

# The WALT DISNEY Company



Q4 FY24 Earnings –  
Prepared Management Remarks  
November 14, 2024

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Please view these remarks in conjunction with our Q4 FY 2024 earnings release and FY 2024 Form 10-K that can be found on our website at <https://thewaltdisneycompany.com/investor-relations/>

We also invite you to listen to today's live question and answer session with Bob Iger (Chief Executive Officer) and Hugh Johnston (Sr. Executive Vice President and Chief Financial Officer) at 8:30 am Eastern Time. The webcast will be available at <https://thewaltdisneycompany.com/disneys-q4-fy24-earnings-results-webcast/>

## FORWARD-LOOKING STATEMENTS

Certain statements in these remarks may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our expectations, beliefs, plans, financial prospects, trends or outlook and guidance; financial or performance estimates and expectations (including estimated or expected revenues, earnings, operating income, cash position and margins) and expected drivers; business plans and opportunities; future programming and production costs, capital expenditures and investments, including opportunities for growth and expansion; future capital allocation, including dividends and share repurchases; plans, expectations or drivers, as applicable, for direct-to-consumer profitability, growth, product acceptance and enhancements, changes to subscription offerings and margins; anticipated demand and drivers, timing, availability or nature of our offerings (including experiences and business openings, content within our products and services and content releases and distribution channel); consumer and advertiser sentiment, behavior or demand; cost reductions and available efficiencies; strategies and strategic priorities and opportunities; expected benefits of new initiatives; value of our intellectual property, content offerings, businesses and assets; estimates of the financial impact of certain items, events or circumstances; and other statements that are not historical in nature. Any information that is not historical in nature is subject to change. These statements are made on the basis of management’s views and assumptions regarding future events and business performance as of the time the statements are made. The Company does not undertake any obligation to update these statements.

Actual results may differ materially from those expressed or implied. Such differences may result from actions taken by the Company, including restructuring or strategic initiatives (including capital investments, asset acquisitions or dispositions, new or expanded business lines or cessation of certain operations), our execution of our business plans (including the content we create and IP we invest in, our pricing decisions, our cost structure and our management and other personnel decisions), our ability to quickly execute on cost rationalization while preserving revenue, the discovery of additional information or other business decisions, as well as from developments beyond the Company’s control, including:

- the occurrence of subsequent events;
- deterioration in domestic and global economic conditions or a failure of conditions to improve as anticipated;
- deterioration in or pressures from competitive conditions, including competition to create or acquire content, competition for talent and competition for advertising revenue;
- consumer preferences and acceptance of our content, offerings, pricing model and price increases, and corresponding subscriber additions and churn, and the market for advertising sales on our DTC services and linear networks;
- health concerns and their impact on our businesses and productions;
- international, political or military developments;
- regulatory and legal developments;
- technological developments;
- labor markets and activities, including work stoppages;
- adverse weather conditions or natural disasters; and
- availability of content.

Such developments may further affect entertainment, travel and leisure businesses generally and may, among other things, affect (or further affect, as applicable):

- our operations, business plans or profitability, including direct-to-consumer profitability;
- demand for our products and services;
- the performance of the Company’s content;
- our ability to create or obtain desirable content at or under the value we assign the content;
- the advertising market for programming;
- taxation; and
- performance of some or all Company businesses either directly or through their impact on those who distribute our products.

Additional factors are set forth in the Company’s most recent Annual Report on Form 10-K, including under the captions “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business,” quarterly reports on Form 10-Q, including under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and subsequent filings with the Securities and Exchange Commission.

The terms “Company,” “Disney,” “we,” and “our” are used above and in these remarks to refer collectively to the parent company and the subsidiaries through which our various businesses are actually conducted.

## COMMENTARY FROM CEO AND CFO

2024 was a pivotal and successful year for The Walt Disney Company, and thanks to the significant progress we made, we have emerged from a period of considerable challenges and disruption well positioned for growth and optimistic about our future. Our performance in Q4 reflected the success of our strategic efforts to improve quality, innovation, efficiency, and value creation.

