Morgan Stanley Technology, Media and Telecom Conference

March 4, 2025

Disney Speakers:

Dana Walden

Co-Chairman, Disney Entertainment

PRESENTATION

Voice Over

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Ben Swinburne – *Morgan Stanley*

All right. Good afternoon, everybody.

Great to see you. I'm Ben Swinburne, Morgan Stanley's media analyst. My own disclosures in my own voice. For important disclosures, please see the Morgan Stanley Research Disclosure website at morganstanley.com.

If you have any questions, please reach out to your Morgan Stanley sales representative. And we are extremely excited to welcome to the conference for the first time, Dana Walden, Co-Chairman of Disney Entertainment at The Walt Disney Company. Dana, thank you so much for being here.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes. Thank you, Ben. I'm happy to be here.

Ben Swinburne – *Morgan Stanley*

So, maybe just to start us off before we get into some of the questions around the business, it's probably helpful for the audience to talk a little bit about how Disney Entertainment is organized – sort of how you and Alan manage the vast portfolio of Disney's assets.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Sure. As you know, when Bob came back to Disney, the first thing he did was restructure the company. And we're set up in a very clean structure: three segments. And Josh D 'Amaro runs Parks and Experiences, Disney Experiences; Jimmy Pitaro runs ESPN; and then, as you said, Alan Bergman and I are partners overseeing Disney Entertainment.

And the way we split our responsibilities—pretty clean. Alan oversees our film studios and branded series; I oversee global television; and then, together, we oversee Disney+ and Hulu, inclusive of ad sales, technology, and platform distribution.

And Bob was very purposeful in this structure. He really restored the authority in our company, especially in Disney Entertainment, to creative executives who had owned P&Ls for a long time but understand how to create stories at scale. And, as Bob likes to say, he connected the people who approved the spending to the revenue.

Ben Swinburne – *Morgan Stanley*

Yes. That's a helpful explanation. So, this audience is certainly very focused on P&L and driving value from the content that Disney creates. I think everybody understands Disney's opportunities to monetize IP are multiples around the business. But it would be great if you could start by talking about how content drives value for the entire organization.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Well, it starts with storytelling excellence. Obviously, Disney is known as, I think the best storytelling company in the world.

So, all of us, and I said, Bob has a very lean leadership team, so we are constantly collaborating. We're sharing these amazing stories and characters throughout the entire organization. But it's hard even sitting here, in one answer, to capture all of the value because Alan and his team at the Studios were number one at the box office by a significant margin—$5.5 billion. I think it's more than all the other studios combined, but if not, very close.

Ten of the topmost streamed shows of the year—50% of them are owned by Disney. So again, that content that's driving Disney+ and Hulu, and then the activation of that content across our organization delivers value to consumers at every conceivable touch point.

So, the characters that I'm working with in our kids' content are the same characters that Alan is building films around and that Josh is bringing to life in stories across our parks, on our cruise line, in consumer products. So, it is a chain of value across the entire enterprise.

Ben Swinburne – *Morgan Stanley*

Yes, let's talk about streaming because that's probably everyone's primary focus, particularly when you look at the businesses that you're running. There's a lot going on in the industry. There's a lot of focus on scale. I think it's interesting when you look at the Nielsen data and you aggregate Disney's assets, it's actually got typically the biggest audience of any of the media and tech companies.

At the same time, streaming is growing, TV is under pressure, ESPN is pivoting. How do you bring that scale with all those sort of different growth trajectories together and take advantage of that and really differentiate Disney's streaming product to the consumer while at the same time delivering the margins that we're all super focused on?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Well, I'd start by saying we are enormously proud of all we've accomplished in streaming, especially over the past two years. As you well know, not too long ago, we were losing over $1 billion a quarter. We are now profitable, growing revenue, and delivering in – with visibility towards double-digit margins.

So, it starts with storytelling excellence, as we've talked about before, and how do we now bring together this amazing portfolio of stories across every conceivable genre – kids, award-winning general entertainment, our big films, films that are – go straight to streaming, and in the not-too-distant future, ESPN flagship direct-to-consumer? Disney+ is still only five years old.

