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Disney Speaker:

Alan Bergman

President, The Walt Disney Studios

PRESENTATION

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So Alan Bergman just hobbled onstage, so we are happy you made it. Alan joined The Walt Disney Company in 1996; was named President of The Walt Disney Studios in 2005. And as President of The Walt Disney Studios, Alan is responsible for the distribution of the Studios' motion pictures across theatrical exhibition, home entertainment, pay TV, digital, and other new media windows. He also oversees franchise management and other Studio operations.

In our view, Disney is just at the beginning stages of its branded content strategy, so it is a real pleasure to have Alan here today. I am amazed that you made it with that leg, so thank you so much.

Alan Bergman – *President, The Walt Disney Studios*

Sure, good to be here. I don't have to think about it for the next 40 minutes.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Okay. So Disney Studios has certainly evolved into one of the most enviable content platforms over the years. And there are many here today that are looking forward to your upcoming slate. So before we get into the specifics, looking longer-term, what are your key priorities for Disney Studios? And what, if anything, needs to evolve in your theatrical and home entertainment businesses to ensure that Disney maintains its strong positioning?

Alan Bergman – President, The Walt Disney Studios

Well, our number one priority is to make quality movies that people want to see around the world. I mean that by far is the most important thing. And those movies are going to be branded Disney, Pixar, Marvel, and Lucas, and those are exactly the kind of brands that lend themselves to the tentpole movies we want to make.

So in any given year, you can expect two to three animated movies coming from Pixar and Disney Animation, two Marvel movies, one *Star Wars* movie, and then two to three Disney live action movies of the tentpole size, and then two to three smaller movies. And I actually -- I brought one slide just so you can see, our fiscal year 2015 and fiscal year 2016 slates, they kind of lay out as I just described.

And the beauty of these kind of movies is that when they work, they ripple through the rest of the Company and they lift the entire Company. So, for example, *Frozen*. Obviously *Frozen* was a huge hit at the box office, generating almost \$1.3 billion. It is the number one animated movie of all time; the number five movie of all time. But more than that, it is our number one home entertainment title in 10 years. It is the biggest Blu-ray title ever. It is the biggest electronic sell-through title ever. The album was number one for 13 weeks.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

It's still in the top 10.

Alan Bergman – President, The Walt Disney Studios

Yeah, it's amazing.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

I can't believe it.



Alan Bergman – *President, The Walt Disney Studios*

It drove huge merchandise sales at our stores and licensing merchandise. Anna and Elsa are the number one thing to see at our Theme Parks, Anna and Elsa are in our *Disney Infinity* game, and we are developing a *Frozen* stage play.

So you can see when we get it right what it means to the Company, and we think this is what sets our Studio apart.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Are there any emerging technologies or business models that you are particularly focused on these days?

Alan Bergman – *President, The Walt Disney Studios*

Yes, we are really focused on digital ownership. Obviously, the last 5 or 6 years, the physical -- the DVD business has been down substantially, declining about 8% to 10% annually. And we have seen some nice growth in digital ownership. Year-to-date it is up -- running about 37% for the category as a whole.

And at Disney we try to use technology to offer our consumers the best experience. So back in February we launched a new platform called *Disney Movies Anywhere*. And what this allows you to do is purchase and manage your Disney, your Pixar and your Marvel films, and you can watch them on the go, you can watch them at home.

We did a deal with iTunes; they are obviously the biggest player in this space. We already have 4.5 million app downloads. But our goal is interoperability. So you can -- we want people to be able to buy a movie where they want and watch it where they want. So we are in the process of doing deals or negotiating deals with other companies, and we will see how that goes over the next year or so.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Right. And you mentioned the *Frozen* play. What is the timing of that?

Alan Bergman – *President, The Walt Disney Studios*

We don't know yet. We are developing it. We are just -- it's in the development process, but I think we have very high hopes for that. It obviously, given the music, lends itself to Broadway.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

And you just announced a *Frozen* attraction at Epcot?

Alan Bergman – President, The Walt Disney Studios

That's right. So you can see how *Frozen* is everywhere at Disney.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Okay. The US box office growth has largely been driven over the last -- has been largely price driven over the last few years. Admissions have been flattish at best. What is your outlook for domestic box office growth, if any growth?

