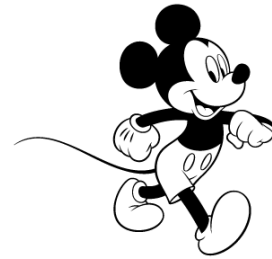


# First Quarter 2020 Earnings Financial Analysis

The Walt Disney Company



The *WALT DISNEY* Company



Analyst: David Aughinbaugh II

NavFile Center

# 2020 Q1 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-q1-2020>
- ▶ 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 Q1 Earnings Report Overview

## The Walt Disney Company



- ▶ Reported Earnings Per Share of \$1.17. Net Income: \$2.133 billion.
- ▶ Comparable Results: \$1.53 Earnings Per Share (EPS).
- ▶ Beat estimates of \$1.44 EPS. 6.25% above expectations. ([Data from CNBC](#)).
- ▶ Revenues: \$20.858 billion. Virtually inline with expectations.
- ▶ Analyst Expectations: \$20.79 billion. (From CNBC).

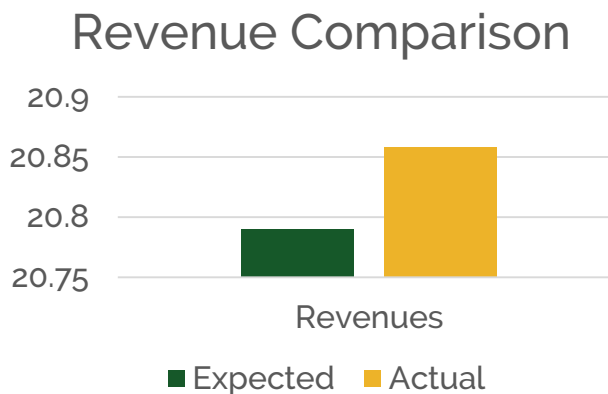
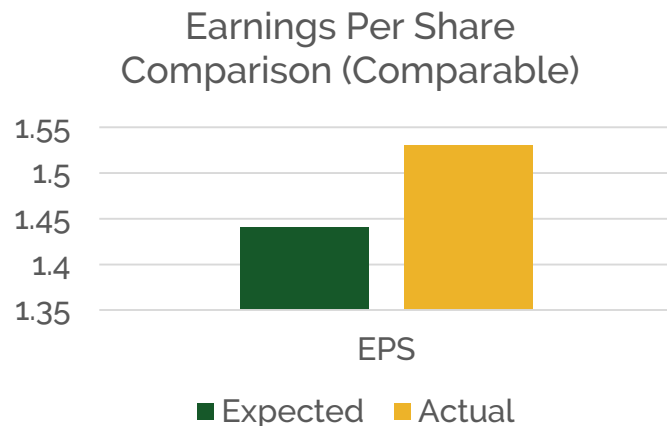


Photo by Davric –  
Wikimedia Commons



# 2020 Q1 Earnings Report Overview

## The Walt Disney Company



- ▶ Another solid quarter that beat income expectations.
- ▶ Studio Entertainment had an outstanding quarter that saw its operating income increase 207%.
- ▶ Disney+: 26.5 million subscribers quarter end. 28.6 million on 2/3/20.
- ▶ Direct-to-Consumer & International had increased losses; however, there was a significant increase in revenue like the last quarter.
- ▶ Media Networks had a 23% increase in operating income based mostly on the inclusion of 21<sup>st</sup> Century Fox in the results.



# Overall Performance Review



The **WALT DISNEY** Company



Photo: David Auginbaugh II

- ▶ Results beat estimates.
- ▶ Studio Entertainment led the way again with a 207% increase in earnings.
- ▶ Media Networks had solid increases in revenues and operating income.
- ▶ Parks, Experiences, and Products saw a 9% increase in income from Q1 2019.
- ▶ Direct-to-Consumer and International had increased losses which slightly affected earnings.
- ▶ Expenses related to the 21<sup>st</sup> Century Fox integration significantly affected net income.



**NavFile**

# Overall Performance Review



- ▶ Segment operating income was up 9%
- ▶ All segments had good results.
- ▶ Net income was down 23%, however.
- ▶ Comparable EPS down 17%, and regular EPS down 37%.



# Key Segment Financial Review

## Studio Entertainment



- ▶ Another amazing quarter: Revenues up 111% and income up 207% (\$3.8 billion & \$948 million).
- ▶ Firm had a movie line-up that had outstanding performance at the box office. (*Frozen II*, *Star Wars: The Rise of the Skywalker*, & *Maleficent: Mistress of Evil*).
- ▶ 21<sup>st</sup> Century Fox's movies and businesses recorded a loss.
- ▶ TV/SVOD had growth in the quarter due to sales of content to Disney+.



