Deutsche Bank
Markets Research

Rating
Hold

North America
United States

TMT
Entertainment

Company
The Walt Disney Company

Reuters	Bloomberg	Exchange	Ticker
DIS.N	DIS US	NYS	DIS

Date
4 March 2015

Initiation of Coverage

Price at 4 Mar 2015 (USD)	105.57
Price target	105.00
52-week range	106.35 - 76.04

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Initiating Coverage at HOLD

Initiating Coverage with a Hold Rating and $105 PT

DIS has been a top performer in media, with the stock price up ~30% from a year ago. We think the stock is fairly valued to slightly ahead of itself, now as the story has become better understood over the past year, investors have sought safer havens within media, excitement over the potential of Star Wars has built up, and earnings estimates have been revised higher.

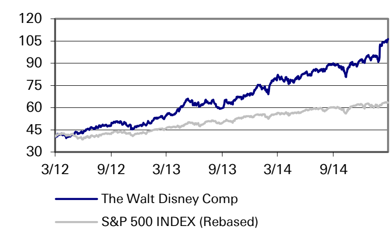
DIS has a favorably differentiated strategy and asset mix as compared to the rest of the media sector and as a result, has a longer tail on its growth rate, contributing to its valuation premium. ESPN is the leader in sports, where ad trends should be resilient; DIS focuses on fewer, but bigger films that create or leverage IP through the Parks, Consumer Products, Interactive Media, and Media Networks segments; and Disney is the global leader in theme parks.

We estimate Disney will grow revenue (3-year CAGR) at the high end of the sector range (~7%), and profit metrics in the middle of the sector range (~8% EBIT growth). Growth in affiliate, retransmission, and reverse compensation revenue, as well as the Theme Parks, are driving most of Disney's growth, with Consumer Products also making a meaningful contribution.

Valuation Seems Pretty Full

Our PT is based on our Economic Returns Model, which is a market-based DCF model (WACC 9.0%, derived from our assumptions, including a 2.0% pre-tax cost of debt, 34.0% tax rate, 5.0% equity risk premium, 4% normalized risk-free-rate, and a beta of 1.1). The potential for further multiple expansion appears limited with the stock now toward the upper-end of its historical relative valuation range, trading at about a 22% premium to the S&P 500 2015 earnings multiple. We estimate a 5% average annual equity return over the forecast period based on our forecast and the company's current market value. DIS runs a less levered balance sheet than most other media companies, which means DIS has to grow more in order to achieve the same equity return. Upside/downside risks include an increase/decline in theme park attendance, an acceleration/deceleration in the ad market, and greater/smaller than expected box office revenues from the upcoming tent pole films.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	4.2	14.7	30.8
S&P 500 INDEX	2.8	1.3	12.0

Source: Deutsche Bank

Investment Thesis

Outlook

Disney's assets, strategy, growth prospects, and fundamentals make it appealing. However, we think the stock is fairly valued to slightly ahead of itself now as the story has become better understood over the past year, investors have sought safer havens within media, excitement over the potential of Star Wars has built up, and earnings estimates have been revised higher. We think the potential for further multiple expansion is limited with the stock now in the higher end of the historical relative valuation range, trading at about a 22% premium to the S&P 500 2015 earnings multiple.

Valuation

Our PT is based on our Economic Returns Model, which is a market-based DCF model. The model starts by taking the current market value of the company, and calculating the return to shareholders based on our forecasted fundamentals and capital structure. The return on Enterprise Value comes from two sources, the current unlevered FCF yield, and capitalizing the growth/decline in the unlevered FCF annuity stream at the company's WACC. After forecasting the EV for each year, the capital structure is overlaid to incorporate the benefits of levered equity returns, share repurchases, and equity investments. We do this to remove the high subjectivity level inherent in determining terminal growth rates.

We estimate a 6% average annual equity return over the forecast period based on our forecast and the current market value. This driven by growth in FCF to the firm, a 5% unlevered FCF yield, and shrinking share count.

We calculate the Company's WACC at 9.0%, derived from our assumptions, including a 2.0% pre-tax cost of debt, 34.0% tax rate, 5.0% equity risk premium, 4% normalized risk-free-rate, and a beta of 1.1.

Upside/downside Risks

- Material increases/declines in pay TV subscribers, which would positively/negatively impact profitability given a high fixed cost base in the Media & Networks business.
- Although we do not believe ad dollars will flee from TV en masse, we believe some marginal ad dollars are shifting to digital. Deceleration/acceleration in digital spending shift or an economic upturn/downturn could positively/negatively impact TV ad revenue.
- Precipitous increases/declines in ratings due to increased/lowered popularity of DIS's content, measurement attributes/shortcomings, or changes in consumer behavior in response to the proliferation of video streaming services.
- Successful renewing/ failure to renew affiliate agreements with pay TV operators

- An increase/decline in theme park attendance, whether secular or cyclical
- Greater/smaller than expected box office revenue from the upcoming tent pole films.
- An increase/decline in the popularity of DIS's franchises, characters and brands

