

# THE WALT DISNEY COMPANY ANALYST REPORT

Student Managed Fund 2017-2018

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### Report Highlights

#### The Walt Disney Company (NYSE: DIS)

Sector: Consumer Discretionary

Purchase Price	Current Price	Target Price	52-Week Range	Market Cap	P/E	Dividend Yield	Beta
\$98.19 and \$109.77	\$100.36	\$120.97	\$96.20- \$116.10	\$150.79 B	14.37	1.68%	1.18

Figure 1: DIS vs. SPY Return

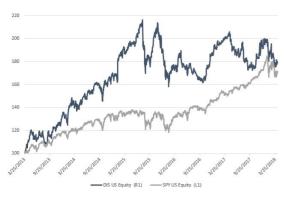


Figure 2: Revenue by Segment

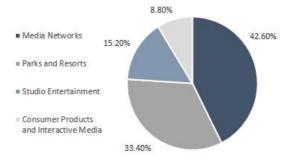
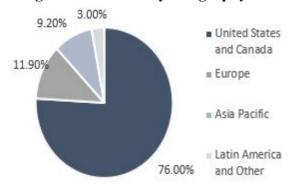


Figure 3: Revenue by Geography



#### BASIS FOR RECOMMENDATION

We recommend a **Buy** rating for Disney (DIS) based on a price target of \$120.97, resulting in a margin of safety of 20.53% given April 13, 2018's share price of \$100.36. In addition to some key catalysts, our recommendation is driven by three long-term factors:

- 1. High brand loyalty Disney commands exceptional brand loyalty. Consumers regularly enjoy the parks, movies, and products throughout their lifetime. Additionally, this loyalty is passed down through generations, making decade old content be demanded. Creating a brand emotion like this is difficult, but has proven successful and allowed Disney to grow and dominate the industry.
- 2. Valuable product portfolio Disney's intellectual property is supreme. Its content is unmatched from competitors and continuously meets market demands and preferences. With this, Disney is able to internationally license its characters, further strengthening the brand. The value of Disney's portfolio helped differentiate Disney and annuitized the company.
- 3. Premier business model Disney's unique business model works symbiotically, enhancing every facet of Disney. For example, content provided in the Studio Entertainment can be monetized in Media Networks, Parks and Resorts, and Consumer Products & Interactive Media. This business model sustains the company and allows it to organically and continuously grow.

#### **BUSINESS DESCRIPTION**

Disney is a diversified mass media and entertainment conglomerate founded in 1923. It operates as four components: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products and Interactive Media. Its current CEO and Chairman is Robert (Bob) Iger.

Figure 4: Media Revenue (Billions)

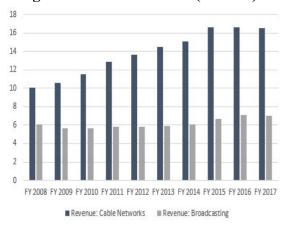


Figure 5: Parks Revenue (Billions)

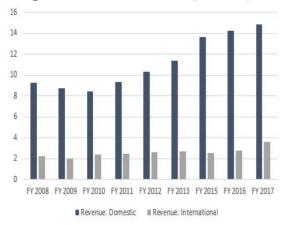


Figure 6: Studio Examples





**Media Networks** is the largest segment by revenue and consists of cable (ESPN, Disney Channel, Freeform, etc.) and broadcasting (ABC and domestic stations). Cable has approximately 1.3 billion subscribers, while broadcasting is able to reach almost 100% of US TV households. The Media segment generates revenue from fees charged to cable providers and advertisers, and from Disney programming sold to TV networks. Costs for this segment are mostly incurred through programming and production. In 2017, operating income decreased 11% to \$6.902 million. This decline was a result of lower cable and broadcasting impressions combined with increased production costs, primarily due to rate increases from the NBA and NFL. However, to mitigate the effect of cordcutting, Disney is launching two subscription video-on-demand (SVOD) services, in addition to its 30% (soon to be 60%) stake in Hulu. Specifically, in April 2018, ESPN offered an a-la-cart SVOD service, ESPN+, allowing users to subscribe online and through the ESPN app to sports of their choosing. Additionally, in 2019 all Disney programming will be exclusively streamed on a SVOD service, charging subscribers less than \$5 a month.

Parks and Resorts operates through 12 theme parks, 52 resorts, and 4 cruise ships. In 2017, the parks had almost 160 million guests (approximately one-third of which was from international parks), 13% more than in 2016. Additionally, hotel occupancy was 86% in 2017. The Parks and Resorts segment generates revenue from admission and in-park sales, while costs for this segment consist of labor, infrastructure, and depreciation expenses. In 2017, operating income increased 14% to \$3,774 million. Specifically, international revenues grew 32%, primarily from increased volumes, and domestic revenues increased 4%, driven by increased in-park spending. Disney's Shanghai Resort opened in 2016 and within one year had 11 million guests. From this success, Disney is planning on expanding the park in 2018. Additionally, more than 50% of these guests are from outside Shanghai, expanding Disney's footprint and brand in Asia. Domestically, in 2019 a Star Wars Park attraction will be completed and three cruise ships will be launched between 2021-2023.

