The Walt Disney Company (NYSE: DIS)

Sector: Entertainment

Target Price	Current Price	52w High	52w Low	P/E	Market Cap	Dividend Yield	Beta
$110	$ 95.46	$153.41	$79.07	15.29	$172.78B	1.84%	1.04

Business Description:
The Walt Disney Company is a worldwide entertainment company that operates in four main segments: media networks, parks, experiences, and products, studio entertainment, and direct-to-consumer & international. Media Networks involves television production and distribution among brands including Disney, ESPN, Freeform, FX, and more. Parks, Experiences, and Products includes theme parks and resorts as well as Disney's cruise lines. Studio Entertainment involves motion picture production and distribution under Disney, Marvel, Lucasfilm, and more. Direct-to-consumer and international includes branded international television networks, direct streaming services such as Disney+, and other digital content. The Parks, Experiences, and Products segment makes up the largest portion of Disney's revenue.

Industry Trends:
One of the biggest trends the entertainment industry is the growth of content streaming and cable cutting from traditional content delivery. The online streaming industry is expected to grow at a CAGR of 4.1% through 2024. Subscription models are expected to become more common and acquisitions to consolidate the industry have also become more common. In the parks industry, Capex is intense and licensing content for parks development is becoming increasingly common as well.

Investment Thesis:
We believe Disney is positioned well to capitalize on their current position in the market in order to grow their operations. Firstly, Disney's direct-to-consumer market will allow the company to bypass intermediaries and sell content directly to consumer. This approach will also assist them in selling internationally as they focus on expanding operations in Asia. Additionally, Disney's diversification across segments fortify the company if one segment faces uncertainty. Finally, Disney creates an intangible experience for their consumers through their brand names that create a positive feedback loop in which the more consumers view the product, the more of Disney's content they want to pursue.

Valuation Assumptions:
WACC: 9%
Perpetuity Growth Rate: 4%
Margin of Safety: 15%

1-Year Share Performance vs. S&P 500:

Competitive Advantage and Analysis:
Competitors of Disney include cable providers like Comcast, parks and lodging companies such as Six Flags, studio film companies, and other streaming services. Disney's "magic" experience is unique and unmatched by all competitors. Disney's stories create inspiration and a feeling of childhood wonder that draws people to visit the parks and "meet" the characters, which in turn makes people more invested in the content that Disney creates. Competitors that create content or have theme parks have to compete in other ways because they are unable to match Disney's "magic". As a result, Disney has a competitive advantage that will allow them to continue to thrive against competition.

Risks:
As an entertainment company, Disney is dependent on creating high quality content year after year to retain uphold image, reputation, and retain customers. The entertainment industry may also be subject to change which could impact Disney's future if they are unable to adjust rapidly. Parks and Resorts are dependent on the travel industry and discretionary spending.

Corporate Social Responsibility Highlights:

- On October 3, 2019, The Disney Conservation Fund awarded $6 million in grants to 80 nonprofit organizations to save wildlife and protect the planet
- In 2019 Disney built a 270 acre solar facility at Disney World with the intention of supplying electricity for two of the theme parks in Orlando

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Sources: NetAdvantage