing the entire organization to prioritize against that goal.

And then on third-party distribution, I guess that I'd position it as: we're selective, but we're not closed off. The right partnerships, whether it be on content or distribution, they have to

strengthen the Disney+ experience and then deepen that fan relationship. And our bundling approach inside of Disney, I think it's a good example of how that works well. It drives lower churn, drives higher engagement than any of the services if they were just on their own. So we'll continue to evaluate those opportunities through that specific lens.

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

Okay. Next question is from Rich Greenfield at LightShed Partners. I think this is for you, Josh: “You recently stated, ‘Disney+ will continue to evolve beyond a traditional streaming service to become the digital centerpiece of the company – a portal that connects stories, experiences, games, films, and more in entirely new ways.’” Rich's questions are, he's curious what you mean by “‘Digital centerpiece.’ Does it imply a shift away from third-party licensing/distribution to drive engagement with Disney+? How do you think about the trade-offs of reach and exposure on third-party platforms vs. keeping content exclusive to Disney’s streaming platforms?” And then last piece is, “How do you reconcile Disney+ as the digital centerpiece with your Epic Games partnership that will place a Disney universe into Fortnite?”

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

Okay, great question. And it's, I think as I'm listening to that, it's really three questions. So I'm going to take them in turn here. So first, digital centerpiece means Disney+ becomes the primary relationship between Disney and its fans, the place where everything comes together, entertainment, sports, experiences, all that converges. So it's less about a product, it's more about how we're -- it's a strategic posture essentially.

On third-party licensing, we've always distinguished between franchise IP and general entertainment. So franchise and branded IP stays on the platform and general entertainment, that library content can find audiences elsewhere and that's -- it's been working pretty well for us financially.

And then on your question about Epic Games and its relation to our Disney ecosystem, I think -- so Disney+ is the hub, but the hub needs spokes. Epic gives us an interactive, a gaming native environment to reach audiences that we don't currently own, by the way, particularly younger audiences. So think of this as acquisition and engagement feeding the centerpiece, not necessarily competing with it.

The roadmap runs from near-term streaming optimization and content investment through medium-term interactivity. Things like vertical video, personalized ESPN, the parks' AI work, all the way to a longer term single point of contact with our fans that drives lifetime value across everything that we're doing. The through line here is going to be the same: Own that fan relationship. So thanks for the question, Rich.

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

Okay. We're now going to move to three questions on Disney Experiences. So I think for Hugh, a question from Sean Diffley at Morgan Stanley: "On core US parks trends, can you unpack the international visitation and Epic related headwinds that you are seeing and if they are sequentially better or worse over the last few quarters?"

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

Got it. Thanks for the question, Sean. Answering directly, we expect international visitation and Epic related headwinds to ease in the coming quarters as we begin to lap both of those impacts.

Q2 Experiences results came in ahead of our prior guidance despite the fact that these headwinds did have some impact in the quarter on segment OI, which was up 5% and attendance in domestic parks, which was down 1%. While Q2 bore the full impact of those headwinds, excluding just the international visitation impact alone, domestic parks attendance would have grown.

Despite this, our revenue growth for the quarter was 7% in Experiences and the lack of flow through to operating income this quarter was driven primarily by preopening costs for World of Frozen and the *Adventure*, which we won't be incurring obviously in the second half of the year.

We recognize that domestic attendance is an important metric for investors and we're focused on it as well. However, as you know, we're investing to grow our global footprint, including plans to expand the cruise line fleet from eight currently to thirteen ships by 2031.

So, tying our guest demand to our capital plans more directly, global guests, which aggregates domestic and international parks attendance along with passenger cruise days grew more than 2% in Q2.

The good news is, as we look forward, we expect growth to improve in the back half and our forward bookings are very encouraging as we look to the rest of the year.

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

Great. Another question. This is from Steven Cahall from Wells Fargo: “Hugh, have you picked up any change in behavior at domestic or international parks due to the increased price of oil/gasoline? How are you managing around these risks, and at this point do you anticipate any shift to your adjusted EPS growth guidance for fiscal ‘26 or fiscal ‘27 due to the macro factors?”

