The performance of securities mentioned within this conference call transcript refers to how the security performed in the market and does not reflect the performance attributed to the core equity portfolio. Please see the chart at the end of this transcript, which reflects the full list of contributors and detractors based on each security's weighting within the core equity portfolio.

Sean Stannard-Stockton:

Hi everybody, thanks for joining us this afternoon. With the whole world learning to use video conferencing and "Zoom" becoming a verb, we thought it was about time that we switched from audio only calls to video. One feature I want to highlight is you can easily ask questions during our presentation by clicking on Q & A at the bottom of your screen. Go ahead and ask your questions as we go through our comments and at the end Todd will summarize and condense the questions for me and Arif to answer.

I realize it is a cliché, but boy does it seem like a very, very long time ago that we spoke with you on March 20th, on the intra-quarter Coronavirus call we held on the day before what we now know was the bottom of the first quarter sell off. So much has changed since then, with some things playing out as we expected, while other events relevant to investors have played out much better or much worse than expected. But on net, a combination of factors caused the market to rally to one of the best quarterly returns in history.

The performance of our equity strategy this quarter was up dramatically along with the market. After performing about in line with the market in the first quarter, our strategy performed strongly during the rebound, in part reflecting the outcomes of trades we placed in the thick of the selloff during March. While the final calculation of our equity composite will not be available until later this month, our current estimate is that our equity portfolio composite was up 21.82% vs the S&P 500 up 20.54%. On a year to date basis, this brings our equity portfolio composite to down 1.90% percent versus the S & P 500 down 3.08%.

Past performance is not an indication of future returns. Our composite performance is reflected for the quarter and year to date period ending June 30, 2020 and is shown net of fees and expenses and includes the reinvestment of dividends and income. Please refer to important disclosures at end of this transcript.

So why don't I start by addressing the state of the economy and as we go I'll attempt to answer the number one question we have been getting which is, "Why in the world is the market nearly fully recovered even while the Coronavirus outbreak is ongoing and millions of Americans are unemployed?"

I'll start by quoting from what we said on our March twentieth call, the day before the market bottomed:

> "This will be a recession and recovery unlike any other. We cannot know how it will go or what unique features it will have. If our economy takes enormous damage in the coming months but then is able to rebound swiftly with the help of the unprecedented fiscal and monetary stimulus that is already starting, then we may see the stock market behave somewhat similarly to the Chinese market. Which hit bottom the day after the Wuhan shutdown was declared, fully recovered all of its Coronavirus related decline, and hit a new fifty two week high on March fifth. To us a recovery in the US stock market that quickly seems extremely unlikely, we are just making note of what actually did play out in the one country that has gone through this before us."

So while it seemed "extremely unlikely" at the time, what has indeed played out is that the "unprecedented fiscal and monetary stimulus" that we discussed in depth in our first quarter client call, along with a faster than expected initial economic recovery, has indeed caused the market to recover quickly.

While we believe at Ensemble that we have a superior ability to do company analysis and select stocks that will outperform the market over the long term, we also know that we do not have any special ability to guess where the market will go in the near term.

This is one of the most frustrating realizations that we think all investors need to come to terms with. If in fact there was a way to systematically predict short term movements in the market, believe me, we would be happy to adopt this approach. But in the absence of this ability, we know that attempts to guess where the market will go next, is one of the surest ways to ruin your long-term investment returns.

I revisit this theme now not just as a retrospective review of the past, but because today we see widespread skepticism of the rally from many investors, confident that another pullback is around the corner. The fact is, they might be right.

Markets decline quite regularly, even in the absence of pandemics and economic turmoil. But it also might not. While we all want as smooth a ride as possible on the way to long term superior returns, the fact is that the only ride to superior long-term returns is a bumpy one.

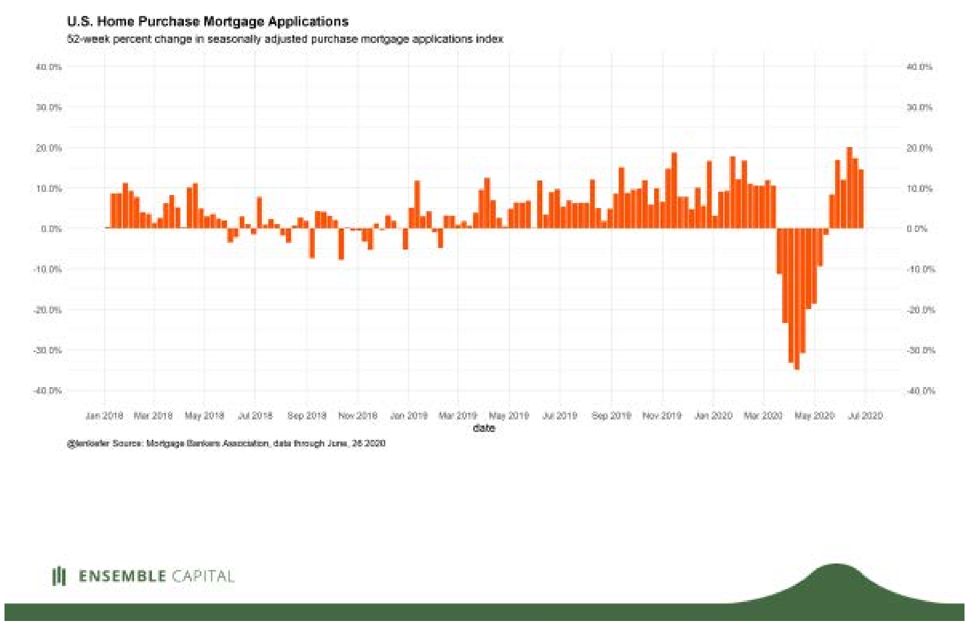
So let's talk about the state of the economy and financial markets.

I'll start off with the seemingly dramatic claim that the Coronavirus recession has likely already ended. While you might have heard that a recession is two consecutive quarters of declining GDP, that's just kind of a rule of thumb. Rather a recession begins when there is a widespread and significant contraction in economic activity and the recession ends once economic activity begins to expand again.

From late February to early April, the US economy experienced the largest decline in economic activity in a century, on the order of 15%. This decline was about 2.5 times the depth of the economic contraction experienced during the Financial Crisis and about sixty percent of the depth of the contraction experienced during the Depression. But rather than playing out over four years as it did during the 1930s, this economic contraction played out over just 2 months.

But beginning in early to mid-April, economic activity stabilized and began to recover. For example:

In early April, the number of mortgage applications to purchase a home were running at about 35% below last year, while by the end of June, home purchase mortgage applications had rebounded to 15 to 20% above levels from a year ago. This is a nearly 80% expansion in activity since the economic contraction ended.



Mastercard reported that the amount of money spent on their cards in early April was down as much as 26% versus last year, while by the end of June, spending had recovered to 5% above the same time period in 2019. This is a more than 40% expansion in activity.

