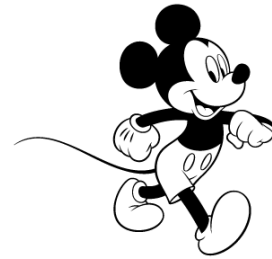


# Fourth Quarter 2019 Earnings Financial Analysis

The Walt Disney Company



The *WALT DISNEY* Company



Analyst: David Aughinbaugh II  
NavFile Center

# 2019 Q4 Earnings Report Analysis

## The Walt Disney Company



- ▶ View David's financial analysis article on NavFile:
- ▶ Additional materials are also on the website. Feel free to share.
- ▶ <https://www.navfile.com/center/the-walt-disney-company-financial-analysis-4th-quarter-2019>
- ▶ 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.***

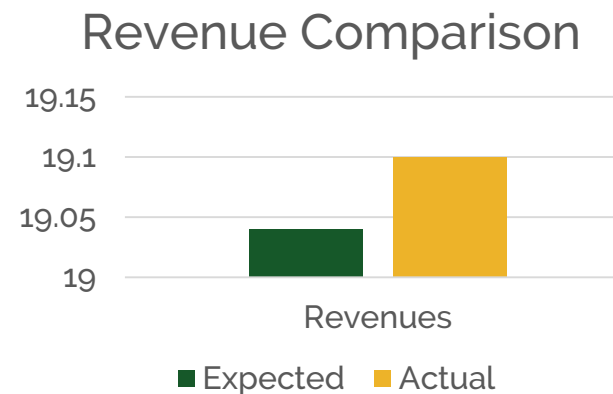
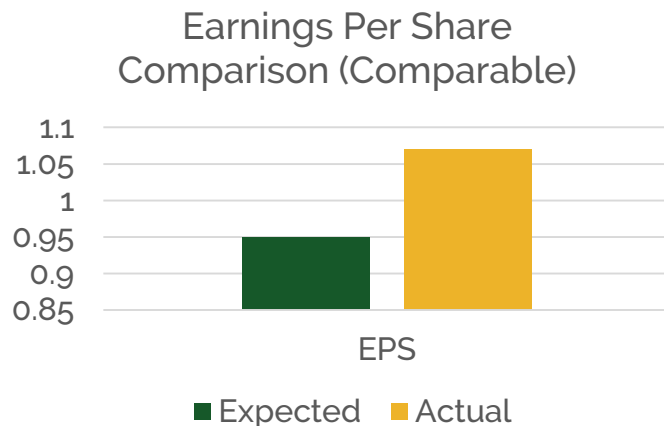


# 2019 Q4 Earnings Report Overview

## The Walt Disney Company



- ▶ Reported Earnings Per Share of \$0.43. Net Income: \$785 million.
- ▶ Comparable Results: \$1.07 Earnings Per Share (EPS).
- ▶ Beat estimates of \$0.95 EPS. 12.6% above expectations. ([Data from CNBC](#)).
- ▶ Revenues: \$19.1 billion. In line with expectations.
- ▶ Analyst Expectations: \$19.04 billion. (From CNBC).



[Photo by Davric](#) –  
Wikimedia Commons



# 2019 Q4 Earnings Report Overview

The Walt Disney Company



- ▶ Solid Quarter that beat expectations.
- ▶ 21<sup>st</sup> Century Fox integrations costs are still occurring.
- ▶ Studio Entertainment had larger increase in revenue and earnings.
- ▶ Parks, Experiences, and Products had solid increases in earnings (17 %).
- ▶ Media Networks had a slight decline in earnings.
- ▶ Direct-to-Consumer & International had increased losses and with a significant increase in revenue



# Overall Performance Review



The WALT DISNEY Company

- ▶ Disney's results were above estimates.
- ▶ Studio Entertainment led the way with a 79% increase in earnings.
- ▶ Parks, Experiences, and Products saw a 17% increase in income from Q4 2018.
- ▶ Media Networks and Direct-to-Consumer negatively affected earnings.
- ▶ Expenses were up from last year.



Photo: David Auginbaugh II



NavFile

# Overall Performance Review



- ▶ Segment operating income was up by 5%.
- ▶ Media Networks' performance declined compared to last year's quarter due to performance at ESPN & Broadcasting.
- ▶ Studio Entertainment's Movie lineup provided outstanding results.
- ▶ Comparable EPS down 28%, and regular EPS down 72%.



# Key Segment Financial Review

## Studio Entertainment



- ▶ Outstanding quarter: Revenues up 52% and income up 79% (\$3.3 billion & \$1.079 billion).
- ▶ Firm had a solid movie line-up that performed very well at the box office. (*Toy Story 4*, *Aladdin*, *The Lion King*).
- ▶ 21<sup>st</sup> Century Fox's operations incurred a loss from their movies.
- ▶ Home entertainment and TV/SVOD performance not mentioned.



Photo: [Coolcaesar](#) –  
[Wikimedia Commons](#)



# Key Segment Financial Review

## Media Networks



The WALT DISNEY Company

- ▶ Operating income down 3% and revenues up 22%. \$1.8 billion & \$6.5 billion respectively.
- ▶ Cable Networks revenues down 20% & income down 1.7% to \$4.2 billion & \$1.3 billion.
- ▶ ESPN had increased costs. 21<sup>st</sup> Century Fox helped to reduce declines
- ▶ Saw increased affiliate revenue.
- ▶ Cable Networks: decrease in subscribers.
- ▶ Broadcasting slightly weak. Income down 4.7%.
- ▶ Lower advertising revenue, increased production and marketing costs at Broadcasting.
- ▶ Equity in the Income of the Investees (A+E operations) was down \$23 million to \$150 million.

