4th Quarter 2020 Earnings Financial Analysis

The Walt Disney Company

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NavFile Center

2020 Q4 Earnings Report Analysis

The Walt Disney Company

- View David's financial analysis article on NavFile: https://www.navfile.com/center/the-walt-disney-company-financial-analysis-q4-2020
- Additional materials are also on the website. Feel free to share!
- Presentation includes:
  - Earnings Report Overview
  - Performance Review
  - Key Segment Financial Review
  - Cash Flow Review
  - What To Watch
  - Summary

Note: David & NavFile are not affiliated with The Walt Disney Company and this is not a report generated by the company.

2020 Q4 Earnings Overview

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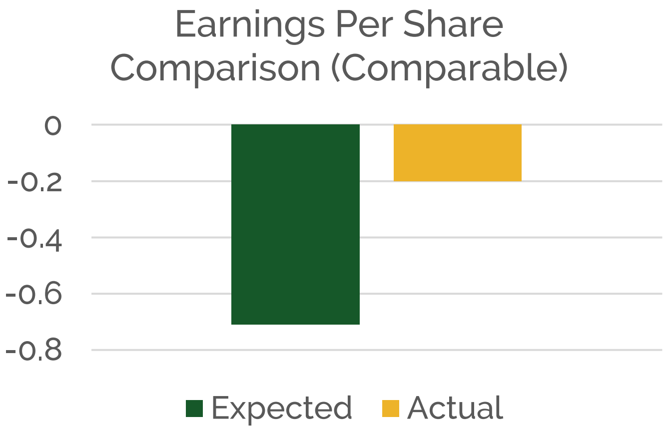
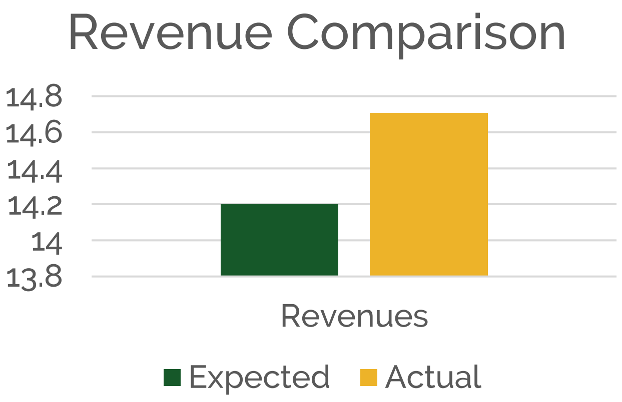
- Reported Earnings Per Share of $(0.39) (negative). Net Income (loss): $(710) million.
- Comparable Results: $(0.20) Earnings Per Share (EPS).
- Beat estimates of $(0.71) EPS. 71% lower than expectations. (Data from CNBC).
- Revenues: $14.707 billion. 5% above expectations of $14.20 billion (CNBC).





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2020 Q4 Earnings Report Overview

The Walt Disney Company

- The COVID-19 situation continues for Disney. The firm reported a loss for comparable and regular EPS, the first time this has happened this year.
- Segment operating income was down 82% to $606 million, a sharp decline.
- Company has pivoted even more toward Direct-to-Consumer and is placing a strong focus on that segment.
- Disney+ reached 73 million at the end of 4th quarter and had 86.8 million subscribers on 12/10/20.
- Parks, Experiences, and Products operating loss was $1.098 billion. The estimated impact from CV19 was $2.4 billion.
- Disneyland California & Paris closed. Unknown when the company will be able to reopen those parks.
- Studio Entertainment: impacts from CV19 continue. No new films. Operating Income down 61%.
- Media Networks had a good quarter with revenues up 11% & income up 5%.
- Direct-to-Consumer & International had another good quarter revenues were up 41% & operating losses decreased 23%..
- DTC has 137 million subscribers as of 12/10/20.
- Walt Disney Co was impacted by $3.1 billion as a result of the COVID-19 situation.
- Disney has stabilized its operations; however, is operating at loss. Parks & Resorts rebound is key. DTC is the growth engine for the company.

