



The WALT DISNEY Company

Hindsight Portfolio Management

BASIC INFORMATION



- 🐭 Ticker: DIS
- 🐭 Stock Price: \$131.97
- 🐭 Market Cap: \$237.78B



COMPANY OVERVIEW



- 🐭 Industry: Entertainment
- 🐭 Media Networks, Movies, Stores, Theme Parks and Resorts, and Cruises





BACKGROUND

HISTORY



Start of the Walt Disney Company, originally known as the Disney Brothers Cartoon Studio.

Snow White and the Seven Dwarfs- Disney's first feature-length animated film is released.

1923 — 1928 — 1937 — 1940

Steamboat Willie – the first animated film to star Mickey Mouse and feature sound debuts.

Walt Disney issues its first stock & moves to Burbank, CA.

HISTORY



The first Disney live action film (*Treasure Island*) and TV show air (*One Hour in Wonderland*)

Walt Disney World opens in Florida.

1950

1955

1971

1982

Disneyland opens in California.

EPCOT Center (now Epcot) opens.

HISTORY



The first international
Disney theme park- *Tokyo
Disneyland* opens.

1983

1983

1987

1996

The first Disney Store
opens.

Disney Channel begins
broadcasting.

Merger with
Capital
Cities/ABC.

HISTORY



Robert A. Iger named
CEO of Disney.

2005

2006

Disney purchases Pixar
Animation Studios.

Disney acquires
Marvel
Entertainment.

2009

2012

Disney completes
acquisition of
Lucas Films.

HISTORY



Star Wars: The Force Awakens is released

2015

2016

Shanghai Resort opens.

Disney completes acquisition of 21st Century Fox.

2019

2019

Disney+ streaming service release.

MANAGEMENT- CEO



ROBERT A. IGER

CHAIRMAN AND CHIEF EXECUTIVE
OFFICER

- ❶ Began his career at ABC in 1974.
- ❷ He joined Disney in 1996.
- ❸ Notable acquisitions: Pixar 2006, Marvel 2009, Lucas Film 2012, in 2016 Disney opened their first theme park and resort in China, and in 2019 the 21 Century Fox acquisition.
- ❹ Mr. Iger plans to retire by 2021.

MANAGEMENT- CFO



CHRISTINE M.
MCCARTHY

SENIOR EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER, THE
WALT DISNEY COMPANY

- ❖ McCarthy began working at Disney in 2000, and she became CFO in 2015.
- ❖ Prior to Disney, she worked in Imperial Bancorp from 1981-2000. In 1997 she was the CFO of Bancorp.

MANAGEMENT- DTC CHAIRMAN



KEVIN MAYER

CHAIRMAN OF DIRECT-TO-CONSUMER
AND INTERNATIONAL

- Mr. Mayer first joined Disney in 1993; he then he went off and became the CEO of Clear Channel Interactive where he managed all new media businesses, distribution, sales, content and new technology development. He rejoined Disney in 2005.

MANAGEMENT- ESPN PRESIDENT



JAMES PITARO

PRESIDENT OF ESPN AND CO-CHAIR,
DISNEY MEDIA NETWORKS

- ❧ Joined Disney in 2010 as the Co-President of Disney Interactive.
- ❧ He became the president of ESPN in 2018.
- ❧ Prior to Disney he worked in Yahoo.

MANAGEMENT- TV CHAIRMAN



PETER RICE

CHAIRMAN, WALT DISNEY TELEVISION
AND CO-CHAIR, DISNEY MEDIA
NETWORKS

- ❶ Mr. Rice began his career in the marketing department of 21 Century Fox; in 2010 he was Chairman for 2 years in FNG and served as President of 21 Century Fox and CEO of FOX Networks Group.

MANAGEMENT- CHAIRMAN OF PARKS



BOB CHAPEK

CHAIRMAN OF PARKS, EXPERIENCES
AND PRODUCTS

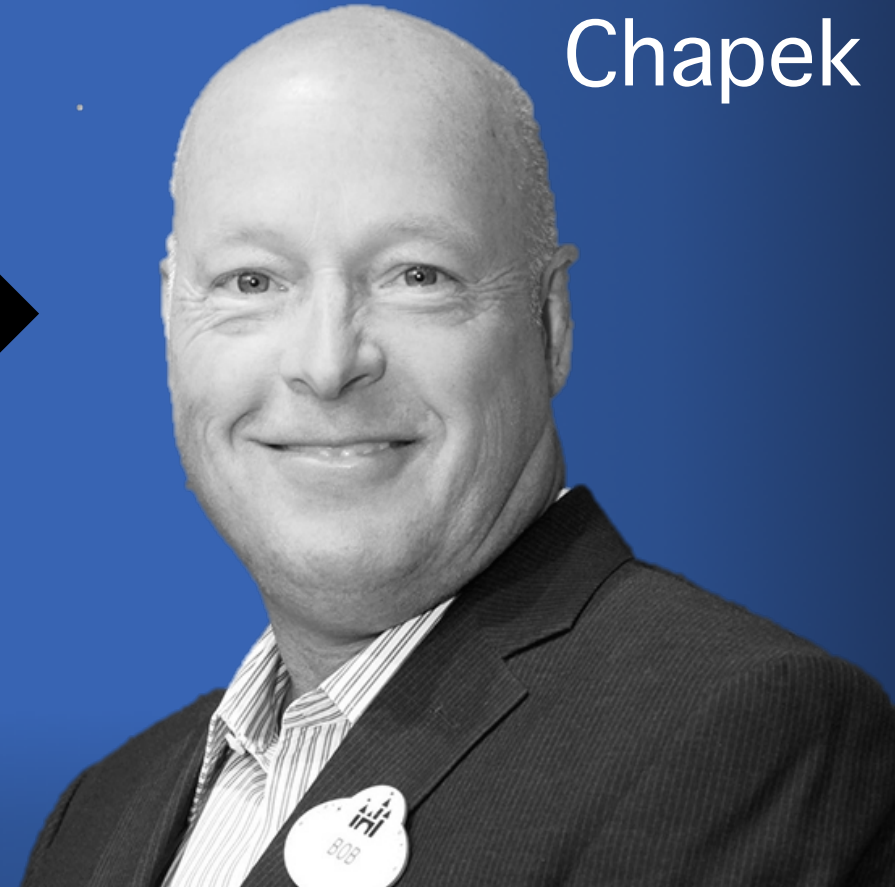
- ❶ Chapek has led both Walt Disney Parks and Resorts and Consumer Products for over 20 years.
- ❷ Prior to joining Disney, Mr. Chapek worked in brand management for HJ Heinz Company and in advertising for J. Walter Thompson.

MANAGEMENT- NEW CEO?

