Q2 FY25 Earnings Conference Call

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Disney Speakers:

Bob Iger

Chief Executive Officer

Hugh Johnston

Senior Executive Vice President & Chief Financial Officer

Moderated by:

Carlos Gómez

Executive Vice President, Investor Relations and Treasury

PRESENTATION

Operator

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

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

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

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

Good morning. It's my pleasure to welcome everyone to The Walt Disney Company's second quarter 2025 earnings call.

Our press release, Form 10-Q, and management's posted prepared remarks were issued earlier this morning and are available on our website at www.disney.com/investors. Today's call is being webcast, and a replay and transcript will be made available on our website after the call.

Before we begin, please take note of our cautionary statement regarding forward-looking statements on our Investor Relations website. Certain statements on this call, including those regarding our expectations, beliefs, plans, financial estimates and prospects, trends, outlook and guidance and other statements that are not historical, may be forward-looking statements under the securities laws. We make these statements on the basis on our assumptions regarding the future at the time we make them and do not undertake any obligation to provide updates.

Forward-looking statements are subject to risks and uncertainties. Actual results may differ materially from the results expressed or implied in light of a variety of factors.

These factors include, among others, economic or industry conditions, competition, execution risks, the market for advertising, our future financial performance and legal and regulatory developments.

Refer to our IR website, the press release issued today, and the risks and uncertainties described in our Form 10-K, Form 10-Q and other filings with the SEC for more information about key risk factors. A reconciliation of certain non-GAAP measures referred to on this call to the most comparable GAAP measures can be found on our IR website.

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

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

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

In the 102-year history of The Walt Disney Company, there have been many defining moments, and countless achievements.

One such moment was the opening of Disneyland in 1955. Now, 70 years later, having entertained four billion guests across six Disney theme park destinations around the world, we are celebrating another great moment in our storied history.

I am joining you from the United Arab Emirates where we just announced an agreement to bring a Disney theme park to Abu Dhabi.

Disneyland Abu Dhabi will be authentically Disney and distinctly Emirati. It will serve as an oasis of extraordinary Disney entertainment for millions and millions of people in this crossroads of the world connecting travelers from the Middle East and Africa, India, Asia, Europe, and beyond.

This seventh Disney theme park resort will rise from the shores of this land in spectacular fashion; blending wonderful Disney stories and characters with the cultures and tastes of this country and this region. It will combine contemporary architecture and cutting-edge technology with the timeless magic of Disney to offer guests deeply immersive experiences in unique and modern ways.

As part of our new strategic partnership with the Miral Group of Abu Dhabi, Disney will oversee design, license our IP, and provide operational expertise, while Miral will provide the capital, construction resources, and operational oversight.

Our Imagineering team is already hard at work designing this large and very special destination that will become a source of joy and inspiration for generations to come.

This is my third visit to Abu Dhabi in the last 9 months, and each time I gain more appreciation and respect for the UAE government, the government of Abu Dhabi, for our partners at Miral, and for the people and the culture of Abu Dhabi.

As we prepare to embark on this exciting new addition to our Experiences portfolio, we already have more expansion projects underway domestically and around the world than at any time in our history. That includes investing more than $30 billion in our theme parks in Florida and California to enhance our offerings, create jobs, and support the U.S. economy.

Our focus must always be on building for tomorrow as much as it is on managing for today.

That eye to the future and driving growth is central to the important work we've done advancing our four strategic priorities, and looking at our second quarter results, we're making excellent progress.

We had a very strong Q2, with adjusted EPS up 20% from the prior year, rounding out a solid first half of fiscal 2025.

Our Experiences segment delivered strong results this quarter, driven by the outstanding performance from our domestic businesses. Investments in this segment have delivered impressive returns on invested capital, with returns from our Experiences businesses at all-time highs.

Experiences is obviously a critical business for Disney, and also an important growth platform. Despite questions around any macroeconomic uncertainty or the impact of competition, I'm encouraged by the strength and resilience of our business, as evidenced in these earnings and in the second-half bookings at Walt Disney World.

