MAY 07
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Disney sees major gains in streaming subscribers and revenues in Q1

Article

The news: **Disney**'s direct-to-consumer streaming platforms, including **Disney+**, **Hulu**, and **ESPN+**, made notable strides in Q1, per the company's Tuesday earnings report.

- The combined losses for these services dramatically narrowed to just $18 million, compared with a $659 million loss in the same period last year.

- Excluding ESPN+, Disney's streaming services achieved a significant milestone by reporting operating income of $47 million, with revenues up 13% to $5.64 billion.
- Adjusted earnings per share rose by 30% year over year, surpassing expectations, leading Disney to raise its full-year adjusted EPS growth target from 20% to 25%.

Subscriber surge: One of the key highlights from Disney's recent success is the growth for Disney+ Core (excluding **Hotstar**), which added 6.3 million subscribers, pushing the total to 117.6 million globally.

- A strategic partnership with **Charter Communications** that allowed some **Spectrum TV** customers free access to Disney+ helped.
- Although this deal aided subscriber growth in the US and Canada, it led to a dip in average revenues per user (ARPU) in these regions to $8—though, globally, ARPU rose by 6% to $7.28.

Challenges remain: Despite these gains in streaming, Disney's linear networks are facing continued difficulties, with revenues declining by 8% and operating income falling by 22%.

- This downturn was exacerbated by a dispute with Charter, which dropped eight Disney cable channels last fall, and a general decline in linear ratings.
- In a contrasting performance, ESPN managed a 3% growth in revenues, though its operating income dropped by 9% due to increased programming costs and subscriber losses.

Strategic adjustments: Disney announced several strategic plans to strengthen its streaming services. They include **adding an ESPN content tile within the Disney+ platform by late 2024** and plans the launch of standalone ESPN streaming service in 2025.

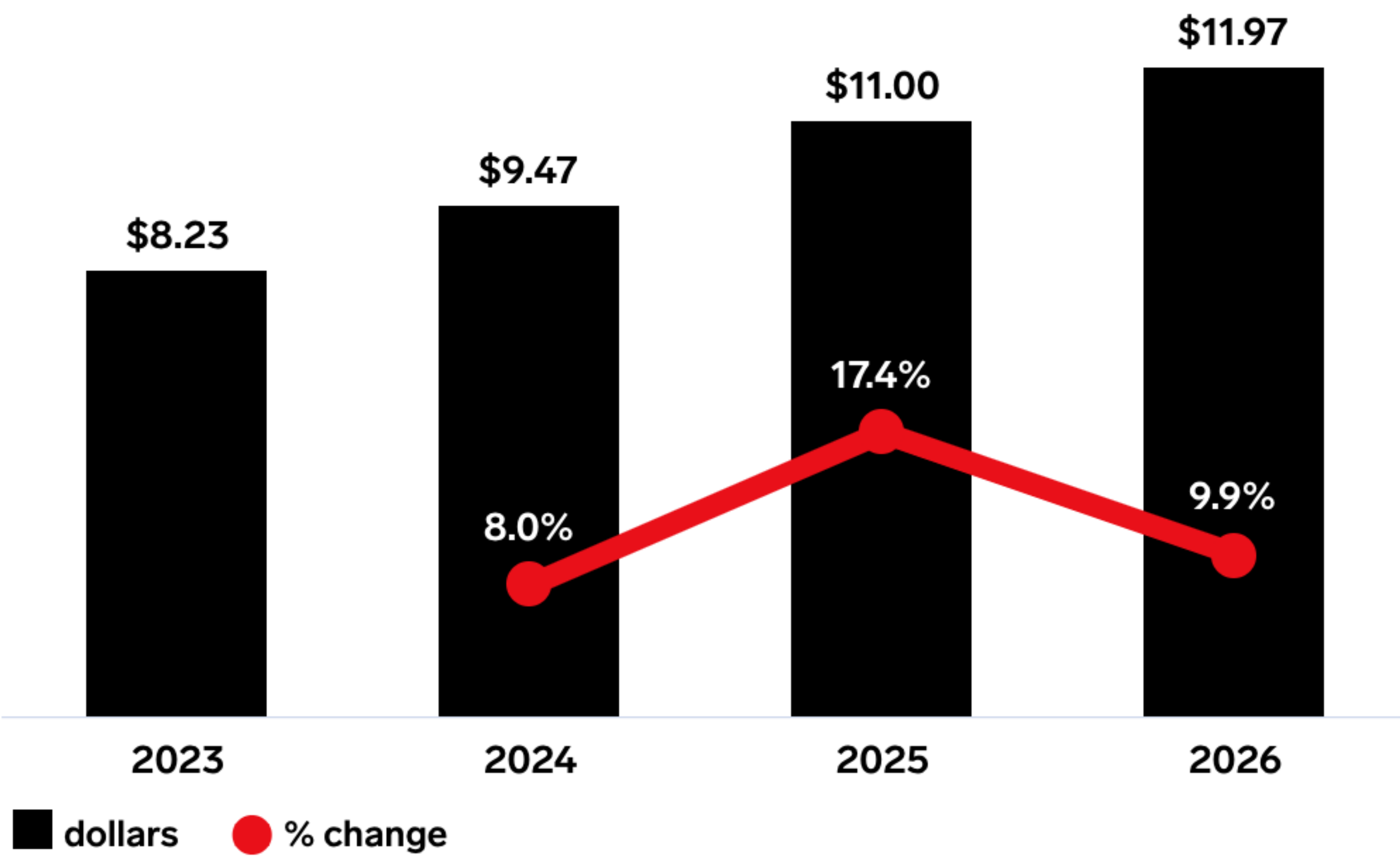
- Moreover, Disney CEO **Bob Iger** revealed that the company would start enforcing measures against password sharing starting in June, following a model similar to **Netflix**.

Our take: Disney's significant reduction in streaming losses and its ability to drive subscriber growth despite regulatory challenges suggest it can successfully transition from traditional TV to digital streaming.

- The continued struggles of its linear networks and the impact of external challenges like global travel trends on its parks business indicate that Disney must maintain a flexible and innovative strategy to ensure long-term success and stability in a rapidly changing entertainment industry.

Disney+ Ad Revenues, per Disney+ Viewer

US, 2023-2026



Note: includes in-stream video such as those appearing before, during, or after digital video content on a subscription-based OTT platform (pre-roll, mid-roll, or post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices for all formats mentioned

Source: EMARKETER Forecast, March 2024

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