Kevin
Mayer



Bob
Chapek





Bambi



©Disney JK

SEGMENTS & GEOGRAPHY

GEOGRAPHY



SEGMENTS



Media Networks

41%



Theme Parks &
Resorts

34%



Studio
Entertainment

17%



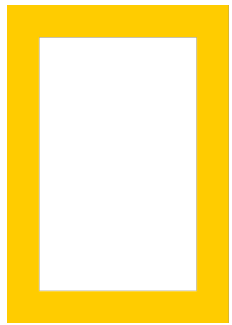
Consumer Products &
Interactive Media

8%

MEDIA NETWORKS



FREEFORM



**NATIONAL
GEOGRAPHIC**



FX[®]

THEME PARKS & RESORTS



Disneyland[®]
RESORT

Disneyland[®]
PARIS

HONG KONG
Disneyland Hotel



SHANGHAI
Disney RESORT
上海迪士尼度假区



Walt Disney World[®]
RESORT

STUDIO ENTERTAINMENT



P I X A R

ANIMATION STUDIOS



Disney nature

LUCASFILM
Ltd



The WALT DISNEY
Studios

DTC & INTERNATIONAL



hotstar

hulu



ESPN+

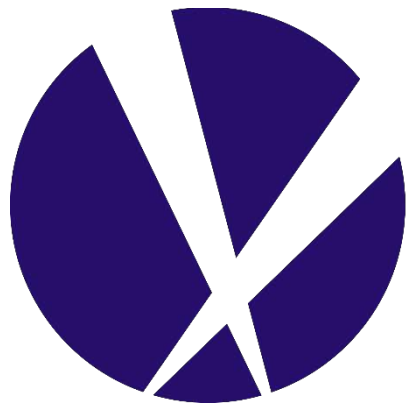
CONSUMER PRODUCTS



INTERACTIVE MEDIA



MERGERS & ACQUISITIONS



M&A- 21ST CENTURY FOX



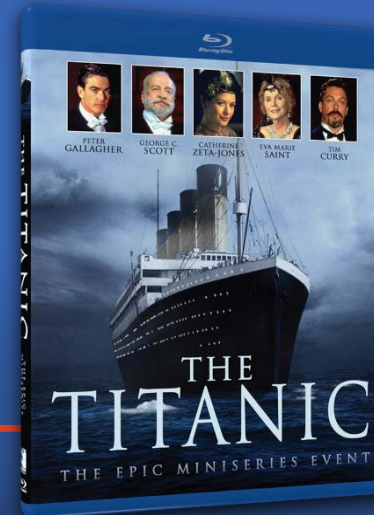
- ❃ \$71.3B purchase
- ❃ Incurred \$19B of additional debt & 19B of cash
- ❃ Fox Corp still exists independent from DIS
- ❃ Access to *Fantastic Four, The Simpsons, Titanic, Home Alone, Grey's Anatomy*



M&A- 21st CENTURY FOX



- FOX Studios produces 70% of the prime-time slate on FOX.
- Total of Six Studios Marvel, Pixar, Lucas film, Disney Animation, Disney Live Action, and 20th Century Fox.
- DIS now owns twelve of the top twenty films of worldwide office grosses.



RECENT NEWS



OCTOBER 15, 2019

New Trailer Debuts for 'Lady and the Tramp'



AUGUST 29, 2019

Star Wars: Galaxy's Edge
Opens at Walt Disney
World Resort

Disney store
New at

**Disney+ Subscriber Forecasts
Raised After Verizon
Giveaway Deal**

**Struggling Small Theaters Cry
Foul Over Disney Throwing
Classics In Movie 'Vault'**



Sergei Klebnikov Forbes Staff

Markets

I cover breaking news, with a focus on money and markets.

UPCOMING RELEASES



<p>October 18, 2019</p>	<p>November 22, 2019</p>	
<p>December 20, 2019</p>	<p>March 6, 2020</p>	<p>March 27, 2020</p>
<p>May 1, 2020</p>	<p>June 19, 2020</p>	<p>July 24, 2020</p>
<p>November 6, 2020</p>	<p>November 25, 2020</p>	<p>May 28, 2021</p>



GROWTH OPPORTUNITIES

GROWTH OPPORTUNITIES



21ST
CENTURY
FOX



verizon[✓]