Our Entertainment business, including movies, television series, news and sports, continues to generate strong growth. Our feature films continue to enjoy success at the global box office. *Thunderbolts** from Marvel Studios opened this past week. It is currently the number one movie in the world, and the best reviewed Marvel film in the last few years. We are also excited about our upcoming theatrical slate for the remainder of the calendar year, including the live-action *Lilo & Stitch*, Pixar's *Elio*, Marvel's *The Fantastic Four: First Steps*, *Freakier Friday*, *Zootopia 2* from Walt Disney Animation Studios, and the spectacular *Avatar: Fire and Ash*. We are also quite pleased with the performance of our general entertainment and news programming.

Finally, sports viewership trends continue to be healthy. ESPN's Q2 primetime audience among the key 18-49 demographic was up 32%, making it ESPN's most watched Q2 in primetime ever, driven by ESPN's fantastic programming, including NFL and College Football, the NCAA Women's basketball tournament, and other exciting events. All of which is giving us optimism as we head into the Upfront next week.

Meanwhile, we are only a few months away from the launch of ESPN's exciting new direct-to-consumer product offering, and we look forward to sharing pricing and timing details very soon.

Overall, our expansive portfolio of high-quality content and programming is enabling us to continue to grow revenue and profitability in our streaming business. Streaming remains a key priority and a core growth platform for Disney. And as we move forward, our improvements in the product will continue to enhance the user experience, increase engagement, and reduce churn, thereby enabling us to grow the strategic business at an accelerated rate over time.

This has been an excellent first half of the fiscal year, with strong results powered by our disciplined and focused growth strategy. We remain confident about the direction of the company and optimistic about our outlook for the rest of the fiscal year.

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

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

Thanks, Bob.

As we transition to Q&A, we ask that you please try to limit yourselves to one question in order to help us get through as many analysts as possible today.

And with that, operator, we are ready for the first question.

Operator

Thank you, sir. (Operator Instructions).

Today's first question comes from Ben Swinburne at Morgan Stanley. Please go ahead.

Ben Swinburne – *Morgan Stanley*

Good morning or good evening, I guess, if you're overseas. Bob, I want to pick-up on the streaming commentary you just were talking about. Over the last year-plus, you guys have been bringing more Hulu content and sports content into Disney+. You're bringing flagship in from a bundling perspective.

I'm just wondering if you're seeing benefits to this broader content strategy within the Disney+ app, whether you look – this is obviously a domestic comment – but when you look at engagement, sign-ups, etcetera, is the broadening out of Disney+ into other areas of content helping the business from a sign-ups, churn engagement point-of-view? And is there more ahead that you think can really drive the business?

And I just wanted to ask, Hugh, because I don't think it was in any of the prepared commentary, the three-year guidance, the double-digit earnings growth in '26 and '27, I assume all that is still in place off of the new '25 higher EPS base? Just wanted to make sure we had that correct. Thanks so much.

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

Thanks, Ben. To answer your question specifically, the presence of Hulu embedded in [Disney+], basically from a user experience perspective, and the addition of sports content is definitely having an impact – definitely having a positive impact. Not only is engagement up, but churn is down and significantly. And as we look ahead, it's obviously our desire and in fact, we're optimistic about being able to execute against it to turn the streaming business into a true growth business.

And as we see it, there are three ways to do it. One is what we've just talked about, which is to continue to put Disney+ and Hulu together as a user experience. You'll see more of that in the months ahead. In addition, we plan when we launch ESPN direct-to-consumer to be really smart about bundling that. And for those that bundle, the experience will be fully integrated. That will be another big step.

So, when you consider the Disney brands that are part of Disney+, the general entertainment that's part of Hulu and the volume, and then the live sports that will be part of the experience, in a way, there's nothing like it in the streaming world. It's unrivaled in terms of quality, in terms of volume, and just in terms of variety. We're very excited about it.

Two other pillars of growth for that business will be technology. We're also hard at work in improving our – basically the tech side of that business. We've taken a lot of steps already, including paid – including paid sharing, which we're just kicking-in with Hulu that's also starting to work. A lot more in terms of personalization and customization, a lot on the ad-tech side and much more coming. I was just taken through a roadmap for the rest of the year. so we're not talking about many years, we're talking about near term where the technology improvements to the platforms will be significant.