**Studio Entertainment** consists of Walt Disney Pictures, Pixar, Marvel, Lucas Film, and Touchstone. This segment has been tremendously successful: in 2016 it was the first studio to exceed \$7 billion in box office sales. This segment earns revenue from the distribution of films, ticket sales, and licensing of intellectual property. Costs include production and distribution expenses. In 2017 operating income was \$2,355 million, down 13% from 2016. The decline in income can partly be attributed to the comparison of titles released. Although 2017 titles such as *Rogue One: A Star Wars Story* and *Moana* did well in the box office, titles in 2016 including *Star Wars: The Force Awakens* and *Zootopia* were more successful. In 2018, the Studio segment is expected to grow with multiple Marvel, Pixar, and Star Wars films in the pipeline.

Figure 7: Consumer Products and Interactive Media Revenue (Billions)

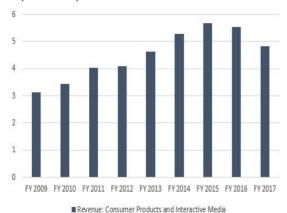


Figure 8: BAMTech Logo



Figure 9: Twenty-First Century Fox Valuation (Billions)

Exchange Ratio		0.2745
Price Per Share	\$	28.00
Twenty-First Century Fox Shares Outstanding		1.87
Equity Purchase Price	S	52.40
(Plus) Debt	\$	20.00
(Less) Cash	\$	6.30
(Plus) Tax Liability Created	\$	8.50
(Less) Cash Dividened Received	\$	8.50
Enterprise Value	S	66.10

Figure 10: Twenty-First Century Fox Asset Examples



Consumer Products and Interactive Media is the smallest segment. It includes branded merchandise, books, comic books, and mobile games. Disney owns and operates its own stores, but also distributes its products through retail, online, and wholesale buyers. Revenue is generated from sales and licensing, while costs include distribution expenses and product development. Operating income decreased 11% to \$1,744 million in 2017. The decrease was partially due to the declining trend of *Frozen* and *Star Wars* merchandise. Additionally, Disney is planning to update its retail stores so they can provide a similar experience to a park. Specifically, there will be characters, singing, and birthday parties. This is expected to increase same-store-sales in the coming years.

#### **ACQUISITIONS**

#### **BAMTech**

In September 2017, Disney acquired 42% of BAMTech from an affiliate of MLB for \$1.6 billion, increasing their ownership to 75%. BAMTech is a streaming and content delivery business that powers streaming for MLB, HBO, NHL, the PGA Tour, and WWE. It currently has 7.5 million subscribers and a significant arm in Europe. This acquisition will help Disney launch its streaming services. Specifically, Disney will use its technology and relationships with content creators to strengthen the ESPN+ platform. This strategic break into streaming services will help Disney continue to be an industry leader and get a foothold in the SVOD trend that has affected Media and ESPN.

#### **Twenty-First Century Fox**

In December of 2017, Disney and Twenty-First Century Fox announced a definitive agreement for Disney to acquire assets from Twenty-First Century Fox for \$52.4 billion in stock. The deal is pending regulatory approval but is expected to close in the summer of 2019. Disney will acquire significant assets from Fox within television, film, and direct-to-consumer (DTC) markets. For example, this acquisition would bring Disney Fox Sports Networks, *Avatar*, and a 39% stake in Sky, a DTC telecommunications company in the United Kingdom. Additionally, Disney would receive a 30% stake in Hulu, increasing their ownership to 60%.

Overall, Disney saw this deal as an opportunity to increase their catalog of intellectual property across many segments. First, Disney would become a majority shareholder of Hulu, making it a major player in the streaming market. Likewise, Sky would enhance their DTC and SVOD capabilities, and it would allow them to do so globally. In addition to Sky, this acquisition expands Disney's international presence through sports networks that stretch into Europe, India, and Latin America, complementing ESPN and supporting Disney as it penetrates global markets. Similarly, Fox's

**Figure 11: DTC Ownership Increase** 



350 channels reach 170 countries. Lastly, financially, this acquisition would provide Disney with \$2 billion in cost synergies, accelerate revenue, and grow EPS within two years of the close. Importantly, Bob Iger will extended his contract until 2021 in order to participate in the integration of Fox's assets.

