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Disney Speakers:

Hugh Johnston

Senior Executive Vice President & Chief Financial Officer

PRESENTATION

Voice Over

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Robert Fishman – *MoffettNathanson*

Alright. I think with that, we are excited to get going. We are very, very excited to have Hugh Johnston here, CFO of The Walt Disney Company. Thank you again for being here. And, obviously, lots to talk about, especially after the official, first earnings call with Josh's taking over as CEO. So just let's kind of start really big picture.

With Josh taking over, maybe help us think about what you're most excited about looking ahead with the leadership change and how that allows Disney to maybe do things a little bit differently or even build upon what, obviously, Bob has accomplished over the past few years.

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Happy to talk about that. Nice to be with you all. Anytime you change CEO, it's kind of an exciting time, and if you don't count our little thing from a couple of years ago, Bob basically was CEO for 20 years, so it's an even more substantial change in the company.

That said, I think everybody is very, very energized around Josh coming in and taking over. Number one, he had – he's been with the company for a long, long time anyway. Has huge

followership around the company. Number two, the fact that Dana Walden is also going to be here as well as Chief Creative Officer and President of the company. We had the good fortune of retaining two terrific executives and that oftentimes when you have CEO change, you don't get that.

If you sort of step back a little bit, the biggest thing that I think Josh is bringing so far and, again, we're basically – what are we, seven, eight weeks in at this point, so it's early days. But he's talking a lot, and we're leaning into a lot. How do we accelerate the company? Right? So how do we get the growth rates up? How do we energize the company to move faster and to deliver stronger results? And that's an exciting change.

Now that's not a massive pivot from where Bob was, but if you think about where we were with Bob just a couple of years ago, he sort of laid down four planks of what he wanted to do.

Number one, get creative going in the right direction because it had gotten a little off. Number two was build on ESPN. Number three was make DTC profitable. And number four was turbocharge the parks. Well, if you look at where we are now, it's kind of – we've checked all those boxes in a pretty substantial way.

So I think what I'm most excited about with Josh, and you saw it in the three planks that he laid out, he really spent his entire career with Disney at the parks. And one of the things that Parks has that the entertainment side up, until the last couple of years didn't have, is really a direct consumer relationship.

Josh is used to dealing with fans, used to dealing with it. Not through intermediaries, not through third parties, but on a one-on-one basis. And as we start to pivot – not start – as we continue to pivot the company even more towards that direct consumer relationship, Josh has wonderful instincts in that regard. He understands the segmentation of our consumers. He understands what fans care about. So I think that connection directly to the fan is actually going to be a big deal

broadly for us.

And then even more specifically, because of that intuition that he has as an experienced guy, the DTC service, Disney+, will benefit massively from his direct interaction with Disney fans over the course of the last couple of decades.

Robert Fishman – *MoffettNathanson*

Okay, we look forward to seeing that.

So when you think about the combination that's been laid out, creativity, quality, and this global scale, when thinking about how the company leans in, and you're talking about accelerating over the next couple of years, how does that best position Disney as far as this pivot goes when thinking about the next decade plus?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

So, I mean, if you look at all of those things, creativity is always going to be first. That's the essence of The Walt Disney Company. And I don't think of them as sort of being competing. I think of them as almost sequential in a way, right? Creativity is the value creation engine of the company. And then the other things that we do are basically amplifiers.

So if you look at some of the things that we've done in terms of real creativity, whether it's as far back as *Toy Story*, or more recently *Zootopia 2*, or more recently *The Bear*, those are all examples of great creativity. Then when you take that and add to it the scale that we have and the quality that we deliver, it sort of gets that flywheel going in a significant way.

And that then plays into – okay, now we've benefited ourselves theatrically. We benefit from the streaming service, we benefit in the parks, we benefit in consumer products. So it all sort of ties together very, very nicely once we get that creative going.

So couldn't be more excited about what it is that we're trying to do. And given the momentum that Bob left us with in terms of the creative side, I think we're going to be able to deliver really strong results for quite a while.

