Equity Research Report The Walt Disney Company

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Universidade do Minho
Escola de Economia e Gestão

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Projeto de Mestrado
Mestrado em Finanças

Orientado por
Professor Doutor Gilberto Loureiro

Julho 2023

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To sum up, I really would like to thank everyone that was involved in any way in this journey.

Statement Of Integrity

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism or any form of undue use of information or falsification of results along the process leading to its elaboration.

I further declare that I have fully acknowledged the Code of Ethical Conduct of the University of Minho.

Resumo

O presente documento é um *Equity Research Report* sobre a The Walt Disney Company (DIS), foi escrito como um relatório de projeto de mestrado em finanças e segue as diretrizes recomendadas pelo *CFA Institute*.

A Walt Disney Company é uma empresa multinacional de extrema relevância na indústria de Entretenimento e *Media*. Como a empresa atua nas mais diversas áreas do setor, as atividades da empresa dividem-se em dois segmentos distintos: o segmento de *media* e entretenimento e o segmento de parques e produtos de consumo.

Neste relatório, para avaliar o valor intrínseco da empresa, foram estimados os componentes financeiros da empresa para um período de 5 anos com base em dados históricos de 10 anos. Este relatório emite uma recomendação de compra, com base no modelo *Discounted Cash Flow* aplicado à empresa. Esta avaliação relata um potencial positivo de 8,21%, em relação ao preço de US$ 89,28 em 23 de junho de 2023.

A versão final foi concluída no dia 25 de julho de 2023.

Classificações JEL: G10; G12; L82

Palavras-chave: Avaliação de Empresas, Entretenimento, *Equity Research*, *Media*

Abstract

The present document is an Equity Research Report about The Walt Disney Company (DIS), t it was written as a master's in finance project report and follows the CFA Institute recommended guidelines.

The Walt Disney Company is a multinational company of extreme relevance in the Entertainment and Media industry. Because the company operates in a wide range of areas within the industry it, the company activities are divided in two different segments: the media and entertainment segment and the parks and consumer products segment.

In this report, in order to evaluate the company intrinsic value, it was forecasted the financials for a 5-year period based on a 10-year historical data. This report issues a buy recommendation, based on the Discounted Cash Flow Model applied to the company. This valuation reports a potential upside of 8,21%, relative to the closing price of $89.28 on 23rd June 2023.

The final version was completed on the July 25th of 2023.

JEL Classifications: G10; G12; L82

Keywords: Entertainment, Equity Research, Media, Valuation

Disclaimer

This Equity Research Report was prepared for academic purposes only by Daniela Marinho Graça Almeida Bastos, a student of the Master in Finance at the University of Minho. The report was supervised by a faculty member acting merely as an academic mentor. Neither the author of this report nor the supervisor are certified investment advisors. This report should be read as a pure academic exercise of a master student. The information used to produce this report is generically available to the public from different sources and believed to be reliable by the student. The student is the sole responsible for the information used in this report, as well as the estimates and forecasts, application of valuation methods, and views expressed. The University of Minho and its faculty members have no unique nor formal position on those matters and do not take responsibility for any consequences of the use of this report.

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The Walt Disney COMPANY

Equity Research Report

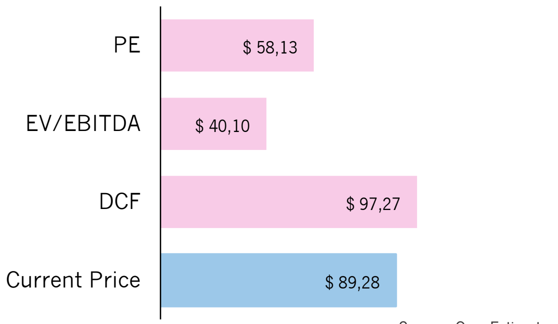
1. Investment Summary

Figure 1: DCF Outputs

Enterprise Value		155 476
Market Value of Debt		48 660
Equity Value		173 234
Shares Outsanding		1 781
Price Target (USD)	$	97,27
Current Price 23/06/2023	$	89,28
Upside Potencial		8,21%

Source: Own Estimates

Figure 2: Target Price



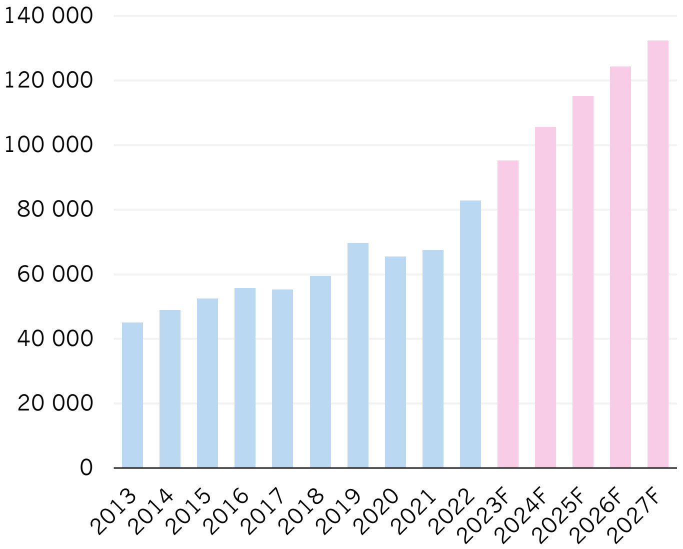
Source: Own Estimates

I issue a **BUY** recommendation for The Walt Disney Company, with a target price of $97.27 given the market price of $89.28 on 23rd June 2023, presenting an upside potential of 8,21%. This recommendation is based on the analysis of the historical financial data, a Discount Cash Flow (DCF) model for the period between 2023 and 2027. It is based on the following pillars: (1) Development and Reduction of Costs of the Streaming Platforms; (2) Recovery with Diversified Content and Brand Recognition.

Figure 3: Dis Close Price and Target Price

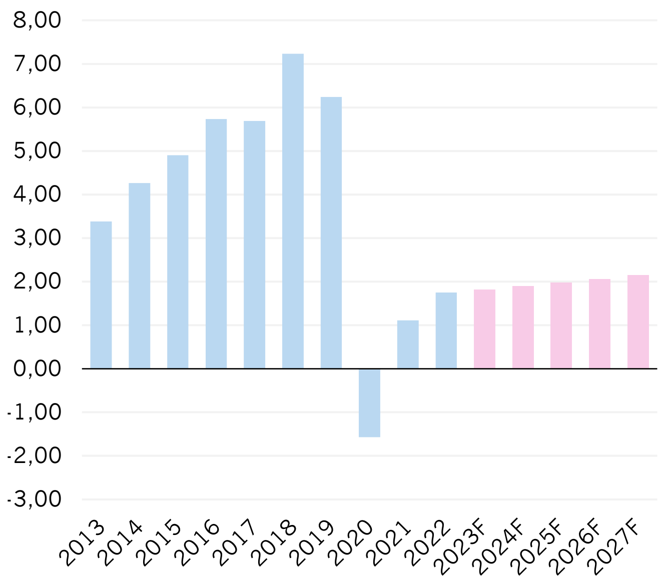
Source: Yahoo Finance

Figure 4: Revenue Growth



Source: Own Estimates

Figure 5: Diluted EPS Growth



Source: Own Estimates

Development and Reduction of Costs of the Streaming Platform

The entertainment industry has witnessed a significant shift towards subscription-based business models, that induce Disney to invest in streaming services like ESPN+ and Hulu while launching Disney+ on its Direct-to-Consumer (DTC) segment. Disney+ is a streaming platform that was launched on November of 2019 on the United States (US), and it represented a strategic move that created a vertically integrated business, providing top-tier content at competitive prices and solidifying Disney's position among industry leaders. Disney+ represents the future of the company, and the cost contention will likely improve the company's revenues and growth.

Recovery with Diversified Content and Brand Recognition

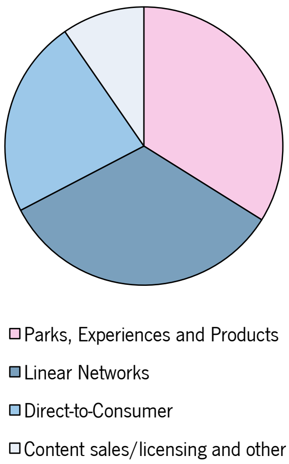
Disney has key factors that will help the company to be able to experience the growth of the past, and recover from the adversities caused by the Covid-19 pandemic (figure 4 and 5). Disney's extensive and diverse portfolio in creative content, with beloved characters and storylines, and the amazing capacity of the company to the reinvent itself, combined create the opportunity to expand. Besides, the fact that the company has such a strong brand recognized all over the world, also gives Disney a competitive advantage.

2. Business Description

The Walt Disney Company is one of the most important companies in the entertainment industry. The company emerged in 1923 in the USA, founded by Walt Disney, and at that time it had great impact in the animation industry. Later the company extended to theme parks, television, and live action film production, which made Disney more diversified and with new opportunities to explore other sectors within the industry. It has been the pioneer in many different forms of entertainment and after all these years it is still a reference and it walked alongside generations all over the world.

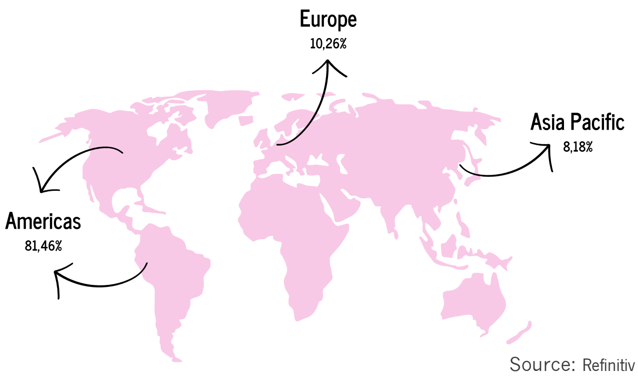
Disney, with the ticker symbol DIS, has currently 1,781M of shares outstanding and belongs to the Entertainment and Media industry in the Movies/Entertainment sector. It is traded in the New York Exchange Stock Market (NYSE), with a Market Cap of $154,733 Million.

Figure 6: Revenue Segment Breakdown



Source: Refinitiv

Figure 7: Revenue Geographical Breakdown



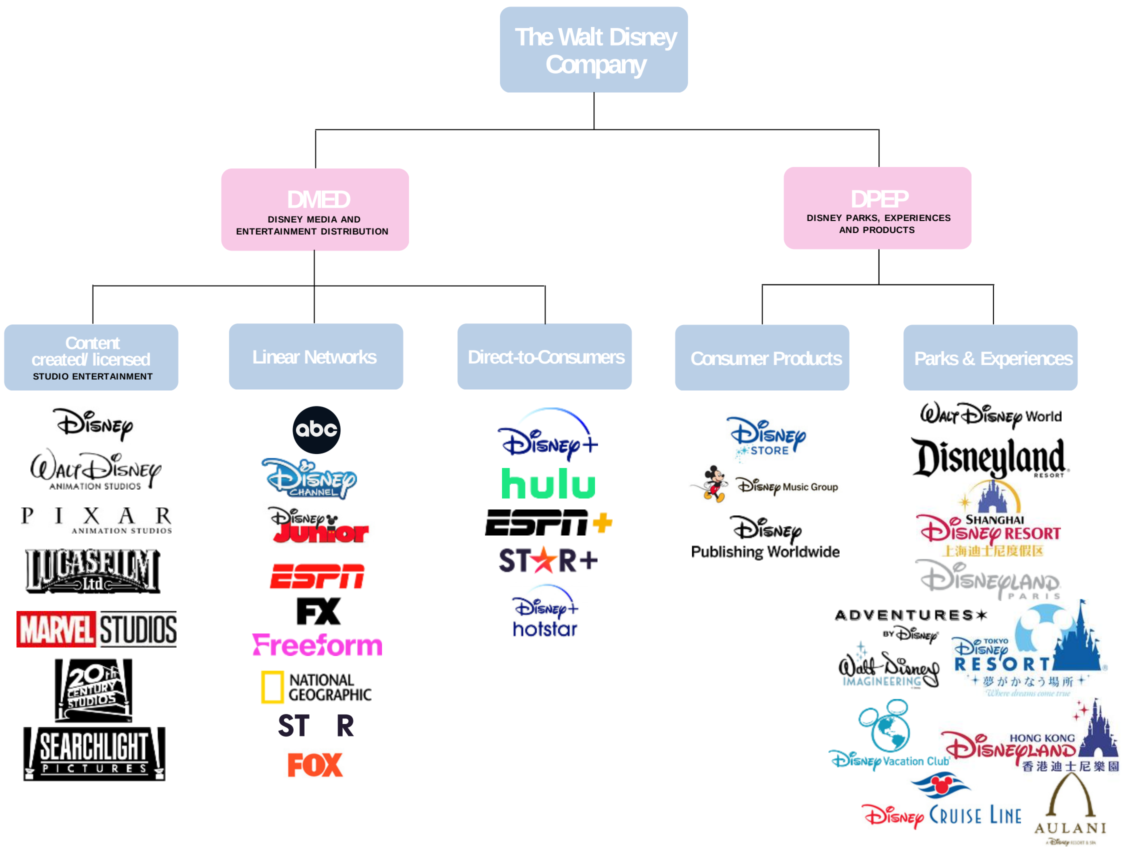
Source: Refinitiv

As mentioned before, The Walt Disney Company it is inserted in the Entertainment and Media industry, which main goal it's to give pleasure and joy to the target audience, throughout radio, film, television, and print. It includes news, movies and tv shows, music, radio shows, newspapers, books and magazines. In addition to those services, the company also provides to the consumers an immersive experience in theme parks. Moreover, in the recent years it developed more deeply the streaming services, which have become one of the essential components of the entertainment industry, revolutionizing how content is consumed.