	Week ending April 7	Week ending April 14	Week ending April 21	*NEW* Week ending April 28	*NEW* Week ending May 7
Switched Volume[1]	(25)%	(30)%	(20)%	(17)%	(12)%
United States	(22)%	(26)%	(15)%	(12)%	(6)%
Worldwide less United States	(28)%	(33)%	(25)%	(22)%	(19)%

	Week ending May 7	Week ending May 14	Week ending May 21	Week ending May 28	*NEW* Week ending June 7	*NEW* Week ending June 14	*NEW* Week ending June 21
Switched Volume[1]	(12)%	(12)%	(8)%	(8)%	(6)%	(3)%	(1)%
United States	(6)%	(6)%	(3)%	(1)%	(1)%	3%	5%
Worldwide less United States	(19)%	(17)%	(14)%	(13)%	(10)%	(8)%	(5)%

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While jobs data is very, very messy right now, it does appear that businesses added millions of new employees in May and June at a rate that dwarfed any other 60 day period in American history. While the unemployment rate is still very high and the jobs added back do not yet come close replacing the approximately 20 million job losses in April, it appears clear that many more Americans have a job today than were employed at the bottom in early April.

So relative to the bottom of economic activity, the economy is expanding significantly. But relative to a year ago, the level of economic activity is still very depressed. Realize that if in fact the economy contracted by 15% and then it was to rebound by 10%, it would still be down about the same amount as the worst of the contraction during the Financial Crisis.

So observing that the recession is likely already over, making it the second largest economic contraction in US history but also the shortest by far, does not mean that economic activity is good, only that it is increasing not decreasing.

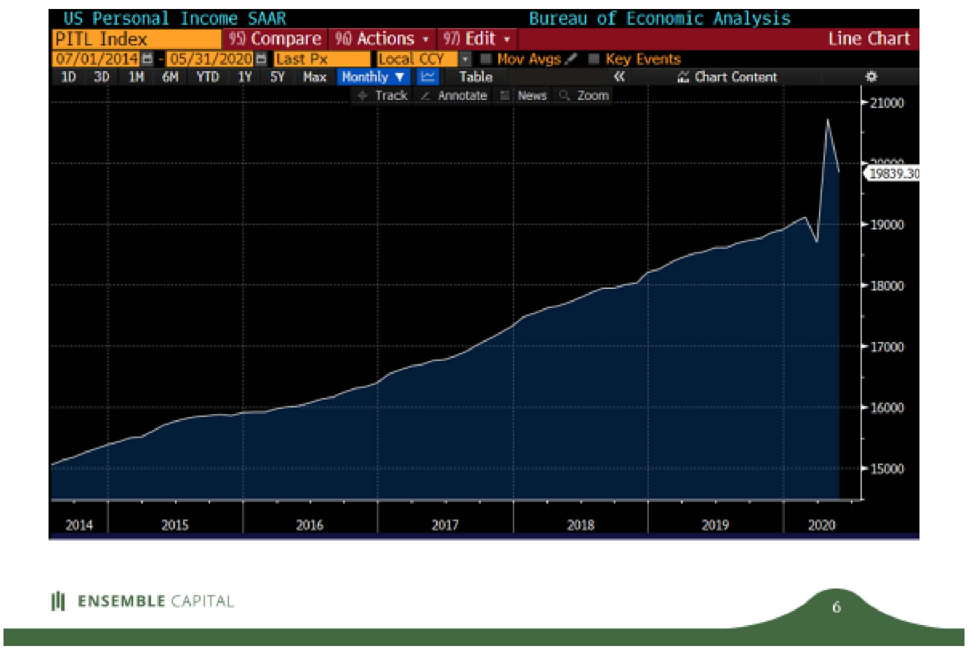
The direction of the economy matters a lot to stock prices because stock prices reflect investors' expectations about future cash flow. In late March, there was widespread discussion about the economy potentially going into a Depression. No one yet knew if Coronavirus could be contained at all. Cases and deaths in New York and New Jersey, which was the worst hit area, were rising rapidly and the nation had no real idea how long shelter in place might need to last.

Under those types of conditions, investors had no idea how bad things might get. Would the economy contract by 10%? 15%, 25% or worse? No one knew.

But now that the economy has stopped contracting and has started expanding, investors have a sense of how bad things got and are now looking at how fast the recovery might be.

Of course, maybe the economy will go back into contraction. This is a completely reasonable worry and a key reason why the market is still volatile may still be subject to large declines. In observing that the economy has stopped contracting and started expanding, we are simply noting what is currently happening, not saying that we are sure it will continue.

One of the biggest reasons that consumer spending, which makes up 70% of the U.S. economy, has been surprisingly resilient is because while a simply massive number of people have been laid off, the data shows that most of them are receiving the newly passed enhanced unemployment benefits and on average these benefits are equal to slightly more than these employees were earning while they were employed.



Once you include the other stimulus programs, the impact was so large that the personal income of Americans actually increased in April, and in May stayed at levels higher than they were before the virus struck.

But given the importance of the enhanced unemployment benefits in sustaining the economy, it is extremely important to note that these benefits are scheduled to expire at the end of July, because excluding the fiscal stimulus, personal income has declined sharply.

While there is currently a vibrant debate about how and if they should be extended, it seems clear to us that if they are allowed to expire and the negative impact to the economy is as large as we would expect, that Congress would quickly change their mind and reinstate them.

This is what happened during the Financial Crisis when the first TARP stimulus bill failed to pass, the market briefly declined very sharply, and then Congress held a 2nd vote to approve the plan.

Especially since this is an election year, it seems to us that the president and the republican controlled senate, who have been skeptical of the need to extend the benefits, are either correct or if they fail to approve an extension or an alternative form of support and the impact is very negative, they will be essentially conceding the election if they don't quickly reinstate them.

For those of you who might very rationally worry about the government's ability to spend so much money even while tax collections are declining, I would just point out that the Federal Reserve, chaired by a Republican who has discussed the risks of too much government debt extensively in the past, has now turned to essentially begging Congress to spend more money. Jay Powell has been saying that the risks of failing to support an economic recovery are far larger than the risks related to higher debt or possible inflation that could come along with higher spending.

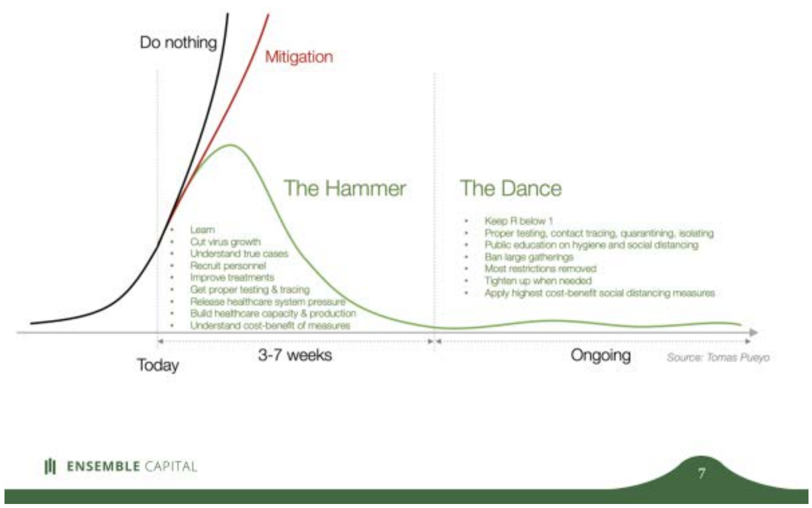
So where the economy stands today can best be described as operating far above the lowest levels reached in early April, rebounding sooner and stronger than many investors, including ourselves, expected just a few months ago, and yet still quite far below levels of economic activity seen in February.

