The Walt Disney Company

Q2 FY25 Earnings –

Prepared Management Commentary

May 7, 2025

Please view these remarks in conjunction with our Q2 FY 2025 earnings release and Form 10-Q that can be found on our website at https://thewaltdisneycompany.com/investor-relations/

We also invite you to listen to today's call session with Bob Iger (Chief Executive Officer) and Hugh Johnston (Sr. Executive Vice President and Chief Financial Officer) at 8:30 am Eastern Time. The webcast will be available at https://thewaltdisneycompany.com/disneys-q2-fy25-earnings-results-webcast/

FORWARD-LOOKING STATEMENTS

Certain statements in these remarks 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 and cash position) and expected drivers; business plans and opportunities; capital expenditures and investments, including opportunities for growth and expansion; future capital allocation, including share repurchases; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, subscribers, growth, product acceptance and enhancements and changes to subscription offerings; anticipated demand, timing, availability or nature of our offerings (including experiences and business openings, content within our products and services and content releases and distribution channel); consumer and advertiser sentiment, behavior or demand; strategies and strategic priorities and opportunities; expected benefits of new initiatives; value of our intellectual property, content offerings, businesses and assets; estimates of the financial impact of certain items, 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. The Company 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 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 in these remarks to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

Q2 FY25 EARNINGS COMMENTARY FROM OUR CEO & CFO

Q2 was an outstanding quarter for the company, with Q2 adjusted EPS[1] up 20% from the prior year. For the first half of fiscal 2025, adjusted EPS[1] was up 32%. These strong results demonstrate continued execution across our four strategic priorities: producing exceptional creative content from our film studios, achieving significant and sustained profitability in our streaming businesses, continuing ESPN's evolution as the preeminent digital sports platform, and turbocharging long-term growth in our Experiences segment.

FILM & TELEVISION

Disney's creative studios continue to deliver best-in-class films and series that we are able to successfully leverage across our businesses and numerous consumer touchpoints.

Mufasa: The Lion King proved to have long staying power after its holiday season release, having now earned more than $720 million at the global box office. *Thunderbolts** from Marvel Studios opened last week and is currently the number one movie in the world, and we have many more highly anticipated titles coming to theaters later this year, including the live-action *Lilo & Stitch*, *Elio*, *The Fantastic Four: First Steps*, *Freakier Friday*, *Zootopia 2*, and the spectacular *Avatar: Fire and Ash.*

Our successful theatrical releases have a multiplier effect across our company, creating franchises and generating long-term value even after they've left theatres. The Moana franchise is a perfect recent example of this. *Moana 2* is Walt Disney Animation Studios' biggest premiere on Disney+ since *Encanto*, garnering more than 139 million hours streamed since March 12, and earning more than $1 billion at the global box office to become one of the top three films of 2024. The first *Moana* film remains the most streamed film on Disney+ with more than 1.4 billion hours streamed. And this beloved franchise can be found across our Experiences businesses, including the Journey of Water at Epcot, a new stage show on the *Disney Treasure*, and character meet-and-greet opportunities at our parks and on our cruise ships.

New and returning series are also performing well, with popular shows that first air on linear driving high levels of engagement on our streaming platforms. For example, *High Potential* is ABC's most-watched new series in six years and its premiere episode has reached over 30 million viewers across broadcast and streaming globally. Meanwhile, streaming originals such as *Daredevil: Born Again*, *Paradise*, and *The Fall of Ruby Franke* are driving strong viewership, with the premiere episodes of these titles garnering more than 7 million views each during their first few days of streaming. The second season of *Andor* also

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[1] Diluted earnings per share ("EPS") excluding certain items (also referred to as adjusted EPS) is a non-GAAP financial measure. The most comparable GAAP measure is diluted EPS. See the discussion on pages 8 through 10 for how we define and calculate these measures and a quantitative reconciliation of diluted EPS excluding certain items to the most comparable GAAP measure.

just became the highest-rated *Star Wars* TV series or movie with a 97% critics score on Rotten Tomatoes. And our kids and family programming continues to be recognized for its excellence – Disney won 25 Children and Family Emmy Awards in March, with *Percy Jackson and the Olympians* the most awarded series of the night. These popular titles complement our already robust library that includes shows like *Bluey*, *Grey's Anatomy*, *Family Guy*, and *Bob's Burgers* – the four most streamed shows in the U.S. again this quarter.