The Walt Disney Company operates in three main regions: the Americas, that englobe the US and Latin America and the Caribbean, the Asia Pacific, and Europe. In 2022, the Americas region were responsible for approximately 82% of the company's revenues, followed by Europe, accounting for 10%, and the Asia Pacific region, contributing with 8%, figure 7.

Also, Disney is divided in 5 sectors that are distributed in two distinct segments. The segments are Disney Media and Entertainment Distribution (DMED), that include Linear Networks, DTC and Content Sales/Licensing, and Disney Parks, Experiences and Products (DPEP), which englobe the sectors Theme Parks and Resorts and Consumer Products (figure 8).

Figure 8: The Walt Disney Organization



Source: Disney

Disney Media and Entertainment Distribution

The DMED segment is responsible for managing the company's global film and episodic television content production and distribution. In that sense, the Linear Networks includes both the US channels and the international channels, whereas the DTC consists of the streaming services. Regarding the Content Sales/Licensing, it involves the sale and licensing of film and television content to third-party TV/SVOD services, theatrical distribution, home entertainment distribution, music distribution, and staging and licensing of live entertainment events.

The significant revenues of DMED are generated from various sources, including affiliate fees charged to multi-channel video programming distributors (like cable and satellite) and television stations affiliated with ABC for the right to distribute programming to their customers.

Additionally, this segment generates revenue from the sale of advertisement time on both Linear Networks and DTC platforms, fees charged to customers for streaming services, fees for the rights to use The Walt Disney films and television shows, as well as revenue from customers paying to watch the sports programming and get streaming access to movies that are also playing in theaters, or in other words earnings from TV/SVOD distribution.

Furthermore, DMED's revenue streams include income from licensing the company's original music, ticket sales from stage play performances, film productions distributed to theaters, and fees from licensing Intellectual Properties (IP) for use in stage plays.

Due to these diverse revenue sources, as it is possible to see by figure 6, the DMED segment has the most significant impact on Disney's overall revenue, representing over 65% of the sales in FY2022. Among the sectors within DMED, Linear Networks contribute the most, followed by DTC and lastly, Content Sales/Licensing.

On the other hand, the operating expenses of the DMED segment are mainly related to programming and production costs, operating labor, technical support costs, distribution costs, and sales costs. These costs can be divided into three groups of content creation: the first includes expenses from studios and the production of films under brands like Walt Disney Pictures, Twentieth Century Studios, Marvel, Pixar, and others. The second group englobes the general entertainment expenses, which include the acquisition of rights to TV shows and the production costs. Lastly, the third group incorporates sports-related costs, which are associated with the acquisition of sports programming rights and production expenses.

Disney Parks, Experiences and Products

The DPEP segment is responsible for the theme parks and resorts across the world, the licensing of the company’s IP to a third parties, and the commercialization of merchandise and other products.

With regard to the revenues of the DPEP segment they derived from the ticket sales of the theme parks, sales of merchandise and restaurants within the Theme Parks, Resorts, and Cruise Ships, as well as revenue from resort stays and vacation packages.

Moreover, this segment's revenues include the merchandise licensing and retail sales through The Disney Store, official online sites, and wholesalers, in addition to revenue from parks licensing.

The main expenses related to the DPEP segment are the costs associated with the maintenance of the theme parks, which include infrastructure costs like insurance and maintenance, and expenses for utilities, transportation, and retail occupancy. The sector also incurs operating labor costs, costs of goods sold, and commissions.

It is important to highlight that in both segments incur in administrative costs and depreciation and amortization expenses.

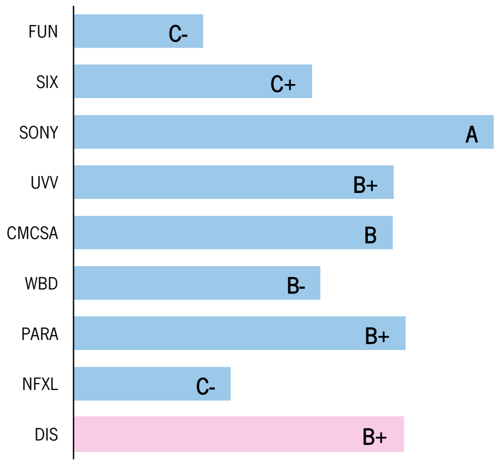
3. ESG

Figure 9: ESG Score

	2013	2014	2015	2016	2017	2018	2019	2020	2021
ESG Score	**B**	**B**	**B**	**B**	**B**	**B+**	**A-**	**A-**	**B+**
Environmental Pillar Score (Weight 12.6%)	B	B	B	B-	B-	B-	B-	B-	B-
Social Pillar Score (Weight 49.7%)	A	A	A	A	A	A	A	A	A
Governance Pillar Score (Weight 37.7%)	D+	C-	C-	C	C-	B	B+	B+	C+
ESG Controversies Score	D-	D-	C	C-	D+	A+	D-	D-	D-

Source: Refinitiv

Figure 10: ESG Score of Peers



Source: Refinitiv

As a company with substantial exposure, its actions towards improving the well-being of the world are significant and impactful. Apart from conducting an impeccable job of implanting awareness about the environment and social differences into young minds through entertainment, Disney also invests and takes real-life actions to effect change in the world.

The ESG score of Disney for the last 10 years, up until 2021, as available in Refinitiv, is presented in the figure 9. As it is possible to see, the score has been improving until 2020, transitioning from an A- to a B+ in 2021, with the pandemic being a significant factor that contributed to the downgrade. When comparing the company to the selected peers, the company's ESG score that stands out is Sony having the higher rating of A, while Disney is tied with Paramount having a solid B+. Following behind are Comcast Corporation and Universal Corporation, also earning a B+ grade, with a tied score of 67, securing the third position among the peers.

Environment

Figure 11: ESG Environment Score

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Environmental Pillar Score (Weight 12.6%)	B	B	B	B-	B-	B-	B-	B-	B-
Emissions (Weight 5.0%)	A-	A-	A-	B+	B+	A-	B+	B+	A-
Resource Use (Weight 3.8%)	A+	A+	A+	A+	A	A	A	A+	A
Innovation (Weight 3.8%)	D-	D-	D-	D-	D-	D-	D-	D-	D-

Source: Refinitiv

Disney is dedicated to take meaningful and quantifiable actions to promote a healthier planet for future generations while operating and expanding its businesses. It prioritizes environmental conservation and takes proactive measures in reducing emissions, conserving water, minimizing waste, promoting lower-impact products, adopting sustainable construction practices, and promoting eco-friendly production methods.

They are actively working towards reducing emissions by identifying opportunities to enhance efficiency, decrease energy consumption, and incorporate alternative low-carbon fuels, having the goal to achieve the net zero emissions by 2030. As of in the FY 2022, for example, the company has announced over 200 Megawatts of solar capacity, reflecting its commitment to renewable energy and sustainability.

In terms of water conservation, watershed investments and sustainable seafood, the company presented in FY 2022, that the U.S. parks, resorts, and cruise line successfully secured almost 100% sustainable seafood and since 2014, the company's Disney Conservation Fund granted over $2 Million to non-profit organizations that support water stewardship initiatives.

On the other hand, in order to minimize waste Disney has the mission to achieve zero waste in their operations since 2009, and initiatives are currently in progress to decrease the usage of single-use plastics within parks and resorts, with the ultimate goal of completely eliminating their use on cruise ships by 2025 and by 2030 achieve zero waste for parks, resorts, and cruise line.

As it is possible to see by the figure 10, the worst parameter in the Environmental Pillar Score, that weights in the total score is 12,6%, is the Innovation, with a valuation of D- in all the presented years. The Emissions, that are the parameter that has more impact, has slightly varied over the years between A- and B+ and, the parameter with that best classification through the years is the Resource Use, that varied between A and A+.

Social

Figure 12: ESG Social Score

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Social Pillar Score (Weight 49.7%)	A	A	A	A	A	A	A	A	A
Workforce (Weight 11.9%)	A	A-	A-	B+	A-	A-	A-	A-	A
Human Rights (Weight 10.1%)	A	A-	A	A-	A	B-	B-	B	B
Product Responsibility (Weight 15.1%)	A+	A+	A	A+	A+	A+	A+	A+	A+

Source: Refinitiv

The company is dedicated to encourage an inclusive and respectful world, creating genuine and unforgettable stories, characters, experiences, and products that besides captivating the imagination of its global audiences, it also raises awareness of problems of the society.

In FY 2022, over $140 Million were allocated to programs dedicated to serving underrepresented communities, and over $800 Million with diverse suppliers were invested, exemplifying the company's commitment to inclusivity, and supporting marginalized populations. Besides that, Disney proudly highlights the fact that 51% of its employees are women worldwide and 47% of the US employees are people of color, in the FY 2022.

It is also important to mention, that Disney has implemented through the years some programs, in order to attract and retain the diverse workforce, like the Diversity, Equity, and Inclusion (DE&I), that the goal is to promote an inclusive workplace that embraces diversity and supports the growth and development of each individual.

Other programs are the Disney Aspire and the Talent Development, that promote and invest in long-term careers, creates opportunities and training (instructor-led and on-the-job learning formats) for the employees to develop in the company. Besides that, Disney provides healthcare benefits that enhance the well-being of the employees and their families, and offers, as well, free access to mental and behavioral health resources.

In terms of score, the figure 12 shows the consistency of this component of the ESG score, which is the one that carries the most significant weight. As it's possible to analyze, the Workforce parameter and the Product Responsibility are very constant and stable. On the other hand, the Human Rights component had a slightly downgrade, changing from a score of A to B across the years.

Governance

Figure 13: ESG Governance Score

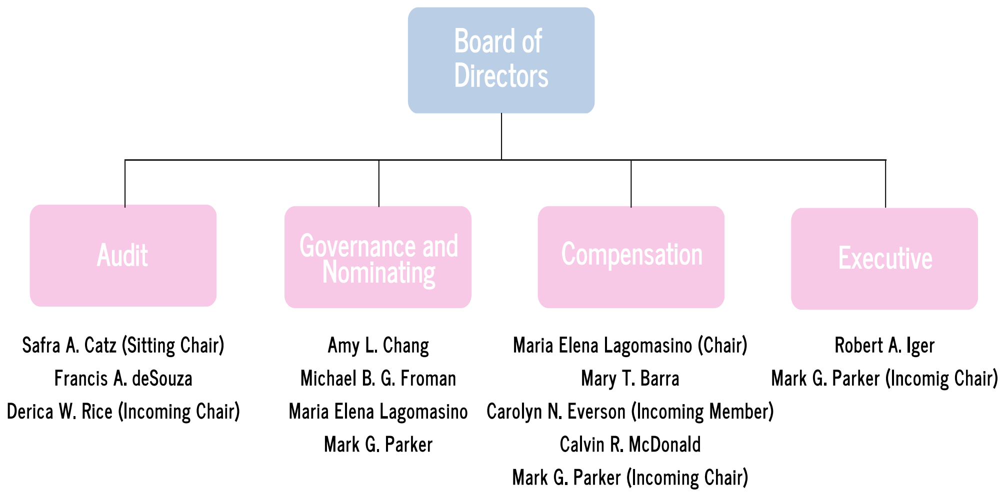
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governance Pillar Score (Weight 37.7%)	D+	C-	C-	C	C-	B	B+	B+	C+
Management (Weight 25.2%)	D-	D-	D	C	D+	B	B	A-	C+
Shareholders (Weight 7.5%)	B-	A-	A-	C	B	A	A	C+	B-
CSR Strategy (Weight 5.0%)	B+	B+	B-	B-	B+	B-	B+	B+	B+

Source: Refinitiv

Between 2020 and 2022 the Chief Executive Officer (CEO) of The Walt Disney Co. was Bob Chapek, facing the challenges imposed by the COVID-19 pandemic. Since November of 2022, the CEO elected was Robert Iger, former CEO of Disney between 2005 and 2020 and former Chief Operating Officer (COO) and President of the company (extinct position) between 2000 and 2005, and 2000 and 2012, respectively. The executive leadership is presented in the appendix 1.

