The Henry Fund
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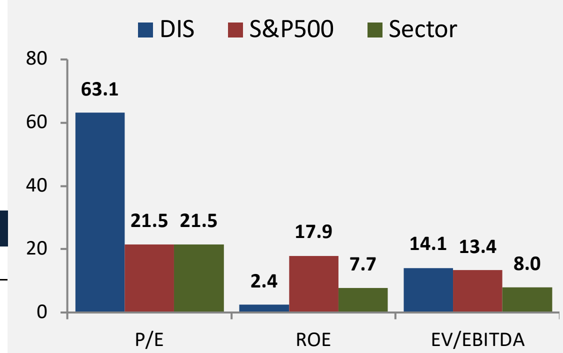
The Walt Disney Company (DIS)

Communication Services – Media and Entertainment

March 9, 2024

Stock Rating	BUY
Target Price	**$134**
Henry Fund DCF	$134
Henry Fund DDM	$60
Relative Multiple	$75
Price Data	
Current Price	$114
52wk Range	$79-115
Consensus 1yr Target	$117
Key Statistics	
Market Cap (B)	208.5
Shares Outstanding (M)	1,834.3
Institutional Ownership	66.9%
Beta	1.1
Dividend Yield	0.3%
EV/EBIDTA	14.1
Price/Earnings (TTM)	63.1
Price/Earnings (FY1)	2.4
Price/Sales (TTM)	1.7
Price/Book (mrq)	1.5
Profitability	
Operating Margin	9.9%
Profit Margin	2.7%
Return on Assets (TTM)	1.2%
Return on Equity (TTM)	2.4%



Investment Thesis

Disney's transition from linear television to streaming has been bumpy, but there is reason to be optimistic about their outlook. With Bob Iger back at the helm, the company has undergone many strategic initiatives to increase profitability. Also, the video streaming industry is likely headed towards a more profitable consolidation model as consumers seek a bundle akin to cable. In the short-term as projects develop, Disney will be able to lean on its parks and linear networks for capital support. As a result, we recommend a **BUY** rating with a price target of $134, representing an 17.5% return from its current price.

Drivers of Thesis

- The video streaming industry is maturing and likely headed towards a more stable business model through M&A and rebundling.
- Disney's revenue streams are more diverse than competitors, which will allow them to grow gross margins by a CAGR of 13% through 2028, leaning on Experiences while they refigure Sports and Entertainment.
- The firm's crackdown on password sharing should increase Disney+ subscription revenue by 8% YOY through 2028.

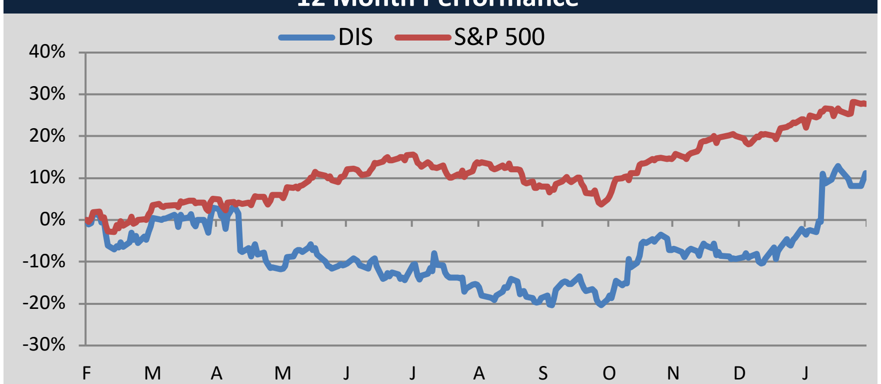
Risks to Thesis

- Disney's initiatives into a sports streaming service, Epic Games, India, etc., have slow growth and require higher utilization of capital.
- A recession would take consumer spending away from non-essential goods such as streaming subscriptions and theme park.
- Disney's movies continue to disappoint at the box office and the change in leadership at its film studio fails to generate fresh intellectual property.

Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$1.10	$1.73	$1.29	$4.01	$4.90	$5.82
HF est.				$4.19	$5.14	$6.18
Growth		*57.3%*	*-25.4%*	*210.9%*	*22.2%*	*18.8%*

12 Month Performance[1]



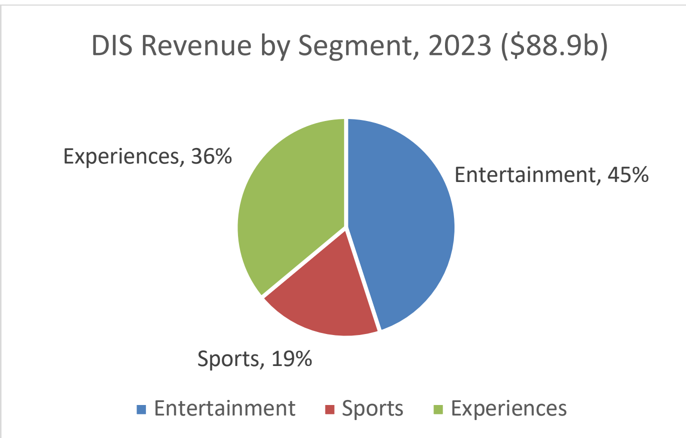
Company Description

Disney is a premier media and entertainment company. The organization operates in three different segments: Entertainment, Sports, and Experiences. Disney's portfolio includes film, television, animation, and theme parks. Its brand is beloved by fans, leading to high customer loyalty. The firm owns significant franchises and studios such as Marvel, Star Wars, and Pixar. The firm also owns various linear networks and operates its own streaming service.

COMPANY DESCRIPTION

Disney is a leading media and entertainment company with multiple different business lines. The company has its hand in many different areas of media consumption. Its intellectual property contains some of the most beloved characters and stories in entertainment. It owns hit franchises and titles such as Star Wars, Pixar, Marvel, etc. Disney also operates linear TV networks such as ESPN and ABC, as well as streaming services Disney+ and Hulu. Disney monetizes their brands through merchandise, streaming subscriptions, and their parks.

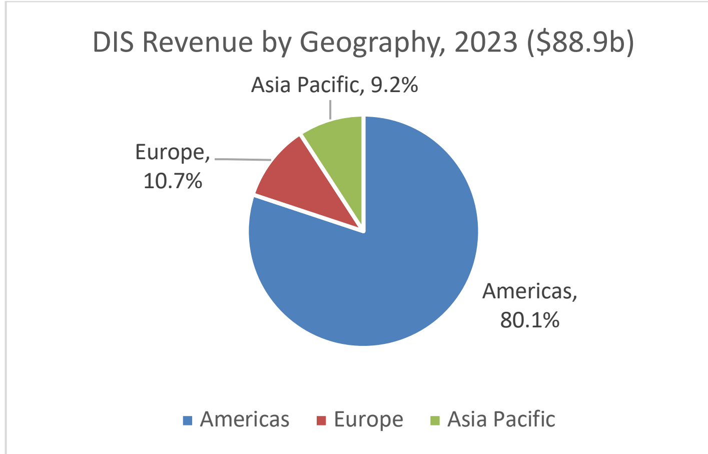
This past year, Disney reorganized its business lines to three major segments: Entertainment, Experiences, and Sports. In FY23, Disney generated $89b in revenues, with $40.6b coming from Entertainment, $32.5b from Experiences, and $17.1b from Sports.



Source: Disney 10-K

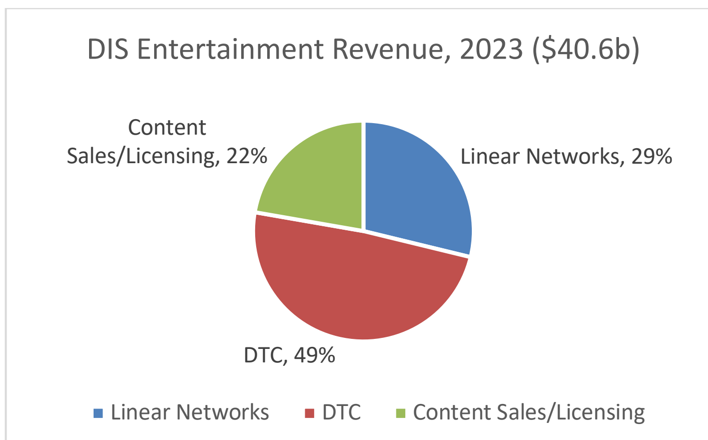
Disney's largest differentiator from other entertainment firms are its amusement parks. The parks give the company a diversification in revenue streams that is hard to replicate. Disney's business model is built for a "flywheel" effect, where consumers of Disney TV and movies proceed to purchase merchandise and lavish excursions to parks and cruises based around the IP the customer was watching.

The future of Disney's media portfolio and assets is changing on an ongoing basis. This is largely due to a change in leadership. In November 2022, Bob Iger took over as CEO, a position he held in the past. Since Iger's reinstallation as CEO, Disney has made changes in studio leadership, entered multiple new joint ventures, and is working towards a succession plan for the post-Iger era. We believe the company is set up well to bounce back after a storm of mistakes stemming from COVID and the launch of Disney+.



Disney is mostly focused on domestic consumers, as 80.1% of their revenue comes from its Americas segment. This is mostly due to the domestic nature of its operations and consumer base. The firm has expanded its overseas operations by creating parks in international markets.

Disney Entertainment

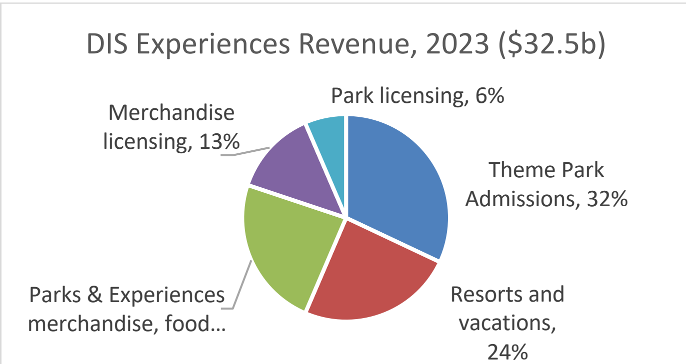


Source: Disney 10-K

The Entertainment segment focuses on global film, television, and direct-to-consumer (DTC) content production and distribution. This includes linear networks such as ABC, FX, Disney Channel, as well as the Disney+ and Hulu streaming services.

The company's entertainment sector has struggled in recent years. Disney+ has lost subscribers and the company has fallen short of expectations at the box office. As consumers adjust to streaming, we expect the share of DTC revenue to increase as linear networks continue to fade. We forecast Disney Entertainment revenues to grow by a CAGR of 3.57% through 2028. This is due to our belief that Disney+ will increase its subscriber base after its merging with Hulu. As a result of subscriber growth and Hulu being folded in, we expect Disney's average revenue per user to go up. The firm also replaced its film studio head with a new leader who comes from indie cinema and is expected to reignite fans with new titles and franchises.

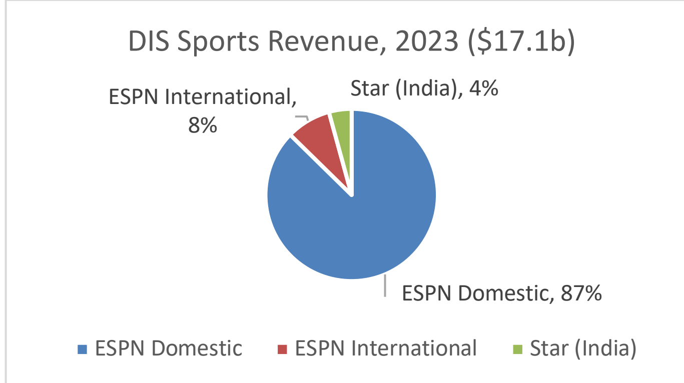
Disney Experiences



Source: Disney 10-K

The Experiences segment encompasses Parks & Experiences, as well as consumer products. Disney manages theme parks, resorts, cruises, vacation clubs, etc. Disney also leverages its intellectual property to license its brands to manufacturers, game developers, and retailers. This segment is the bread and butter of Disney's business. Experiences accounted for 70% of Disney's operating income in 2023. COVID-19 aside, Disney's parks and merchandise is a cash cow for the company. While Disney+ hasn't become profitable yet, Experiences has done incredible business as consumers started spending on experiences again in a post pandemic world. Disney is planning to spend $60b in capex for parks over the next 10 years[1]. We expect Experiences to grow at the highest of rate of any segment Due to the increased management focus on Experiences and the positive trend of consumer spending on live events, we expect strong performance to continue in Experiences. We forecast Disney's Experiences revenues to grow by a CAGR of 6.26% through 2028.