Alan Bergman – President, The Walt Disney Studios

No, you're right. It's been rough in terms of growth. The last several years, it's been flattish. And if you look at this year, year-to-date the box office is down 6%. In the summer it was down 15%.

But that being said, if you look at Disney's performance, it is a different story. *Guardians of the Galaxy* is the number one movie of the year. Just crossed \$300 million. Our number two movie of the year is *Captain America*. And the number five movie of the year is *Maleficent*. So we have three of the top five movies. So in an environment like this, we think our branded tentpole strategy is working pretty well.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

And it seems like just the beginning.

Alan Bergman – President, The Walt Disney Studios

That's right, if you look at that slate.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Yes, just to – this is your question, though -- but do you think that the industry efforts to improve the movie-going experience will drive admissions -- the frequency of admissions higher? So things like the reseating of theaters, reservation systems, alcohol availability. Would you think that will help overall industry efforts?



Alan Bergman – *President, The Walt Disney Studios*

Well, you know what, we see it as a partnership between the studios and exhibition. We have to figure out a way to make great movies that get people off their couches and their chairs and into their cars and drive to a theater. The theater owners need to make sure when people get there that the experience is great. So the seating, the sound, the picture. And I know they are working very hard on that, so I think if we both hold up our bargain, we will be in good shape.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Yes. Given that your films cater generally -- not all of them -- toward families, do you view the all-you-can-eat SVOD platforms like Netflix as competition for the family of four, given where pricing is today, especially in the major markets? For theaters.

Alan Bergman – *President, The Walt Disney Studios*

Yes, well -- you know, it is really for us the big branded tentpole movies, and we believe they are much broader than just family. And if you look at the numbers that we have been talking about, to make \$300 million, \$400 million, you're talking about a movie that crosses over much more than families.

And we want these movies to be seen in a theater. We think that that is the best place to see these movies. And in addition to that, as I mentioned with *Frozen*, the sell-through stats -- a lot of our titles are big sell-through titles. So there are certainly windows for all of our different movies and we manage them very closely.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Right. Well, theatrical obviously still sets the tone.

Alan Bergman – *President, The Walt Disney Studios*

That's right.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

But with the -- we just saw that slide, which is so impressive. But obviously, your next year or two or three look pretty strong with *Avengers 2*, *Star Wars VII*, etc. So how should we think about your opportunity to improve film rental rates with the exhibitors in fiscal 2016 and fiscal 2017?



Alan Bergman – *President, The Walt Disney Studios*

Yes. No doubt that is a slide that our team has shared with exhibition. They are well aware of what we have upcoming. And also our team spends time with them in terms of how we have done the last couple of years. And I think that we have a deal that is fair for both sides. So, fair for us in terms of what we are bringing them, and I think that they believe it is fair as well.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So status quo, you are saying?

Alan Bergman – *President, The Walt Disney Studios*

Well, we are good with the negotiation we have, yes.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Okay. International markets are an increasingly important source of demand for your theatrical product. Can you update us on what you're seeing in some of the key emerging markets, such as China?

Alan Bergman – *President, The Walt Disney Studios*

Yeah, there is no question international is a growth area for the studios. And China is, obviously, the biggest component of that. In 2012, their box office was \$2.7 billion. Last year in 2013, it was \$3.6 billion. And this year it is going to be well over \$4 billion. They are by far the biggest international market with over 20,000 screens already, and they are building like 18 screens a day.

But the beauty is that the kind of movies that we are making, as I showed on that slide there, these are movies that play everywhere. And if you look at what *Captain America 2* has done, if you look at what *Iron Man* has done and a number of our other movies, they love these movies in China. So we feel really good about where we are in China and the other emerging markets.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

How important is it for you to develop localized productions in these markets?



Alan Bergman – *President, The Walt Disney Studios*

Well, in China, given the size of the marketplace now and where it is going and that approximately half of it is local, it is important. And to that end, earlier this year we entered into a deal with the Shanghai Media Group. We are developing a number of projects with them with the hope of delivering movies in the future.

