ValueAct Capital

www.10XEBITDA.com

ValueAct's Take on Disney

March 2024

Disclaimer

This document has been prepared by ValueAct Capital Management, L.P. ("ValueAct Capital"). ValueAct Capital provides investment advisory services to private investment funds, which have an economic interest in the securities discussed herein. This document is for informational purposes only and should not be construed as investment advice for any person or entity. This document should not be relied upon for making an investment decision, including any decision to buy or sell any securities discussed herein.

The views expressed herein reflect the views and subjective opinions of ValueAct Capital only through the date of the presentation and are subject to change at any time. Certain financial information and other data used in this document has been derived or obtained from sources that are considered reliable but are not guaranteed. ValueAct Capital reserves the right to change any of its opinions expressed in this document at any time as it deems appropriate and ValueAct Capital disclaims any obligation to correct, update or revise this document or to otherwise provide any additional materials to any recipient of this document. ValueAct Capital has not sought or obtained consent from any third party to use any of the statements or information that was obtained or derived from a third party, and the inclusion of such third-party statements or information should not be viewed as indicating the support of such third party. For the avoidance of doubt, this document has not been endorsed by The Walt Disney Company ("Disney"). ValueAct Capital recognizes that there may be information in the possession of Disney that could lead ValueAct Capital to change its opinions expressed in this document or could lead Disney or others to disagree with ValueAct Capital's opinions.

This document may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, that reflect ValueAct Capital's views with respect to, among other things, future events and financial performance, and actual results may vary materially from the results discussed in this document. Forward-looking statements can be identified by the use of forward-looking terminology, such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Forward-looking statements are subject to various risks and uncertainties and assumptions and there can be no assurance that any idea or assumption contained in this document is, or will be proven, correct. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. Forward-looking statements should not be regarded as a representation by ValueAct Capital that the future plans, estimates or expectations contemplated will ever be achieved.

Under no circumstances is this document to be used or considered as an offer to sell or a solicitation of an offer to buy any security, including, without limitation, any interest in any fund managed by ValueAct Capital. Any offer to purchase an interest in a ValueAct Capital fund would only be made at the time a qualified offeree receives the Confidential Memorandum of such fund. The terms of any investment in the ValueAct Capital funds shall be governed by the constituent documents for the relevant fund, which expressly do not include this document. Any investment in the funds is speculative and involves substantial risk, including the risk of losing all or substantially all of such investment.

Through this document, ValueAct Capital is stating how it intends to vote at the next annual general meeting and the reasons therefor, and is not soliciting any proxy in connection with that meeting.

Who is ValueAct?

www.10XEBITDA.com

We Have a Network Built by Serving on 47 Public Boards



www.10XEBITDA.com

* Indicates BOD observation rights.

We Collect Lessons Learned into a "Toolkit"



www.10XEBITDA.com

"The learn-it-all will always do better than the know-it-all"

Satya Nadella, Microsoft CEO

ValueAct's Track Record in Media and Technology Investments

Media	Technology	Videogames	Sports Betting	Theme Parks
21st Century Fox	Adobe	XBOX	FANDUEL	LEGOLAND PARKS
The New York Times	Microsoft	Nintendo		
Spotify	salesforce	ROBLOX		

www.10XEBITDA.com

What is ValueAct's Disney Thesis?

