

The Walt Disney Co. (NYSE: DIS)

Recommendation: Buy

Target Price: 102.37	Market Cap: 163.50B	P/E Ratio: 52.16
Current Price: 91.80	Dividend Yield: 0%	EV/EBITDA: 16.4
Stop Loss: 78.03	Beta: 1.25	EBITDA Margin: 13.83%
52 Week High/Low: 86.28-160.32	ROE: 6.96%	Gross Margin: 8.2%

Company Background:

The Walt Disney Company (DIS) is a diversified international family entertainment and media company. It operates through the following divisions. Media Networks, Parks, Experiences and Products, Studio Entertainment, and Direct to Consumer and International (DTCI). The Media Networks segment includes cable and broadcast television networks, domestic television stations, radio networks and stations. The Parks, Experiences and Products segment owns and operates Walt Disney parks and resorts around the world. The Studio Entertainment segment produces and acquires live-action and animated films, direct video content, music recordings and live stage productions.

Industry Outlook:

The media and entertainment market are expected to grow at a compound annual growth rate of more than 13 percent over five years. The traditional media industry is shifting to digital platforms. The media and entertainment market is recovering from the impact of Covid.

Investment Thesis:

Disney have a leader position in entertainment, it gets a large market share in this industry. Disney has a unique business model. Disney has five interconnected business units through which the company can effectively leverage its brands and internally developed intellectual property (IP), creating tremendous synergies. The end of the pandemic let Disney get revenue for theme parks. Along with new products for park experiences, genie services, Disney theme parks will increase revenue in the coming period.

Investment Risks:

The growth of streaming on its Disney+ platform may wane in the future. And Disney parks have a seasonal impact.

Financial Performance

DISNEY Financial Projection(in millions)	Historical Year				Current Year	
	Year A/P	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual
Revenue		59434.00	69570.00	65388.00	67418.00	82722.00
Revenue (%)			17.05	-6.01	3.10	22.70
EBITDA		17954.00	19491.00	4827.00	8677.00	11437.00
EBITDA (%)		30.21	28.02	7.38	12.87	13.83
EBIT		14943.00	15331.00	-518.00	3566.00	6274.00
EBIT (%)		25.14	22.04	-0.79	5.29	7.58
Depreciation		3011.00	4160.00	5345.00	5111.00	5163.00
Depreciation (%)		5.07	5.98	8.17	7.58	6.24
Year A/P		2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual
Total Cash		4150.00	5418.00	17914.00	15959.00	11615.00
Total Cash (%)		6.98	7.79	27.40	23.67	14.04
Account Receivables		9334.00	15481.00	12708.00	13367.00	12652.00
Account Receivables (%)		15.70	22.25	19.43	19.83	15.29
Inventories		1392.00	1649.00	1583.00	1331.00	1742.00
Inventories (%)		2.34	2.37	2.42	1.97	2.11
Accounts Payable		6503.00	13778.00	12663.00	16357.00	0.00
Accounts Payable (%)		10.94	19.80	19.37	24.26	0.00
Capital Expenditure		-4465.00	-4876.00	-4022.00	-3578.00	-4943.00
Capital Expenditure (%)		7.51	7.01	6.15	5.31	5.98

Valuation: Discounted Cash Flow Analysis

WACC							
Share price							
Beta							
Diluted Shares Outstanding							
Cost of Debt							
Tax Rate							
After-tax Cost of Debt							
Risk-Free Rate							
Market Risk Premium							
Cost of Equity							
Total Debt							
Total Equity							
Total Capital							
Debt Weighting							
Equity Weighting							
WACC							
Year A/P	2021 Actual	2022 Actual	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected
Revenue	67418.00	82722.00	90342.29	98664.56	107753.47	117679.64	128520.20
EBITDA	8677.00	11437.00	16677.74	18214.08	19891.95	21724.38	23725.61
EBIT	3566.00	6274.00	10707.48	11693.84	12771.07	13947.53	15232.37
Tax Rate	22.10	40.49	6.69	6.69	6.69	6.69	6.69
EBIAT	2777.89	3733.53	9990.67	10911.01	11916.12	13013.83	14212.65
Depreciation	5111.00	5163.00	5970.26	6520.24	7120.88	7776.85	8493.24
Accounts Receivable	-659.00	715.00	-4063.79	-1539.85	-1681.70	-1836.61	-2005.80
Inventories	252.00	-411.00	-284.09	-186.64	-203.84	-222.61	-243.12
Accounts Payable	3694.00	-16357.00	13438.25	1237.92	1351.96	1476.50	1612.51
Capital Expenditure	-3578.00	-4943.00	-5773.76	-6305.63	-6886.50	-7520.88	-8213.70
UFCF	7597.89	-12099.47	19277.55	10637.04	11616.92	12687.06	13855.79
WACC			7.88	7.88	7.88	7.88	7.88
PV UFCF			17868.66	9139.05	9251.48	9365.30	9480.51
SUM PV UFCF							59449.87

Growth rate	2.00
WACC (%)	7.88
Free cash flow (t + 1)	14132.90
Terminal Value	240163.32
Present Value of Terminal Value	164326.38
Enterprise Value:	223776.25
Net Debt	36754.00
Equity Value	187022.25
Shares Outstanding	1827.00
Equity Value Per Share	102.37

Relative Valuation

Competitor Analysis

	Ticker	Market Cap	P/S	P/E	EV/EBITDA	EV/EBIT
Walt DISNEY	DIS	163B	2	51.8	16.4	28.8
Netflix	NFLX	131B	4.2	26.1	7	24.4
Universal Music Group	UNVGY	39.2B	4	56	26.9	26.9
Live Nation Entertainment	LYV	16.8B	1	66.3	14.9	23.5
Bollore SE	BOIVF	15.4B	0.8	2.3	11.3	42.4
Spotift Technology SA	SPOT	15.3B	1.3	-	-	-

ESG SCORE

ESG Risk Rating

COMPREHENSIVE ?

14.9 Low Risk



Ranking

Industry Group (1st = lowest risk)

Media **79** out of 295

Universe

Global Universe **1363** out of 15240