STREAMING

We continue to make progress building streaming into a core growth driver for the company, as evidenced by our strong results in Q2, with Entertainment Direct-to-Consumer operating income improving to $336 million. We also ended the quarter with more than 180 million Disney+ and Hulu subscriptions, an increase of 2.5 million compared to Q1.

As we move toward a more unified streaming experience, a key driver behind our success is our expansive portfolio of differentiated, high-quality content – from our unrivaled brands and franchises, to our award-winning general entertainment and kids programming, and later this year, the most robust digital sports offering in the business.

We continue to bolster our streaming offerings with great content, including strengthening our sports offering for subscribers in the U.S. with the debut of a new, exclusive *SportsCenter* show (*SC+*) on Disney+. We are encouraged by the engagement we've seen as Disney+ subscribers get a taste of our sports content, and this summer we will launch another new exclusive Disney+ sports show. We look forward to sharing more details about this new program at next week's Upfront.

As we grow our international streaming audience, we are investing in local content that complements our strong global slate. We are focused on markets with strong growth potential – including the UK, Korea, Japan, and Mexico – and we've been pleased with our success so far. In 2024, among the top 15 best performing international originals released on Disney+, nine of them were Korean titles. Meanwhile in Q2, the second season of *Gannibal* was the #1 most viewed premiere and the fastest title to reach 1 million hours streamed on Disney+ in Japan. We are also increasingly focused on aligning our Originals with cost-efficient third-party licensed content from both local and global partners in order to grow the breadth of our international offerings.

And we continue to innovate to improve the user experience on our platforms as well. Last year, we introduced Streams on Disney+, with programmed playlists featuring curated content such as live news and children's programming. In Q2, we added a new Stream featuring 767 episodes of *The Simpsons* from across 35 seasons, which has proven very popular with viewers and quickly become our #1-ranked Stream.

SPORTS

Record-breaking viewership in the quarter reinforced ESPN's strength as the premier destination for sports fans, and we remain focused on ESPN's continued evolution as the preeminent digital sports platform to serve fans anytime, anywhere. ESPN delivered its most-watched Q2 in primetime ever, with viewership among the key 18-49 demographic up 32% compared to the prior-year quarter.[2]

This was driven in part by our industry-leading portfolio of sports programming, such as the USA/Canada 4 Nations Championship, which drew 9.3 million viewers on ESPN in Q2, larger than any NHL audience on record. The Women's College Basketball regular season was the most-watched in 16 years across ESPN platforms, demonstrating the growing popularity of women's college basketball. These events – combined with our marquee collection of sports rights, including college football, NFL, and NBA – contributed to our strong Sports advertising revenue growth in Q2, demonstrating the value of live sports to advertisers.

Meanwhile, sports fans continue to flock to ESPN's digital properties for more of the sports they love, with ESPN+ drawing its most-streamed quarter ever based on reach. Once again, ESPN Digital and Social topped the U.S. Sports Category in February with 200 million unique users across digital, YouTube, and social media platforms. And we are only a few months away from the launch of ESPN's exciting new direct-to-consumer product offering. We can't wait to bring fans this unparalleled digital sports experience, and we look forward to sharing details very soon.

EXPERIENCES

Our Experiences segment delivered strong results this quarter, driven by the outstanding performance from our Domestic Parks and Experiences businesses.

At Disney Cruise Line, we've seen strong demand for the recently launched *Disney Treasure*, now in its second full quarter of operations. We have two more cruise ships that will join our fleet later this year – including the *Disney Adventure*, which will set sail from our new homeport of Singapore, allowing us to bring our beloved IP to more people in more places.

This summer we are also looking forward to two special celebrations: Hong Kong Disneyland's 20th anniversary celebration kicking off in June, as well as Disneyland's 70th anniversary celebration, which begins next week. We are excited to honor the rich history of Walt Disney's original theme park and deepen our connection with guests throughout the coming year.

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[2] Source: Nielsen reporting

As we turbocharge long-term growth with a number of strategic investments, we currently have more expansion projects underway around the world than at any time in our history. That includes a robust slate of new lands and attractions in development at our domestic Parks, which will create thousands of new jobs in Florida and California.