hulu

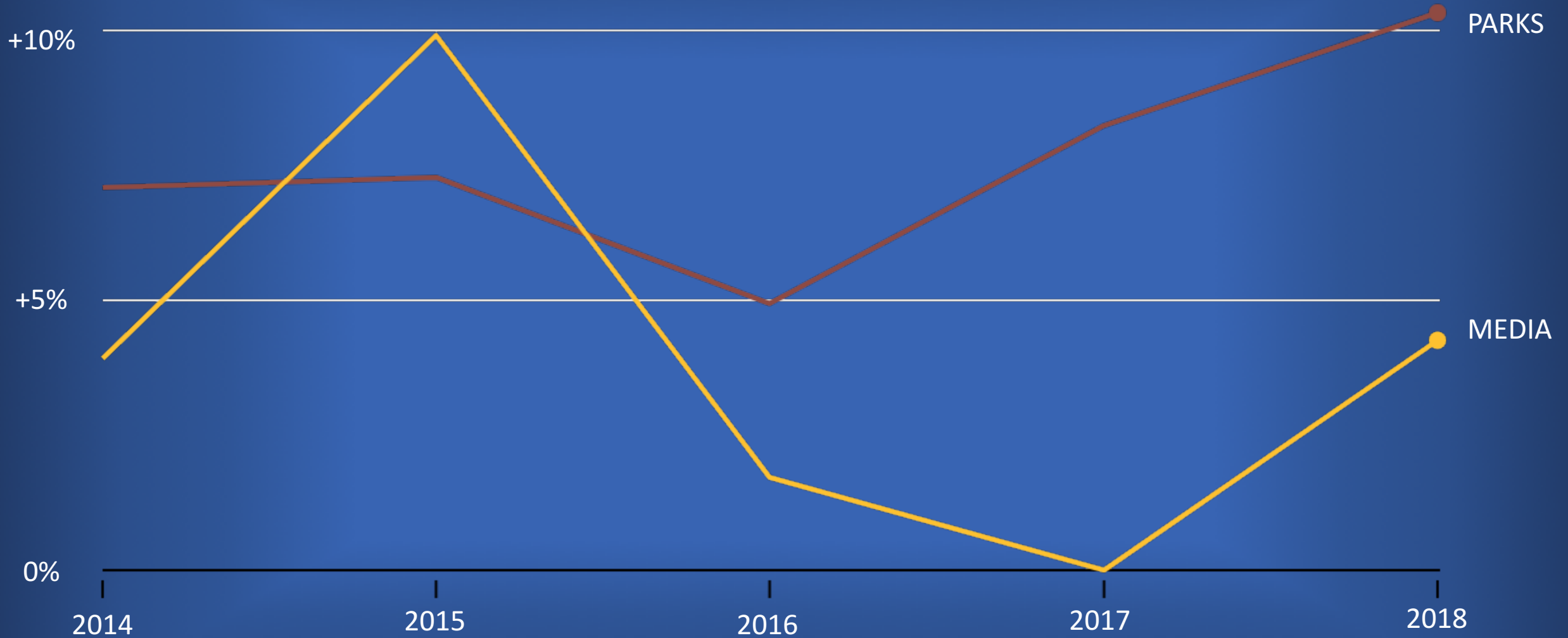


hotstar

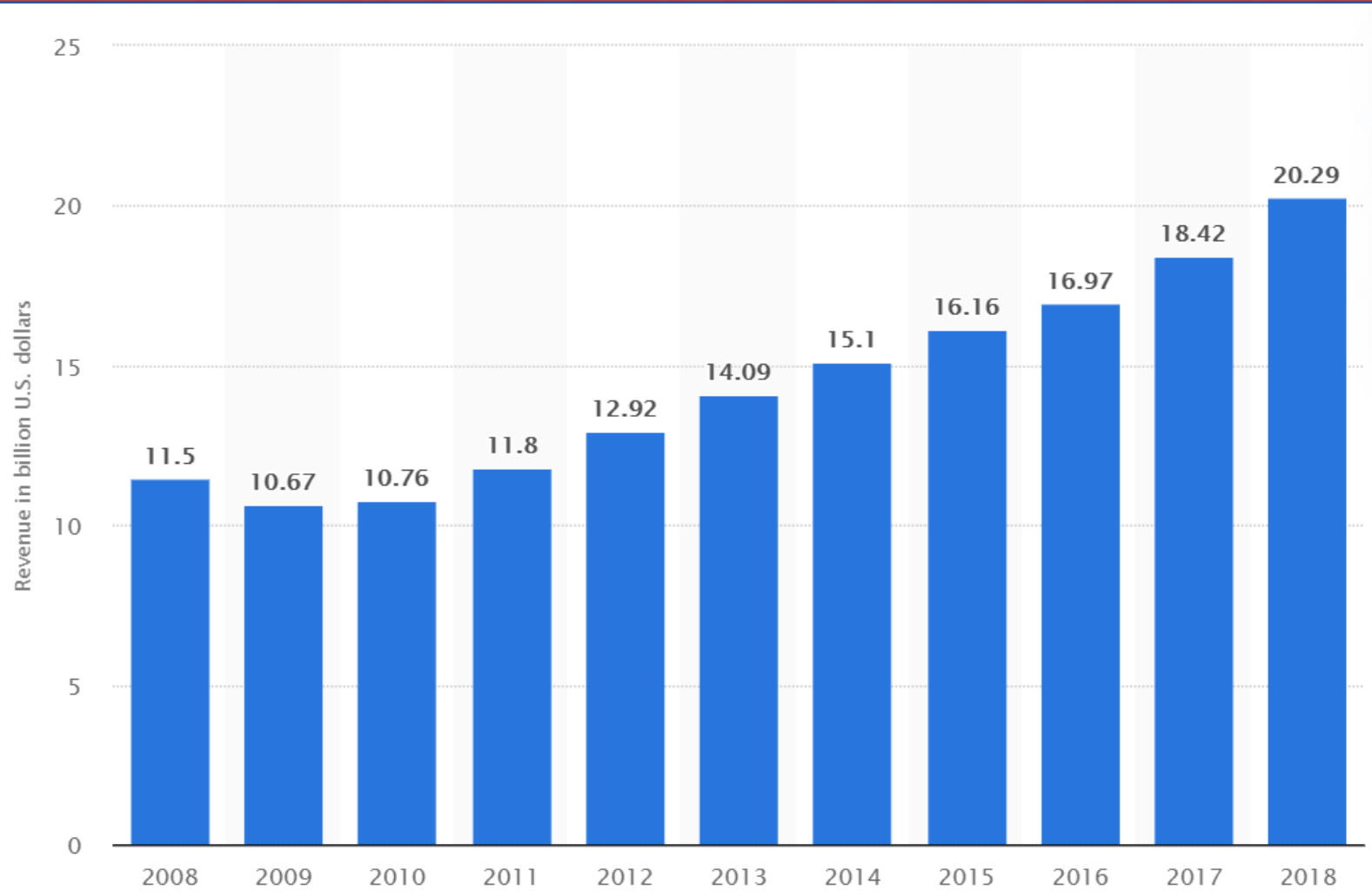


WALT DISNEY Parks and Resorts

REVENUE GROWTH



REVENUE GROWTH



GROWTH OPPORTUNITIES

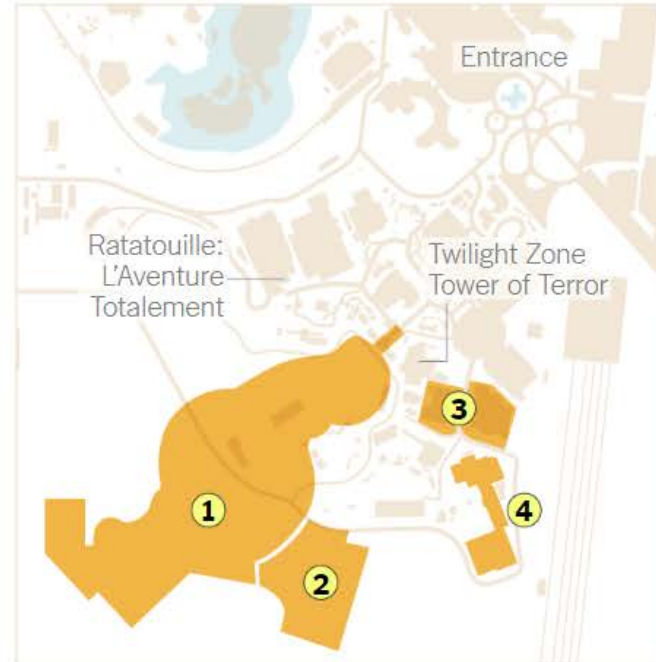


A worldwide transformation is underway



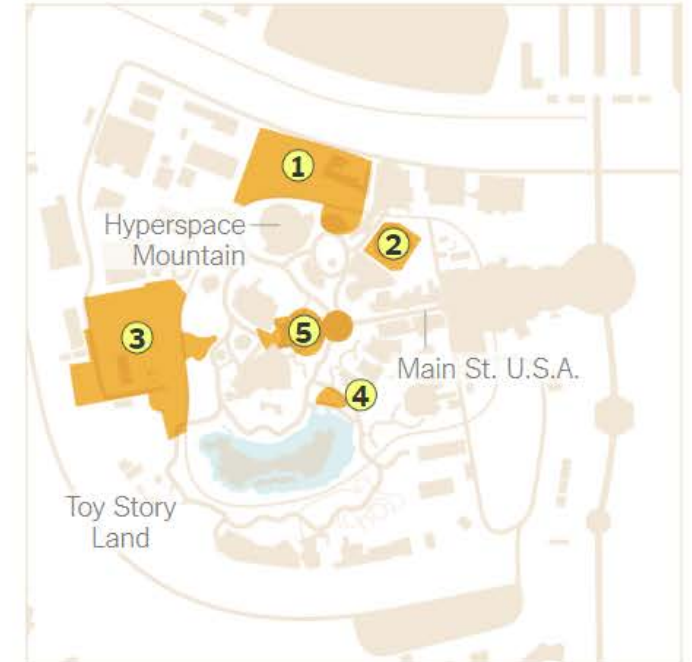
Epcot Lake Buena Vista, Fla.

1. "Guardians of the Galaxy" roller coaster
2. Space restaurant
3. Skyway gondola station
4. "Ratatouille" ride
5. Future Showcase (overhauled)
6. Fireworks show (overhauled)



Disney Studios Park at Disneyland Paris Marne-la-Vallée, France

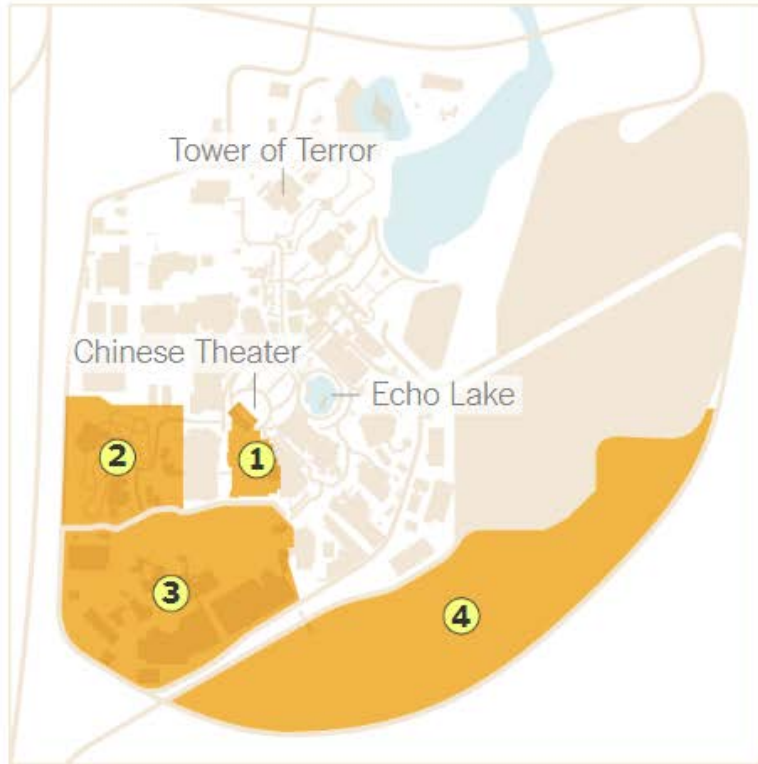
1. "Frozen" land
2. "Star Wars" land
3. Marvel superhero land
4. "Iron Man" roller coaster (overhauled)