WWW.10XEBITDA.COM

Investment Thesis

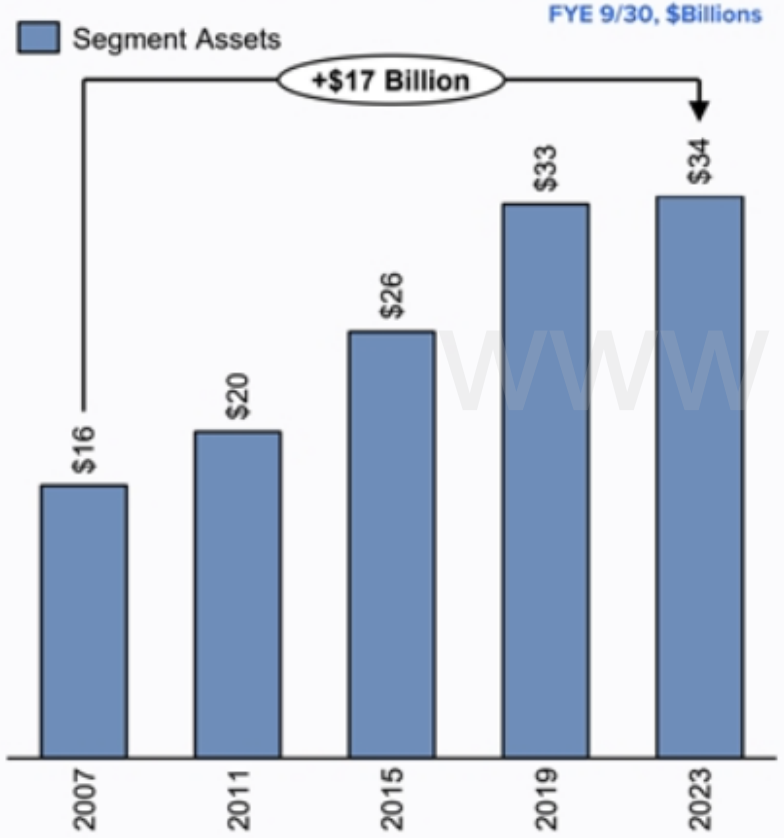
1. Lean Into Parks

2. Move Beyond the Streaming Wars...
   a. Bigger Bundles
   b. Better Consumer Experiences
   c. Better Advertising Technology
   d. Work with the other Studios to test new ideas and create win/wins!

www.10XEBITDA.com

Theme Parks Are a Growth Business

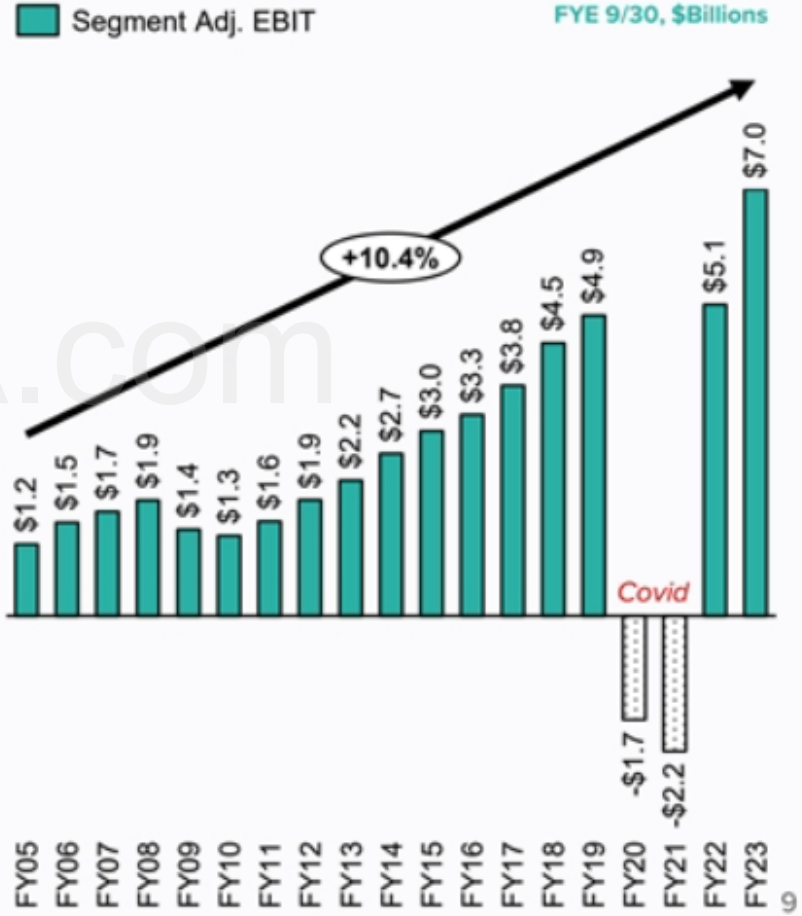
Massive Investment Capacity...