Robert Fishman – *MoffettNathanson*

Okay. So something that all of us in the room would love a specific way to understand this. From your perspective, what is the best way to really unlock the value that we see and that we think is embedded in the Disney stock price today?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Yeah, as much as you guys want it, I assure you I want it more than any of you do, for both financial and personal reasons. I think when you think about what it's going to take to unlock stock price. Let me step back and say, what are the things that we're focused on as a management team? We're focused on long-term growth, because we know long-term growth is really the ultimate value creator.

We're focused on making sure that we deliver consistent performance because that's the kind of company we are. We should be able to deliver consistently, not necessarily perfectly every single quarter. Obviously, there's a little bit of variability to the performance. I've sort of often joked, I'd like to get the roller coasters out of the stock price and then just keep them in the parks. But there's always a little bit of variation given the movies and things like that that we do.

We're focused on capital allocation and making sure that we're delivering the right types of returns on the way that we allocate capital. And if we do those things well, that basically makes

this company the earnings compounder that I've been talking about since I've gotten here. And I think we do have the ability to do that, to sort of focus on all of those three things. And with that, basically do a couple things.

One, make our vision and strategy very clear to ourselves internally and then clear to you all externally. Off of that, build financial plans that make sense. Off of that, give you all guidance that we commit to. And then after that, we work like hell to execute and make sure that we deliver that guidance.

That, to me, makes us the earnings compounder that, frankly, I think, will deserve and earn a higher multiple over time. And that's really what we're trying to do is get that earnings compounding not just going, because I think we've had it going, but to just build that reliable track record in all of your minds. And with that, the multiple goes up. And I think the gap between what I think the company is worth right now and where we're trading at is going to close.

In that regard, one of the things that you all are aware of, and we announced again last week, is we're going to buy back at least \$8 billion worth of stock, which is a pretty significant number in the context of our size company. That's because we have so much confidence that we're buying it at a very, very good price, that, in fact, it's actually an excellent investment for our investors, us taking that stock and buying it back.

Robert Fishman – *MoffettNathanson*

So when you think about this future for Disney over the next five-plus years, another question that we get a lot is, what do we think about in terms of the portfolio size?

Should we think about a similar level of assets, a scaled-down, maybe more specific, Disney branded type of portfolio or even potentially a larger portfolio?

I know you guys have made significant acquisitions looking backwards, but as we think about the next few years ahead, what's the best way to frame that for us?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

I don't know that thinking about it larger versus smaller is necessarily the right way to think about it. The thing that matters most to us is, how integrated are the assets into that value creation model that we talk about, right? We're talking about One Disney, and One Disney is essentially what I laid out earlier.

The notion of great creativity in terms of value creation then leads to value monetization, whether it's on screens or whether it's in physical experiences. The assets that are tethered to that, and by the way, I do think sports is tethered to that, to be very, very clear. Those are the ones that are going to be most important to us, and that's what we're going to continue to grow and continue to invest in and build on.

Assets that are not connected to that in a fairly discreet way, we're going to look very hard at, and we have been doing that, and we'll continue to do it, but we're only going to make moves that are value-creating at the end of the day. That's the real, that's the line.

Robert Fishman – *MoffettNathanson*

Okay. So let's shift to streaming.

If you can help us understand what that long-term vision is for how the current streaming services can best compete for these global other streaming companies, of course, Netflix, Amazon, we just had YouTube present, so when you think about the competitive set looking forward within streaming, where's Disney's position within that?

Hugh Johnston – Senior Executive Vice President & Chief Financial Officer

So obviously the industry is continuing to evolve, and we have a lot of respect for what YouTube has built, we have a lot of respect for what Netflix has built, but we also think we have a unique set of capabilities and assets that will enable us to be successful.

Number one, we have basically the largest collection of most emotionally resonant IP of anyone, by far. It's not even close, and those two companies that you just mentioned, they don't even really have that in a substantive way.

Number two, we obviously have sports, and obviously that is something that the rest of the industry is trying to go towards – we're already there. And then number three, we have the physical experiences business, the Parks business. And our ability to sort of monetize in that integrated way, I think is an advantage for us.

So if you think about where Disney+ and Hulu are going, they're going to be leveraging those particular capabilities. So obviously we leverage the creativity that we bring, we're looking at sports in a more significant way.