Hong Kong Disneyland Lantau Island

1. "Avengers" ride
2. "Ant-Man" attraction
3. "Frozen" land
4. "Moana" stage show
5. Castle and amphitheater (overhauled)

GROWTH OPPORTUNITIES



Hollywood Studios Lake Buena Vista
1. Mickey Mouse ride 2. "Toy Story" land 3. "Star Wars" land 4. "Star Wars" resort



California Adventure Anaheim, Calif.
1. Marvel superhero land 2. Pixar Pier (overhauled)

GALAXY EDGE



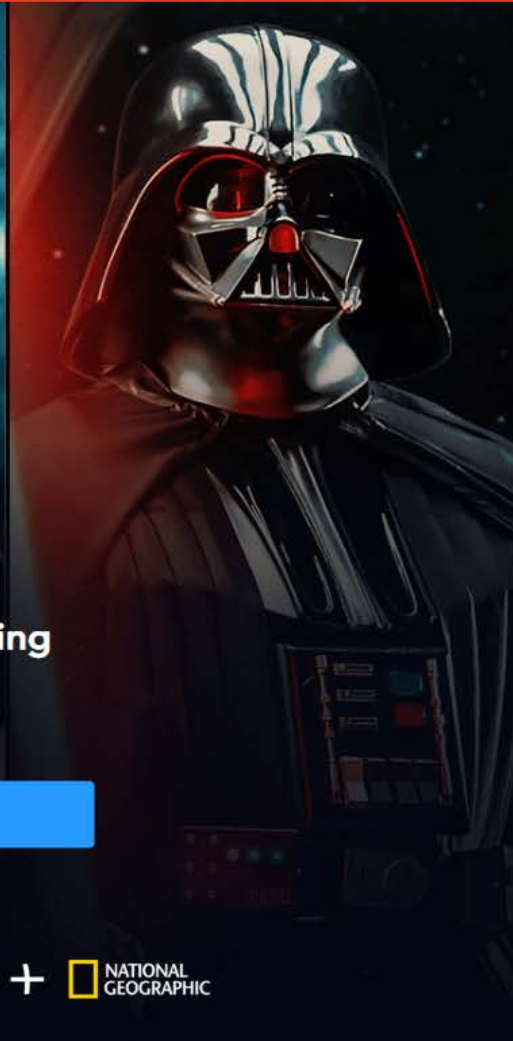
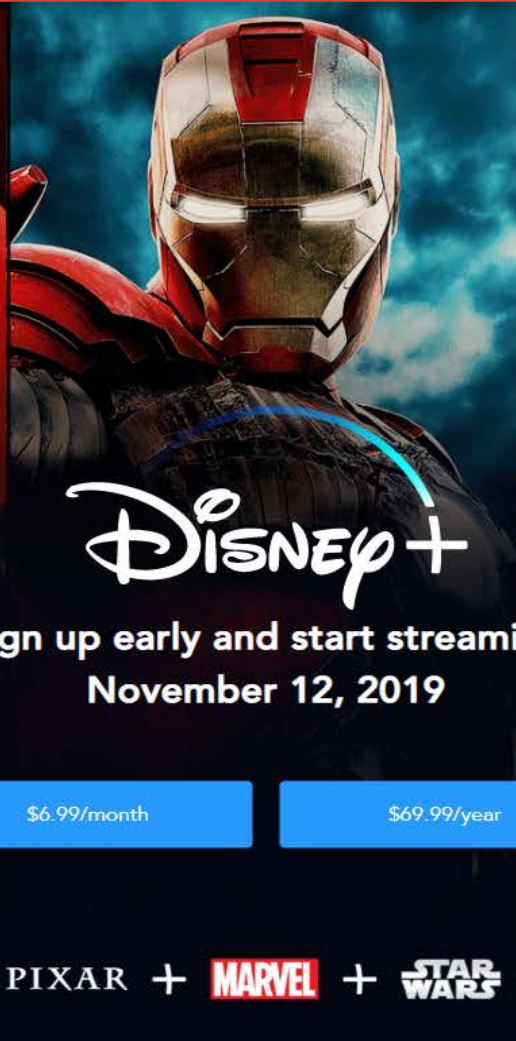
- 🐭 3% attendance decline
- 🐭 Higher ticket prices
- 🐭 Spending per capita was up 10%
- 🐭 Blocking annual pass holders to decrease wait times



DISNEY CRUISES



DISNEY+



Disney+

Sign up early and start streaming
November 12, 2019

\$6.99/month

\$69.99/year

Disney + PIXAR + MARVEL + STAR WARS + NATIONAL GEOGRAPHIC



- 🐭 Disney+
Exclusives
- 🐭 Over 60 Million
Subscribers by
2024



RISK FACTORS



- ❖ Changes in public and consumer taste
- ❖ Changes in technology and consumer consumption patterns
- ❖ Increased competitive pressures
- ❖ Increased cost in pensions



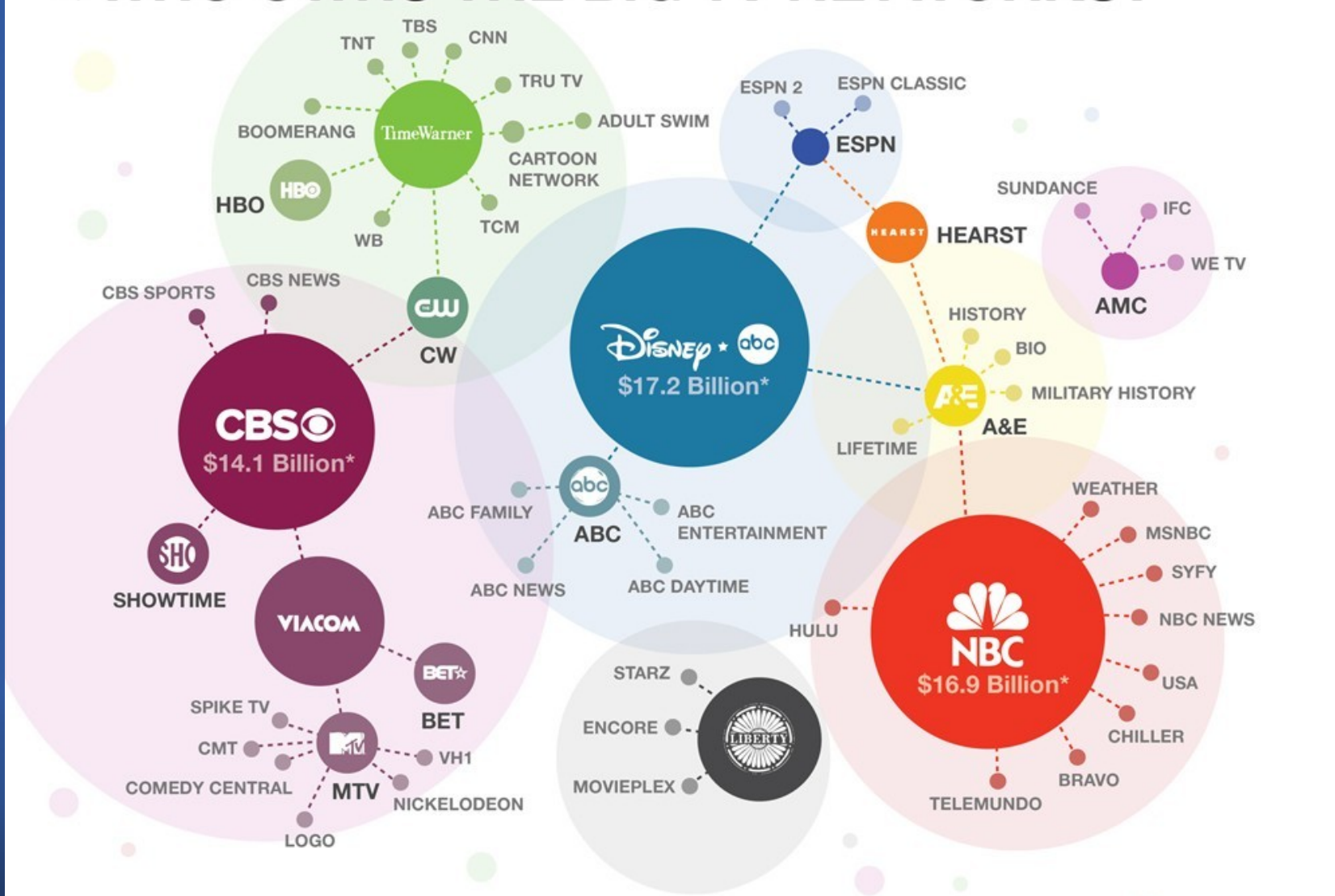


COMPETITORS & THEIR METRICS

WHO OWNS WHAT?