Additionally, in a country like India, for example, we own a company called UTV, which is a major player in the movie business.

So it is definitely important, but we don't want to take our eye off the ball. The most important thing is making great movies here that play around the world.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

On the cost side, both you and the industry have moved to rein in costs during the Great Recession. Talent deals still seem to be much more reasonable, more stable. Costs seem to be, I don't want to say flat, but maybe modestly up over the last few years. They just -- things don't seem to be out of control like they have been in cycles before.

So can you help us think about how that for Disney specifically, about your margins going forward, and how your branded content strategy affects your production and marketing? Obviously, everybody knows what a Marvel movie is, so how does that affect how much you spend, how you think about the marketing?

Alan Bergman – *President, The Walt Disney Studios*

Right. What we do is before we greenlight any movie, we spend a lot of time putting together an individual P&L trying to get the return -- the required return that we want. And our goal is to make great movies that for each individual movie have strong returns. And if we do that, the margins will be strong.

It is hard to predict any given year because as products go through the different windows, they have different margins. So you are going to have variability from year to year. But I think great movies result in great margins, and I think if you look at our margins, you will see that that is exactly the case.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Yes. It's hard to not see them trending up for you guys, but --. Are there any other cost-saving opportunities from a fixed-cost perspective? It feels like the industry -- we did a deep dive



yesterday in film, but it feels like as you shift to digital on home entertainment, there should be fairly significant cost savings.

Alan Bergman – *President, The Walt Disney Studios*

You know, one of the areas that we spend a lot of time on is just costs in general, whether it be fixed costs or production costs or marketing costs, variable costs. It is really important that we have our arms around that because it is a difficult business, and we need to be as effective and as efficient as possible.

So we are continually looking at all of these areas. We don't just do it every -- once a year or every -- or when some new technology comes out. It is an ongoing process and we are continually making changes, so it is continually -- focus, reduce costs where we can.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Maybe going to your very unique strategy, the branded content strategy, how do you think about marketing? Do you see media mix changing -- because your films have such -- I don't want to say defined, they are pretty broad -- but there's family, there's action. I mean you --.

Alan Bergman – *President, The Walt Disney Studios*

Right.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So your marketing seems to be -- I don't know how to say this, but it's -- your production and marketing, you really, your brands mean something to different people. I mean they are very specific. You know what you are getting when you get a Disney movie. It is quality family. So I just -- how do you think about the marketing mix, given your brands over time?

Alan Bergman – *President, The Walt Disney Studios*

You know, there is no question that is definitely a key topic at the Studio. We spend a lot of time on that. The mix itself has definitely swayed more towards digital, away from newspapers and those kinds of things -- with the goal being as efficient, as effective as possible.

It is hard to really say on any given movie because they obviously vary; depends what the competition is, and if it is new IP, if it is a sequel, who is in it, if we are tracking or not. But it is a constant focus on our marketing dollars because they are substantial.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Right. And then for all the success that you've had in the last two years or a couple of years -- I mean over time, but the last -- particularly like the last year or so -- the Company is not immune to flops. I do remember Tom Staggs being up here and giving a forecast of a significant loss. So you've had *Lone Ranger*, you've had *John Carter* -- obviously, not recently -- yes, exactly, heart attack city. But how do you reduce the risk of flops in the future? What do you do to avoid that?

Alan Bergman – President, The Walt Disney Studios

Well, to be honest, you know we are not immune from flops. It is very hard to make a movie. From an idea, to a script, to getting the director, to getting the cast, and to getting it all to gel -- it is just very, very hard. But we do believe, though, with our branded tentpole strategy, that we can reduce that risk to a certain degree. But even if you look at the couple of titles you mentioned -- *Lone Ranger* for example, big star, big director and big producer -- sometimes it just doesn't come together. But our goal is to reduce those films. And fortunately, we haven't had that many of them.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

And I guess given all the overhead involved in running a Hollywood major and the potential efficiencies enabled by scaling up, what is your outlook for studio consolidation?