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

Thanks Steve. No, we haven't seen any change in consumer behavior from elevated gas prices thus far, and aren't currently seeing a material impact on the remainder of the fiscal year based on forward bookings.

Disney World bookings are pacing up strongly, and even with our 40% increase in cruise capacity, booked occupancy remains in-line with the prior year. However, we're mindful of the

macro uncertainty consumers are facing and we're not immune to the impacts, including how a significant further rise in fuel prices from current levels could eventually lead to changes in consumer behavior.

If that possibility were to occur, each business has levers in place to make adjustments in order to help offset those kinds of macro pressures.

So, as we communicated in our letter, we expect 12% growth of adjusted EPS for fiscal '26 and double digit growth of adjusted EPS for fiscal '27, both excluding the impact of the 53rd week.

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

Great. Maybe over to you, Josh, kind of last question on Experiences. So looking for an update, this is from Ric Prentiss at Raymond James, looking for an update on capital expenditure investment program: “What are you most excited about? What have you learned from the recent opening of the World of Frozen at Disneyland Paris? When can we expect the investments to drive an inflection upward in attendance at the parks?”

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

Okay, great. Well, first, I'm excited about a lot. So thanks, thanks for the question, Ric.

The capital investments that we're making to create these new experiences based on our most popular IP, they're obviously an important part of our strategy to continue growing our Experiences business. And these investments, they're diversifying our portfolio and allowing us to reach a lot more Disney fans.

I was at the opening of World of Frozen in Paris in March, and if you get an opportunity to go and see it, you're going to understand why the guest response has been so great. It's completely

transformed our second gate at Disneyland Paris. And we have so much more of this coming around the world and the investments are working hard for us.

I'll say that, while we haven't officially announced opening dates for some of our other major attractions that are coming, we have more projects underway around the globe than at any time in our history. So we're being very ambitious and very aggressive on this front.

In '26, most of our forecasted CapEx and experiences includes the new ship and the ramp of major new expansions at Walt Disney World in Orlando, Disneyland in Anaheim, and at our Shanghai Disney Resort.

And then when we think about the next decade, the majority of our CapEx is earmarked for investments that are expanding our capacity.

Our business has a solid track record of generating great returns and driving long-term earnings and cash flow growth. And each one -- this is important, each one of these investments is individually justified and designed to entertain guests for literally generations to come.

I think it's worth noting that we also have a few exciting expansions underway using what we're calling a "capital-light model." So we've got a new cruise ship with the Oriental Land Company in Japan and a new theme park in Abu Dhabi with our partner, Miral.

And then finally, when we look forward, demand is healthy. We're expecting attendance at our domestic parks in Q3 compared to the prior year period to show improvement compared to the 1% decline that we had reported in Q2. And this will happen as headwinds related to international visitation stabilize and we begin to lap the opening of Epic Universe.

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

Great. We have two questions now on the content front. I think, Josh, this one is probably for you. This is from Jessica Reif Ehrlich from Bank of America: “Josh, some of Disney’s greatest growth years were driven by original IP from Disney, Pixar and Marvel. Can you provide color on how you plan to supercharge your content division? What changes should we expect now that content is unified under Dana Walden?”

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

Okay. Thanks, Jessica. This morning, you heard me talk about how creativity is absolutely central to the execution of our strategy and we're focused on investing in IP that really breaks through and that builds those fan connections and endures. And as you heard me say this morning, *Zootopia* is a prime example of this.

We understand the importance of investing in existing franchises, but then also taking creative risks to build brand new ones. And I think the studio team is all over that. You take *Hoppers* as an example. So this is original IP from Pixar, great critical reception, and we're pleased with how fans have embraced the film and all the new characters that come along with it.

And just think about this relative to original films. Pixar alone has released eight original films since 2017. Films like *Coco* and *Soul* and *Elemental*. And when you step back and think about it, that's more than all of the other major non-Disney animation competitors combined during that same period.

So in an industry that's changed so much since the pandemic era – pandemic era, I should say, we've continued to make bets on original stories and characters. And I think the team is doing a really great job continuing to push here.