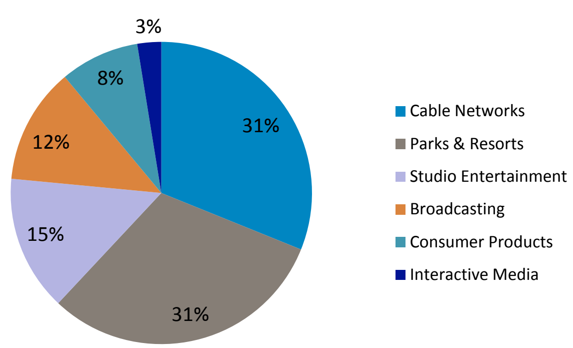
Company Analysis

Disney's Strategy and Asset Mix Is Different from the Rest of the Media Sector

ESPN Is One of the Best Assets in Media

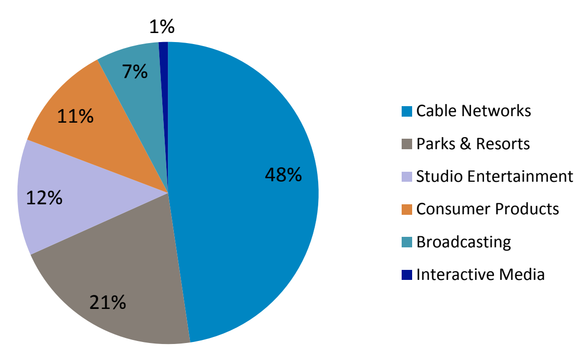
Its brand is synonymous with sports; it has long-term contracts for the broadest rights portfolio across the most important professional and college sports; its share of sports viewership and digital traffic exceeds all other competitors by a wide margin; and it is indispensable for pay TV distributors and the majority of households. ESPN offers advertisers many benefits: ~95% of viewership is live, ESPN's commercial pods are shorter with less ad clutter, and ESPN is one of the few networks with digital scale and strength in the M18-34 demographic.

Figure 1: Revenue by segment



Source: Company data, Deutsche Bank

Figure 2: OI by segment



Source: Company data, Deutsche Bank

Leveraging Intellectual Property

Disney's intellectual property (IP) portfolio lies at the center of its business strategy. The company creates, builds, and acquires IP on a greater scale than any other, which is leveraged across all of its businesses - theme parks, films, consumer products, interactive media, television, and video licensing. For every franchise, there is typically a film, theme park attractions, consumer products, video games and/or apps, some kind of online video element, and potentially a television component. No other company does this as well or as consistently as Disney, in our view.

Disney Goes Big in Movies

Disney's Studio Entertainment businesses focus primarily on creating and continuing to leverage franchises ranging from very popular to iconic. Disney owns the vast majority of its films, and it makes only half as many as other major studios, but they tend to be bigger films with the goal of achieving bigger box offices and longer revenue tails through exploitation in Disney's other businesses.

ABC Is Light on Sports, But Still a Leader in Entertainment and Female Audiences

ABC does not have as robust a sports portfolio as CBS, NBC, or Fox because Disney has put those rights into ESPN. However, it is still a leader in television viewership, and has growing retransmission and reverse comp revenue streams, and it over-indexes to female demographics as compared to other broadcast networks.

Disney Has Significant Leverage in Affiliate Negotiations

We believe ESPN is the most important network for pay TV operators to carry, practically ensuring future renewals on terms acceptable to Disney. Since Hearst owns 20% of ESPN, it is conceivable that a distributor could renew ESPN without renewing DIS's other networks. However, we believe that ABC and The Disney Channel are strong enough on their own to ensure attractive renewal terms on these two networks, as well as ABC Family, Disney XD, and Disney Junior.

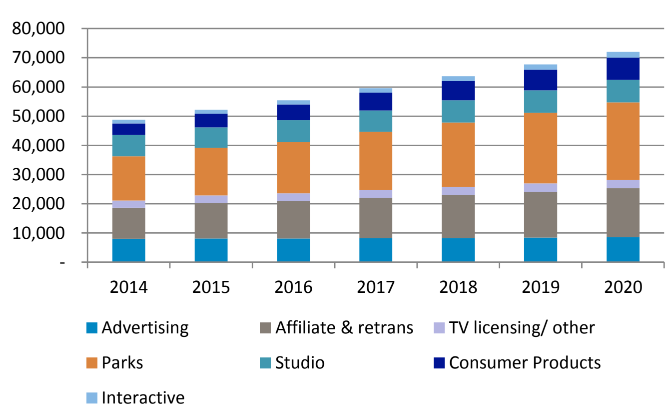
The Leading Theme Park Operator

Disney's theme parks, resorts, and cruise lines continue to gain in popularity and grow on the back of investments into new attractions, international expansion, improving the guest experience, and price increases. We are projecting Shanghai to be a significant revenue driver by 4Q16, and a small contributor to EBITDA beginning in 2018 (after backing out the minority interest of the Shanghai partner).