Are there opportunities for having one app for Disney? Yeah, over time, we do think that that's out there, and with that, the parks will be integrated into all of that as well. To me, that's significant competitive advantage that's awfully hard to replicate, and I think that's the way we're going to compete, and we should be able to compete successfully and win with that set of assets.

Robert Fishman – MoffettNathanson

So I guess just building upon that, when we think about Disney+, you've talked about being the digital centerpiece of this whole future Disney company. So think about how does this accelerate the total company, if you want to say total company revenues, or even just specifically when we

think about DTC revenues and profits, and you touched on bringing Disney+ to the in-park guest experience, like how does that all factor in and play out?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Yeah, I mean, if you sort of think about what we're doing by virtue of bringing fans together and making it the digital centerpiece, it gives us the ability to touch our fans and to grow our fan base more and more, right? And by virtue of touching them more and more, it gives us the ability to basically to sell them more, to build that emotional connection more, and to expand the Disney franchise more, and all of that ultimately translates into revenue growth.

In addition to that, once you have your fans into your ecosystem, and remember, this ecosystem to me is not just about Disney assets, because even right now we carry more than just Disney assets in Disney+. My expectation is, it is a portal into all things entertainment over time. I think it'll be bigger than just Disney in terms of bundling and the way that things come together.

Building that relationship to me is something that will generate revenue, and in addition to that, it's more efficient to market to the fans once you have them in your app, and that'll allow us to reduce marketing costs over time. So I think it's a combination of both.

Robert Fishman – *MoffettNathanson*

Okay. So any more context maybe just as we think about this One Disney idea and platform and where it's all going?

Can you frame what the overall TAM is for us, or maybe even more specifically when we think about Entertainment SVOD, you guys have broken that out for us now, revenue, and how that translates into the question that you always get, where do the long-term margins go for this platform?

Hugh Johnston – Senior Executive Vice President & Chief Financial Officer

I mean, I'm not going to put a public TAM out there today, so we're not going to make that news. As you might imagine, from a strategy perspective, we do look at that, but I don't want to go to that place just yet.

The way I do think about it, though, is all of those assets that we have, the ultimate goal is to drive engagement, alright? And the more that we can do to connect with our broad audience of Disney fans will enable us to increase engagement over time.

Now that engagement will come out of a combination of content, also in conjunction with that bundling, which obviously we know reduces churn and therefore drives engagement and therefore allows us to spend less marketing money as well as connect with our fans more significantly.

In addition to that, the technology side of things, we're working hard to improve the product, and with that improved product, we know that that also drives engagement up, drives churn down. And that engagement, to me, is the critical variable to actually drive long-term margins because when you have that level of engagement, it reduces your cost, but in addition to that, it allows us basically permission to price. So that's sort of how we're thinking about that. That said, I don't want to be hamstrung.

Back when I got here a couple of years ago, the business was losing \$1 billion bucks a year, and I was going around five weeks into the job and basically hearing from all of you, hey, Disney+, I mean, how does this thing even make sense? You're losing – last year you lost \$4 billion. This year you lost \$1 billion. What are you guys going to do about that? And I said, look, we're trying to build a good business.

The good business starts with double-digit margins. If it doesn't have that, what's the point of being in business? So we got aligned as a team around that. We committed to it, and you saw last quarter we actually delivered the double-digit margins, and we reiterated we'll do at least double-digit for the current year.

That said – to me that is a good example of the guidance we commit, we execute, we deliver to you all what we said we were going to deliver. That said, I also want to make sure we don't in any way intend to go backwards, but this is a business we want to manage for top-line growth as well as manage for margins. It's strategically important to us. We think the opportunity exists. Certainly international exists as an opportunity.

As I said, our ultimate goal is to drive the profitability of the business. The margins will not go backwards, but I wouldn't necessarily sort of model out X or Y every year. I would think more about what's the bottom-line growth going to be, and is it going to be led by top-line? And if we're accomplishing that, then I kind of feel like we're doing the right things for that business and the right things for the company.

Robert Fishman – *MoffettNathanson*

Okay. So you touched on this a little bit before, but when you think about the larger capital allocation story for the company, obviously free cash flow generation plays a critical role within that.

So when we think about how you prioritize reinvesting in content spending, that you also just touched on, to help accelerate the growth of the streaming versus allowing those dollars to be reinvested through capital returns and others. So help us think about that balance and how you prioritize that content spending.

