

The WALT DISNEY Company

Q3'23 EARNINGS PRESENTATION

AUGUST 9, 2023



Forward-Looking Statements

Certain statements and information in this presentation may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding earnings expectations and expected drivers; future cost reductions; plans for direct-to-consumer profitability; business plans, including nature, timing and distribution channel for our products and services; future performance and growth; plans, expectations, strategic priorities and drivers of growth and profitability; and other statements that are not historical in nature. Any information that is not historical in nature included in this presentation 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;
- further 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, 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;
- income tax expense; 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 Annual Report on Form 10-K for the year ended October 1, 2022, 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 (SEC).

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

Drivers of Growth and Value Creation



Studios

- Strengthening focus on creative output
- Cost efficiency in number of titles and cost per title, leaning into powerful brands and franchises
- Embracing multiple distribution windows



Parks and Experiences

- Power of our diverse portfolio of experiences that span the globe
- Managing with greater efficiency and sophistication than ever before
- Making numerous investments to grow the business



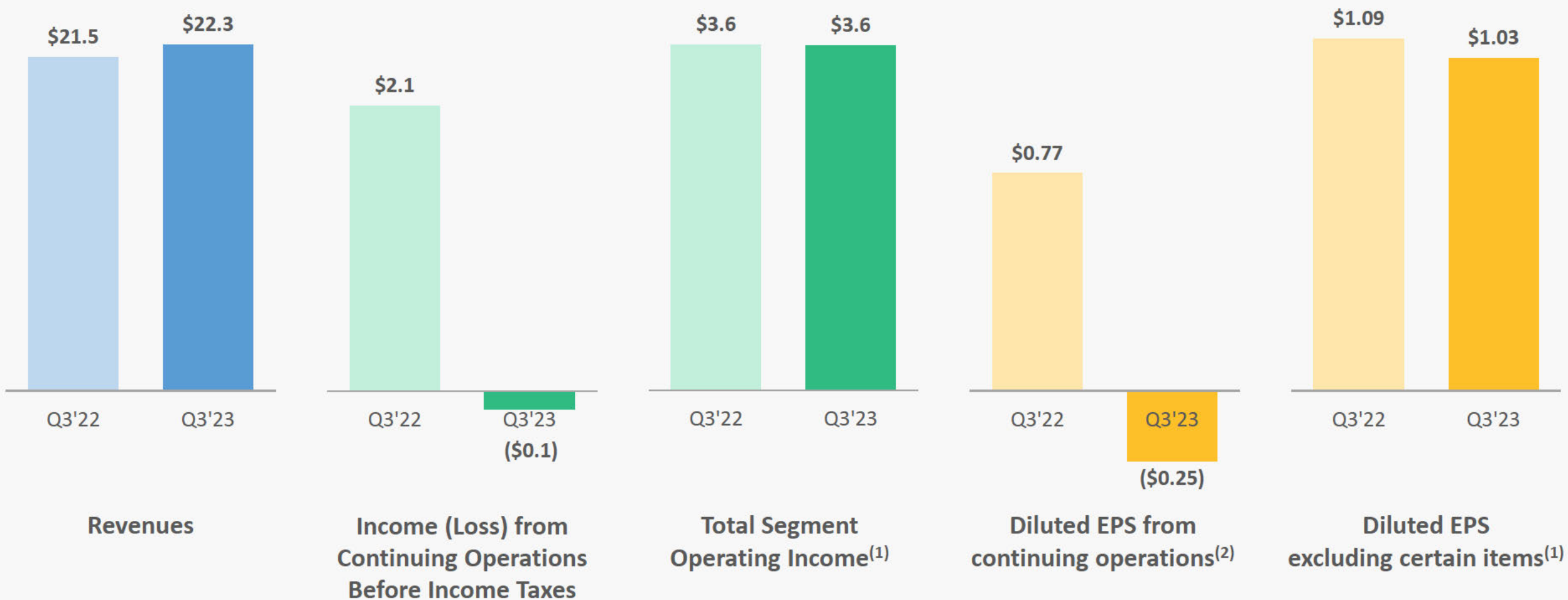
Streaming

- Focused on sustained profitability
- Rationalizing the volume of content we make, what we spend, and what markets we invest in
- Opportunities in pricing, marketing, advertising, and account sharing

BUSINESS RESULTS

Q3 Results for Fiscal 2023

(In Billions, Except Per Share Amounts)



(1) Diluted EPS excluding certain items and total segment operating income are non-GAAP financial measures. The most comparable GAAP measures are diluted EPS from continuing operations and income from continuing operations before income taxes, respectively. See the discussion on pages 15-17 for how we define and calculate these measures and a reconciliation thereof to the most directly comparable GAAP measures.