At High and Improving Returns on Capital...



Leading to Durable Earnings Growth



www.10XEBITDA.com

Sources: Public company filings, VAC Analysis

Disney Genie Service is Launched

October 2021



Parks and Consumer Products provide...

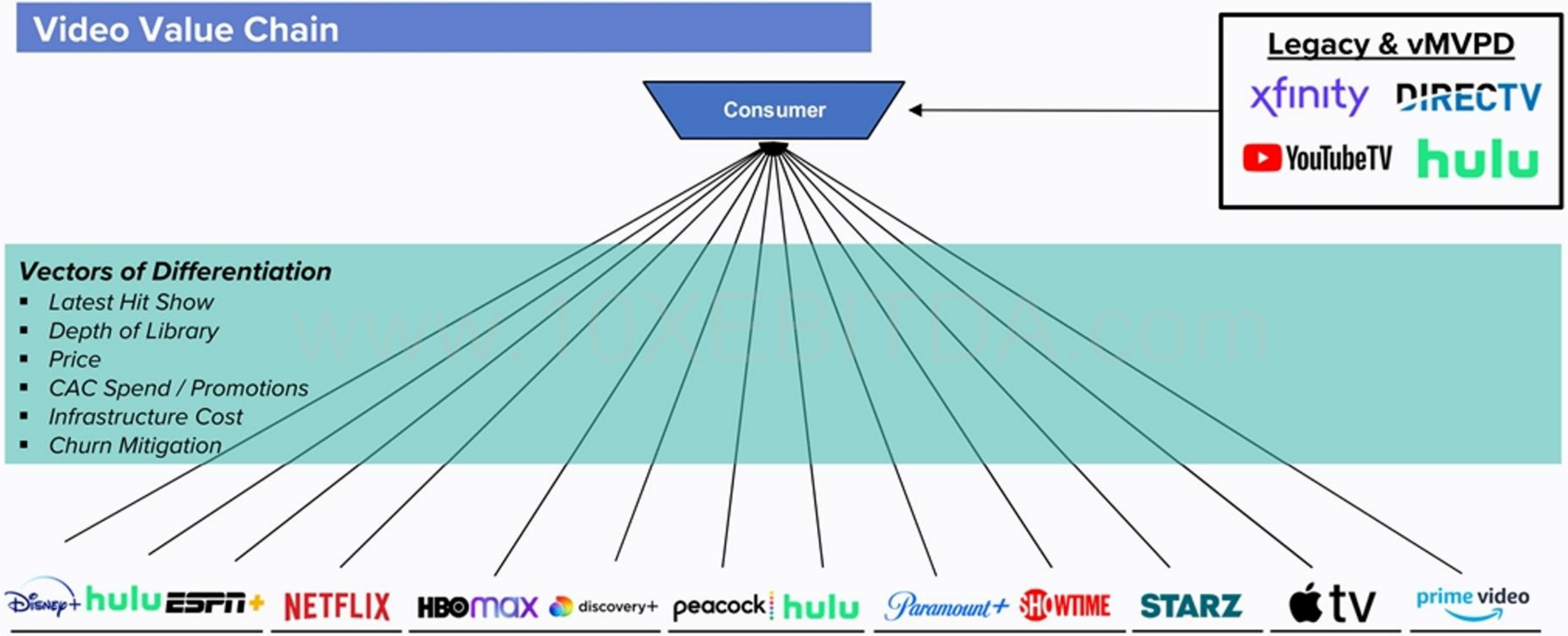
- An "Extra Window" for monetizing characters and story IP
- With Technology as a positive tailwind

www.10XEBITDA.com

Current DTC Video Value Chain

Volume of DTC options creates Consumer confusion and requires each Content Owner to compete on every vector of differentiation.