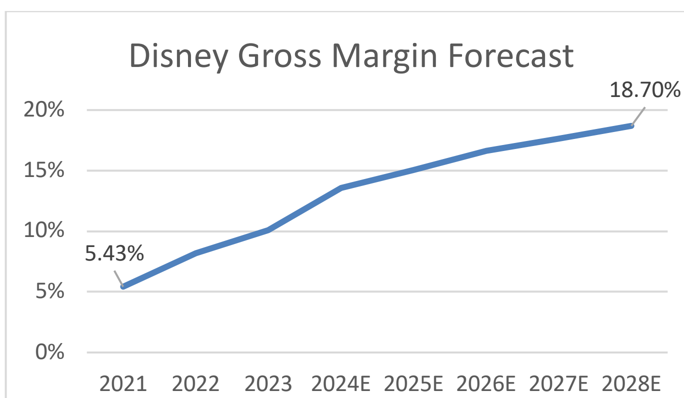
Disney Sports



The Sports segment houses ESPN and the ESPN+ streaming service. Disney airs the NFL, NBA, college football, amongst other sports on their platforms.

In recent months, Disney considered selling part of ESPN to private equity or another suitor[1]. However, the firm decided against this. We believe this is a good decision for the firm, as sports give a consistent audience that can't be replicated. Due to the sports world running on a consistent calendar, Disney can expect reliable audiences that original content may not provide. The sports segment is the smallest of Disney's, as its scope is smaller than the others. We project Disney Sports to remain a consistent source of revenue for the firm due to the nature of sports content. We forecast Disney's Sports revenues to grow by a CAGR of 4.14% through 2028. This is due to Disney's pivot to a joint sports streaming service venture with competitors. We believe the firm should focus on this joint venture and stop its efforts with ESPN+. Folding ESPN+ into Disney+ and putting all the firm's streaming aspirations into one service will help prevent churn.

Cost Structure Analysis



Through our forecasts, we project Disney's gross margins to grow by a CAGR of 13% through 2028. Overall margins are improving due to cost cutting in certain areas, such as Sports and Entertainment DTC. We believe Disney will be able to achieve stronger margins than current levels because of strategic initiatives that are currently taking place.

Disney's entertainment segment is where much of the focus on the future of the company lies. Despite half of their revenue coming from DTC through Disney+ and Hulu streaming services, the area has not been profitable. Disney is still reliant on its linear networks to make the bulk of the profit for its entertainment sector. Although linear television is declining, it remains valuable for Disney to still recoup losses from streaming in this area. With the introduction of advertising and password crackdown for Disney+, we anticipate DTC operating margins to improve in the following years.

Disney's ESPN domestic operation is its most profitable area of the sports segment. Its Star (India) area has the worst margins and is going away through Disney's new joint venture with Reliance Industries. We believe Disney taking a step away from India is a positive move for the company. Because ESPN Domestic takes up the largest percentage of revenue and has the highest margins, maintaining a sports segment is possible for Disney. We believe that Bob Iger getting rid of sports at Disney would be a mistake.

Disney's operating margins in Experiences emphasize how Disney can operate through tough times in media compared to competitors. The profitability of retail merchandise and theme parks keeps the "flywheel" effect running for Disney. We expect margins to continue to be strong for Experiences and anticipate this are to serve as the backbone of the company as it figures out streaming. We are also bullish on the opportunities for Disney's International Parks and Experiences, as they experienced significant margin growth in that area in 2023.

Debt Maturity Analysis

Disney currently has $466b in long-term debt outstanding. The company has an A- credit rating from S&P. Disney's long-term debt level has hovered in the $40-50b range for the past few years. This is largely due to the firm's acquisition of 21st Century Fox and fallout from COVID-19. The firm will have short term debt of around $4b maturing in 2024. Approximately two-thirds of Disney's debt will mature after 2028.

Five-Year Debt Maturity Schedule

Fiscal Year	Payment ($mil)
2024	4,382
2025	3,728
2026	4,578
2027	2,921
2028	1,599
Thereafter	29,204
Total	46,412

Source: Disney 10-K

We do not anticipate Disney having issues making payments on its debt. Levels of long-term debt may rise due to the firm's acquisition of the last 33% of Hulu from Comcast, which is expected to be somewhere in the $10-14b range. Disney's active role in M&A markets may significantly change its capital structure in the next few years. We believe this should not be an issue for Disney, who's debt rating ranks above the rest of the media industry.

Firm	S&P Debt Rating
Netflix	**BBB+**
Disney	A-
Warner Bros. Discovery	BBB-
Comcast	A-
Paramount	BB+

Additional Company Analysis

Disney makes their money through diversified revenue streams. While most media companies are strictly reliant on the output of their streaming services and content studios, Disney's parks give the firm a backbone for constant support. In our revenue projections, Disney Experiences project to grow around 7% over the coming three years before settling out at a steady growth rate when post-COVID experience seeking slows down.

Disney is the premier family-friendly media company on the market. Disney's content historically revolves around stories that are enjoyable for all ages. For years, Disney has made money off superheroes, princesses, etc. Disney's acquisition of 21st Century Fox allowed the firm to dabble in content created for adults. We believe that Disney will need sports and adult content to maintain its status as an elite media brand. If the company focuses on only family friendly material, they risk becoming a niche and not a mass market company.

Disney's differentiates itself in two main ways from its peers: Experiences and its brand. Disney's brand is strong enough that centering your personality around Disney content has a title ("Disney Adult"). The way Disney utilizes its stories to get fans on the "flywheel" is much different than most other content studios. Because Disney's fan loyalty is a machine, they are better equipped to weather bad times than other entertainment companies.

One of the major threats to Disney in the long-term is the generation of new content and IP. New stories and exciting franchise offer more opportunities for fans to invest money into theme parks, toys, etc. In the past year, Marvel/superhero fatigue has been a broader trend in the entertainment industry. This serves as a warning to Disney that if no new IP gets generated, then there is potential for fans to fall off the "flywheel" and stop spending money on Disney Experiences.

ESG Analysis

Firm	Sustainalytics ESG Rating
Disney	**15.7 (low risk)**
Netflix	16.0 (low risk)
Warner Bros. Discovery	19.9 (low risk)
Comcast	21.8 (medium risk)
Paramount	15.0 (low risk)

Source: Sustainalytics

According to Sustainalytics, Disney has an ESG risk rating of 15.7, categorizing it as low risk.

The firm has struggled with CEO succession for years. Bob Iger's exit from the firm in 2020 and return in 2022 shows the dysfunction in leadership establishing long-term plans. We would like to see a new succession plan in place, so the next CEO transition does not go as poorly.

On the social front, Disney has had trouble in recent times with Florida Governor Ron DeSantis. In January, Disney lost its lawsuit suing the Governor over his dissolving of a special district near Orlando that governed Disney World[1]. DeSantis waged the battle with Disney after former CEO Bob Chapek opposed a law limiting how sexual orientation and gender identity can be discussed in schools.

With Bob Iger back at the helm, Disney is distancing itself from politics. Despite pressure from employees, the firm wants to remain apolitical and family-friendly for people of all backgrounds. Iger recently stated that Disney's content has been too focused on messaging and not enough on entertainment.

We believe Disney will be able to strike a balance of making fans from all backgrounds happy. Disney's history of creating timeless stories that span generations gives us reason to believe they will be able to right the ship in this department. Our team believes that a lack of new IP and creating the expectation that movies will go directly to streaming is more to blame for entertainment struggles than messaging.

RECENT DEVELOPMENTS

Recent Earnings Announcement

Disney reported Q1 earnings for FY24 on February 7, 2024. The call was an important moment for the company from a narrative perspective. It was their last quarterly call before their proxy battle with Nelson Peltz comes to a head with a shareholder vote on April 3[1].

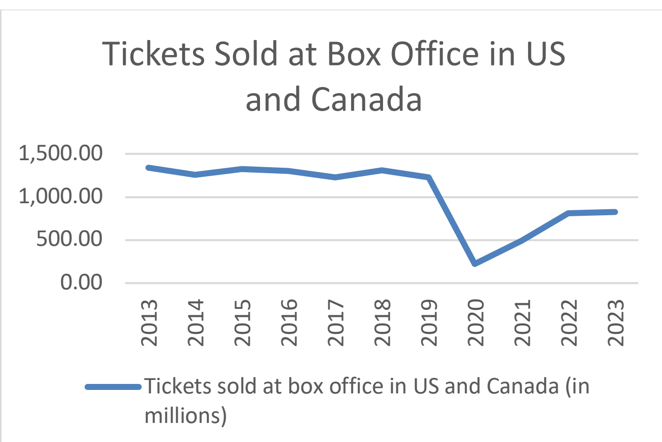
Nelson Peltz of Trian Asset Management is an activist investor who has long attempted to get on the Disney board. He is partnered up with multiple former Disney executives who have gripes with the company and seek board positions. Experts in the field expect Disney to win the shareholder vote with ease.[5]

In the first quarter of FY 2024, Disney's EPS came in at $1.22 which beat analyst consensus of $0.99. The increase in EPS can be attributed to a few reasons. The company announced progress in its strategic transformation initiated by Bob Iger, realizing over $500 million in savings in SG&A expense and other operating expenses. Entertainment DTC operating losses improved, and Hulu gained 1.2 million subscribers from the prior quarter. Disney+ lost 1.3 million subscribers in the quarter, which was in line with prior guidance due to a price hike and the end of a global summer promotion. Despite the loss in subscribers, Disney+ ARPU (average revenue per user) increased by $0.14, indicating strengthening margins.

Management's streaming cost cutting initiatives previously announced was executed in Q1. This gives our team confidence that Disney will be able to deliver on new strategies. Due to this, we also believe that Disney will be able to win its proxy battle without much of a sweat.

COVID-19 & Movie Theaters

The Covid-19 pandemic had a profound impact on the entertainment business, and streaming services are still dealing with the fallout to this day. The lockdowns led to a substantial increase in streaming subscriptions, which led some stocks to all-time highs. The growth was so rapid that Disney beat their five-year growth goal in a matter of a couple months. Disney and Warner Brothers Discovery also started to implement straight-to-streaming movie releases. Although this was convenient for consumers, it was highly costly to the studios. In the past year or so, there has been a shift back to theatrical releases, with all streamers besides Netflix utilizing them. Despite theaters growing out of favor with consumers and becoming increasingly tough to run, they are beneficial to streamers on multiple fronts. They allow the initial rush of fans to pay for the individual title and serve as an advertising and marketing play for when the titles drop on streaming. It will be important for streamers to decipher which movies are theater plays versus straight to streaming. The recent "Barbenheimer" and "Gentleminions" phenomena display that there is still a desire for theatrical events. Theaters may never fully recover from the pandemic, but still play an important role in entertainment distribution.



Source: Statista

M&A Activity

Recent Media M&A Activity		
Deal:	**Date:**	**Size:**
Disney, Fox, WBD to create sports streaming service JV	2/6/24	N/A
Disney to purchase stake in Epic Games	2/7/24	$1.5b
Disney to merge Indian operations with Reliance Industries[18]	2/28/24	$8.5b
WBD allowed to engage in M&A after two-year lockup period[1]	4/8/24	N/A

Source: Bloomberg

M&A is one of the key areas to monitor in the streaming space. The industry is ripe for movement, and we anticipate there to be many moves towards a consolidated Disney has been an active player in the M&A space to start 2024. Three major developments include:

1. *Disney, Warner Brothers Discovery, and Fox to create sports streaming service*[5]

Disney, Warner Bros. Discovery, and Fox are joining forces to create a comprehensive sports streaming service, which is a significant shift in the sports media landscape. The yet-to-be-named service will be launched in the fall and offer content from all major leagues. Each company will have one-third ownership of the new service, a model like the original Hulu. The new service is expected to encompass 55% of US sports rights and will be available as a standalone app or as part of bundles for Max, Hulu, and Disney+ subscribers. The new service will not include content from Comcast's NBCUniversal or Paramount, who both hold major sports rights. Consumers will likely win from this deal, but there are still question marks for the companies. Despite the new service being targeted towards people who are cord-nevers (young people who have never subscribed to a traditional TV bundle), if the platform is successful, it will accelerate the decline of linear television. As these companies are still earning profit from traditional pay-TV, they may contribute to the downfall of that business segment. The companies have also been fierce competitors in the market for live-sports rights and their own streaming services. It remains to be seen if they will be able to set their individual motivations aside to work together on this project. Our team would like to see information on pricing and how the service will be bundled, but this exemplifies the shift back to a cable-like model where you can get all your channels in one place. The platform is expected to cost between $40-50/month and exemplifies the shift back to a cable-like model where you can get all your channels in one place. This deal would be beneficial to consumers who are sports-focused and looking for the cheapest and most convenient place to watch. We believe the deal will gain regulatory approval because it is consumer friendly.