Hugh Johnston – Senior Executive Vice President & Chief Financial Officer

So we had talked about earlier in the year \$19 billion of cash flow from operations¹. We got very specific with that number. And we also said we should generate – or we should spend about \$9 billion in CapEx as a part of turbocharging the parks. So obviously that leaves us with about \$10 billion of CFO². We're basically in that place.

In terms of content spending, last year we spent \$23 billion. We've indicated to you all we're going to spend about \$24 billion this year. But we're also prioritizing and managing the mix more towards international because we see that as the most significant growth opportunity for the DTC business.

The opportunity domestically is about driving engagement. The opportunity internationally is about clearly gaining more subs because we just have a significant opportunity there.

Our priority is going to be to do those things while at the same time balancing that with the cash returns that we provide the shareholders. I mentioned the \$8 billion in share repurchase this year. The dividend has also gone up pretty significantly. We pay a biannual dividend and obviously we feel that's super, super important. As a CFO, I always view that one as really important because CFOs who cut the dividend tend not to do well.

So with that, I think we'll be able to balance out the cash return to shareholders at the same time investing in international content without being disruptive to the cash return for shareholders.

¹ Cash provided by operations

² FCF (Free cash flow). Free cash flow is a non-GAAP financial measure. The most comparable GAAP measure is cash provided by operations. See the Company's investor relations website for how we define and calculate this measure and a quantitative reconciliation thereof to the most directly comparable GAAP measure.

Robert Fishman – *MoffettNathanson*

Okay. A big piece of content spending overall is still clearly sports and you've talked about the importance of ESPN already to the company.

So when you think about your overall sports strategy and especially the linear network side of that business, can you talk about how that plays into the overall lens of the priorities that have been laid out in terms of that creativity, quality, and global scale?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

It's interesting because obviously there's always a lot of talk about what's the future of ESPN and all of those things.

If you sort of look at right now, what is the hottest and best thing in media? It's live sports, right? Live sports is about the only thing left that can aggregate mass audience and aggregate it real time. Almost everything else in entertainment, you choose when, you choose how much you want to watch, and as a result, it's sort of very chopped up.

Live sports still – you don't want to watch a game that you know the result of from three days ago. Some people do, but that's not typical. Let's put it that way.

To me, live sports is just massively, massively valuable to us. More importantly, it's massively valuable to advertisers because they want these big aggregated audiences and they value that tremendously.

In addition to that, our competition knows it. If you look at where competition is going, they're all trying to sort of nose their way further and further into live sports. To me, that's probably the best indication that when you have this incredibly valuable asset and it's integral to your overall

strategy, why would you be doing anything other than trying to build on it over time? That's exactly what we've done with ESPN.

Interestingly enough, if you think about, sort of, the digital world of ESPN, ESPN digital and social had 197 million users last month. It's a huge number. Even ESPN, the app, had 28 million users. That's bigger than the next eight biggest apps³ combined. That's how impactful ESPN is.

Now, what do we need to do with ESPN? We need to basically continue to improve and do a better job of integrating it into the overall streaming strategy. Because that's where we're going to create big, big value. That's why we launched ESPN DTC. And frankly, to me, that is the differentiator, one of the big differentiators we have.

So my expectation is we're going to continue to basically take what's the biggest brand, the world's biggest brand in sports, and continue to build on it so that we can build this direct-to-consumer set of touchpoints that then are massively valuable to the Walt Disney Company from a lifetime value perspective across a whole variety of spectrums.

Robert Fishman – *MoffettNathanson*

Okay, you touched on – you mentioned a valuable asset. So let's shift to Parks. We think Parks are clearly a central piece within this overall successful company.

So when you think about the Parks' assets and delivering the live experience to the Disney fans that we talked about, especially in this screen-first, virtual, and growing AI world, help us frame how you see the importance of those assets over the next few years as this develops.

³ Mobile sports apps

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

It's interesting, and of course everyone is sort of acutely focused on AI these days and sort of how it's going to change the world of screens.

The interesting part to me in that is, in a world where people are more and more focused on their screen, and to me, that's a great thing for The Walt Disney Company, because obviously, we're a big player in screens and delivering entertainment through screens. But it actually amplifies the value of real, shared, physical, in-person experiences as well.