WHO OWNS THE BIG TV NETWORKS?

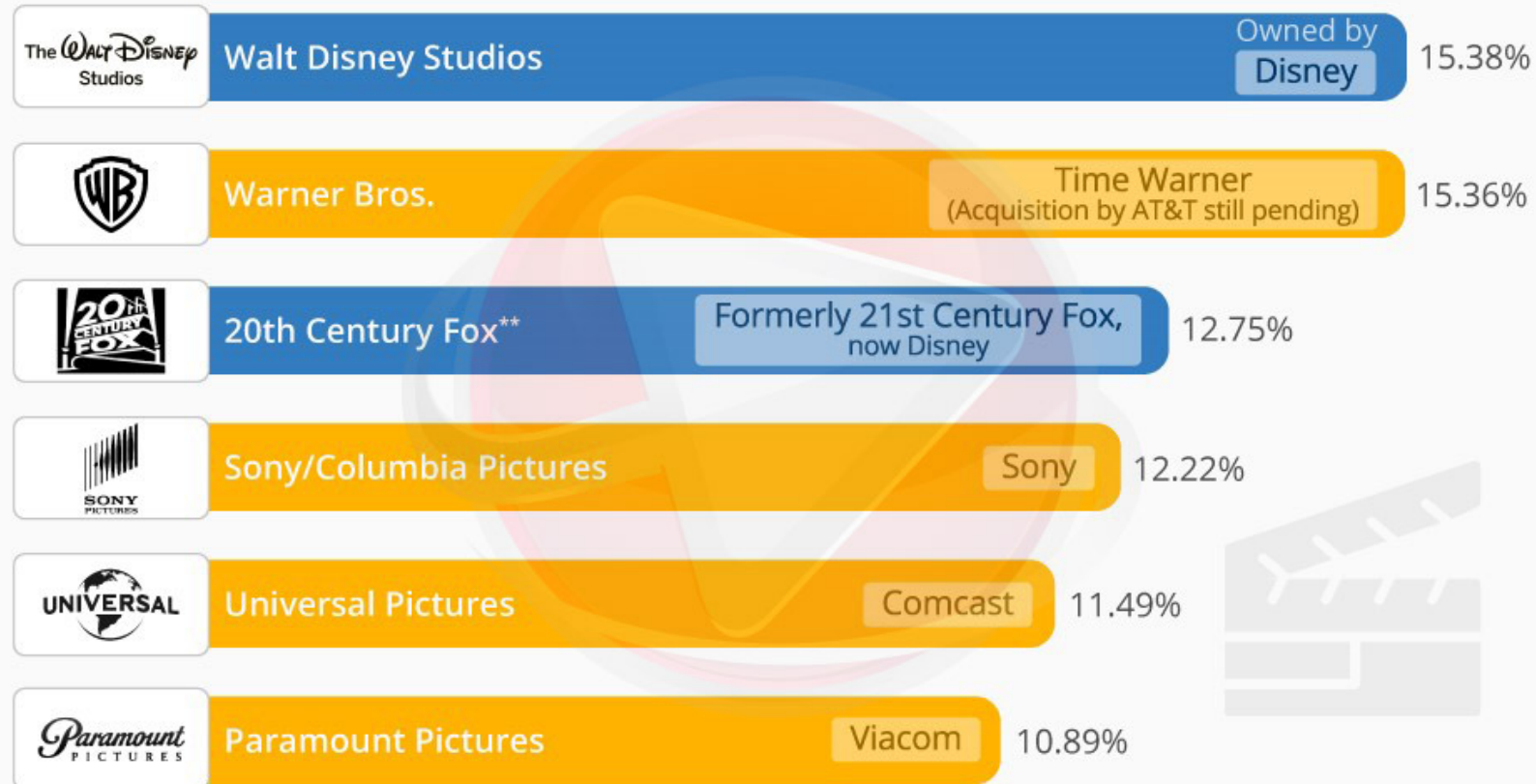


WHO OWNS WHAT?



Disney-Fox Deal to Shake Up the Movie Industry

Domestic Box Office market share of the six major film studios from 1995 to 2017*



* as of December 2017; domestic box office includes the United States, Canada, Puerto Rico and Guam

** incl. Fox Searchlight

APPLE TV+ tv+



- Launching today!
- \$5/month
- Apple is giving away free year-long subscriptions for purchases of certain hardware (like the new iPhone)
- New shows like *The Morning Show* with Jennifer Aniston, Reese Witherspoon, & Steve Carell



- Launching in April 2020
- \$5-7/month
- Comcast will give away the service to its 21 million paid TV subscribers
- *The Office, Saturday Night Live, and 30 Rock*, plus NBCUniversal movies like *Shrek, Knocked Up, and Meet the Parents*



- Launching in May 2020
- \$15/month
- Offering free subscription for current HBO subscribers
- From Warner Media
- Shows like *Friends*, *The Big Bang Theory*, & *South Park*



- Started the streaming trend
- Currently has rights to lots of other shows that it will lose
- Creating new original content (Spending \$15B)
- \$9-16/month



OTHER COMPETITORS



QUALITATIVE ANALYSIS



Criteria

Yes/No

Competitive Advantage?

Yes

Easily Explainable?

Yes

Heavily Unionized?

Yes

Heavy Capital Infusion?

Yes

Heavy R & D?

No

Obsolete Inventory?

No

Chronic One-Time Write Offs?

No

Able to raise prices to offset inflation?

Yes

Sell more in the future?

Yes

Billion Dollar Competition?