So, all we have accomplished has been in a very short period of time. And as our technology advances and our teams are working specifically on features that lean into our unique differences, and I would point to the launch of Hulu on Disney+. Recently for bundle subscribers, for subscribers to both Disney+ and Hulu, who can engage with all of those stories in the same app, it's an extraordinary value for subscribers. It's driving engagement, it is improving our churn dynamic, and that in itself is cause for extreme optimism about our future.

But it's also, again, continuing to deliver. On March 12th, *Moana 2* will hit Disney+ and it will be a huge event for subscribers both in terms of acquisition and engagement. And along the way—*Mufasa* hits at the end of March—along the way just a consistent stream of excellent shows.

I'm really proud of the past year on the content side as well. Our series won 60 Emmy Awards, and that was more than any of our competitors ever. And I think it is meaningful to point out that the rest of the industry split the other 69 awards. So, it's value of – in the content and how we're delivering it to our subscribers.

Ben Swinburne – *Morgan Stanley*

The market certainly focused on your ability to grow Disney+. You and I were chatting about some of those Emmy award-winning shows. *Shōgun* is one of my personal favorites. Amazing show.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, I think at this point it's probably the most award-winning show in history for a single season. I mean it just most recently swept the SAG Awards, the Critics Choice, the PGA, every conceivable award.

Ben Swinburne – *Morgan Stanley*

Yes, and season two is on its way, right?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

It is. We like to bake it carefully. We will not release season two until it’s ready.

Ben Swinburne – *Morgan Stanley*

Okay, we'll have to wait.

I guess what I'm trying to get a sense of is just how content drives, particularly net ads, but just drives things that really matter to the business? So, engagement, pricing power, churn. Can you talk a little bit about the role of your broad content offering and driving Disney+ growth, which is something certainly the market wants to see re-accelerate?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, absolutely. I would say clearly, we're focused on that growth, and we are going to deliver growth in subscribers, in profitability, in margin. I would say we're not focused on a single data point, right? We're focused on delivering growth long term. And that is through that pipeline of content.

Obviously, we have tremendous opportunity internationally to grow. It's still a very young platform. We're working on our local originals so that we have content around the world that is relevant to local subscribers along with our big global hits.

And again, our company is producing and releasing in streaming a huge number of hits that travel around the world. It's something that – I have been at Disney now for going on seven years. I came from Fox, where we were also very focused on the value of creative risk-taking. Neither of these companies have ever played it safe. We invest highly in our shows. And the efficiency that's created by, again, we look at *Moana* and what Alan's team has done with *Moana 2*, the original film, 2016, right? Just releasing the trailer for *Moana 2* created a subscriber acquisition event on Disney+. It also shot *Moana*, the original, back to the top of the streaming charts where it sat for two years.

That is alongside what Josh is doing in terms of storytelling in our parks with *Moana* at Epcot, on our newest cruise ship. So, it is value overall, but that consistent stream of tentpole content that's then surrounded by incredible documentaries, award-winning general entertainment. It's not just *Shōgun*, it's *The Bear*, *Only Murders in the Building*, it’s – we have a new limited series coming up from Ellen Pompeo that's so buzzy that I know is going to drive tremendous engagement.

Alan and I work incredibly well together. And bringing those teams together has enabled us to not only program our platforms in a successful way, it's enabled us to make choices around how we window that content around our ecosystem of distribution.

Ben Swinburne – *Morgan Stanley*

Right. You mentioned before kind of local content internationally. Is that an area of focus for Disney from an investment point of view?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Absolutely. We have now had – some of the slates are very young. They launched probably two years ago. And creating a pipeline of content takes some time, but the great news is in each of the regions we've found bona fide hits.

For example, in Korea last year, we released a show called *Moving* that signed up over 1.5 million subscribers and created a huge event in that market along with all of the rest of the content from the United States. So, it's just local flavor. We're doing local for local, and then local for regional, and then global for the whole world.

Ben Swinburne – *Morgan Stanley*

Got it. So, the probably the next big event, at least that we're all focused on, this year for streaming at Disney is ESPN making the big step out of the bundle into another bundle, to some extent. But what does it mean for the business and the opportunity ahead for The Walt Disney Company that has ESPN flagship move and come to market later this year?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

I think Jimmy would probably argue with you that it's not "outside of the bundle," it's "and the bundle."