Alan Bergman – President, The Walt Disney Studios

Well, there has obviously been a lot of talk about Warner and Fox, and that didn't happen. I am not sure what the other studios are going to do. As far as it relates to us, obviously Bob Iger bought Pixar, he bought Marvel and he bought Lucas, and those look very, very strong. Particularly Pixar and Marvel, we know what we have accomplished there. And then we have very high expectations for Lucas. So I don't think there are any strategic holes at this point at the Studio.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Right. So let's talk about the Studio and your 2015 and 2016 slate and beyond, if you would like to. Where to begin? I mean *Cinderella* live-action, *Avengers: Age of Ultron*, *Inside Out*, *Tomorrowland*, *Ant-Man*, *Star Wars VII*, and that is just to name a few -- so many titles. So how do you feel about fiscal 2015 and 2016, given some of the success you've already had this year?



Alan Bergman – *President, The Walt Disney Studios*

Well, I certainly feel good about it, for sure. I mean the list of titles you just named and what we saw on the slide, we're very, very excited about. And we're just trying to focus on each and every title. And if we do that, we will have strong returns, strong margins and strong operating income.

There is, obviously, as I said, there is variability from year to year, depending as they go through the windows. But we look at the long-term, and the long-term nature of these franchises and the value that we are creating not only at the Studio but around the Company, and we feel really good about the slate that we have.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So we had IMAX here yesterday, and we went through 2015, 2016, even 2017 slate -- slates for the industry. What is your view of competition?

Alan Bergman – *President, The Walt Disney Studios*

Well, there is no doubt there's some very smart executives around town that have put together some fantastic slates. And the good news is that I want everybody -- we want everybody to do well. The more people go to movies, the more they want to go to movies. So competition is good.

We feel -- but mostly, we feel very confident about our slate and what we can control, and the power of our Company to get our movies out there. So I think the competition is going to be strong, but I feel very comfortable with our movies.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So let's talk about the big one, *Star Wars*. When you release the next *Star Wars*, it will have been 10 years since the last live-action installment was released. What are the challenges in marketing this film to younger audiences?

Alan Bergman – *President, The Walt Disney Studios*

Well, I think that *Star Wars* is a unique property, probably more unique than any other property. I think of myself as a kid going to the movie theater many, many times to see the first engagement of *Star Wars*. My parents took me. The younger generation has seen it on DVD. My kids have played with Lego *Star Wars* when they were young. I think this title is very, very well-known out there.



And really the key for us is to make sure -- the single most important thing is to make sure that the movie is great. And we have J.J. Abrams directing, Kathy Kennedy producing. And what we have seen so far, it looks amazing.

It is hard not to get too excited about this. I have got this boot on; I am wearing my Stormtrooper tennis shoes. We are just unbelievably excited at the Company to have *Star Wars*.

And the other thing I should mention is it is not really just here. We are looking at every single country around the world, because they obviously have different levels of awareness, different strategies as to how characters appeal or don't. And we are making sure we have a definite strategy for each and every country to maximize this movie, because this is going to be a big global hit.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Will it have a typical P&A budget? How would it -- might it differ in terms of size, but also in terms of media mix?

Alan Bergman – President, The Walt Disney Studios

You know, we haven't quite figured that out yet. We're going to have, obviously, massive promotions. We have got -- we are working on a number that will really be amazing. We will figure out the right mix and spend. Not really concerned about awareness on this title.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Right. What does the roadmap look like with respect to future installments of *Star Wars*? Is there spinoff potential from the core franchise?

Alan Bergman – President, The Walt Disney Studios

Right.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

I think you guys have announced that there is --.



Alan Bergman – *President, The Walt Disney Studios*

Yes. So obviously, we've got *Episode VII* coming next December 18 of 2015. December 16 of 2016, we have our first standalone directed by Gareth Edwards, who directed *Godzilla*. And then, as Bob said, there will be an *Episode VIII* and *IX*, and then we will have some additional standalone titles. We haven't figured out the timing yet, but we are in development and I think everybody will be very pleased with what they see.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

It's exciting.

Alan Bergman – *President, The Walt Disney Studios*

Yeah.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Then moving on to Marvel, *Avengers: Age of Ultron* represents a key tentpole for the Marvel label, both theatrically and from a Consumer Products and gaming standpoint. With the first installment of *Avengers* doing \$1.5 billion globally, what do you need to do to preserve this level of success?