### Industry Overview and Trends

Figure 12: Consumer Discretionary Index vs. DIS

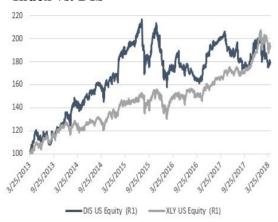


Figure 13: Competitors EBITDA (Billions)

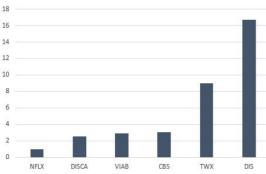
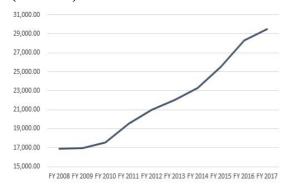


Figure 14: Parks Asset Growth (Millions)



The consumer discretionary industry has a positive outlook, as spending appears to be stable. Consumer confidence continues to grow and wages are trending higher. The entertainment and media industry consists of companies that produce and distribute television programs, motion pictures, and more recently, stream content. Disney is seen as a major market player in this industry; however, it is a very competitive environment. In order for Disney to continue to thrive in this space, it needs to constantly adapt to new technology and innovate. Consumers no longer want a basic platform to watch movies on; they want an interactive, over-the-top interface that is still user-friendly. A company that is able to adapt its strategies and capabilities to align with new consumer behaviors and expectations will flourish ahead of its competitors.

Disney has competitors in all four of its business segments. The company's main competitors include: Viacom, CBS, Comcast, and Sony Corporation. However, there is no company that competes with Disney as a whole, due to its diversified and dominant nature. This diversification allows Disney to engage with customers through all facets of the business, and this cohesive experience is the driver behind Disney's unparalleled brand influence and customer loyalty.

Specifically, in Media, Disney faces increased competition for advertising revenues due to the growing number of networks. With this, contracts are constantly being renewed, which could negatively affect how Disney maintains its agreements to distribute cable programming services. Since this segment is so competitive, all companies must be exceptional at acquiring programming businesses. Additionally, the sports programming space is especially competitive; however, Disney's ESPN has several sports rights agreements, covering a wide array of sporting events.

Furthermore, Disney's Park segment faces pressures from Six Flags Entertainment, Cedar Fair, Universal Studios, and Comcast. Competitors in the Studio segment include Comcast and Sony Corporation. Disney must continue to produce great content innovatively and creatively in order to succeed here. Lastly, the Consumer Products and Interactive Media division competes with other merchandise manufacturers. The main competitors in this segment are Mattel and Hasbro. However, Hasbro agreed to be Disney's official toymaker in 2016.

### **Investment Thesis**

Figure 15: Worldwide SVOD Revenue (Billions)

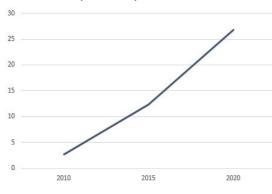


Figure 16: ESPN+ App

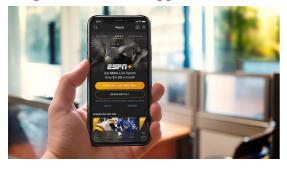
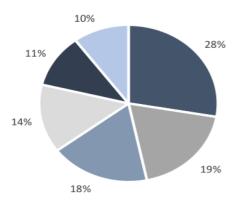


Figure 17: Reasons for Subscribing to SVOD Services



- $\blacksquare$  Original programmes made by the service provider
- = Exclusive content not available elsewhere
- Back-catalogue films/movies
- Programmes/series made in the US
- Programmes/series made in other countries
- Childrens programmes

#### **THESIS**

Disney is the entertainment leader and has positioned itself to be sustainable and dominant for many years to come. Its brand loyalty, product portfolio, and business model make it a sound long-term investment.

In addition to this, some catalysts that will strengthen Disney are, firstly, Disney is actively working to create two SVOD TV streaming platforms, enhancing Media. Next, successful Studio performance will position Disney to grow in not only in the Studio segment but across all other business lines. Lastly, Disney's brand is growing internationally as it expands its Park in Shanghai.

#### **CATALYSTS**

#### **Innovations in Media and Broadcasting**

Disney is launching two online streaming services which will make it a key player in the market. ESPN+ launched in mid-April and serves as a compliment to traditional ESPN. Disney has acknowledged that this service will not replace cable ESPN, but is a step into the predominant SVOD market. With that, this model will protect Disney's flagship channel while also adapting to the market pressures. Here, sports fans can subscribe to various college sports, documentaries, or professional games in an a-la-cart manner.

In addition to ESPN+, Disney is launching an exclusive SVOD internet streaming site containing all of Disney's media and studio content. Aided by the Twenty-First Century Fox assets (FX, *Avatar*, *X Men, The Simpsons*, etc.), this service will offer premier content and be the exclusive source of Disney programs. Additionally, Disney will also create four to five movies and TV shows for the streaming site each year, adhering to consumer demands. It will be launched in the fall of 2019 and priced competitively.

Finally, from acquiring Twenty-First Century Fox's 30% state in Hulu, Disney will inorganically become a dominant SVOD player. It will have the ability to generate revenue from Hulu, but also leverage Hulu's brand and customer base for its own SVOD platforms. Disney's adaptive services are a major catalyst in our investment thesis, as it will capture internet-prone users in the changing consumer market.