(2) Reflects amounts attributable to shareholders of The Walt Disney Company, i.e., after deduction of income attributable to noncontrolling interests.

Recent Business Highlights



Avatar: The Way of Water, which is now the third highest-grossing film of all time, is also on track to be the biggest ever electronic home video release for Disney domestically.



Improved our DTC operating income by roughly \$1 billion in just three quarters¹



Opened TRON Lightcycle / Run at Walt Disney World on April 4



Announced park reservations at Walt Disney World will no longer be required for date-based tickets starting in 2024



ABC closed out the season #1 in entertainment for the 4th consecutive year, and is also #1 for the Summer²



NBA playoffs were the most-watched on ESPN since 2019 and +2% vs. the prior year³

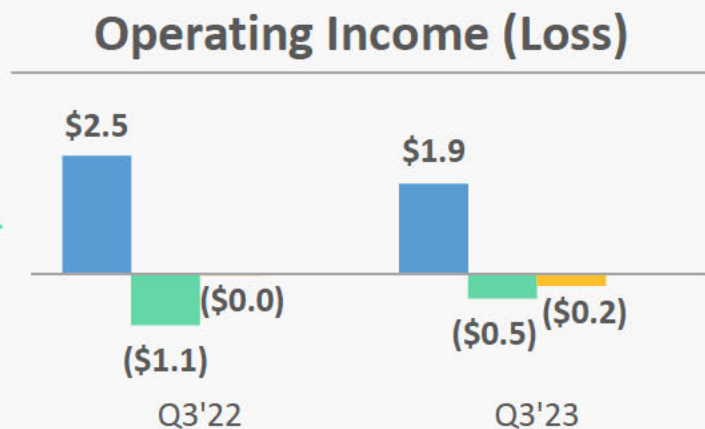
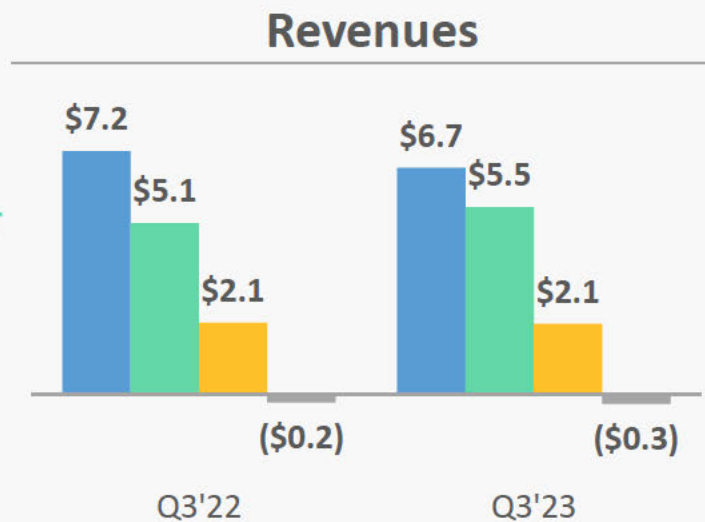
(1) DTC losses improved from (\$1.5) billion in Q4'22 to (\$0.5) billion in Q3'23

(2) L+7 P18-49, excluding sports

(3) Per Nielsen; The 36 postseason games averaged 6.4M viewers which represents +2% growth in viewership vs. PY

Q3 Media & Entertainment Distribution Results

(In Billions)



Linear Networks

- At Linear Networks, operating income declined vs. the prior year by \$580 million, driven by declines at both domestic and international channels. Domestic results decreased at both Broadcasting and Cable.
 - Lower Cable results was due to higher sports programming and production costs (NBA and the new Formula One agreement) and lower affiliate revenue, partially offset by a modest increase in advertising revenue.
 - Lower Broadcasting results reflected decreases in advertising revenue across ABC and our owned television stations.
- International Channels operating income decreased due to lower advertising revenue attributable to IPL and, to a lesser extent, an unfavorable foreign exchange impact.