The Walt Disney Company is very careful on the choices for the Board of Directors, aiming to adopt diverse representation from the Company's shareholders, employees, consumers, and communities. Disney's Board of Directors is composed 11 members, being Robert Iger one of them, and the elected Chairman of the Board is Mark G. Parker.

Figure 14: Organization of the Board of Directors



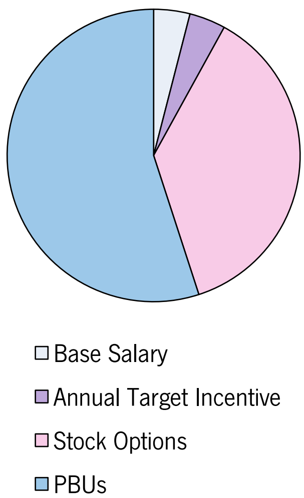
Source: Disney

Figure 15: Board of Directors Compensation

Director Compensation for Fiscal 2022		
Mark G. Parker	$	361 657
Marry T. Barra	$	361 657
Safra A. Catz	$	439 143
Amy L. Chang	$	403 177
Francis A. Desouza	$	366 953
Micheal B.G. Froman	$	433 625
Maria Elena Lagomasino	$	396 730
Calvin R. McDonald	$	361 657
Derica W. Rice	$	431 657
Robert Iger		CEO
Caroline N. Everson		new board member (11/12/2022)

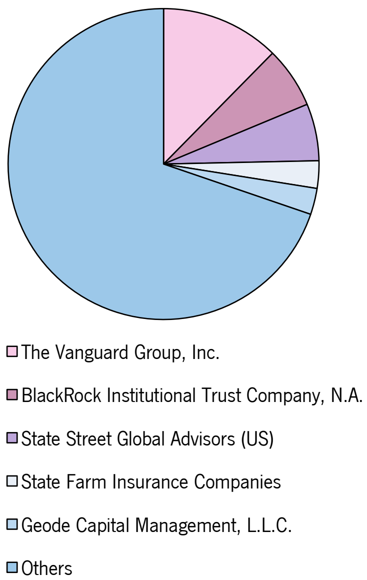
Source: Disney

Figure 16: CEO Compensation



Source: Disney

Figure 17: Major Shareholders



Source: Refinitiv

The goals of the Board are supervising the company's management, prioritizing shareholder interests, and making strategic decisions, either directly or through appointed committees. In order to do so, there are four standing committees: Audit, Governance and Nominating, Compensation and Executive, as represented in the figure 14. The compensation of the Board of Directors is constituted by fees earned and stock awards, in order to combine the shareholders interest and the compensation of the members. In FY 2022, the compensation of the current board members was as showed in the figure 15.

Relatively to the CEO compensation, as it is possible to check by the circular graph of figure 16, it is composed by the base salary, target annual incentive, stock options and PBU's (that are a long-term incentive award comprised of performance-based restricted stock units). Therefore, the CEO compensation is 96% at-risk, due to the PBU's and the stock options, to guarantee that the management pay is tied with results of the company and the shareholders' interests.

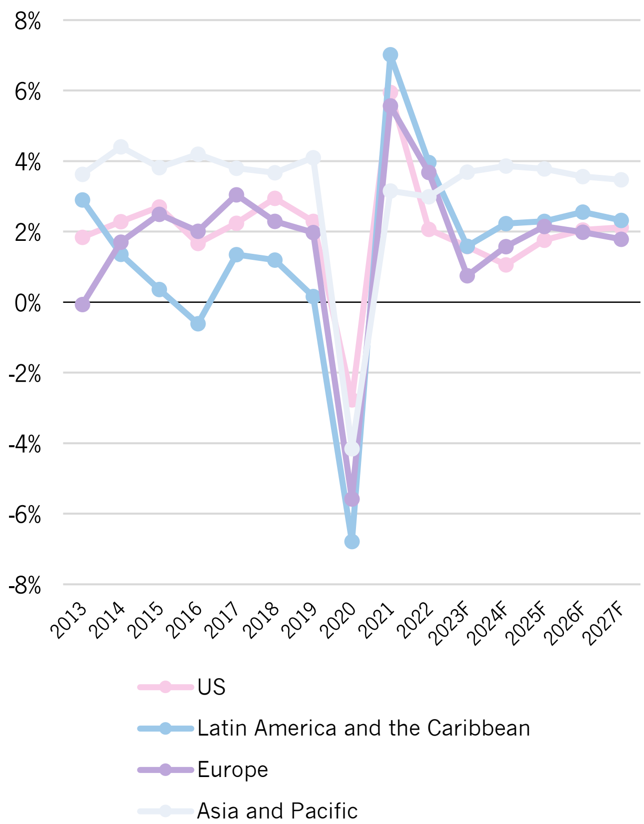
In terms of shareholders, Disney has a lot of interest for institutional investors. The top 3 major shareholders of the Walt Disney Co. are The Vanguard Group, Inc, BlackRock Fund Advisors and State Street Corp, as it is demonstrated by the figure 17.

4. Industry Overview and Competitive Positioning

Macroeconomic Overview

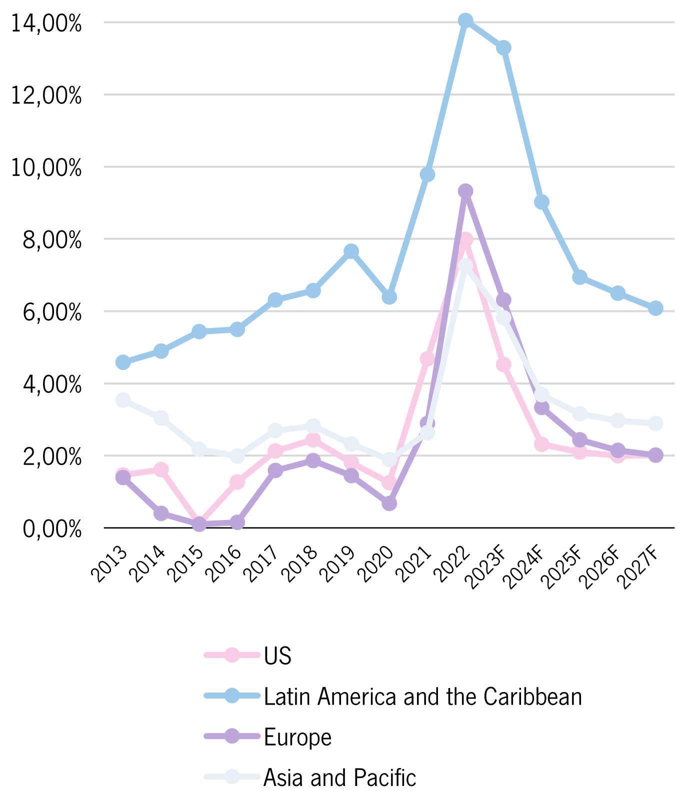
Because Disney is a multinational company with operations across multiple regions, it is crucial to have a comprehensive understanding of the economic trends in each region to anticipate shifts in demand and identify new opportunities for growth. Over the last couple of years, the world economy has faced some challenges, like the Covid-19 Pandemic and the Ukraine-Russia war, for example. While there have been made a lot of efforts, in order to mitigate the effect of this crises, they still affect the economic growth and still have impact on the confidence of consumers and business.

Figure 18: GDP across Regions



Source: IMF

Figure 19: Inflation Rate across Regions



Source: IMF

United States

The US are one of the largest and more influential economies in the world. Currently, this economy is facing an elevated probability of a recession, due to the volatility of the financial market, tightening of credit conditions, and economic uncertainty. As it is possible see by the figure 18, in 2022 the real Gross Domestic Product (GDP) was around 2.1% and the predictions of the International Monetary Fund (IMF) are a decrease to 1.6% in 2023 and to 1.1% in 2024. This projection is based on the persistently high prices and interest rates, and the credit conditions that anticipate a change in the consumer spending and investment of firms.

Besides the GDP, it should be into account the inflation, that has a great impact on the overall economy. In figure 19, it is represented the inflation, measured by the Consumer Price Index (CPI), and for the US, it presents some fluctuations, especially in 2021 and 2022. The Federal Reserve System anticipates a faster decline of inflation with a slower growth in the demand for goods and services. So, the expected average annual inflation rate during this five-year projection period is approximately 2.6%.

Overall, the US economy has potential to enter a recession if there is a sudden change in sentiment and if the financial conditions tighten.

Latin America and the Caribbean

In the Latin America and the Caribbean, another region where Disney operates, there is a diverse combination of economies at different stages of development. As demonstrated by the figure 18, the GDP of this region in 2022 was around 3,96% and the following years 2023 and 2024, it is expected to be 1.59% and 2.23%, respectively.

In terms of inflation, the region is the one with the higher rate in 2022, comparing to the other regions presented, with an inflation rate o 14.05%, and with an average annual inflation for the predicted years of 8.3%.

Europe

Europe, that involves multiple countries with different level of economic development, policy frameworks, and regional integration, has the third largest economy of world. In 2022 the European economy has faced a slowdown and high inflation, having a GDP of 3.68% and an inflation rate of 9.32% in 2022. It is expected that the GDP in 2023 and 2024 for Europe, to be 0.75% and 1.58%, respectively. Although inflation is projected to decrease in 2023 to 6.31%, it will remain elevated compared to the European Central Bank's target. In fact, some countries may continue to experience double-digit inflation figures throughout the year. For the following years, 2024 to 2027, the average annual inflation is projected to be 3.2%.

Asia Pacific

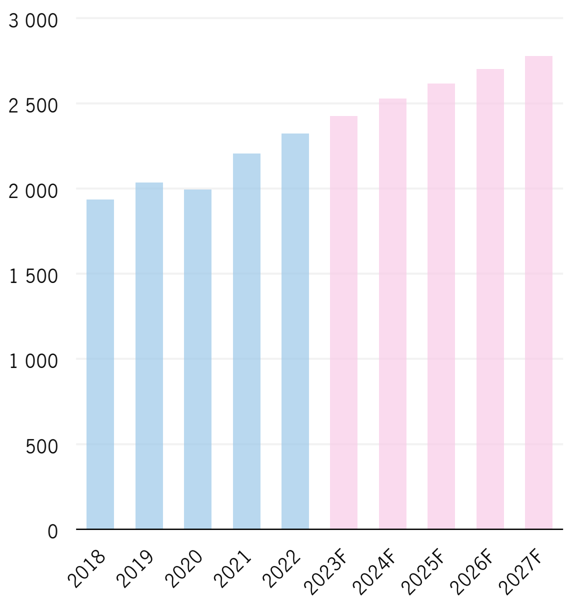
At last, the Asia Pacific economy englobes a diverse group of countries, including some that don't belong to the Asia continent. The Asia Pacific is an area that includes countries from East Asia, Southeast Asia, South Asia, and Oceania, which, due to the geographical extension, makes it one of the most economically significant and influential regions in the world.

Analyzing the GDP in figure 18, it is possible to understand that this region in 2022 had an average GDP of 2.99% and it is predicted that this economy will experience a modest growth initially, followed by a period of stability in terms of GDP. It is expected that the average annual inflation rate of this region to be 3.7% for the forecasted years, and it is possible to see a predicted decrease of the inflation rate from 7.26% in 2022 to 5.81% in 2023.

Industry Overview

Now taking a look into the industry that The Walt Disney Company is inserted into - the Entertainment and Media Industry. This industry involves a very vast collection of creative products and services, and it is constantly changing due to the advancements in technology and consumer patterns. It involves a wide range of areas, like broadcasting and networking, digital and print media, animation, performing arts, film, television, music, video games, theme parks, live events, and advertising and marketing, for example.

