Disney seeks new frontiers as more people watch video online

8 May 2018, by Mae Anderson

In this Monday, Aug. 7, 2017, file photo, The Walt Disney Co. logo appears on a screen above the floor of the New York Stock Exchange. Disney is seeking new frontiers. The media company launched its $5-a-month sports streaming service, ESPN Plus, in April 2018, and it signed a deal with Twitter a month later to create Marvel, ABC and ESPN content on that service. Meanwhile, Disney is trying to buy much of 21st Century Fox, including the Fox television network and the X-Men movie franchise. (AP Photo/Richard Drew, File)

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The media company launched its $5-a-month sports streaming service, ESPN Plus, last month, and it signed a deal with Twitter this month to create Marvel, ABC and ESPN content on that service. Meanwhile, Disney is trying to buy much of 21st Century Fox, including the Fox television network and the X-Men movie franchise.

The moves come as Disney seeks ways to extend beyond the traditional cable-bundle format as more people watch TV online. Sports network ESPN was once a jewel in Disney's crown but subscriptions have been falling as people drop cable services.

But the company has found strength elsewhere, notably its movie studio and theme parks.

Disney's franchises such as Marvel's Avengers and "Star Wars" have been raking in money. "Avengers: Infinity War" has grossed over $1 billion since it opened April 27.

In a statement, CEO Bob Iger said Disney was "very well positioned for future growth" because of its ability to take advantage of such franchises across all businesses and "the unique value proposition" it's creating with direct-to-consumer streaming services.

Net income rose 23 percent $2.94 billion, or $1.95 per share, from $2.39 billion, or $1.50 per share a year ago. Excluding one-time items such as a benefit from the U.S. tax overhaul, net income totaled $1.84 per share.

The fiscal second-quarter results surpassed Wall Street expectations. The average estimate of six analysts surveyed by Zacks Investment Research was for earnings of $1.68 per share.

Revenue rose 9 percent to $14.5 billion, from $13.3 billion a year ago. Four analysts surveyed by Zacks expected $14.2 billion.

To prepare for the future, Disney launched a sports streaming service with video not available on the regular ESPN channels. This includes additional baseball and soccer games, and the entire "30 for 30" documentary series on demand.

The Walt Disney Co. is also working on an entertainment streaming service with classic and upcoming movies from the Disney studio, shows from Disney Channel, and the "Star Wars," Marvel and Pixar movies. That service will launch in late 2019 and will include movies leaving Netflix once its deal with Disney expires.

If the $52.4 billion Fox deal goes through, Disney could supplement the entertainment service with Fox properties—such as X-Men movies and National Geographic programming. Disney is still awaiting regulatory approval, and published reports say Comcast is mulling a counter bid.

J.P. Morgan analyst Alexia Quadrani expects the service to break even by 2021 with about 13 million subscribers. Until then, Quadrani said, Disney might lose some licensing fees and see spending increase to acquire content.

Morgan Stanley analyst Benjamin Swinburne said in a client note that the direct-to-consumer businesses like its streaming services could add $6.5 billion to revenue by 2020.

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