For the ability for a family to come together and emotionally connect, for a group of friends to come together and basically connect in terms of a set of physical experiences, that is becoming more and more valuable, because people are spending less time day to day interacting with each other. So those interaction moments, I think, are even more critically important than they are in the past. And that's what makes the Parks business, I think, so much more valuable and the Cruise business so much more valuable.

And my expectation is, and that's why we're investing so much in it, we're going to be able to deliver terrific returns out of that set of assets over time, because people do value that physical interaction. And frankly, our recent performance kind of proves the point that I'm making. I mean even in a world where the consumer broadly is a little bit choppy, we've seen very, very strong results in the parks.

Robert Fishman – *MoffettNathanson*

So you've talked about the consumer, so let's go there. Just in terms of any changes in terms of US revenue or profit growth.

You touched on it on the earnings call, but factoring in all of these geopolitical uncertainty and especially the gas prices, it doesn't seem like you've seen any sort of indication yet, but how to think about that over the next couple of months?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Yeah, no, I mean, we honestly haven't seen it in the data at all. I mean, we talked about that on the earnings call and continue to see the fact that consumers are clearly connecting to our offerings.

How much of that is this K-shaped consumer that obviously we tend to play more in the parks into one portion of the K-shape, how much of that is just once you commit to your family that you're, and you tell the kids you're going to Disney World, you're not going to back off that one without some severe repercussions, so people don't tend to do it.

We're not immune to the macros, right, everyone knows that, but – and if gas were to go to \$8 a gallon or something like that, presumably that would have a lot of impacts, but right now we're seeing nothing either in the data that we have looking backward or in the bookings that we're seeing going forward, so it's what gave us the confidence to deliver the guide that we did is we do feel good about where we are and where we're going.

Robert Fishman – *MoffettNathanson*

So maybe just to follow up on that, international historically has been a big piece of the visitation, especially at Walt Disney World, so maybe just help us frame where we are in the life cycle of international since coming out of the pandemic and again, given some of the recent choppiness there.

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

So, I think two questions there. One is about our international parks, and the international parks continue to do very well right now. Not seeing anything in the macros there either, in fact, the

Paris park is actually having a really good moment right now. We just added World of Frozen there and we're basically filling the park, so when you have that type of expansion and you can fill the park, you feel very, very good about that.

And that sort of gets to the point around when we leverage our IP and take that IP and build big new attractions, not little things, the little things are fine too, but it's these big new things that actually tend to just really bring in the investment or bring in the consumers and frankly, it builds their engagement even stronger to that particular set of IP, so international parks doing very, very well right now.

International visitation to the US Parks, as we said on the call, we think we're basically through the overlap on that, so it's been in the numbers for four quarters, it's been rebased and we're not seeing further deterioration, so from that perspective, we feel very, very good.

In fact, if anything, outside of Canada, we're actually seeing things improving. So from that perspective, certainly feel very positively about where we're getting with international visitation. And again, that's consistent with what we talked about in terms of the bookings and the go forward for the business and why we're feeling so optimistic.

Robert Fishman – *MoffettNathanson*

Great.

So you also touched on this a little bit before, but when thinking about that broad investment that was laid out in terms of the Parks investment and CapEx that's needed, or that you guys are looking to invest over the next 10 years, \$60 billion on a global basis, so maybe just help us in the room here and understand the confidence level in this investment cycle, what you're seeing early because we're already a couple years into this.

And so how can we feel that the ROIC on this investment clearly has been very successful looking back over the past decade. So as we look forward, where is this growth going to come from?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

The good part is the stage that we're at, we can talk about this from two perspectives.

One was as we went into this investment cycle, we held ourselves to high standards in terms of the returns on all of these projects. And when I say high standards, I mean when the CapEx for the individual project comes floating in, if it's not hitting certain hurdle rates and certain returns, we don't do it.

Just because we declared a number doesn't mean people get to go spend the money. So from the standpoint of approach, the approach was we're going to have high standards on these incremental investments.