But in terms of the specifics of the product, I'm going to let Jimmy talk to you about that. I've seen a little bit. It's incredibly exciting. The new features that they'll bring to market with the launch of flagship I think are really going to blow people away.

From a Disney+ perspective, though, sports is the biggest, most successful form of entertainment right now. It's obviously having the ability – we launched a few months ago an ESPN tile on Disney+ for standalone subscribers, and it's of enormous value to these subscribers. It's over 3,000 hours of long-form programming, the 30 for 30s.

And then yesterday, we actually launched something I'm very excited about, which is *SC+*. It is a daily *SportsCenter* show produced by *SportsCenter* and ESPN. It is going to help us I think to include people who are casual sports fans in this conversation that is obviously dominating cultures around the world, and, again, a daily touch point for sports on Disney+. A reason every day to open the app to check out "what are the top 10 moments in sports?" and then allow the algorithm to surface to those subscribers other content that they're going to engage with. So, very meaningful to us.

Ben Swinburne – *Morgan Stanley*

Have you seen consumers really embrace the ESPN access on Disney+, specifically as you've been adding more content over the last few months?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, absolutely. We've seen not only an uptick in being able to upgrade those subscribers right now into our trio bundle, which is Disney+, Hulu, and ESPN+, but we're also seeing increased engagement with that type of content.

Ben Swinburne – *Morgan Stanley*

Let's also talk about an area that's really core to the legacy of Walt Disney, which is kids and family programming. It's a very competitive space—certainly my kids I find binging on YouTube more than I would like them to—but an area that Disney has such a long history: Disney+ – I mean Disney Channel, Disney Junior – excuse me. How would you sort of size up the competitive position today for Walt Disney and the kids and family, particularly in television, and is this a focus and priority for you and the team to invest behind?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Well, we are Disney. Obviously, the kids audience has always been very important. And I will share with you that creating and programming and developing features that are important to that audience, that's a top priority for us right now. We are very focused on it.

I find when you talk about the kids audience, it's important to recognize the nuances. It's not a monolith. If we start with preschoolers, Disney is the number one brand. The most streamed show in the United States last year was *Bluey*.

Ben Swinburne – *Morgan Stanley*

I was going to guess that.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

You were going to guess?

Ben Swinburne – *Morgan Stanley*

I was going to get that right I swear.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, because it's probably not just kids. But it's an incredible show that – 28 hours of content, which drove 60 billion minutes of engagement on Disney+ last year. But along with *Bluey* there's *Mickey Mouse Clubhouse*, *Spidey and His Amazing Friends*, *Ariel,* all of the amazing characters and stories from the Disney canon that are constantly being reinvented and refreshed for our youngest possible fans.

And we know that a connection when kids are very young is meaningful to affinity for our brand for the rest of their lives. I mean, I grew up in Southern California my parents, my grandparents would come visit us every summer, and they would take us to Disneyland. I'm embarrassed to say that I was way more excited about going to Disneyland than seeing my grandparents, but I probably wasn't alone. And my kids growing up – Disney is a trusted environment for kids. I felt totally safe putting them in front of the television for Disney Channel storytelling. And I think that's how parents feel now about the Disney+ environment.

Clearly as kids get older, they're consuming content on a number of different platforms. They're on social media, they're gaming, they're clearly on YouTube. And we have a meaningful and great partnership with YouTube. We produce thousands of videos based on our series, specifically for YouTube. Disney Junior, I think, has 22 million subscribers.

So, why do we do that? We do that because we know that's where kids like to consume content along with Disney+, we want to keep them engaged, we want to keep incubating IP on a platform that's important to creators and kids. And ultimately, the work we're doing now, although I have nothing specific to announce, on the technology side is features that will specifically address how kids are interacting with content right now in a very contemporary way. So very mindful of that. And then as kids get older, of course, they're watching content, they're watching live sports, they're watching live entertainment. We see it in *Dancing with the Stars* and *American Idol*. They are, of course, watching our giant tentpole animated films, and they're watching them over and over again.