Favorable Revenue/OI Mix

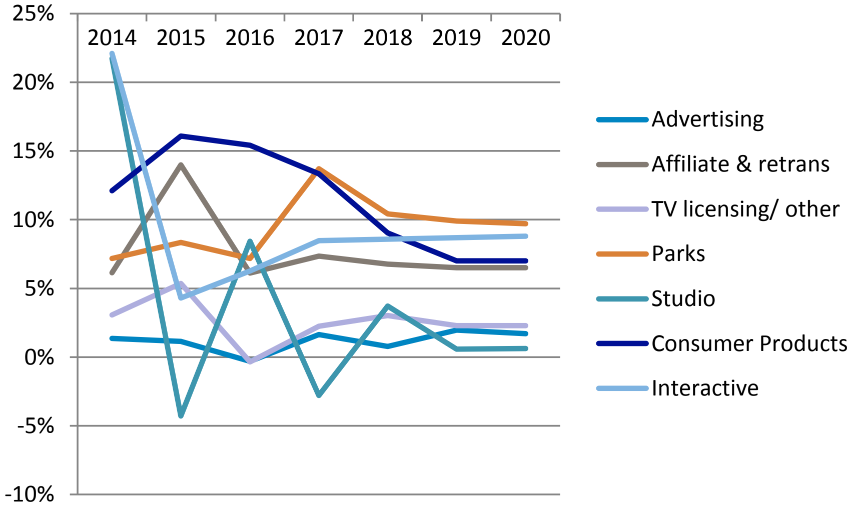
Disney's total ad revenue as a percentage of consolidated revenue is only 16% and as a percentage of non-studio revenue it's 19%. We estimate that about 45% of DIS' ad revenue is ESPN, which we think will hold up well even as the TV ad model plays catch-up with consumer behavior and some TV ad spending shifts to digital. We think ESPN is very well-positioned in digital advertising because sports is a leading genre for mobile video usage, and ESPN is the overall leader in sports viewership by a wide margin.

Figure 3: Revenue growth by type (USDm)



Source: Company data, Deutsche Bank

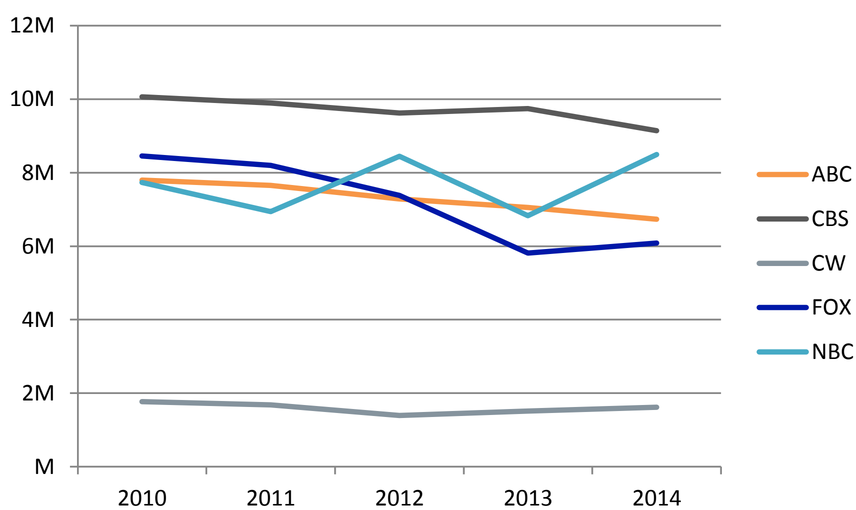
Figure 4: Revenue growth rates by type



Source: Company data, Deutsche Bank

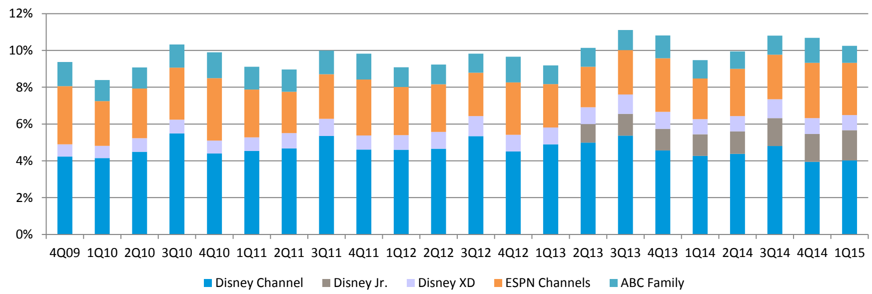
We estimate the ABC network and O&O stations are about half of the total advertising revenue, while ABC Family and the Disney Channels represent about 5%. ABC's ratings performance has been good this season, with solid contributions from new shows Black-ish and How to Get Away with Murder. We are forecasting slightly declining advertising revenue for ABC over the forecast period.

Figure 5: Broadcast Networks Primetime L+7 Total Viewers



Source: Nielsen, Deutsche Bank

Figure 6: Disney Cable Channels Total Day L+7 US Share %, P2-54



Source: Nielsen, Deutsche Bank

Forecast Discussion

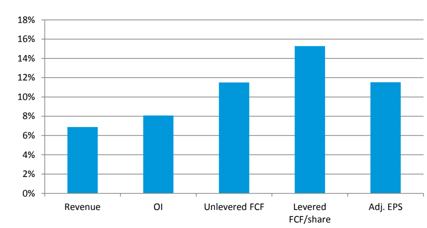
Please refer to our Income Statement (Fig. 10)

Fiscal Year 2015

We expect revenue to grow 7% and OI to grow 12%, driven mostly by Cable Networks and Parks, with about 200 bps of incremental growth from the benefit from a 53rd week in the fiscal year, which occurs every 6 years in FQ4 due to Disney closing its books each quarter on the Saturday before the last day of the month. We estimate that this adds ~7.7% to Q4 growth in virtually all segments except for Studio Entertainment, content licensing revenue, and Interactive Media. Including this impact, for the full year, we estimate Cable Networks will grow revenue by 10%, Broadcasting by 4% (8% growth in content licensing and 38% growth in retrans & reverse comp), and 10% from Parks.