No

QUANTITATIVE ANALYSIS

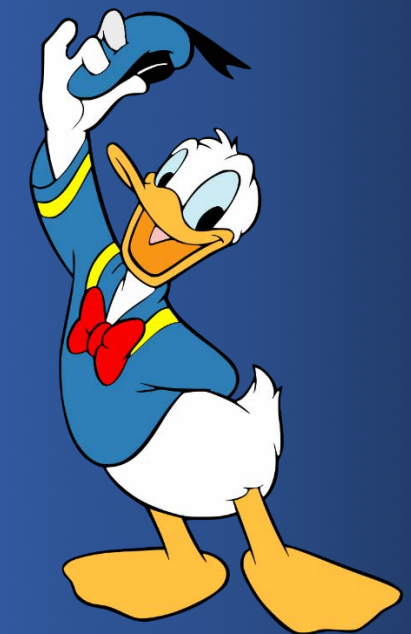
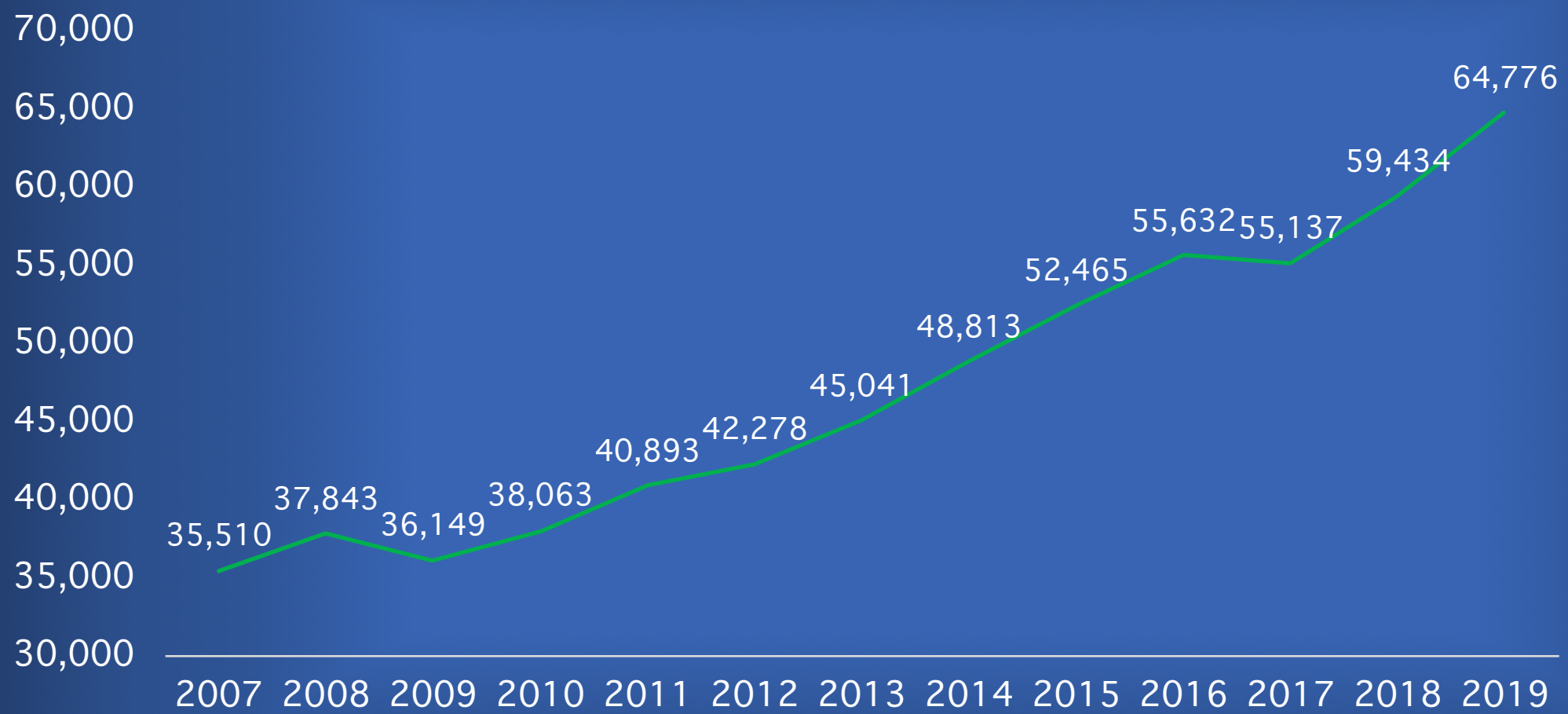


LTM	Value	Threshold	Pass/Fail
Gross Profit Margin	44.94%	Above 20%	Pass
SGA to Gross Profit	35.68%	Below 80%	Pass
R&D to Gross Profit	0.00%	Below 10%	Pass
Depreciation	11.27%	Below 10%	Fail
Interest to Operating Income	3.87%	Below 15%	Pass
Net Profit Margin	21.20%	Above 10%	Pass
Current Ratio	0.94	Above 1	Fail
Obligation Ratio	2.17	Below 5	Pass
Adjusted Debt to SE	0.43	Below 0.8	Pass
ROE	25.80%	Above 15%	Pass
ROC	19.60%	Above 15%	Pass
Payout Ratio	20%	Below 60%	Pass
Preferred Stock	None	None	Pass
Capital Expenditures	7.51%	Below 25%	Pass
Net Earnings Trend	Increasing	Increasing	Pass
Retained Earnings Trend	Increasing	Increasing	Pass
Total	87.5%		14