2. *Disney to buy a $1.5 billion stake in Epic Games*[1]

On February 7, Disney announced a deal to buy a $1.5 billion equity stake in Epic Games, the gaming company behind Fortnite. The two companies have collaborated in the past, bringing Disney characters to the Fortnite Universe. The deal exemplifies a growing relationship between media and gaming. Disney will be able integrate and advertise its content through Fortnite and other Epic Games properties. There is also potential for Disney to produce Fortnite movies, TV shows, and parks experiences. Video game adaptations are growing in popularity, as *The Last of Us* was a hit HBO show in 2023 and *The Super Mario Bros. Movie* was the second highest earner at the box office[19]. Gaming offers streaming companies a different source of revenue while providing vertical integration to promote their brand. All the details have not released yet, but moves like this will keep media brands competitive in the long-term.

3. *Disney and Reliance Industries start strategic joint venture in India*[20]

In late February, Disney announced an $8.5 billion joint venture with India's largest conglomerate, Reliance Industries. This ended Disney's decades-long solo effort to enter the Indian market. Reliance is owned by India's richest person, Mukesh Ambani, who will be the senior partner in the deal. The joint venture is estimated to have a combined market share of 40-45% in both advertising and streaming. Disney will merge its operations in India with Viacom18, a subsidiary of Reliance. Reliance/Viacom18 will own 63% of the new venture, while Disney will own 37%. The deal is a domino effect of Reliance's purchase of Indian Premier League cricket rights in 2022, which Disney had owned previously. Disney struggled to establish a foothold in India, so partnering with the most powerful media company is the next best option. We believe Disney attaching itself to a company that has a better understanding of the market is a strong strategic long-term move. Backing out of India completely would have been a mistake for Disney, as the country's media and entertainment market is expected to grow from $30 billion in 2024 to $100 billion in 2030. Disney attaching itself to a large streamer will also help prevent subscriber churn, as Viacom18's scale will lead to it becoming a necessary destination for streaming desires.

The M&A activity that Disney is engaging in is a positive step forward for the company. We believe it shows acknowledgment from management that Disney has areas of weakness and is trying to return the stock to previous highs. Markets feel the same way, as the stock received a positive bounce from the news of these deals. Because streaming is a relatively new technology, the industry is not settled. Disney's venture into a sports streaming service shows the firm would like to be a leader in the industry, and we believe its leadership in this joint venture will help improve profitability in its DTC area.

INDUSTRY TRENDS

The *Suits* Phenomenon

While original content slowed during the strikes over the past year, *Suits* dominated streaming as the number one television show. The power of Netflix was on full display, as an old show (originally aired in 2011) from the USA network became the number one hit in America in 2023. Because Netflix has such a large user base, their platform is a machine for creating hits[6]. The success of *Suits* on Netflix has led other streamers to license their old hits to Netflix, such as *Ballers* and *Six Feet Under* from Warner Bros. Discovery. This establishes Netflix as a clear leader in the streaming space. After the rush to compete with Netflix, traditional media companies are crawling back asking for help. Netflix is positioned extremely well given the viral nature of their platform. Despite other competitors having older TV content, Netflix is uniquely positioned to utilize old content. The firm's top ten lists, and algorithmic recommendations serve as a hit-making machine that other firms do not have. Many consumers log on to Netflix without an idea of they watch, while they go to other platforms for specific titles only.

Global Growth

The global expansion of streaming services, exemplified by the success of shows like "Squid Game," shows a shift in consumer preference and allows US services to grow worldwide. By 2028, the worldwide penetration rate of over-the-top video is projected to grow to approximately 55%, which is about 10% higher than current levels. With most growth for streaming subscriptions coming internationally, there is a huge opportunity to make diverse content that will garner foreign customers. According to analyst forecasts, Netflix is projected to spend more on international content than domestic content in 2024[20]. Services with global audiences and brands such as Netflix and Disney are positioned best to distribute streaming globally.

Gaming

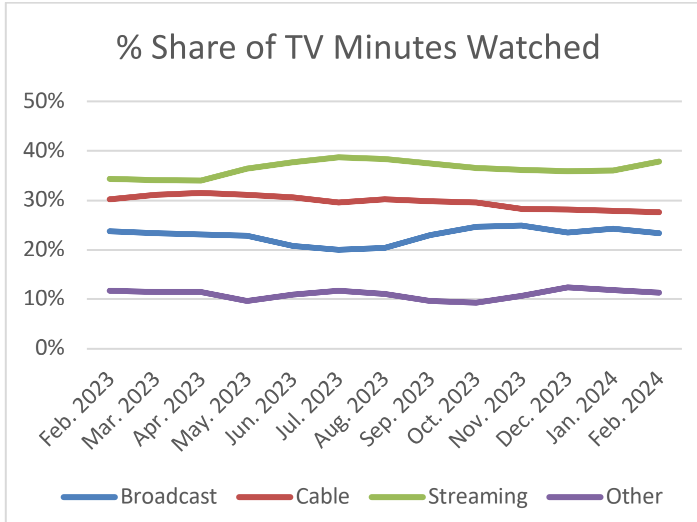
Netflix and Disney are at the forefront of incorporating video games into their streaming offerings. Netflix has added many popular games to their mobile app, indicating that they are serious about making their platform a hub for all-things entertainment. Disney has also pursued gaming with their recent equity purchase in Epic Games. Both developments are positive outcomes for each company as they diversify their offerings and add new sources of income with high growth potential. Netflix's gaming efforts are not enough to change its financial outlook yet, but we believe their initiative shows strong forward outlook from management[21]. Netflix has yet to announce any data regarding their gaming initiative.

Short-Form Video

Eyeballs may be taken away from highly produced content on streaming services as younger generations flock to social media to spend their time. In particular, the growth of Tik Tok and Instagram Reels is concerning for media companies who are competing for attention. In 2019, Tik Tok had approximately 650 million subscribers, which has grown to around two billion in five years[4]. Given the addictive nature of short-form video, consumers may be quicker to ditch streaming services in favor of social media if disposable income levels lower. We hold the opinion that short-form video can play well with streaming services, however. Apps like Tik Tok can generate buzz for titles coming from streamers and be used as a promotional tool.

Minutes Watched

In an industry driven by attention, minutes watched play a crucial role in subscriber retention. The longer a service can hold a subscriber's attention, the less likely that customer is to churn. According to Nielsen, streaming takes up approximately 37.7% of TV viewing. Cable and broadcast TV take up a little over 50% of minutes watched, showing they still have some economic value despite being in decline. The larger trends at hand are streaming's share increasing while linear declines, but the chart below shows there is some seasonality to TV viewing. Cable and broadcast took a dip in the summer months, when there are less live sports, while streaming hit its peak for 2023 in July. Netflix pursuing live sports will help round out the edges to its programming schedule.



Source: Nielsen

MARKETS AND COMPETITION

Streaming Subscriptions

Netflix is a leader in this category. It displays the company's dominance. Not only are they the largest streaming service, but they are also the only company to see a dime of profit on one. This gives them massive scale and the ability to dictate market outcomes. Netflix's ad tier generated one of their best quarters of growth ever in 4Q, 2023, and Paramount+ and Peacock both appear to lack the growth prospects to catch up to the pack.

Streaming Service	Total Subscribers (M)
Netflix	**260**
Prime Video (Amazon)	230*

Disney+	150
Max	98
Paramount+	67.5
Hulu (Disney)	48.5
Peacock (Comcast)	31
Apple TV+	25*
YouTube TV	8

Source: Company Financial Statements; estimation*

Major Players

To examine the companies that make up the streaming industry, they easily divide into three major categories. Large tech firms who are in streaming as a side hustle, leading streamers, and lagging streamers.

Streaming Service	U.S. Standard Plan Monthly Cost (ex-ads)
Netflix	**$15.49**
Prime Video (Amazon)	$12
Disney+	$13.99
Max	$15.99
Paramount+	$11.99
Hulu (Disney)	$17.99
Peacock (Comcast)	$11.99
Apple TV+	$9.99
YouTube TV	$72.99

Source: Company Websites

Large Tech Firms:

Free Cash Flow (in $ billions)	
Apple	106.87
Google	69.50
Amazon	32.22

Source: FactSet

All three of the major tech firms that are involved in streaming are positioned well to be leaders in the consolidation of the streaming industry. The future of each company is not reliant on streaming which adds an interesting element to the industry since they are the most equipped with cash.

Apple (AAPL):

Apple, one of the largest companies in the world, introduced their streaming service in late 2019, and it has mostly been for high-end content and promoting the Apple brand. In an ideal world, Apple's goal would likely be to replicate the business they had with the iTunes store with streaming. Given their penetration of the US smartphone and device market, they are a very strong candidate to seamlessly integrate a hub for streaming.

Google (GOOGL):

Google is a unique case given their business with YouTube. They created the most popular streaming broadcast TV platform in YouTube TV[1] and have a constant pipeline of advertisable content on YouTube. In the past year, they acquired the rights to Sunday Ticket, which proved to be a boon for the company. Google, like Apple, has a large user base and would be able to host a central streaming bundle under the YouTube umbrella. Google's streaming ventures are set up well through YouTube alone, as its customers generate its monetized content.

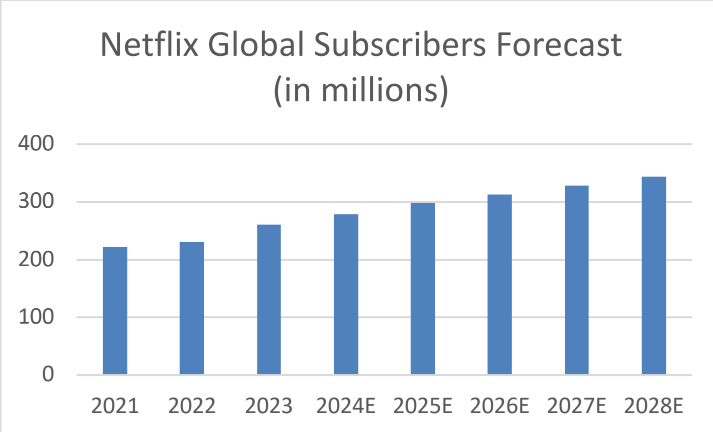
Amazon (AMZN):

Prime Video has a large subscription base through Amazon Prime subscribers. Most subscribers to Prime Video are focused on free shipping and buying household goods. Amazon pivoted to have all subscribers receive ads and made a premium tier worth an extra three dollars. We anticipate the ad revenue to generate more cash for Amazon since a low percentage of customers are projected to pay up for the more expensive tier[1]. Amazon has also dipped into live sports with Thursday Night Football and is a strong contender to be the originator of a future streaming bundle. They already offer some other services such as Max and Paramount+ as add-ons to Prime Video, which is a sign that they hope to bundle streaming subscriptions.

Leading Streamers

Netflix (NFLX):

Netflix is the most dominant streaming service. They have the most subscribers and are the only streamer to turn a profit. Their data driven approach has turned old, licensed content into new hits, and they also have created original shows that have become worldwide brands. In the future, their growth prospects revolve around ad revenue, gaming, and adding live sports rights. Netflix's next step in increasing shareholder value is adding live sports. If they choose to do so, hosting recurring games and events will contribute to lower subscriber churn.

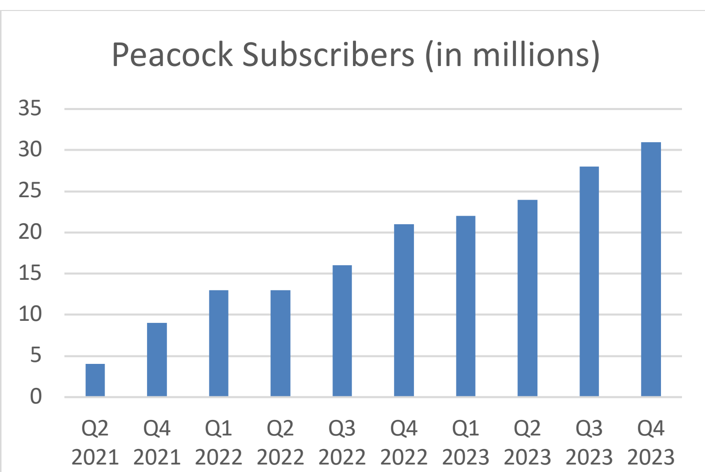


Source: Netflix 10k & HF Estimates

Lagging Streamers

Comcast (CMCSA):

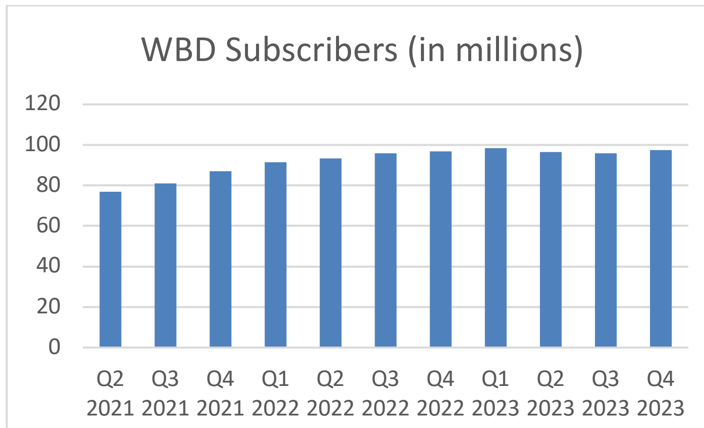
Comcast has utilized Peacock to stream its content library but has not been able to turn a profit on it yet despite subscriber growth. The company recently aired the first ever exclusively streamed NFL playoff game, which set streaming records but still lagged linear TV the prior year in the same window[7]. Peacock struggles with churn, as consumers come in for sports and then leave when seasons end. Their content library leaves a little to be desired, and they seem to typically be a step behind. For example, they licensed out *Suits* to Netflix last year which was a huge success for their competitor. Comcast has spent large amounts on Peacock, and despite growth in subscribers, they lost more money in 2023 than 2022. It appears unlikely they will be able to garner they scale they need to make the service profitable. For Comcast to become an appealing investment, the Peacock experiment would need to end.