The question now is will the recovery falter and if so, is it a temporary pause or might the remarkable initial rebound fail and trend sideways or downwards for an extended period of time.

Of course, the answer to this question is tied up with the behavior of the Coronavirus outbreak.

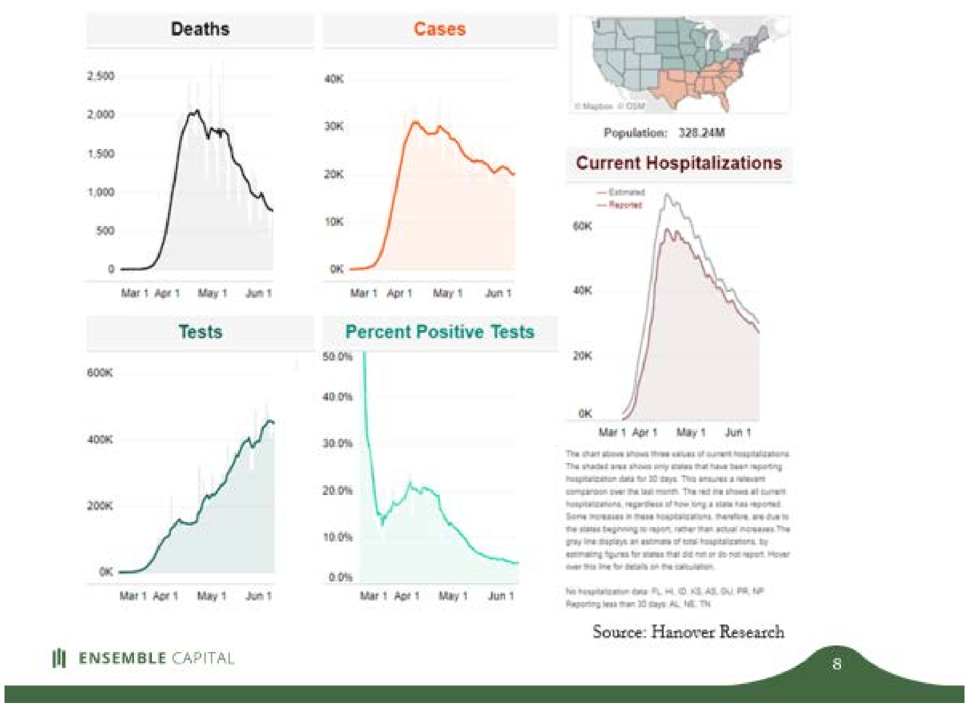
While the shelter in place orders succeeded in stopping, at least temporarily, the runaway exponential growth of the virus and brought relief to the nation's overwhelmed health care system in hard hit areas like New York, it did not bring an end to the outbreak. The fact is, there is no reason to think the outbreak will really come to an end until there is a vaccine.

Back in March, when debates were ranging over whether sheltering in place was necessary, a blog post title The Hammer and the Dance went viral. The post was recently recommended again by Bob Wachter, the chair of the University of California, San Francisco Department of Medicine.



The Hammer and the Dance described why as a country we needed to "hammer" the then current out of control outbreak, and then follow this harsh counterattack by "dancing" by which the author meant taking more surgical and reactive steps to minimize casualties and suppress more localized resurgence that were sure to follow.

The fact is the Hammer worked.



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The data in this chart shows tests, the percent of tests that come back positive, cases, hospitalizations, and deaths through the end of May.

In early April, the exponential growth of the virus began being hammered into submission by the previously unthinkable order that all Americans shelter in their homes.

The outbreak, which was then centered in New York and New Jersey, where approximately half of the country's Coronavirus cases and deaths were recorded, was brought under control. In early April, 20% of people taking Coronavirus tests were coming back positive, while by June the positive test rate had declined to a little over 4%.

Despite much higher levels of testing, the number of positive new cases a day had dropped by a third and the number of deaths per day had fallen by 75%. And yet, even after the large decline in the number of deaths, there were still the equivalent of 16,000 Americans dying from Coronavirus on a monthly basis or 200,000 on an annualized basis.

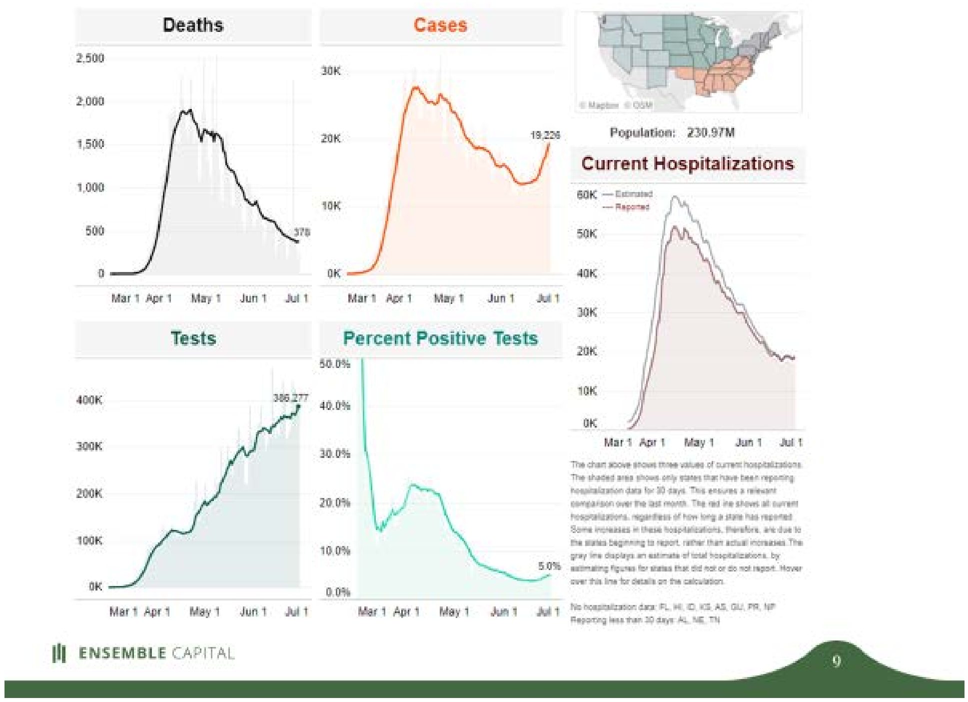
This is what success looks like. Not beating Coronavirus, but mitigating its damage and suppressing its spread so we don't get into a situation like we had in early April where the monthly death count was running at over 60,000 deaths on a monthly basis or 720,000 deaths on an annualized basis.

Informed observers never expected the Hammer to result in the eradication of the virus. Only a vaccine can achieve an end to the pandemic. But as a society we can Dance.

Dancing means testing, tracing, and isolating people who contract the virus. Educating Americans about strategies to minimize spreading the virus even as they return to life outside their homes. Banning large public gatherings or other potential super spreader events even while we reduce many other restrictions.

And recognizing that we won't get it exactly right. When faced with a resurgence of the virus, we must act quickly with localized, targeted Hammers to head off any need for a return to broad based restrictions.