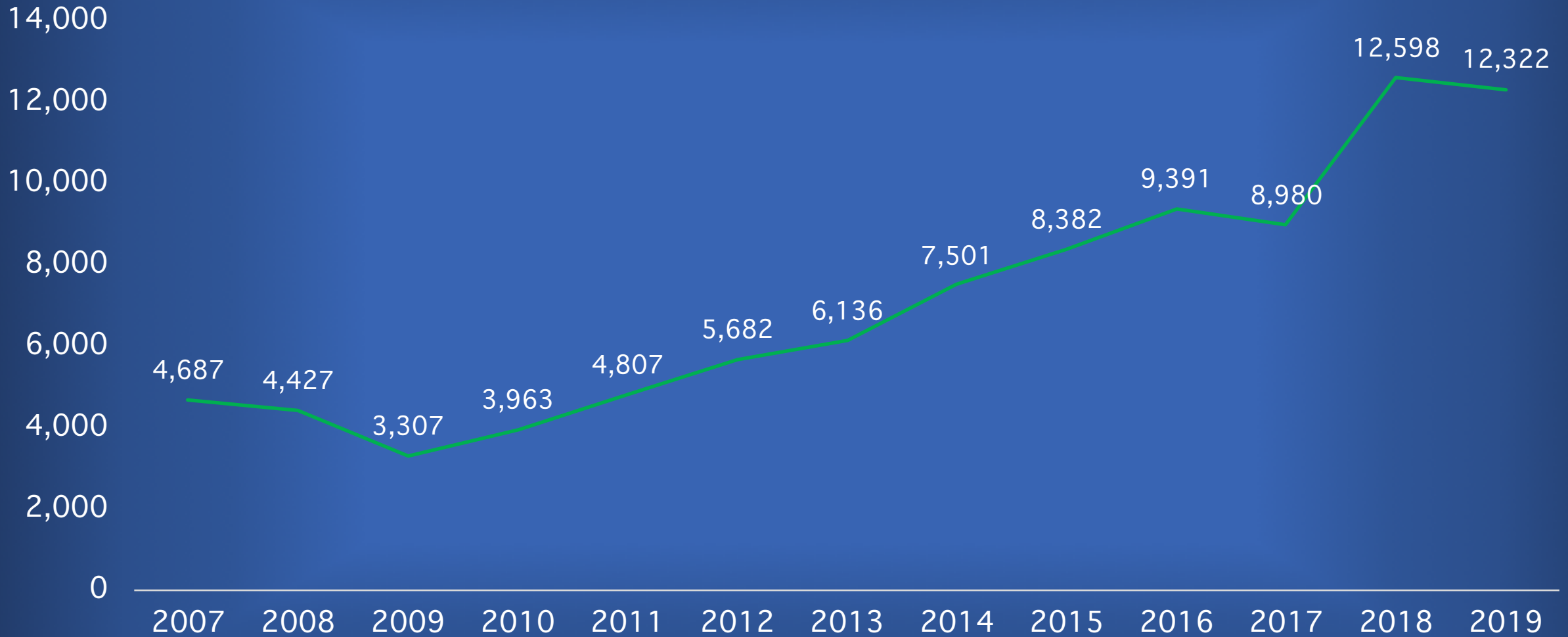
FINANCIAL ANALYSIS

Revenue Upward Trend





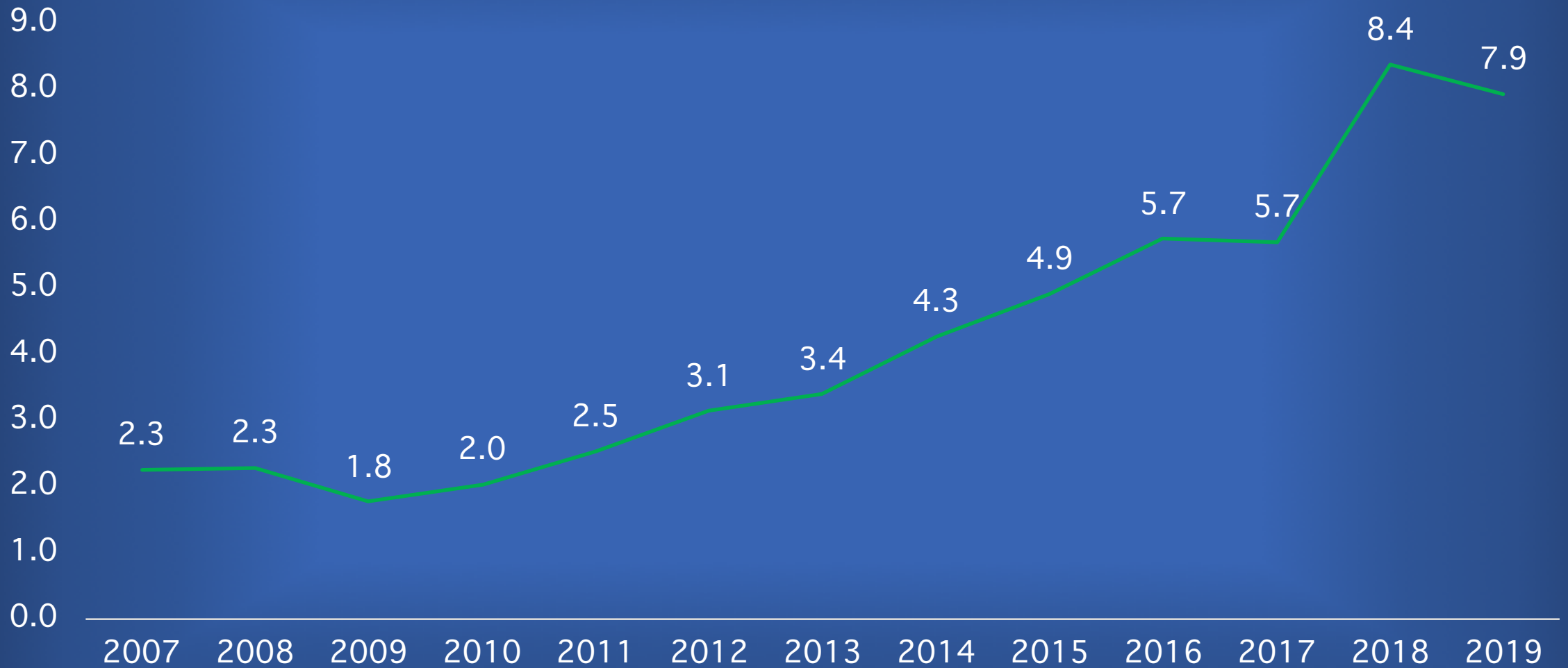
Net Income Upward Trend



FCF Upward Trend



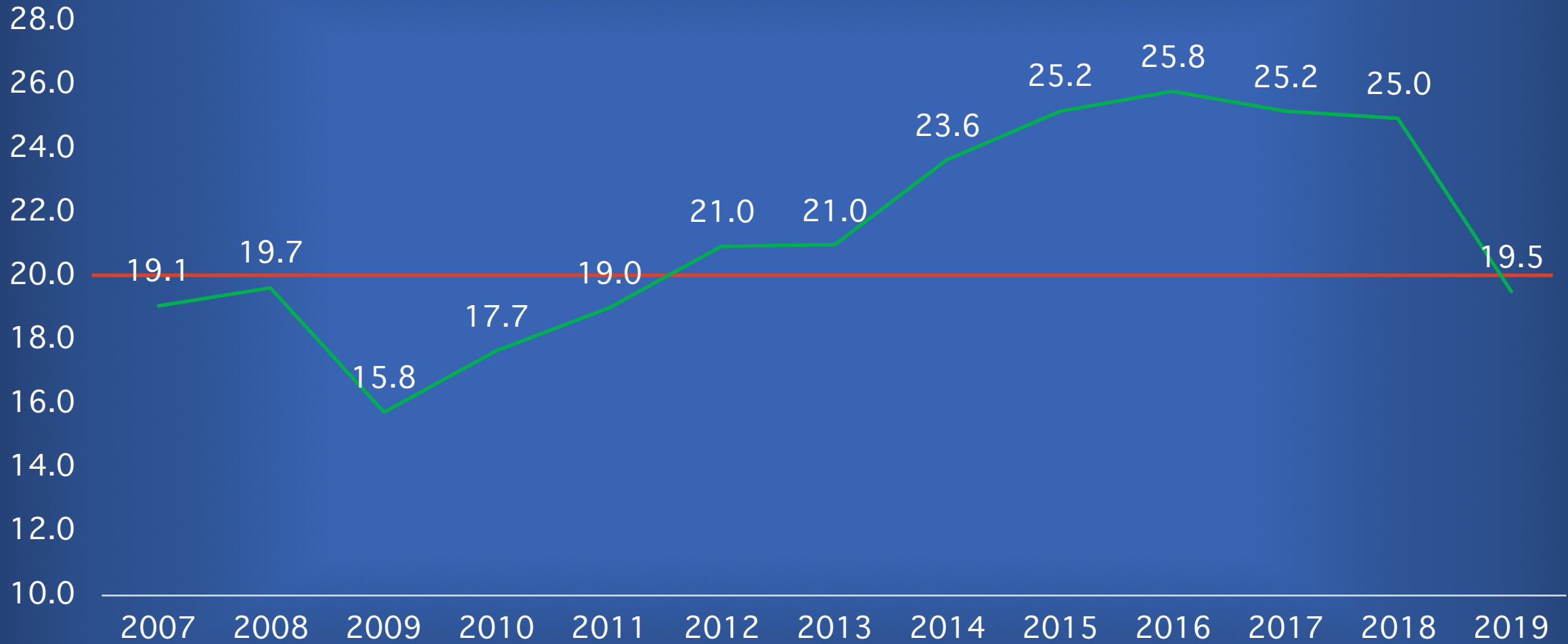
EPS Upward Trend