Direct-to-Consumer

- Revenues increased by 9% and operating loss decreased by ~\$550 million vs. the prior year due to improved results at Disney+, higher operating income at Hulu, and a lower loss at ESPN+.

Content Sales / Licensing and Other (CSLO)

- Operating results decreased by ~\$200 million vs. the prior year due to lower TV/SVOD and theatrical distribution results.

(1) Reflects fees received by the Linear Networks from other DMED businesses for the right to air our Linear Networks and related services

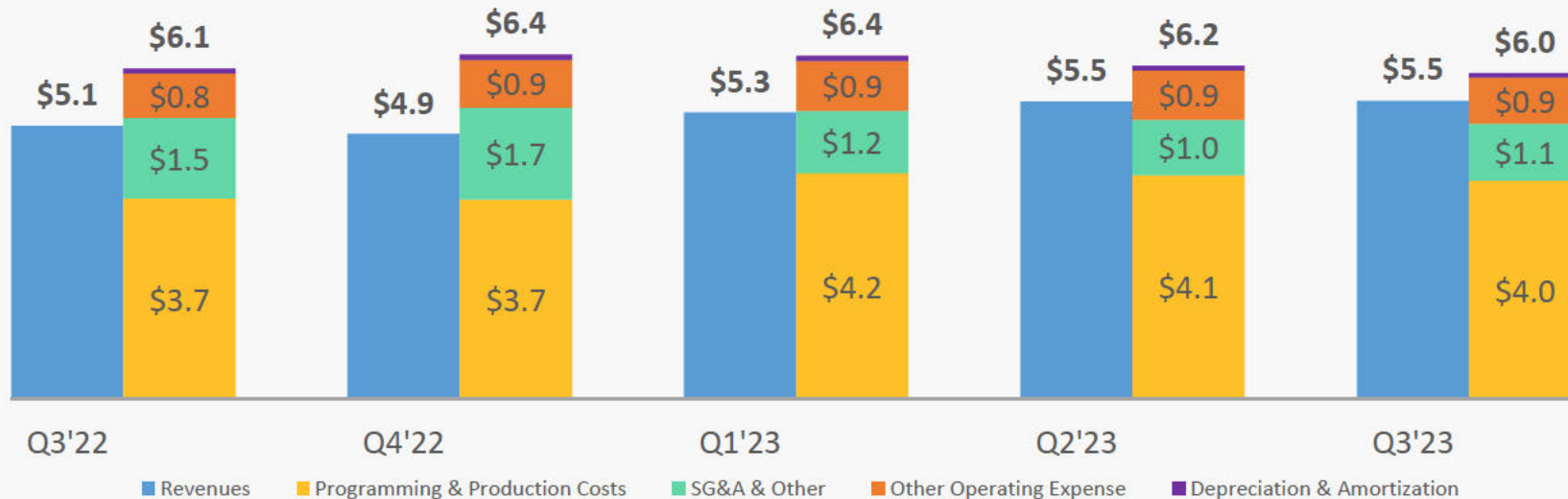
DTC Quarterly Operating Income (Loss)

(In Billions)



- Q3 DTC operating losses improved sequentially by ~\$150 million vs. the prior quarter driven by cost reductions.

DTC Revenues and Expenses Breakdown

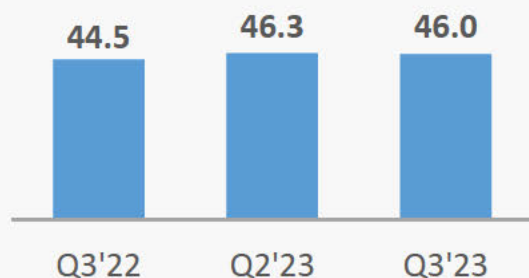


Note: All quarters shown include \$0.1 billion in Depreciation & Amortization

Q3 Disney+ Core Subscribers & ARPU

(Paid Subscribers in Millions and Average Monthly Revenue per Paid Subscriber (ARPU) in USD)

Disney+ Domestic¹ Subscribers

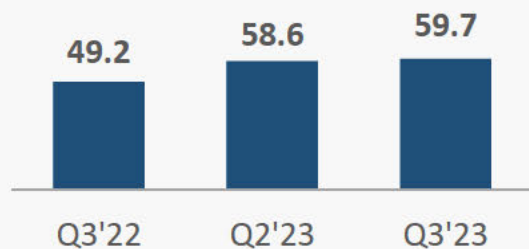


Q3'23 vs.	
Q3'22	Q2'23
+1.5	(0.3)

Disney+ Domestic

- Domestic subscribers decreased by 0.3 million vs. the prior quarter.
- Domestic ARPU increased by \$0.17 vs. the prior quarter due to higher per subscriber advertising revenue.

