

Disney to launch streaming services for movies, live sports

9 August 2017, by Tali Arbel



In this Monday, Aug. 7, 2017, photo, The Walt Disney Co. logo appears on a screen above the floor of the New York Stock Exchange. The Walt Disney Co. reports earnings, Tuesday, Aug. 8, 2017. (AP Photo/Richard Drew)

With new streaming services in the works, Disney is trying to set itself up for a future that's largely been framed by Netflix: Providing the stuff you want to watch, when you want to watch it.

The Magic Kingdom is launching its own streaming service for its central Disney and Pixar brands and another for live sports. That would allow it to bypass the cable companies it relies on—and Netflix—to charge consumers directly for access to its popular movies and sporting events.

"They're bringing the future forward. What they talked about were things that looked inevitable, at some point," said Pivotal Research Group analyst Brian Weiser. What's less clear is if Disney will be able to make big bucks from it, he said.

This is important as the decline in cable households and the shift to smaller, cheaper bundles pressures the profitability of Disney's

cable networks. Fewer subscribers and fewer viewers mean less money. In the nine months through July 1, cable networks' operating income fell 13 percent from the year before, to \$4.12 billion.

KID STUFF

Starting in 2019, the only subscription streaming service with new animated and live-action Disney and Pixar movies will be the Magic Kingdom's own app. That will include "Toy Story 4" and the sequel to the huge hit "Frozen." Older movies will be there too, as well as shows from the TV channels Disney Channel, Disney Junior and Disney XD, and original TV and films. That could be hugely attractive for families with young children in the U.S.

Disney is ending an exclusive earlier movie deal with Netflix, and the streaming giant's shares tumbled in after-hours trading. Netflix today has grown into an entertainment juggernaut in its own right, however, as it focuses more on its own exclusive programming.

Netflix already seemed to be bracing for the potential loss of the Disney movie rights earlier this week when it announced its first-ever acquisition—the purchase of Millarworld, a comic book publishing company that will develop films and kids shows based on its portfolio of character.

Disney might bring more of its properties—particularly its Marvel superheroes and the Star Wars franchise—under its wing, and could even offer them as separate streaming services. CEO Robert Iger said Disney is considering whether it should continue licensing Marvel and Star Wars movies to outside services like Netflix, move them into the Disney app or develop individual services for them.

The Disney service will be available in "multiple markets" outside the U.S. as well, taking advantage

of Disney's global name recognition.

SPORTS

Disney had already said it would be launching a streaming ESPN service. It's not meant to compete with the company's TV channels.



In this Thursday, June 16, 2016, file photo, Mickey Mouse entertains visitors on the opening day of the Disney Resort in Shanghai, China. The Walt Disney Co. reports earnings, Tuesday, Aug. 8, 2017. (AP Photo/Ng Han Guan, File)

The sports [service](#) is coming in early 2018, a little later than previously announced, and will air baseball, hockey and soccer games, tennis matches and college sports through ESPN's popular mobile app. Notably, ESPN will not be streaming pro football or basketball, at least initially.

Customers will also be able to buy fuller streaming packages from the baseball, hockey and soccer leagues, and watch them on the ESPN app.

"Ultimately, we envision this will become a dynamic sports marketplace that will grow and be increasingly customizable, allowing sports fans to pick and choose content that reflects their personal interests," Iger said on a conference call with analysts.

Disney will have to be careful that it doesn't transfer

too much sports programming from its TV channels to the app. Getting the balance wrong could upset cable companies and weigh on the price they pay Disney for ESPN, Weiser said.

THE BACK END

To roll out its streaming services, The Walt Disney Co. will take majority control of BAMTech, a streaming arm of Major League Baseball spun off last year from Baseball Advanced Media, for \$1.58 billion. When the deal closes, Disney will own 75 percent of BAM Tech, up from the 33 percent stake it acquired for \$1 billion as part of an agreement announced last year.

The acquisition and the new services will be "an entirely new growth strategy" for Disney, Iger said.

The new streaming services will likely "accelerate the erosion" of Disney's TV networks, especially if other major cable networks make similar moves, said Moody's analyst Neil Begley.

But Iger argues that BAMTech gives Disney "optionality" if the cable ecosystem changes further, Iger said on a conference call with analysts Tuesday. If there's greater "erosion"—say, if more people drop cable bundles or choose cheaper bundles without key Disney channels—the company has more ways to get its entertainment directly to customers, Iger said.

He said there are no current plans to sell the Disney or ESPN TV channels directly to customers on the apps.

But having a direct relationship with customers tells Disney exactly what they're watching, giving it powerful tools and information that could help feed decision-making and, on the sports side, sell advertising.

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