Source: Statista

Warner Bros. Discovery (WBD):

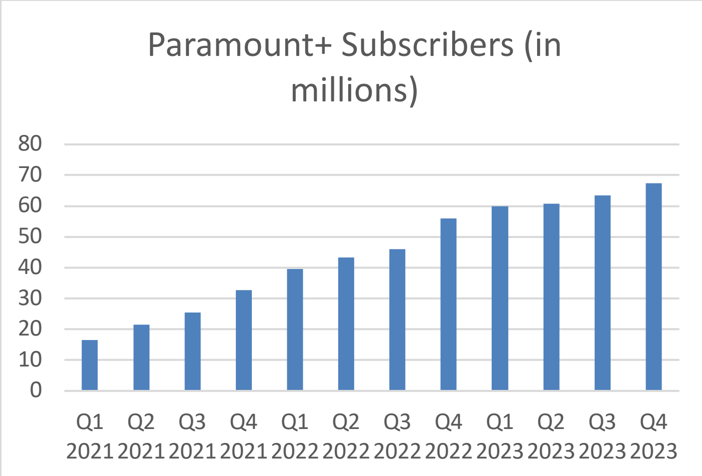
Warner Bros. Discovery has undergone major change in the past year. They rebranded their streaming service from HBO Max to Max and have taken aggressive tactics to get rid of their large debt amount. These include cutting already finished new movies for tax rebates and licensing content to Netflix[1]. The company seemingly will struggle to pay for expensive NBA rights coming out in the next year, but their new sports streaming service with Fox and Disney has the potential to remedy that. In upcoming months, WBD will be allowed to merge or acquire again, which is where we anticipate the company is headed. It is hard to envision an outcome where they become the destination streaming service for general content. Netflix beat them to the punch there.



Source: Statista

Paramount (PARA):

Paramount has lost a considerable amount of market cap over the past year. With the company up for sale, it may be the first domino in several M&A moves to reconstruct the streaming industry. They are skating by on the NFL and college football and are too weak to support their own streaming service. The firm has struggled to adapt to the streaming landscape and has taken large losses on its streaming service. The combination of personal dynamics with the Redstone family, a shift away from legacy media, and a risk of bankruptcy has put a major dent into the prospects of Paramount as a standalone company. What happens with the sale and how many parties are involved will be something to watch over the coming months. We believe the deal with David Ellison and Skydance Media is the odds-on favorite, however, we would not be surprised if shareholders make a push for a large private equity firm.



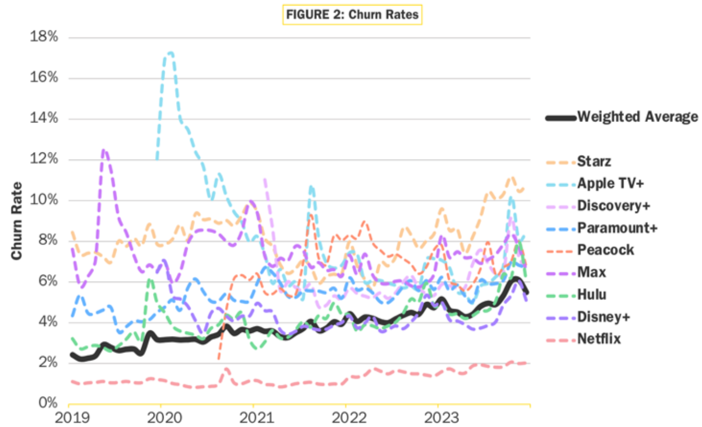
Source: Statista

Structure and Stability

The streaming industry is hyper-competitive and shaped by consumer preferences and the evolving maturity of media companies shifting from traditional TV to streaming. The firms are nowhere near an equilibrium state, as they are all adapting to the marketplace and figuring out whether they will be able to compete or not. A main issue is many services try to be a one-stop-shop and general content hub but do not have the audience to compete with Netflix and Disney. In the next couple of years, it is highly likely that there will be movement to create a more sustainable sector and traditional media companies are likely to lose out and sell their parts to Disney, a tech company, or merge together. Firms that are a most likely to see M&A activity are Warner Bros. Discovery and Paramount.

Risk of Substitution

The risk of substitution in the streaming industry revolves around the potential for customers to switch services or to shift to alternative forms of entertainment such as short-form video or gaming. Because the market is too saturated with streaming services, subscriber churn is high. This heightens the competition between competitors and ultimately has created a clear hierarchy of who the best companies are moving forward. Netflix is at the top of that list, who has a 2% monthly churn rate, which is much lower than competitors. We believe the primary reason for this is due to its first-mover advantage.



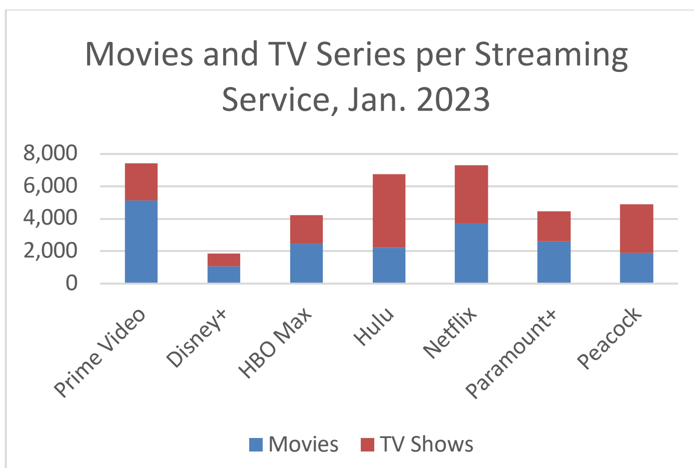
Source: Antenna

Threat of New Entrants

There are significant barriers to entry to get into the streaming industry. You either need a ton of cash and a high amount of consumers (see tech companies) or have massive amounts of content. All the potential players in the streaming industry have entered the arena, and now we are approaching the point where only the top companies will survive.

Peer Comparisons

Titles per Streamer

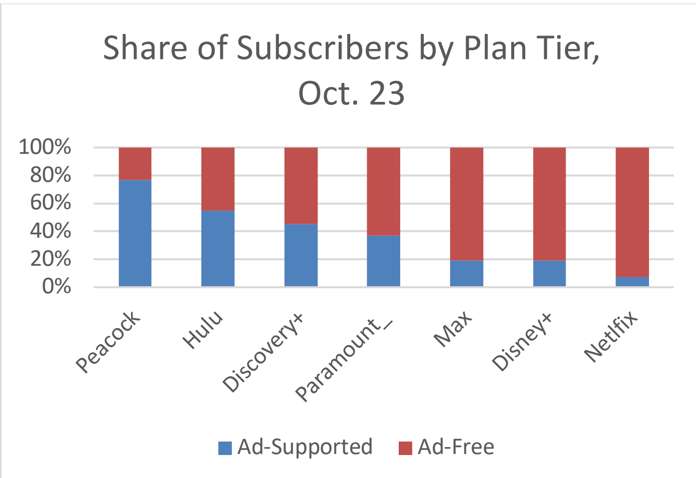


Source: Statista

Each streaming service has a unique makeup of movies and TV series on its platform. Netflix has an almost even split, with 51% of their content in movies. Amazon Prime Video has the highest percentage of movies with 69%

invested, compared to 31% in TV series on their platform. The only two services with more television than movies are Hulu and Peacock. Hulu was built up as a television service, and Peacock has a stable of content from NBC. We believe Netflix's near even split contributes to its generalist nature. Consumers utilize Netflix for all things entertainment.

Advertising Share of Subscribers



Source: Antenna

Netflix's ad-supported tier takes up a much lower percentage of its subscriber base than its competitors. The main reason for that is because its ad-supported tier is relatively new. We believe that the share of subscribers purchasing Netflix's ad-supported tier will rise but remain below most competitors. This is due to consumer preference, and subscribers being trained to the idea of having Netflix without ads. Netflix's share of advertising subscribers should rise to a level between where it is now and where Max and Disney+ currently stand. On the other end of the spectrum, Peacock and Hulu have more ad-supported subscribers than ad-free. We believe Hulu will shift to have more ad-free than not once it is merged on to Disney+, but Peacock's ad-supported rate should remain high due to many subscribers buying the cheaper tier as it is a secondary service to most consumers.

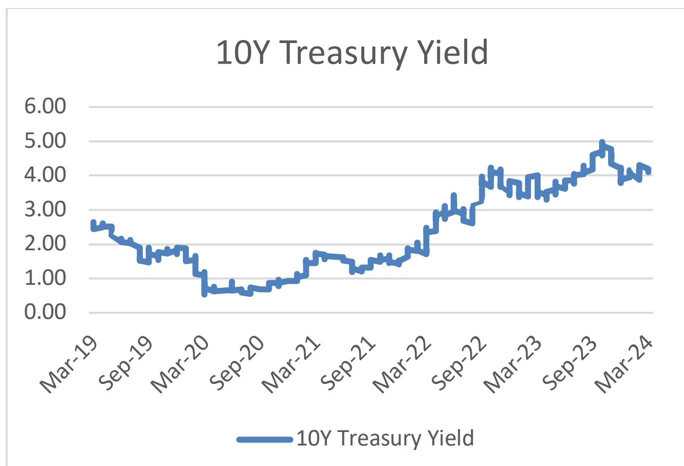
Minutes Spent Watching

The power of Netflix is on full display in the chart below. It was easily the best performing streaming service in 2023. Netflix's domination of streaming bodes well for its future, as it has captured mainstream notoriety, while historic Hollywood studios are fighting at the bottom for attention. In the chart below, the market share of each streaming service is on display. Streaming makes up 37.7% of TV market share.

ECONOMIC OUTLOOK

Interest Rates

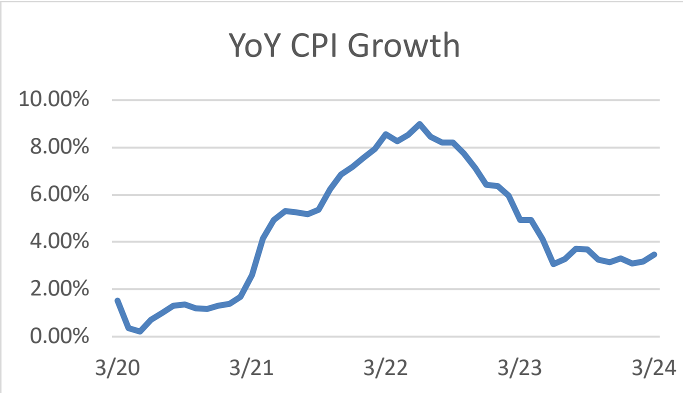
Interest rates are a significant factor for streaming services, particularly in terms of content production. In previous years, zero-interest-rate policy allowed for a boom in original programming. As streaming services were building out, it was easier for companies to get projects off the ground while cash was cheap. With the recent rise in interest rates, and Fed Chairman Jerome Powell saying he expects rates to stay higher for longer[13], original content is bound to slow down. We believe this will expand upon the trend of licensing content between streamers. This gets fresh content onto platforms while not having the high costs of producing new content. We believe this will be beneficial to Disney's Hulu segment. However, it would make M&A activity requiring new debt to be more expensive for the firm.