#### **Strong Studio Performance**

In 2018, Disney is releasing nine projected box-office hits, including Marvel, Pixar, and Star Wars films. Not only will Studio

Figure 18: *Frozen* Accumulated Revenue (Billions)

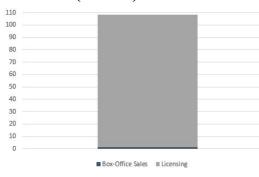
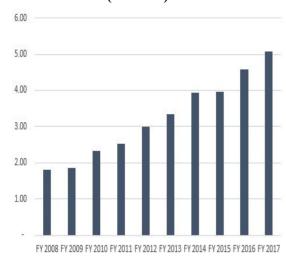


Figure 19: Disney Revenue from Asia Pacific (Billions)



success bring revenue into the Studio segment, but success in this business will generate increased revenue across all of Disney. Specifically, merchandise sales are expected to grow in accordance to the Studio success.

Beyond 2018, the film schedule includes many sequels to boxoffice movies (*Frozen 2*, *Incredibles 2*) and remakes of classic animated movies (*Mulan, The Lion King*), along with a plethora of original titles. Based on the success of the first movies in the sequences, it is anticipated that the sequels will be received just as well. Additionally, from Disney's historic ability to meet market demands, strong Studio performance is is a key catalyst.

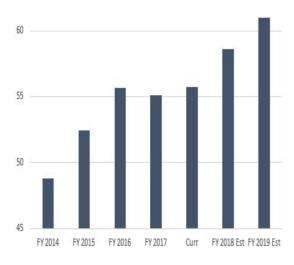
#### **International Expansion**

In 2016, Disney opened a park in Shanghai, China which has been extremely profitable. Within its first year of operation, Disney broke-even on costs as it welcomed 11 million visitors from all across Asia. In the following year of operation, park attendance grew significantly (47% increase for all international parks). In April of 2018, Disney plans to expand the Shanghai Park to open a Toy Story themed attraction.

With this, Disney's brand is being quickly accepted and appreciated in Asia. Although Disney is an international company, it spends significant time and resources penetrating international markets in order to emulate the meaningful power its brand has in the United States. Disney's Shanghai park is a prime example of Disney accomplishing that, and positions it to continue growing internationally both within Parks and commercially.

### Financials

Figure 20: Disney Total Revenue (Billions)



From 2013-2016, Disney's top line had been growing steadily; however, in 2017 revenue decreased 1% (similar to EPS which grew from 2013-2016 and then fell 1% in 2017). This decline can be attributed to lower operating income from the Media, Studio, and Consumer Products & Interactive Media segments. Specifically, Media saw lower broadcasting income due to lower advertising revenue; Studio was impacted by higher film cost impairments; and Consumer Products & Interactive Media were disrupted by licensing agreements. However, with this, Disney benefitted from strong Park performance, a lower tax rate, and significant share repurchases.

Moving forward, Disney is confident in both of their streaming services, ESPN+ and the Disney-branded platform. Its strategic acquisitions will be monetized and add significant value in the future. Although the traditional markets are shifting, Disney is positioned to combat it and regain any lost revenue. Moreover,

Figure 21: 2017 Financial Ratios

ROCI	13.42
ROE	21.23
ROA	9.56
Gross Margin	45.04
Cash Ratio	0.21

Disney's primary focus on quality, ability to leverage intellectual property, and brand will allow it to remain a market mover.

Generally, Disney has demonstrated a strong gross margin, cash balance, and significant ROIC, ROE, and ROA ratios. It consistently makes strategic investments and deploys capital reasonably and for the good of the shareholders. Additionally, it is important to note Disney's sustainable growth rate has been consistent, demonstrating financial health and insurance during market downturns. Lastly, in 2018, Disney is expected to repurchase \$6 billion in stock, on par with the previous five year's repurchases. Management thus believes the shares are undervalued, and wants to use Disney's excess cash to benefit existing shareholders. This assertion is in line with other analyst estimates, who value Disney as a Buy.

### **Valuation**

Figure 22: DCF Model

Insulia d Fassitus Valua	and Chana D		
Implied Equity Value	and Share P	rice	
PV of Cash Flows		\$	46,143.7
PV of Terminal Value		\$	167,259.4
Enterprise Value		\$	213,403.1
Less: Total Debt			25,303
Less: Preferred Securities			-
Less: Noncontrolling Interest			386
Plus: Cash and Cash Equivalents			4,017
	·		
Implied Equity Value		\$	191,731.1
Fully Diluted Shares Outstanding			1,578.00
Implied Share Price		\$	121.50
Current Stock Price	13-Apr		100.36
Margin of Safety			21.1%

Disney was purchased on two occasions: one-half of a position on October 24th, 2017 and one-quarter of a position on January 31st, 2018. Our thesis and model were updated to reflect the Twenty-First Century Fox acquisition and is described below.