Overall Performance Review

Photo: David Aughinbaugh II

- Disney beat expectations for income & revenues.
- Parks, Experiences, and Products revenues were down 61%, and operating income was a loss of $1.098 billion.
- Studio Entertainment revenues were down 52%, and operating income was down 61%.
- Media Networks had a good quarter with revenues up 11% and operating income up 5%.
- Direct-to-Consumer and International had a good quarter with a 41% increase in revenues & 73M Disney+ subscribers. Operating losses decreased by 23%.
- The COVID-19 shutdown cost the company $3.1 billion.
- First quarter of the year where comparable EPS was negative.

Overall Performance Review

- Segment operating income was down 82%
- Parks, Experiences, and Products reported negative operating income again.
- Net income was negative $710 million.
- Regular & Comparable EPS negative ($0.39 & $0.20).

Key Segment Financial Review

Parks, Experiences, and Products

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- Revenues down 61% & income down 180% to negative territory ($2.580 billion & $(1.098) billion respectively).
- COVID-19 continues to impact the segment.
- As a result of CV19, the segment lost $2.4 billion in income.
- Disneyland California and Paris closed.

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Key Segment Financial Review
Studio Entertainment

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- The segment was impacted by the continued closure of movie theaters.
- Revenues down 52% to $1.595 billion and operating income decreased 61% to $419 million.
- Home Entertainment down.
- No new movies were released in the quarter.

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Key Segment Financial Review
Media Networks

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- Decent quarter for Media Networks. Revenues & operating income.
- Revenues were up 11% to $7.213 billion and operating income was up 5% to $1.864 billion.
- Cable Networks revenues up 11% & income down 7% to $4.7 billion & $1.2 billion.
- ESPN was the main factor behind the declines at Cable Networks.
- Higher programming costs was the main impact at ESPN. MLB & NBA rescheduled to the 4th quarter, caused costs to rise.
- FX Networks was up on lower programing costs. Disney Channels were up on the sale of content to Disney+.
- Broadcasting revenues up 10% and operating income up 47%. $2.5 billion & $553 million respectively.
- Lower programing costs and increased affiliate revenue were behind the increases.
- Decrease in subscribers and viewership for both divisions.

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Key Segment Financial Review

Direct-To-Consumer & International

- Revenues increased 41% and operating losses decreased by 23% ($4.853 billion & $580 million).
- 73 million Disney+ subscribers.
- Hulu and ESPN+ were behind the better performance.
- Increase in subscribers at those two services.
- 137 million subscribers for all its services on 12/10/20.
- International channels down due to lower ad and affiliate revenue.

Cash Flow Review

For Q4 2020

- Cash flows: $1.667 billion, down 3%.
- Investments in parks, resorts, and other property $580 million.
- Free Cash Flow: $938 million.
- Free Cash Flow increased 44% from $729 million last year.

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Future Analysis What to Watch

- Parks and Resorts: continued losses?
- Direct-to-Consumer growth.
- Studio Entertainment will it be helped by DTC.
- Will the company be able to open Disneyland?
- At-home plays to keep the firm moving forward.

Photo: The Walt Disney Company

Summary: 4^{th} Quarter 2020

- First quarter with a comparable EPS loss.
- Parks, Experiences and Products continues to lose money.
- Studio Entertainment was further impacted income down 61%.
- Media Networks did well in the quarter and was supported by good performance at Broadcasting.
- Direct-to-Consumer and International reached 137 million subscribers (12/10) and Disney+ 73.7M/86.8M 12/10.
- DTC is the focus and it is wait and see on the parks.
- Keep moving forward.

Data Sources

- The Walt Disney Company 2020 Q4 Earnings Report: https://thewaltdisneycompany.com/app/uploads/2020/11/q4-fy20-earnings.pdf
- The Walt Disney Company Investor Day 2020:
- https://thewaltdisneycompany.com/the-walt-disney-company-surpasses-137-million-paid-subscriptions-across-its-direct-to-consumer-services-shattering-previous-guidance-increases-paid-subscriptions-target-to-300-350-million-by/
- CNBC – Analyst Expectations: https://www.cnbc.com/2020/11/12/disney-dis-q4-2020-earnings.html
- The Walt Disney Company 2020 Q4 Earnings Conference Call: https://thewaltdisneycompany.com/app/uploads/2020/11/q4-fy20-earnings-transcript.pdf
- All the sources were accessed during 12/2020.

Thank You

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