- Q4 was one of the best quarters in the history of our studio, as Pixar's *Inside Out 2* and Marvel's *Deadpool & Wolverine* broke numerous box office records, becoming the top two movies of the year to date.
- Profitability of our combined DTC streaming businesses<sup>1</sup> further improved, and we are confident that direct-to-consumer will be a significant growth area for the company.
- Our exceptional storytelling was awarded a record-breaking 60 Emmy® Awards.
- We continued to expand content offerings on Disney+ and are excited to announce that the ESPN tile on Disney+ will be available beginning December 4, and ESPN flagship will be available on the service and within the ESPN App in early fall 2025.
- We are making significant strategic investments in our Experiences businesses and have unveiled an impressive collection of new projects at both domestic and international theme parks, as well as Disney Cruise Line.

As a result of our strategies and our focus on managing the business for both the near- and long-term, we are successfully differentiating ourselves from traditional competitors, leveraging the deepest and broadest set of entertainment assets in the industry to position the company to drive attractive returns and make targeted investments to further advance our long-term goals.

### FILM & TELEVISION

Our renewed creative strength is a result of the extensive work we began two years ago to restore creativity to the center of the company. We are extremely proud of our performance at the summer box office, as we became the first studio to cross \$4 billion globally in 2024. Our results in the quarter were fueled by both *Inside Out 2* and *Deadpool & Wolverine*. We are encouraged by this momentum in our studio business going into the holiday season with the upcoming releases of *Moana 2* later this month and *Mufasa: The Lion King* in December. We remain just as excited about 2025, with a collection of highly

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<sup>1</sup> DTC streaming businesses operating income (loss) is not a financial measure defined by GAAP. The most comparable GAAP measures are segment operating income for the Entertainment segment and Sports segment. See the discussion on pages 10 through 16 for how we define and calculate this measure and a reconciliation of it to the most directly comparable GAAP measures.

anticipated titles, including *Captain America: Brave New World*, *Lilo & Stitch*, *The Fantastic Four: First Steps*, *Zootopia 2*, and *Avatar: Fire and Ash*. And with the combination of our intellectual property, creative talent, and an increased number of consumer touchpoints extending the reach of our stories, a successful Disney movie today drives more value than ever before.

In television, our branded series and general entertainment programming are performing exceptionally well, drawing new audiences and winning an unprecedented number of accolades. In September, our content was awarded a record-breaking 60 Emmy® Awards. Disney's FX received 36 awards, the most in its history, including 19 awards for *Shōgun* – the year's most-awarded series – and 11 for *The Bear* – breaking its own record with the most comedy series wins in a single year. These achievements are a testament to the strength of our creative studios as well as our creative leadership.

## STREAMING

Central to our strategy is making our already-profitable streaming businesses a significant growth-driver for the company. Disney has the largest share of U.S. viewership across all distribution formats, from theatrical releases to linear and streaming, all of which fuel an integrated business model whose reach and scale are unique to Disney and can drive higher system economics.

Our franchises and tentpole films drove engagement in the quarter and lifted viewership of related titles in our streaming library. Our combined DTC streaming businesses improved their profitability in Q4, with operating income<sup>1</sup> of \$321 million, after reaching profitability for the first time in Q3<sup>1</sup>. This is a business that was losing more than \$4 billion<sup>1</sup> just two years ago, in fiscal 2022. The progress we have made is impressive, and we continue working to improve profitability and margins. Subscriber growth in the quarter was also better than anticipated, with 4.4 million new core Disney+ subscribers. The quarter included strong content like *Inside Out 2*, *Descendants: The Rise of Red*, and *Agatha All Along*. Bundle subscriptions continued to grow, with Hulu on Disney+ driving strong engagement with content like *The Bear*, *Only Murders in the Building*, and *The Secret Lives of Mormon Wives*.

We ended the quarter with 174 million Disney+ Core and Hulu subscriptions. And this week marks five years since we launched Disney+, which we have built into a streaming destination unlike any other with more than 120 million Core subscribers. Now, with the addition of Hulu on Disney+, it is the ultimate collection of high-quality content for every member of the household, from our extensive library of branded and general entertainment titles to news and live events. We are strengthening that streaming offering even more with the introduction of the ESPN tile on Disney+ on December 4. This will provide Trio Bundle subscribers full access to all of the ESPN+ sports content they love

while inside Disney+, similar to the experience we offer bundle subscribers with Hulu on Disney+. We will also make select ESPN content available to all Disney+ subscribers, including certain live sports events and games, as well as studio shows, series, and documentaries.