Source: Federal Reserve Economic Data (FRED)

CPI Inflation

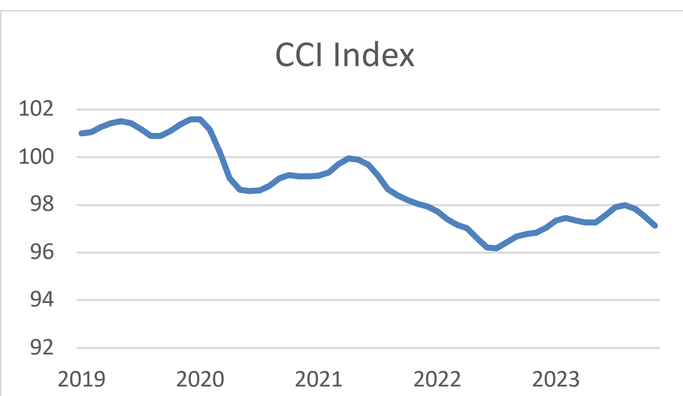
Inflation impacts streamers from multiple perspectives. As living expenses rise, streamers face increased costs of production and licensing content, and may have to hike the subscription price of their service. That in turn affects consumers, who may be quicker to cancel their subscriptions with higher costs. Inflation may lower discretionary spending as consumers pivot to spend more on important goods than luxury media and entertainment. We believe inflation will slow, which should create a better environment for producing content, gaining subscribers in streaming, and getting park visitors.



Source: Federal Reserve Economic Data (FRED)

Consumer Confidence

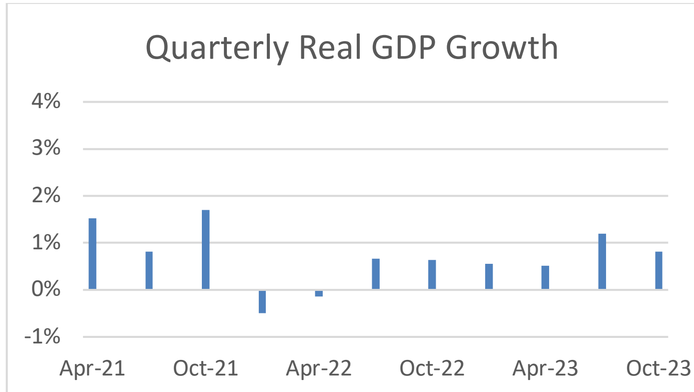
Consumer Confidence plays a crucial role in shaping the landscape for firms with streaming services. High levels of consumer confidence correlate with high levels of disposable income. As a non-essential good, media and entertainment companies rely on a consumer-friendly economy to perform well. Consumer confidence is still attempting to reach pre-pandemic highs but has grown 17% over the past year. If the Fed pulls off a soft-landing, it is our belief that streaming services will be set up well to continue growth with consumer confidence on the rise. Consumer confidence also plays a role in driving the number of park visitors, as higher confidence draws in more customers.



Source: OECD

Real GDP

Real GDP is an important economic component for streaming services. As a key indicator of economic health, changes in real GDP can influence consumer spending habits. When Real GDP continues to grow, consumers are more likely to spend disposable income on experiences and entertainment, including streaming services. Aside from a dip due to Covid-19 in the spring of 2020, Real GDP has grown consistently over the past five years. Our team expects this level of growth to continue, which would be a beneficial development for Disney as the industry heads towards change and consolidation.



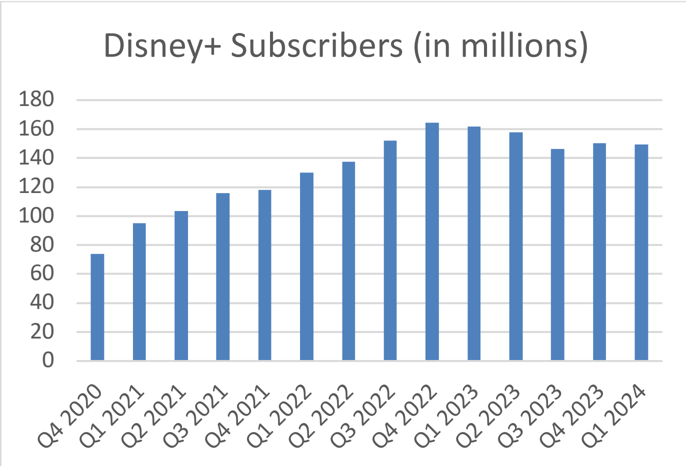
Source: Federal Reserve Economic Data (FRED)

VALUATION

Revenue Growth:

Disney and the media industry faces a moment where they have two businesses moving in opposite directions. Their linear television networks are in decline, while their streaming service is growing. The revenue projections in the model anticipate Disney's overall revenue growing at about 4.87% per year. We utilized consensus projections to generate revenue growth projections. Much of the revenue growth comes from subscription growth and Disney Parks performing as a cash cow. This takes into consideration declining sales of physical media, lowered affiliate fees from cable networks, and lowered licensing fees as cable media continues to decline. Disney's Parks recovered strong since COVID-19, and we expect that trend to continue. Over the next five years, we expect Disney's streaming revenue to grow through subscription growth, advertising revenue, and the industry consolidating to a few platforms including Disney+. In the short-term, expect Disney+ subscribers to grow after a year of stagnation. Netflix's password crackdown providing one of its best quarters ever for subscriber growth, leads us to believe the same will happen to Disney[7]. We believe Entertainment revenue will grow by a

CAGR of 3.57%, Experiences by a CAGR of 6.26%, and Sports by a CAGR of 4.14%.



Operating Expenses:

As part of the model, COGS and SGA Expenses were forecasted as a percent of sales. For COGS, we split it out into two different categories (products and services) to match how Disney reports their sales. We used the most recent year's COGS as a percent of sales for each category. Disney's service COGS consistently hover around 65%, and product COGS bounces around more, so the most recent year was the most relevant data point. SGA Expense used in the model was determined by as a percentage of overall sales by averaging the 2021-2023 SGA as a percent of sales. We anticipate Disney's COGs to decrease over the forecasted period. This is because the firm has implemented significant cost-cutting programs, and we believe this trend will continue.

Gross Margin:

Disney's Gross Margin rose every year from 2021-2023, and we expect that growth to steady out over the coming years. In 2023, the number was 10.11%, and the forecast projects a similar number for the next five years. Because Disney is changing how they achieve their revenue with more streaming sales and less money coming from linear assets, it is hard to anticipate margins significantly growing year-over-year. A key to monitor for Disney's profitability margins is how their streaming advertising tier performs.

Earnings Estimates Relative to Consensus:

Our forecasted earnings put our projection a little bit ahead of consensus. This is largely due to our belief that cost-cutting will continue at Disney and that subscription fees will continue strong growth through 2028.

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$1.10	$1.73	$1.29	$4.01	$4.90	$5.82
HF est.				$4.19	$5.14	$6.18
Growth		*57.3%*	*-25.4%*	*210.9%*	*22.2%*	*18.8%*

CapEx Assumptions:

Disney gave capital expenditure guidance for 2024, with $6 billion expected to be spent. Past 2024, we grew Capex as a percentage of Gross PPE. The number used was 7.09%, which was the actual Capex as a percentage of Gross PPE for 2023. The typical number Disney spends on Capex hovers around five to six billion, which this number achieves. This method helps estimating ongoing investing requirements from the firm relative to expanding its parks into new areas.

Capital Structure:

Debt was forecasted by using Disney's debt maturity schedule, as well as taking the sum of non-cash total assets multiplied by the average long-term debt %. Disney's capital structure fluctuates frequently depending on the year or projects being executed, so an emphasis in the model was put on 2023's long term debt number as it is the most recent indicator of Disney's plans.

Payout Policy Forecasts

Disney had taken many years off from paying a dividend, mainly due to COVID. In the face of activist investor scrutiny, Bob Iger and company reintroduced their dividend at the end of 2023. Disney is projected to pay $1.20 per share every year moving forward. This projects to be around a $2.1 billion expense every year. The projected dividend enhances the perception of stability around CEO Bob Iger, but also has major ramifications on the stock's valuation.

Valuation Models:

DCF/EP:

To value the price of Disney, we used three different valuation methods: Discounted Cash Flows (DCF), Dividend Discount Model (DDM), and Relative Price to Sales. The DCF model is the most relevant, as it is most specific to Disney's operations. The intrinsic value of the

DCF model is $134, representing a return of about 17.5% from its current price. The most important aspect of the DCF model is a growth rate of 5%, which is slightly higher than Nominal GDP. We chose a rate slightly higher because we anticipate Disney being able to return better than GDP due to their loyal customer base and diversified revenue streams.

DDM:

The DDM model outputs a price of $60, which is not useful for Disney due to its lack of consistent dividend payments. The return on equity in the terminal year is only 0.10, which gives this the model a price significantly lower than its current value. This renders the DDM irrelevant.

Relative Valuation:

Relative valuation using the P/E ratio outputs a price of $75, which is a good bit lower than where Disney is currently trading. Despite this, the model does not capture the intricacies of Disney's business, as their parks are a key differentiator. The firms used to compare were Netflix, Fox, and Comcast. Paramount and Warner Bros. Discovery were thrown out due to their negative P/E ratios.

Sensitivity Analysis:

DCF	CV Growth of NOPLAT						
WACC \ 133.55	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
7.78%	119.93	134.17	152.75	178.02	214.36	271.13	372.25
8.03%	111.52	123.87	139.72	160.81	190.23	234.14	306.76
8.28%	103.99	114.78	128.42	146.23	170.44	205.26	259.66
8.53%	97.21	106.69	118.52	133.71	153.91	182.09	224.15
8.78%	91.07	99.45	109.78	122.85	139.90	163.08	196.43
9.03%	85.49	92.92	102.00	113.33	127.87	147.21	174.19
9.28%	80.39	87.02	95.04	104.93	117.43	133.75	155.94

The CV Growth of NOPLAT has the largest effect on our DCF's share value. We believe that the rate is justified due to Disney's diverse revenue streams and ability to withstand market fluctuations.

KEYS TO MONITOR

Drivers

Since Bob Iger took over the firm again in 2022, he has created many strategic initiatives towards creating a sustainable business model for Disney. We anticipate Disney's foray into gaming, joint venture in India, and sports streaming service to help Disney's profitability. Expanding into gaming while trimming off unprofitable areas such as Star (India) make sense for improving the future financials of the company.

Risks

If Disney's linear assets were to decline quicker than anticipating, it would put significant pressure on Disney+ to become profitable sooner than expected. Disney also faces challenges from the rising costs of sports rights, and a lack of new IP. If Disney's new film studio head fails to reignite fans by creating new franchises, Disney's "flywheel" model becomes at risk.

Conclusion

We believe Disney is a strong investment opportunity given its diverse revenue streams, new initiatives, and the streaming industry heading towards profitability. The "flywheel" effect Disney has through parks and merchandise gives the firm a strong structure to lean on while it works towards improvements in streaming. While each model provides different insights, the DCF model is superior due to its encompassing analysis of Disney's financial statements and growth prospects. The potential return from the current stock indicates a buying opportunity for investors.

Through our DCF model, we determined a price of $134, which represents an 17.5% return from its current stock price. Thus, we recommend a **BUY** rating for the company.