Disney+ International² Subscribers



+10.5	+1.1
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Disney+ International

- International Disney+ subscribers grew by 1.1 million vs. the prior quarter.
- International ARPU increased by \$0.08 vs. the prior quarter due to an increase in average retail pricing and a favorable foreign exchange impact, partially offset by a higher mix of wholesale subscribers.

Disney+ Domestic ¹	\$6.27	\$7.14	\$7.31	+\$1.04	+\$0.17
Disney+ International ²	\$6.31	\$5.93	\$6.01	(\$0.30)	+\$0.08

Note: See DTC Product Descriptions and Key Definitions on page 18

(1) U.S. and Canada

(2) Excluding Disney+ Hotstar

Q3 Hulu and ESPN+ Subscribers & ARPU

(Paid Subscribers in Millions and Average Monthly Revenue per Paid Subscriber (ARPU) in USD)

hulu Subscribers

	hulu Subscribers			Q3'23 vs.	
	Q3'22	Q2'23	Q3'23	Q3'22	Q2'23
Total Hulu⁽¹⁾	46.2	48.2	48.3	+2.0	+0.1
LiveTV + SVOD	4.0	4.4	4.3	+0.3	(0.1)
SVOD Only	42.2	43.7	44.0	+1.8	+0.3
	Q3'22	Q2'23	Q3'23		
SVOD Only ARPU	\$12.92	\$11.73	\$12.39	(\$0.53)	+\$0.66
Live TV+SVOD ARPU	\$87.92	\$92.32	\$91.80	+\$3.88	(\$0.52)

Hulu

- Total Hulu subscribers increased by 0.1M vs. the prior quarter.
- Hulu SVOD Only ARPU increased by \$0.66 vs. the prior quarter due to higher per-subscriber advertising revenue.
- Hulu Live TV+SVOD ARPU decreased by \$0.52 vs. the prior quarter, reflecting lower per-subscriber subscription revenue due to a mix shift of subscribers between bundled services, partially offset by higher per-subscriber advertising revenue.

ESPN+ Subscribers

	Q3'22	Q2'23	Q3'23	Q3'22	Q2'23
Subscribers	22.8	25.3	25.2	+2.4	(0.1)
ARPU	\$4.55	\$5.64	\$5.45	+\$0.90	(\$0.19)

ESPN+

- Subscribers decreased by 0.1M vs. the prior quarter.
- ESPN+ ARPU decreased by \$0.19 vs. the prior quarter driven by lower per-subscriber advertising revenue and a higher mix of subscribers to multi-product offerings.

Note: See DTC Product Descriptions and Key Definitions on page 18

(1) Total may not equal the sum due to rounding

Q3 Parks, Experiences & Products Results

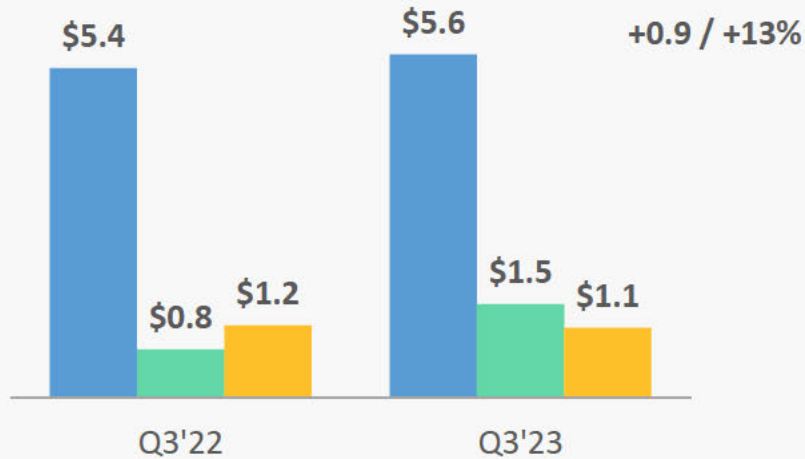
(In Billions)