This integrated experience moves us one step closer to bringing a full sports offering to Disney+ in the U.S. When we launch ESPN's flagship DTC offering in early fall 2025, those who subscribe to the flagship product and Disney+ will have access to the full suite of ESPN and ESPN+ content within Disney+. In addition, the flagship experience within the ESPN App will give subscribers access to an enhanced array of innovative digital features, creating a sports destination unlike anything available in the marketplace today. These expanded content offerings should generate higher engagement, resulting in lower churn, as well as even greater advertising potential.

Disney is an industry leader in advertising thanks to the unique combination of our best-in-class ad tech, including automation and programmatic advertising, as well as the volume of our premium programming and unrivaled live sports, which distinguishes us from other streaming platforms globally. What's more, we own our proprietary ad tech, which is built specifically for streaming entertainment and live sports and is already at scale, allowing us to be nimbler, build tools to optimize buying and measurement, leverage the value of our inventory, and reinforce the long-standing relationships we have established with advertisers.

More than half of new U.S. Disney+ subscribers are choosing the ad tier, which bodes well for the future. In Q4, we saw 14% Entertainment DTC ad revenue growth, driven by Disney+. We expect advertising will continue to be a driver of DTC revenue going forward. Both consumer insights and ad targeting capabilities provide us with greater monetization opportunities, while at the same time delivering more value to consumers with extensive content and viewing options.

## SPORTS

ESPN is the premier destination for sports fans, and we remain focused on its continued evolution as the preeminent digital sports platform to serve fans anytime, anywhere. We have secured rights to the most popular sports for years to come at a time when the value of live sports is undeniable, contributing to an industry-leading portfolio of sports programming for Disney. Our disciplined and focused rights strategy is exemplified by our investment in college football, which is driving fan engagement on both ABC and ESPN. College Football on ABC is off to its best start since 2009 – with ratings up 45% versus the

prior year<sup>2</sup>. This strong ratings growth reflects our expanded SEC package, allowing us to serve college football fans all day Saturdays with some of the best matchups.

Consumers are increasingly relying on ESPN as a digital destination for sports news and content. For more than 30 consecutive months, ESPN Digital topped the U.S. Sports Category, with 120.6 million unique visitors in September<sup>3</sup>. Across ESPN Digital, YouTube, and ESPN Social platforms, that month ESPN reached 195.8 million unique users. In addition, the ESPN App remained No. 1 in September, reaching 29.3 million unique users, more than the next six non-ESPN apps combined in the Mobile Sports App category. Our digital strategy is working – our research shows that younger audiences think of ESPN as a digital-first brand, where our relevancy is fueled by social, the ESPN App, and streaming.

The possibilities enabled by digital technology are a sports fan's dream, and as we approach the launch of ESPN's flagship DTC offering in early fall 2025, the team is hard at work in creating innovative digital features for the ESPN App such as fantasy sports integrations, enhanced statistics, betting features, and e-commerce to accompany ESPN's full package of sports programming.

## EXPERIENCES

Our Experiences businesses remain best-in-class, serving as the places where our brands and franchises come to life. The segment delivered record full-year revenue and operating income, despite some industry challenges that emerged in the second half of the fiscal year. We are confident in the long-term prospects for the segment and are committed to investing to drive continued growth. From our theme parks in the U.S. and around the world, our expanding Cruise Line, and the opportunities before us from our relationship with Epic Games, this is an increasingly diversified business.

Disney Cruise Line's fleet will grow to six ships after we unveil the Disney Treasure next week, and there are another seven cruise ships in development. Disney Cruise Line serves as an ambassador for our brand, bringing some of our most beloved IP into markets where we don't have theme parks, allowing us to expand our global footprint by delivering our unmatched experiences to greater audiences.

