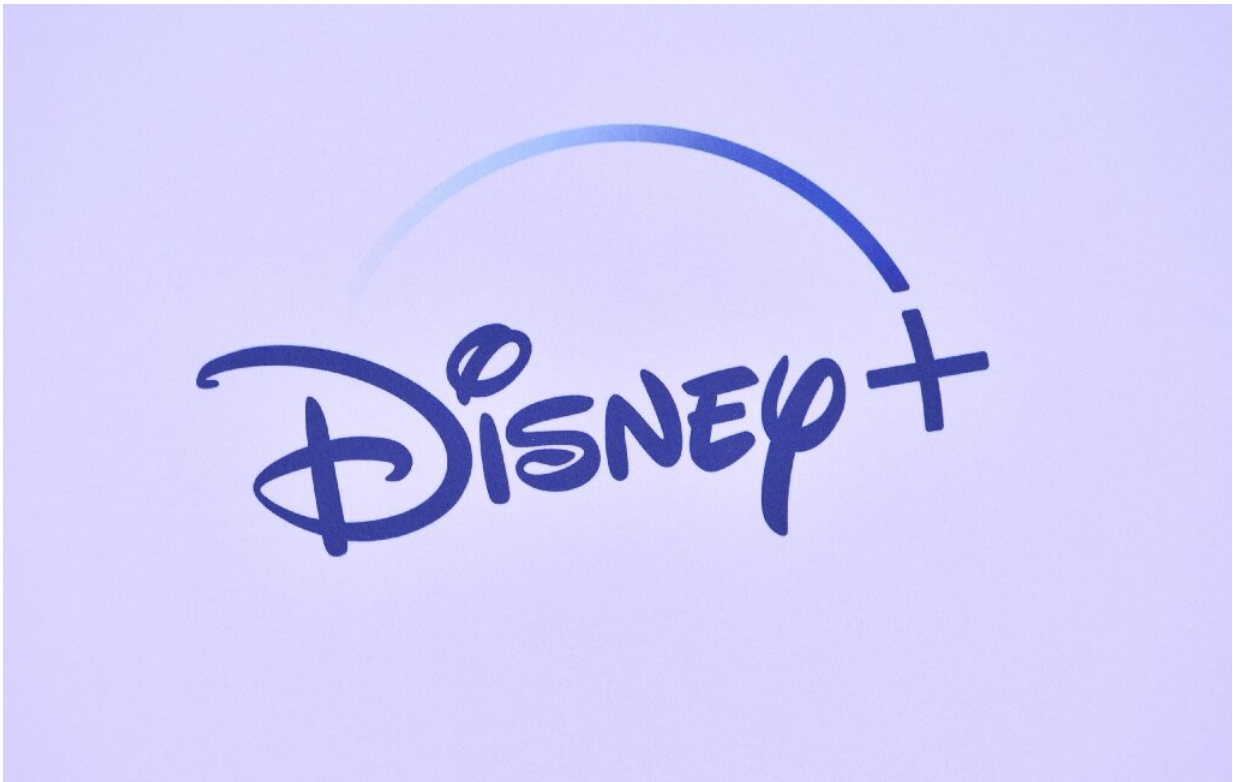


Disney profit slips but streaming TV subscribers jump

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Disney+ television streaming service grew more than expected while competitor Netflix saw its numbers wane in the first three months of this year.

Disney on Wednesday said its profit slipped in the recently ended quarter but its television streaming service and parks were booming.

The entertainment giant reported net income of \$470 million, just over half of the \$912 million profit it made in the same period a year earlier.

But park attendance that had fallen due to the pandemic rebounded and the Disney+ television streaming service gained 7.9 million subscribers to 137.7 million.

When adding in subscriptions to Disney's streaming services Hulu and ESPN, the overall number tops 205 million.

"Our strong results in the second quarter, including fantastic performance at our domestic parks and continued growth of our streaming services once again proved that we are in a league of our own," said Walt Disney Company chief executive Bob Chapek.

He told analysts Disney is open to raising its streaming service subscription price in the future, but has no specific plans. Disney+ is pursuing a version of the service that would be supported by advertising, Chapek said.

Disney+ gained more subscribers than analysts had expected, in stark contrast to a dive in subscriber numbers reported by rival Netflix in the first quarter of this year.

A drop of just 200,000 users—less than 0.1 percent of the total Netflix customer base—caused shares in the Silicon Valley firm to plunge and prompted a shareholder to file a lawsuit accusing the streaming television titan of not making it clear that subscriber numbers were in peril.

"Disney+ has been taking Netflix out at the knees," tech analyst Rob Enderle of Enderle Group told AFP.

"Kids have always chased their content, and for parents it has been a no-brainer to get their service."

About half of Disney+ subscribers are families with children, executives said on the earnings call.

Disney stopped licensing its coveted content to Netflix to make it exclusive to its own streaming service, and said it planned to stick with the tactic when it comes to rivals in the market.



Fans of the latest "Dr. Strange" film from Disney paid tribute to by cosplayers led to the Disney film taking in more than \$500 million in its first week.

Parks and politics

Disney said that as its streaming television service continues to grow strongly, its resorts and parks are generally operating without any of the significant COVID-19 related restrictions on capacity that were in place last year.

The pandemic does continue to vex film and television show production, Disney said, but it has been able to release films in theaters so far this year.

"Our slate for the remainder of this year is incredibly strong," Chapek told analysts while discussing the company's line-up of shows for streaming and theaters.

Chapek acknowledged challenges getting Disney films released in China, saying the situation there is "very complicated" from political and business standpoints.

He said he was encouraged by the fact that a freshly released "Dr. Strange" film based on a Marvel comics character took in more than \$500 million in its first week, even without being shown in China.

Disney has run into political turbulence closer to home, with the Florida governor recently signing a law that eliminates a statute that has for decades allowed the entertainment giant to act as a local government in Orlando, where it has a theme park.

The move was the latest episode in a dispute between the state's Republican administration and Disney, after the company criticized the passage in March of a law banning school lessons on sexual orientation.

"From a financial standpoint, Disney will come out ahead with the plug

pulled," analyst Enderle said.

"It's almost like Florida gave them a monetary favor; Disney was covering all the costs of the municipality they are in."

The Reedy Creek Improvement District was an area created by Florida's congress in 1967 to facilitate the construction of Disney World in Orlando.

Under that agreement, Disney runs the district as if the entertainment juggernaut were a local government, including collecting taxes and guaranteeing essential public services such as garbage collection and water treatment.

Under Florida law, if the special district is dissolved, its assets and debts would be transferred to local governments that surround the area.

"Removing district could transfer \$2 Billion debt from Disney to taxpayers," state Democratic senator Linda Stewart warned after the bill was signed.

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