And then, Jessica, you asked about Dana Walden as well. As you know, we consolidated our creative engines and distribution under Disney Entertainment. And we did this to streamline operations, to unlock synergies where we could, and to accelerate decision making, and sharpen our strategic focus. And Dana is already moving on this. She's, I think, is uniquely suited to lead this new organization. She has a long track record of running high-performing creative businesses. And under her leadership, we're starting to break-down silos, we're prioritizing investment, and maintaining the quality audiences expect from Disney.

And a lot has already happened in, what is it, six weeks? She's already made moves that signal what's ahead. We centralized television programming within Disney Entertainment DTC. So we're programming for Disney+ and Hulu while being smart about windowing content to linear, so that we can expand reach and maximize monetization. And we also integrated our games business into Disney Entertainment. And this creates new opportunities to cross promote franchises and use games to extend storytelling and ultimately develop new IP.

So essentially, Dana is making sure that every decision we make in content, from development all the way through how we distribute, that it's optimized for the fan and for the long-term strength of our brands.

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

Okay. A question from Jason Bazinet at Citi. I think this is also for you, Josh: “Does Disney believe there is a secular shift toward short form and user-generated content? And if so, how can Disney capitalize on this shift?”

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

Okay, thanks Jason. Yeah, the short answer is yes — it’s something that we’re seeing and we’re actively leaning into.

So short form and creative content, they've exploded in the past few years and it's an area we're focused on, because we have deeply committed fans who, they love our brands and our franchises and characters, and they want to engage with them in this new way. And this is specifically important when we think about Gen Alpha, obviously the newest generation of Disney fans.

So what we're doing is, we're experimenting with short form content in a variety of ways. You saw it, maybe some of you saw it, in our Creators Collection initiative, which brought *Predator* and *Lilo & Stitch* creator-led videos to our streaming platforms. And we're going to continue to advance that work in the months ahead.

We're also really focused on making sure that our IP shows up in relevant ways across social platforms. Probably not surprisingly, our brands have an enormous following with people around the world, everything from short form video to music videos, podcasts, and the like.

And then we're adjusting our own products to reflect the way consumers want to interact with our content. You probably saw that we recently introduced vertical video on Disney+ and we're still in early days here, but it's already driving deeper engagement. In fact, we did the same thing on our ESPN app, and the early performance of the ESPN Verts, it's been really promising.

So I think across the board, on our platforms, on social, and in how we're building our products, we're trying to meet fans where they are and on terms that make sense to them. But it's a great question. Thanks, Jason.

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

Okay. Thank you. A question on the NFL for Hugh. The NFL appears intent on reopening – excuse me, this is from David Karnovsky from JPMorgan: “The NFL appears intent on reopening media rights deals. Given Disney and ESPN have guaranteed programming through

the 2030 season, how do you weigh the opportunity to engage with the league now versus sitting on your existing deal until the opt-outs?”

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

All right. Thanks David. You know, our relationship with the NFL is broad and as deep as it's ever been and we're excited looking ahead to the upcoming NFL season with the NFL Network and with RedZone linear now part of our distribution portfolio – on top of *Monday Night Football* and broader NFL coverage.

To get to your question specifically, we haven't yet engaged with the league on early renewal conversations, but we're not dogmatic about the process and we're always willing to have a conversation with the NFL in an effort to find new opportunities for growth.

We expect to be in the business with the league for years to come, and we'll of course evaluate this deal – as we would any deal – with discipline, and a focus on driving value for Disney shareholders.

In that regard, we're really looking forward to our “Year of the Super Bowl,” and all that it can bring to both football fans and Disney shareholders in the coming year.

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

Okay. All right, our next topic, we have two questions on technology. This is from Robert Fishman from MoffettNathanson. This is directed at you, Josh: “Given your second priority of embracing technology, should investors expect to see any differences in the ways technology is already being used at the company and across your streaming services? Are there specific improvements or metrics like higher Disney+ engagement that we should use to judge success?”

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

Okay, great. Thanks, Robert. Yeah, embracing emerging technologies — it’s one of the three priorities that we laid out in our shareholder letter this morning. So it’s something that every part of our company is squarely focused on. That focuses on both our internal operations as well as our customer-facing areas across each of our business segments.