Figure 20: Revenue Growth in the Industry

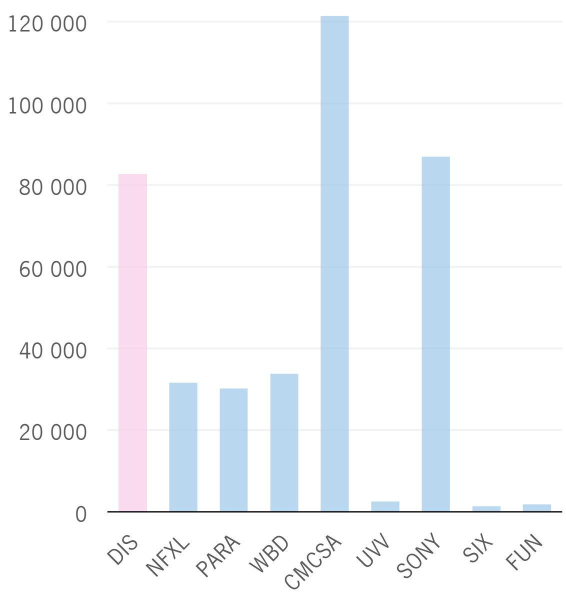


Source: pwc

The total revenues of the entertainment and media industry in 2022 was $2,330 Million, which represented a growth of 5.4%, where 34% of the total revenue came from non-digital content.

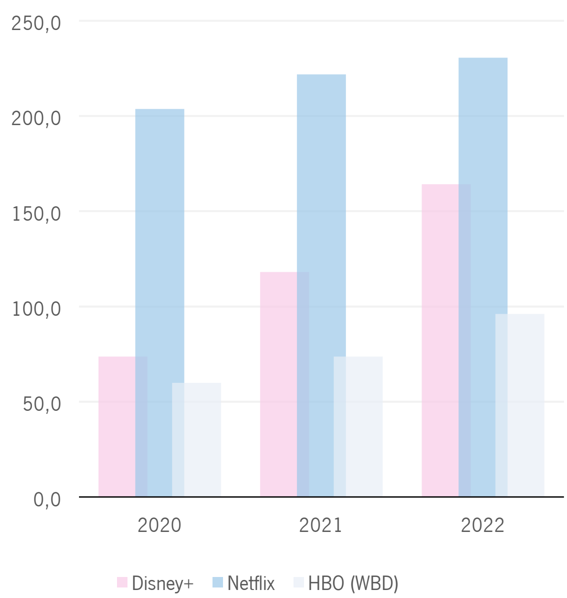
Given the activities that Disney is related to, it is possible to compare it with some other companies in the market, within the same industry, companies that have aspects in the same line of business. In order to compare, it's necessary to distinguish the different the segments separately, to get real goods and services competitors.

Figure 21: Revenue in FY2022 of Peers



Source: Refinitiv

Figure 22: Number of Subscribers in the Streaming Services



Source: Companies Data

In that line of thought, the DMED segment has as main competitors Netflix (NFXL), Paramount Global (PARA), Warner Bros. Discovery, Inc. (WBD), Comcast Corporation (CMCSA), Universal Corporation (UVV) and Sony (SONY). These companies offer and produce entertainment products like Disney+, movies, tv shows, and other products similar to the company, for example the figure 22 displays the number of subscribers in Disney and its peers streaming services.

On the other hand, Six Flags Entertainment Corp. (SIX) and Cedar Fair (FUN) are firms that offer adventure and amusement parks to the consumers, mainly in the US, being competitors to Disney's DPEP sector.

Within these peers, demonstrated by the figure 21, Disney is the third highest revenue-generating company, with Comcast Corporation and Sony ranking first and second, respectively, while Six Flags Entertainment Corp. and Cedar Fair have the lowest revenue.

Competitive Analysis

To properly analyze the competitive dynamics and potential attractiveness of the company, it will be employed the Porter's Five Forces analysis. This analysis allows to identify how Disney is positioned within the industry and its levels in the competitive forces: bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute products or services and competitive rivalry.

Bargaining Power of Buyers | Medium

This is a force that is related to the alternatives available to the costumers and their preference. As mentioned before, this industry is characterized by the vast choice of options for the consumers. However, in the case of Disney, is important to highlight the strong customer base that the company has, due to the combination of factors such as its renowned brand reputation, captivating storytelling and characters, and beloved franchising products. Besides that, the company invested in acquire and develop content that is more attractive to fans. All of these elements, contributed to the ongoing success of the company, allowing Disney to standout in the competition.

Bargaining Power of Suppliers | Medium Low

Being Disney a company that has available a wide range of suppliers, like distributers, production studios and content creators, the suppliers have limited bargaining power. Moreover, in the context of the theme parks, suppliers are generally at the mercy of the parks, further reducing their leverage and bargaining power.

Threat of New Entrants | Medium Low

The entertainment industry has a significant entry barrier that results from the significant capital requirements in content creation, production and distribution and from the fact that is an industry that often requires quality IP. However, the appearance of new technologies and streaming services altered some entry barriers and added more competitors into the industry. Besides that, the entrance barrier in the theme park industry is also high, due to the fact that involves a lot of costs and time-consuming processes.

In the case of Disney, this force is relatively low, since the company has such a strong brand recognition, an extensive portfolio of IP rights and it continues to innovate and keep up with the market changes.

Threat of Substitute Products or Services | Medium High

In terms of threat of substitutes, Disney both in the media business and in the theme park business has a quite relevant significance.

Firstly, in the media business, mainly in the streaming services, there are other alternatives that can change the costumer behavior. Nowadays, costumers have a huge amount of options of entertainment and media available, so it can be easy to switch Disney services over the substitutes available. However, Disney built a very strong customer base and keeps up delivering original quality content that create an experience that is tough to replicate.

In terms of the theme park industry, although there are alternative amusement parks and vacation destinations, The Walt Disney parks offer a unique experience, that maintain its competitive advantage.

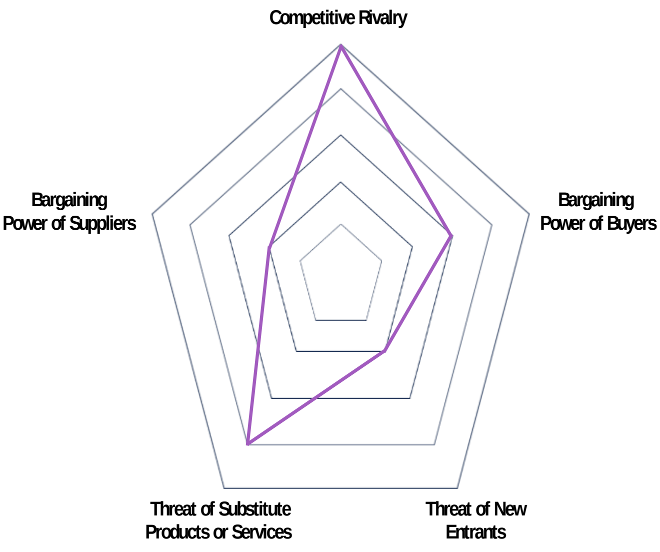
Competitive Rivalry | High

The industry that the company is inserted to has a very competitive environment, being a competition that is present across the business that Disney operates into, that include the theme parks, movies and television and streaming services. The level of competition is influenced by various factors, like the similarity of products and services, the level of advertisement and the price competition.

In the matter of the theme parks segment, the competitors try to attract customers by offering a range of unique attractions and experiences. In this regard, Disney faces strong competition like as Universal Studios, Six Flags Entertainment Corp., and Cedar Fair.

Companies like Comcast, Paramount Global and Sony are good examples of The Walt Disney rivals in the movies and television sector. The competition among these companies is intense as each one works to produce and deliver captivating content.

Figure 23: Porter´s Five Forces



Source: Own Estimates

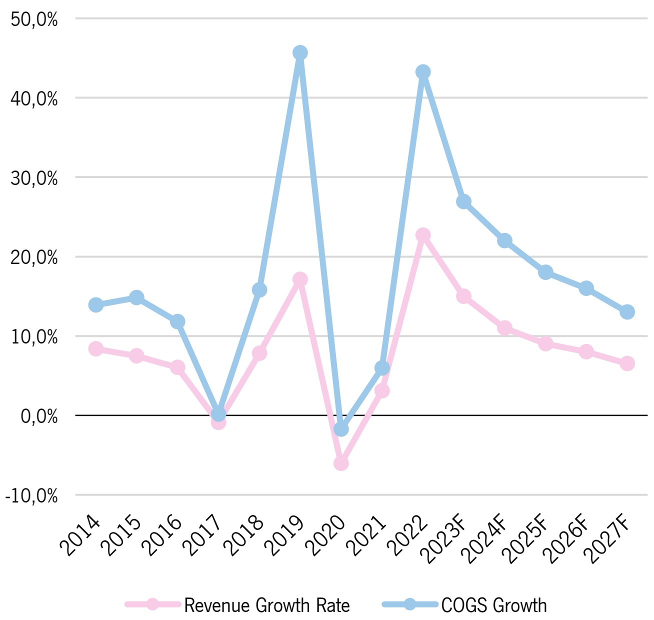
Finally, the growth of streaming services has led to an increase in competition within the entertainment sector. Disney+, the streaming platform that the company offers, has direct competitors like Netflix and Warner Bros. Discovery Inc., with HBO Max, as it was showed in figure 22.

5. Financial Analysis

In this section, a detailed analysis of The Walt Disney Company's historical financial performance and a forecast of its future performance will be presented.

Starting with the key factor of the company performance, the revenue, that was forecasted taking into consideration the historical revenue growth and its underlying factors. With that in mind, it is possible to see by the graph of figure 24, the company's revenue over the considered period of 2013 to 2022 has experienced different growth rates over the years, having an annualized revenue growth rate of 6,3%. The path of Disney's revenue prospect before Covid-19 was extremely positive, where it is possible to see a growth rate of 7.8% and 17.1% in 2018 and 2019, respectively.

Figure 24: Revenue Growth Rate and COGS growth rate



Source: Own Estimates

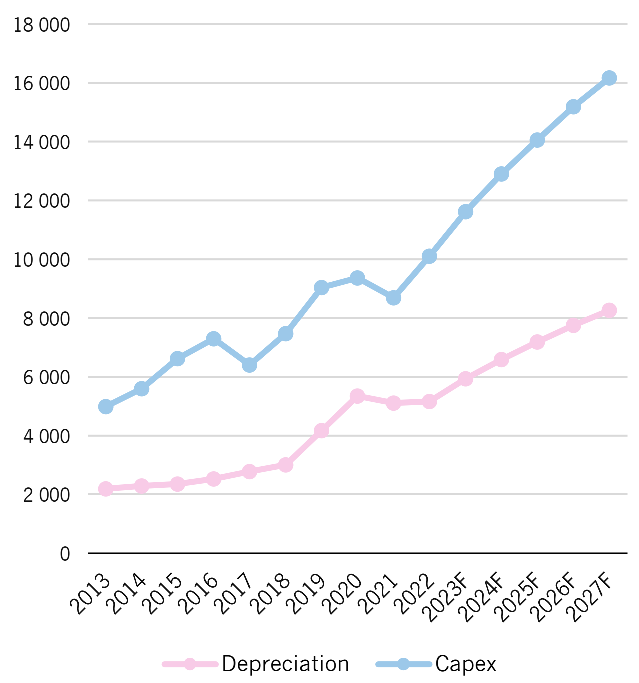
As figure 20 revealed, the revenue generated in the Entertainment and Media Industry grew 10.6% in 2021 and 5.4% in 2022. That represents a recovery of the industry after the easing of pandemic restrictions and return to normal functioning of operations.

That was also reflected in the company growth in revenues, having a growth of 22.7% in the past year, figure 24. However, there was a decline in the growth rate between 2021 and 2022 in the Entertainment and Media Industry, which can represent a turnover point and a slowdown of the growth rate. Besides that, it is predicted, similarly across all regions where the company operates, a slower growth in GDP and a slower decrease in the inflation rate, traducing in an overall slowdown in the economy.

Accordingly, it is expected a deceleration in growth in the company's revenue growth rate. Given the company's historical performance and its viability to maintain a growth constant pattern, Disney's growth rate is anticipated to be above that of the industry. It was assumed a constant Gross Profit Margin, based on the previous years, resulting in a slowdown in the growth of Cost of Goods Sold (COGS), accompanying the revenues growth, as it is possible to see in figure 24.

In order to make reliable projections for the prediction of Depreciation and Amortization (D&A), it is crucial to consider the historical years, as it is possible to see on figure 25. By establishing the same growth rate of revenues for the forecasted period, using the value of 2022 as the base year, it was possible to ensure a consistent and reliable framework for estimating D&A expenses. In terms of Selling, General and Administrative Expenses, those were deducted by the assumption of a constant rate of the Operating Margin, based on the average growth of the past 10 years.