To date, the Dance is working across much of the country. In this version of the charts, we've excluded California, Arizona, Texas and Florida with the data running to the end of June.

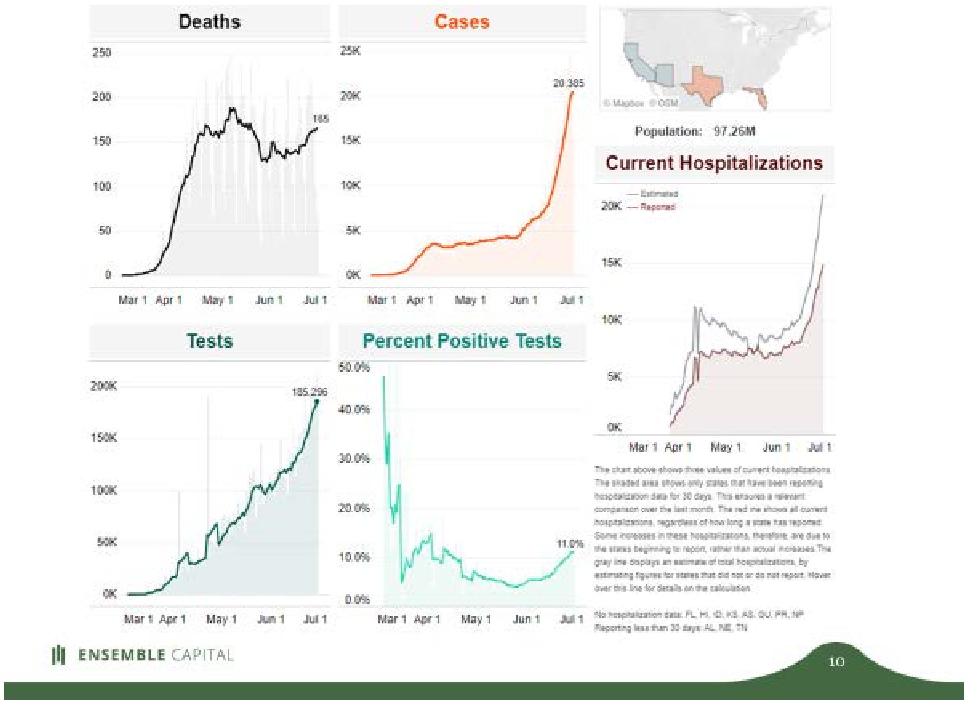


Approximately 230 million Americans, or 70% of the population, live in the rest of the country shown here. As you can see, while Cases increased in June, this was mostly due to increased testing. We know this because the positive test rate has only increased slightly. And while it is true that deaths lag new cases by a fair bit of time, the number of people who are hospitalized for Coronavirus has not seen a resurgence either.

While we may see a rise in the weeks ahead, it is also likely that with more widespread testing, we are finding more people with mild cases and so the percentage of people with positive test results who end up in the hospital will likely remain lower than was seen earlier in the outbreak.

Remember, experts have said all along that the Hammer would not eliminate the virus and lifting shelter in place was always expected to result in an increase in cases. The goal is to suppress the spread of COVID-19 and mitigate the damage it does.

But 30% of Americans do live in California, Arizona, Texas and Florida and this chart shows the Coronavirus metrics for those states.



These areas mostly experienced much lower levels of viral spread in March and April. The shelter in place order halted the rise in cases. But as restrictions were eased, the virus began to circulate again and over the course of June returned to exponential growth.

To Dance successfully, these states will need to reverse the easing of restrictions, as they have already begun doing. It will be important for these rollbacks to be targeted, as the resurgence is not always a statewide issue.

This does not have to mean that these states must return to shelter in place. We now know that when people are outdoors, wearing a mask, the risk of transmission is quite low. On the other hand, being inside of public areas without a mask is not safe in areas of the country with high levels of viral transmission.

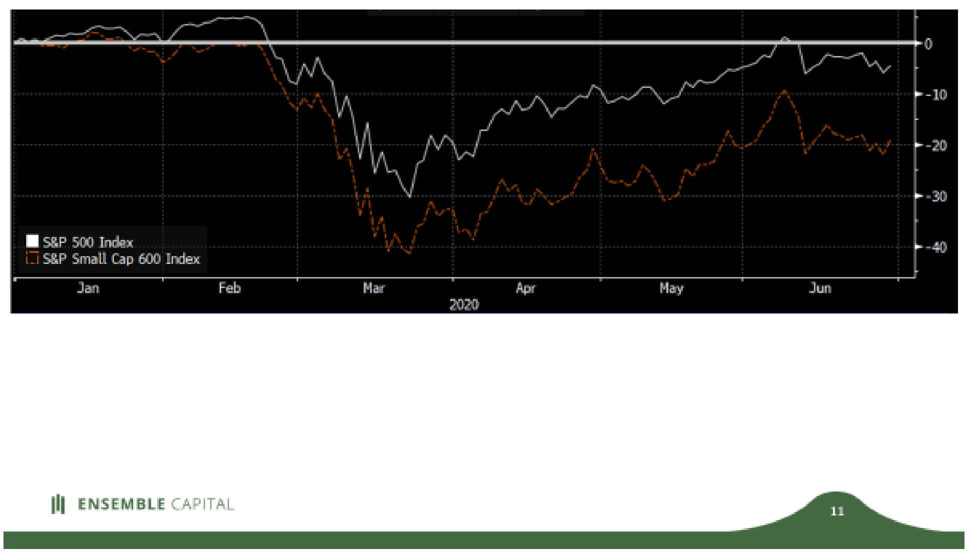
The states experiencing a surge in cases can deploy far more targeted actions, but they must act quickly and decisively, or they will back themselves into a corner where they are forced to redeploy the Hammer.

One mistake we think some investors have made during this unprecedented period is substituting a forecast of the virus for a forecast about the economy or financial market performance.

While clearly, the pandemic is a huge negative impact on the economy, they are not the same thing. And stocks are not a direct reflection of the US economy.

The market doesn't care about the economy today, it cares about corporate cash flows over time.

So while today it seems that the stock market and the economy are totally disconnected, in reality stock prices are reflecting a view that while the economy is very bad now, it will recover in the years ahead. And in fact, you don't even need to believe the entire US economy will recover to understand the rebound in the market.



While the S&P 500 is often referred to as "the market" and is the benchmark by which we evaluate our strategy, it represents what are essentially the 500 largest, most well capitalized companies in the country. These are the companies best positioned to manage through a period of very severe economic conditions. Meanwhile, the S & P 600, an index of smaller companies shown by the dotted orange line on the chart, is still down 20% this year.

Even these smaller stocks are still large companies relative to the vast majority of private companies across the country. The fact is that this event is an incredibly severe economic contraction, but one that is time limited and that struck in the context of an otherwise healthy economy.

Getting through this period is a surmountable burden for many large public companies. But at the same time, it is triggering nearly instantaneous bankruptcy of small and medium sized business unless they are provided government support to help them to the other side.

Not only are the large companies better positioned to get across this period of weakness, but their smaller competitors are being swept aside leaving the larger companies in a position to win significantly enlarged market share as the economy recovers. I'll now turn the call over to Todd and Arif, who will tell you about two such companies in our portfolio that we believe will come out the other side of this crisis, not just in our portfolio that we believe will come out the other side of this crisis, not just in one piece, but in a materially better financial situation than they would have if Coronavirus had never occurred.