#### DISCOUNTED CASH FLOW MODEL

For the Discounted Cash Flow (DCF) model, we assumed a revenue growth rate of 6.0% in 2018, and increased it by 0.3% for the following four years. This was based on historic growth and management insight. Next, for terminal growth, we used a 3.5% growth rate, which accounts for the global economies Disney operates in. Additionally, we used a WACC of 9.3%, reflective of a 10.5% CAPM and a 2.0% cost of debt. From the DCF, we arrived at a price target of \$121.50.

Figure 23: Composite Price Target

**DFC Valuation** 

Implied Share Price Weight	Ş	5	121.50 80%		
Comps \	Valuation (				
Implied Share Price	\$	5	118.82		
Weight			20%		
Price	Target				
Composite Price Target	\$	,	120.97		
Share Price on	13-Apr		\$100.36		

20.53%

Margin of Safety

#### **COMPARABLE COMPANIES MODEL**

Disney operates in multiple business segments, thus it does not have one true competitor. To account for all of its businesses, we used nine comparable companies across Media, Parks, Studio, and Consumer Products & Interactive Media. From these figures, we used a P/E multiple, arriving at a share price of \$118.82.

#### **COMPOSITE PRICE TARGET**

From the two share prices, we arrived at a composite price target of \$120.97, leaving a margin of safety of 20.53% (based on the April 13, 2018 closing price). To arrive at this, we weighted the DCF valuation 80% and the comparable valuation 20%. We did not feel as confident in the comparable companies, as none of them reflected Disney's entire business and were a range of sizes.

### Risks to Investment Thesis

Figure 24: GDP and Consumer Spending Growth

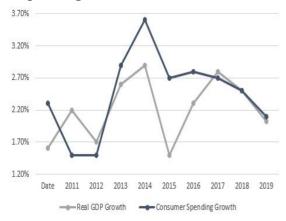


Figure 25: Products Seized Due to IP Infringement in the US in 2017

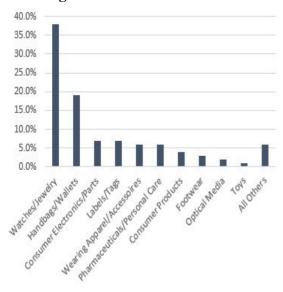


Figure 26: Asset Acquired from Twenty-First Century Fox



### **Success is Dependent on Consumer Preferences and Current Economic Conditions**

Disney is an entertainment provider, and like others in this industry, its success is dependent on its ability to properly match consumers' needs. If Disney produces poor or unwanted content, it will become obsolete. Media, ESPN specifically, is currently being affected by changing trends and is losing subscribers. However, Disney has demonstrated proactive and adaptive capabilities, like its SVOD services, to consistently match consumer preferences. Additionally, historically, Disney's content has been on par with consumer demands.

Similarly, Disney is susceptible to market downturns, and since Disney is an international company, it needs to monitor both domestic and international markets. Moreover, changes in economic conditions could adversely impact sales, as it did in previous downturns. However, management is aware of this risk and has hedged against falling economic conditions.

#### It is Difficult to Protect Against Intellectual Property Theft

Disney's success is reliant heavily on its intellectual property, so its ability to legally protect it is crucial. Specifically, if content is pirated and distributed in a way that goes against Disney's message, the brand will be diluted. Additionally, since Disney is able to license its characters, if intellectual property is stolen or misused, Disney will lose valuable revenue. Today, it is increasingly easy to digitally steal and distribute Disney's intellectual property, especially since Disney content is demanded globally. However, management is aware of this, and Disney has an established legal team that works to maintain patents and fight copyright infringers.

### Assets Provided by the Twenty-First Century Fox Deal are a Key Factor in our Thesis

Although Disney already has a plethora of substantial assets, the acquisition of Fox's assets is a key assumption in our catalysts. Specifically, the titles it would acquire (Sky, Fox Sports, *X Men, The Simpsons*, etc.) would enhance all of its business segments and allow it to access additional global markets, making the investment increasingly attractive. Although both parties are in agreement with the acquisition, it will not be legally finalized for 12-18 months, making it risky. However, Disney has an experienced management and legal team, and is prepared for the potential antitrust battle. Additionally, our thesis is supported by factors not dependent on the acquisition, and Disney will still be a powerful company without it.

### Conclusion

Figure 27: Quote from Founder, Walt Disney



In conclusion, we recommend a **buy** rating of Disney with a price target of \$120.97 per share, which provides a margin of safety of 20.53% (as of April 13th, 2018). Disney is a stable ten-year investment and will continue to provide returns. Its unprecedented brand loyalty, impressive assets and product portfolio, and unique business model allow it to be stable and unmatchable in the entertainment industry.

Today, the company is working diligently to improve and adapt to market shifts, produce successful movies, and strengthen its presence abroad. Soon Disney will leverage these improvements and continue to grow, insuring its relevance and meaningfulness for the foreseeable future.

# Appendix

### Appendix A: Management

Disney's management team is composed of individuals with a wide range of experience in the media and entertainment industry. The team is dedicated to creating the best intellectual property and fostering an environment of creativity and innovation. Bob Iger is the company's Chairman and CEO and joined Disney's senior management team in 1996. His vision for the company consists of three concepts: fostering innovation and applying the latest technology, generating the best content, and expanding to new markets across the world.