And of course, the third pillar of growth will be investment in content, particularly outside the United States where we know that we need to invest more in local content, and we've already started that process. It takes time and you know we don't really end up booking those costs until the shows air, but we're already starting to develop more aggressively in markets – in very, very targeted markets outside the United States.

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

Hey, Ben, this is Hugh. Obviously, the guide that we announced for this year, which was $5.30, we've now taken to $5.75. The long-term guide remains intact.[1] What we announced before, no change to that.

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

Thanks, Ben. Operator, next question please.

Operator

Yes, sir. Our next question today comes from Steven Cahall with Wells Fargo. Please go ahead.

[1] On the Q4 FY24 Earnings Call, we said we expect double digit percentage growth in adjusted EPS for FY26 and FY27

Steve Cahall – *Wells Fargo*

First, just congratulations on Abu Dhabi. I was wondering if you could speak a little more on how you settled specifically on this location and this partner. I mean, Yas Island is really exciting already with the track and Ferrari World and the Emirate has a lot in infrastructure, but there are a lot of choices in the region. So maybe you could just think about what audience you're going after and how this particular location is best suited for those purposes?

And then just a second question on Parks. I think domestic park margins were up 110 basis points in the quarter. I think you said that cruise is margin accretive? I was just wondering if you could help us think through the margin improvement you saw at domestic. Was that mostly due to cruise mix? Were underlying domestic park margins up as well? Just thinking about that as we forecast this longer-term. Thank you.

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

Hi, this is Hugh. So, in terms of the margins on the Parks business, that's a combination of all of the businesses. So, we have certainly seen margin accretion in the Parks and Experiences side as well, not just the impact of cruise.

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

And then on the Abu Dhabi question, which is a good question, Steven, because we did study the region very carefully and we know that we had many opportunities.

Obviously, building a theme park in a location is a huge endorsement of that location; speaks volumes in terms of the ability of that location to sustain a Disney theme park.

I should start really with an overview of the Middle East. It was very obvious to us that there were many people, basically hundreds of millions in the world, that are income qualified, where a trip to one of our six locations was pretty lengthy in nature and expensive. And so, we felt the best way, obviously, to reach those people is to basically bring our product to them.

Interestingly enough, as an aside, when we decided to build a cruise ship and put it in Singapore, which will not launch until the end of the year, we put it on sale just a few months ago and the first quarter sold out in a matter of days, as a for instance. So, there's clearly a desire to engage – of consumers to engage with Disney in a wide region that is actually distanced enough from our other locations so that we don't really view this as in any way cannibalistic to the places we already operate.

Then when you look at Abu Dhabi and the UAE, I mentioned these statistics earlier today, we talk about it being a crossroads of the world. 500 million income-qualified people live within four hours, 120 million people will come through Dubai and Abu Dhabi this year alone. Abu Dhabi estimates that 39 million tourists will visit Abu Dhabi by 2030. That says a lot.

Then as we started to really dig deeper into Abu Dhabi specifically and engage with our partners, obviously, capital was not an issue. But in addition to that, they've demonstrated a number of things that were really important to us.

One, a real appreciation of quality and innovation, an appreciation of the arts and creativity, and a huge commitment to new technology. And we were impressed with all of that. We also looked at what they've already built – between the Louvre, that's already built, the Guggenheim, which is going up, and incredible other experiences, the architecture here as well. And everywhere we look, we basically were convinced that this was a perfect place for us.

And then in Miral, our partners, we immediately bonded with them in many respects, spoke the same language and basically, we both have a real appreciation of our history and our legacy, but moving forward and being forward-thinking and innovating is also part of our basically our DNA.

And so, it was very, very clear to us that of all of the places that we could choose from, there didn't seem to be any place that was better than this. And one of the reasons why it came together so quickly is because of how convinced we became, particularly after engaging with our partners, that this was the right choice.

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

Thanks, Steve. Operator, next question please.

Operator

Thank you. And our next question today comes from Robert Fishman with MoffettNathanson. Please go ahead.