Overall, this has been an excellent first half of the fiscal year, with strong results powered by our disciplined and focused growth strategy. From our upcoming theatrical slate, to the launch of ESPN's new DTC offering, to Disneyland's 70th anniversary, we have many exciting moments to look forward to in the second half of the fiscal year and we are confident in the positive direction of the company.

FINANCIAL REVIEW AND OUTLOOK

We delivered strong Q2 results compared to the prior-year quarter, including 7% growth in revenue, 15% growth in total segment operating income[3], and 20% growth in diluted earnings per share ("EPS") excluding certain items[3].

ENTERTAINMENT

At Entertainment, segment operating income grew 61% in Q2 compared to the prior-year quarter driven by improved results at both Direct-to-Consumer and Content Sales/Licensing and Other.

We continue to profitably scale our Direct-to-Consumer business to become a key growth driver for the company. In Q2, Direct-to-Consumer operating income increased $289 million versus the prior-year quarter to $336 million. Operating income growth in Q2 was driven by increases in subscription and advertising revenue, partially offset by higher technology and distribution costs, and higher programming and production costs.

Q2 subscription revenue growth versus the prior-year quarter reflected recent price increases as well as subscriber growth, which benefited from the strength of our content slate, including the streaming premieres of *Moana 2* and *Mufasa: The Lion King*, and the Marvel original series *Daredevil: Born Again*. Disney+ ended Q2 with 126 million subscribers, an increase of 1.4 million compared to Q1, which was driven by both domestic and international subscriber growth. In Q3, we expect a modest increase in Disney+ subscribers compared to Q2.

Content Sales/Licensing and Other operating income increased $171 million to $153 million in Q2 due to higher TV/VOD distribution results driven by an increase in sales of episodic

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[3] Diluted EPS excluding certain items (also referred to as adjusted EPS) and total segment operating income are non-GAAP financial measures. The most comparable GAAP measures are diluted EPS and income before income taxes, respectively. See the discussion on pages 8 through 10 for how we define and calculate these measures and a quantitative reconciliation of measures thereof to the most directly comparable GAAP measures.

content, and higher home entertainment results driven by the performance of *Moana 2*. Theatrical distribution results were comparable to the prior-year quarter, reflecting the carryover performance from Q1 of *Mufasa: The Lion King* and *Moana 2*, largely offset by *Snow White* and *Captain America: Brave New World*, which were released in Q2.

Linear Networks operating income increased 2% in Q2 compared to the prior-year quarter. Domestic Linear Networks operating income grew 20% primarily driven by lower marketing costs due to fewer new shows at our cable channels and more season premieres at ABC Network in the prior-year quarter and lower programming and production costs, partially offset by lower advertising revenue. At International Linear Networks, Q2 operating income declined $77 million versus the prior-year quarter reflecting a comparison to $89 million of operating income in Q2 fiscal 2024 from Star India.

We continue to expect Entertainment segment operating income for fiscal 2025 to increase double digits compared to the prior year.

SPORTS

Sports revenue was up 5% in Q2 compared to the prior-year quarter, reflecting a 7% increase at Domestic ESPN driven by domestic advertising revenue growth of 29%. Domestic advertising revenue growth reflected a 16 ppt benefit from a change in the College Football Playoff format, airing three additional College Football Playoff games in the quarter compared to the prior year, and an additional NFL game due to timing. Sports revenue growth in the quarter was more than offset by higher programming and production costs primarily due to airing the additional College Football Playoff and NFL games. In addition, results were adversely impacted by a write-off due to exiting the Venu joint venture. As a result, segment operating income declined 12%.

As we look to the remainder of the year, we now expect Sports segment operating income to increase approximately 18% including a comparison to a $636 million adverse impact to fiscal 2024 Sports results from Star India.

EXPERIENCES

Strong Q2 Experiences results reflect the investments we are making to drive long-term segment growth through a robust slate of strategic investments and expansion projects. Experiences operating income grew 9% compared to the prior-year quarter, driven by higher Domestic Parks and Experiences results.