Video Value Chain



Us vs Them: Studios vs Netflix

Disney and other Studios have common problems, common solutions, and a common competitor…

Existing Media Landscape

	The Walt Disney Company	Warner Bros. Discovery	NBCUniversal	Paramount	Netflix
Streaming Profits[1] (2024E)	~$0 Billion	~$0 Billion	~$(2) Billion	~$(1) Billion	~$10 Billion
Tent pole Franchises	Pixar, Star Wars, Marvel, Avatar	DC, Harry Potter	Fast & Furious, Jurassic Park, Despicable Me	Star Trek, SpongeBob SquarePants, Teenage Mutant Ninja Turtles	✗
Broadcast & Linear Profits[1]	abc ~$5 Billion	✗ ~$8 Billion	NBC ~$6 Billion	CBS ~$4 Billion	✗
Sports and News	ESPN, abc News	CNN, TNT	NBC News, NBC Sports, CNBC, MSNBC, NBC Sports Regional Networks	CBS News, CBS Sports	✗
Creative Friendly	✓	✓	✓	✓	✗

www.10XEBITDA.com

Sources: Wall Street Equity Research, VAC Estimates
1. Profits represent equity research EBITDA estimates

Key Lesson from ValueAct's Portfolio

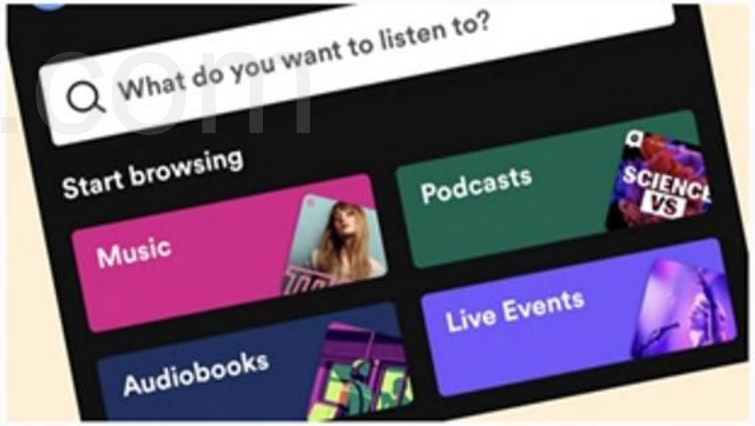
Microsoft

Office 365

The New York Times



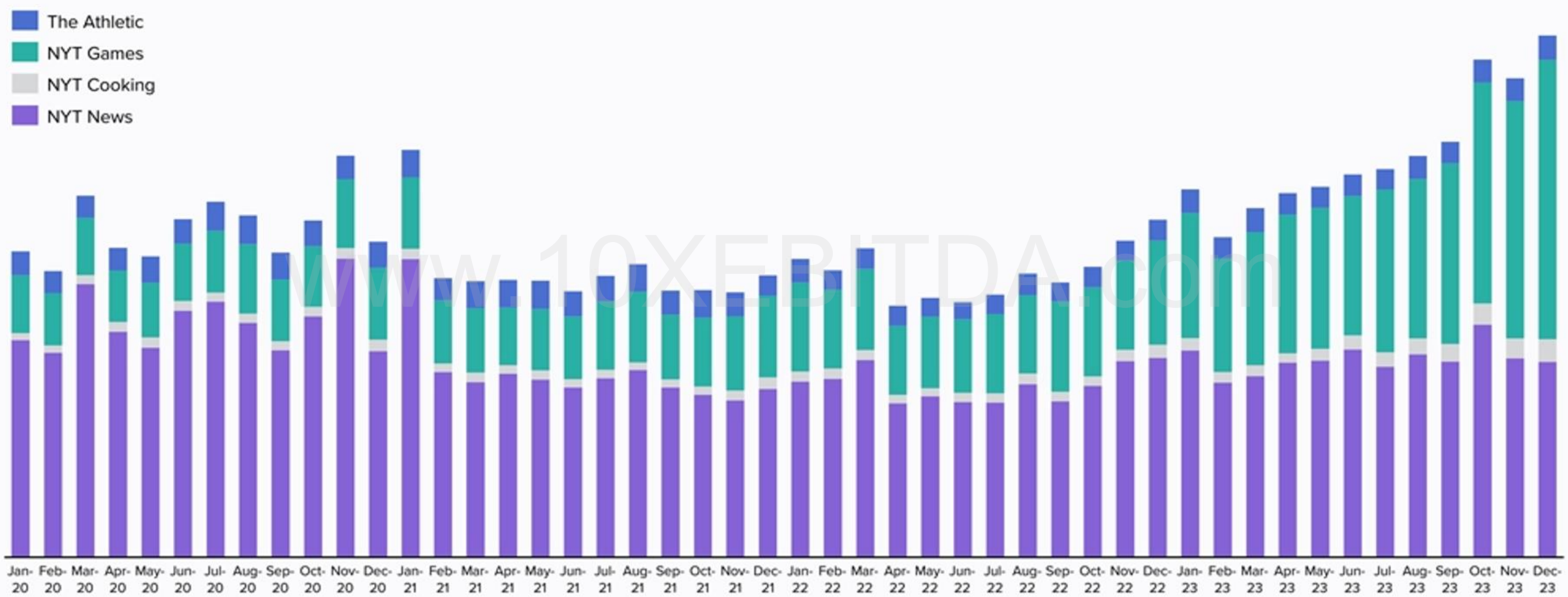
Spotify



www.10XEBITDA.com

The NYT Bundle Drives Engagement

Global Time Spent for NYT Owned Apps



www.10XEBITDA.com

Source: YipitData

What has happened?

www.10XEBITDA.com

Disney has Leaned Into Parks and deepened its bench of media, technology, and capital allocation experts to help Move Beyond the Streaming Wars

$60B Parks Investment

September 2023



Disney Plans to Expand Parks Investment, Doubling Capital Expenditures Over 10 Years

The Walt Disney Company is developing plans to accelerate and expand investment in its Parks, Experiences and Products segment to nearly double capital expenditures over the course of approximately 10 years to roughly $60 billion, including by investing in expanding and enhancing domestic and international parks and cruise line capacity.