Robert Fishman– *MoffettNathanson*

Thank you. Bob, the studio has clearly delivered many hits over the past year. I'm wondering if you could just share a little bit more about your excitement for the upcoming theatrical slate and how that will generate the additional long-term value for Disney and the multiplier effect that you talked about in your prepared comments?

And on a related note, with the *Thunderbolts** opening, what is your confidence that Marvel can still be a significant driver to that Disney flywheel with its renewed focus on theatrical and putting out less scripted series on Disney+?

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

Thanks, Robert. I have a lot of confidence in our upcoming slate. Let me just list some of the films that are coming out. We have *Lilo & Stitch* coming out on Memorial Day weekend. That's the live action version. Tracking is enormous. I've seen the movie a few times. I can endorse it wholeheartedly. I have a lot of confidence there. Pixar’s *Elio* in June, then we have *Fantastic Four* in July, and then *Tron*, *Zootopia* and *Avatar* to finish out the calendar year. That's quite a lineup. And then next year, *Avengers*, *Mandalorian*, *Toy Story* and *Moana* live action.

So, we have a slate in the next year and a half that not only have a lot of confidence in, but it's as strong as any slate that I've seen in a long time since, well, in 2019, I think was our best year. It's as strong as anything I've seen since then. So great confidence.

And look, I've talked about Marvel a lot. We all know that in our zeal to flood our streaming platform with more content that we turned to all of our creative engines, including Marvel and had them produce a lot more. We've also learned over time that quantity does not necessarily beget quality. And frankly, we've all admitted to ourselves that we lost a little focus by making too much and by bringing Marvel – by consolidating a bit and having Marvel focus much more on their films, we believe it will result in better quality. And I think the first and best example is *Thunderbolts*.* So, feel very good about that.

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

Thanks, Robert. Operator, next question please.

Operator

Absolutely. And our next question today comes from Jessica Reif Ehrlich with BofA Securities. Please go ahead.

Jessica Reif Ehrlich – *BofA Securities*

Thank you. Maybe switching gears to advertising. Bob, you mentioned in your prepared remarks that you're optimistic regarding the upfronts. So, can you give us some comments on what you're seeing in the market, the move to programmatic, is it having an impact on your share of markets, sports? And then I think the advertising was lower on Disney+. So maybe you could give us some color on what's going on?

And then just a follow-up on Abu Dhabi. Since you're not putting capital in, is there any ownership or is this simply a royalty?

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

I'll start on the Abu Dhabi question, and I'll let Hugh pick up your question on advertising. It is all their capital, and we will get a royalty. So, there isn't ownership. We own our IP and license it to them is essentially the arrangement. We're responsible for design and development and we will be involved significantly in oversight of their operations basically to ensure that the Disney experience going, meaning the Disney theme park experience, is up to the level that we offer in the other six locations that we operate.

By the way, we're not concerned about that at all. They've already demonstrated a commitment to quality in that regard. But this is essentially a license arrangement, but with considerable involvement of us. So, although they will operate it, we will have employees embedded in the organization with them to help them operate a Disney theme park basically the quality level that everybody is used to.

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

Hey, Jessica, it's Hugh. Just to follow up on the on the advertising question. Right now, the advertising market is quite healthy for us. Live sports, as you know, is doing extremely well. And you see that in ESPN numbers where advertising for the quarter was up over 20%.

In addition to that, we continue, as we go into the upfronts season, to see robust demand for our advertising. So, I know there's lots of concern from a consumer perspective and what that might mean for advertisers, but right now, in particular, restaurants and healthcare have considerable demand for advertising.

The one place that obviously is – continues to be a bit more challenged is on the DTC side, not driven by demand, but driven by supply as we have new entrants into that marketplace. But that said, there's still strong demand there for Disney advertising as well.

Overall, you may recall back at the beginning of the year, we indicated that our advertising growth would be up consistent with what we saw last year, which was 3%. We now expect it to be in excess of what we indicated back at the beginning of the year. So overall, the advertisers are certainly demanding what we can offer.

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

Thanks Jessica. Operator, next question please.

Operator

Absolutely. And our next question today comes from David Karnovsky with JPMorgan. Please go ahead.