Our investment strategy in our Experiences segment is targeted in terms of projects and locations and is designed to drive operating income growth and attractive returns. We recently unveiled a robust slate of new projects coming to our parks tied to many of our popular franchises, including:

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<sup>2</sup> Source: Nielsen, P2+, Live+SD audience, ABC CFB Season to date in 2024 vs. 2023

<sup>3</sup> Source: Comscore Media Metrix, Sept 2024

- Magic Kingdom is undergoing the largest expansion ever, including a new area inspired by Cars and a Villains themed land
- Monsters, Inc. themed land coming to Hollywood Studios
- New area with attractions themed to Encanto and Indiana Jones coming to Disney's Animal Kingdom
- Doubling the size of Avengers Campus with two new attractions at Disney California Adventure
- First-ever ride-through attraction themed to Coco at Disney California Adventure
- Avatar-themed destination coming to Disney California Adventure
- First-ever ride-through attraction themed to The Lion King coming to Disneyland Paris

All of these projects, as well as our collaboration with Epic Games to bring an entirely new Disney universe and experience to Fortnite, demonstrate how we are leveraging our most popular IP and bringing it to life in innovative ways, highlighting the immense value of our brands and franchises, and our ability to create value across our businesses is a true differentiator.

Taken as a whole, we are very pleased with our performance in fiscal year 2024 across the company, both from a creative and a financial standpoint. We are well positioned for growth in 2025 as we continue to deliver on our strategic priorities while bringing fans and families more of the entertainment they love.

## **FINANCIAL REVIEW AND OUTLOOK**

We delivered strong consolidated financial results for fiscal year 2024 compared to the prior year, including 39% growth in diluted earnings per share (“EPS”) excluding certain items<sup>4</sup> for the fourth quarter and 32% growth for the full year. For the year, revenues increased 3%, total segment operating income<sup>4</sup> increased 21%, and free cash flow<sup>4</sup> increased 75% to \$8.6 billion. Our strong results reflect our focus on executing against our strategic priorities across our businesses while investing for the future.

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<sup>4</sup> Diluted EPS excluding certain items (also referred to as adjusted EPS), total segment operating income, and free cash flow are non-GAAP financial measures. The most comparable GAAP measures are diluted EPS, income before income taxes, and cash provided by operations, respectively. See the discussion on pages 10 through 16 for how we define and calculate these measures and a quantitative reconciliation of measures thereof to the most directly comparable GAAP measures.

## ENTERTAINMENT

Entertainment segment operating income improved significantly in the fourth quarter compared to the prior year due to higher results at both Direct-to-Consumer and Content Sales/Licensing and Other.

Our Entertainment Direct-to-Consumer business delivered more than \$250 million in operating income in Q4, driven by growth in subscription and advertising revenue.

Disney+ Core subscribers grew by 4.4 million in the quarter. In Q1, we expect a modest decline in Disney+ Core subscribers versus Q4 driven by the expected temporary uptick in churn from both the recent price increases and the end of a recent promotional offer.

Entertainment Direct-to-Consumer is on track to become a key earnings growth driver for the company, and we expect full-year fiscal 2025 operating income to increase by approximately \$875 million versus the prior year, which includes a comparison to an adverse impact of our India DTC business of approximately \$200 million to fiscal 2024 Entertainment Direct-to-Consumer results. While growth is not expected to be linear quarter to quarter, we expect the following to contribute to growth over time:

- Enhancing the value proposition for consumers by delivering exceptional content
- Implementing product features designed to increase engagement and reduce churn, including improving our recommendation engine and platform enhancements like Hulu on Disney+ and ESPN on Disney+
- Realizing the benefit of operationalizing paid sharing
- Expanding our advertising monetization on Disney+, including ad technology expansion and launches in international markets

Content Sales/Licensing and Other generated more than \$300 million in operating income in Q4, reflecting the theatrical successes of *Inside Out 2* and *Deadpool & Wolverine*, and exceeding our guidance that profitability would look roughly similar to Q3. We expect operating income for Q1 fiscal 2025 to be relatively in-line with Q4.

For full-year fiscal 2025, we expect Entertainment segment operating income growth in the double-digit percentage range compared to fiscal 2024, with growth weighted to the first half of the year driven largely by the timing of theatrical releases compared to fiscal 2024.