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DISCLAIMER

The Walt Disney Company
Revenue Decomposition

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
DISNEY ENTERTAINMENT								
Affiliate fees	8,043	7,739	7,369	7,074	6,791	6,520	6,259	6,008
growth		-3.78%	-4.78%	-4.00%	-4.00%	-4.00%	-4.00%	-4.00%
Subscription fees	11,295	14,178	16,420	17,734	19,152	20,684	22,339	24,126
growth		25.52%	15.81%	8.00%	8.00%	8.00%	8.00%	8.00%
Advertising	8,705	8,674	7,594	7,974	8,372	8,791	9,231	9,692
growth		-0.36%	-12.45%	5.00%	5.00%	5.00%	5.00%	5.00%
Merchandise licensing	603	620	619	650	682	717	752	790
growth		2.82%	-0.16%	5.00%	5.00%	5.00%	5.00%	5.00%
TV/VOD distribution licensing	4,366	3,551	2,645	2,314	2,025	1,772	1,550	1,357
growth		-18.67%	-25.51%	-12.50%	-12.50%	-12.50%	-12.50%	-12.50%
Theatrical distribution licensing	920	1,875	3,174	3,333	3,499	3,674	3,858	4,051
growth	-56.89%	103.80%	69.28%	5.00%	5.00%	5.00%	5.00%	5.00%
Home entertainment - Estimated Service	604	399	516	516	516	516	516	516
growth		-33.94%	29.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Home entertainment - Estimated Product	693	684	415	374	336	303	272	245
growth		-1.30%	-39.33%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Other	1,260	1,849	1,883	1,977	2,076	2,180	2,289	2,403
growth		46.75%	1.84%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Disney Entertainment revenue	**36,489**	**39,569**	**40,635**	**41,056**	**42,599**	**44,338**	**46,278**	**48,428**
growth		8.44%	2.69%	1.04%	3.76%	4.08%	4.38%	4.64%
DISNEY SPORTS								
Affiliate fees	10,609	10,796	10,590	10,908	11,235	11,572	11,919	12,277
growth		1.76%	-1.91%	3.00%	3.00%	3.00%	3.00%	3.00%
Subscription fees	725	1,113	1,517	1,669	1,836	2,019	2,221	2,443
growth		53.52%	36.30%	10.00%	10.00%	10.00%	10.00%	10.00%
Advertising	3,720	4,370	3,920	4,116	4,322	4,538	4,765	5,003
growth		17.47%	-10.30%	5.00%	5.00%	5.00%	5.00%	5.00%
TV/VOD distribution licensing	429	351	347	337	326	317	307	298
growth		-18.18%	-1.14%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Other	477	640	737	774	813	853	896	941
growth		34.17%	15.16%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Disney Sports revenue	**15,960**	**17,270**	**17,111**	**17,803**	**18,531**	**19,299**	**20,108**	**20,961**
growth		8.21%	-0.92%	4.04%	4.09%	4.14%	4.19%	4.24%
DISNEY EXPERIENCES								
Advertising	4	4	4	4	4	5	5	5
growth	0.00%	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Theme park admissions	3,848	8,602	10,423	11,205	12,045	12,948	13,596	14,276
growth	-4.71%	123.54%	21.17%	7.50%	7.50%	7.50%	5.00%	5.00%
Resort and vacations	2,701	6,410	7,949	8,545	9,186	9,875	10,369	10,887
growth	-20.61%	137.32%	24.01%	7.50%	7.50%	7.50%	5.00%	5.00%
Retail and wholesale sales of merchandise, food and beverage	4,957	7,838	8,921	9,590	10,309	11,083	11,637	12,218
growth	0.10%	58.12%	13.82%	7.50%	7.50%	7.50%	5.00%	5.00%
Merchandise licensing	2,995	3,349	2,509	2,634	2,766	2,904	3,050	3,202
growth	-6.70%	11.82%	-25.08%	5.00%	5.00%	5.00%	5.00%	5.00%
Other	1,456	1,882	2,743	2,880	3,024	3,175	3,334	3,501
growth	1.68%	29.26%	45.75%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Disney Experiences revenue	**15,961**	**28,085**	**32,549**	**34,859**	**37,335**	**39,990**	**41,990**	**44,090**
growth		75.96%	15.89%	7.10%	7.10%	7.11%	5.00%	5.00%
ELIMINATIONS								
Affiliate fees	(892)	(1,010)	(1,084)	(1,085)	(1,088)	(1,092)	(1,097)	(1,104)
% of Affiliate fees	-4.78%	-5.45%	-6.04%	-6.04%	-6.04%	-6.04%	-6.04%	-6.04%
Merchandise licensing	-	(1,023)	-	-	-	-	-	-
growth								
Other	(100)	(169)	(313)	(329)	(345)	(362)	(380)	(399)
% of Other	-3.13%	-3.87%	-5.84%	-5.84%	-5.84%	-5.84%	-5.84%	-5.84%
Total Disney Eliminations revenue	**(992)**	**(2,202)**	**(1,397)**	**(1,414)**	**(1,433)**	**(1,454)**	**(1,478)**	**(1,503)**
TOTAL								
Affiliate fees	17,760	17,525	16,875	16,897	16,938	17,000	17,081	17,182
growth	-0.94%	-1.32%	-3.71%	0.13%	0.25%	0.36%	0.48%	0.59%
Subscription fees	12,020	15,291	17,937	19,402	20,988	22,704	24,560	26,570
growth	57.23%	27.21%	17.30%	8.17%	8.17%	8.17%	8.18%	8.18%
Advertising	12,429	13,048	11,518	12,094	12,699	13,334	14,000	14,700
growth	14.50%	4.98%	-11.73%	5.00%	5.00%	5.00%	5.00%	5.00%
Theme park admissions	3,848	8,602	10,423	11,205	12,045	12,948	13,596	14,276
growth	-4.71%	123.54%	21.17%	7.50%	7.50%	7.50%	5.00%	5.00%
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growth	-20.61%	137.32%	24.01%	7.50%	7.50%	7.50%	5.00%	5.00%
Retail and wholesale sales of merchandise, food and beverage	4,957	7,838	8,921	9,590	10,309	11,083	11,637	12,218
growth	0.10%	58.12%	13.82%	7.50%	7.50%	7.50%	5.00%	5.00%
Merchandise licensing	3,598	2,946	3,128	3,284	3,449	3,621	3,802	3,992
growth	10.98%	-18.12%	6.18%	5.00%	5.00%	5.00%	5.00%	5.00%
TV/VOD distribution licensing	4,795	3,902	2,992	2,651	2,352	2,089	1,858	1,655
growth	-23.32%	-18.62%	-23.32%	-11.40%	-11.29%	-11.18%	-11.06%	-10.93%
Theatrical distribution licensing	920	1,875	3,174	3,333	3,499	3,674	3,858	4,051
growth	-56.89%	103.80%	69.28%	5.00%	5.00%	5.00%	5.00%	5.00%
Home entertainment	1,297	1,083	931	890	852	819	788	761
growth	-28.02%	-16.50%	-14.04%	-4.46%	-4.20%	-3.94%	-3.70%	-3.45%
Other	3,093	4,202	5,050	5,303	5,568	5,846	6,138	6,445
growth	-1.37%	35.86%	20.18%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Revenue	67,418	82,722	88,898	93,193	97,884	102,991	107,687	112,737
growth	3.10%	22.70%	7.47%	4.83%	5.03%	5.22%	4.56%	4.69%

The Walt Disney Company

Income Statement

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues:								
Services	61,768	74,200	79,562	83,229	87,239	91,606	95,778	100,273
Products	5,650	8,522	9,336	9,964	10,645	11,385	11,909	12,464
Total revenues	**67,418**	**82,722**	**88,898**	**93,193**	**97,884**	**102,991**	**107,687**	**112,737**
Cost and Expenses:								
Cost of services (exclusive of depreciation & amortization)	(41,129)	(48,962)	(53,139)	(55,173)	(57,394)	(59,810)	(62,055)	(64,466)
% of Services Revenue	-66.59%	-65.99%	-66.79%	-66.29%	-65.79%	-65.29%	-64.79%	-64.29%
Cost of products (exclusive of depreciation & amortization)	(4,002)	(5,439)	(6,062)	(6,370)	(6,699)	(7,051)	(7,256)	(7,469)
% of Products Revenue	-70.83%	-63.82%	-64.93%	-63.93%	-62.93%	-61.93%	-60.93%	-59.93%
Selling, general, administrative & other expenses	(13,517)	(16,388)	(15,336)	(15,144)	(14,927)	(14,676)	(14,807)	(14,938)
Depreciation & amortization	(5,111)	(5,163)	(5,369)	(3,861)	(4,145)	(4,334)	(4,548)	(4,786)
Total costs & expenses	**(63,759)**	**(75,952)**	**(79,906)**	**(80,547)**	**(83,166)**	**(85,871)**	**(88,665)**	**(91,659)**
Restructuring & impairment charges	(654)	(237)	(3,892)	-	-	-	-	-
Other income (expense), net	201	(667)	96	-	-	-	-	-
Interest expense	(1,546)	(1,549)	(1,973)	(2,507)	(2,516)	(2,628)	(2,622)	(2,661)
Interest & investment income	140	152	764	859	1,111	1,407	1,852	2,243
Equity in the income (loss) of investees	761	816	782	786	795	788	790	791
Income (loss) from continuing operations before income taxes	2,561	5,285	4,769	11,784	14,108	16,687	19,041	21,451
Income taxes on continuing operations	(25)	(1,732)	(1,379)	(3,170)	(3,795)	(4,489)	(5,122)	(5,770)
Net income (loss) from continuing operations	2,536	3,553	3,390	8,614	10,313	12,198	13,919	15,680
Income (loss) from discontinued operations	(29)	(48)	-	-	-	-	-	-
Net income (loss)	2,507	3,505	3,390	8,614	10,313	12,198	13,919	15,680
Less: net income (loss) from continuing operations attributable to noncontrollin	(512)	(360)	(1,036)	(1,047)	(1,086)	(1,130)	(1,180)	(1,235)
Net income attributable to The Walt Disney Company (Disney)	1,995	3,145	2,354	7,567	9,227	11,068	12,739	14,446
Weighted average common & common equivalent shares outstanding - basic	1,816	1,822	1,828	1,805	1,794	1,791	1,791	1,792
Year end shares outstanding	1,781	1,781	1,781	1,784	1,787	1,791	1,794	1,795
Net earnings (loss) per share - basic	1.10	1.73	1.29	4.19	5.14	6.18	7.11	8.06
Dividends per share	-	-	0.30	1.20	1.20	1.20	1.20	1.20

The Walt Disney Company
Balance Sheet

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ASSETS								
Current Assets:								
Cash & cash equivalents	15,959	11,615	14,182	19,098	24,883	33,646	41,337	50,930
Receivables, net	13,367	12,652	12,330	15,942	16,745	17,618	18,422	19,285
Inventories	1,331	1,742	1,963	2,029	2,131	2,242	2,345	2,455
Content advances	2,183	1,890	3,002	1,764	1,798	1,868	1,944	2,028
Other current assets	817	1,199	1,286	1,350	1,417	1,488	1,562	1,639
Total current assets	33,657	29,098	32,763	40,183	46,974	56,862	65,608	76,337
Produced & licensed content costs	29,549	35,777	33,591	35,355	37,153	39,021	40,965	42,993
Investments	3,935	3,218	3,080	3,233	3,394	3,563	3,740	3,926
Parks, resorts, and other property								
Attractions, buildings & equipment, at cost	64,892	66,998	70,090	76,090	81,484	87,261	93,448	100,072
Accumulated depreciation	(37,920)	(39,356)	(42,610)	(46,471)	(50,616)	(54,951)	(59,498)	(64,285)
Parks, resorts & other property, before projects in progress & land	26,972	27,642	27,480	29,619	30,868	32,311	33,949	35,788
Projects in progress	4,521	4,814	6,285	6,700	7,142	7,613	8,116	8,651
Land	1,131	1,140	1,176	1,194	1,211	1,229	1,248	1,266
Parks, resorts & other property, net	32,624	33,596	34,941	37,512	39,221	41,153	43,313	45,706
Intangible assets, net	17,115	14,837	13,061	11,434	9,899	8,857	7,892	6,994
Goodwill	78,071	77,897	77,067	77,067	77,067	77,067	77,067	77,067
Other assets	8,658	9,208	11,076	11,891	12,433	13,045	13,730	14,488
Total assets	203,609	203,631	205,579	216,676	226,141	239,568	252,315	267,512
LIABILITIES AND EQUITY								
Current Liabilities:								
Accounts payable & other accrued liabilities	20,894	20,213	20,671	24,317	25,541	26,874	28,099	29,417
Current portion of borrowings	5,866	3,070	4,330	4,382	3,728	4,578	2,921	1,599
Deferred revenue and other	4,317	5,790	6,138	6,198	6,510	6,849	7,162	7,498
Total current liabilities	31,077	29,073	31,139	34,897	35,779	38,301	38,182	38,513
Borrowings	48,540	45,299	42,101	43,006	43,828	45,106	46,648	48,702
Deferred income taxes	7,246	8,363	7,258	7,253	7,249	7,247	7,245	7,244
Other long-term liabilities	14,522	12,518	12,069	12,957	13,547	14,215	14,961	15,787
Redeemable noncontrolling interests	9,213	9,499	9,055	8,008	6,922	5,792	4,612	3,377
Total liabilities	110,598	104,752	101,622	106,122	107,326	110,661	111,648	113,624
Equity:								
Preferred Stock	-	-	-	-	-	-	-	-
Common stock	55,471	56,398	57,383	57,764	58,144	58,525	58,906	59,043
Retained earnings (accumulated deficit)	40,429	43,636	46,093	51,523	58,609	67,532	78,122	90,415
Accumulated other comprehensive income (loss)	(6,440)	(4,119)	(3,292)	(3,292)	(3,292)	(3,292)	(3,292)	(3,292)
Treasury stock, at cost	(907)	(907)	(907)	(907)	(907)	(907)	(907)	(907)
Total The Walt Disney Company shareholders' equity	88,553	95,008	99,277	105,088	112,555	121,858	132,829	145,259
Noncontrolling interests	4,458	3,871	4,680	5,466	6,261	7,049	7,838	8,629
Total equity	93,011	98,879	103,957	110,554	118,816	128,907	140,667	153,888
Total liabilities and equity	203,609	203,631	205,579	216,676	226,141	239,568	252,315	267,512