David Karnovsky – *JPMorgan*

Hi, thank you. Bob, just on ESPN flagship, as you move towards the launch, interested to understand better the approach from a programming standpoint, how you view the necessary critical mass of both sports rights and shoulder programming in a more tech-driven interface, how is that different from linear?

And then just given the importance of some of the features you'll rollout like betting and fantasy, how do you think about wanting to keep subscribers in that ecosystem versus giving them the option of consuming their flagship subscription through Disney+? Thanks.

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

First of all, to the last point, if you are a subscriber of linear ESPN, you will automatically get what I know we've been referring to as ESPN flagship. By the way, it will not be called that, and next week Jimmy Pitaro plans to reveal not only the name, but he will also talk about our pricing strategy. But the plan would be to basically be somewhat agnostic from a subscriber perspective, so that we can still do our best to preserve the multichannel ecosystem, but at the same time, obviously want to grow our DTC business.

The difference is that the ESPN linear service will, if that's all this consumer chooses to watch, will not have the bells and whistles and those additional features that the DTC service will have. But again, we're giving the consumer the option of consuming both.

From a critical mass perspective, we have obviously an unrivaled portfolio of licensed sports on ESPN and an unrivaled portfolio of studio programming and shoulder programming. The bulk of which will be on the linear service and of course on flagship, quote-unquote flagship. At some point, I've got to stop using that word.

That said, what we've already been doing and what we'll continue to do is give consumers of Disney+ and Hulu a taste of live sports on that service so that we have an opportunity to upsell them on the Disney DTC service, which obviously is a priority of ours. And again, that service will have many more features than the linear service will have.

So, I know – this will, when we launch, will be much simpler perhaps than I'm even describing. We're going to limit the number of SKUs. We're going to make it very, very clear what is what, meaning what you get when you just watch linear, what you get when you sign up to [ESPN] DTC. And I think the most important thing is that if you are a subscriber of Disney+ and Hulu and ESPN DTC – I should have said ESPN, not Disney – if you're a subscriber of all three, you'll have a seamless experience there. They'll be completely ultimately integrated or embedded into the service. And that I think is a real plus from a consumer experience perspective.

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

Thanks, David. Operator, next question, please.

Operator

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

Michael Morris – *Guggenheim*

Thank you. Good morning. I wanted to ask a couple more questions about the Experiences segment. And specifically about the outlook there. So, you had a strong fiscal second quarter. You didn't change the full-year growth guidance. So, can you provide an update on what you're seeing in the demand environment in the US in particular, and whether that changed from the end of the last quarter?

Also, the growth rate, the implied growth rate in the back-half of the year is for double-digit operating income growth. As you look into fiscal '26, is there a reason that that double-digit growth isn't something that can continue? I know you've spoken to high single digits in the past in '26. So, wondering if there's any upside there.

And then just finally, on international, you noted the – some softness in demand in China and the question is, is that getting worse and how much of a headwind may that be going forward? Thank you.

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

Okay. Hey, Michael, Hugh here. That's – I think that was three questions, but I'll do my best to remember them all and answer them. In terms of the first piece, the outlook, the outlook is actually still quite strong for the Experiences business. Bookings right now for Walt Disney World for the third quarter are up 4%, and that's with about what we would say is about 80% in. And then for the fourth quarter, bookings are up 7%, that's probably somewhere between 50% and 60% in at this point. So certainly looking very optimistic and that was part of what factored into our change in the in the guidance going-forward.

In terms of your question on international, it's not getting any worse. And again, just to reiterate what Josh mentioned on CNBC, attendance is actually still quite good. It's just per-cap spending isn't quite as high.

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

That’s China.

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

In China, correct. Because the Chinese consumer, as we know, is a bit challenged. So, from that perspective, certainly feel good about the fact that we still have the engagement. Consumers are tightening their belts a little bit in that particular market, and that's what you're seeing flow through there.

In terms of expectations for '26 and – for first '25, the only thing I would say is we guided to 6% to 8% – given the numbers that we're seeing, we're probably going to be at the higher end of that for the for the Experiences business for this year. And then for '26 and beyond, I'm not going to comment on that at this point. We'll do guidance on '26 when we get to '26. So, I'm not going to provide any further color on that until we get to that point other than what I had mentioned earlier, which is the guidance in terms of growth rates remains intact.