Alan Bergman – *President, The Walt Disney Studios*

It is a great day for me to be here and answer these questions. I know it's -- *Avengers* comes out and does \$1.5 billion, it is the third biggest movie of all time. And obviously, we are laser focused on the next installment. And if you look at how we have lined things up, how Marvel has lined things up, we have Joss Whedon directing; same director as the first one. We have substantially the same cast. And we have an unbelievably talented group at Marvel; creative group led by Alan Fine, Kevin Feige and Lou D'Esposito. And I think if you look at what they have done, it is spectacular.

So that grouping of director, external talent and then our internal talent -- we feel very, very good about where the sequel is going to go. And also if you look at *Thor 2* and *Cap 2*, the lift they got from the first *Avengers*, those characters are more popular now than ever as we move into *Avengers* the sequel. So we are very, very excited about next May.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

And *Guardians of the Galaxy* is another solid new piece of IP and it was developed out of the Marvel archives. Can you -- beyond just the sequel, you greenlit the sequel before the first one was even released -- what does the roadmap look like to really exploit this franchise -- this new franchise?

Alan Bergman – President, The Walt Disney Studios

Yes. I know, it is spectacular to have the biggest movie of the year be essentially new characters, unknown characters, it is really fantastic. And it shows the power of the characters and the power of that creative team.

We already have substantial merchandise. The album was number one. And we were confident enough to greenlight the sequel, as you said, before the movie even came out. So there is going to be a lot of life in that franchise.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

On the Disney label, you have obviously completely reenergized that. We already talked about *Frozen*. So what from here -- can you talk about what your strategy to further strengthen the product pipeline?

Alan Bergman – President, The Walt Disney Studios

Sure. When Bob bought Pixar back in 2006, we got a fantastic library from Pixar. But in addition to that, we got a creative team in animation that is by far the best, led by John Lasseter and Ed Catmull. And John and Ed, as you know, run Disney Animation.

So they have come over, completely changed the culture. And you have seen what *Tangled* did, what *Wreck-It Ralph* did and now *Frozen*. *Frozen* is the biggest animated movie by \$200 million now. So that place has completely changed. They are more confident than ever.

Alan Horn and myself and Bob Iger were there two weeks ago, and John and his team were taking us through the next several years, and the titles look amazing. We have *Big Hero 6*, as you know, coming out the first week in November of this year. And the lineup that we have going forward is very, very exciting. That studio is back.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Moving on to home entertainment, you guys have been a pioneer in home entertainment. You've had more success in home entertainment than almost any other studio. So we would



love to get your views on some of your more recent initiatives, and what are your thoughts on early EST and premium VOD opportunities?

Alan Bergman – *President, The Walt Disney Studios*

Well, I think on the premium VOD, there has been a lot of conversation about premium VOD over the last several years, although nothing substantial has come of it. From our standpoint, we are making these big branded tentpole movies. We want people to see them in a theater first, and then we want people to buy them. So as it relates to premium VOD for us, I don't really see any substantial changes in the next few years.

The preferential window for electronic sell-through -- that is something that we are doing on our bigger titles. We are trying to really jumpstart electronic purchases, and it has been effective. And we usually have a 3- or 4-week preferential window. So yes, that is something we will continue to do.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Right. Let me ask one more question, and then we will open it up for audience questions. So just your overall outlook for home entertainment trends -- you mentioned earlier, I think, that digital is up 37%. But physical is --.

Alan Bergman – *President, The Walt Disney Studios*

Physical continues to decline, yes.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

So from here, where do you see just Disney specifically -- I mean you have great titles -- and how much you can make on home entertainment?

Alan Bergman – *President, The Walt Disney Studios*

Yes, I would say that clearly the physical business has had it difficult the last five or six years, and continues to decline 8% or 10% a year. But we shouldn't lose track that it is still a very significant business. It is estimated just domestically that that business at retail will be about \$8 billion this year.

And as I mentioned, we have titles that people want to buy on physical. But clearly, digital is the future, and that is why we've put a lot of effort behind *Disney Movies Anywhere* and a variety



of other initiatives. Because long-term, we do want people to buy our movies on the digital platforms. So I think short-term, physical continues to decline, but still a very strong business.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Okay. Let's see -- are there any questions? The mic is coming.