The Walt Disney Company

Historical Cash Flow Statement

Fiscal Years Ending Sep. 30	**2021**	**2022**	**2023**
OPERATING ACTIVITIES			
Net income (loss) from continuing operations	2,536	3,553	3,390
Depreciation & amortization	5,111	5,163	5,369
Impairment charges	-	-	2,987
Net loss (gain) on investments	-	714	(166)
Deferred income taxes	(1,241)	200	(1,346)
Equity in the loss (income) of investees	(761)	(816)	(782)
Cash distributions received from equity investees	754	779	720
Net change in produced & licensed content costs & advances	(4,301)	(6,271)	(1,908)
Equity-based compensation	600	977	1,143
Pension & postretirement medical amortization	816	620	4
Changes in operating assets and liabilities:			
Other adjustments	144	595	278
Receivables	(357)	605	358
Inventories	252	(420)	(183)
Other assets	171	(707)	(201)
Accounts payable & other liabilities	2,410	964	(1,142)
Income taxes	(282)	46	1,345
Cash provided by operations - continuing operations	5,566	6,002	9,866
INVESTING ACTIVITIES			
Investments in parks, resorts & other property	(3,578)	(4,943)	(4,969)
Sales of investments or proceeds from dispositions	-	-	-
Acquisitions	-	-	-
Proceeds from sales of fixed assets & other	-	-	(130)
Proceeds from sale of investments	-	-	458
Other investing activities, net	407	(65)	-
Cash used in investing activities - continuing operations	(3,171)	(5,008)	(4,641)
FINANCING ACTIVITIES			
Commercial paper borrowings (payments), net	(26)	(334)	(191)
Borrowings	64	333	83
Reduction of borrowings	(3,737)	(4,016)	(1,675)
Dividends	-	-	-
Repurchases of common stock	-	-	-
Proceeds from exercise of stock options	435	127	52
Contributions from or sales of noncontrolling interests	91	-	735
Acquisition of redeemable noncontrolling interests	-	-	(900)
Other financing activities	(862)	(839)	(828)
Cash used in financing activities - continuing operations	(4,385)	(4,729)	(2,724)
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Cash flows from operating activities of discontinued operations	1	8	-
Cash flows from investing activities of discontinued operations	8	-	-
Cash flows from financing activities of discontinued operations	-	(12)	-
Cash from (used in) discontinued operations	9	(4)	-
Impact of exchange rates on cash, cash equivalents & restricted cash	30	(603)	73
Change in cash, cash equivalents & restricted cash	(1,951)	(4,342)	2,574
Cash, cash equivalents & restricted cash, beginning of year	17,954	16,003	11,661
Cash, cash equivalents & restricted cash, end of year	16,003	11,661	14,235

The Walt Disney Company

Forecasted Cash Flow Statement

Fiscal Years Ending Sep. 30	2024E	2025E	2026E	2027E	2028E
Operating Cash Flows					
Net Income	7,567	9,227	11,068	12,739	14,446
Depreciation and Amortization	5,488	5,680	5,376	5,513	5,684
Changes in operating assets and liabilities:					
Change in Accounts recievable	(3,612)	(803)	(874)	(803)	(864)
Change In Inventories	(66)	(102)	(111)	(102)	(110)
Other current assets	(64)	(67)	(71)	(74)	(78)
Change in Other assets	(815)	(542)	(612)	(685)	(759)
Change in Accounts payable & other accrued liabilities	3,646	1,224	1,333	1,225	1,318
Change in Deferred revenue and other	60	312	340	312	336
Cash provided by operations - continuing operations	12,204	14,930	16,448	18,125	19,973
Investing Cash Flows:					
Change in Investments	(153)	(161)	(169)	(177)	(186)
Change in Attractions, buildings & equipment, at cost	(6,000)	(5,394)	(5,777)	(6,186)	(6,625)
Change in Projects in progress	(415)	(442)	(471)	(502)	(536)
Change in Land	(18)	(18)	(18)	(18)	(19)
Change in Content advances	1,238	(34)	(69)	(77)	(84)
Change in Produced & licensed content costs	(1,764)	(1,798)	(1,868)	(1,944)	(2,028)
Cash used in investing activities - continuing operations	(7,112)	(7,847)	(8,372)	(8,905)	(9,477)
Financing Cash Flows:					
Change in Borrowings	905	821	1,279	1,542	2,054
Change in Current portion of borrowings	52	(654)	850	(1,657)	(1,322)
Change in Other long-term liabilities	888	590	667	746	827
Change in Redeemable noncontrolling interests	(1,047)	(1,086)	(1,130)	(1,180)	(1,235)
Change in Common stock	381	381	381	381	137
Change in Noncontrolling interests	786	795	788	790	791
Change in Deferred income taxes	(5)	(4)	(2)	(2)	(2)
Dividends Paid	(2,137)	(2,141)	(2,145)	(2,149)	(2,153)
Cash used in financing activities - continuing operations	(176)	(1,298)	687	(1,529)	(903)
Change in Cash	4,916	5,785	8,763	7,691	9,594
Beginning of Year Cash	14,182	19,098	24,883	33,646	41,337
End of Year Cash	**19,098**	**24,883**	**33,646**	**41,337**	**50,930**

The Walt Disney Company

Common Size Income Statement

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues:								
Services	91.62%	89.70%	89.50%	89.31%	89.12%	88.95%	88.94%	88.94%
Products	8.38%	10.30%	10.50%	10.69%	10.88%	11.05%	11.06%	11.06%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost and Expenses:								
Cost of services (exclusive of depreciation & amortization)	-61.01%	-59.19%	-59.78%	-59.20%	-58.63%	-58.07%	-57.62%	-57.18%
Cost of products (exclusive of depreciation & amortization)	-5.94%	-6.58%	-6.82%	-6.83%	-6.84%	-6.85%	-6.74%	-6.63%
Selling, general, administrative & other expenses	-20.05%	-19.81%	-17.25%	**-16.25%**	**-15.25%**	**-14.25%**	**-13.75%**	**-13.25%**
Depreciation & amortization	-7.58%	-6.24%	-6.04%	-4.14%	-4.23%	-4.21%	-4.22%	-4.25%
Total costs & expenses	-94.57%	-91.82%	-89.89%	-86.43%	-84.96%	-83.38%	-82.34%	-81.30%
Restructuring & impairment charges	-0.97%	-0.29%	-4.38%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (expense), net	0.30%	-0.81%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income (expense), net	-2.09%	-1.69%	-1.36%	-3.24%	-3.07%	-2.72%	-2.38%	-1.99%
Equity in the income (loss) of investees	1.13%	0.99%	0.88%	0.84%	0.81%	0.76%	0.73%	0.70%
Income (loss) from continuing operations before income taxes	3.80%	6.39%	5.36%	12.64%	14.41%	16.20%	17.68%	19.03%
Income taxes on continuing operations	-0.04%	-2.09%	-1.55%	-3.40%	-3.88%	-4.36%	-4.76%	-5.12%
Net income (loss) from continuing operations	3.76%	4.30%	3.81%	9.24%	10.54%	11.84%	12.93%	13.91%
Income (loss) from discontinued operations	-0.04%	-0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	3.72%	4.24%	3.81%	9.24%	10.54%	11.84%	12.93%	13.91%

The Walt Disney Company

Common Size Balance Sheet

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ASSETS								
Current Assets:								
Cash & cash equivalents	23.67%	14.04%	15.95%	20.49%	25.42%	32.67%	38.39%	45.18%
Receivables, net	19.83%	15.29%	13.87%	17.11%	17.11%	17.11%	17.11%	17.11%
Inventories	1.97%	2.11%	2.21%	2.18%	2.18%	2.18%	2.18%	2.18%
Content advances	3.24%	2.28%	3.38%	3.05%	3.05%	3.05%	3.05%	3.05%
Other current assets	1.21%	1.45%	1.45%	1.45%	1.45%	1.44%	1.45%	1.45%
Total current assets	49.92%	35.18%	36.85%	43.12%	47.99%	55.21%	60.93%	67.71%
Produced & licensed content costs	43.83%	43.25%	37.79%	40.78%	40.78%	40.78%	40.78%	40.78%
Investments	5.84%	3.89%	3.46%	3.47%	3.47%	3.46%	3.47%	3.48%
Attractions, buildings & equipment, at cost	96.25%	80.99%	78.84%	81.65%	83.25%	84.73%	86.78%	88.77%
Accumulated depreciation	56.25%	47.58%	47.93%	49.87%	51.71%	53.35%	55.25%	57.02%
Parks, resorts & other property, before projects in progress & land	40.01%	33.42%	30.91%	31.78%	31.54%	31.37%	31.53%	31.74%
Projects in progress	6.71%	5.82%	7.07%	6.60%	6.60%	6.60%	6.60%	6.60%
Land	1.68%	1.38%	1.32%	1.49%	1.49%	1.49%	1.49%	1.49%
Parks, resorts & other property, net	48.39%	40.61%	39.30%	40.25%	40.07%	39.96%	40.22%	40.54%
Intangible assets, net	25.39%	17.94%	14.69%	12.27%	10.11%	8.60%	7.33%	6.20%
Goodwill	115.80%	94.17%	86.69%	82.70%	78.73%	74.83%	71.57%	68.36%
Other assets	12.84%	11.13%	12.46%	12.76%	12.70%	12.67%	12.75%	12.85%
Total assets	302.01%	246.16%	231.25%	232.50%	231.03%	232.61%	234.30%	237.29%
LIABILITIES AND EQUITY								
Current Liabilities:								
Accounts payable & other accrued liabilities	30.99%	24.43%	23.25%	26.09%	26.09%	26.09%	26.09%	26.09%
Current portion of borrowings	8.70%	3.71%	4.87%	4.70%	3.81%	4.45%	2.71%	1.42%
Deferred revenue and other	6.40%	7.00%	6.90%	6.65%	6.65%	6.65%	6.65%	6.65%
Total current liabilities	46.10%	35.15%	35.03%	37.45%	36.55%	37.19%	35.46%	34.16%
Borrowings	72.00%	54.76%	47.36%	46.15%	44.77%	43.80%	43.32%	43.20%
Deferred income taxes	10.75%	10.11%	8.16%	7.78%	7.41%	7.04%	6.73%	6.43%
Other long-term liabilities	10.62%	8.87%	13.58%	13.90%	13.84%	13.80%	13.89%	14.00%
Redeemable noncontrolling interests	13.67%	11.48%	10.19%	8.59%	7.07%	5.62%	4.28%	3.00%
Total liabilities	164.05%	126.63%	114.31%	113.87%	109.65%	107.45%	103.68%	100.79%
Equity:								
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock	82.28%	68.18%	64.55%	61.98%	59.40%	56.83%	54.70%	52.37%
Retained earnings (accumulated deficit)	59.97%	52.75%	51.85%	55.29%	59.88%	65.57%	72.55%	80.20%
Accumulated other comprehensive income (loss)	-9.55%	-4.98%	-3.70%	-3.53%	-3.36%	-3.20%	-3.06%	-2.92%
Treasury stock, at cost	-1.35%	-1.10%	-1.02%	-0.97%	-0.93%	-0.88%	-0.84%	-0.80%
Total The Walt Disney Company shareholders' equity	131.35%	114.85%	111.68%	112.76%	114.99%	118.32%	123.35%	128.85%
Noncontrolling interests	6.61%	4.68%	5.26%	5.87%	6.40%	6.84%	7.28%	7.65%
Total equity	137.96%	119.53%	116.94%	118.63%	121.38%	125.16%	130.63%	136.50%
Total liabilities and equity	302.01%	246.16%	231.25%	232.50%	231.03%	232.61%	234.30%	237.29%

