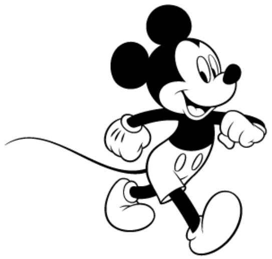


The Walt Disney Company

Second Quarter 2019 Earnings Financial Analysis

NavFile

The Walt Disney Company

Analyst: David Aughinbaugh II

NavFile Center

2019 Q2 Earnings Report Analysis

The Walt Disney Company

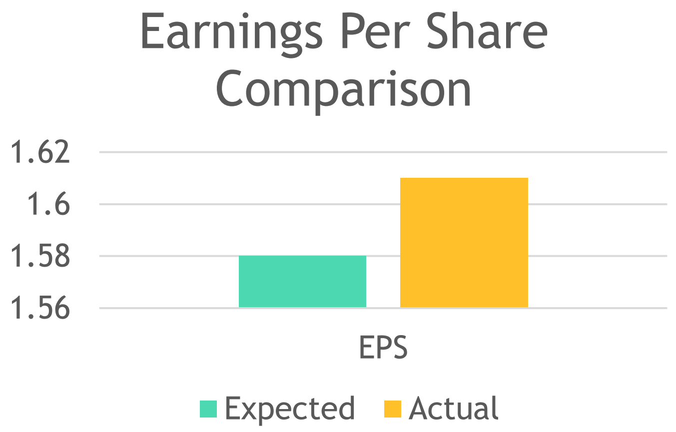
- Read David's financial analysis article on NavFile: https://www.navfile.com/center/the-walt-disney-company-financial-analysis-2nd-quarter-2019
- Further materials are also on the website. Feel free to share.
- Presentation includes:
  - Earnings Report Overview
  - Performance Review
  - Key Segment Financial Review
  - Cash Flow Review
  - What To Watch For
  - Summary

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

2019 Q2 Earnings Report Overview

The Walt Disney Company

- Reported Earnings Per Share of $3.53. Net Income: $5.431 billion.
- Comparable Results: $1.61 Earnings Per Share (EPS).
- Beat estimates of $1.58 EPS. 1.90% above expectations. (Data from Reuters).
- Revenues: $14.922 billion. 3.8% above expectations.
- Expectations: $14.371 billion. (From Reuters).



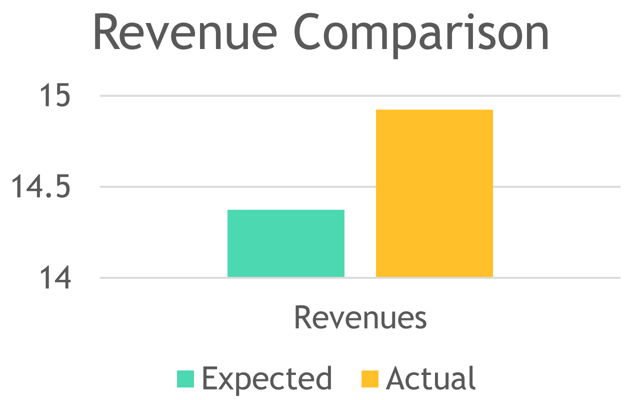


Photo by Davric - Wikimedia Commons

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2019 Q2 Earnings Report Overview

The Walt Disney Company

- Solid performance from Parks, Experiences, & Consumer Products.
- Good performance from Media Networks.
- Studio Entertainment saw lower results.
- Direct-to-Consumer & International continued losses (expected).

Overall Performance Review

The Walt Disney Company

Photo: David Aughinbaugh II

- Another solid quarter.
- Parks, Experiences, & Consumer Products strong (once again). Consumer Products helping also
- Media Networks in good shape. Slight income decline compared to last year.
- Studio Entertainment: continued down trend.
- Direct-to-Consumer & International: further losses (expected). Revenues up.

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Overall Performance Review

- Details on Disney+ were announced before the earnings report. Positive response to the outlook.
- If segment becomes profitable = potential for growth.
- 21^{st} Century Fox acquisition completed.
- Studio Entertainment continues to underperform compared to last year. Solid movie slate ahead.
- Media Networks: Cable networks solid. Broadcasting week.
- EPS declined by 13% & segment operating income down 10%.

Key Segment Financial Review

Media Networks

The Walt Disney Company

- Operating income down 3% and revenues flat. $2.258 billion & $5.525 billion respectively.
- Cable Networks revenues & income up 2% to $3.7 billion & $1.8 billion.
- ESPN helped to support results. Saw increased affiliate costs.
- Broadcasting: week point. Income down 29%.
- Higher production cost write-downs and increase in costs combined with lower viewership & advertising revenues.

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Key Segment Financial Review

Parks, Experiences, and Consumer Products

The Walt Disney Company

- Strongest division (as usual): revenues up 5 percent & income up 15% from last year's quarter.
- Cruise lines, domestic resorts, Hong Kong Disneyland, & Consumer Products all had positive results.
- Walt Disney World behind positive domestic results.
- The performance of Disney's European & Japan operations were not mentioned.
- Disneyland California performance was not mentioned.
- Consumer Products saw increased performance due to the sale of video game rights & Kingdom of Hearts III licensing.

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Key Segment Financial Review
Studio Entertainment

The Walt Disney Company

- Revenues declined 15% and income declined 39% ($2.1 billion & $534 million).
- Firm was up against the solid performance of the *Star Wars* & *Black Panther* in 2018.
- Home entertainment was also down.

Photo: [Coolcaesar - Wikimedia Commons]

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Key Segment Financial Review

Direct-To-Consumer & International

- Revenues increased 15% and operating losses increased by 109% ($955 million & $393 million).
- Increase in operating losses was due to increased costs for their streaming services platform.
- Preparing to launch Disney+ in November.
- International channels had higher financial performance.

Cash Flow Review

For the 6 Months Ending 3/30/2019

The Walt Disney Company

- Cash flows declined by 11% from Q2 2018.
- Cash flows: $6.014 billion.
- Free Cash Flow: $3.624 billion.
- Free Cash Flow declined by 23% or $1.05 billion.
- Company is continuing to invest in Parks & Resorts. 87.6% of investments. Up 21%.
- Star Wars themed land launched in Disneyland and other attractions will be launched this year.

Photo by Davric - Wikimedia Commons

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What to Watch For

- Streaming Services: The launch of Disney+ in November will be a critical event.
- Parks & Resorts: will the other parks be able to perform like Walt Disney World & Hong Kong Disneyland?
- Studio Entertainment: will it be able to match last year? A solid movie slate is ahead.
- Cable Networks: stability to continue?

Photo: The Walt Disney Company

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Summary: Second Quarter 2019

The Walt Disney Company

- Good Quarter. Beat analyst estimates again
- Parks, Experiences, & Consumer Products strong results.
- Media Networks: stable results.
- Studio Entertainment: declines continue.
- Direct-to-Consumer & International: revenues up, losses continue.
- Disney+ launch at the end of the year is a key event. Company looks to be in position to meet analyst expectations.

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Data Sources

- The Walt Disney Company 2019 Q2 Earning Report: https://www.thewaltdisneycompany.com/wp-content/uploads/2019/05/q2-fy19-earnings.pdf
- Reuters The Walt Disney Financial Highlights: https://www.reuters.com/finance/stocks/financial-highlights/DIS
- All of the sources were accessed during 6/2019.

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Thank You

The Walt Disney Company 2019 Q2 Financial Analysis

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