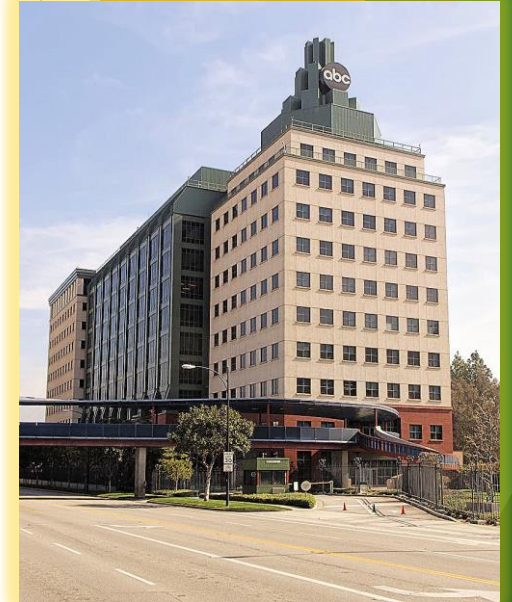


Photo: [Junkyardsparkle - Wikimedia Commons](#)  
Enhanced by NavFile





# Key Segment Financial Review

## Direct-To-Consumer & International

- ▶ Revenues increased 325% and operating losses increased by 118% (\$3.4 billion & \$740 million).
- ▶ Increase in operating losses was due the upcoming launch of Disney+, ESPN+ ops, and the combination of Hulu into the division.
- ▶ Launched Disney+ on 11/13/19.
- ▶ 10 million subscribers on day one, which was a positive. ([Reuters](#))
- ▶ Star India was up and inclusion of 21<sup>st</sup> Century Fox businesses helped results.



The WALT DISNEY Company

**ESPN+**

**Disney+**



NavFile

# Key Segment Financial Review

## Parks, Experiences, and Products



- ▶ Solid results: revenues up 8 percent & income up 17% from 2018 Q4.
- ▶ Disneyland Resort & Disney Vacation Club were the drivers of performance.
- ▶ Products saw increased performance due to Toy Story and Frozen 2 merchandise licensing. Mickey & Minnie Mouse merchandise was down.
- ▶ Walt Disney World Resort had flat results that was mostly due to costs associated with Star Wars: Galaxy's Edge and cost inflation. Lower attendance also.
- ▶ Disneyland Paris and Shanghai Disney Resort had positive results.
- ▶ Increased attendance at Disneyland Paris.
- ▶ Hong Kong Disneyland was impacted by regional events.



# Cash Flow Review

For Q4 2019



The WALT DISNEY Company



Photo by Davric –  
Wikimedia Commons

- ▶ Cash flows declined by 55% from last year.
- ▶ Cash flows (continuing ops): \$1.718 billion.
- ▶ Free Cash Flow: \$409 million.
- ▶ Free Cash Flow declined by 84.6% or \$2.243 billion.
- ▶ Investments in parks, resorts, and other property increased by \$108 million to \$1.309 billion.



NavFile

# Cash Flow Review

For the Fiscal Year 2019



The WALT DISNEY Company

- ▶ Cash flows declined by 58% from last year.
- ▶ Cash flows (continuing ops): \$5.984 billion.
- ▶ Free Cash Flow: \$1.08 billion.
- ▶ Free Cash Flow declined by 89% or \$8.75 billion.
- ▶ Increased taxes from Fox spin-off, lower segment operating income, costs from the sale of the regional sports networks, higher pension costs and interest payments, and an increase in spending for TV & film.
- ▶ Capital expenditures increase 9.2% (\$411 million) to \$4.876 billion. (investments in parks, resorts, & other property).



Photo by Davric –  
Wikimedia Commons



# What to Watch



The WALT DISNEY Company

- ▶ Disney+ and Direct-to-Consumer & International performance.
- ▶ Walt Disney World Resort performance.
- ▶ Media Networks: profit stabilization. Performance was down for the quarter.



Photo: The Walt Disney Company



NavFile

# Summary: 4<sup>th</sup> Quarter 2019



The **WALT DISNEY** Company

- ▶ Solid/Good Quarter. Beat analyst estimates.
- ▶ Studio Entertainment had outstanding results (79% income increase).
- ▶ Parks, Experiences, & Products had great results also (17% income increase).
- ▶ Media Network had results that were down slightly.
- ▶ Direct-to-Consumer & International increased losses; however, revenue up significantly.
- ▶ Disney+ launched at the end of the quarter. 10 million subscribers on the first day (positive).



**NavFile**

# Data Sources



The WALT DISNEY Company

- ▶ The Walt Disney Company 2019 Q4 Earnings Report:  
<https://www.thewaltdisneycompany.com/wp-content/uploads/2019/11/q4-fy19-earnings.pdf>
- ▶ CNBC – Analyst Expectations:  
<https://www.cnbc.com/2019/11/07/disney-dis-fiscal-q4-2019-earnings.html>
- ▶ Reuters: Disney+ launch performance:  
<https://www.cnbc.com/2019/11/07/disney-dis-fiscal-q4-2019-earnings.html>
- ▶ All the sources were accessed during 11/2019.



NavFile

# Thank You



The Walt Disney Company 2019 Q4 Financial Analysis  
David Aughinbaugh II  
NavFile Center

Read David's financial analysis article here:

<https://www.navfile.com/center/the-walt-disney-company-financial-analysis-4th-quarter-2019>