## SPORTS

Sports segment operating income declined 5% in Q4 driven by Domestic ESPN, as higher college football rights costs were partially offset by ad revenue growth.



Q4 Domestic ESPN advertising revenue grew 7% versus the prior year, benefitting from increased pricing and advertiser demand despite competition from the Olympics.

We expect Sports operating income for fiscal 2025 to increase approximately 13% versus the prior year, which includes a comparison to a \$636 million adverse impact to fiscal 2024 Sports results from Star India. For comparability, excluding this adverse impact on fiscal 2024 results, operating income in fiscal 2025 would be expected to decrease approximately 10% as the impact of key sports rights investments, including a new deal with the SEC, and the shift of an additional NFL game into the year more than offset advertising revenue growth.

## EXPERIENCES

At Experiences, operating income in Q4 declined 6% as expected compared to the prior year as growth in Domestic Parks & Experiences was more than offset by a decline in International Parks & Experiences.

Domestic Parks & Experiences operating income grew 5% in Q4, on comparable attendance to the prior year. Growth was driven by higher guest spending, partially offset by higher operating expenses and costs related to new guest offerings driven by Disney Cruise Line pre-opening costs associated with recent fleet expansion.

International Parks & Experiences operating income in Q4 was impacted by Shanghai Disney Resort driven by lower attendance, Disneyland Paris reflecting the impact of the Olympics, and higher costs related to new guest offerings.

For fiscal 2025, we anticipate full-year operating income growth for the Experiences segment to be in the 6% to 8% growth range compared to fiscal 2024, with growth weighted to the second half of the year. We expect Q1 operating income to be adversely impacted by approximately \$130 million due to Hurricanes Helene and Milton and approximately \$90 million due to pre-launch costs at Disney Cruise Line.

We are excited about the outlook for our Experiences businesses, as we continue to execute on our strategy of pursuing investments to drive attractive returns, while aggressively managing our cost base and leveraging technology to create increased operational flexibility.

## OUTLOOK

We expect fiscal 2025 results to reflect the progress we are making to profitably scale our streaming businesses with attractive margins, and continued investments to grow our Experiences businesses. As a result, we are targeting high-single digit adjusted EPS<sup>4</sup>

growth. We anticipate the growth in our businesses and our continued cost discipline will help drive approximately \$15 billion in cash provided by operations. We expect capital expenditures to increase to approximately \$8 billion driven primarily by fleet expansion at Disney Cruise Line and new guest offerings at our theme parks around the world.

Our balance sheet remains strong, which allows us to invest in our businesses while returning capital to shareholders. We will continue to maintain a balanced and disciplined approach to capital allocation, and to that end for fiscal 2025 we expect to target increases to our dividend at a rate that tracks our earnings growth, and we are targeting to repurchase \$3 billion of our stock.

Looking beyond 2025, as we continue to execute on our strategy and returns on investments materialize, we expect our earnings growth trajectory to accelerate. We expect double digit percentage growth in adjusted EPS<sup>4</sup> for fiscal years 2026 and 2027. For fiscal 2026, when comparing to our fiscal 2025 guide, we expect adjusted EPS<sup>4</sup> growth to be driven by:

- Double digit percentage growth in Entertainment segment operating income, reflecting growth in our Entertainment DTC business and a 10% operating margin for our Entertainment SVOD DTC business (excluding our Hulu Live DMVPD service)<sup>5</sup>
- Low single digit percentage growth in Sports segment operating income
- High single digit percentage growth in Experiences segment operating income

Note that fiscal 2026 includes a 53rd week, and these growth rates exclude the expected benefit of the extra week. Additionally, we expect to drive double digit growth in cash provided by operations in fiscal 2026.

We are proud of what we accomplished in 2024, and as we look ahead to fiscal 2025 and beyond, we are confident in our ability to drive sustained growth and create shareholder value through our world-class portfolio of assets. We look forward to keeping you updated on our progress as we execute against our strategic priorities and financial outlook.

**Bob Iger**, Chief Executive Officer

**Hugh Johnston**, Senior Executive Vice President and Chief Financial Officer

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<sup>5</sup> Operating margin for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) is calculated as operating income divided by revenue. Operating income for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) is a non-GAAP financial measure. The most comparable GAAP measure to this non-GAAP measure is Entertainment segment operating income. See the discussion on pages 10 through 16 for how we define and calculate this measure and why the company is not providing forward-looking quantitative reconciliation of operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) to the most comparable GAAP measure.