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

Thanks, Mike. Operator, next question please.

Operator

Absolutely. Our next question today comes from Michael Ng with Goldman Sachs. Please go ahead.

Michael Ng – *Goldman Sachs*

Hi, good morning. Thank you very much for the question. Just two on Experiences. First, just with Disney Treasure hitting the second full quarter – or excuse me, second quarter of operations, I was wondering if you could talk about key learnings from the cruise launch so far and anything there that helps to inform expectations or strategy around the upcoming launch of Disney Adventure and Disney Destiny?

And just as a Parks follow-up, I was just wondering if you could talk a little bit about the international visitation to domestic parks and if you're seeing any changes there? Thank you very much.

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

I'll take the cruise ship, you take the rest. On the cruise ship side, as we've expanded, we've embedded in our ships even more Disney intellectual property and at a higher quality level. And the ratings for the Treasure are just sky high. People just love that ship and for good reason. And obviously, the ships that are coming will take full advantage of everything that the Treasure has taken advantage of and then some.

And so, we feel great about that business. It has been a great way for us to bring the Disney experience to more consumers around the world. As noted earlier on the call, the experience we've had in putting the ship that will sail out of Singapore on sale, as a for instance. And so, we see that business becoming a growth driver for the segment over the next three to four years as more ships are deployed.

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

And Michael, in terms of the attendance, international attendance at the domestic parks, we've indicated in the past that that number has not gotten back to pre-COVID levels, but it is still in the double digits. We've seen a bit of an impact, but it's literally like, in terms of the mix, 1% to 1.5%, and what I would expect going forward is something similar to that. The good news is we're clearly more than making up for it with domestic attendance. So, attendance at the parks has been terrific.

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

Thanks, Michael. Operator, next question please.

Operator

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

Kannan Venkateshwar – *Barclays*

Thank you. Maybe to Bob, on the Parks side, with the Abu Dhabi Parks announcement and you also have a long-term plan in place for the for the segment as a whole. Are there other opportunities in other locations around the world? I mean, now you have a presence in Singapore, you now have a presence in Abu Dhabi. So, is there more opportunity for you to expand that footprint further as you look out longer-term? Some thoughts on that would be great.

And then Hugh, on the streaming side, when we think about operating leverage going forward, is that largely a function of revenue growth or is there also cost opportunity as you align these platforms? And as Bob mentioned, there might be fewer SKUs going forward. And so, does that also provide some kind of a cost opportunity maybe see margins inflect? Thanks.

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

Kannan, thanks for your question. We just announced Abu Dhabi and now you're asking for more already. So, thank you. With this as our seventh location, well we feel that once it opens, it gives us the ability to be far more effective at reaching basically the world's population than we've been before. And while I'm not going to rule out the possibility of another location, there's nothing that's really being planned near-term to actually build another park in what would be an eighth location.

However, I want to remind you that when we talked about a year ago about turbocharging that business with investment in capital because the return on invested capital has been so stellar. We are continuing on that trajectory. And to remind everyone, and it's tied to the kind of deal that we made in Abu Dhabi, we're planning to invest approximately $30 billion to expand Florida and California, which obviously is a vote of confidence in those locations. But in addition, those will be highly accretive from a job perspective as well. And we're also investing to expand in every other location that we operate.

So obviously, a bullish belief in the business itself with Abu Dhabi, as I said, and with the addition of the cruise ships, we're making ourselves very accessible to hundreds of millions of more people than we were in the past. And so, we're going to, we're going to focus on this right now and the other investments that we're making. And as I said, I'm not ruling out the possibility of another location, but it's not exactly something that's a priority right now for us.

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

And hey, Kannan, I'll handle the streaming question. While your point is exactly right, with a business that is going to have the growth that we have expectations for in the streaming business, there will clearly be leverage that just comes out of the revenue growth itself. But in addition to that, we absolutely have opportunities to reduce costs.