Figure 25: Evolution of CapEx and D&A



Source: Own Estimates

In regarding to Capital Expenditures (CapEx), it was forecasted considering the values of the historical data and growth on the revenues, due to the fact that the growth in revenues provokes a growth in the capital expenditure of the company. So, maintains a consistent relation between CapEx and revenues, where the value of CapEx in FY 2022 was projected to grow at the same rate as the revenues, as it is possible to verify on figure 25.

In terms of Interest Expense, it was assumed a constant interest rate on debt based on the past years, assuming that the changes in the interest expense is dependent on variations in the total debt.

Moreover, was established the interest in cash earned, linking the variations in the Interest Income to the changes in Cash and Equivalents. The tax rate assumed during the valuation process, remained constant at 26%.

Moving on to the Balance Sheet (appendix 6), for the estimation of the net Property, Plant, Equipment (PPE) for the forecasted period, it was obtained by assuming that the difference between the growth of the Capital Expenditures and the depreciation in next year represent the change in the PPE value. Considering that the company will continue to acquire new assets (CapEx) and depreciate existing assets during the following years. The Goodwill and the Intangible Assets were held constant due to the incapability to estimate them. And the Long-term Investment is growing in the same proportions as revenue.

Furthermore, for the projections of Accounts Receivables and Inventory, the growth rate was determined by using the same rate as revenue. The Cash and Equivalents act as a balancing factor between the Assets and the Liabilities.

On the other hand, the projections for Accounts Payables were based on a consistent 50-day payment period throughout the period. Both the Accrued Expenses and the Current Portions of Borrowings were forecasted with the same growth as the revenue. Regarding the Long-term Debt, it was projected based on the growth of the netPPE, reflecting the alignment of the long-term borrowing with investments in tangible assets of the company.

Moreover, Common Stock and Treasury Stock were held constant, and the Retained Earnings was obtained by adding the Net Income to the previous year's Retained Earnings.

6. Valuation

The methods that were employed in order to determine the target price of The Walt Disney Company were the DCF model and the Relative Valuation.

Discounted Cash Flow Model

In that sense, it was computed Disney's Weighted Average Cost of Capital (WACC) through the cost of Debt and the cost of Equity, figure 26.

The cost of debt is obtained with a risk-free rate of 4.32%, using the 30-year treasury bond of the US, and a default spread of 1.14%, due to the A2 Moody's rating of the company and the fact that the country default spread is 0%.

The cost of equity was calculated with the employment of the CAPM formula, using the 30-year treasury bond of the US, the re-levered beta of industry peers, and the equity risk premium of the United States of America. It was considered a D/E ratio of 31%.

Figure 26: WACC Calculations

Cost of Debt		5,46%
Risk Free Rate		
30 Years Treasury Bond US (07/11/2022)		4,32%
Default Spread		
Moody's Rating		A2
Default Spread		1,14%
Country Default Spread		
USA		0%

Cost of Equity		9,60%
Risk Free Rate		
30 Years Treasury Bond US (07/11/2022)		4,32%
Debt - Market Value (2022)		48 625
Long Term Debt		45 518
Current Portion of Borrowings		3 107
Equity - Market Capitalization		154 733
Shares Outstanding		1 781
Shares Price	$	86,88
Levered Beta		1,24
Industry		Entertainment
Unlevered Beta		1,01
D/E ratio		31%
Tax		26%
Equity Risk Premium		4,24%

WACC	8,27%

Source: Own Estimates

In order to obtain the Free Cash Flow to the Firm (FCFF), it was computed by subtracting to the after-tax profit the net investment and the change in the Working Capital (appendix 9). Once the FCFF was determined, it was calculated its present value, to arrive to the Terminal Value. The Terminal Value was then added to the present value of FCFF to determine the Enterprise Value. It was assumed a Terminal Growth Rate (TGR) of 2%.

With all the components in place, it achieved an implied share price of $97.27.

Relative Valuation

To complement the DCF valuation, it was conducted multiples valuations using companies that are similar with The Walt Disney Company. As it possible to see by the values on figure 27, with the chosen peers mentioned before, the EV/EBITDA multiple resulted in an implied target price of $40.11. By utilizing the P/E ratio multiple, it was derived an implied target price of $59.13.

Figure 27: Relative Valuation Ratios

		EPS diluted	EV/EBITDA ratio
DIS	The Walt Disney Co.	1,75	16,07
NFXL	Netflix	9,14	10,24
PARA	Paramount Global	1,03	7,33
CMCSA	Comcast Corporation	1,21	7,45
WBD	Warner Bros. Discovery,	-3,82	4,06
SONY	Sony	5,69	10,98
UVV	Universal Corporation	4,97	8,39
SIX	Six Flags Entertainment	1,29	9,57
FUN	Cedar Fair	5,45	7,69

Source: Own Estimates and Refinitiv

Figure 28: Sensitivity Analysis

Change in TGR \ Change in WACC	6,27%	7,27%	8,27%	9,27%	10,27%
1,1%	$ 118,62	$ 100,96	$ 88,38	$ 79,01	$ 71,79
1,5%	$ 126,39	$ 106,14	$ 92,04	$ 81,71	$ 73,85
1,7%	$ 130,79	$ 109,01	$ 94,04	$ 83,17	$ 74,95
1,9%	$ 135,58	$ 112,10	$ 96,17	$ 84,70	$ 76,10
2,0%	$ 138,15	$ 113,73	**$ 97,28**	$ 85,50	$ 76,69
2,1%	$ 140,84	$ 115,42	$ 98,43	$ 86,32	$ 77,31

Source: Own Estimates

The discrepancy presented between the DCF valuation and Relative Valuation may derive from the fact that the Disney is a company that covers a lot of areas in the Entertainment and Media Industry, which challenging to found peers that operate in all the same areas as Disney.

The figure 28 shows the sensitivity of the target price to the TGR and the WACC changes in 0,2% and 1%, respectively. Therefore, a change in the economic scenario (TGR) of 0.2% influences the share price in higher proportion than a change of 1% in the cost of capital.

7. Investment Risks

Operational Risks (OR)

IP Rights and Cybersecurity (OR1)

Impact: High | Probability: Moderate

Disney is a company that has a vast range of IP rights, like copyrights, trademarks and patents. Therefore, the value of the company's IP depends on the scope and duration of its rights and how laws are interpreted, being that changes in the law may affect the rights and decrease the revenue from IPs. Moreover, the unauthorized use of the Disney's IP can lead to increased costs for protection and decreased revenues, particularly in the context of cybersecurity, as digital copying and distribution makes the protection of IP more challenging.

The company invests in the development and maintenance of an information security program to mitigate cyber risks, but despite efforts, the risk of unauthorized access and cyberattacks cannot be entirely eliminated. The potential compromise of information or cybersecurity systems may impair business operations, diminish profitable opportunities, and result in reputational damage, potential litigation, and costly remediation efforts.

Business Strategy Changes and Restructuring (OR2)

Impact: Moderate | Probability: High

The organization is adjusting to some great changes in business strategy, like the change of leadership or the introduction of Disney+, for example. Those major changes may impact the profitability of the company or the value of the assets, by the continuation of the increase of the costs.

Disney's new organization and strategies are exposed to execution risk, potentially falling short of delivering the anticipated benefits. This could impact growth strategies, shareholder value, distribution strategy, content types, and timing and sequencing of content windows.

Brand Reputation (OR3)

Impact: High | Probability: Moderate

The Walt Disney Company is, nowadays, very depended of the brand name and reputation. Being one of the most companies, in this industry, where the name of company it's more important than the content produced itself. Consequently, this global brand recognition is critical for the company, since negative publicity and claims may impact revenue generation and business opportunities.

Market Risks (MR)

Technology and Innovation (MR1)

Impact: High | Probability: High

Disney is a company, as mentioned before, that has a very strong media entertainment and internet businesses that depend on technology. So, the company relies on the adaptability needed when new technologies emerge and the consumer patterns of content shift.

The appearance of new technology affects the demand of the company content, in the way that the content is distributed to the consumers, the generation of revenue, the competitiveness of content offerings, the change of viewing habits and the options of advertisement.

This is a trend that already impacted the form of distribution of content, like with the appearance of the streaming services in order to contradict the decrease of the consumption of traditional broadcasting television. Therefore, it is expected that in the future other adjustments, and its associated costs, will be required.

Consumer Patterns (MR2)

Impact: Low | Probability: Moderate Low

Being a company that makes products that are completely dependent of the consumer preferences and tastes, the misalignment of the consumer tastes for entertainment, travel and consumer products can impact negatively the demand of Disney entertainment offerings. As way of preventing the uninterest of the public, the company tries to continue to produce content and keep the parks updated with the changing preferences of the broad consumer market, not only in the US but all over the world.

This is a factor that is responsible for a lot of investments in content production and acquisition, acquisition of sports rights and development of theme park attractions, cruise ships or hotels. Even though that the success and market reception of these investments may differ from the initial expectations due to changing of the market conditions and consumer acceptance.

Competitive Pressures (MR3)

Impact: Moderate | Probability: Moderate

The industry of entertainment has a very competitive environment, and being DIS one of the most important companies in industry, it is essential to have the competitiveness in mind and the implied costs. Competition may affect the production costs, impede talent acquisition, and elevate employee compensation expenses.

Seasonality of Businesses (MR4)

Impact: Moderate | Probability: High

The businesses that Disney is related to are subject to seasonal variations, that influence the calendar of the supply of the products. In that sense, the DPEP is the segment that experiences more fluctuations in revenue, due to its close ties to the seasonal nature of vacation travel and leisure activities. This is primarily because park attendance and resort reservations are directly influenced by seasonal consumer purchasing behavior. So normally, the revenues increase on the first and fourth quarter of the company.

Additionally, it is necessary to consider natural disasters such as hurricanes in Florida, which affect both park attendance and potential reconstruction efforts.

Furthermore, in the DMED the seasonality also influences the revenues of this department. For example, the revenue generated by television networks and stations are susceptible to seasonal advertising patterns, being higher during the fall and lower in the summertime. Another good example is the sports seasons, where clearly there are certain periods of time that are designated for games and competitions.

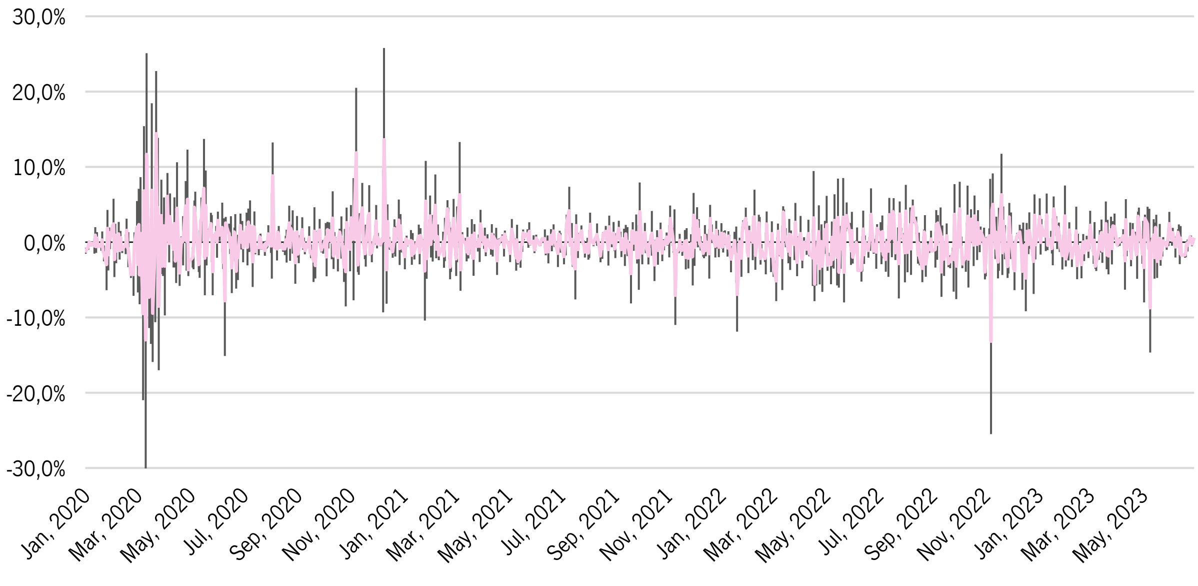
Consequently, the seasonality of certain businesses operated by the company and the timing of specific product offerings could intensify negative impacts on the company's operations.

Volatility of the common stock (MR5)

Impact: Moderate | Probability: Moderate

The company has experienced the price of the common stock to be quite volatile, as it is possible to see by the figure 29. In the it is represented the Disney stock price volatility over the last 3 years, being possible to notice peaks of high volatility in the mid 2020, period characterized by a lot of uncertainty.

