

# Disney+ Revenue Model

- ✓ We expect Disney+ to be offered at an extremely aggressive price in Latin America, India, and China in order to drive massive subscriber growth.
- ✓ However, after a couple of years we expect prices internationally to rise ~15% annually. Higher churn MAY result; however, Netflix's Lat-Am ARPU of \$8.21 (Sept '19) is much higher than our expected Disney+ Lat-Am price of \$3.50/mo. Moreover, Netflix has taken double-digit price increases in each of the past three years and still added 5m net new subscriber annually.

DISNEY+ SVOD	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e
(millions)									
Domestic Retail Price	\$6.99	\$6.99	\$7.00	\$7.18	\$7.35	\$7.54	\$7.73	\$7.92	\$8.12
Packaging Discount	75%	80%	85%	90%	90%	90%	90%	90%	90%
% Direct	50%	50%	50%	50%	50%	50%	50%	50%	50%
Wholesale Discount	25%	23%	20%	18%	15%	15%	15%	15%	15%
Geo Mix	66%	82%	90%	90%	90%	90%	90%	90%	90%
International Retail Price	\$6.99	\$2.80	\$3.22	\$3.70	\$4.25	\$4.89	\$5.62	\$6.47	\$7.44
Domestic ARPU	\$4.59	\$4.95	\$5.36	\$5.88	\$6.12	\$6.28	\$6.43	\$6.59	\$6.76
International ARPU	\$4.20	\$2.34	\$2.12	\$2.34	\$2.60	\$2.89	\$3.22	\$3.59	\$4.01
Blended ARPU	\$4.33	\$2.81	\$2.45	\$2.68	\$2.95	\$3.23	\$3.55	\$3.90	\$4.29
Subs									
Domestic Churn Rate				1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Domestic	27	35	39	42	45	48	50	51	50
International Churn Rate				1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
International	53	158	337	390	416	430	436	439	441
<b>Total Subs</b>	<b>80</b>	<b>193</b>	<b>376</b>	<b>432</b>	<b>462</b>	<b>478</b>	<b>486</b>	<b>490</b>	<b>491</b>
Guidance					60-90m				
Avg. Subs	40	136	285	404	447	470	482	488	491
<b>Total Revenue</b>	<b>\$2,073</b>	<b>\$4,605</b>	<b>\$8,377</b>	<b>\$13,014</b>	<b>\$15,793</b>	<b>\$18,228</b>	<b>\$20,543</b>	<b>\$22,841</b>	<b>\$25,253</b>

Our model assumes continued domestic growth as more content is added and only available on Disney+ post the theatrical window. Additionally, we would expect Disney+ to begin to develop into a platform which reduces churn.

We are modelling a material moderation in international net subscriber growth post 2023 due to elevated churn and reaction to the rising Disney+ price.

For context, Wall Street is modeling \$29.2B in revenue for Netflix in 2021

Also for context, there are currently about 1B linear TV subscribers worldwide that generate over \$200B in revenue\*. Additionally, there is an additional \$80B in global OTT revenue (2019). Applying a 5% CAGR to the \$280B sum and growing it through 2028 yields \$434B.

Thus, the \$25B estimate for Disney+ would represent only 6% of the total. 6% is quite reasonable in the context of Disney's 26% share of the global box office (2018 reference).