## NON-GAAP FINANCIAL MEASURES

This executive commentary presents diluted EPS excluding certain items (also referred to as adjusted EPS), total segment operating income, free cash flow and DTC streaming businesses operating income (loss). This executive commentary also presents forward-looking operating margin for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service), which is calculated as operating income divided by revenue. Diluted EPS excluding certain items, total segment operating income, free cash flow, DTC streaming businesses operating income (loss) and operating income for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) are important financial measures for the Company but are not financial measures defined by GAAP.

These measures should be reviewed in conjunction with the most comparable GAAP financial measures and are not presented as alternative measures of diluted EPS, income before income taxes, cash provided by operations, Entertainment and Sports segment operating income (loss) or Entertainment segment operating income as determined in accordance with GAAP. Diluted EPS excluding certain items, total segment operating income, free cash flow, DTC streaming businesses operating income (loss) and operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) as we have calculated them may not be comparable to similarly titled measures reported by other companies. Our definitions and calculations of diluted EPS excluding certain items, total segment operating income, free cash flow and DTC streaming businesses operating income (loss), as well as quantitative reconciliations of each of these measures to the most directly comparable GAAP financial measure, are provided below. In addition, our definition of operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) is provided below.

The Company is not providing the forward-looking measure for diluted EPS or Entertainment segment operating income (and related margin), which are the most directly comparable GAAP measures to diluted EPS excluding certain items and operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service), respectively, or quantitative reconciliations of forward-looking diluted EPS excluding certain items and operating income (and related margin) for our Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) to those most directly comparable GAAP measures. The Company is unable to predict or estimate with reasonable certainty the ultimate outcome of certain significant items required for such GAAP measures without unreasonable effort. Information about other adjusting items that is currently not available to the Company could have a potentially unpredictable and significant impact on future GAAP financial results.

### Diluted EPS excluding certain items

The Company uses diluted EPS excluding (1) certain items affecting comparability of results from period to period and (2) amortization of TFCF and Hulu intangible assets, including purchase accounting step-up adjustments for released content, to facilitate the evaluation of the performance of the Company's operations exclusive of these items, and these adjustments reflect how senior management is evaluating segment performance.

The Company believes that providing diluted EPS exclusive of certain items impacting comparability is useful to investors, particularly where the impact of the excluded items is significant in relation to reported earnings and because the measure allows for comparability between periods of the operating performance of the Company's business and allows investors to evaluate the impact of these items separately.

The Company further believes that providing diluted EPS exclusive of amortization of TFCF and Hulu intangible assets associated with the acquisition in 2019 is useful to investors because the TFCF and Hulu acquisition was considerably larger than the Company's historic acquisitions with a significantly greater acquisition accounting impact.

### DTC streaming businesses operating income (loss)

DTC streaming businesses operating income (loss) is calculated as Direct-to-Consumer operating income (loss) at the Entertainment segment plus ESPN+ operating income (loss) at the Sports segment. The Company uses combined DTC streaming businesses operating income (loss) because it believes that this measure allows investors to evaluate the performance of its portfolio of streaming businesses and track progress against the Company's goal of reaching profitability at its combined streaming businesses.

### Total segment operating income

The Company evaluates the performance of its operating segments based on segment operating income, and management uses total segment operating income (the sum of segment operating income from all of the Company's segments) as a measure of the performance of operating businesses separate from non-operating factors. The Company believes that information about total segment operating income assists investors by allowing them to evaluate changes in the operating results of the Company's portfolio of businesses separate from non-operational factors that affect net income, thus providing separate insight into both operations and other factors that affect reported results.

### Free cash flow

The Company uses free cash flow (cash provided by operations less investments in parks, resorts and other property), among other measures, to evaluate the ability of its operations to generate cash that is available for purposes other than capital expenditures. Management believes that information about free cash flow provides investors with an important perspective on the cash available to service debt obligations, make strategic acquisitions and investments and pay dividends or repurchase shares.