Today, Senior Disney executives, including Chief Executive Officer Bob Iger and Disney Parks, Experiences and Products Chairman Josh D'Amaro, gathered with Wall Street analysts and investors at Walt Disney World Resort in Orlando, Florida for an investor summit focused on Disney's Parks business and its track record of investing aggressively and intelligently in experiences that leverage the powerful and ever-growing library of Disney stories, which has proven incredibly effective.

New Board Directors

November 2023

VARIETY

HOME > TV > NEWS

Nov 29, 2023 1:41pm PT

Disney Names Morgan Stanley CEO James Gorman, Former Sky Chief Jeremy Darroch to Board of Directors; Francis deSouza Will Not Seek Re-Election

By Jennifer Maas



Disney

ValueAct Agreement

January 2024

The Walt Disney Company

JANUARY 3, 2024

The Walt Disney Company and ValueAct Capital Enter Into Information-Sharing Arrangement to Facilitate Strategic Consultation During Company's Transformation

Investment Firm Will Support the Disney Board's Slate of Director Nominees at 2024 Annual Meeting

The Walt Disney Company and ValueAct Capital Management, L.P. have entered into a confidentiality agreement that enables the company to provide information to the investment firm and consult with ValueAct on strategic matters, including through meetings with the Disney Board and management.

ValueAct has extensive experience investing in media and technology companies navigating significant business transformations, including Spotify, The New York Times, 21st Century Fox, Nintendo, Microsoft, Adobe and Salesforce.

www.10XEBITDA.com

Sources: Company press releases, Variety

Disney has also taken key steps on the path to creating bigger bundles…

Consolidated Hulu Stake

November 2023

The Walt Disney Company

COMCAST

hulu

NOVEMBER 1, 2023

The Walt Disney Company to Purchase Remaining Stake in Hulu from Comcast

The Walt Disney Company (NYSE: DIS) announced today that it will acquire the 33% stake in Hulu, LLC held by Comcast Corp.'s (NASDAQ: CMCSA) NBC Universal (NBCU), following Comcast's November 1 exercise of its right under the put/call arrangement between the two companies. The acquisition of Comcast's stake in Hulu at fair market value will further Disney's streaming objectives.

