First Quarter 2019 Earnings Financial Analysis

The Walt Disney Company

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NavFile Center

2019 Q1 Earnings Report Analysis

The Walt Disney Company

- Read David's financial analysis article on NavFile: https://www.navfile.com/center/the-walt-disney-company-2019-q1-financial-analysis
- Further 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 For
  - Summary

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

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2019 Q1 Earnings Report Overview
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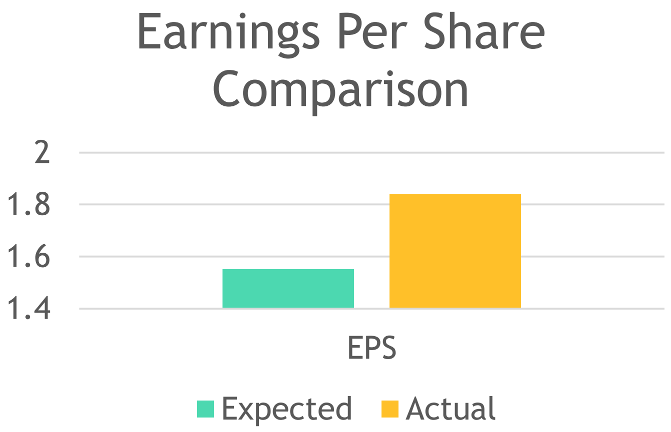
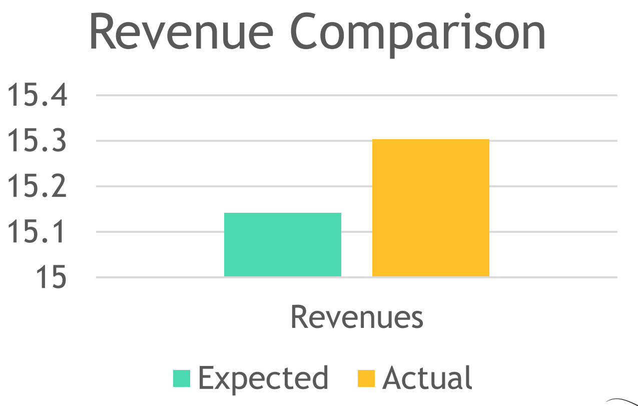
- Reported Earnings Per Share of $1.84. Net Income: $2.788 Billion.
- Beat estimates of $1.55 EPS. 18.71% above expectations.
- Revenues: $15.303 billion. Practically inline with expectations.
- Expectations: $15.142 billion. 1.06% above expectations.





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2019 Q1 Earnings Report Overview

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- Solid performance from Media Networks and Parks, Experiences, and Consumer Products segments.
- Studio Entertainment & Direct-to-Consumer & International were weak (financials).

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Overall Performance Review

Photo: David Aughinbaugh II

- Performing well.
- Parks, Experiences, and Consumer Products strong (As Usual). Parks & Resorts are the main source.
- Media Networks in great shape. Positive Rev/Income comparisons to Q1 2018.
- Studio Entertainment: sharp declines.
- Direct-to-Consumer & International: Increased losses.

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Overall Performance Review

- Direct-To-Consumer & International is key segment to watch: streaming services.
- Disney+ launches later this year. ESPN+ launched last year.
- If segment becomes profitable = potential for growth.
- Studio Entertainment needs to improve performance to match prior year's results. Potential red flag.
- Media Networks & Parks & Resorts continues sold results.
- Segment operating income declined by 8% & comparable EPS declined by 3% from Q1 2018.

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Key Segment Financial Review

Media Networks

- Revenues & operating income up 7% from 2018 Q1
- Broadcasting led the way: revenues up 12% & profit up 40%.
- Equity in the income of the investees earnings up 13% (A+E Network holdings).
- Cable Networks was the weak point: profits down 6%. Revenues up 4%, however.
- ESPN: Costs up. Freeform: lower advertising revenue.

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Key Segment Financial Review
Parks, Experiences, and Consumer Products

- Strongest division: revenues up 5 percent & income up 10% from Q1 2018.
- Parks & Resorts responsible for the performance.
- Operating margin increased to 31.5% from 30% in 2018.
- Higher ticket prices, increased merchandise & food spending, and higher resort stays.
- International weak. Hong Kong Disneyland was able to have positive results, however.
- Licensing income declined. Cars & Star Wars: lower sales.

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Key Segment Financial Review

Studio Entertainment

- Revenues declined 27% and income declined 63% from Q1 2018.
- Firm was unable to match the performance of *Star Wars: The Last Jedi* & *Thor: Ragnarok* from 2018.
- TV & streaming video on demand was able to help results.
- Incredibles 2 & Avengers: Infinity Wars helped results.

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Key Segment Financial Review
Direct-To-Consumer & International

- Revenues declined 1% and operating losses increased by 224%.
- Increase in operating losses was due to increased technology services costs for the streaming services platform.
- Preparing to launch Disney+ later this year.

Cash Flow Review

- Cash flows declined by 6% from Q1 2018.
- Cash flows: $2.099 billion.
- Free Cash Flow: $904 billion.
- Free Cash Flow declined by 28% or $352 million.
- Company is investing in Parks & Resorts.
- Star Wars themed lands and other attractions will be launching later this year.

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What to Watch For

- Streaming Services: Disney+ & ESPN+: key area of potential growth.
- Parks & Resorts expansion: will it help company performance? Increases in guest traffic, spending or crowding relief.
- Studio Entertainment: will it be able to match prior quarters' results going forward?

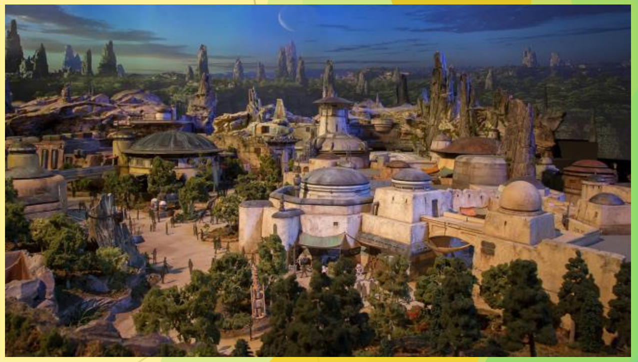

Photo: The Walt Disney Company

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Summary: First Quarter 2019

- Solid Quarter. Beat analyst estimates.
- Media Networks & Parks, Experiences, & Consumer Products strong results.
- Studio Entertainment: sharp declines, area of concern.
- Direct-to-Consumer & International: increased expenses lead to further operating losses. Potential to help company growth.
- Performance of Parks & Resorts, streaming services, & Studio Entertainment will be important areas to watch going forward.

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Thank You

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