## Appendix B: Corporate Social Responsibility

	% of Women on the Board	% of Independent Directors	Sustainalytics Rank	ESG Disclosure Score
Disney	33.33%	91.67%	72.86	36.78
Industry Average	21.43%	88.89%	37.14	15.70

#### **Environmental Stewardship**

Disney prides themselves on being a sustainable and energy efficient business. It currently has three long-term environmentally-friendly goals: zero net greenhouse gas emissions, zero waste, and conserve water resources. The company is currently on track to reduce net emissions by 50% from 2012 levels by 2020. Additionally, by 2020, the company will divert 60% of its waste from landfills and incineration. Disney currently measures their water footprint, as well as transitioning operations to non-potable water. Disney's Worldwide Conservation Fund supports the efforts of non-profit companies who support the protection of wildlife and ecosystems.

#### **Philanthropy and Community Engagement**

Disney continues to make charitable donations every year to organizations that make positive changes around the world. In 2017, Disney donated over \$348 million to several charities. The company also supports scholarship organizations and has donated over \$4 million since 2014 to these causes.

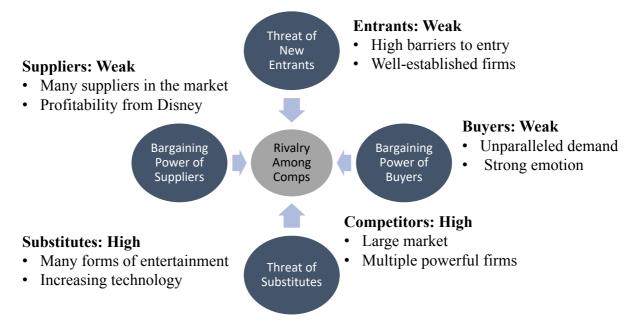
#### **VoluntEARS**

This program consists of Disney cast members who volunteer their time to give back to the community. VoluntEARS have donated 3.4 million hours of service since 2012. The company has set a target to contribute over 5 million hours of employee community service by 2020.

### Appendix C: SWOT Analysis

#### Strengths Weaknesses • Over-dependent on USA • Brand influence and consumer loyalty • Dependent on market • Unique business model conditions **SWOT Opportunities Threats** • Increased demand of • Competition in all business SVOD market segments • International expansion Increased piracy