Under the terms of the put/call arrangement, by December 1, Disney expects it will pay NBCU approximately $8.61 billion, representing NBCU's percentage of the $27.5 billion guaranteed floor value for Hulu that was set when the companies entered into their agreement in 2019 minus the anticipated outstanding capital call contributions payable by NBCU to Disney. Under the appraisal process agreed to by Disney and Comcast, Hulu's equity fair value will be assessed as of September 30, 2023, and if the value is ultimately determined to be greater than the guaranteed floor value, Disney will pay NBCU its percentage of the difference between the equity fair value and the guaranteed floor value. While the timing of the appraisal process is uncertain, we anticipate it should be completed during the 2024 calendar year.

Hulu / Disney+ Integration

December 2023

hulu Disney+

DECEMBER 6, 2023

Hulu on Disney+ Beta Launch: What You Need to Know

Are you a fan of *Loki* on Disney+ and *The Bear* on Hulu? Well, soon, you'll be able to watch two of the most popular series on streaming without having to leave one app for another.

Hulu on Disney+ rolls out its beta version to Bundle subscribers today before officially launching in the spring. It's an exciting next step for Disney and its streaming endeavors.

To find out more, we spoke with Joe Earley—Disney Entertainment's President of Direct-to-Consumer—about the roll out, what Hulu on Disney+ will look like and what's next for Disney streaming.

Here's everything you need to know:

$1.5B investment in Epic

February 2024



FEBRUARY 7, 2024

Disney and Epic Games to Create Expansive and Open Games and Entertainment Universe Connected to Fortnite

The Walt Disney Company and Epic Games will collaborate on an all-new games and entertainment universe that will further expand the reach of beloved Disney stories and experiences. Disney will also invest $1.5 billion to acquire an equity stake in Epic Games alongside the multiyear project. The transaction is subject to customary closing conditions, including regulatory approvals.

In addition to being a world-class games experience and interoperating with Fortnite, the new persistent universe will offer a multitude of opportunities for consumers to play, watch, shop and engage with content, characters and stories from Disney, Pixar, Marvel, Star Wars, Avatar and more. Players, gamers and fans will be able to create their own stories and experiences, express their fandom in a distinctly Disney way, and share content with each other in ways that they love. This will all be powered by Unreal Engine.

www.10XEBITDA.com

Sources: Company press releases

...and has started to work with other studios to test new ideas and create win/wins.

ESPN, Fox, and Warner Bros. Sports Collaboration

February 2024



ESPN, FOX and Warner Bros. Discovery Forming Joint Venture to Launch Streaming Sports Service in the U.S.

- Will Bring Together Sports Linear Networks and Direct-to-Consumer Service ESPN+
- Offering to include NFL, NBA, WNBA, MLB, NHL, NASCAR, College Sports, UFC, PGA TOUR Golf, Grand Slam Tennis, the FIFA World Cup, Cycling and Much More
- The Service will be offered through a New Standalone App, Built from the Ground Up, for the Passionate Sports Fan

www.10xEBITDA.com

Sources: Company press releases

Why Did We Commit Our Votes for the Board and Leadership?

1. We have a ***thesis***, informed by our Network and Toolkit

2. We have a ***positive collaboration*** – LOTS of learning and teaching – well underway

www.10XEBITDA.com

3. We have ***tangible evidence*** of progress

"As legacy technologies transition to digital platforms, we believe Disney can lead the media industry forward. We could not be more excited to partner with Bob and the Board to help create long-term sustainable shareholder value."

Mason Morfit, ValueAct Capital Co-CEO and CIO