The second nice part about it is we're about three years into that. I think it was three years – it'll be three years in August. August of '23 was when that number was first put out there. So we're actually – some of the projects are already delivering returns. And what we're seeing is good returns on the projects which you have some level of visibility to because you get some data around individual attractions and cruise ships and things like that.

But in addition to that, you can see the impact on the overall parks business. And the results there continue to be strong in terms of ROIC, in terms of margins, the growth in terms of revenue is continuing to be strong. So if you look at it in aggregate, the performance is already proven in the numbers.

It's my favorite kind of strategy, the one that we did three years ago when we could talk about how good it's turned out. So from that perspective, we feel like these initiatives are really good. And in a lot of ways, the best is yet to come in terms of the projects that we have coming in and the expectations we have for them.

Robert Fishman – *MoffettNathanson*

So let's go there for a second. So in terms of these new attractions, and it seems like next year it's really going to start to contribute more, so how do we think about that balance of attendance growth and the capacity that you're building out?

And obviously pricing is usually a big focus here. So when we think about Walt Disney World and Disneyland specifically, that balance between attendance growth and pricing?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

So as I've said before, you will see some, it's not going to be one or the other in over any three or four-year time frame. It's going to be both, and necessarily it needs to be both.

The interesting part, and I would just offer this to you all as investors, there tends to be a lot of focus on attendance as a number. But the reality of it is, when you have a big fixed asset like we do, we tend to actually use promotional activities to make sure that we're filling the park every day.

So the capacity utilization on these parks is really, really high almost all the time because of the way that we can use, again, whether it's certain types of discounting or certain types of promotion. So we don't necessarily, without expansion, we don't necessarily have the ability to grow attendance massively because it's already filled up.

Now we could jam more people into the park, but then the guest experience declines and that's actually bad for the brand. So you don't want us to do that, and we don't think it's a good idea either. So then when we add capacity, without a doubt, it creates the opportunity. We're seeing that in Paris right now to basically allow more people into the park.

Now the logical is, good analyst, you would ask, the logical next question is, oh, but does that mean the yield is going to go down? Well, that's not been our experience because when you put in a big new attraction, it actually – you see a surge in demand for it as well. So we tend to fill those things up really, really quickly without having to discount. And in fact, it actually offers some ability to charge more because essentially you're offering something new that wasn't there before.

I'm not going to get into specific guidance, year by year, park by park, all that stuff. Frankly, I don't think it's all that useful to you. But the answer to sort of pull all the way back to your question is, yes, we have the ability to grow attendance as we expand capacity. I would expect to see both pricing and attendance growth over any three or four year time frame.

But at the end of the day, I wouldn't overemphasize attendance as sort of a critical variable. I think we're going to do well with it. But to me, it is ultimately the combination of yield and attendance that matters the most. And how do you look at that? The old-fashioned metric, what's the revenue growth look like?

Robert Fishman – *MoffettNathanson*

So taking all of that, the next natural question would be, as you build out the cruise ships, clearly you're looking to fill them and get the best yield out of it, too.

So the cruise line fleet is set to more than double, to 13 ships, by the early part of next decade. So maybe just help us frame that ramp in revenue and obviously profits as each new ship is added and whether or not there is any cannibalization on the prior fleet.

Hugh Johnston – Senior Executive Vice President & Chief Financial Officer

Yeah, it's interesting. First, to sort of step way back, just to kind of set expectations on what you just said. The easiest way to think about it is, we're going to be adding about one ship per year between now and 2031. That's essentially the most simple way to think about this.

With that, once we get through the pre-opening costs, which are meaningful but already in our base because we're already opening one ship a year, those ships basically start earning a return like that. Why do they do that? Because there really isn't much cannibalization. We mentioned on the earnings call, right now our capacity utilization or fill rate on the ships is just as high this year as it was last year despite all of the new capacity that we've added in.

One of the things that I think is beneficial to what we're doing right now is we're starting to put ships outside of our traditional ports. Obviously, the Adventure is in Singapore, and it's a massive ship. It's double the size of anything that we've done before. We really, we sold out a season of that ship in just a handful of days.

The demand outside the US for Disney Experiences, not just Disney Entertainment, is huge. And with that, by virtue of bringing more ships into other areas of the world, we're doing two things.