In terms of what will be visible to you: maybe a couple of examples. First, you’ll see a greater level of interactive entertainment for Disney+ subscribers. Second, you’ll see more personalized content feeds across all of our streaming services. And that personalization effort, it’s already starting. Something that I use all the time as a big sports fan is SportsCenter for You. I hope some of you are using it. You can think of it like your own personalized SportsCenter where, each day you get automated-automatically curated content related to the teams and sports that are most interesting to you, with all the familiar ESPN anchor voices narrating it all.

The goal with all of this is to drive higher engagement, obviously, which in turn supports greater retention and then ultimately delivers on the bottom line for our shareholders.

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

And then we have a question also on technology from Laura Martin at Needham. Probably each of you may want to chime in here: “Where is Disney integrating generative AI to lower costs and/or accelerate revenue growth today? And what’s on the roadmap to keep growing AI benefits to Disney shareholders?”

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

Okay. So Hugh, maybe we split this one up if you’re good with that. Laura, as I touched on in the last question, we look at advanced technologies, including AI, as a meaningful long-term opportunity for us at Disney. At the same time, we’re committed to implementing AI in a way

that keeps human creativity at the center of everything that we do. And, of course, respects creators and the tremendous value of our own intellectual property.

And when we think about AI specifically, there's a lot of opportunity here. I'll take three categories or so, and then Hugh, I'll hand it to you and you can talk about some additional ones. First, we want Disney to remain a leader in the use of technology to enhance creativity. It's just part of our legacy going all the way back to when Walt was pioneering synchronized sound and *Steamboat Willie*, and moves all the way through to Pixar's advanced computer animation and then even recently in series like *The Mandalorian* on Disney+.

And when we do this right, we'll be the place where I think the best talent works, because they'll have access to the deepest catalog of beloved characters, with opportunities to tell new stories and even the potential to innovate in content production using all the latest technology, including AI.

Now for our shareholders, we see AI as a potential driver of improved returns over time, which will – it will include making the production process more efficient and increasing the volume of content that we actually put out.

In streaming, specifically, we've got a lot of work going on to develop really like a hyper personalized recommendation engine across Disney+ and ESPN, and then we're implementing AI to enhance our ad targeting capabilities, letting our partners develop and execute truly dynamic brand messaging.

If I move over to the Experiences side, we see a significant opportunity to make it easier for families to plan their trip to optimize all their time with us and to personalize their experience. Disney Vacation means a lot to our fans and we're using AI to reduce the complexities around planning and booking a trip and trying to make that whole experience specifically tailored to what our guests want most.

So a fair amount going on there, but Hugh, I know –

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

I'll jump-in on the last couple, sure. On workforce productivity, we're focused across several areas. One of the ones I find particularly interesting is an initiative to implement precision labor demand forecasting across our theme parks. We think that one has the potential to create a better guest experience, a better employment experience, and also better cost management for the company. So we're very excited about that.

And then on enterprise operations, as is true with really many, many companies, the pathways to both drive efficiency and reduce costs are really quite numerous across the enterprise.

Last, Laura, you didn't specifically ask, but we do see our Experiences business as well-positioned structurally in a world of rising AI-driven content. We think it may end up increasing even more of the value consumers place on authentic real-life experiences with those that they are close to, like we deliver across the parks and resorts every day.

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

Great. Okay, We're going to now take two questions on the portfolio of assets at The Walt Disney Company. I think these are probably both for Hugh. So this is from Robert Fishman at MoffettNathanson: “How do you view the importance of ESPN and linear networks through the lens of your priorities to create -- to drive creativity, quality and global scale at the company?”

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

Yeah. It's a great question, Robert, and obviously, one that we hear a lot. So I'm going to try to be as clear as I can in the answer on this. We do understand there is a lot of focus on linear entertainment assets and ESPN. So I'll explain our view here. Let me start with linear entertainment cable networks and make three points.

First, these networks are better thought of as brands with studios that produce content — like *The Bear* or *Shogun* — and we monetize that content across multiple distribution platforms. Separating those monetization platforms into discrete businesses is highly complex, and in our view, unlikely to create incremental value for shareholders, especially given where linear networks are valued in today's marketplace.