So, the answer is both. We can certainly do it on the G&A side. And especially as we start to add more to the product, both in terms of the technology side of the product where we will be investing and in terms of the content that's delivered, whether it's bringing ESPN on and the additional content that we've been bringing in through bundling, we certainly expect to get operating leverage out of marketing over time. I wouldn't say that initially, especially as we launch ESPN. But over time, we would expect to get leverage out of the marketing line as well.

So put those two together, yeah, I do expect some flow from top to bottom. We will use some of that to invest back in the business, perhaps in some international content, but I would also expect some of those cost reductions to go straight to the bottom line as well to give us accelerated margin growth.

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

Thanks, Kannan. Operator, we have time for one last question.

Operator

Thank you. And our final question today will come from Peter Supino with Wolfe Research. Please go ahead.

Peter Supino – *Wolfe Research*

Hi, good morning. Thank you. Question back on experiences. You mentioned $30 billion of expansion capital for Florida and California. And I wondered if that is – if we're defining expansion in terms of attendance? Is that capital that will enable more people to visit the park? And more broadly, how do you think about your incremental return on capital on expansions in your Experiences segment? Thanks.

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

You know the guest experience is obviously paramount to us. It's very, very critical. And with that in mind – we actually limit the number of people that we let in because we don't want to decrease the guest experience. So, as we look to expand, not only do we look to take advantage of the property that we have and the intellectual property that we have, but we look to add capacity so that we can let more people in without in any way impacting negatively the guest experience.

And that's true really every place that we operate. It's really important to us. And we're blessed with the fact that we have more available land, and we certainly have a lot of intellectual property to be mined. And we've made announcements that are pretty specific about what we're building, a Villains Land and a Car's Land in Florida, as a for instance, Pandora in California, Coco in California, I could go on and on.

And in terms of the return on invested capital, we've actually hit record levels in terms of return on invested capital in the business. And actually, when I returned to Disney back in 2022 and talked to Josh D'Amaro, who runs the segment about this, and he showed me what the returns on invested capital had been in the then-recent past, but more like pre-COVID, it was extremely impressive. And as we look to – as we determine how we allocate our capital as a company, obviously, we want to allocate it in direction that where the returns are stellar, and this is one way that we do that. So, I think that says it all really.

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

Thanks, Peter and thanks everyone for your questions today. We want to thank you for joining us and wish everyone a good rest of the day.

Operator

Thank you. This concludes today's conference call. We appreciate your attendance today. You may now disconnect your lines. Thank you.

Forward-Looking Statements

Certain statements on this call may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our expectations, beliefs, plans, financial prospects, trends or outlook and guidance; financial or performance estimates and expectations (including estimated or expected revenues, earnings, operating income, cash flow and margins) and expected drivers; the completion of projects in development, including features, offerings and expected resulting benefits; business plans and opportunities; future programming and production costs, capital expenditures and investments, including opportunities for growth and expansion; impact of leadership decisions; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, growth, subscribers, product acceptance and enhancements, changes to subscription offerings and margins; anticipated demand and drivers, timing, availability or nature of our offerings (including experiences and business openings, DTC offerings, content within our products and services and content releases and distribution channel); shareholder returns and capital allocation, including share repurchases; consumer or advertiser market, sentiment, behavior or demand; cost reductions and available efficiencies; strategies and strategic priorities and opportunities; completion and expected benefits of new initiatives and future projects; value of our intellectual property, content offerings, businesses and assets; estimates of the financial impact of certain items, accounting treatment, events or circumstances; and other statements that are not historical in nature. Any information that is not historical in nature is subject to change. These statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made. Management does not undertake any obligation to update these statements.

Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives (including capital investments, asset acquisitions or dispositions, new or expanded business lines or cessation of certain operations), our execution of our business plans (including the content we create and IP we invest in, our pricing decisions, our cost structure and our management and other personnel decisions), our ability to quickly execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as from developments beyond the Company's control, including:

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

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

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

Additional factors are set forth in the Company's most recent Annual Report on Form 10-K, including under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," quarterly reports on Form 10-Q, including under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and subsequent filings with the Securities and Exchange Commission.
The terms "Company," "Disney," "we," and "our" are used above and on this call to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.