Figure 29: Volatility of DIS Stock Price



Source: Own Estimates

As the graph shows, the price it's relatively volatile throughout the time period in analysis, and the factors may be related to changes in management, fluctuations in the company's financial performance, variations between actual results and analyst expectations, alterations in the company's financial estimates, future guidance, or strategic business plans, announcements or events that can affect the stock price and political and economic conditions.

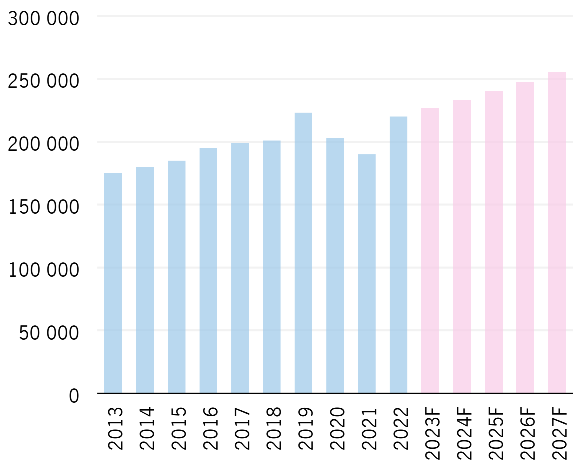
The way this can negatively affect Disney, is mainly by limiting the financing of the company for acquisitions and expansion.

Financial Risks (FR)

Employee Benefit Costs (FR1)

Impact: Moderate | Probability: Moderate

Figure 29: Number of Employees



Source: Disney

The figure 29 shows the number of employees and provides a projection for the next 5 years, and being a company with around 220,000 employees, the expenses related to employee health, welfare, and pension benefits present a significant risk to Disney's profitability.

These costs include medical benefits for current employees and postretirement medical benefits for certain employees and retirees. Disney faces the potential for cost increases due to an increase in job positions in the coming years and external factors beyond its control, such as the escalating expenses in the healthcare sector.

Moreover, the volatility in investment returns and the discount rates used to calculate pension and postretirement medical expenses, along with associated assets and liabilities, can further impact Disney's costs in specific periods. The decrease in the fair value of pension and postretirement medical plan assets can also add pressure to the expenses associated with providing these benefits, potentially resulting in higher funding requirements in the future.

Financing Risk (FR2)

Impact: High | Probability: Moderate

Being a company that faces the risk of credit ratings actions, interest rate increases, and volatility in financial markets, potential challenges arise in accessing financing and managing borrowing costs. In that sense, the ratings actions can impact the cost of borrowing and the company's ability to secure favorable financing terms.

In addition to credit ratings, increases in interest rates arises the borrowing expenses of the firm, while volatility in US and global financial markets threatens the company's access to financing or it also leads to higher borrowing costs.

Legal and Regulatory Risks (LRR)

International Operations (LRR1)

Impact: High | Probability: High

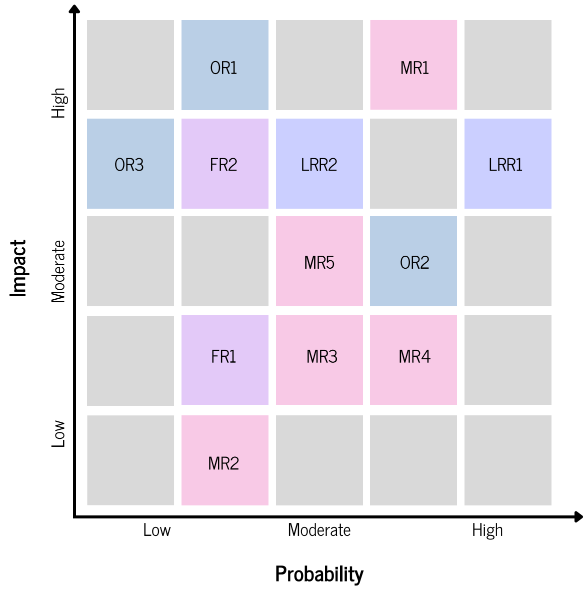
Being a global company like Disney with operations in different jurisdictions, there are inherent risks associated with their international presence. These differences in laws can impact the company's ability to react to changes, engage in beneficial activities and enforce their rights differently than under US law. Besides that, some jurisdictions the political climate may encourage corruption, which represent more obstacles to the company compliance with local laws and US anti-corruption regulations, compromising Disney competitive position. So, the revenues and costs under US jurisdiction and non-US jurisdiction may diverge.

Regulatory Compliance (LRR2)

Impact: High | Probability: Moderate

The services that Disney offers have a highly regulated nature. In that sense, these regulations include US Federal Communication Commission oversight, privacy and data protection, consumer product safety, environmental protection, anti-corruption laws, labor laws, tax laws, and more.

Figure 31: Risk Matrix



Source: Own Estimates

The regulatory landscape is constantly changing, with new laws and regulations impacting the company operations and, consequently, the company's profitability.

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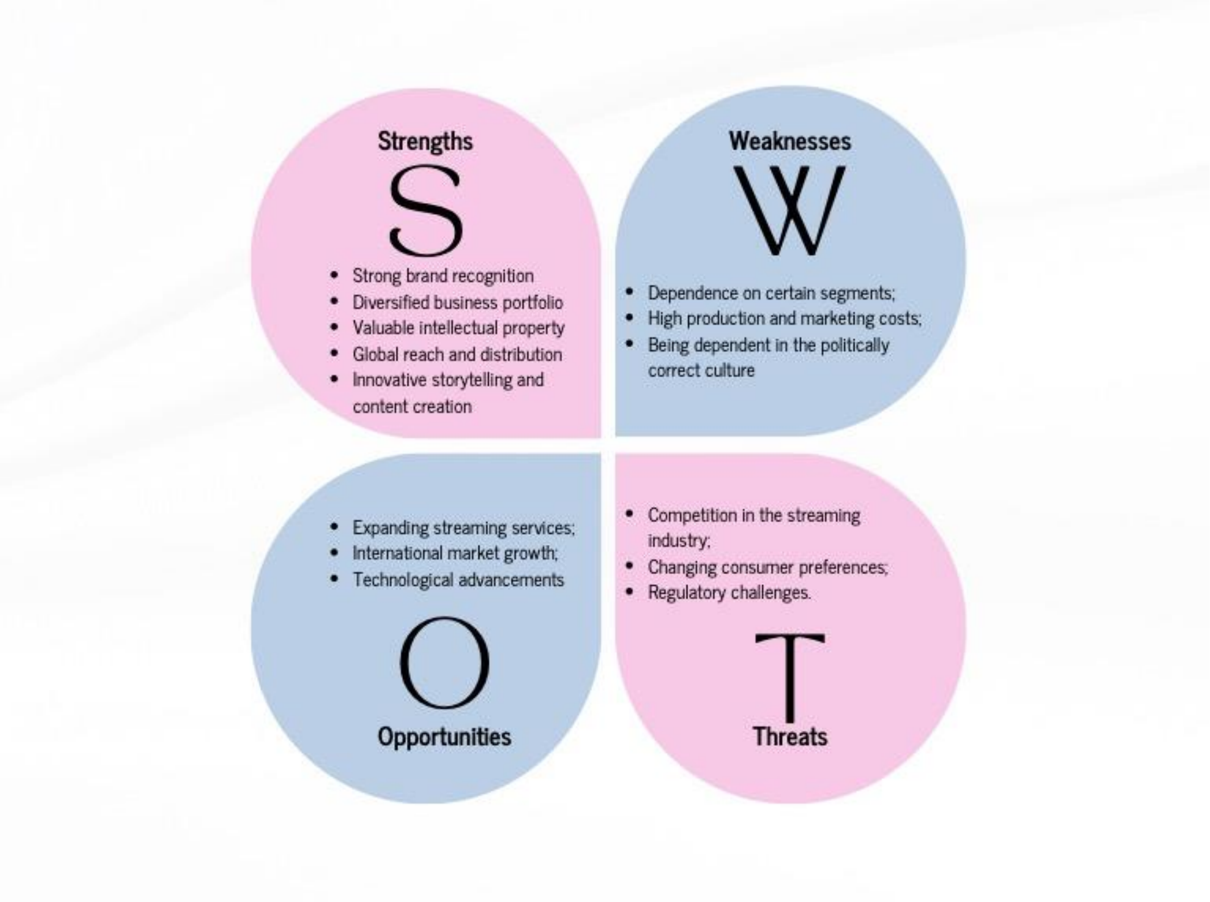
9. Appendices

Appendix 1: Executive Leadership

Name	Position
Robert Iger	CEO, The Walt Disney
Asad Ayaz	Chief Brand Officer, President, Marketing, The Walt Disney Studios And Disney+
Alan Bergman	Co-Chairman, Disney Entertainment, The Walt Disney Company
David L. Bowdich	Senior Vice President And Chief Security Officer, The Walt Disney Company
Rebecca Campbell	Chairman, International Content And Operations, The Walt Disney Company
Jennifer Cohen	Executive Vice President, Corporate Social Responsibility, The Walt Disney Company
Sonia Coleman	Senior Executive Vice President And Chief Human Resources Officer, The Walt Disney Company
Josh D'Amaro	Chairman, Disney Parks, Experiences And Products
Carlos A. Gomez	Senior Vice President And Treasurer, The Walt Disney Company
Horacio Gutierrez	Senior Executive Vice President, General Counsel And Chief Compliance Officer, The Walt Disney Company
Diana Jurgens	Executive Vice President, Enterprise Technology And Chief Information Officer, The Walt Disney Company
Christina M. McCarthy	Senior Executive Vice President And Chief Financial Officer, The Walt Disney Company
Jolene Negre	Associate General Counsel And Secretary, The Walt Disney Company
Latondra Newton	Senior Vice President, Chief Diversity Officer, The Walt Disney Company
James Pitaro	Chairman, Espn, The Walt Disney Company
Alexia N. Quadrani	Senior Vice President, Investor Relations, The Walt Disney Company
Kristina Schake	Senior Executive Vice President And Chief Communications Officer, The Walt Disney Company
Dana Walden	Co-Chairman, Disney Entertainment, The Walt Disney Company
Brent Woodford	Executive Vice President, Controllership, Financial Planning And Tax, The Walt Disney Company

Appendix 2: SWOT Valuation



Appendix 3: Income Statement

Walt Disney Co | Income Statement

In Millions USD	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Revenue	45 041	48 813	52 465	55 632	55 137	59 434	69 607	65 388	67 418	82 722	95 130	105 595	115 098	124 306	132 386
Cost of Revenue	-25 034	-26 420	-28 364	-29 993	-30 306	-32 726	-42 061	-43 880	-45 131	-54 401	-60 883	-67 581	-73 663	-79 556	-84 727
Gross Profit	20 007	22 393	24 101	25 639	24 831	26 708	27 546	21 508	22 287	28 321	34 247	38 014	41 435	44 750	47 659
Gross Profit Margin %	*44,4%*	*45,9%*	*45,9%*	*46,1%*	*45,0%*	*44,9%*	*39,6%*	*32,9%*	*33,1%*	*34,2%*	*36,0%*	*36,0%*	*36,0%*	*36,0%*	*36,0%*
Operating Expenses	-10 557	-10 853	-10 877	-11 281	-10 958	-11 871	-15 716	-17 714	-18 628	-21 551	-21 869	-24 274	-26 459	-28 576	-30 433
Selling, General and Administrative Expense	-8 365	-8 565	-8 523	-8 754	-8 176	-8 860	-11 549	-12 369	-13 517	-16 388	-15 931	-17 684	-19 275	-20 817	-22 170
Depreciation and Amortization	-2 192	-2 288	-2 354	-2 527	-2 782	-3 011	-4 167	-5 345	-5 111	-5 163	-5 937	-6 591	-7 184	-7 758	-8 263
Operating Income (EBIT)	9 450	11 540	13 224	14 358	13 873	14 837	11 830	3 794	3 659	6 770	12 378	13 740	14 976	16 175	17 226
EBITDA	7 258	9 252	10 870	11 831	11 091	11 826	7 663	-1 551	-1 452	1 607	6 441	7 149	7 793	8 416	8 963
Non-Operating Income	170	706	644	510	-85	-108	2 093	-5 537	-1 098	-1 485	-750	-505	-116	283	668
Net Interest Income	-235	23	-117	-260	-385	-574	-978	-1 491	-1 406	-1 397	-685	-460	-88	294	664
Interest Expense	-349	-294	-265	-354	-507	-682	-1 246	-1 647	-1 546	-1 549	-1 073	-1 063	-1 074	-1 108	-1 134
Interest Income	114	317	148	94	122	108	268	156	140	152	387	604	986	1 402	1 798
Net Investment Income	688	854	814	926	320	-102	-103	1 689	650	153	176	195	213	230	245
Other Non-Op Loss	-283	-171	-53	-156	-20	568	3 174	-5 735	-342	-241	-241	-241	-241	-241	-241
EBT	9 620	12 246	13 868	14 868	13 788	14 729	13 923	-1 743	2 561	5 285	11 628	13 234	14 860	16 457	17 894
Net Income After Taxes	6 636	8 004	8 852	9 790	9 366	11 366	10 863	-2 442	2 536	3 553	8 605	9 794	10 997	12 178	13 241
Income Taxes	-2 984	-4 242	-5 016	-5 078	-4 422	-3 363	-3 060	-699	-25	-1 732	-3 023	-3 441	-3 864	-4 279	-4 652
Minority Interest	-500	-503	-470	-399	-386	-468	-472	-390	-512	-360	-360	-360	-360	-360	-360
Total Extraordinary Items	0	0	0	0	0	1 700	663	-32	-29	-48	0	0	0	0	0
Net Income	6 136	7 501	8 382	9 391	8 980	12 598	11 054	-2 864	1 995	3 145	8 245	9 434	10 637	11 818	12 881