Revenues

Domestic Parks & Experiences

Int'l Parks & Experiences

Consumer Products



Domestic Parks & Experiences

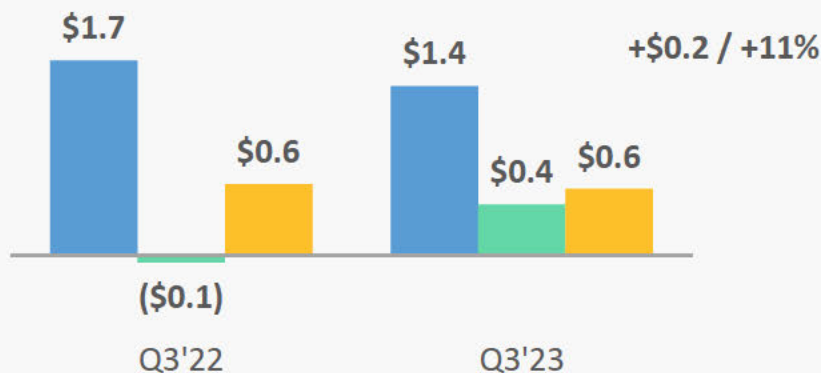
- Operating income decreased 13% versus the prior year due to lower results at our domestic parks and Disney Vacation Club, partially offset by an increase at Disney Cruise Line.
 - Lower results at domestic parks and results was attributable to a decrease at Walt Disney World, primarily due to higher costs (inflation and accelerated depreciation related to the planned closure of Star Wars: Galactic Starcruiser) and lower volumes.
 - Results at Disneyland were up modestly compared to the prior-year quarter.

Operating Income

Domestic Parks & Experiences

Int'l Parks & Experiences

Consumer Products



International Parks & Experiences

- Higher operating results due to growth at Shanghai Disney Resort, reflecting recovery from COVID-19 vs. the prior year, and to a lesser extent, growth at Hong Kong Disneyland Resort, due to increased guest spending and higher volumes partially offset by inflationary pressures.

Consumer Products

- Decrease in operating income vs. the prior year included lower merchandise licensing revenue on certain franchises.

Note: Total may not equal the sum of the column due to rounding

APPENDIX

Upcoming Theatrical Releases

(Reflects publicly announced planned releases as of August 9, 2023; subject to change)

Date	Title	Brand
September 15, 2023	<i>A Haunting in Venice</i>	20 th Century
September 29, 2023	<i>The Creator</i>	20 th Century
November 10, 2023	<i>The Marvels</i>	Marvel
November 17, 2023	<i>Next Goal Wins</i>	Searchlight
November 22, 2023	<i>Wish</i>	Disney
December 1, 2023	<i>The Bikeriders</i>	20 th Century
December 8, 2023	<i>Magazine Dreams</i>	Searchlight
December 8, 2023	<i>Poor Things</i>	Searchlight
December 22, 2023	<i>All of Us Strangers</i>	Searchlight
March 1, 2024	<i>Elio</i>	Pixar
March 22, 2024	<i>Snow White</i>	Disney
May 24, 2024	<i>Kingdom of the Planet of the Apes</i>	20 th Century
June 14, 2024	<i>Inside Out 2</i>	Pixar

Key Upcoming Disney+ and Hulu Releases

(Reflects publicly announced planned domestic releases as of August 9, 2023; list is not exhaustive; subject to change)

