



The Walt Disney Company (NYSE: DIS)

Sector: Consumer Discretionary

Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend Yield	Beta
\$139.02	\$116.24	\$117.90	\$96.80	17.45	\$172,877.1 M	1.4%	1.05

Business Description

Disney is an American diversified worldwide entertainment and mass media company founded in 1923. The business operates in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media. Media Network is the largest segment, which includes cable and broadcast television networks, television production and distribution operations, domestic television stations and radio networks and station. Parks and Resorts is second largest segment, which include domestic and international theme parks and resorts (The Walt Disney World Resort in Florida; The Disneyland Resort in California; and Disneyland Paris etc). Following is the Studio Entertainment, which distributes films under Walt Disney Pictures, Pixar, Marvel, Lucasfilm, and Touchstone banners. Lastly, Consumer Products & Interactive Media is the smallest segment, which sells merchandise, games, books, and advertising in online video content.

Industry Trends

The Consumer Discretionary Sector has a fairly positive outlook, due to strong labor markets and wages trending higher, while the online sales rising results low traditional retail sales. The media and entertainment industry is a creative industry that consist of Movies/Cinema, Television, Music, Publishing, Radio, Internet, Advertising and Gaming. Some of the trends in 2018 are: the emergences of Virtual multichannel video programming distributors, rise of cord-shaving, growth of targeted advertising, and increase attention to virtual and augmented reality.

Investment Thesis

The Walt Disney Company will provide sustainable long-term growth through its unique business model, customer experience and brand loyalty, and the move to direct-to-consumer platforms. Disney's business model connects its branded entertainment across all four business segments; utilizing their successful characters and ideas throughout theme parks and consumer products is a competitive advantage in the industry. Disney also has strong brand loyalty with low consumer sensitivity to price changes and a valued rewards program. Lastly, their direct-to-consumer streaming service launch will be important and useful in helping them remain relevant in the industry. The addition of Fox's assets will provide a large content base for these services and will help them expand international growth as well.

Valuation Assumptions

WACC: 9.9%

Terminal FCF Growth Rate: 3.5%

Upside: 19.6%

Sources: Bloomberg, Value Line, Annual Reports

Key Financials

Current stock price: \$116.24

Intrinsic Value: \$139.02

Report Prepared By:

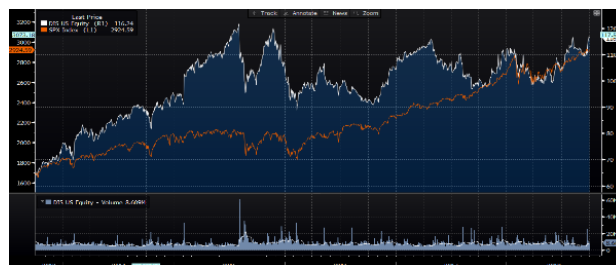
Samantha Martin and Sharon Liu on 10/01/2018

Corporate Social Responsibility

Updated from Fiscal Year 2017

- Maintained water consumption at 2013 levels
- Reduced net emissions by 41% from 2012 levels
- Achieved a 46% diversion rate of operational waste
- Contributed a total of nearly 3.4 million hours of service since 2012

5-Year Stock Performance



Competitive Analysis

Disney faces competition across all business segments. For Media Network and Studio Entertainment, the main competitors are Twenty First Century Fox (Acquired), CBS, Viacom, and Netflix. For Parks and Resorts, the competitors are Universal Studios and Comcast, Cedar Fair, Six Flags and Entertainment etc. For Studio Entertainment, the competitors are Comcast, and Sony Corp. etc. For Consumer Products and Interactive Media, the competitors are Mattel, Hasbro, and DC Comics etc. However, no competitor has the capability to compete against Disney in all four business segments, because of its diversification, strong brand image and customer loyalty.

Competitive Advantages

Disney's main competitive advantage is the strong brand and experience associated with the company's products. They provide a unique experience through their branded entertainment and parks, and there is a low threat of substitutes, allowing for price changes to not have an effect on demand. In addition, with the acquisition of Fox, Disney will have a large content base for their direct-to-consumer streaming services and a higher market share, giving them a competitive advantage against other direct-to-consumer models. This acquisition will allow Disney to grow internationally as well, with over 350 new channels reaching 170 countries.

Risks

- Changes in U.S or Global economic conditions have an impact on consumer spending
- Success of studio entertainment and direct-to-consumer content dependent on consumer tastes and preferences
- Reduction in consumer demand for some Media Network content, specifically decline in cable TV popularity among younger generations and households