

Company: The Walt Disney Company	Ticker: DIS	Current Price: \$94.14	Industry: M&E
Target Price: \$97.36 Stop Loss: \$ 52 Week High/Low: \$79.23 / \$123.74	TTM P/E: 35.40 Forward P/E: 18.08 EPS: \$2.61	Beta: 1.4 Credit Rating: A- Rating Outlook: Stable	Market Cap: \$167.558B Avg Vol (12 M): 10,993,380 Dividend Yield: 0.81%

Company Description

DIS is a leading global media conglomerate that produces and distributes original content with their fully diversified portfolio of characters/franchises. DIS media is distributed through five business segments: media networks, parks/resorts, studio entertainment, consumer products, and interactive media. DIS product offering is divided into three main segments: Entertainment, Experience, and Sports.

Industry Outlook

The Media and Entertainment Industry is currently a \$2.83T industry. The industry is projected to reach \$3.4T by 2028, mainly driven by the increased use of advertising by companies and generative AI creating new consumer experiences and revenue channels. 1/3 of industry spending is composed in the US, with China close behind. Indonesia and India are showing the most rapid growth. Increased streaming service use by consumers has caused linear networks usage to decrease, while the gaming sector continues to grow.

Investment Thesis

Buy recommendation is based on four main factors: strong competitive advantage, consistently bettering financials, ability to adapt to industry trends, and a new focus on quality content. Advantage stems from strong brand reputation and intellectual property, allowing the company to produce fan favorite content only accessible through Disney. Since the COVID-19 pandemic, Disney has been able to make their financials stronger year after year, increasing their ROA from -3.32 to 2.87. Disney continues to take advantage of industry trends by investing in gaming as the sector continues to grow and shifting their focus to streaming services to adapt to consumer behavior. The new CEO's focus on quality over quantity has revitalized iconic brands, such as Marvel Studios, to produce successful content now and years in the future.

Investment Risks

- Consumer shift away from linear networks creates increased competition among streaming services and decreased revenue from TV channels
- High fixed costs in theme park maintenance/operation and film/TV production
- Piracy of content / creative failures

Financial Performance:

	Historical Period					
	2019 Y -5FY	2020 Y -4FY	2021 Y -3FY	2022 Y -2FY	2023 Y -1FY	2024 Y -0FY
Returns						
Return on Asset	16.06	-3.32	2.32	3.43	2.42	2.87
Return on Inv Cap	8.11	-1.67	1.94	2.68	2.07	3.82
Return on Capital	11.17	-0.76	2.52	2.83	2.96	4.81
Margins						
Gross Margin	39.57	32.89	33.06	34.24	33.41	37.44
EBITDA Margin	22.98	6.58	13.3	15.1	12.81	14.69
Operating Margin	17	-2.97	4.46	7.9	5.84	5.36
Net Margin	15.88	-4.38	2.96	3.8	2.65	5.3
Credit						
Debt/ Equity	45.83	63.91	57.04	48.22	44.84	47.6
Debt/ EBITDA	2.95	14.48	6.5	4.18	4.45	2.47
Debt/ Capital	31.43	38.99	36.32	32.53	30.96	47.58
Int Coverage	12.84	2.61	5.8	8.06	5.77	6.59
Working Capital Turns						
AR Days	55.3	68.6	60.68	48.38	42.97	50.4
AP Days	87.22	114.15	119.8	108.12	95.96	118
Inv Days on Hand	13.16	13.66	11.75	10.28	11.39	12.2

Discounted Cash Flow

	2024	
Cost of Debt	4.55%	
Tax Rate	8.12%	
Cost of Equity	8.40%	
WACC	7.27%	
Perpetuity growth rate	3%	
Enterprise Value	214.28	
Equity Value	178.567	
Shares Outstanding	1.834	
Implied Share Price	97.36	
Market Value	94.48	
Analyst Option		
	Rating	Target
S&P Global	Buy	\$122.59
Morning Star	Buy	\$115
Value Line	Buy	\$135

Relative Valuation

Company Name	Market Data			Financial Data				Valuation			
	Price (\$/share)	Market Cap (\$B)	TEV (\$B)	Revenue (\$)	EBITDA (\$)	EBIT (\$)	Net Income (\$B)	EV/Sales x	EV/EBITDA x	EV/EBIT x	P/E x
Netflix (NFLX)	633.94	272.07	279.39	36,304,243.00	23,995,853.00	8,882,238.00	2.15	7.7x	11.64x	31.13x	39.52
Comcast (CMCSA)	39.08	151.34	243.40	121,114,000.00	38,008,000.00	23,896,000.00	3.93	2.01x	6.4x	10.19x	10.39
Sony (SONY)	84.40	101.31	115.91	13,068,765,000.00	2,518,758,000.00	1,357,040,000.00	1.48	1.31x	6.8x	12.97x	15.43
Warner Bros Discovery (WBD)	7.02	17.23	54.57	39,934,000.00	12,165,000.00	(9,890,000.00)	(11.77)	1.37x	4.49x	(5.52x)	(4.81)
Paramount Global (PARA)	10.72	7.63	21.49	29,269,000.00	(4,319,000.00)	(4,733,000.00)	(5.16)	0.73x	23.71x	7.36x	7.33
Walt Disney CO (DIS)	96.19	156.35	197.98	90,028,000.00	14,781,000.00	9,667,000.00	2.62	2.2x	13.39x	20.48x	33.03

Total Returns

	DIS	M&E Ind.	S&P 500
YTD	4.12%	16.11%	21.18%
2023	4%	5%	24%
Last 3 Years	-13.20%	20.87%	33.78%
Last 5 Years	26.62%	30.34%	15.80%
CSR Characteristics			
	DIS		
Governance Disclosure Score	6.70		
ESG Disclosure:	15.70		
Social Disclosure Score	9.00		
Environmental Disclosure Score	0.00		