Audience Member

Thank you, Jessica. Good morning, Alan. I had two questions. From the outside looking at Walt Disney Studios, it is quite hard to understand the management structure, the organizational structure and the incentives. So could you just describe how -- what that is and how those are -- and what are the incentives for the senior management as it relates to the entire enterprise? And how you see that evolving over the next couple of years with the industry?

And then the second topic is your international multipliers are roughly 2 times right now, improving from 1 several years ago. If you look forward to 2017/2018, where do you see your international multipliers potentially reaching?

Alan Bergman – President, The Walt Disney Studios

Well, I think in terms of the structure at the Studio and how we are compensated, we have a compensation structure that the Company has in place and there are certain financial metrics that we have to hit, and there are certain other metrics that are required. So it is actually, from our standpoint, very, very straightforward. We understand what we need to do and we are working very hard to do that. The reality of it is that we come into work every day to try to make great movies, figure out a way to market them and distribute them, and that is really what our focus is. And if we do that, the rest will take care of itself.

As you were talking about the multiplier, you're probably talking about, I believe, the theatrical multiplier. Yes, there is no question that has expanded over the last several years. And if you look at where China is going, China could be an \$8 billion marketplace in the next several years. So if we make the right kind of movies that they like, then you can see that multiplier expanding, and we do believe we have the brands and we're extremely focused on those markets.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

While we are waiting for other questions from the audience, I just want to ask you one. Consumer Products -- obviously the films have been a big driver for -- of a lot of -- -- you have traditional Disney characters, of course. But the films of all the labels have been big drivers of



Consumer Products for The Walt Disney Company. What are you most excited about in terms of Consumer Products?

Alan Bergman – *President, The Walt Disney Studios*

As it relates to our films, I would have to say that as you look at *Avengers* -- as you had in your question -- *Avengers* and *Star Wars*. *Star Wars*, if we can get this right, is a huge opportunity for the Company, the entire Company. And that is why we are so focused on getting the first -- *Episode VII* is very critical.

So there is a lot of focus on that movie, and then preparing the Company to get that movie out into the world, whether it be the marketing, the distribution, the toys, apparel, the variety of things, and we certainly will be ready. But it couldn't be more exciting, *Star Wars*.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

I think my son already bought a *Star Wars* belt. So it is already --.

Alan Bergman – *President, The Walt Disney Studios*

It is a thing out there.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And then on Marvel, do you feel like -- does each new film regenerate prior -- the products of prior films?

Alan Bergman – *President, The Walt Disney Studios*

Well, certainly if you have a film like *Avengers* that has those other characters, then you know you are going to -- *Iron Man* is going to be popular and these kinds of things. So yes, they all kind of -- when they are IP that plays together, it lifts all the merchandise. And they have just done a phenomenal job with that, and it is so exciting to see their lineup coming up. So we are fortunate.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Not to mention the Disney label.



Alan Bergman – *President, The Walt Disney Studios*

Yes.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

There's a question here.

Audience Member

Given how strong the affinities are for some of the titles, do you have any interest in actually knowing the end consumer personally in terms of big data, and tracking their interactions with your different titles?

Alan Bergman – *President, The Walt Disney Studios*

Definitely, having strong contact with our consumers is a good thing, to understand kind of what they like and what they don't. We obviously do a tremendous amount of research on our films, before our films, after our films, marketing of the films.

In addition to that, if you look at *Disney Movies Anywhere* where we have that contact with them, we are going to gain more direct contact, more access, and learn more about our consumers. Because, obviously, our goal is to make -- we want to make quality films, but we also want to make films that people are going to enjoy and want to see.

So the more information we have, certainly the better off we will be and the better decisions we will make.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Again, while we're waiting -- so the prospects for -- you mentioned some of the downstream products like *Frozen* being -- going into a live Broadway show. But what about the prospects of some of these films to become TV shows? Marvel already has *S.H.I.E.L.D.*

Alan Bergman – *President, The Walt Disney Studios*

Sure.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Are there any other --?