Operating income at Domestic Parks & Experiences grew 13% compared to the prior-year quarter driven by growth at our domestic parks, and, to a lesser extent, growth at Disney Vacation Club and Disney Cruise Line. Results reflect an increase in passenger cruise days due to the launch of the *Disney Treasure*, higher theme park attendance, and an increase in guest spending, partially offset by higher costs reflecting the expansion of our Disney

Cruise Line fleet. Results included approximately $35 million of pre-opening expenses driven primarily by the *Disney Destiny* and *Disney Adventure*, which will launch in late 2025. We expect full-year fiscal 2025 pre-opening expenses for Disney Cruise Line of approximately $200 million, with $40 million in Q3 and $50 million in Q4.

International Parks & Experiences operating income declined 23% in Q2 compared to the prior-year quarter driven by lower results at Shanghai Disney Resort and Hong Kong Disneyland Resort reflecting the softness we are continuing to see in China.

Consumer Products operating income increased 14% in Q2 versus the prior-year quarter, driven by higher licensing revenue.

Looking to the remainder of the fiscal year, we are closely monitoring the macroeconomic environment, however based on what we are currently seeing – including in our second half bookings at Walt Disney World, which remain solidly above prior year – we still expect operating income growth for fiscal 2025 of 6% to 8% compared to the prior year.

FINANCIAL OUTLOOK

During fiscal Q1, we began recognizing our share of a newly formed India JV in "Equity in the income of investees." In Q2 we recognized a $103 million loss, and for the full year we expect to incur a loss of approximately $300 million, primarily due to the impact of purchase accounting.

We are monitoring macroeconomic developments for potential impacts to our businesses and recognize that uncertainty remains regarding the operating environment for the balance of the fiscal year. Based on our strong first-half results and what we are seeing for the second half, we now expect to deliver adjusted EPS[4] of approximately $5.75 (16% above the prior year), and approximately $17 billion in cash provided by operations (a $2 billion increase over prior guidance driven by the deferral of tax payments in the current year).

Bob Iger, Chief Executive Officer

Hugh Johnston, Senior Executive Vice President and Chief Financial Officer

[4] Diluted EPS excluding certain items (also referred to as adjusted EPS) is a non-GAAP financial measure. The most comparable GAAP measure is diluted EPS. See the discussion on pages 8 through 10 for how we define and calculate these measures and why the Company is not providing a forward-looking quantitative reconciliation of diluted EPS excluding certain items to the most comparable GAAP measure.

NON-GAAP FINANCIAL MEASURES

This executive commentary presents diluted EPS excluding certain items (also referred to as adjusted EPS) and total segment operating income. Diluted EPS excluding certain items and total segment operating income are important financial measures for the Company but are not financial measures defined by GAAP.

These measures should be reviewed in conjunction with the most comparable GAAP financial measures and are not presented as alternative measures of diluted EPS or income before income taxes as determined in accordance with GAAP. Diluted EPS excluding certain items and total segment operating income as we have calculated them may not be comparable to similarly titled measures reported by other companies.

Our definitions and calculations of diluted EPS excluding certain items and total segment operating income, as well as quantitative reconciliations of each of these measures to the most directly comparable GAAP financial measure, are provided below.

The Company is not providing the forward-looking measure for diluted EPS, which is the most directly comparable GAAP measure to diluted EPS excluding certain items, or a quantitative reconciliation of forward-looking diluted EPS excluding certain items to that most directly comparable GAAP measure. The Company is unable to predict or estimate with reasonable certainty the ultimate outcome of certain significant items required for such GAAP measure without unreasonable effort. Information about other adjusting items that is currently not available to the Company could have a potentially unpredictable and significant impact on future GAAP financial results.

Diluted EPS excluding certain items

The Company uses diluted EPS excluding (1) certain items affecting comparability of results from period to period and (2) amortization of TFCF and Hulu intangible assets, including purchase accounting step-up adjustments for released content, to facilitate the evaluation of the performance of the Company's operations exclusive of these items, and these adjustments reflect how senior management is evaluating segment performance.

The Company believes that providing diluted EPS exclusive of certain items impacting comparability is useful to investors, particularly where the impact of the excluded items is significant in relation to reported earnings and because the measure allows for comparability between periods of the operating performance of the Company's business and allows investors to evaluate the impact of these items separately.