Appendix 4: Common – Size Income Statement

Walt Disney Co | Common-size Income Statement

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Revenue	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Cost of Revenue	-55,6%	-54,1%	-54,1%	-53,9%	-55,0%	-55,1%	-60,4%	-67,1%	-66,9%	-65,8%	-64,0%	-64,0%	-64,0%	-64,0%	-64,0%
Gross Profit	44,4%	45,9%	45,9%	46,1%	45,0%	44,9%	39,6%	32,9%	33,1%	34,2%	36,0%	36,0%	36,0%	36,0%	36,0%
Operating Expenses	-23,4%	-22,2%	-20,7%	-20,3%	-19,9%	-20,0%	-22,6%	-27,1%	-27,6%	-26,1%	-23,0%	-23,0%	-23,0%	-23,0%	-23,0%
Selling, General and Administrative Expenses	-18,6%	-17,5%	-16,2%	-15,7%	-14,8%	-14,9%	-16,6%	-18,9%	-20,0%	-19,8%	-16,7%	-16,7%	-16,7%	-16,7%	-16,7%
Depreciation and Amortization	-4,9%	-4,7%	-4,5%	-4,5%	-5,0%	-5,1%	-6,0%	-8,2%	-7,6%	-6,2%	-6,2%	-6,2%	-6,2%	-6,2%	-6,2%
Operating Income (EBIT)	21,0%	23,6%	25,2%	25,8%	25,2%	25,0%	17,0%	5,8%	5,4%	8,2%	13,0%	13,0%	13,0%	13,0%	13,0%
EBITDA	16,1%	19,0%	20,7%	21,3%	20,1%	19,9%	11,0%	-2,4%	-2,2%	1,9%	6,8%	6,8%	6,8%	6,8%	6,8%
Non-Operating Income	0,4%	1,4%	1,2%	0,9%	-0,2%	-0,2%	3,0%	-8,5%	-1,6%	-1,8%	-0,8%	-0,5%	-0,1%	0,2%	0,5%
Net Interest Income	-0,5%	0,0%	-0,2%	-0,5%	-0,7%	-1,0%	-1,4%	-2,3%	-2,1%	-1,7%	-0,7%	-0,4%	-0,1%	0,2%	0,5%
Interest Expense	-0,8%	-0,6%	-0,5%	-0,6%	-0,9%	-1,1%	-1,8%	-2,5%	-2,3%	-1,9%	-1,1%	-1,0%	-0,9%	-0,9%	-0,9%
Interest Income	0,3%	0,6%	0,3%	0,2%	0,2%	0,2%	0,4%	0,2%	0,2%	0,2%	0,4%	0,6%	0,9%	1,1%	1,4%
Net Investment Income	1,5%	1,7%	1,6%	1,7%	0,6%	-0,2%	-0,1%	2,6%	1,0%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Other Non-Op Loss	-0,6%	-0,4%	-0,1%	-0,3%	0,0%	1,0%	4,6%	-8,8%	-0,5%	-0,3%	-0,3%	-0,2%	-0,2%	-0,2%	-0,2%
Net Income (EBT)	21,4%	25,1%	26,4%	26,7%	25,0%	24,8%	20,0%	-2,7%	3,8%	6,4%	12,2%	12,5%	12,9%	13,2%	13,5%
Net Income After Taxes	14,7%	16,4%	16,9%	17,6%	17,0%	19,1%	15,6%	-3,7%	3,8%	4,3%	9,0%	9,3%	9,6%	9,8%	10,0%
Income Tax Expense	-6,6%	-8,7%	-9,6%	-9,1%	-8,0%	-5,7%	-4,4%	-1,1%	0,0%	-2,1%	-3,2%	-3,3%	-3,4%	-3,4%	-3,5%
Minority Interest	-1,1%	-1,0%	-0,9%	-0,7%	-0,7%	-0,8%	-0,7%	-0,6%	-0,8%	-0,4%	-0,4%	-0,3%	-0,3%	-0,3%	-0,3%
Total Extraordinary Items	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%	1,0%	0,0%	0,0%	-0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Net Income	13,6%	15,4%	16,0%	16,9%	16,3%	21,2%	15,9%	-4,4%	3,0%	3,8%	8,7%	8,9%	9,2%	9,5%	9,7%

Appendix 5: Income Statement Assumptions

Revenue	15% 11% 9% 8% 6,5%
Cost of Revenue	Grows with Gross Profit Margin and Revenue
Gross Profit	Average of the last 5y Margin and held constant
Operating Expenses	Average of the last 10y of operating expenses/revenue and held constant
Selling, General and Administrative Expenses	Sum
Depreciation and Amortization	Depreciation of FY 2022 and growing with Sales
Operating Income (EBIT)	Sum
EBITDA	Sum
Non-Operating Income	Sum
Net Interest Income	Sum
Interest Expense	Dependent on Interest Rate on Debt
Interest Income	Dependent on Interest Earned cash
Net Investment Income	Grows with Sales
Other Non-Op Loss	Constant
EBT	Sum
Income Taxes	Tax rate of 26%
Minority Interest	Constant
Total Extraordinary Items	Constant
Net Income	Sum

Appendix 6: Balance Sheet Assumptions

ASSETS		**LIABILITIES**	
Cash and Cash Equivalents	Balancing Factor	Account Payables	Grows at 50-day payment held constant
Account Receivables	Grows with Sales	Accrued Expenses	Grows with Sales
Inventory	Grows with Sales	Current Portion of Borrowings	Grows with Sales
Prepaid Expenses	Constant	Other Current Liabilities, Total	Grows with Sales
Other Current Assets	Grows with Sales	**Total Current Liabilities**	Sum
Total Current Assets	Sum	Total Long Term Debt	Grows in the same porportion as the PPE
Property/Plant/Equipment, Net	CapEx	Capital Lease Obligations	Constant
Goodwill	Constant	Deferred Income Tax	Constant
Intangibles, Net	Constant	Minority Interest	Constant
Long Term Investments	Grows with Sales	**Other Liabilities, Total**	Grows with Sales
Note Receivable - Long Term	Constant	Total Non-Current Liabilities	Sum
Other Long Term Assets, Total	Constant	Total Liabilities	Sum
Total Non-Current Assets	Sum	**EQUITY**	
Total Assets	Sum	Preferred Stock	Constant
		Common Stock	Constant
		Retained Earnings	Previous year Retained Earnings + Net Income
		Treasury Stock	Constant
		Accumulated Other Comprehensive Loss	Constant
		Total Equity	Sum

Appendix 7: Balance Sheet

Walt Disney Co | Balance Sheet

In Millions USD	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
ASSETS															
Cash and Cash Equivalents	3 931	3 421	4 269	4 610	4 017	4 150	5 418	17 914	15 959	11 615	18 108	29 571	42 040	53 925	66 418
Account Receivables	6 967	7 822	8 019	9 065	8 633	9 334	15 481	12 708	13 367	12 652	14 550	16 150	17 604	19 012	20 248
Inventory	1 487	1 574	1 571	1 390	1 373	1 392	1 649	1 583	1 331	1 742	1 950	2 164	2 359	2 547	2 713
Prepaid Expenses	443	425	469	449	445	476	0	0	0	0	0	0	0	0	0
Other Current Assets	1 281	1 934	2 430	1 452	1 421	1 473	5 576	3 046	3 000	3 089	3 552	3 943	4 298	4 642	4 944
Total Current Assets	14 109	15 176	16 758	16 966	15 889	16 825	28 124	35 251	33 657	29 098	38 159	51 828	66 301	80 127	94 323
Property/Plant/Equipment, Net	22 380	23 332	25 179	27 349	28 406	29 540	31 603	36 126	36 855	37 865	37 612	37 331	37 025	36 694	36 342
Goodwill	27 324	27 881	27 826	27 810	31 426	31 269	80 293	77 689	78 071	77 897	77 897	77 897	77 897	77 897	77 897
Intangibles, Net	12 153	12 759	13 355	13 288	14 476	14 700	46 025	44 195	46 664	50 614	50 614	50 614	50 614	50 614	50 614
Long Term Investments	2 849	2 735	2 730	4 280	3 202	2 899	3 224	3 903	3 935	3 218	3 701	4 108	4 477	4 836	5 150
Note Receivable - Long Term	1 547	1 485	1 589	1 651	1 688	1 928	0	0	0	0	0	0	0	0	0
Other Long Term Assets, Total	879	818	745	689	702	1 437	4 715	4 385	4 427	4 939	4 939	4 939	4 939	4 939	4 939
Total Non-Current Assets	67 132	69 010	71 424	75 067	79 900	81 773	165 860	166 298	169 952	174 533	174 763	174 889	174 953	174 980	174 942
Total Assets	81 241	84 186	88 182	92 033	95 789	98 598	193 984	201 549	203 609	203 631	212 922	226 717	241 254	255 107	269 265
LIABILITIES															
Account Payables	4 899	5 371	5 504	6 860	6 490	6 503	13 778	12 663	16 357	15 554	13 032	14 465	15 767	15 325	14 508
Accrued Expenses	1 628	1 769	1 797	1 747	1 819	2 189	3 010	3 672	4 119	4 061	4 670	5 184	5 650	6 102	6 499
Current Portion of Borrowings	1 512	2 164	4 563	3 687	6 172	3 790	8 857	5 748	5 907	3 107	3 573	3 966	4 323	4 669	4 972
Other Current Liabilities, Total	3 665	3 988	4 470	4 548	5 114	5 378	5 696	4 545	4 694	6 351	7 304	8 107	8 837	9 544	10 164
Total Current Liabilities	11 704	13 292	16 334	16 842	19 595	17 860	31 341	26 628	31 077	29 073	28 578	31 722	34 577	35 640	36 143
Total Long Term Debt	13 050	12 676	12 773	16 483	19 119	17 084	38 129	53 188	48 786	45 518	45 214	44 876	44 508	44 111	43 688
Long Term Debt	12 776	12 676	12 773	16 483	19 119	17 084	38 129	52 917	48 540	45 299	46 498	47 586	48 783	50 087	51 477
Capital Lease Obligations	274	0	0	0	0	0	0	271	246	219	0	0	0	0	0
Deferred Income Tax	4 050	4 098	4 051	3 679	4 480	3 109	7 902	7 288	7 246	8 363	8 363	8 363	8 363	8 363	8 363
Minority Interest	2 721	3 220	4 130	4 058	4 837	5 182	13 975	13 929	13 671	13 370	13 370	13 370	13 370	13 370	13 370
Other Liabilities, Total	4 287	5 942	6 369	7 706	6 443	6 590	13 760	16 933	14 276	12 299	14 144	15 700	17 113	18 482	19 683
Total Non-Current Liabilities	24 108	25 936	27 323	31 926	34 879	31 965	73 766	91 338	83 979	79 550	81 091	82 309	83 354	84 326	85 104
Total Liabilities	35 812	39 228	43 657	48 768	54 474	49 825	105 107	117 966	115 056	108 623	109 669	114 031	117 931	119 966	121 247
EQUITY															
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	33 440	34 301	35 122	35 859	36 248	36 779	53 907	54 497	55 471	56 398	56 398	56 398	56 398	56 398	56 398
Retained Earnings	47 758	53 734	59 028	66 088	72 606	82 679	42 494	38 315	40 429	43 636	51 881	61 314	71 951	83 769	96 650
Treasury Stock	-34 582	-41 109	-47 204	-54 703	-64 011	-67 588	-907	-907	-907	-907	-907	-907	-907	-907	-907
Accumulated Other Comprehensive Loss	-1 187	-1 968	-2 421	-3 979	-3 528	-3 097	-6 617	-8 322	-6 440	-4 119	-4 119	-4 119	-4 119	-4 119	-4 119
Total Equity	45 429	44 958	44 525	43 265	41 315	48 773	88 877	83 583	88 553	95 008	103 253	112 686	123 323	135 141	148 022
Total Liabilities and Equity	81 241	84 186	88 182	92 033	95 789	98 598	193 984	201 549	203 609	203 631	212 922	226 717	241 254	255 107	269 270