So again, looking holistically at that kids audience, we know we have the stories that they love. We're working on the technology that will allow them to engage with them in the way they want.

Ben Swinburne – *Morgan Stanley*

I think recently you guys launched live channels on Disney+.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, Streams.

Ben Swinburne – *Morgan Stanley*

Is that targeted towards the kids and family?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Absolutely, and Disney Playtime has been very successful because, of course, parents don't have to keep selecting another show at the end of – they can watch *Bluey* or all of our programming. And that, again, is helping us to introduce this young audience to multiple franchises.

Ben Swinburne – *Morgan Stanley*

That's the babysitter. The 24-7 – the never-ending rolling show.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, but it's a smart babysitter.

Ben Swinburne – *Morgan Stanley*

Yes, exactly. So, when you're talking about YouTube, I think about the competitors to The Walt Disney Company today are different than they were 10, 20 years ago. Technology is super important to success for your company. Consumers' expectations of streaming have gone up, obviously.

How would you describe Disney's strategy to navigate what is an incredibly disruptive period? And specifically, Dana, do you need to become a great technology and product company to succeed? Everyone knows Walt Disney is a great content company, but as a direct-to-consumer business, those user interfaces, the technology behind it is really important.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

You're absolutely right. I would say, though, that Disney is a great technology company and a great storytelling company. You think about Josh's teams and the Imagineers, and how they bring the magic of these stories to life. At our parks – with technology. In our Pixar films – how do we make our productions both efficient and more dazzling through technology? The acquisition of BAMTech. Our advertising technology. We have moved forward significantly throughout time, embracing technology as a vital tool to deliver these stories.

Again, Disney+, very young. Built on a platform that was ultimately supposed to serve high quality video at scale and manage fundamental relationships with customers around onboarding and billing. And you see how far we've come in a very short period, a lot thanks to Hulu and how the technology was advanced there.

But now, having Hulu on Disney+, I will just point again, we've made key hires in our technology area. Our head of technology, Adam Smith, who came from a long career at YouTube, and then a new head of engineering, Andre Rohe, who, again, came from decades at YouTube and then Meta, focused on algorithmic programming and personalization, deploying AI across all of our services.

But you look at great technologists like that and say, okay, why would you leave a technology company to come to The Walt Disney Company? And it's very simple: to work on the very best stories, characters, and have an extraordinary opportunity to keep driving that combination of the two towards all, again, all of those touchpoints.

Ben Swinburne – *Morgan Stanley*

So is technology and the work Adam’s doing, is that sort of a near term priority for you guys? Are you guys focused on that in 2025?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Absolutely, it is a top priority. And we keep releasing new features: Streams, as you just talked about. When flagship launches, and again, through having content for subscribers on Disney+ to engage with, we'll have the opportunity to entice and convince subscribers to upgrade into the trio that will then include flagship. And we think that will truly unlock the power of this portfolio of content across every genre. And that's all going to be enabled through technology.

Ben Swinburne – *Morgan Stanley*

And I know you've been working on password sharing or addressing password sharing. Is technology playing a big role in that right now?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, absolutely. That is how we have operationalized password sharing, which we're very pleased with and continue to lean into that in '25.

Ben Swinburne – *Morgan Stanley*

A big part of the streaming growth story for the industry and Walt Disney is advertising. It's a big focus. You guys have been in that business, obviously, for a very long time. But I guess my simple question is really is advertising a growth business for Walt Disney? And if it is, what allows you guys to differentiate what you're bringing to marketers versus what else is out there in the market, which is very competitive.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Well, it's absolutely a growth area for us, and that's how we see it. We have an incredible team led by Rita Ferro. And, as you mentioned, Hulu was the original ad solutions partner on streaming video. So, we have a lot of experience in that technology and being able to advance it over all of these years is helping us with automation, programmatic targeting, the ability to work with the biggest DSPs to share data in a clean room. And we are significantly ahead of our competitors in this space as a result. So, a huge priority and technology that continues to evolve.

Again, leaning into our unique assets, and it's a very high-quality audience because it's across premium programming at scale. In sports, even in linear, where we've seen significant ratings decline, the big sporting events are growing. So, we see this as a tremendous opportunity.