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



# Key Segment Financial Review

## Media Networks



The WALT DISNEY Company

- ▶ Operating income up 23% and revenues up 24%. \$1.6 billion & \$7.4 billion respectively.
- ▶ Cable Networks revenues up 20% & income up 16% to \$4.766 billion & \$862 million.
- ▶ Operating income increased due to the inclusion of 21<sup>st</sup> Century Fox.
- ▶ ESPN was impacted by higher production and programming costs and lower advertising revenue.
- ▶ Increase in rates for NFL, College Football Playoffs, and other college sports.
- ▶ Lower viewership = decline in advertising revenue.
- ▶ Increased affiliate revenue.
- ▶ Cable Networks: decrease in subscribers.
- ▶ Broadcasting revenues up 34% and operating income up 41%. \$2.595 billion & \$575 million respectively.
- ▶ Merger of 21<sup>st</sup> Century Fox caused income and revenue to rise. Legacy operations down & lower advertising revenue.
- ▶ Equity in the Income of the Investees (A+E operations) was up 8% to \$193 million due to higher advertising revenue & lower programming costs.

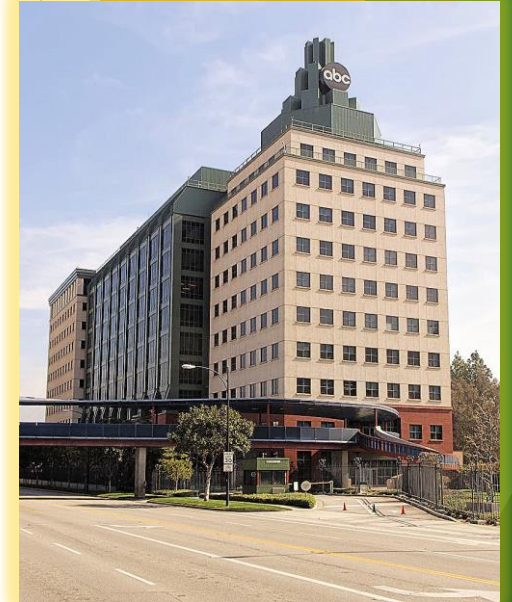


Photo: [Junkyardsparkle - Wikimedia Commons](#)  
Enhanced by NavFile





# Key Segment Financial Review

## Parks, Experiences, and Products



- ▶ Revenues up 8% & income up 9% to \$7.396 billion & \$2.338 billion.
- ▶ Income growth was from domestic parks and resorts and consumer products (licensing).
- ▶ Revenues were up 10% and income up 6% for domestic parks and resorts.
- ▶ Attendance was up 2% and guest spending up 10%.
- ▶ International parks and resorts results were down based on the performance of Hong Kong Disneyland.
- ▶ The company has warned the virus in the region will impact 2<sup>nd</sup> quarter and full year results.
- ▶ There was no mention of how the other parks performed.
- ▶ Consumer products had an increase in revenue and income (25%).
- ▶ Frozen, Toy Story, and Star Wars merchandise licensing were the sources of growth in the quarter.



# Key Segment Financial Review

## Direct-To-Consumer & International

- ▶ Revenues increased 334% and operating losses increased by 409% (\$3.978 billion & \$693 million).
- ▶ Increase in operating losses was due costs of launching of Disney+, the merger of Hulu, and ESPN+ ops.
- ▶ 26.5 million Disney+ subscribers at quarter end.
- ▶ 28.6 million subscribers on 2/3/2020.



The WALT DISNEY Company



NavFile

# Cash Flow Review

For Q1 2020



The WALT DISNEY Company



[Photo by Davric](#) –  
Wikimedia Commons

- ▶ Cash flows declined by 28.77% from last year.
- ▶ Cash flows (continuing ops): \$1.630 billion.
- ▶ Free Cash Flow: \$292 million.
- ▶ Free Cash Flow declined by 67.7% or \$617 million.
- ▶ Investments in parks, resorts, and other property increased by \$143 million to \$1.338 billion.



NavFile

# Future Analysis What to Watch



- ▶ 21<sup>st</sup> Century Fox integration.
- ▶ Disney+ and Direct-to-Consumer and International growth.
- ▶ Headwinds: Virus' affect on operations in Asia and elsewhere.
- ▶ Media Networks legacy operations – can they improve. TV subscribers.
- ▶ Studio Entertainment: continued outstanding performance?



Photo: The Walt Disney Company



# Summary: 1<sup>st</sup> Quarter 2020



The WALT DISNEY Company

- ▶ Good Quarter across the board. Beat analyst estimates for income.
- ▶ Studio Entertainment had outstanding results (207% income increase).
- ▶ Direct-to-Consumer and International: great growth in Disney+ subscribers.
- ▶ Parks, Experiences, & Products had solid results also (9% income increase).
- ▶ Media Network had good results with a 23% increase in income.
- ▶ Potential headwinds with the virus in Asia.



NavFile

# Data Sources



The WALT DISNEY Company

- ▶ The Walt Disney Company 2020 Q1 Earnings Report:  
<https://thewaltdisneycompany.com/app/uploads/2020/02/q1-fy20-earnings.pdf>
- ▶ CNBC – Analyst Expectations:  
<https://www.cnbc.com/2020/02/04/disney-dis-earnings-q1-2020.html>
- ▶ The Walt Disney Company 2020 Q1 Earnings Conference Call:  
<https://thewaltdisneycompany.com/app/uploads/2020/02/q1-fy20-earnings-transcript.pdf>
- ▶ All the sources were accessed during 2/2020.



NavFile

# Thank You



**The Walt Disney Company 2020 Q1 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-q1-2020>