Disney+ Financial Model

Guidance

Financial Impact	
Cash investment in FY 2020	A little over $1bn
Cash investment in FY 2024	Mid $2bn range
Content amortization in FY 2020	<$500 mn
Content amortization in FY 2024	~$2 bn
Content amortization schedule	80-90% in first 4 years
License content expense in FY 2020	<$1.5bn
License content expense in FY 2024	Mid $2bn range
Total opex in FY 2020	A little less than $1bn for FY $ 2020, ramp < revenue growth
Operating losses peak	Peaking in FY20-22
Achieving profitability	FY24

- ✓ Unlike Netflix and Amazon Prime, Disney+ doesn't have to create new brands of IP and all of its content sits within well understand studio brands. Consequently, we expect Disney+ to spend substantially less than these two to drive awareness and consumer appeal to its content. Additionally a lot of that marketing is done for the theatrical releases which is in Studio's P&L.
- ✓ Also unlike the other two, Disney+ doesn't intend to be in the long-tail and volume game. Its catalog is to be select and highly curated within each of the studio's identity.
- ✓ Disney+'s customer acquisition spending should be materially below Netflix's due to its existing branding, its prolific consumer touch points, its appeal as a partner (Verizon and Canal +), etc.
- ✓ For these reasons and others, Disney+ should have a substantially higher margin rate than Netflix.

DISNEY+ SVOD *(milions)*	**FY20e**	**FY21e**	**FY22e**	**FY23e**	**FY24e**	**FY25e**	**FY26e**	**FY27e**	**FY28e**
Total Revenue	**$2,073**	**$4,605**	**$8,377**	**$13,014**	**$15,793**	**$18,228**	**$20,543**	**$22,841**	**$25,253**
Programing & Other COGS									
New Originals	$300	$1,100	$2,000	$2,500	$3,000	$4,500	$4,650	$4,800	$4,950
Cable Programming	$213	$234	$257	$257	$258	$259	$260	$261	$262
Guidance	$500				$2,000				
Total Film License Rev	$4,792	$4,138	$3,939	$4,612	$4,842	$5,084	$5,338	$5,605	$5,886
Externally Licenses	70%	60%	50%	45%	40%	30%	20%	10%	0%
Film Studio Programming	$1,438	$1,655	$1,970	$2,536	$2,905	$3,559	$4,271	$5,045	$5,886
Guidance	$1,500				$2,500				
Total Programming Costs	**$1,950**	**$2,989**	**$4,227**	**$5,294**	**$6,164**	**$8,318**	**$9,181**	**$10,106**	**$11,098**
Per Sub/Mo			**$1.24**	**$1.09**	**$1.15**	**$1.48**	**$1.59**	**$1.73**	**$1.89**
Other COGS	$100	$242	$471	$541	$599	$629	$646	$654	$657
Total COGS	**$2,050**	**$3,231**	**$4,698**	**$5,835**	**$6,762**	**$8,948**	**$9,827**	**$10,760**	**$11,755**
% of Revenue				45%	43%	49%	48%	47%	47%
Marketing	$600	$750	$900	$1,300	$1,300	$1,100	$1,150	$1,200	$1,250
% of Revenue	28.9%	16.3%	10.7%	10.0%	8.2%	6.0%	5.6%	5.3%	4.9%
Brand & Show Marketing	$600	$750	$600	$630	$662	$695	$750	$800	$850
Customer Acquisition	$0	$0	$300	$670	$639	$405	$400	$400	$400
Gross Adds	0.0	0.0	0.0	89.5	94.0	98.7	93.2	88.1	83.3
SAC				$7.49	$6.79	$4.11	$4.29	$4.54	$4.80
Other Expense	$200	$300	$338	$260	$316	$365	$411	$457	$505
EBIT	**-$777**	**$323**	**$2,441**	**$5,618**	**$7,414**	**$7,815**	**$9,155**	**$10,424**	**$11,742**
YoY $ Change			$2,118	$3,177	$1,796	$401	$1,340	$1,268	$1,319
Margin Rate			29%	43%	47%	43%	45%	46%	46%

Modeling $1.6B in higher-than-guided programming expense due to the higher subs

See marketing running at ~$1.2B on a steady-state basis due to stability in the ROI and SAC

For context, NFLX's domestic margins are 37% in 2019 with:

- ✓ Content costs of $5/mo; total spend of $7.5B
- ✓ Marketing expense of margin of 11%
- ✓ Domestic SAC ~$4.50-$6.50.