### Appendix D: Porter's Five Forces



### Appendix E: Discounted Cash Flow Model

			Historical Perio	d	Projection Period								CAGR
	2012	2013	2014	2015	2016	2017		2018	2019	2020	2021	2022	2015-2020
Revenue	42,278.0	45,041.0	48,813.0	52,465.0	55,632.0 \$	55,137.0	\$	58,445.2 \$	62,127.3 \$	66,227.7 \$	70,797.4 \$	75,894.8	4.9%
% growth		6.5%	8.4%	7.5%	6.0%	-0.9%		6.0%	6.3%	6.6%	6.9%	7.2%	
Cost of Revenue	23,468.0	25,034.0	26,420.0	28,364.0	29,864.0	30,306.0		32,124.4	34,458.8	37,064.3	39,975.7	43,233.4	44
Gross Margin	\$18,810.0	\$20,007.0 \$	22,393.0 \$	24,101.0 \$	25,768.0 \$	24,831.0	\$	26,320.9 \$	27,668.4 \$	29,163.4 \$	30,821.7 \$	32,661.4	3.6%
% margin	44.5%	44.4%	45.9%	45.9%	46.3%	45.0%		45.0%	44.5%	44.0%	43.5%	43.0%	
SG&A	7,960.0	8,365.0	8,565.0	8,523.0	8,754.0	8,176.0		8,169.8	8,155.4	8,129.6	8,087.7	8,023.6	
% margin	18.8%	18.6%	17.5%	16.2%	15.7%	14.8%		14.0%	13.1%	12.3%	11.4%	10.6%	
Other Operating Expenses	1000000000	(4	(6.0)	2	332.0	(4)		9	-	-	28.33.00M	-	
Total Operating Expenses	\$ 7,960.0	\$ 8,365.0 \$	8,559.0 \$	8,523.0 \$	9,086.0 \$	8,176.0	\$	8,169.8 \$	8,155.4 \$	8,129.6 \$	8,087.7 \$	8,023.6	-2.3%
% margin	18.8%	18.6%	17.5%	16.2%	16.3%	14.8%		14.0%	13.1%	12.3%	11.4%	10.6%	
EBITDA	\$10,850.0	\$11,642.0 \$	13,834.0 \$	15,578.0 \$	16,682.0 \$	16,655.0	\$	18,151.1 \$	19,513.0 \$	21,033.8 \$	22,734.0 \$	24,637.8	6.4%
% margin	25.7%	25.8%	28.3%	29.7%	30.0%	30.2%		31.1%	31.4%	31.8%	32.1%	32.5%	
Depreciation & Amortization	1,987.0	2,192.0	2,288.0	2,354.0	2,527.0	2,782.0		2,859.6	3,003.8	3,147.9	3,292.1	3,436.3	
EBIT	\$ 8,863.0	\$ 9,450.0 \$	11,546.0 \$	13,224.0 \$	14,155.0 \$	13,873.0	\$	15,291.5 \$	16,509.3 \$	17,885.8 \$	19,441.9 \$	21,201.5	6.6%
% margin	21.0%	21.0%	23.7%	25.2%	25.4%	25.2%		26.2%	26.6%	27.0%	27.5%	27.9%	
Taxes	2,954.92	2,931.39	3,999.53	4,783.12	4,833.93	4,272.88		3,517.04	3,797.13	4,113.74	4,471.64	4,876.34	
Effective Tax Rate	33.3%	31.0%	34.6%	36.2%	34.2%	30.8%		23.0%	23.0%	23.0%	23.0%	23.0%	28
EBIAT	\$ 5,908.1	\$ 6,518.6 \$	7,546.5 \$	8,440.9 \$	9,321.1 \$	9,600.1	\$	11,774.4 \$	12,712.1 \$	13,772.1 \$	14,970.3 \$	16,325.1	9.9%
Plus: Depreciation & Amortization	1,987.0	2,192.0	2,288.0	2,354.0	2,527.0	2,782.0		2,859.6	3,003.8	3,147.9	3,292.1	3,436.3	
Less: Capital Expenditures	3,784.0	2,796.0	3,311.0	4,265.0	4,773.0	3,623.0		4,366.7	4,540.4	4,714.1	4,887.8	5,061.5	
Less: Change in Net Working Capital	(416.0)	(1,137.0)	667.0	92.0	1,524.0	764.0		249.0	249.0	249.0	249.0	249.0	
Plus: Other Operating Adjustments	(139.0)	283.0	177.0	53.0	(176.0)	98.0	4	49.3	39.6	39.6	39.6	39.6	8
Free Cash Flow	\$ 4,388.1	\$ 7,334.6 \$	6,033.5 \$	6,490.9 \$	5,375.1 \$	8,093.1	Ş	10,067.7 \$	10,966.1 \$	11,996.5 \$	13,165.2 \$	14,490.5	19.6%
% growth	0.00/	67.1%	-17.7%	7.6%	-17.2%	50.6%		24.4%	8.9%	9.4%	9.7%	10.1%	
WACC Discount Period	9.3%							1	2	3	4	-	
Discount Period  Discount Factor								1 0.92	0.84	0.77	0.70	0.64	
Present Value of Free Cash Flow						_	Ġ	9,214.5 \$	9.186.3 \$	9.197.8 \$	9,238,4 \$	9.306.7	

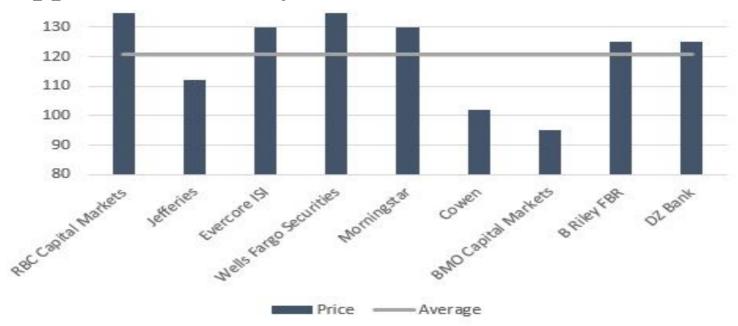
# Appendix F: Comparable Companies Model

Ticker	Company	Market Cap (B)	P/E	EPS	Enterprise Value (B)	EBITDA (B)	EV/EBITDA	Total Debt (B)	Quarterly Sales Growth YoY	Beta
MEDIA N	ETWORKS	1000			1011		111.0	1000000	10000	
FOXA	Twenty-First Century Fox Inc.	67.69	17.29	2.13	81.58	6.54	12.48	19.79	4.60%	1.23
CBS	CBS Corp.	19.1	56.63	0.881	29.11	3.05	9.54	10.16	11.50%	1.29
VIAB	Viacom	12.63	6.13	5.01	22.07	2.93	7.53	10.19	-7.60%	1.68
NFLX	Netflix Inc.	134.08	247.18	1.25	129.02	0.91059	141.69	6.5	32.60%	1.35
PARKS A	ND RESORTS									
SIX	Six Flags Entertainment Group	5.22	19.95	3.39	7.181	0.58108	12.39	2.02	7.29%	1.12
FUN	Cedar Fair, LP	3.55	16.61	3.79	5.07	0.45928	11.04	1.67	18.90%	0.62
STUDIO E	ENTERTAINMENT									
CMCSA	Comcast	153.34	6.95	4.75	214.99	27.81	7.73	64.56	4.20%	1.27
SNE	Sony Corp	61.94	12.49	3.91	54.28	11.61	4.67	12.88	11.50%	1.71
CONSUM	IER PRODUCTS AND INTERACTIVE M	EDIA								
HAS	Hasbro, Inc.	10.94	28.05	3.12	10.73	0.9822	10.92	1.85	-2.10%	0.57
DIS	Walt Disney Company	150.79	14.3	7.01	172.37	16.91	10.19	26.09	3.80%	1.18
Mean		61.93	42.56	3.52	72.64	7.18	22.82	15.57	8.47%	1.20
Median		40.52	16.95	3.59	41.695	2.99	10.555	10.175	5.95%	1.25