Studio Entertainment faces tough comps from Frozen and we model a 4% decline in revenue and 15% decline in OI. We continue to expect strong growth from Consumer Products from both traditional and new character-based merchandising/ licensing sales. We also model $5 billion in share buybacks for the FY keeping in mind its historical gross debt to EBITDA ratio (including $3.5 billion in unfunded pension obligation) of ~1.5x. Management has guided to a $150 million OI headwind from higher pension expense and a $75 million hit from forex for the year.

Figure 7: DIS 2014-2017 CAGRs



Source: Company data, Deutsche Bank

Fiscal 2Q15

We expect revenue growth of 4% and an OI decline of 5%. Studio Entertainment and ABC are a revenue drag due to tough film comps and weakness in ad revenue at ABC, while costs related to the new college football playoff series and NFL renewal weigh on margins. ESPN ad revenue should be up significantly (we estimate 18%), driven by college football.

Although ABC quarter-to-date is faring well in ratings YoY with the help of new hits Black-ish and How to Get Away with Murder, we do not believe the network is immune to the secular decline in TV ratings and tepid ad market. We model a 1% core ad revenue decline at ABC and -3% at the TV Stations.

We expect further margin expansion at Parks as previous margin drags from cost step-ups related to new initiatives such as Fantasyland expansion at Orlando (now complete) and My Magic Plus continue to ease. Studio Entertainment faces tough comps from Frozen, Iron Man 3, and Monsters University vs. this year's Cinderella, McFarland and Strange Magic (a DreamWorks film). We also model $390M in deferred tax write-down charge in Q2, which could appear as late as Q3 according to recent filings, although this should be adjusted out from the reported EPS.

Fiscal 3Q15

We expect revenue growth of 4% and OI growth of 5%. At Cable Networks, ESPN faces a World Cup comp, slowing revenue growth to just 2%, while OI increases by 9% on lower expenses. We continue to model declines in Broadcast advertising (down 2%), and Studio Entertainment should have a big quarter in revenue growth with Avengers: Age of Ultron, while its big budget and associated amortization expense, as well as P&A costs for Inside Out (Pixar) and Ant-Man (Marvel) next quarter should weigh on margins.

Fiscal 4Q15

We expect revenue growth of 11% and OI growth of 34%, partially driven by the inclusion of the 53rd week. The Cable Networks and Parks are driving the lion's share of revenue and OI growth, due to favorable programming cost comps in cable and favorable expense comps in the Parks, combined with strong revenue growth in both segments. In Broadcasting, we model another 2% decline in advertising revenue, excluding the impact of the 53rd week, while costs drop 3% on an easy comp. Studio Entertainment should continue to benefit from Avengers: Age of Ultron, and the release of Inside Out (Pixar) and Ant-Man (Marvel). We expect revenue growth of 3% and OI growth of 22%.

Fiscal 2016

We estimate revenue growth of 6% and OI growth of 6%, against the onerous comps from the previous year's inclusion of a 53rd week. Ex-53rd week, we still expect broadcast advertising to be slightly down, while we model Cable Networks advertising to grow at 2%. Combined with other sources of revenue and including the 53rd week comp, we estimate Cable Networks to grow 4% in total revenue and 4% in OI, while Broadcasting revenue grows 1% and OI 12%, which assumes ABC pulls back a bit on programming expenses.

OI Growth at Parks should slow to 5% given Shanghai Disneyland's opening in spring 2016. On a consolidated basis, we expect Shanghai Disneyland to add $614m in revenue and drag EBITDA down by ~$300m, assuming 7 million in attendance and ~43% average hotel occupancy for the year.

We expect Studio Entertainment OI to be up 14% given a strong slate of theatrical releases including the highly anticipated Star Wars: The Force Awakens and 2 Pixar films (The Good Dinosaur, Finding Dory). We believe Consumer Products should have another year of strong OI growth at 8% (despite the 53rd week comp) driven by Star Wars and Shanghai Disneyland. We estimate $5.5 billion in share buybacks for the year.

Fiscal 2017

We expect revenue to grow 8% and OI 7%. This is driven by 6% growth in revenue in the Cable Networks, with OI growing slightly less at 5% as the new NBA deal kicks in at ESPN. We expect 2% revenue growth in Broadcasting, benefitting from the Presidential election and 14% growth in retrans & reverse comp. We expect Parks to grow 14% in revenue and margins to contract to 28% (down ~100 bps vs. the previous year) as a full year of Shanghai Disneyland drags EBITDA down. We model 20 million in attendance at Shanghai and a 60% occupancy rate. Walt Disney World should also benefit from the opening of Avatar Land. At Studio Entertainment, we expect revenue to be down slightly on tough comps including Star Wars, but OI to be up 4% on easing costs. We estimate $6.0 billion in share buybacks for the year.