Take it away, Todd.

Todd Wenning:

Thanks, Sean

When we first invested in medical technology company Masimo in 2018, our focus was on the core Signal Extraction Technology sensor business. We saw – and still see – a tremendous runway there.

From the start, we've had a high opinion of management and the corporate culture. We think Masimo is a technology company tackling healthcare problems, not a healthcare company that uses technology to maintain status quo.

In that sense, Masimo is what we call an idiosyncratic business. It doesn't fit neatly into one sector or another.

As generalist investors, we love idiosyncratic businesses as they are often misunderstood by sector specialists. Our opinion of Masimo has grown even stronger in recent months as COVID shook the healthcare system. The company responded aggressively and thoughtfully to the outbreak by caring for its stakeholders and introducing new products that can help medical professionals and patients achieve better outcomes. Masimo's actions in recent weeks illustrated to us the business's optionality.

Any time you have a company with valuable intangible assets and a vibrant culture that's focused on serving customers, there's increased likelihood of what we call unpredictable value creation. As we've seen with SafetyNet in recent months, Masimo can quickly create useful and scalable non-invasive sensor products. We think they a potential blockbuster in Masimo SafetyNet.

SafetyNet allows medical professionals to remotely monitor patient vital signs from a central nurse's station. Stable patients can rest, while those with declining vitals get immediate attention. And because Masimo's sensor false alarm rate is miles ahead of competing products, medical professionals can put faith in its output and not have to worry about running back and forth between false alarms, wasting time, energy, and money.

While SafetyNet is superior to the manual spot-checks typical of general floors, it had slow adoption due to the slow hospital product cycle and the incremental cost of implementing continuous monitoring. Initially, we thought SafetyNet would be limited to hospital use. However, we now believe the addressable market is much larger. To date, sensors have been tied to monitor boxes, but now they can also be tied to smart phones.

After working with 2 pilot hospitals 24/7 for a few weeks in March, Masimo received FDA approval to launch the Masimo SafetyNet product to combat COVID. Similar to its Opioid product, Masimo SafetyNet uses a tetherless device that links to a smartphone and allows nurses to remotely monitor between fifty to seventy patients at a time. Research has shown that a low pulse ox reading with COVID is a sign of bad things to come. A reading below 93 is cause for concern and if a patient falls below that level, a nurse can tell them to come straight in for evaluation.

Masimo SafetyNet is useful to hospitals because they can send less critical patients either to a field location or back home while beds are reserved for the most in need.

With fewer patients in the building, there's also less risk of virus spreading and infections. Patients who do not need immediate care can go home and quarantine themselves knowing that they are still being closely monitored by medical professionals.

As of May 5th – just a few weeks after launch - Masimo had 81 hospitals using SafetyNet and another 785 in the pipeline. Again, Masimo's reputation for having highly accurate sensors is what makes their at-home monitoring product possible. If hospitals use a system with a high false alarm rate, the whole thing collapses. To put this in some perspective, the leading competing sensor has a false alarm rate of about 1 in 4. Masimo's latest sensors are about 1 in 67. That's a big difference and a major reason why we think Masimo will be a leader in connected care.

Importantly, as hospitals get used to the SafetyNet formfactor, we believe they will use the Masimo SafetyNet product for other uses beyond COVID. For instance, there are millions of cases in the US each year where people diagnosed with COPD or congestive heart failure go to the emergency room because of concerning symptoms, but upon examination are not sick enough to be admitted. Doctors can give these patients a Masimo SafetyNet to be monitored at home for a few days and give the patient some peace of mind.

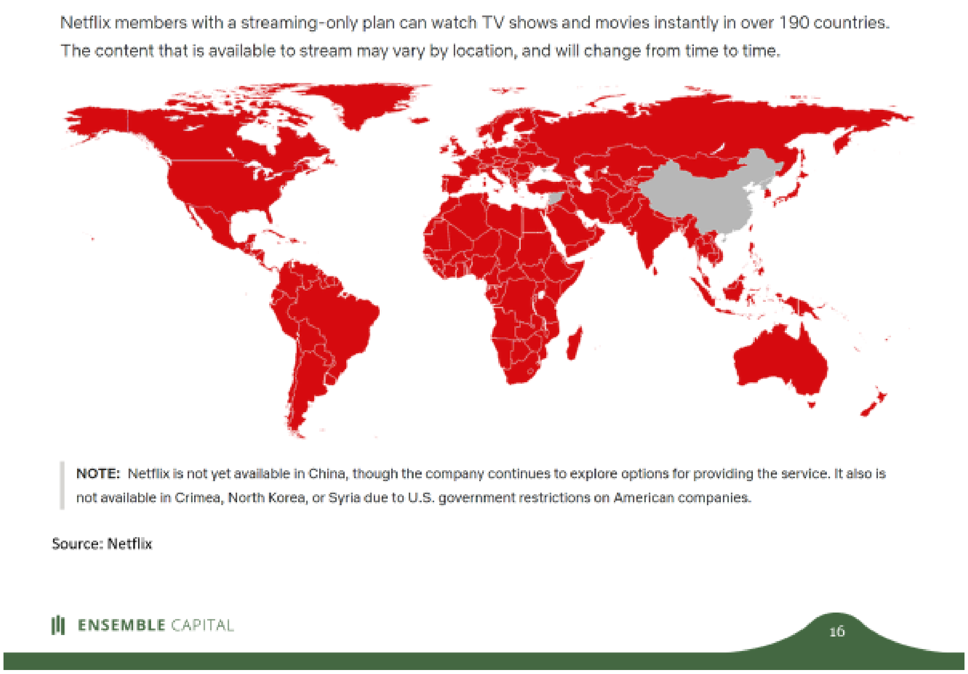
Remarkably, Masimo SafetyNet only costs $150 for 8 days of continuous monitoring. Additional sensors can be purchased for $20. Compared with the cost of a night in the hospital, this is a massive cost-savings. All of it ties back to Masimo's mission statement to improve patient outcomes and reduce the cost of care.

Now here is Arif to talk about Netflix.

Arif Karim:

Today, we want to highlight the competitive and financial strengths that Netflix has demonstrated since we last discussed the business a couple of years ago, especially in light of the expected competition that's finally arrived from traditional media companies launching their own streaming services led by Disney. In addition, the emergence of the COVID-19 pandemic around the world has led to accelerating benefits for digital entertainment and global production.

Two years ago, we shared that Netflix was reaping the benefits of its unique business model, where a generational shift in video services over the Internet enabled Netflix to dream big and bet big – to become the first global scale direct to consumer subscription media company.



Unlike traditional media companies, its growth opportunity was not limited by regional relationships with cable and satellite companies, who had built and owned physical connections to the customers. It was one that was open in reaching anyone with the more pervasive virtual connection, the Internet, wired or wireless, anywhere in the world at the click of a button. The traditional link between reaching a customer as a media provider and the physical infrastructure build was no longer a limit to growth and economics.

Netflix's success in realizing this opportunity has everything to do with the company's culture born of its history as an internet-based, innovation-driven business, which drove it to build capabilities that have underpinned its execution.

