

Disney+ Subscriber Model

These are our estimates for subscribers by geography by month

Millions	Oct-19	Nov-19	Dec-19	Q4'19	Jan-20	Feb-20	Mar-20	Q1'20	Apr-20	May-20	Jun-20	Q2'20	Jul-20	Aug-20	Sep-20	Q3'20	
Disney+																	
Nefflix Subs (millions)																	
Japan	7.4	Japan	2	3	3	4	4	5	5	5.0	5.0	5	5	5.0	5.0	5	5
US	61.0	Nov 12th	11	15	15	16	18	20	20	21	22	24	24	24	26	27	27
Canada	7.0	Nov 12th	2	4	4	4	5	6	6	7	7	7	7	7	7	7	7
Netherlands	2.4	Nov 12th	1	2	2	2	2	2	2	2	3	3	3	3	3	3	3
Australia & NZ	3.9	Nov 12th	1	2	2	2	2	2	2	2	3	3	3	3	3	3	3
Germany	10.0						31-Mar			2	3	3	3	4	5	6	6
UK & Ireland	16.0						31-Mar			2	3	4	4	5	6	8	8
France	7.0						31-Mar			1	2	2	2	3	3	4	4
Spain	7.0						31-Mar			1	2	2	2	3	3	4	4
Italy	7.0						31-Mar			1	2	2	2	3	3	4	4
Rest of W-EU	0.0																
Latin America	29.4													31-Aug	11	11	11
Eastern EU																	
India																	
China	305																
Total			25	25	25	31	34	35	45	50	56	56	60	68	83	83	83
Period Start			17	0	25	31	34	25	35	45	50	35	56	60	68	56	56
Gross Adds			8	25	7	4	2	13	11	8	8	27	8	12	19	39	39
Monthly Churn			2%		2%	3%	3%	2.7%	3.3%	5.2%	5.4%	4.6%	6.0%	6.5%	6.5%	6.3%	6.3%
Disconnects			0.3	0.3	0.5	0.9	1.0	2.4	1.1	2.3	2.7	6.2	3.3	3.9	4.4	11.7	11.7
Net Adds			8	25	7	3	1	10	10	6	5	21	5	8	15	27	27
Period End			17	25	25	31	35	35	45	50	56	56	60	68	83	83	83

29.4

305

15

11

Japan had a soft launch in August. Product name is Disney Deluxe
10m day-1 & up to 17m from Verizon in December / January

Western Europe and Canal + @ 8m subs

Latin America on August 31

These are Netflix sub numbers* by geographic market. One can use this data to ballpark our estimates. For example, we are (g)estimating that Disney+ gains 11m subscribers in its first month (September 2020) in Latin America. We reach 11m based upon the brand strength and appeal of Disney in Latin America, knowing that Netflix has 29.m subscribers** in the market, and the relatively low price of Disney+ which we expect to retail at \$3.49/mo. For comparison, Netflix has a \$8.21/mo ARPU in the region. Thus, we feel that Disney+ at \$3.49 will be seen as a terrific value and it should gain subscribers at a blistering pace.

During the 2013-2015 period, Netflix averaged 820K net new domestic subscribers per month. We assume 150% that rate in Q2'20 and 125% that rate in Q3 due to better brand recognition, execution, pricing, and packaging.

We expect Disney + to experience a significant level of churn in its first couple of years as consumers sign up to sample the shows and then lapse. For comparison, Netflix in the US has ~1.35% churn rate. Netflix's international churn rate is higher than domestically, and we expect that to be common across the industry. Our estimate of 6.3% for Q3'20 equates to a 100% annual cancellation rate. In that quarter, we estimate that Disney+ attracts 39m new subs globally, but loses 12m due to cancellations, to net 27m subscriber additions which increases the total to 83m.

* Morgan Stanley Estimates October 2019 **NFLX 8-K