## Operating Income for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service)

Operating income for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) consists of operating income for the Direct-to-Consumer line of business at the Entertainment segment less our Hulu Live DMVPD service. The Company uses operating income (and related margin) for Entertainment SVOD DTC businesses (excluding our Hulu Live DMVPD service) as a measure of the performance of our Entertainment SVOD direct-to-consumer services separate from our Hulu Live DMVPD service, which we believe assists investors by allowing them to evaluate the performance of its these SVOD direct-to-consumer services.

## Diluted EPS excluding certain items

The following table reconciles reported diluted EPS to diluted EPS excluding certain items for the fourth quarter:

	Pre-Tax Income/Loss	Tax Benefit/ Expense <sup>(1)</sup>	After-Tax Income/Loss <sup>(2)</sup>	Diluted EPS <sup>(3)</sup>	Change vs. prior-year period
<u>Quarter Ended September 28, 2024</u>					
As reported	\$948	(\$384)	\$564	\$0.25	79%
Exclude:					
Restructuring and impairment charges <sup>(4)</sup>	1,543	(172)	1,371	0.73	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs <sup>(5)</sup>	395	(92)	303	0.16	
Excluding certain items	\$2,886	(\$648)	\$2,238	\$1.14	39%
<u>Quarter Ended September 30, 2023</u>					
As reported	\$1,007	(\$313)	\$694	\$0.14	
Exclude:					
Restructuring and impairment charges <sup>(4)</sup>	965	(57)	908	0.50	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs <sup>(5)</sup>	429	(100)	329	0.18	
Excluding certain items	\$2,401	(\$470)	\$1,931	\$0.82	

(1) Tax benefit/expense is determined using the tax rate applicable to the individual item.

(2) Before noncontrolling interest share.

(3) Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

(4) Charges for the current quarter included impairments of goodwill (\$584 million), assets at our retail business (\$328 million), Star India (\$210 million), content (\$187 million) and equity investments (\$165 million), and severance costs (\$69 million). Charges for the prior-year quarter included impairments of goodwill (\$721 million), an equity investment (\$141 million) and licensed content (\$137 million) and severance costs (\$22 million), net of the A+E gain (\$56 million).

(5) For the current quarter, intangible asset amortization was \$326 million, step-up amortization was \$66 million and amortization of intangible assets related to a TFCF equity investee was \$3 million. For the prior-year quarter, intangible asset amortization was \$361 million, step-up amortization was \$65 million and amortization of intangible assets related to a TFCF equity investee was \$3 million.

The following table reconciles reported diluted EPS to diluted EPS excluding certain items for the year:

	Pre-Tax Income/Loss	Tax Benefit/ Expense <sup>(1)</sup>	After-Tax Income/Loss <sup>(2)</sup>	Diluted EPS <sup>(3)</sup>	Change vs. prior-year period
<u>Year Ended September 28, 2024</u>					
As reported	\$7,569	(\$1,796)	\$5,773	\$2.72	>100%
Exclude:					
Restructuring and impairment charges <sup>(4)</sup>	3,595	(293)	3,302	1.78	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs <sup>(5)</sup>	1,677	(391)	1,286	0.68	
Other expense <sup>(6)</sup>	65	(11)	54	0.03	
Income Tax Reserve Adjustments	—	(418)	(418)	(0.23)	
Excluding certain items	\$12,906	(\$2,909)	\$9,997	\$4.97	32%
<u>Year Ended September 30, 2023</u>					
As reported	\$4,769	(\$1,379)	\$3,390	\$1.29	
Exclude:					
Restructuring and impairment charges <sup>(4)</sup>	3,836	(717)	3,119	1.69	
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs <sup>(5)</sup>	1,998	(465)	1,533	0.82	
Other Income, net <sup>(6)</sup>	(96)	13	(83)	(0.05)	
Excluding certain items	\$10,507	(\$2,548)	\$7,959	\$3.76	

(1) Tax benefit/expense is determined using the tax rate applicable to the individual item.

(2) Before noncontrolling interest share.

(3) Net of noncontrolling interest share, where applicable. Total may not equal the sum of the column due to rounding.