The Company further believes that providing diluted EPS exclusive of amortization of TFCF and Hulu intangible assets associated with the acquisition in 2019 is useful to investors because the TFCF and Hulu acquisition was considerably larger than the Company's historic acquisitions with a significantly greater acquisition accounting impact.

The following table reconciles reported diluted EPS to diluted EPS excluding certain items for the second quarter:

(in millions except EPS)	Pre-Tax Income/ Loss	Tax Benefit/ Expense[1]	After-Tax Income/ Loss[2]	Diluted EPS[3]	Change vs. prior year period
Quarter Ended March 29, 2025					
As reported	$3,087	$314	$3,401	$1.81	nm
Exclude:					
Resolution of a prior-year tax matter	—	(1,016)	(1,016)	(0.56)	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[4]	396	(92)	304	0.16	
Restructuring and impairment charges[5]	109	(25)	84	0.05	
Excluding certain items	**$3,592**	**($819)**	**$2,773**	**$1.45**	**20%**
Quarter Ended March 30, 2024					
As reported	$657	($441)	$216	($0.01)	
Exclude:					
Restructuring and impairment charges[5]	2,052	(121)	1,931	1.06	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[4]	434	(101)	333	0.17	
Excluding certain items	**$3,143**	**($663)**	**$2,480**	**$1.21**	

(1) Tax benefit/expense is determined using the tax rate applicable to the individual item.
(2) Before noncontrolling interest share.
(3) Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.
(4) For the current quarter, intangible asset amortization was $327 million, step-up amortization was $66 million and amortization of intangible assets related to a TFCF equity investee was $3 million. For the prior-year quarter, intangible asset amortization was $362 million, step-up amortization was $69 million and amortization of intangible assets related to a TFCF equity investee was $3 million.
(5) Amounts for the current quarter reflect content impairments ($109 million). Amounts for the prior-year quarter include impairments of goodwill ($2,038 million).

The following table reconciles reported diluted EPS to diluted EPS excluding certain items for the six month period:

(in millions except EPS)	Pre-Tax Income/ Loss	Tax Benefit/ Expense[1]	After-Tax Income/ Loss[2]	Diluted EPS[3]	Change vs. prior year period
Six Months Ended March 29, 2025					
As reported	$6,747	($702)	$6,045	$3.21	>100%
Exclude:					
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[4]	793	(184)	609	0.32	
Restructuring and impairment charges[5]	252	188	440	0.25	
Resolution of a prior-year tax matter	—	(1,016)	(1,016)	(0.56)	
Excluding certain items	**$7,792**	**($1,714)**	**$6,078**	**$3.22**	**32%**
Six Months Ended March 30, 2024					
As reported	$3,528	($1,161)	$2,367	$1.03	
Exclude:					
Restructuring and impairment charges[5]	2,052	(121)	1,931	1.06	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs[4]	885	(206)	679	0.36	
Excluding certain items	**$6,465**	**($1,488)**	**$4,977**	**$2.44**	

(1) Tax benefit/expense is determined using the tax rate applicable to the individual item.
(2) Before noncontrolling interest share.
(3) Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.
(4) For the current period, intangible asset amortization was $654 million, step-up amortization was $133 million and amortization of intangible assets related to a TFCF equity investee was $6 million. For the prior-year period, intangible asset amortization was $742 million, step-up amortization was $137 million and amortization of intangible assets related to a TFCF equity investee was $6 million.
(5) Amounts for the current period include impairment charges related to the Star India Transaction ($143 million) and content ($109 million). Tax expense in the current period includes the estimated tax impact of these charges and a non-cash tax charge of $244 million related to the Star India Transaction. Amounts for the prior-year period include impairments of goodwill ($2,038 million).

Total segment operating income

The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income (the sum of segment operating income from all of the Company's segments) as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that information about total segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and other factors that affect reported results.

The following table reconciles income before income taxes to total segment operating income:

	Quarter Ended		
	Mar. 29, 2025	Mar. 30 2024	Change
Income before income taxes	$3,087	$657	>100%
Add (subtract):			
Corporate and unallocated shared expenses	395	391	(1%)
Equity in the loss of India joint venture	103	—	nm
Restructuring and impairment charges	109	2,052	95%
Interest expense, net	346	311	(11%)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	396	434	9%
Total segment operating income	**$4,436**	**$3,845**	**15%**