Netflix's "Know-How" and Core Capabilities...Moat Scaled Globally

1. Culture of Innovation, Adaptation, Excellence, and Customer experience focus
2. Effective and efficient subscriber acquisition, engagement, and retention; Marketing reach
3. Technology - e.g. Global, fast, efficient, flexible content delivery (CDN, Public cloud), Frictionless, intuitive, and convenient user experience (UX), Compression, Security, etc.
4. Payments/Partnerships and Billing
5. Content - Global curation, distribution, discovery, and scale

==>Global Scale Video Streaming Platform

Source: Ensemble Capital Management

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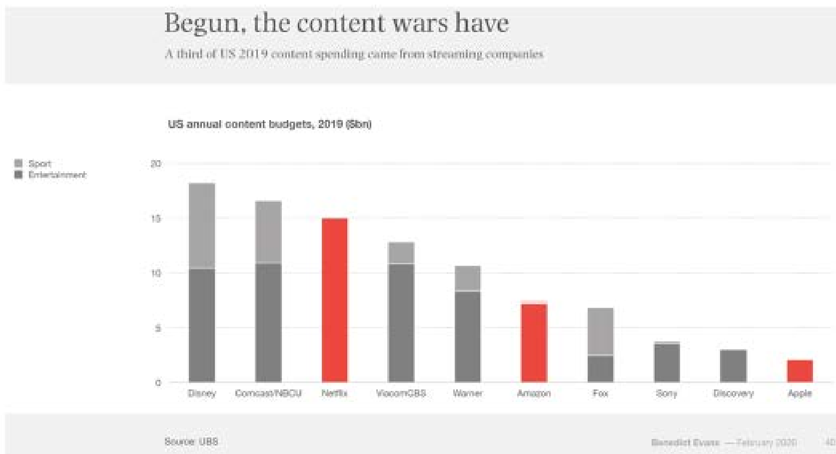
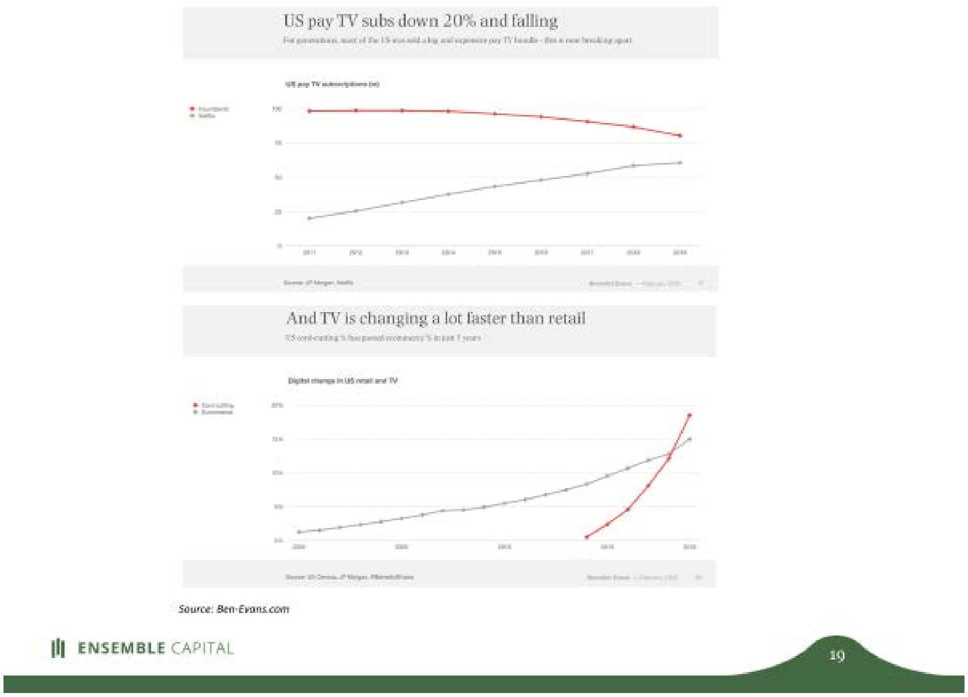
We list these capabilities that comprise the moat Netflix built, including the scale of its content catalog, its phenomenal subscriber acquisition engine which drives a rapidly growing budget for fresh content, and a global intelligent delivery network. It is now one of the largest entertainment content buyers amongst media companies anywhere and one the largest distribution "networks".



Source: Ben-Evans.com

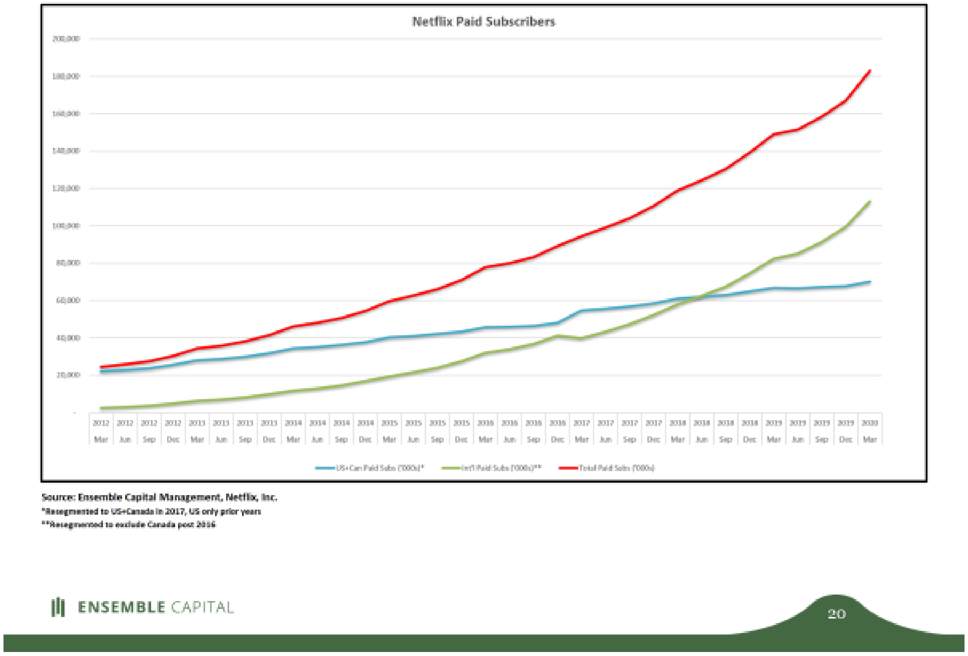
As HBO's top rival at the Emmys, the historical king of quality content, we know Netflix has that quality curation skill down. But it also caters to the Rom com, pop drama, mystery, sci fi and Adam Sandler fans too. And versions of such genres created by local producers for their local cultures around the world. Award winning documentaries, kids' animation, stand-up comedy, and a plethora of cooking, travel, romantic, and even cleaning reality shows are part of its bag too.

With Netflix you get a whole mix of content from creatives around the world for all viewer interests, unbound by the limits of time slots, channel capacity, and advertising loads. The range has proven to increase Netflix's audience, engagement, and addressable market. Netflix has not just achieved its goal of "becoming HBO before HBO becomes Netflix", as its chief content officer Ted Sarandos used to quip, but it's now substituting for the traditional cable bundle. Only better, significantly cheaper, and at your convenience anywhere.