Fiscal 2018

We expect 7% growth in revenue and OI based on largely similar growth at Cable Networks as FY2017, and Broadcasting OI flat on tough political comps. Growth in Parks OI should accelerate to 12%, which is despite our assumption of attendance growth slowing at the domestic parks, more than offset by consolidated EBITDA loss at Shanghai shrinking to -$188m and turning an EBITDA profit of $72m after backing out minority interest. We model $2.8 billion in revenue from Shanghai, assuming 30 million in attendance and a 70% occupancy rate met by our expectation of Disney doubling its hotel capacity in Shanghai. Studio Entertainment revenue should grow modestly at 4% and OI at 1%, with Avengers: Infinity War Part 1 and Star Wars Episode VIII. We estimate $6.5 billion in share buybacks for the year.

Potential Sources of Positive Optionality and Upside to Our Forecast

- Industry-wide improvements in audience measurement and ad delivery that drive higher measured viewership could accelerate growth in ratings and advertising, including beginning to insert current ads into VOD programming played beyond the C3/C7 window; further, the ability to insert targeted “digital” ads into VOD and content streamed to IP devices (i.e. connected TVs, computers, tablets, smart phones), which are sold at higher CPMs than linear ads. See our Sector report for a more in-depth discussion on this topic.
- A stronger TV ad market could benefit DIS by driving advertising pricing higher.
- Stronger than expected results from the Shanghai theme park, scheduled to open in spring 2016; or a turnaround in Disneyland Paris
- Greater than expected box office revenue from the upcoming film slate, including Star Wars, which will be released in December 2015
- Higher growth in consumer products, driven by the film slate in 2015 and beyond, including Star Wars
- Disney could participate in the upcoming broadcast incentive auction, currently scheduled for 2016. The details haven’t been hammered out yet, but Disney could potentially benefit from putting its spectrum up for sale in the auction. However, the impact would be relatively small given Disney’s overall size.

Valuation

DIS currently trades at a 2015 P/E of 22x, 13.1x EV/ 2015 EBITDA, and a 2015 unlevered FCF yield of 3.6%. Our PT of $105 implies a P/E of 19x our 2016 estimate, 11.5x EV/ 2016 EBITDA, and a 2016 unlevered FCF yield of 4.4%.

We estimate a 5.4% average annual equity return over the forecast period based on our forecast and the current market value. Our Economic Returns Model illustrates this below.

Figure 8: Economic returns model

	2014	2015	2016	2017	2018	2019	2020
Consolidated Enterprise Value (Core)	165,776	182,235	194,223	200,326	208,747	216,837	226,609
Unlevered Free Cash Flow	5,765	7,252	8,335	8,887	9,647	10,378	11,261
Unlevered FCF Yield		*4.2%*	*4.4%*	*4.5%*	*4.7%*	*4.9%*	*5.1%*
WACC		*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Value from Growth		16,459	11,987	6,104	8,421	8,090	9,772
Return from Growth		*9.5%*	*6.4%*	*3.1%*	*4.1%*	*3.8%*	*4.4%*
Total Value Created		23,711	20,323	14,991	18,068	18,468	21,033
Total Economic Return		*13.6%*	*10.8%*	*7.6%*	*8.8%*	*8.7%*	*9.5%*
Consolidated Enterprise Value		182,235	194,223	200,326	208,747	216,837	226,609
Plus: Cash & Equivalents		6,103	6,431	7,078	7,700	6,494	6,579
Plus: Non-Consolidated Assets	12,094	12,699	13,334	14,000	14,700	15,435	16,207
Less: Debt		15,743	15,243	15,243	15,243	13,743	13,743
Less: Minority Interest	16,594	17,423	18,294	19,209	20,170	21,178	22,237
Equity Value		167,870	180,449	186,952	195,735	203,845	213,415
Shares Outstanding (Diluted)		1,683	1,638	1,594	1,551	1,508	1,463
Value per Share		$99.73	$110.17	$117.25	$126.16	$135.22	$145.86
Equity Return		*-6.2%*	*10.5%*	*6.4%*	*7.6%*	*7.2%*	*7.9%*
Current Price	$106.35						
Mean Geometric Return Over Period		*5.4%*					

