



Holland Views – Disney – Price: \$130: MCap: \$238bn

Game Changer II – Game on

“When Disney gets behind something, watch out” – Steve Jobs

In the last year or two we have studied the evolution of Disney in great detail. As we outlined in 2016 (*Holland Views: Disney – Content King, Oct 2016*) we concluded to really like the Disney’s unmatched global content offering - seeing it as having great rarity value in a rapidly evolving online media world. In (*Holland Views: Disney – Game Changer, Nov 2018*), we then laid out why we also thought Disney’s direct to consumer (DTC) strategy would transform this business. At that time, we concluded that Disney’s shift to DTC would likely succeed. Post last week’s Capital Markets Day and the unveiling of Disney+ pricing and offering, we are now even more convinced. As per Steve Jobs’ quote above, underestimating this company (and Bob Iger) is an error that too many have made in the past.

In our November piece we discussed the concerns Mr Market expressed over Disney’s DTC move – outlining the many strengths we felt the business enjoyed which would mean they could be overcome. In that context, last Thursday’s investor day was surely a seminal moment for this company as it laid out its stall for Disney+, ESPN+ and Hulu; the core DTC offerings.

We will not attempt to summarise all the detail of those offerings here (the presentation pack is 210 slides¹ long!). That said, serious appraisers of this company should watch the replay of the presentation in full – for only by doing so will they get a true feel for the magnitude and value of what Disney is planning to create and offer to its global audience.

[The big reveal: Disney+](#)

In November we highlighted the importance of Disney combining the power of its content brands, its back catalogue, its creative pipeline and its vast media infrastructure. All of these strengths were on display last week. Any questions as to the scale and/or exclusivity of the content being offered were surely answered by the company. Disney’s CEO has, we think, made some extremely shrewd judgements in setting-up the Disney+ DTC channel, not just in initial pricing. Iger has made the canny decision to repurchase distribution rights on existing but already-licensed Disney content (e.g. some Star Wars films) so as to ensure the product offered at launch is all-encompassing. This is combined with newly created spin-off series plus legacy assets including those from Fox (e.g. The Simpsons archive). The result we think is a truly compelling media offering at exceptional value.

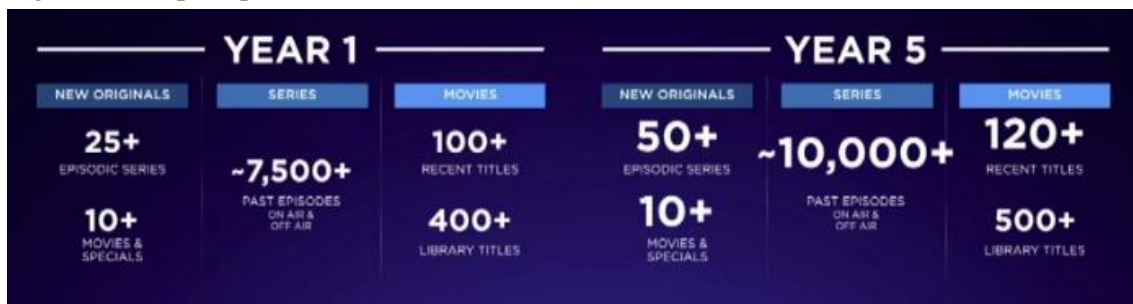
In short, for c.\$6.99 per month, the prospective Disney+ customer is offered a treasure trove of exclusive content, from November 2019. It includes:

- All Pixar films + short stories ever made
- All Marvel films ever made (12 in in the first year)
- All Star Wars films available within first 12 months (2 missing at launch)
- **All future Disney release films (from 2019 onwards) to only go onto this platform.**
- Disney Studio and Disney Movie Classics

¹ https://www.thewaltdisneycompany.com/wp-content/uploads/2019/03/disney_investor-day_2019.pdf

- New Exclusive-to-Disney+ three new spin-out series
 - Star Wars ‘Mandalorian’
 - High School Musical
 - Lady and the Tramp
- First 30 seasons of The Simpsons
- All National Geographic content with films and documentaries
- 5,000 hours of Disney Channel content
- All content is downloadable for offline viewing

Fig.1: One-stop shop



Source: Disney

The key point about the above offering is that all this content will be **only** be available on this DTC platform. It will be able to be viewed on multiple devices and priced at just c.\$70pa for US customers from November 2019. At this price Disney+, we suggest, almost becomes a household utility, rather than a discretionary purchase, that every US home with kids will subscribe too. Good luck saying “no” and good luck telling them you are getting rid of it when Disney raises the price of it a few years out!

For context, US households spent roughly \$2.8bn renting and buying Disney DVDs last year, yet Disney’s base case assumption is that it only generates 30m US subscribers by 2024, i.e. just \$2.1bn! This gives a glimpse of the scale of value on offer here (or indeed the prudence of the subscriber estimate).

Further proof of existing scale of demand is plentiful. Examples being; 900m people watched a Disney movie in cinemas last year, a staggering 300m watched Marvel Avengers Infinity War and 224m people watched the Lion King II *trailer* in the first 24hours after its release!

And yet, Disney are guiding for 60-90m global subscribers of Disney+ by the end of 2024. From a standing start these might seem big numbers. To us they look low.

[A Global Content Library available in every living room](#)

The scale of the product line up at launch we think is very impressive indeed reflecting its own brand archive, the Fox acquisition and roughly \$1bn (and rising) annual cash spend in new Disney+ exclusive content creation. Its breath and depth will have wide appeal across a huge global market. Indeed, during the Investor day Q&A the company was asked what it thought its total addressable market was. It responded that the global online connected population (i.e. those with sufficient bandwidth) of 1bn could be considered its market. If any other content provider made such a claim, we might consider it fanciful, but this line up of content at launch suggests this is a plausible market for Disney to target.

To view the remainder of this in-depth report, please contact Andrew Hollingworth, Andrew@hollandadvisors.co.uk for a complete PDF copy.

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