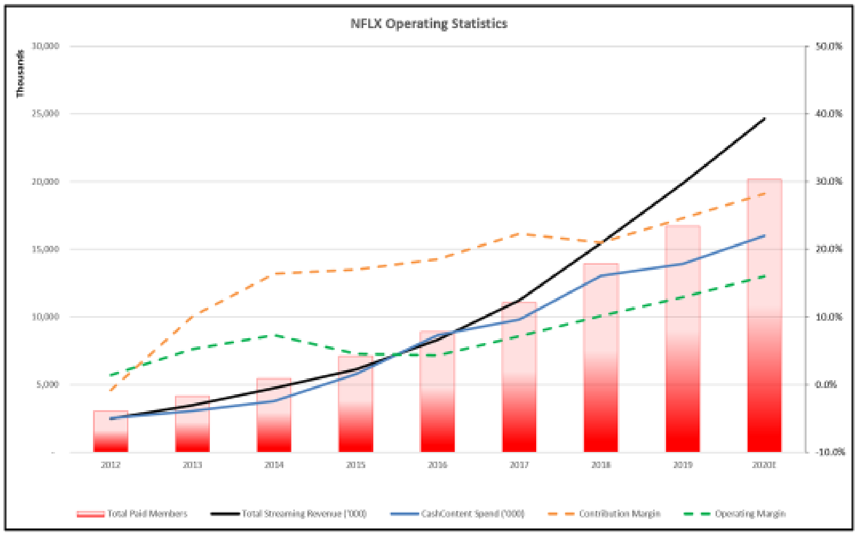


Management's focus on building and scaling this service out has been a huge creator of value for customers, content creators, and shareholders. It adroitly utilized cheap and plentiful debt capital, to accelerate the build out beyond its contemporaneous funding capacity, a clearly smart strategy in retrospect given its wide lead today.

The results of Netflix's urgency coupled with the decade long inertia of media incumbents are evident -- Netflix has driven adoption of the streaming video market globally and become the de facto leader with a global subscriber count that is quickly approaching 200 million.



Total paid subscribers (the red line) have grown by nearly 100 million since 2016, the year we took our initial position in the company, from 89 million to 183 million subs in 1Q2020. While the international segment of the business (the green line) now accounts for the majority of subscribers and revenue, the growth opportunity there is still nascent and provides years of runway.



Source: Ensemble Capital Management, Netflix, Inc.; ECM estimates

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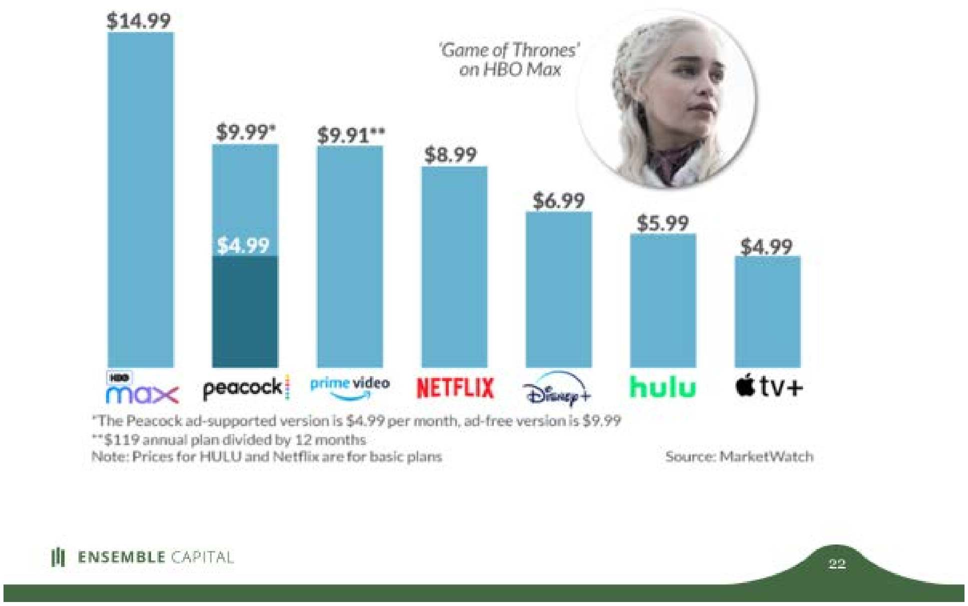
Streaming revenue is estimated to triple from $8 billion in 2016 to almost $25 dollars in 2020. Operating margins are expected to increase from 4% to 16%. And we believe that margin can continue to grow for several years as the international markets mature, just as we've seen them do in the US market.

Content spending more than doubled from $7 billion in 2016 to an estimated $16 billion in 2020. The widening gap between the black revenue line on the graph from the blue content spending line demonstrates the leverage in the business while the green dashed line is indicative of the operating margin growth. Given the fixed cost nature of content and production infrastructure spending at scale, we expect free cash flow generation should follow, as incremental revenues continue to disproportionately favor profit growth.

Though adoption of video over the internet had already been strong, we believe the COVID-19 era is accelerating the shift from traditional Pay TV to streaming, while also favoring Netflix's unique, globally distributed production model. Netflix has stated its 2020 and most of its 2021 new content schedule will generally be unaffected, while legacy media companies are reported to be stuck in action even for the fall 2020 lineup. We expect that should drive incremental subscribers seeking alternative sources of fresh content.



While we've long expected one or more of the technology leaders such as Amazon, Google, or Apple to emerge as one of the three to five long term global streaming platforms alongside Netflix, the only traditional media company we believed would be able to make a credible run for a position among them is Disney.

Disney arguably has the strongest content catalog and IP of any traditional media company, including Disney Animation, Pixar, the Star Wars and Marvel franchises, The Simpsons, and all the television content from ABC, Disney, and twenty first Century Fox Studios, while its globally recognized brand and cross-platform marketing capabilities make it formidable. Bob Iger, its chairman and highly regarded former CEO, made it clear at launch that streaming is the future of Disney and all of the company's strategic focus was on making that transition successfully.

Disney took a smart and humble step in copying almost exactly the playbook Netflix developed in building its service. This included bringing in house the technical capabilities by acquiring a majority stake in BAM Tech for $2.6 billion, scaling its content catalog via its acquisition of twenty first Century Fox for $71 billion, committing to invest about $5 billion from foregone licensing revenue and expenses to build out the platform, and pricing its "premier" content service aggressively to drive accelerated subscriber growth globally. That's $79 billion by our count.

In comparison, Netflix's accumulated cash burn, or investment, of $11 billion since 2012 to build the market and become its leader looks like a phenomenally productive allocation of capital, which has resulted in the incremental two hundred billion dollars in market cap investors have awarded it since.

