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One year after its shares began a 12% slide driven by concerns over ESPN's growth trajectory, Walt Disney Co. has come up with an answer for Wall Street: The media giant said Tuesday it will spend $1 billion to acquire a 33% stake in BAMTech, the streaming media unit created by Major League Baseball. As part of the deal, ESPN will later this year launch a new digital service, separate from the traditional cable bundle, that will include games the sports network doesn't air on its linear channels, Disney Chief Executive Robert Iger said on a conference call with analysts to discuss the company's financial results.

The new service will show professional baseball and hockey as well as college football and basketball. It will include a mix of rights already controlled by ESPN and BAMTech, meaning they will likely be games not popular enough to air on TV. Costs for consumers have not yet been set, but Mr. Iger said they could vary depending on how much people want to watch. "We view this as a complementary service to what ESPN is providing in the multichannel package," Mr. Iger said, referring to traditional cable and satellite television programming bundles.

ESPN has lost 3.7 million cable subscribers in the past year, according to Nielsen data, and now reaches about 88.8 million households. That figure excludes streaming services like Dish Network Corp.'s Sling TV and Sony Corp.'s PlayStation Vue. Concern about cord-cutting and young people who never subscribe to cable in the first place has driven investor anxiety about cable television in general, but particularly ESPN, which has long been a cash cow for territory

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Disney. It is the most expensive U.S. cable channel, according to SNL Kagan, charging cable and satellite companies an average of $7.21 per monthly subscriber. The BAMTech deal could also enable digital offerings from other Disney networks such as ABC, the company said.

Nonetheless, Mr. Iger said that maintaining the value of the multichannel bundle remains a "top priority" for Disney, implying that the programming currently airing on TV likely won't be available without a subscription to multiple networks anytime soon. As part of the deal, Major League Baseball said it would spin off BAMTech from its broader digital business known as MLB Advanced Media. BAMTech powers direct-to-consumer streaming services and apps for a number of companies including HBO and serves nearly 7.5 million total paid subscribers to all its clients' streaming products.

The deal announced Tuesday gives Disney the right to eventually acquire a majority stake in BAMTech. Mr. Iger said he wanted to "walk before we run" when it came to integrating the technology firm. The purchase of the minority stake will result in a "very slight dilution" in earnings for Disney, the CEO said.

Disney also said it's struck a deal for seven of its networks, including ESPN, ABC, Freeform and Disney Channel, to be carried on all the plans offered by AT&T Inc.'s forthcoming DirecTV Now streaming service. Getting his company's channels into new "skinny bundles" offered over the internet has been a priority for Mr. Iger, who noted Tuesday that he is "neutral" on how consumers access Disney networks, as the media giant receives similar subscriber fees regardless. Total revenue for Disney grew 9% in the quarter ended July 2 to $14.3 billion, while net income rose 5% to $2.6 billion.

Revenue at Disney's film studio grew 40% to $2.85 billion and operating income surged 62% to $766 million on the strength of "Star Wars: The Force Awakens" and "Zootopia" DVD and digital sales, as well as the box-office performance of blockbusters "The Jungle Book," "Captain America: Civil War" and "Finding Dory." Disney shares rose 1% to $96.67 before financial results were released and were down 1% in after-hours trading, as earnings came in slightly below analysts' expectations. – ***Wall Street Journal***

Charter Communications Inc. said its second-quarter earnings climbed on revenue growth across its segments in the latest period, during which the company completed its roughly $60 billion acquisition of Time Warner Cable Inc. The results helped push up Charter shares 9% in early afternoon trading.

"If you take the Charter growth strategy and apply it to a much bigger set of assets…you create a lot of value in the footprint," Charter Chief Executive Tom Rutledge told analysts on an earnings call Tuesday.
Charter's cash-and-stock deal for Time Warner Cable, initially valued at about $55 billion when it was announced last year, had faced regulatory hurdles and criticism from consumer groups. Subsequent stock gains have raised the total value to about $60 billion. The Federal Communications Commission's approval of the deal came with restrictions aiming to help reduce threats to online video competition that could be exacerbated by consolidation of the cable industry.

The combined cable giant is now the second-biggest broadband provider in the U.S., after Comcast Corp., and the third-largest pay-TV company, trailing AT&T Inc. and Comcast. As part of the transaction, Charter also acquired smaller operator Bright House Networks. The latest quarter includes Time Warner Cable and Bright House results beginning May 18. In addition to its actual second-quarter results, which are skewed in comparison to the prior year because of the transactions, the company also provided results on a pro forma basis, which treat the acquisitions as if they had closed at the beginning of the year-ago period.

Charter said the total company lost 152,000 residential video customers, compared with a pro forma loss of 170,000 in the year-ago period. The results were driven by better video performance in the old Charter and Bright House footprints, offset by worse losses in the legacy Time Warner Cable service area. Charter executives said they hope to upgrade TV transmission across their newly acquired cable footprints to digital by the end of 2018 to allow for faster broadband speeds and more advanced video products. The cable giant ended the quarter with about 24 million residential customers, nearly 17 million of which subscribe to cable television.

On Tuesday's earnings call, Mr. Rutledge addressed recent lawsuits from Fox News and Univision Communications Inc. Both allege that Charter breached its programming contracts by claiming that Time Warner Cable bought Charter, as opposed to the other way around, in a bid to score cheaper carriage rates. "It is still a contentious contractual environment but generally we have a good relationship with our programmers and I think the litigation is part of the negotiation process," Mr. Rutledge said. The company said its results were helped in the latest period primarily by growth in internet, commercial and video revenues.

Internet revenue—the second-largest component of the company's residential segment, which makes up the bulk of its top line—climbed 12%, on a pro forma basis. In its much smaller commercial segment, strong performance in the enterprise and small and medium business components helped push revenue up 13.4%.

The company also said advertising sales rose 3.9%, on a pro forma basis, driven by an increase in national and political advertising revenue. Meanwhile, total operating costs rose 5.3% on a pro forma basis, driven by increases in programming and other expenses. Over all, on a reported basis, Charter reported a profit of $3.07 billion, or $15.17 cents a share, compared with a year-earlier loss of $122 million, or $1.21 a share. On a pro forma basis, per-share earnings rose to 99 cents from 39 cents. Revenue rose 6.6% to $9.99 billion, on a pro forma basis. – ***Wall Street Journal***