Second, we're managing a monetization transition of these brands, and we are actually far down that migration path. We're generating more revenue at Disney Entertainment in streaming than in linear, more than double if we look at it this most recent quarter. So, the linear earnings base is becoming smaller and smaller every quarter within our P&L.

Finally, yes, linear revenues are declining, but Disney Entertainment as a segment is growing nicely. Our guidance continues for double digit segment OI growth this fiscal year, excluding the 53rd week. So, with all the cord cutting pressure we're all aware of, Disney Entertainment is actually one of the faster growing media businesses out there and we're actually very, very proud of that.

Turning to sports in totality, we view ABC as strategically connected when we think about ESPN and sports in general. Sports is admittedly a separate discussion in that it is much earlier in its monetization transition having just launched Unlimited last year.

However, when we look at the marketplace for streaming in our competitive set: Netflix, Prime Video, YouTube, Paramount+... all of them are increasing their position in live sports. Sports rights are expensive and can be dilutive without scale, but we have scale in our most important market, the US, and the biggest sports media brand in the world in ESPN. We view sports as a key part of our programming strategy and ESPN as an important contributor to our distribution portfolio.

For sure, we have to continue to work through this economic transition for ESPN, while also better leveraging it for our overall business. As we do this, we will continue to deliver healthy consolidated earnings growth for shareholders.

More broadly, when it comes to capital allocation, we're always assessing and looking to maximize shareholder value of our portfolio. That is our responsibility to shareholders, and we will continue to do that in the future.

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

Okay, great. Thank you, Hugh. Next, on the portfolio: “Can you expand on the ‘One Disney’ strength as it relates to your sports businesses and general entertainment assets? Specifically, how do these businesses fit into a Disney-focused paradigm that is strong across both Entertainment and Experiences? Are there any elements of the company that you would consider non-core in the context of ‘One Disney’?” And I apologize, this is from Mike Morris at Guggenheim.

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

Sure, Mike. We do see “One Disney” as an important priority for the company. It really is more than a strategic headline. It’s about how we create, distribute, engage, and monetize our stories and brands across the company in a way that increases the lifetime value of our consumers and drives compounding returns for our bottom line – and thus for our shareholders.

It is also about how we operate as a company, less a portfolio of assets and more a set of connected businesses that are focused on the fan, the consumer, with an enterprise-wide lens toward engagement and lifetime value.

Turning to what is more of a portfolio optimization question. As I mentioned earlier, the entertainment networks are better thought of as brands with studios that produce content that we distribute across our platforms, with the intent to increase reach and engagement.

And at ESPN, we have the biggest sports media brand in the world, as I mentioned earlier. That now includes even more NFL content. In fact, I think it's the most we've ever had from the NFL, which is being made accessible to consumers across all distribution platforms and devices.

And Mike, to your question on non-core assets, know that we are always evaluating the merits of our brands, org structure, and business priorities to deliver long-term value for our shareholders. If there is a compelling case to consider strategic alternatives for any non-core assets, you can reasonably conclude that, a) we've already looked at it, and b) we'll continue to do so in the future as the marketplace and our businesses evolve.

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

Thanks. And then moving to a question from Steven Cahall at Wells Fargo on efficiency. I think for you, Hugh: "It appears that one of the early initiatives is to increase efficiency, including some recently announced workforce reductions. How big is the opportunity as you take a fresh look at the operations? Where is there the most room for improvement? And should we think about efficiency gains as falling to the bottom line or being reinvested into areas of growth like content or technology spend?"

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

Great. Thanks, Steve. These are always difficult exercises for the organization, but let me assure you, this management team is acutely focused on this. At a high level, however, we're working towards driving efficiency and right-sizing our organization for the state of the business today and where we want to go over time. And second, shifting more of our expense base into areas that we expect to drive growth. That's content and technology.

The most recent example you cited is a part of our push to a unified enterprise marketing organization, and the recent staff reductions reflect a deliberate shift toward a more agile, technologically enabled, and resilient workforce.

We aren't going to size the opportunity or rank order the areas that we're focused on, in part because this is an ongoing exercise and a muscle we're building for the company. We want to build a culture of efficiency and we want to fund growth opportunities from within the existing expense base.