Source: Company data, Deutsche Bank

Figure 9: Comparable Company Valuations

	Ticker	Rating	Current Price	DB Target	Upside / Downside	EV / EBITDA 2015	EV / EBITDA 2016	EV / EBITDA 2017	Unlevered Free Cash Flow Yield 2015	Unlevered Free Cash Flow Yield 2016	Unlevered Free Cash Flow Yield 2017	P/E 2015	P/E 2016	P/E 2017
21st Century Fox, Inc.	FOXA	BUY	$35.64	$42	*17.8%*	11.1x	9.9x	8.4x	*4.1%*	*4.9%*	*6.9%*	20.9x	18.9x	15.0x
Time Warner Inc.	TWX	BUY	$83.16	$100	*20.3%*	11.1x	9.4x	8.5x	*4.7%*	*6.4%*	*7.1%*	17.7x	14.2x	12.5x
Viacom Inc.	VIAB	BUY	$71.48	$83	*16.1%*	9.6x	8.5x	7.8x	*7.2%*	*7.5%*	*8.0%*	12.3x	11.1x	9.7x
Liberty Media Corp	LMCA	HOLD	$40.28	$43	*6.8%*	NM	NM	NM	NM	NM	NM	NM	NM	NM
The Walt Disney Co.	DIS	HOLD	$106.35	$105	*-1.3%*	13.1x	11.6x	10.5x	*3.6%*	*4.4%*	*4.8%*	21.5x	19.7x	17.7x
CBS Corp.	CBS	HOLD	$62.80	$67	*6.7%*	11.5x	10.1x	9.2x	*4.7%*	*5.9%*	*6.6%*	17.7x	15.0x	13.4x
Sirius XM Holdings Inc.	SIRI	HOLD	$4.00	$4	*0.0%*	15.4x	13.8x	12.5x	*4.1%*	*4.7%*	*4.6%*	37.8x	31.4x	26.8x

Source: Deutsche Bank estimates

Figure 10: DIS Income Statement

	9/30/2013	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	2016	2017	2018	2019	2020
Total revenues	**45,041**	**48,813**	**13,391**	**12,073**	**13,012**	**13,694**	**52,170**	**55,436**	**59,598**	**63,706**	**67,720**	**71,998**
Growth % YoY	*7%*	*8%*	*9%*	*4%*	*4%*	*11%*	*7%*	*6%*	*8%*	*7%*	*6%*	*6%*
Operating income												
Media Networks												
Cable Networks	6,047	6,467	1,255	1,995	2,116	1,735	7,101	7,401	7,803	8,236	8,673	9,140
% margin	*42%*	*43%*	*30%*	*49%*	*53%*	*40%*	*43%*	*43%*	*43%*	*43%*	*43%*	*43%*
Broadcasting	771	854	240	151	343	149	883	992	1,028	1,031	1,064	1,075
% margin	*13%*	*14%*	*14%*	*10%*	*22%*	*10%*	*14%*	*16%*	*16%*	*16%*	*16%*	*16%*
Media Networks Total	6,818	7,321	1,495	2,147	2,459	1,885	7,985	8,394	8,831	9,267	9,736	10,215
% margin	*33%*	*35%*	*26%*	*38%*	*44%*	*33%*	*35%*	*36%*	*36%*	*36%*	*36%*	*36%*
Parks and Resorts	2,220	2,663	804	549	887	1,003	3,244	3,308	3,508	3,937	4,396	5,053
% margin	*16%*	*18%*	*21%*	*14%*	*21%*	*23%*	*20%*	*19%*	*18%*	*18%*	*18%*	*19%*
Studio Entertainment	661	1,549	544	115	348	310	1,317	1,504	1,566	1,588	1,577	1,569
% margin	*11%*	*21%*	*29%*	*8%*	*18%*	*17%*	*19%*	*20%*	*21%*	*21%*	*21%*	*20%*
Consumer Products	1,112	1,356	626	356	320	430	1,733	1,864	2,118	2,309	2,471	2,643
% margin	*31%*	*34%*	*45%*	*35%*	*32%*	*35%*	*37%*	*35%*	*35%*	*35%*	*35%*	*35%*
Interactive Media	(87)	116	75	24	40	32	170	225	265	317	386	477
% margin	*-8%*	*9%*	*20%*	*8%*	*14%*	*8%*	*13%*	*16%*	*18%*	*20%*	*22%*	*24%*
Total Segment Operating Income	**10,724**	**13,005**	**3,544**	**3,191**	**4,053**	**3,660**	**14,448**	**15,295**	**16,287**	**17,417**	**18,566**	**19,958**
% margin	*24%*	*27%*	*26%*	*26%*	*31%*	*27%*	*28%*	*28%*	*27%*	*27%*	*27%*	*28%*
% growth	*7.6%*	*21.3%*	*17.4%*	*-4.8%*	*5.1%*	*31.8%*	*11.1%*	*5.9%*	*6.5%*	*6.9%*	*6.6%*	*7.5%*
Total Operating Income (In-Corp. Costs)	**10,193**	**12,394**	**3,419**	**3,031**	**3,913**	**3,460**	**13,823**	**14,670**	**15,646**	**16,761**	**17,893**	**19,268**
Corporate and unallocated shared expenses	(531)	(611)	(125)	(160)	(140)	(200)	(625)	(625)	(641)	(657)	(673)	(690)
Restructuring and impairment charges	(214)	(140)	-	(390)	(25)	(25)	(440)	(100)	(100)	(100)	(100)	(100)
Other income/(expense), net	(69)	(31)	-	-	-	-	-	-	-	-	-	-
Total Interest income/(expense), net	(235)	23	(58)	(71)	(69)	(75)	(272)	(266)	(265)	(265)	(250)	(235)
Interest Expense	(349)	(294)	(69)	(81)	(79)	(85)	(313)	(306)	(305)	(305)	(290)	(275)
Interest & Investment Income	114	317	11	10	10	10	41	40	40	40	40	40
Hulu equity redemption charge	(55)	-	-	-	-	-	-	-	-	-	-	-
Income before income taxes	9,620	12,246	3,361	2,570	3,819	3,361	13,111	14,304	15,281	16,396	17,543	18,933
Income taxes	(2,984)	(4,242)	(1,118)	(1,002)	(1,260)	(1,109)	(4,490)	(4,863)	(5,196)	(5,575)	(5,965)	(6,437)
Effective tax rate %	*31%*	*35%*	*33%*	*39%*	*33%*	*33%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*
Net income (before M.I.)	6,636	8,004	2,243	1,568	2,559	2,252	8,622	9,440	10,086	10,821	11,578	12,496
Growth % YoY	*8%*	*21%*	*18%*	*-24%*	*6%*	*38%*	*8%*	*9%*	*7%*	*7%*	*7%*	*8%*
Less: Net income attributable to noncontrolling interests	(500)	(503)	(62)	(141)	(193)	(170)	(566)	(480)	(388)	(443)	(501)	(611)
% of Cable Networks & Int'l Parks EBIT ex-Shanghai adjustment	*-9%*	*-8%*	*-5%*	*-8%*	*-10%*	*-9%*	*-8%*	*-7%*	*-8%*	*-8%*	*-8%*	*-8%*
Net income attributable to The Walt Disney Company	**6,136**	**7,501**	**2,181**	**1,427**	**2,366**	**2,082**	**8,056**	**8,961**	**9,697**	**10,378**	**11,077**	**11,885**
EPS attributable to Disney:												
Diluted	**$ 3.38**	**$ 4.26**	**$ 1.27**	**$ 0.83**	**$ 1.39**	**$ 1.23**	**$ 4.73**	**$ 5.40**	**$ 6.00**	**$ 6.60**	**$ 7.24**	**$ 8.00**
Growth % YoY	*8%*	*26%*	*23%*	*-23%*	*8%*	*43%*	*11%*	*14%*	*11%*	*10%*	*10%*	*10%*
Basic	$ 3.42	$ 4.31	$ 1.28	$ 0.84	$ 1.41	$ 1.25	$ 4.77	$ 5.45	$ 6.06	$ 6.66	$ 7.31	$ 8.08
Adjustments	$ 0.01	$ 0.06	$ -	$ 0.21			$ 0.21	$ -				
Adj. Diluted EPS	**$ 3.39**	**$ 4.32**	**$ 1.27**	**$ 1.05**	**$ 1.39**	**$ 1.23**	**$ 4.94**	**$ 5.40**	**$ 6.00**	**$ 6.60**	**$ 7.24**	**$ 8.00**
Growth % YoY		*27%*	*22%*	*-6%*	*8%*	*39%*	*14%*	*9%*	*11%*	*10%*	*10%*	*10%*