Alan Bergman – *President, The Walt Disney Studios*

Sure. Let's stay on *Star Wars*, this happens to be our favorite topic today. If you look at what the Disney Channel and Disney XD -- there is a new *Rebels* show that is premiering next month, and that will be an animated series. So I think that the IP that we have, whether it be Marvel or *Star Wars*, lend itself to television. But if the creative is right. Because obviously, we have to be protective of the brand and no matter what we do, whether it be movies, television or toys, it has to be all about quality and it has to be about a good experience.

So if we can hit those criteria and put out movies and product and television shows that are of a high level of quality, I think it is right for it.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Questions? Okay, so I will keep going. How has the emergence of SVOD competition affected demand and pricing for your product?

Alan Bergman – *President, The Walt Disney Studios*

You know, I would say that going back to my -- I know I sound like a broken record a little bit -- we are really focused on these big branded movies that we want to see -- we want people to see in a theater. So that is where -- and if you look at the results -- that is where people are going to see them. Additionally, they are buying them.

So we stick to the windows. There are certainly -- the theatrical window, the video window, and there is an SVOD window. We obviously have a deal. So we try to maximize the value and also at the same time give consumers a great experience.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

And what about the television window, like the post SVOD, like how healthy is that market?

Alan Bergman – *President, The Walt Disney Studios*

You know, it's interesting, for the movies that we are making it is still very healthy. It is very strong and we are doing quite well. It is just -- it all comes back to those brands and the kind of movies that people want to see, I think as that lady just said. So we just have to stick to that.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

If we move away from *Star Wars*, are there any particular titles that you are excited -- more excited about or --?

Alan Bergman – President, The Walt Disney Studios

Well, I think -- well, I am excited about all of them, so I am a bit of a homer here. But as we look at our upcoming slate, obviously with *Big Hero 6*, our next animated movie from Disney Animation, following up on *Frozen*, I am very excited about that. Next March we have *Cinderella*, and Cate Blanchett is in it and she is spectacular. The look of this movie, when you see the gowns, the shoes, the chandeliers, it is spectacular, I assure you. And then, obviously, *Avengers* and then *Tomorrowland*. We have got a movie called *Tomorrowland* directed by Brad Bird who did *The Incredibles*. So we have *Ant-Man*, another Marvel movie coming in July. I am honestly excited about all of them because they are these big branded movies that people want to see.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Absolutely. Okay, last chance, any questions? There is one back there.

Audience Member

I am just curious -- and this is going back a little bit in history -- but at the time a lot of people were talking about *Lone Ranger* and *John Carter*. But post facto when you look back at the monetization you could get in all the different windows, international, do you think that the perception about the losses on those was greater than the actual reality? Even if the box office was a disappointment, that the other monetization methods turned out maybe better than expected?

Alan Bergman – President, The Walt Disney Studios

Well, I hope that is not going to be the last question to end on, *John Carter* and *Lone Ranger*. But I'm going to answer that question honestly and tell you no, it didn't get that much better. We did lose that much money on those movies.

As I said, it is hard to make movies, and those particular two just did not come together. Interestingly enough, *John Carter* in Russia was a huge hit -- I will give you that anecdote -- but unfortunately, those movies just did not work out for us.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

We just can't end on that note.

Alan Bergman – President, The Walt Disney Studios

Oh, come on now. I will show you my shoes. You have got to get these cool Vans shoes. They've got Stormtroopers on them.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Now -- I mean it just does -- I don't even know what the question is because you really -- it looks like you guys are ready to go to a level that no other studio has possibly achieved in the past. Would you --?

Alan Bergman – President, The Walt Disney Studios

Well, I think that the thing that we have is -- and I know you guys study all the studios and everything. If you look at the tentpoles that we are making, the number of tentpoles we are making versus other studios, I think you will find it is dramatically different from any other studio.

And then when you put behind it the brands that we have, I think we are in really, really good shape. Now obviously, we've got to make great movies; we can't rest on our laurels. We have to make fantastic movies. And I do believe -- in the genius of the deals that were made by Bob with Pixar, with Marvel -- it is not just the library, it is the creative talent that came along with it. So it is John Lasseter, it's Ed Catmull, and all of the fantastic directors at Pixar.

