Disney sees first quarterly subscriber loss, will cut 7,000 jobs

Article

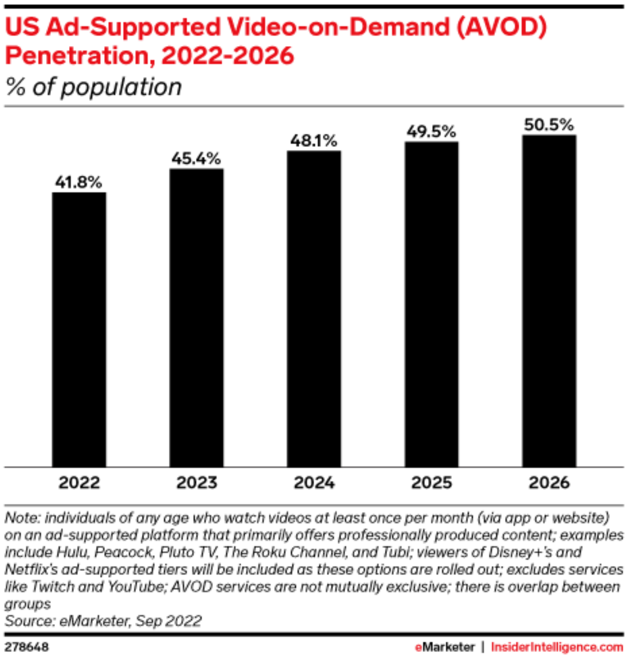
The news: **Disney** reported earnings for its fiscal Q1 Wednesday in the first major test for newly reinstated CEO **Bob Iger** and the new ad-supported tier for **Disney+**. The company topped analyst expectations but showed weakness in key areas, with subscriptions and average revenue per user (ARPU) for many streaming offerings declining.

- Revenues grew 8% year over year to $23.5 billion, eking out just above analyst expectations. At 99 cents per share, profits exceeded analyst expectations of 78 cents.
- Though Disney warned that its strong Q3 subscriber growth for Disney+ would bottom out, **subscriptions actually *decreased* from 164.2 million in Q4 to 161.8 million in Q1** in the service's first-ever loss, possibly because of a price hike for Disney+ implemented late last year. **ESPN+** and **Hulu** subscriptions, however, rose 600,000 and 800,000, respectively.

In a call with investors, Iger said Disney will undergo reorganization and **cut 7,000 jobs**. Iger also said he expects Disney+ to be profitable by the end of 2024.

Disney+ with ads lands with a thud: In the first quarter with its new ad-supported subscription tier, Disney+ failed to deliver the revenue increases Disney hoped for after a difficult previous quarter.

- Average monthly revenue per user (ARPU), a figure streamers are anxious to increase, fell from $6.10 to $5.95. Disney attributed the loss to "a higher mix of subscribers to multiproduct offerings."
- The new ad-supported subscription tier for Disney+ was reminiscent of **Netflix**'s Q4 struggles. The tier failed to drive meaningful subscription or revenue growth, but Disney's still-large viewership and brand recognition means the tier will have a longer lead time toward finding success.
- Disney also showed weakness in key markets. **Disney+ Hotstar**, the version of Disney+ available in India, **lost 6% of its subscribers** in one quarter, though ARPU increased 16 cents to 74 cents.



Disney's somewhat lackluster streaming results were buoyed by strong parks and box office performances. Parks revenues rose **21% to $8.7 billion**, and strong box office and Disney+ results for "**Black Panther: Wakanda Forever**" carried Disney through the holiday season.

Analyst take: "Disney shareholders are breathing a sigh of relief after the company posted better than expected quarterly results," said Insider Intelligence principal analyst **Paul Verna**. "But there are still big challenges ahead for Disney. Its traditional TV business is eroding, its streaming operation is not yet profitable, and it's facing pressure from an activist investor to rein in costs and plan for a post-Iger succession. It remains to be seen whether a new round of layoffs and a corporate restructuring announced during the earnings call will be enough to appease critics, and to set the business on more solid footing in 2023."