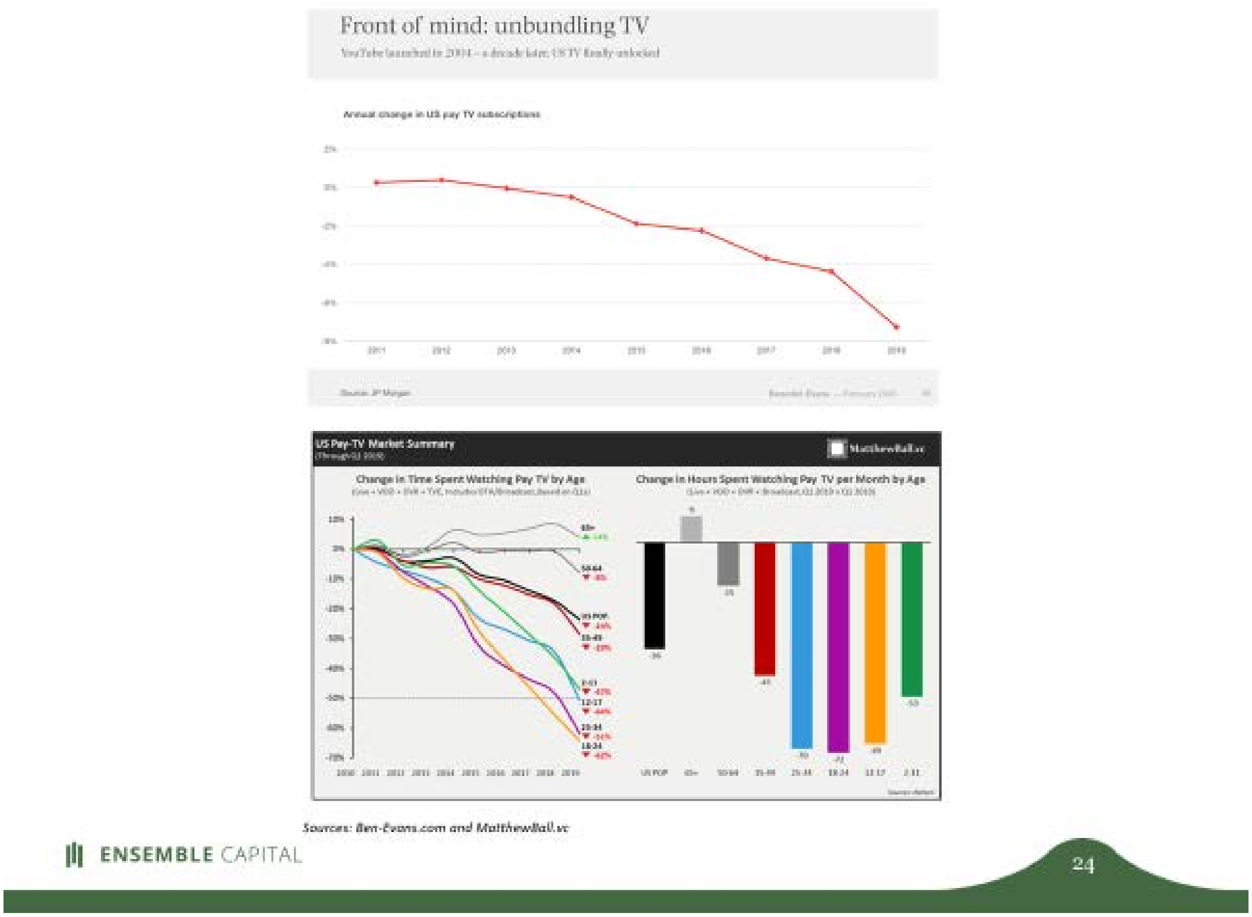
The Disney Plus streaming service was launched in November 2019 first in the U.S. with an incredible 10 million subscribers signed up on day one. The surge actually crashed its network! By the end of the quarter Disney had added 26 million subscribers, while Netflix as the U.S.' biggest incumbent streaming service managed to add, not lose, nearly half a million new U.S. subscribers. Netflix exited the fourth quarter with 61 million U.S. subs while its global base grew by 8 million to end the quarter at 167 million subs.

With COVID-19 accelerating sign ups, the March 2020 quarter saw Netflix adding nearly 16 million new global subs to end the quarter at 183 million. Disney Plus, benefitting from its launch in the E.U., added about 16 million users, excluding the 8 million subs in India where the service was added as a free supplement to its existing HotStar service. Disney reported a total of 50 million subs including HotStar.

The market's worries were put to rest about any sort of competitive threat Disney posed for Netflix in those first two quarters since launch. What's clear is that the great majority of existing Netflix users added Disney

Plus instead of substituting it, while Netflix's cadence of fresh content sets a high bar for any competitor to keep up with the subscriber expectations it has set longer term. Even Disney needs time to build this level of production capability (also aided by the acquisition of 21st Century Fox Studios).

And if Disney can't slow Netflix's subscriber growth, we don't think any other traditional media company can either.



The bigger picture take away is that the huge global numbers of new streaming subscribers added in the U.S. and globally are demonstrating that instead of a war among streaming services, the more important dynamic is the accelerating decline of the high priced traditional cable bundle, at least here in the U.S., as consumer engagement and dollars are being redirected towards more modern paid and free online services. In other words, the traditional bundle's relevance is quickly declining.

It probably won't be long before economics will dictate that Disney offer its ESPN sports content via streaming, and that indeed will be the final nail in cable's demise while the handful of global leaders in streaming content flourish.

No Transcript for Q & A Session

Sean Stannard-Stockton:

And with that we'll wrap things up. Thank you all for joining us today. We look forward to speaking with you next quarter. In the meantime, you can follow our writing at IntrinsicInvesting.com and on Twitter via our handle @IntrinsicInv or by searching for Ensemble Capital.

Disclosures

2020 Q2 Contributors and Detractors to Absolute Return Data

Description	Symbol	Average Weight	Contribution (Gross)	Contribution (Net)	Description	Symbol	Average Weight	Contribution (Gross)	Contribution (Net)
Broadridge Financial Solutions, Inc.	BR	7.73%	2.39%	2.37%	Chipotle Mexican Gril, Inc.	CMG	2.06%	0.89%	0.88%
First Republic Bank	FRC	7.76%	1.97%	1.95%	Masimo Corp.	MASI	3.73%	0.84%	0.83%
Mastercard Inc. Class-A	MA	7.54%	1.68%	1.66%	Landstar Systems, Inc.	LSTR	4.07%	0.68%	0.67%
Netflix, Inc.	NFLX	8.74%	1.68%	1.66%	NVR, Inc.	NVR	3.13%	0.65%	0.64%
Alphabet, Inc. Class-A	GOOGL	7.11%	1.49%	1.47%	Blackline, Inc.	BL	1.32%	0.60%	0.60%
Fastenal Co.	FAST	3.47%	1.14%	1.13%	First American Financial Corp.	FAF	3.20%	0.38%	0.37%
Booking Holdings, Inc.	BKNG	6.63%	1.11%	1.09%	Charles Schwab Corp.	SCHW	6.57%	0.28%	0.26%
Paychex, Inc.	PAYX	4.92%	1.05%	1.04%	Nintendo Co LTD	NTDOY	1.76%	0.22%	0.22%
Home Depot, Inc.	HD	4.21%	1.04%	1.03%	Intuitive Surgical, Inc.	ISRG	2.91%	0.18%	0.17%
Starbucks Corp.	SBUX	5.56%	0.90%	0.89%	Heico Corp. Class-A	HEI/A	0.32%	-0.23%	-0.23%
Ferrari NV	RACE	7.35%	0.90%	0.88%					

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