

# **Walt Disney suffers first Annual Loss in 40 years - Pandemic has taken its toll but future looks promising**

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## **Abstracts**

Walt Disney suffers first Annual Loss in 40 years - Pandemic has taken its toll but future looks promising

## **SUMMARY**

Prior to the outbreak of COVID-19 and subsequent global pandemic, The Walt Disney Company had been performing incredibly well. In the year ended September 2019 (FY2019), the company saw its revenue reach \$69.6bn, an increase of 13% over FY2018. However, Walt Disney has been hit hard by the COVID-19 pandemic. Movie production and releases have been postponed, theme parks closed, and sporting events scheduled to be shown on ESPN cancelled. Video streaming services have remained a sole bright spot for the company. The Disney business model is being forced to adapt to withstand the pressures and changes being implemented around the world as a result of the pandemic.

## **KEY HIGHLIGHTS**

Prior to the COVID-19 pandemic, Disney was in an incredibly strong position. In the company's 2019 financial year (year-end September), Disney saw its revenue reach \$69.6bn, an increase of 17% over 2018. All of the company's four operating segments (Media Networks; Parks, Experiences and Products; Studio Entertainment; and Direct-to-Consumer & International) grew in the 2019 financial year. Similarly, in the company's first quarter of its 2020 financial year (three months to December 2019), revenue grew by 36% compared to the same period in the previous year. However as the COVID-19 pandemic hit, the company has been severely impacted. Movie production and releases have

been postponed, theme parks closed, and sporting events scheduled to be shown on ESPN cancelled.

While the detrimental impact that the pandemic has had on Disney is undeniable, the company's streaming platforms, and Disney+ in particular, have seen a surge in demand. As the company reported 6% revenue decline overall for its 2020 financial year, the streaming segment (Direct-to-Consumer & International) saw a staggering 81% growth. Disney+ has grown its subscriber base from zero at the beginning of the financial year, to 73.7 million by October 3, 2020. This is well ahead of the company's original goal of 60 to 90 million customers by the end of fiscal 2024.

While this has undoubtedly been a difficult year for Disney, it is adapting well to the pandemic and optimism surrounds the company. With movie theaters dying out and streaming surging, Disney is focusing on its platforms including Disney+ and Hulu. With the box office out of bounds, the company's streaming services have offered an alternative mode of distribution for its new releases. What's more, as Disney increasingly releases new titles to its streaming platforms, demand is growing and subscriber numbers surging. Further investment in the company's streaming business is coming in the form of a new platform with the Star brand name, which is set to be rolled out in various countries in 2021. The service will feature content from Fox Television, ABC Studios, 20th Century Studios, Searchlight, FX, and Freeform. This new offering is also set to be integrated into Disney+ in many markets, which will significantly improve its competitiveness against the likes of Netflix.

## SCOPE

See how Disney has been dealing with the pandemic

Understand how badly Disney has been impacted

Understand how the company will have to change to recover

See what the company's future looks like

## REASONS TO BUY

*Walt Disney suffers first Annual Loss in 40 years - Pandemic has taken its toll but future looks promising*

How has Disney fared during the pandemic?

What has the firm done in order to survive?

What options does it have to progress in future?

How have competitors fared?

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