Ben Swinburne – *Morgan Stanley*

And I know you've got the upfront coming up. Are you guys focused on innovation and bringing more of the streaming product to advertisers along with the rest of the portfolio this year in the upfront?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, absolutely. It's clearly a priority for us. And you've seen our share of revenue shifting over time towards streaming. There's still – for a client that wants to buy across platforms and experience the full reach of The Walt Disney Company, which in terms of pure reach, we are the number one entertainment company.

Number one in the living rooms, according to Nielsen's just released Gauge report, and have been for several months since they actually started releasing the report.

Ben Swinburne – *Morgan Stanley*

I would imagine that sports is playing a bigger and bigger role in terms of driving budget. Is ESPN integrated into your overall corporate offering from an advertiser point of view?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Absolutely, we have the same sales team. Rita Ferro works across ESPN and Disney Entertainment.

Ben Swinburne – *Morgan Stanley*

Got it. Dana, I want to maybe just step back here in the last couple questions that we have, you've been at, you said, almost seven years, maybe a little over seven years at The Walt Disney Company. When you reflect on your experience, are there particular things that stand out to you and sort of what gets you most excited about the future?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

It's an extraordinary company. I feel incredibly lucky that this is the path that my career took me on. I have worked in the creative area and in distribution as well. But working with the best storytellers on just this array of content when you think about just what's coming down the pipeline right now, or we talked a little bit about *Paradise* today. We are releasing the season finale of a show called *Paradise* that we released on Hulu and Hulu on Disney+. And it's just a edge-of-your-seat thriller. It reminds me of shows I've worked on, like *Homeland* and *The Americans*.

Our films, the upcoming slate, or what Alan was able to do last year with *Deadpool and Wolverine*, *Inside Out 2*, *Moana 2*, and several other films that made hundreds of millions of dollars at the box office and now, thanks to streaming, are more valuable than ever. The ability to work with the best creators and the best creative talent is a privilege. I feel very lucky to be here.

Ben Swinburne – *Morgan Stanley*

Last question I had for you. There's a lot of focus, obviously, on leadership at Walt Disney going forward. It's been a – the last four years, it's been a volatile period for the industry and for the company. Leadership changes, reorgs, the pandemic, labor strikes in Hollywood, a lot of potential distractions. Yes, not trying to depress you or anything.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

You just reminded me. It has been very rough for us, Ben, for everyone in the room.

Ben Swinburne – *Morgan Stanley*

Yes, exactly. But I think shareholders want to hear about management's focus and the ability for the company to stay focused and avoid these distractions. And really, we want to hear your message to shareholders around strategic alignment among senior management and the operating businesses as you guys look to the future. Can you comment on that?

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Yes, absolutely. As I said before, this is such a talented, really, I would say, gifted group of leaders. It is a small leadership team who deliver so much value. The culture at Disney is excellent. This company is in incredibly good hands, and we've had the amazing opportunity to learn and work with Bob now, who I really could not think more highly of, and I know that's a sentiment that's shared widely across our industry and across business in general. This company is in excellent hands, and I have amazing colleagues.

Ben Swinburne – *Morgan Stanley*

Great, well, that’s a great place to end, Dana. Thank you so much for being here.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

My pleasure.

Ben Swinburne – *Morgan Stanley*

Thanks, everybody.

Dana Walden – *Co-Chairman, Disney Entertainment, The Walt Disney Company*

Thank you for having me.

Forward-Looking Statements

Certain statements in this discussion may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our expectations, beliefs, plans, goals, financial prospects, trends, outlook or guidance and drivers; business plans, priorities and opportunities; future programming and production costs, capital expenditures and investments; impact of organizational structure and leadership decisions; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, advertising, revenue and subscriber growth, pricing, product acceptance and enhancements, expansion, changes to subscription offerings, churn, engagement and margins; consumer and advertiser sentiment, behavior or demand; cost reductions and available efficiencies; expected benefits of new initiatives and offerings; value of our intellectual property, content offerings, businesses and assets, including franchises and brands; 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 execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as from developments beyond the Company's control, including:

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

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

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

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

The terms "Company," "Disney," "we," and "our" are used above and in this discussion to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.