(4) Charges for the current year included impairments of Star India (\$1,545 million), goodwill (\$1,287 million), assets at our retail business (\$328 million), content (\$187 million) and equity investments (\$165 million), and severance costs (\$83 million). Charges for the prior year included content impairments (\$2,577 million), severance costs (\$357 million), impairments of goodwill (\$721 million) and an equity investment (\$141 million), and costs related to exiting our businesses in Russia (\$69 million), net of the A+E gain (\$56 million).

(5) For the current year, intangible asset amortization was \$1,394 million, step-up amortization was \$271 million and amortization of intangible assets related to a TFCF equity investee was \$12 million. For the prior year, intangible asset amortization was \$1,547 million, step-up amortization was \$439 million and amortization of intangible assets related to a TFCF equity investee was \$12 million.

(6) For the current year, other expense was due to a charge related to a legal ruling (\$65 million). For the prior year, other income, net was due to a gain on our investment in DraftKings (\$169 million), partially offset by a charge related to a legal ruling (\$101 million).

### Total segment operating income

The following tables reconcile income (loss) before income taxes to total segment operating income:

	Quarter Ended		Change
	Sept. 28, 2024	Sept. 30, 2023	
Income before income taxes	\$948	\$1,007	(6%)
Add:			
Corporate and unallocated shared expenses	408	293	(39%)
Restructuring and impairment charges	1,543	965	(60%)
Interest expense, net	361	282	(28%)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	395	429	8%
Total segment operating income	\$3,655	\$2,976	23%

	Year Ended		Change
	Sept. 28, 2024	Sept. 30, 2023	
Income (loss) before income taxes	\$7,569	\$4,769	59%
Add (subtract):			
Corporate and unallocated shared expenses	1,435	1,147	(25%)
Restructuring and impairment charges	3,595	3,836	6%
Other (income) expense, net	65	(96)	nm
Interest expense, net	1,260	1,209	(4%)
Amortization of TFCF and Hulu intangible assets and fair value step-up on film and television costs	1,677	1,998	16%
Total segment operating income	\$15,601	\$12,863	21%

## DTC streaming businesses

The following tables reconcile Entertainment and Sports segment operating income (loss) to the DTC streaming businesses operating income (loss):

	Quarter Ended					
	June 29, 2024			September 28, 2024		
	Entertainment	Sports	DTC Streaming Businesses	Entertainment	Sports	DTC Streaming Businesses
Linear Networks	\$966	\$736		\$498	\$861	
DTC streaming businesses (Direct-to-Consumer and ESPN+ businesses)	(19)	66	\$47	253	68	\$321
Content Sales/Licensing and Other	254	—		316	—	
<b>Segment operating income</b>	<b>\$1,201</b>	<b>\$802</b>		<b>\$1,067</b>	<b>\$929</b>	

	Year Ended					
	September 28, 2024			September 30, 2023		
	Entertainment	Sports	DTC Streaming Businesses	Entertainment	Sports	DTC Streaming Businesses
Linear Networks	\$3,452	\$2,415		\$4,119	\$2,581	
DTC streaming businesses (Direct-to-Consumer and ESPN+ businesses)	143	(9)	\$134	(2,496)	(116)	(\$2,612)
Content Sales/Licensing and Other	328	—		(179)	—	
<b>Segment operating income</b>	<b>\$3,923</b>	<b>\$2,406</b>		<b>\$1,444</b>	<b>\$2,465</b>	

	Year Ended		
	October 1, 2022		
	Entertainment	Sports	DTC Streaming Services
Linear Networks	\$5,198	\$3,299	
DTC streaming businesses (Direct-to-Consumer and ESPN+ businesses)	(3,424)	(589)	\$(4,013)
Content Sales/Licensing and Other	352	—	
<b>Segment operating income</b>	<b>\$2,126</b>	<b>\$2,710</b>	



## Free Cash Flow

The following table reconciles the Company's consolidated cash provided by operations to free cash flow:

	Year Ended		Change
	September 28, 2024	September 30, 2023	
Cash provided by operations	\$13,971	\$9,866	\$4,105
Add (subtract):			
Investments in parks, resorts and other property	(5,412)	(4,969)	(443)
Free cash flow	\$8,559	\$4,897	\$3,662