

Disney says its new streaming service won't rival Netflix

August 7 2018, by Mae Anderson



In this Nov. 16, 2017, file photo, a visitor walks past a display of Disney characters inside an exhibition entitled "Mexico and Walt Disney: A Magical Encounter," at the Cineteca Nacional, Mexico's film archive, in Mexico City. The Walt Disney Co. reports earnings Tuesday, Aug. 7, 2018. (AP Photo/Rebecca Blackwell, File)

Disney's upcoming streaming service won't try to compete directly with Netflix and Amazon, but will focus instead on quality—namely original programs from Disney's "Star Wars," Pixar and Marvel brands.

The details from Disney CEO Bob Iger came as Disney reported a growth in earnings for the latest quarter, though results missed expectations.

With Comcast out of the bidding war, Disney is planning to move forward with its \$71.3 billion purchase of Fox's entertainment assets, in part to boost a Disney-branded streaming service set to launch in late 2019. Disney's shareholders and U.S. regulators have approved the Fox bid. Disney is awaiting regulatory approval overseas.

In a statement, Iger said he was excited about "opportunities ahead for continued growth."

Disney is building the streaming service as more people switch from traditional cable TV bundles to streaming online though services like Amazon and Netflix.

Disney just launched a \$5-a-month ESPN Plus streaming service with sports. If the Fox deal closes, it will have a controlling stake in Hulu, which offers a broad array of programming starting at \$8 a month. With the Disney-branded entertainment service, Disney will have more control over its movies and TV shows from creation to distribution. That ultimately gives Disney more data to gauge its audience.



In this Saturday, June 23, 2018, file photo, at Toy Story Land in Disney's Hollywood Studios at Walt Disney World in Lake Buena Vista, Fla. The Walt Disney Co. reports earnings Tuesday, Aug. 7. (AP Photo/John Raoux, File)

Though a price for the upcoming entertainment service hasn't been set, Iger told analysts during a conference call that the price will reflect a lower volume of shows and movies. Netflix plans range from \$8 to \$14 a month.

In the works for the Disney service are a live-action "Star Wars" series, new episodes of the animated "Star Wars" series "Clone Wars," a live-action version of "Lady and the Tramp" and new series related to the "High School Musical" and "Monsters Inc." movies.

Launching the streaming services is Disney's biggest priority next year, Iger said. "There will be a significant amount of support given across all

of our assets to see to it that the product launches successfully."

Some of Disney's properties, such as the original "Star Wars" trilogy, have licensing agreements already in place with other companies, so they won't be available, at least initially.

But Iger said that movies Disney plans to release in 2019, including "Captain Marvel," "Dumbo," "Toy Story 4" and "Frozen 2," won't be encumbered by licensing deals and can go straight to the service soon after their theatrical releases.



In this Sept. 20, 2017, file photo, the logo of a Disney store is pictured on the Champs Elysees Avenue in Paris, France. The Walt Disney Co. reports earnings Tuesday, Aug. 7, 2018. (AP Photo/Francois Mori, File)

In the fiscal third quarter, Disney's net income rose 23 percent to \$2.92 billion, or \$1.95 per share, from \$2.37 billion, or \$1.51 per share, a year ago. Excluding one-time items like a benefit from lower federal tax rates, income was \$1.87 per share. The average estimate of four analysts surveyed by Zacks Investment Research was for adjusted earnings of \$1.97 per share.

Revenue rose 7 percent to \$15.23 billion in the period, short of the \$15.49 billion expected by four analysts surveyed by Zacks.

Revenue from the movie and TV production business jumped 20 percent to \$2.88 billion, boosted by a strong box office for "Avengers: Infinity War" and "Incredibles 2." Disney's television networks also saw gains, including at ESPN, despite the higher NBA costs and lower advertising revenue.

The one business that saw a drop in revenue was also Disney's smallest segment, Consumer Products and Interactive Media. Gains in products related to the Avengers weren't enough to offset lower revenue from "Spider-Man" and "Cars."

Disney shares have risen slightly more than 8 percent since the beginning of the year, while the Standard & Poor's 500 index has risen almost 7 percent. In the final minutes of trading on Tuesday, shares hit \$116.56, an increase of almost 10 percent from a year ago. In after-hours trading, Disney's stock fell 49 cents to \$116.07.

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