The Walt Disney Company
Value Driver Estimation

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NOPLAT:								
EBITA:								
Operating Revenues:								
Services	61,768	74,200	79,562	83,229	87,239	91,606	95,778	100,273
Products	5,650	8,522	9,336	9,964	10,645	11,385	11,909	12,464
Total revenues	67,418	82,722	88,898	93,193	97,884	102,991	107,687	112,737
Operating Costs:								
Cost of services (exclusive of depreciation & amortization)	(41,129)	(48,962)	(53,139)	(55,173)	(57,394)	(59,810)	(62,055)	(64,466)
Cost of products (exclusive of depreciation & amortization)	(4,002)	(5,439)	(6,062)	(6,370)	(6,699)	(7,051)	(7,256)	(7,469)
Selling, general, administrative & other expenses	(13,517)	(16,388)	(15,336)	(15,144)	(14,927)	(14,676)	(14,807)	(14,938)
Depreciation & amortization	(5,111)	(5,163)	(5,369)	(3,861)	(4,145)	(4,334)	(4,548)	(4,786)
Total costs	(63,759)	(75,952)	(79,906)	(80,547)	(83,166)	(85,871)	(88,665)	(91,659)
Add: Implied Interest on operating leases	195	206	210	211	223	234	246	258
EBITA:	**3,854**	**6,976**	**9,202**	**12,857**	**14,941**	**17,355**	**19,268**	**21,336**
Total Income tax provision (income tax expense)	25	1,732	1,379	3,170	3,795	4,489	5,122	5,770
Add: Tax shield on interest expense	378	376	325	416	417	531	674	677
Add: Tax shield on any non-operating leases	52	55	56	57	60	63	66	69
Less: Tax on interest or investment income	(378)	(376)	(325)	(38)	(41)	(206)	(231)	(299)
Less: Tax on any non-operating income	205	220	210	212	214	212	212	213
Total adjusted taxes	629	2,320	1,876	3,469	4,099	5,076	5,881	6,603
Change in deferred taxes	(42)	1,117	(1,105)	(5)	(4)	(2)	(2)	(2)
NOPLAT	**3,183**	**5,774**	**6,221**	**9,383**	**10,838**	**12,276**	**13,385**	**14,732**
Invested Capital (IC):								
Operating Current Assets (CA):								
Normal cash	4,707	5,776	6,207	6,507	6,835	7,191	7,519	7,872
Recievables	13,367	12,652	12,330	15,942	16,745	17,618	18,422	19,285
Inventories	1,331	1,742	1,963	2,029	2,131	2,242	2,345	2,455
Content advances	2,183	1,890	3,002	1,764	1,798	1,868	1,944	2,028
Other current assets	817	1,199	1,286	1,350	1,417	1,488	1,562	1,639
Total operating current assets	22,405	23,259	24,788	27,592	28,926	30,407	31,791	33,279
Non Interest-Bearing Current Liabilities (CL):								
Accounts payable & other accrued liabilities	20,894	20,213	20,671	24,317	25,541	26,874	28,099	29,417
Deferred revenue	4,317	5,790	6,138	6,198	6,510	6,849	7,162	7,498
Income taxes payable	-	-	-	-	-	-	-	-
Total non interest-bearing operating current liabilities	25,211	26,003	26,809	30,515	32,051	33,723	35,261	36,914
Net operating working capital	(2,806)	(2,744)	(2,021)	(2,922)	(3,125)	(3,316)	(3,470)	(3,635)
Parks, resorts & other property, net	32,624	33,596	34,941	37,512	39,221	41,153	43,313	45,706
Net Other Operating Assets:								
Intangible assets, net	17,115	14,837	13,061	11,434	9,899	8,857	7,892	6,994
Capitalized PV of Operating Leases	3,620	3,635	3,998	4,208	4,425	4,650	4,881	5,119
Other assets	8,658	9,208	11,076	11,891	12,433	13,045	13,730	14,488
Net other operating assets:	29,393	27,680	28,135	27,533	26,757	26,552	26,503	26,602
Other Operating Liabilities:								
Other non-interest bearing operating liabilities	14,522	12,518	12,069	12,957	13,547	14,215	14,961	15,787
INVESTED CAPITAL (IC)	**44,689**	**46,014**	**48,986**	**49,166**	**49,306**	**50,175**	**51,385**	**52,885**
Free Cash Flow (FCF):								
NOPLAT	3,183	5,774	6,221	9,383	10,838	12,276	13,385	14,732
Change in IC	(8,614)	1,325	2,972	179	140	869	1,211	1,500
FCF	**11,797**	**4,449**	**3,249**	**9,204**	**10,698**	**11,408**	**12,174**	**13,232**
Return on Invested Capital (ROIC):								
NOPLAT	3,183	5,774	6,221	9,383	10,838	12,276	13,385	14,732
Beginning IC	53,304	44,689	46,014	48,986	49,166	49,306	50,175	51,385
ROIC	**5.97%**	**12.92%**	**13.52%**	**19.15%**	**22.04%**	**24.90%**	**26.68%**	**28.67%**
Economic Profit (EP):								
Beginning IC	53,304	44,689	46,014	48,986	49,166	49,306	50,175	51,385
x (ROIC - WACC)	-2.56%	4.39%	4.99%	10.62%	13.51%	16.36%	18.14%	20.14%
EP	**(1,365.81)**	**1,959.97**	**2,294.68**	**5,202.89**	**6,642.54**	**8,068.81**	**9,103.15**	**10,346.91**

The Walt Disney Company

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		*ASSUMPTIONS:*
Risk-Free Rate	4.23%	*10 Year Treasury Bond*
Beta	1.10	*4 year Monthly Beta via Bloomberg*
Equity Risk Premium	5.00%	*Henry Fund Estimate*
Cost of Equity	**9.73%**	
Cost of Debt:		
Risk-Free Rate	4.23%	*10 Year Treasury Bond*
Implied Default Premium	1.06%	
Pre-Tax Cost of Debt	5.29%	*YTM on Disney 30 year bond*
Marginal Tax Rate	27%	
After-Tax Cost of Debt	**3.87%**	

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	1,781	
Current Stock Price	$110.80	
MV of Equity	**197,334.80**	79.65%
Market Value of Debt:		
Current Portion of LTD	4,330	
Long-Term Debt	42,101	
PV of Operating Leases	3,998	
MV of Total Debt	**50,429.00**	20.35%
Market Value of the Firm	**247,763.80**	100.00%

Estimated WACC	**8.53%**

The Walt Disney Company
Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:	
CV Growth of NOPLAT	5.00%
CV Year ROIC	28.67%
WACC	8.53%
Cost of Equity	9.73%

Fiscal Years Ending Sep. 30	2024E	2025E	2026E	2027E	2028E
DCF Model:					
Free Cash Flow (FCF)	9203.7	10698.0	11407.6	12173.9	13232.3
Continuing Value (CV)					344210.7
PV of FCF	8480.1	9081.9	8922.8	8773.5	248067.3
Value of Operating Assets:	283325.6				
Non-Operating Adjustments					
Excess Cash	12590.7				
Over Funded Pension Plan	752.0				
Investment Assets	3926.5				
Less: Joint Ventures	-5466.3				
Less: Total Debt	-50429.0				
Less: ESOP	-418				
Less: Redeemable noncontrolling interest liability	-13735.0				
Value of Equity	230546.4				
Shares Outstanding	1795.0				
Intrinsic Value of Last FYE	$ 128.44				
Implied Price as of Today	**$ 133.55**				
EP Model:					
Economic Profit (EP)	5,202.9	6,642.5	8,068.8	9,103.2	10,346.9
Continuing Value (CV)					292,825.3
PV of EP	4,793.8	5,639.1	6,311.3	6,560.5	211,034.6
Total PV of EP	234,339				
Invested Capital (last FYE)	48,986				
Value of Operating Assets:	283,326				
Non-Operating Adjustments					
Excess Cash	12,591				
Over Funded Pension Plan	752				
Investment Assets	3,926				
Less: Joint Ventures	-5,466				
Less: Total Debt	-50,429				
Less: ESOP	-418				
Less: Redeemable noncontrolling interest liability	-13,735				
Value of Equity	230,546				
Shares Outstanding	1,795				
Intrinsic Value of Last FYE	$ 128.44				
Implied Price as of Today	**$ 133.55**				

The Walt Disney Company

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
EPS	$ 4.19	$ 5.14	$ 6.18	$ 7.11	$ 8.06
Key Assumptions					
CV growth of EPS	2.50%				
CV Year ROE	0.10				
Cost of Equity	9.73%				
Future Cash Flows					
P/E Multiple (CV Year)					1047.0%
EPS (CV Year)					$ 8.06
Future Stock Price					$ 84.39
Dividends Per Share	1.2	1.2	1.2	1.2	1.2
Discounted Cash Flows	1.09	1.00	0.91	0.83	53.81
Intrinsic Value as of Last FYE	$ 57.64				
Implied Price as of Today	$ 59.93				

The Walt Disney Company

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Market Cap (M)	Sales 2024E	Sales 2025E	P/S 24	P/S 25
NFLX	Netflix	$583.56	$17.17	$21.18	33.99	27.55	~~258,132~~	~~$38,608~~	~~$43,280~~	~~6.69~~	~~5.96~~
CMCSA	Comcast	$41.90	$4.00	$4.37	10.48	9.59	167,410	$124,370	$124,226	1.35	1.35
FOX	Fox Corporation	$27.28	$2.86	$3.61	9.54	7.56	13,396	$14,078	$15,151	0.95	0.88
PARA	Paramount	~~$11.21~~	~~$0.00~~	~~$0.00~~			7,623	$31,069	$31,377	0.25	0.24
WBD	Warner Bros. Discovery	~~$8.61~~	~~($0.25)~~	~~($0.14)~~	~~(34.44)~~	~~(61.50)~~	21,250	$41,726	$42,420	0.51	0.50
				Average	**18.00**	**14.90**			Average	**0.76**	**0.74**
DIS	The Walt Disney Company	$110.80	$4.19	$5.14	26.4	21.5	203,240	93,193	97,884	2.18	2.08

Implied Relative Value:

P/E (EPS24)	**$**	**75.49**
P/E (EPS25)	**$**	**76.62**
P/S (Market Cap 24)	**$**	**39.86**
P/S (Market Cap 25)	**$**	**40.74**

The Walt Disney Company

Key Management Ratios

Fiscal Years Ending Sep. 30	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liquidity Ratios:								
Current Ratio (current assets / current liabilities)	1.08	1.00	1.05	1.15	1.31	1.48	1.72	1.98
Quick Ratio ((current assets - inventories)/current liabilities)	1.04	0.94	0.99	1.09	1.25	1.43	1.66	1.92
Cash Ratio (cash / current liabilities)	0.51	0.40	0.46	0.55	0.70	0.88	1.08	1.32
Asset-Management Ratios:								
Inventories turnover (COGS / average inventories)	-30.98	-35.41	-31.96	-30.83	-30.81	-30.57	-30.22	-29.98
Cash Turnover Ratio (Revenue/ Cash)	4.22	7.12	6.27	4.88	3.93	3.06	2.61	2.21
Asset turnover ratio (Revenue / average total assets)	0.17	0.20	0.22	0.22	0.22	0.22	0.22	0.22
Financial Leverage Ratios:								
LT Debt/Total Equity	0.55	0.49	0.43	0.41	0.40	0.38	0.36	0.35
LT Debt/Total Assets	0.24	0.22	0.21	0.21	0.20	0.20	0.19	0.19
Total Debt/Total Assets	0.37	0.34	0.33	0.35	0.34	0.34	0.32	0.32
Profitability Ratios:								
Return on Equity (NI/Beg TSE)	2.26%	3.38%	2.38%	7.28%	8.35%	9.32%	9.88%	10.27%
Gross Margin	5.43%	8.18%	10.11%	13.57%	15.04%	16.62%	17.66%	18.70%
Return on Assets (NI/Avg Total Assets)	0.98%	1.54%	1.15%	3.58%	4.17%	4.75%	5.18%	5.56%
Payout Policy Ratios:								
Dividend Payout Ratio (Dividend/EPS)	0%	0%	23%	28.62%	23.34%	19.42%	16.87%	14.89%
Total Payout Ratio ((Divs. + Repurchases)/NI)				28.24%	23.20%	19.38%	16.87%	14.90%

The Walt Disney Company

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	14
Average Time to Maturity (years):	4.36
Expected Annual Number of Options Exercised:	3
Current Average Strike Price:	$ 118.48
Cost of Equity:	9.73%
Current Stock Price:	$110.80

Fiscal Years Ending Sep. 30	2024E	2025E	2026E	2027E	2028E
Increase in Shares Outstanding:	3	3	3	3	1
Average Strike Price:	$ 118.48	$ 118.48	$ 118.48	$ 118.48	$ 118.48
Increase in Common Stock Account:	**381**	**381**	**381**	**381**	**137**
Share Repurchases ($)	0	0	0	0	0
Expected Price of Repurchased Shares:	$ 110.80	$ 121.58	$ 133.40	$ 146.38	$ 160.61
Number of Shares Repurchased:	-	-	-	-	-
Shares Outstanding (beginning of the year)	1,781	1,784	1,787	1,791	1,794
Plus: Shares Issued Through ESOP	3	3	3	3	1
Less: Shares Repurchased in Treasury	-	-	-	-	-
Shares Outstanding (end of the year)	**1,784**	**1,787**	**1,791**	**1,794**	**1,795**

The Walt Disney Company

Valuation of Options Granted under ESOP

Current Stock Price	$110.80
Risk Free Rate	4.23%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	25.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
$40-80	1	72.59	0.20	$ 38.82	$ 39
$81-120	9	107.13	3.70	$ 30.27	$ 272
$121-160	3	148.09	6.70	$ 27.83	$ 83
$161-200	1	177.72	7.40	$ 23.29	$ 23
Total	14	$ 118.48	4.36	$ 28.20	**$ 418**