# Appendix G: Sensitivity Analysis

Sensitivity Analysis of Implied Share Price													
		WACC											
					8.3%		9.3%		10.3%		11.3%		
a)	2.5%	\$	156.51	\$	126.24	\$	104.95	\$	89.16	\$	77.00		
Rat	3.0%	\$	173.62	\$	137.28	\$	112.56	\$	94.68	\$	81.14		
£	3.5%	\$	195.29	\$	150.63	\$	121.50	\$	101.01	\$	85.82		
Growth Rate	4.0%	\$	223.61	\$	167.12	\$	132.14	\$	108.35	\$	91.14		
U	4.5%	\$	262.19	\$	188.00	\$	145.01	\$	116.97	\$	97.24		

### Appendix H: Analyst's Price Consensus



### Appendix I: Selected Financial Data

#### Walt Disney Co/The (DIS US) -

In Millions of USD except Per Share	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
12 Months Ending	09/27/2008	10/03/2009	10/02/2010	10/01/2011	09/29/2012	09/28/2013	09/27/2014	10/03/2015	10/01/2016	09/30/2017
Total Revenues	37,843.0	36,149.0	38,063.0	40,893.0	42,278.0	45,041.0	48,813.0	52,465.0	55,632.0	55,137.0
Operating Income	7,404.0	5,547.0	6,596.0	7,801.0	9,002.0	9,167.0	11,369.0	13,171.0	14,202.0	13,775.0
Net Income to Common	4,427.0	3,307.0	3,963.0	4,807.0	5,682.0	6,136.0	7,501.0	8,382.0	9,391.0	8,980.0
Basic EPS, GAAP	2.34	1.78	2.07	2.56	3.17	3.42	4.31	4.95	5.76	5.73
Diluted EPS, GAAP	2.28	1.76	2.03	2.52	3.13	3.38	4.26	4.90	5.73	5.69
Basic Weighted Avg Shares	1,890.0	1,856.0	1,915.0	1,878.0	1,794.0	1,792.0	1,740.0	1,694.0	1,629.0	1,568.0
Diluted Weighted Avg Shares	1,948.0	1,875.0	1,948.0	1,909.0	1,818.0	1,813.0	1,759.0	1,709.0	1,639.0	1,578.0
Cash and Equivalents	3,001.0	3,417.0	2,722.0	3,185.0	3,387.0	3,931.0	3,421.0	4,269.0	4,610.0	4,017.0
Total Current Assets	11,666.0	11,889.0	12,225.0	13,757.0	13,709.0	14,109.0	15,169.0	16,758.0	16,966.0	15,889.0
Total Assets	62,497.0	63,117.0	69,206.0	72,124.0	74,898.0	81,241.0	84,141.0	88,182.0	92,033.0	95,789.0
Total Current Liabilities	11,591.0	8,934.0	11,000.0	12,088.0	12,813.0	11,704.0	13,292.0	16,334.0	16,842.0	19,595.0
Total Liabilities	28,830.0	27,692.0	29,864.0	32,671.0	32,940.0	33,091.0	35,963.0	39,527.0	44,710.0	49,637.0
Total Equity	33,667.0	35,425.0	39,342.0	39,453.0	41,958.0	48,150.0	48,178.0	48,655.0	47,323.0	46,152.0
Shares Out on Balance Sheet	1,854.0	1,818.3	1,896.9	1,762.2	1,800.0	1,800.0	1,700.0	1,600.0	1,600.0	1,500.0
Shares Out on Filing Cover	1,851.0	1,865.0	1,893.6	1,796.5	1,772.1	1,757.3	1,695.7	1,653.2	1,591.5	1,510.3
Cash From Operations	5,446.0	5,319.0	6,578.0	6,994.0	7,966.0	9,452.0	9,780.0	10,909.0	13,136.0	12,343.0
Cash From Investing	-2,162.0	-1,755.0	<b>-4</b> ,523.0	-3,286.0	<b>-4</b> ,759.0	-4,676.0	-3,345.0	-4,245.0	-5,758.0	-4,111.0
Cash From Financing	-3,953.0	-3,148.0	-2,750.0	-3,245.0	-3,005.0	-4,232.0	-6,945.0	-5,816.0	-7,343.0	-8,928.0

### Appendix J: Sources

Disney 10-K, Disney Investor Relations

Disney 10Q, Disney Investor Relations

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