Source: Company data, Deutsche Bank

Figure 11: DIS Balance Sheet

	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
	2013	2014	2015	2016	2017	2018	2019	2020
Assets								
Current assets								
Cash and cash equivalents	3,931	3,421	6,103	6,431	7,078	7,700	6,494	6,579
Receivables	6,967	7,822	8,000	8,000	8,200	8,400	8,600	8,800
Inventories	1,487	1,574	1,465	1,763	1,967	2,111	2,247	2,380
Television costs and advances	634	1,061	1,107	1,110	1,311	1,408	1,498	1,587
Deferred income taxes	485	497	452	452	452	452	452	452
Other current assets	605	801	932	932	932	932	932	932
Total current assets	**14,109**	**15,176**	**18,058**	**18,687**	**19,940**	**21,003**	**20,222**	**20,730**
Film and television costs	4,783	5,325	5,457	5,802	6,065	6,400	6,700	7,000
Investments	2,849	2,696	2,777	2,935	3,116	3,322	3,555	3,816
Net Parks, resorts and other property	18,733	18,541	18,949	19,354	19,740	20,156	20,604	21,082
Projects in progress	2,476	3,553	4,853	5,337	5,782	6,230	6,669	7,086
Land	1,171	1,238	1,233	1,233	1,233	1,233	1,233	1,233
Intangible assets, net	7,370	7,434	6,843	6,637	6,443	6,252	6,066	5,884
Goodwill	27,324	27,881	27,849	27,849	27,849	27,849	27,849	27,849
Other assets	2,426	2,342	2,603	2,603	2,603	2,603	2,603	2,603
Total Assets	**81,241**	**84,186**	**88,622**	**90,438**	**92,771**	**95,049**	**95,502**	**97,283**
Liabilities and equity								
Current liabilities								
Accounts payable and other accrued liabilities	6,803	7,595	9,500	9,500	9,500	9,500	9,500	9,500
Current portion of borrowings	1,512	2,164	5,076	4,926	6,226	6,426	4,926	6,287
Unearned royalties and other advances	3,389	3,533	3,971	4,164	4,470	4,778	5,079	5,400
Total current liabilities	**11,704**	**13,292**	**18,547.2**	**18,590.0**	**20,195.9**	**20,703.9**	**19,505.0**	**21,186.9**
Borrowings	12,776	12,676	10,667	10,317	9,017	8,817	8,817	7,456
Deferred income taxes	4,050	4,098	4,414	4,414	4,414	4,414	4,414	4,414
Other long-term liabilities	4,561	5,942	5,857	5,857	5,857	5,857	5,857	5,857
Commitments and contingencies	-	-						
Total liabilities	**33,091**	**36,008**	**39,485**	**39,178**	**39,484**	**39,792**	**38,593**	**38,914**
Equity								
Preferred stock	-	-	-	-	-	-	-	-
Common stock	33,440	34,301	35,178	35,578	35,978	36,378	36,778	37,178
Retained earnings	47,758	53,734	57,869	64,612	71,851	79,478	87,479	95,928
Accumulated other comprehensive loss	(1,187)	(1,968)	(1,880)	(1,880)	(1,880)	(1,880)	(1,880)	(1,880)
Treasury stock	(34,582)	(41,109)	(46,162)	(51,662)	(57,662)	(64,162)	(71,412)	(79,412)
DIS Equity	45,429	44,958	45,005	46,648	48,287	49,814	50,965	51,814
Noncontrolling interests	2,721	3,220	4,132	4,612	5,000	5,443	5,944	6,555
Total equity	**48,150**	**48,178**	**49,137**	**51,260**	**53,287**	**55,257**	**56,909**	**58,370**
Total liabilities and equity	**81,241**	**84,186**	**88,622**	**90,438**	**92,771**	**95,049**	**95,502**	**97,283**