Date	Title	Brand	Platform	Type
August 9	<i>High School Musical: The Musical: The Series (Season 4)</i>	Disney Branded Television	Disney+	Scripted Series
August 14	<i>Solar Opposites (Season 4)</i>	Hulu Originals	Hulu and Disney+	Animated Series
August 16	<i>Miguel Wants to Fight</i>	Hulu Originals	Hulu	Scripted Feature
August 23	<i>Ahsoka (Season 1)</i>	Star Wars	Disney+	Scripted Series
August 25	<i>Vacation Friends 2</i>	20th Century Studios	Hulu	Scripted Feature
September 6	<i>The Little Mermaid</i>	Disney	Disney+	Scripted Feature (Pay 1)
Release dates not yet announced; titles listed in alphabetical order	<i>Elemental</i>	Pixar	Disney+	Animated Feature (Pay 1)
	<i>The Other Black Girl (Season 1)</i>	Hulu Originals	Hulu	Scripted Series
	<i>No One Will Save You</i>	20th Century Studios	Hulu	Scripted Feature
	<i>The Kardashians (Season 4)</i>	Hulu Originals	Hulu	Unscripted Series
	<i>Theater Camp</i>	Searchlight Pictures	Hulu	Scripted Feature (Pay 1)
	<i>Dancing with the Stars</i>	ABC	ABC and Disney+, Next day on Hulu	Unscripted Series
	<i>Haunted Mansion</i>	Disney	Disney+	Scripted Feature (Pay 1)
	<i>Loki (Season 2)</i>	Marvel	Disney+	Scripted Series
	<i>Goosebumps</i>	Disney Branded Television	Disney+	Scripted Series
	<i>The Boogeyman</i>	20th Century Studios	Hulu	Scripted Feature (Pay 1)
	<i>A Haunting in Venice</i>	20th Century Studios	Hulu	Scripted Feature (Pay 1)
	<i>Quiz Lady</i>	20th Century Studios	Hulu	Scripted Feature
	<i>Self Reliance</i>	Hulu Originals	Hulu	Scripted Feature
	<i>The D'Amelio Show (Season 3)</i>	Hulu Originals	Hulu	Unscripted Series
	<i>American Horror Stories (Season 3)</i>	FX	Hulu	Scripted Series
	<i>Win or Lose</i>	Pixar	Disney+	Animated Series
<i>Black Cake (Season 1)</i>	Hulu Originals	Hulu	Scripted Series	
<i>Indiana Jones and the Dial of Destiny</i>	Lucasfilm	Disney+	Scripted Feature (Pay 1)	

Upcoming Parks and Experiences Openings & Events

(Reflects publicly announced planned openings and events as of August 9, 2023; list is not exhaustive; subject to change)

Date	Attraction / Event	Location
August 31, 2023	San Fransokyo Square at Disney California Adventure Park	Disneyland Resort
Fall 2023	Journey of Water, Inspired by Moana	Walt Disney World Resort
September 28, 2023	The Villas at Disneyland Hotel, a new Disney Vacation Club Resort	Disneyland Resort
Begins October 28, 2023	Australia and New Zealand Sailings	Disney Cruise Line
November 2023	World of Frozen	Hong Kong Disneyland Resort
Late 2023	Zootopia-Themed Land	Shanghai Disney Resort
Late 2023	World Celebration at EPCOT	Walt Disney World Resort
2023	Adventureland Treehouse	Disneyland Resort
2023	Pixar Place Hotel	Disneyland Resort
Spring 2024	Fantasy Springs	Tokyo Disney Resort
June 2024	Lighthouse Point	Disney Cruise Line
2024	Tiana's Bayou Adventure	Disneyland Resort & Walt Disney World
2024	Disneyland Hotel Royal Transformation	Disneyland Paris
2024	Disney Vacation Club at Polynesian Resort	Walt Disney World Resort
Fiscal Year 2025	Disney Treasure	Disney Cruise Line
Fiscal Year 2025	Acquisition ship	Disney Cruise Line
Fiscal Year 2026	Third Wish-class ship	Disney Cruise Line

Note: Dates provided are based on calendar year unless otherwise specified

Non-GAAP Financial Measures

This presentation includes diluted EPS excluding certain items and total segment operating income, both of which 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 from continuing operations 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.

Segment Results

The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income 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.

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.

Total Segment Operating Income

(In millions)

The following are reconciliations of income from continuing operations before income taxes to total segment operating income (in millions):

	Quarter Ended		Change
	July 1, 2023	July 2, 2022	
Income from continuing operations before income taxes	(\$134)	\$2,119	nm
Add:			
Corporate and unallocated shared expenses	295	325	9 %
Restructuring and impairment charges	2,650	42	>(100 %)
Other expense, net	11	136	92 %
Interest expense, net	305	360	15 %
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	432	585	26 %
Total segment operating income	\$3,559	\$3,567	— %

Diluted EPS Excluding Certain Items

(In millions except EPS)

The following table reconciles reported diluted EPS from continuing operations to diluted EPS excluding certain items:

(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
<u>Quarter Ended July 1, 2023</u>					
As reported	(\$134)	(\$19)	(\$153)	(\$0.25)	nm
Exclude:					
Restructuring and impairment charges ⁽⁵⁾	2,650	(617)	2,033	1.10	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁴⁾	432	(101)	331	0.18	
Other Expense, net ⁽⁶⁾	11	(5)	6	—	
Excluding certain items	\$2,959	(\$742)	\$2,217	\$1.03	(6%)
<u>Quarter Ended July 2, 2022</u>					
As reported	\$2,119	(\$617)	\$1,502	\$0.77	
Exclude:					
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs ⁽⁴⁾	585	(136)	449	0.24	
Other expense, net ⁽⁶⁾	136	(32)	104	0.06	
Restructuring and impairment charges ⁽⁵⁾	42	(10)	32	0.02	
Excluding certain items	\$2,882	(\$795)	\$2,087	\$1.09	

(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 \$361 million, step-up amortization was \$68 million and amortization of intangible assets related to TFCF equity investees was \$3 million. For the prior-year quarter, intangible asset amortization was \$422 million, step-up amortization was \$160 million and amortization of intangible assets related to TFCF equity investees was \$3 million.

(5) Charges for the current quarter were primarily related to content impairments and severance. Charges for the prior-year quarter were primarily due to asset impairments related to exiting our businesses in Russia.

(6) In the current quarter, other expense, net was due to a charge related to a legal ruling (\$101 million), partially offset by the DraftKings gain (\$90 million). For the prior-year quarter, other expense, net was due to the DraftKings loss (\$136 million).

DTC Product Descriptions and Key Definitions

Product offerings

In the U.S., Disney+, ESPN+ and Hulu SVOD Only are each offered as a standalone service or together as part of various multi-product offerings. Hulu Live TV + SVOD includes Disney+ and ESPN+. Disney+ is available in more than 150 countries and territories outside the U.S. and Canada. In India and certain other Southeast Asian countries, the service is branded Disney+ Hotstar. In certain Latin American countries, we offer Disney+ as well as Star+, a general entertainment SVOD service, which is available on a standalone basis or together with Disney+ (Combo+). Depending on the market, our services can be purchased on our websites or through third-party platforms/apps or are available via wholesale arrangements.

Paid subscribers

Paid subscribers reflect subscribers for which we recognized subscription revenue. Subscribers cease to be a paid subscriber as of their effective cancellation date or as a result of a failed payment method. Subscribers to multi-product offerings in the U.S. are counted as a paid subscriber for each service included in the multi-product offering and subscribers to Hulu Live TV + SVOD are counted as one paid subscriber for each of the Hulu Live TV + SVOD, Disney+ and ESPN+ services. In Latin America, if a subscriber has either the standalone Disney+ or Star+ service or subscribes to Combo+, the subscriber is counted as one Disney+ paid subscriber. Subscribers include those who receive a service through wholesale arrangements including those for which we receive a fee for the distribution of the service to each subscriber of an existing content distribution tier. When we aggregate the total number of paid subscribers across our DTC streaming services, we refer to them as paid subscriptions.

International Disney+ (excluding Disney+ Hotstar)

International Disney+ (excluding Disney+ Hotstar) includes the Disney+ service outside the U.S. and Canada and the Star+ service in Latin America.

Average Monthly Revenue Per Paid Subscriber (ARPU)

Average monthly revenue per paid subscriber is calculated based on the average of the monthly average paid subscribers for each month in the period. The monthly average paid subscribers is calculated as the sum of the beginning of the month and end of the month paid subscriber count, divided by two. Disney+ average monthly revenue per paid subscriber is calculated using a daily average of paid subscribers for the period. Revenue includes subscription fees, advertising (excluding revenue earned from selling advertising spots to other Company businesses) and premium and feature add-on revenue but excludes Premier Access and Pay-Per-View revenue. The average revenue per paid subscriber is net of discounts on offerings that carry more than one service. Revenue is allocated to each service based on the relative retail price of each service on a standalone basis. Hulu Live TV + SVOD revenue is allocated to the SVOD services based on the wholesale price of the Hulu SVOD Only, Disney+ and ESPN+ multi-product offering. In general, wholesale arrangements have a lower average monthly revenue per paid subscriber than subscribers that we acquire directly or through third-party platforms.