

# The Walt Disney Company (NYSE: DIS)

Sector: Communication Services

Industry: Entertainment



The Walt Disney Company

Target Price	Current Price	52w High	52w Low	P/E	Market Cap	Dividend Yield	Beta
\$141.68	\$120.13	\$153.41	\$79.07	51.0	\$224.2B	N/A	1.05

## Business Description

Founded in 1923, The Walt Disney Company (DIS) is headquartered in Burbank, California and now operates domestically, as well as internationally. The Company is a diversified family entertainment and media enterprise, who over the years has successfully acquired and integrated subsidiaries such as Pixar, Marvel, and 21<sup>st</sup> Century Fox. Disney operates in four business segments: Media Networks; Parks, Experiences and Products; Studio Entertainment; and Direct to Consumer & International. Having successfully created a one-of-a-kind, integrated platform, their engaging consumer experience and creative storytelling has created lifetime brand loyalty passed down through generations.

## Industry Trends

Disney does business across three large market segments: pay – TV market, travel & tourism, and movies & streaming. The pay – TV market has seen a general, slow decline in revenue production in recent years, as consumers are moving away from cable. Disney was impacted greatly by the onset of the COVID-19 pandemic, having to completely close down all studio entertainment production, as well as parks and experiences. Now, with phased reopening strategies, they are starting to see a reprieve, but the closures of these industries negatively impacted revenues across all businesses. A bright spot stemming from the pandemic has been the success of streaming. Stay at home orders, along with work from home and a general consumer preference to avoid potential exposure hazards has brought 'binging' on direct-to-consumer platforms to the forefront. Subscriber growth has grown, and an emphasis is being seen in the release and conception of original content.

## Valuation Assumptions

WACC: 9.50%

Perpetuity Growth Rate: 4.50%

Implied Share Price: \$141.68

Margin of Safety: 14.90%

## Report Prepared By:

Chloe Son and Hollis Wivell

## Investment Thesis

We believe that Disney is uniquely positioned to remain a leader amongst their peers, as well as become a prominent player in the emergingly popular streaming sector. Already a market leader in global entertainment, the Company has an unrivaled ability to create and monetize brands through dominant franchise. Their broad diversification across business segments will allow for accelerated growth in DTC segment; with a global portfolio already exceeding 100MM paid subscribers. On top of this, they have developed Strategic acquisitions and partnerships that have grown their already expansive content library, as well as opened more opportunity into DTC with their 67% ownership in Hulu through the acquisition of 21<sup>st</sup> Century Fox. Despite the negative impacts from the pandemic, we see this as only temporary and recognize Disney's unique market position and the plans they are making for prolonged success.

## Risks

The greatest risks facing Disney which may negatively impact their share price include, but are not limited to:

- Continual adverse effects on revenue and all business segments resulting from the COVID-19 pandemic
- Consumer preference shifting away from leisure activities and discretionary consumer spending
- Increase in competition through DTC original content releases
- Continual decline in consumer engagement in cable TV
- Insufficient subscriber base growth in streaming ventures

## Corporate Social Responsibility

Disney's approach to corporate social responsibility is built on their long legacy of community and workplace engagement. Some highlights from FY2019 of their many, wide-reaching programs include: \$338.2M in charitable contributions, 315 acres protected through their conservation effort, and 612,000 hours of volunteer work recorded. Additionally, their environmental sustainability commitment to protect our planet as they grow their business has brought about change for more sustainable designs and a move to renewable electricity.