Across the company, we're aligning structures, capabilities, and talent to what the business needs next. We're simplifying where we can, while investing where it matters most, and we're using technology to fundamentally change how work gets done.

We have been and will continue to look for these kinds of opportunities to redeploy capital, both financial and human, to areas that we see driving the highest returns for shareholders.

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

Okay. We have time for two more questions, or two more analysts asking questions, and these are focused on our second quarter results that we just released in our outlook. So I think a few Hugh worth hitting from David Karnovsky from JPMorgan: “Starting with on the sports OI guidance. So that is now mid-single digits, which includes the NFL network transaction. Can you help quantify if the change from the prior commentary up low-single digits, is that all NFL network? And any comment on what drove the stronger second quarter sports results versus our guidance?”

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

Sure. As a reminder, the prior guidance of low-single digit increase was before the NFL transaction, as you probably know, but just in case. So yeah, the primary change here is incorporating the NFL transaction.

Regarding the quarter, sports OI in Q2 came in a little bit better-than-expected, simply because our revenues came in slightly ahead and programming fees slightly under, but really small variances to each.

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

Okay, and then David asks: “Is there any additional detail Hugh you can give us around the 53<sup>rd</sup> week impact by segment?”

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

Yeah, it really impacts all of our segments to a degree. So we wouldn't want to be overly precise on that. But think about it as essentially 1/53<sup>rd</sup> or a little bit less than 2% benefit on our full year revenues. Then we have some modest margin uplift given some of the fixed costs that are accrued over the course of the year. So a bit of an uplift overall, it delivers about 4%.

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

Thank you. Okay, and then lastly, on the park side: “What drove the better than expected top line, which was up 6% relative to the guidance we provided? And any indicators that give you confidence on domestic attendance or international parks and the macro impact to consider?”

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

Sure. The outperformance really came from core parks revenue and it was broad-based. Admissions were stronger, food and beverage merch, really everything came in a little bit

stronger than expected. So revenues really came in nicely. Nothing unusual to call out other than a bit better on the top line than we thought earlier in the quarter.

Right now, we're not seeing any macro weakness to point to, including at the international parks. We also obviously have the benefit of the Paris World of Frozen opening. So feel very, very good there.

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

Okay, great. And then I think our last question is coming from John Hodulik from UBS. So John asks about, “the cadence of SVOD Entertainment margins now that we've hit double digits here in the second quarter Hugh.”

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

Okay. Yeah. Thanks for noticing, John. We're proud to hit the double digits this quarter. Look, we're focused on driving top line growth and you noticed in the letter, we're investing. So we want to keep growing this business profitably, but we're focused on the long-term and making sure we maximize what Disney+ can be for this company over time as you heard Josh discuss at length today. We had previously talked earlier about accelerating revenue growth in that business, and we feel terrific about the fact that we have in fact been able to do so.

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

Great. That's all the time we have this morning. Thank you for your time. To close this out, I'm going to hand it over to Josh.

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

Thanks, Ben, and thanks everyone for your time this morning. We realize that we packed a lot of information into a new format, both on the call and in the letter. With this being my first earnings call as CEO, we felt it was important to spend the extra time laying out our strategy and then, of

course, taking your questions. We also felt it was important to discuss our results with more of a unified approach rather than focusing on individual segments.

I'll conclude by saying that I look forward to engaging with the investment community and our shareholders in the future, including on our fiscal Q3 earnings call in August.

Thanks for joining today, everybody.

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### Forward-Looking Statements

Certain statements in 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, timing of expenses, margins and cash flow) and expected drivers; future capital allocation, including investments, content spend, capital expenditures and share repurchases, and expected drivers; strategies, priorities and opportunities for growth, including plans for, future value of and investments in, as applicable, our IP, franchises, content offerings, businesses and assets, increasing reach and engagement and using technologies, including to increase monetization and returns; the completion and benefits of, as applicable, new initiatives, future projects, including at parks and experiences, and technologies; plans, expectations or drivers for the growth of our streaming services and parks and experiences businesses; anticipated demand (including, as applicable, visitation patterns) for and timing, availability or nature of our offerings, including at our parks and experiences, the content and functionality within our products and services and our content releases, including the applicable distribution channel; advertiser sentiment and demand; 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;
- 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.