Source: Deutsche Bank

Figure 12: DIS Cash Flow Statement

	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Operating activities								
Net income	6,871	8,004	8,622	9,440	10,086	10,821	11,578	12,496
Depreciation and amortization	2,192	2,288	2,455	2,628	2,863	3,026	3,200	3,387
Gains on sales of investments, dispositions, and acquisitions	(252)	(299)	–	–	–	–	–	–
Deferred income taxes	92	517	290	–	–	–	–	–
Equity in the income of investees	(688)	(854)	(894)	(924)	(971)	(1,019)	(1,070)	(1,124)
Cash distributions received from equity investees	694	718	744	766	789	813	837	862
Net change in film and television costs and advances	(49)	(964)	329	(345)	(263)	(335)	(300)	(300)
Equity-based compensation	402	408	404	400	400	400	400	400
Impairment charges	–	–	365	–	–	–	–	–
Other	322	234	171	–	–	–	–	–
Changes in operating assets and liabilities:	103	(272)	(394)	(108)	(300)	(133)	(124)	(102)
Cash provided by operations	**9,687**	**9,780**	**12,092**	**11,857**	**12,605**	**13,573**	**14,521**	**15,620**
Investing activities								
Investments in parks, resorts and other property	(2,796)	(3,311)	(4,075)	(3,311)	(3,500)	(3,700)	(3,900)	(4,100)
Sale of investments/proceeds from dispositions	397	395	–	–	–	–	–	–
Acquisitions	(2,443)	(402)	–	–	–	–	–	–
Other	166	(27)	397	–	–	–	–	–
Cash used in investing activities	**(4,676)**	**(3,345)**	**(3,678)**	**(3,311)**	**(3,500)**	**(3,700)**	**(3,900)**	**(4,100)**
Financing activities								
Commercial paper borrowings/ (repayments), net	(2,050)	50	2,747					
Borrowings, net	3,931	2,231	(731)	(500)	-	-	(1,500)	-
Reduction of borrowings	(1,502)	(1,648)	(1,098)					
Dividends	(1,324)	(1,508)	(1,975)	(2,218)	(2,458)	(2,751)	(3,076)	(3,436)
Repurchases of common stock	(4,087)	(6,527)	(5,053)	(5,500)	(6,000)	(6,500)	(7,250)	(8,000)
Proceeds from exercise of stock options	587	404	65	–	–	–	–	–
Other	231	288	417	–	–	–	–	–
Cash used in financing activities	**(4,214)**	**(6,710)**	**(5,628)**	**(8,218)**	**(8,458)**	**(9,251)**	**(11,826)**	**(11,436)**
Impact of exchange rates on cash and cash equiv.	(18)	(235)	(105)					
(Decrease)/increase in cash and equivalents	779	(510)	2,681	328	647	622	(1,205)	85
Cash and cash equivalents, beginning of period	8,159	8,938	3,421	6,103	6,431	7,078	7,700	6,494
Cash and cash equivalents, end of period	**8,938**	**8,428**	**6,103**	**6,431**	**7,078**	**7,700**	**6,494**	**6,579**

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
The Walt Disney Company	DIS.N	105.57 (USD) 4 Mar 15	1,7,8,14,15,17

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Data is sourced from Deutsche Bank and subject companies.

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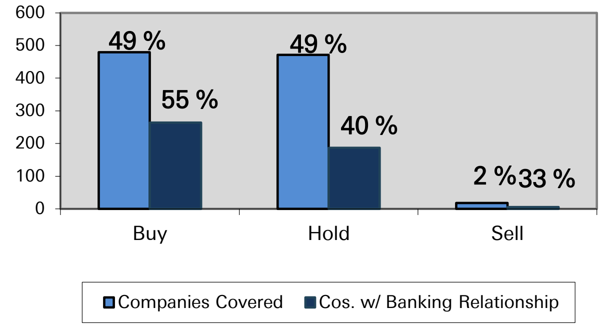
Equity rating dispersion and banking relationships



North American Universe

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