And you've seen what has happened. It is not just Pixar now. It has transformed Disney Animation. And then with Marvel, it is not just the library, it is the great creative executives that came along with it. So I think that we are very well-positioned in the future, but we have got to focus on the movies. No one is taking anything for granted.

We don't think that, oh, a sequel is always going to do better unless we make a better movie, so everyone is striving to do just that. But I am sure you can tell by my excitement, it is a very exciting place to be right now. I have been at the Company for over 18 years, and there has never been a more exciting time at the Studio. Because there is such fantastic stuff to work on each and every day, what we get to talk about. Harrison Ford -- it is just -- it's amazing.



Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Right. But at the time the acquisitions were made, from Pixar, then Marvel, *Star Wars* -- I don't know if you guys had the vision, but the international box office has grown tremendously. We did a -- put out a report yesterday. And for your key areas, action and animation, international box office is now two times that of domestic. And I don't know if you foresaw that at the time of the acquisitions. But do you think that number could -- that that multiplier could go higher?

Alan Bergman – President, The Walt Disney Studios

If China and some of these other markets grow, they can grow higher. Certainly, we didn't know exactly what was going to happen, but I think that when you get to the fundamental, the core of what Disney is, quality and branding -- when you look at the quality of Pixar, they had -- before we acquired them and since, every movie has been a hit. So that quality feature, that brand, fit perfectly with Disney.

And if you look at Marvel, if you look at the titles they had and then the people that they have, really understanding those people, it was a great fit for us, too. And then the crown jewel is *Star Wars*. I mean -- for a -- well, we are talking about six films that have been made, and everyone around the world knows *Star Wars*. It's pretty spectacular. So it is another brand that fits perfectly, the quality of these movies with the Disney brand. So we have been fortunate, but I think they were extremely smart moves.

Jessica Reif Cohen – Analyst, Bank of America Merrill Lynch

Absolutely. There is a question here. Kendall?

Audience Member

Hi. I just was wondering, talking about the number of tentpole films that you have coming up, and seeing that all the other studios are also trying to move towards a similar strategy, do you think there is going to be oversaturation of tentpole films in the market?

And do you think people will just start going to the movies more to consume that content or -- I guess how do you think you're going to make it so that people will come see yours instead of the other tentpole films?



Alan Bergman – *President, The Walt Disney Studios*

No, that's a very good question. Certainly the other studios are making more tentpole movies as they see where the profit is. But competition is good, it puts more pressure on us to make better movies, and that is exactly how we think about it.

So you know -- but what we also have is we have these brands. So it is the Marvel movie, it is the *Star Wars* movie, it is the Disney movie, it is Disney's *Alice in Wonderland*, it is Disney's *Pirates of the Caribbean*. So I think because of our brands, we have a competitive advantage.

Back in the day we used to make Touchstone movies, and these were more general audience movies and we didn't have a competitive advantage. No one would say I am going to a Touchstone movie, and because of that we no longer make those movies because we are focused on areas where we have a competitive advantage. And if we make great movies, I think we are going to be in great shape.

Jessica Reif Cohen – *Analyst, Bank of America Merrill Lynch*

Great. Thank you so much.

Alan Bergman – *President, The Walt Disney Studios*

Okay, good seeing you.

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Forward-Looking Statements:

Management believes certain statements in this call may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Management 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 or asset acquisitions or dispositions), as well as from developments beyond the Company’s control, including:

- adverse weather conditions or natural disasters;
- health concerns;
- international, political, or military developments;
- technological developments; and
- changes in domestic and global economic conditions, competitive conditions and consumer preferences.

Such developments may affect travel and leisure businesses generally and may, among other things, affect:

- the performance of the Company’s theatrical and home entertainment releases;
- the advertising market for broadcast and cable television programming;
- expenses of providing medical and pension benefits;
- demand for our products; 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 Annual Report on Form 10-K for the year ended September 28, 2013 and in subsequent reports on Form 10-Q under Item 1A, “Risk Factors.”

Reconciliations of non-GAAP measures to closest equivalent GAAP measures can be found at www.disney.com/investors.