Appendix 8: Common-Size Balance Sheet

Walt Disney Co | Common-size Balance Sheet	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
ASSETS															
Cash and Cash Equivalents	4,8%	4,1%	4,8%	5,0%	4,2%	4,2%	2,8%	8,9%	7,8%	5,7%	8,5%	13,0%	17,4%	21,1%	24,7%
Account Receivables	8,6%	9,3%	9,1%	9,8%	9,0%	9,5%	8,0%	6,3%	6,6%	6,2%	6,8%	7,1%	7,3%	7,5%	7,5%
Inventory	1,8%	1,9%	1,8%	1,5%	1,4%	1,4%	0,9%	0,8%	0,7%	0,9%	0,9%	1,0%	1,0%	1,0%	1,0%
Prepaid Expenses	0,5%	0,5%	0,5%	0,5%	0,5%	0,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other Current Assets	1,6%	2,3%	2,8%	1,6%	1,5%	1,5%	2,9%	1,5%	1,5%	1,5%	1,7%	1,7%	1,8%	1,8%	1,8%
Total Current Assets	17,4%	18,0%	19,0%	18,4%	16,6%	17,1%	14,5%	17,5%	16,5%	14,3%	17,9%	22,9%	27,5%	31,4%	35,0%
Property/Plant/Equipment, Total - Ne	27,5%	27,7%	28,6%	29,7%	29,7%	30,0%	16,3%	17,9%	18,1%	18,6%	17,7%	16,5%	15,3%	14,4%	13,5%
Goodwill	33,6%	33,1%	31,6%	30,2%	32,8%	31,7%	41,4%	38,5%	38,3%	38,3%	36,6%	34,4%	32,3%	30,5%	28,9%
Intangibles, Net	15,0%	15,2%	15,1%	14,4%	15,1%	14,9%	23,7%	21,9%	22,9%	24,9%	23,8%	22,3%	21,0%	19,8%	18,8%
Long Term Investments	3,5%	3,2%	3,1%	4,7%	3,3%	2,9%	1,7%	1,9%	1,9%	1,6%	1,7%	1,8%	1,9%	1,9%	1,9%
Note Receivable - Long Term	1,9%	1,8%	1,8%	1,8%	1,8%	2,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other Long Term Assets, Total	1,1%	1,0%	0,8%	0,7%	0,7%	1,5%	2,4%	2,2%	2,2%	2,4%	2,3%	2,2%	2,0%	1,9%	1,8%
Total Non-Current Assets	82,6%	82,0%	81,0%	81,6%	83,4%	82,9%	85,5%	82,5%	83,5%	85,7%	82,1%	77,1%	72,5%	68,6%	65,0%
Total Assets	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
LIABILITIES															
Account Payables	6,0%	6,4%	6,2%	7,5%	6,8%	6,6%	7,1%	6,3%	8,0%	7,6%	6,1%	6,4%	6,5%	6,0%	5,4%
Accrued Expenses	2,0%	2,1%	2,0%	1,9%	1,9%	2,2%	1,6%	1,8%	2,0%	2,0%	2,2%	2,3%	2,3%	2,4%	2,4%
Current Portion of Borrowings	1,9%	2,6%	5,2%	4,0%	6,4%	3,8%	4,6%	2,9%	2,9%	1,5%	1,7%	1,7%	1,8%	1,8%	1,8%
Other Current Liabilities, Total	4,5%	4,7%	5,1%	4,9%	5,3%	5,5%	2,9%	2,3%	2,3%	3,1%	3,4%	3,6%	3,7%	3,7%	3,8%
Total Current Liabilities	14,4%	15,8%	18,5%	18,3%	20,5%	18,1%	16,2%	13,2%	15,3%	14,3%	13,4%	14,0%	14,3%	14,0%	13,4%
Total Long Term Debt	16,1%	15,1%	14,5%	17,9%	20,0%	17,3%	19,7%	26,4%	24,0%	22,4%	21,2%	19,8%	18,4%	17,3%	16,2%
Long Term Debt	15,7%	15,1%	14,5%	17,9%	20,0%	17,3%	19,7%	26,3%	23,8%	22,2%	21,8%	21,0%	20,2%	19,6%	19,1%
Capital Lease Obligations	0,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Deferred Income Tax	5,0%	4,9%	4,6%	4,0%	4,7%	3,2%	4,1%	3,6%	3,6%	4,1%	3,9%	3,7%	3,5%	3,3%	3,1%
Minority Interest	3,3%	3,8%	4,7%	4,4%	5,0%	5,3%	7,2%	6,9%	6,7%	6,6%	6,3%	5,9%	5,5%	5,2%	5,0%
Other Liabilities, Total	5,3%	7,1%	7,2%	8,4%	6,7%	6,7%	7,1%	8,4%	7,0%	6,0%	6,6%	6,9%	7,1%	7,2%	7,3%
Total Non-Current Liabilities	29,7%	30,8%	31,0%	34,7%	36,4%	32,4%	38,0%	45,3%	41,2%	39,1%	38,1%	36,3%	34,6%	33,1%	31,6%
Total Liabilities	44,1%	46,6%	49,5%	53,0%	56,9%	50,5%	54,2%	58,5%	56,5%	53,3%	51,5%	50,3%	48,9%	47,0%	45,0%
Preferred Stock	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Common Stock	41,2%	40,7%	39,8%	39,0%	37,8%	37,3%	27,8%	27,0%	27,2%	27,7%	26,5%	24,9%	23,4%	22,1%	20,9%
Retained Earnings	58,8%	63,8%	66,9%	71,8%	75,8%	83,9%	21,9%	19,0%	19,9%	21,4%	24,4%	27,0%	29,8%	32,8%	35,9%
Treasury Stock	-42,6%	-48,8%	-53,5%	-59,4%	-66,8%	-68,5%	-0,5%	-0,5%	-0,4%	-0,4%	-0,4%	-0,4%	-0,4%	-0,4%	-0,3%
Accumulated Other Comprehensive Lc	-1,5%	-2,3%	-2,7%	-4,3%	-3,7%	-3,1%	-3,4%	-4,1%	-3,2%	-2,0%	-1,9%	-1,8%	-1,7%	-1,6%	-1,5%
Total Equity	55,9%	53,4%	50,5%	47,0%	43,1%	49,5%	45,8%	41,5%	43,5%	46,7%	48,5%	49,7%	51,1%	53,0%	55,0%
Total Liabilities and Equity	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Appendix 9: Free Cash Flow to Firm

	2023F	2024F	2025F	2026F	2027F
EBIT	12 378	13 740	14 976	16 175	17 226
EBIT (1-t)	9 160	10 167	11 083	11 969	12 747
D&A	5 937	6 591	7 184	7 758	8 263
Capital Expenditures	5 684	6 310	6 878	7 428	7 911
Net Investment	-253	-281	-306	-331	-352
Inventories	1 950	2 164	2 359	2 547	2 713
Account Recevables	14 550	16 150	17 604	19 012	20 248
Account Payables	13 032	14 465	15 767	15 325	14 508
Non-Cash Working Capital	3 468	3 849	4 196	6 234	8 453
ΔWorking Capital	4 628	381	346	2 038	2 219
FCFF	**4 785**	**10 067**	**11 042**	**10 261**	**10 880**
PV of FCFF	**4 420**	**8 588**	**8 700**	**7 468**	**7 313**

Appendix 10: Peers Comparison

	Company	Market Cap (Million)	EPS	EBITDA Margin	Asset Turnover	ROE	ROA	Debt to Equity Ratio
DIS	The Walt Disney Co.	153 733	1,75	14,43%	0,41	3,31%	3,32%	0,51
NFXL	Netflix	196 447	9,14	62,8%	0,68	24,5%	8,8%	0,69
PARA	Paramount Global	10 497	1,03	3,9%	0,52	5,2%	1,8%	0,69
WBD	Warner Bros. Discovery, Inc.	175 132	1,21	30,6%	0,46	18,2%	1,8%	1,05
CMCSA	Comcast Corporation	30 208	-3,82	60,4%	0,40	-25,1%	-8,7%	1,24
UVV	Universal Corporation	117 584	5,69	19,3%	0,37	13,0%	3,0%	0,58
SONY	Sony	1 221	4,97	8,9%	0,98	9,1%	5,0%	0,54
SIX	Six Flags Entertainment Corp.	2 044	1,29	27,6%	0,48	-5,5%	5,5%	-2,50
FUN	Cedar Fair	1 925	5,45	-7,0%	0,80	-45,2%	13,5%	-4,80

Appendix 11: Financial Ratios

Liquidity Ratios	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Current Ratio	1,21	1,14	1,03	1,01	0,81	0,94	0,90	1,32	1,08	1,00	1,34	1,63	1,92	2,25	2,61
Quick Ratio	1,08	1,02	0,93	0,92	0,74	0,86	0,84	1,26	1,04	0,94	1,27	1,57	1,85	2,18	2,53
Cash Ratio	0,34	0,26	0,26	0,27	0,21	0,23	0,17	0,67	0,51	0,40	0,63	0,93	1,22	1,51	1,84

Solvency Ratios	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Debt-to-Equity Ratio	0,32	0,33	0,39	0,47	0,61	0,43	0,53	0,71	0,62	0,51	0,47	0,43	0,40	0,36	0,33
Debt Ratio	0,44	0,47	0,50	0,53	0,57	0,51	0,54	0,59	0,57	0,53	0,52	0,50	0,49	0,47	0,45
Interest Coverage Ratio	27,08	39,25	49,90	40,56	27,36	21,76	9,49	2,30	2,37	4,37	11,54	12,92	13,95	14,60	15,19
Assets-to-Equity															

Proftability Ratios	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Gross Margin	44,4%	45,9%	45,9%	46,1%	45,0%	44,9%	39,6%	32,9%	33,1%	34,2%	36,0%	36,0%	36,0%	36,0%	36,0%
Operating Margin	13,6%	15,4%	16,0%	16,9%	16,3%	21,2%	15,9%	-4,4%	3,0%	3,8%	8,7%	8,9%	9,2%	9,5%	9,7%
EBITDA Margin	16,1%	19,0%	20,7%	21,3%	20,1%	19,9%	11,0%	-2,4%	-2,2%	1,9%	6,8%	6,8%	6,8%	6,8%	6,8%
Effective Tax Rate	31,6%	36,8%	37,9%	35,4%	31,9%	22,7%	25,9%	18,4%	0,7%	25,6%	24,4%	25,0%	25,8%	26,5%	27,0%
Net Margin	13,6%	15,4%	16,0%	16,9%	16,3%	21,2%	15,9%	-4,4%	3,0%	3,8%	8,7%	8,9%	9,2%	9,5%	9,7%

Activity Ratios	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Asset Turnover	55,4%	58,0%	59,5%	60,4%	57,6%	60,3%	35,9%	32,4%	33,1%	40,6%	44,7%	46,6%	47,7%	48,7%	49,2%
ROE	13,5%	16,7%	18,8%	21,7%	21,7%	25,8%	12,4%	-3,4%	2,3%	3,3%	8,0%	8,4%	8,6%	8,7%	8,7%
ROA	7,6%	8,9%	9,5%	10,2%	9,4%	12,8%	5,7%	-1,4%	1,0%	1,5%	3,9%	4,2%	4,4%	4,6%	4,8%
Accounts Receivable Days	56,5	58,5	55,8	59,5	57,1	57,3	81,2	70,9	72,4	55,8	55,8	55,8	55,8	55,8	55,8
Accounts Payable Days	39,70	40,16	38,29	45,01	42,96	39,94	72,25	70,69	88,56	68,63	50,00	50,00	50,00	45,00	40,00
Inventory Days	12,05	11,77	10,93	9,12	9,09	8,55	8,65	8,84	7,21	7,69	7,48	7,48	7,48	7,48	7,48