Number one, we're fulfilling that demand and driving revenue. Number two, we know that experiences like being on a cruise tend to bond people more, so we're increasing their fandom. And with that, we're increasing the lifetime value of all of these consumers that we're pulling in.

So put it all together. I mean, it's a superb strategy and one that I think is going to benefit The Walt Disney Company for a very, very long time to come. This one has got a long, long runway attached to it.

Robert Fishman – *MoffettNathanson*

Okay, good to hear.

So as we start to wrap up, maybe taking you back, you joined Disney about, I think, two and a half years ago now –

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Yeah.

Robert Fishman – *MoffettNathanson*

Spending many years at PepsiCo. So any lessons that you learned from the prior work that you really are applying to Disney after being here a couple years and how that's positioning the company over the next, call it, three to five years?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

I mean, the biggest thing and the biggest commonality that I saw at PepsiCo and I certainly see at Disney even more so is just the power of these types of longstanding global brands, right?

These brands have such remarkable resonance with consumers. And if I thought the Pepsi brands were, they resonated with consumers, Disney is sort of next level in terms of emotional attachment, people feeling so strongly about these brands and sticking with them through their lifetime. So that's sort of the continuity that I see.

The difference between, I won't talk about Pepsi, but the consumer products business is when you have a good brand, one of the things you have to do is innovate around that brand. And in

the consumer product space, the innovation tends to be somewhat incremental in nature, right?, add flavors and forms and things like that.

The innovation at Disney is really inventing whole new storylines. It's a level of creativity that you just don't really see elsewhere. And that ability to sort of innovate and bring those new stories to life has the benefit of expanding the brand as opposed to just letting the brand sit as it is.

And in addition to that, because of the nature of our asset profile, that new creativity then plays its way through the entire value creation set of the businesses or monetization set of businesses that we have that, frankly, is I think pretty unique. You don't really see that much elsewhere.

So it's funny, when we talk about the various businesses inside of Disney, one of the things I'm fond of saying is, we have businesses that are outstanding alone, but they're even better together. And that's kind of, to me, the ultimate way to think about Disney is, outstanding alone, better together.

Robert Fishman – *MoffettNathanson*

Okay, so anything that you want to leave us with in terms of what isn't fully appreciated, hopefully if you're back here again next year, what do you think investors are going to be most surprised about over the next, call it, 12 months?

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

I think it's just going to be the consistent earnings compounding. We're just going to continue to deliver that. And if you believe in that compounding, you believe in – you probably look at the stock price and say, man, that's low relative to what it should be.

So that's what I'd leave you with, is I think the stock price is attractive, and we're betting \$8 billion this year to – on that. So I think there is a real opportunity here.

Robert Fishman – *MoffettNathanson*

All right, with that, Hugh, Ben, Dan, thank you all for being here.

Hugh Johnston – *Senior Executive Vice President & Chief Financial Officer*

Thank you, Robert. Appreciate it.

Forward-Looking Statements

Certain statements and information in this communication may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our commitments; plans; targets; beliefs; expectations; continuation or future execution of initiatives, programs, activities, policies, or disclosures; strategies; goals; objectives; intentions; priorities; and other statements that are not historical in nature. Any information that is not historical in nature included in this report 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, unless required by applicable laws or regulations.

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 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 behavioral changes, preferences and acceptance of our content, offerings, pricing model, and price increases, and corresponding subscriber additions and churn, and the market for advertising sales on our direct-to-consumer streaming services and linear networks;
- health concerns and their impact on our businesses and productions;
- global economy-wide transitions and availability of economically feasible solutions;
- actions by our suppliers to reduce their emissions;
- 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 environmental developments; and
- availability of content.

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

- our operations, business plans, or profitability, including direct-to-consumer profitability;
- demand for our products and services;
- the performance of the company’s content;
- our ability to create or obtain desirable content at or under the value we assign the content;
- the advertising market for programming;
- construction;
- taxation; and
- performance of some or all company businesses either directly or through their impact on those who distribute our products.

Additional factors are set forth in the company’s most recent Annual Report on Form 10-K, including under the captions “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business”; quarterly reports on Form 10-Q, including under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; and subsequent filings with the Securities and Exchange Commission.

The terms “Company,” “we,” and “our” are used to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.