Gross Margin Above 20%



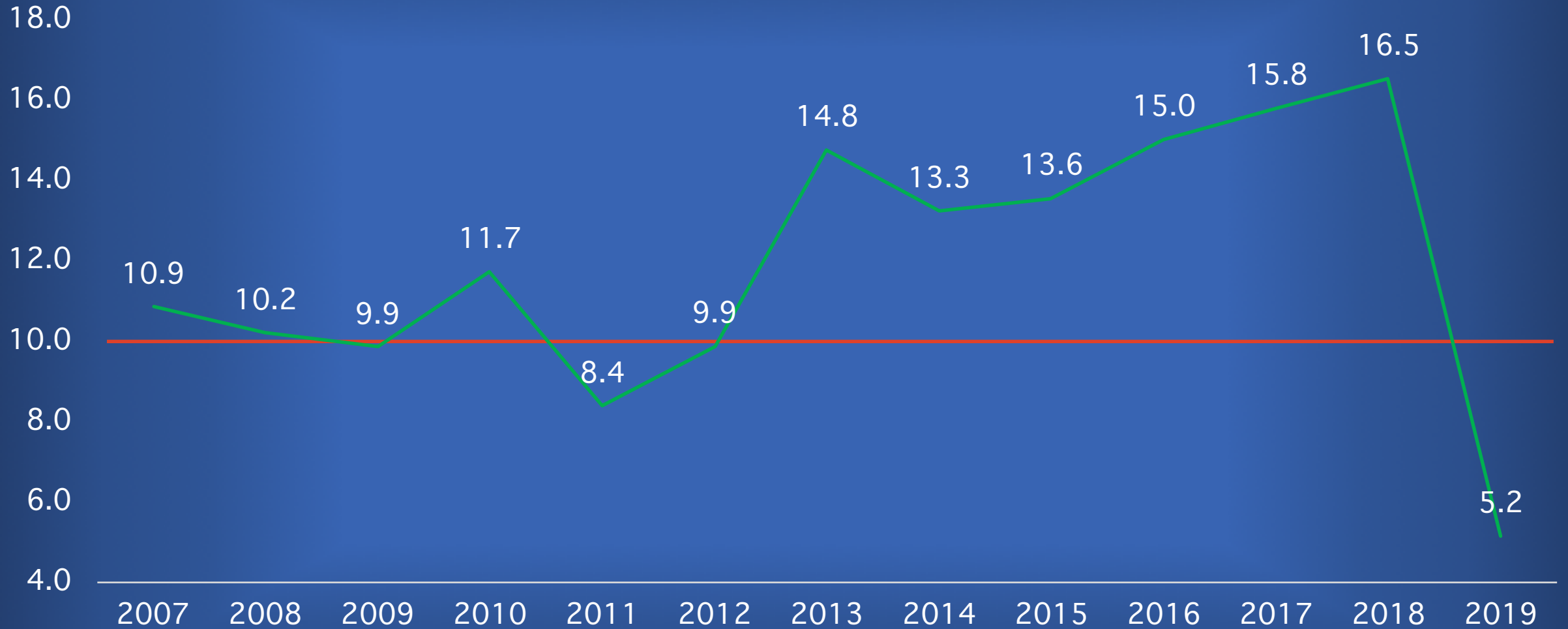
Operating Margin Above 20%*



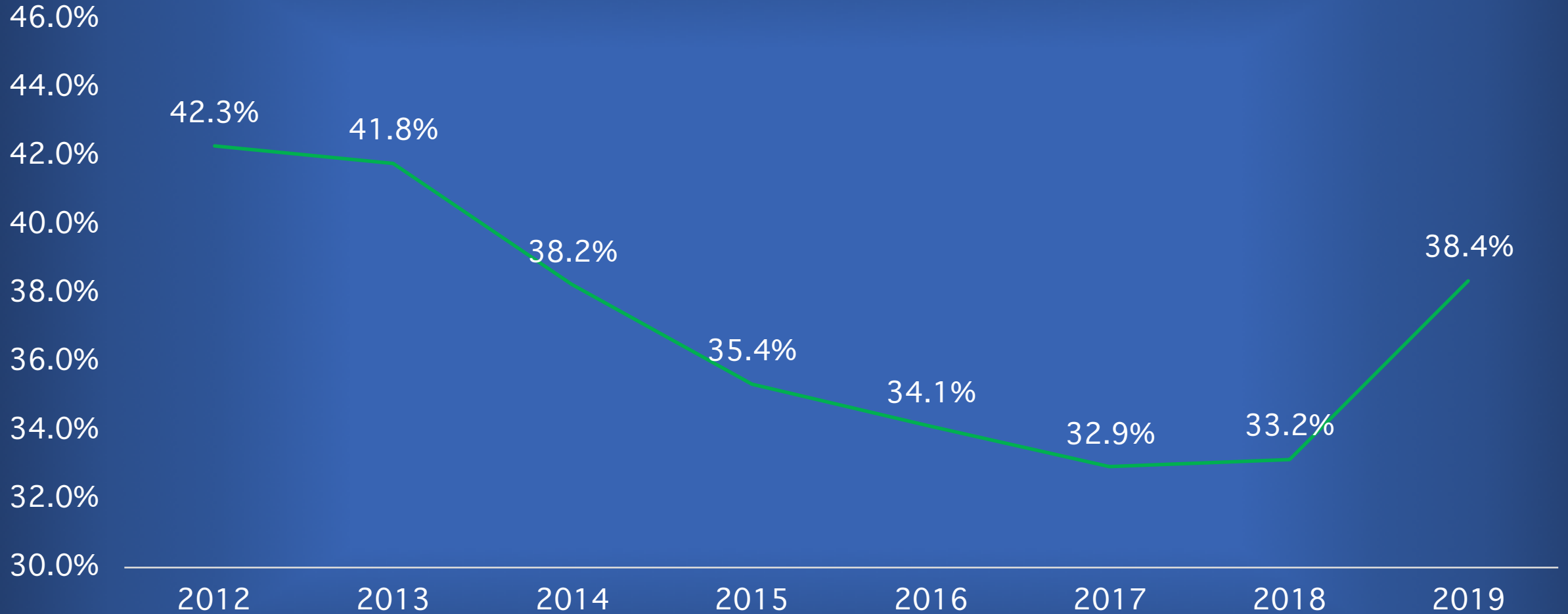
Net Margin Above 10%



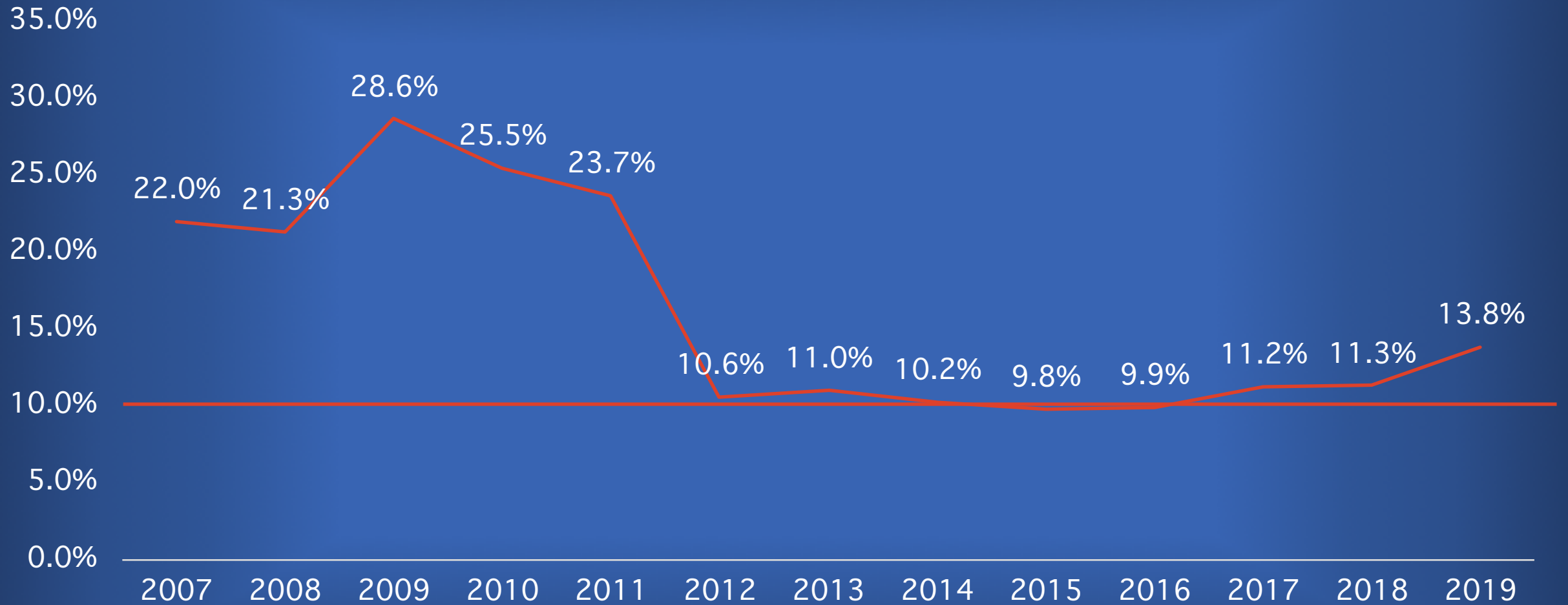
FCF Margin Above 10%*



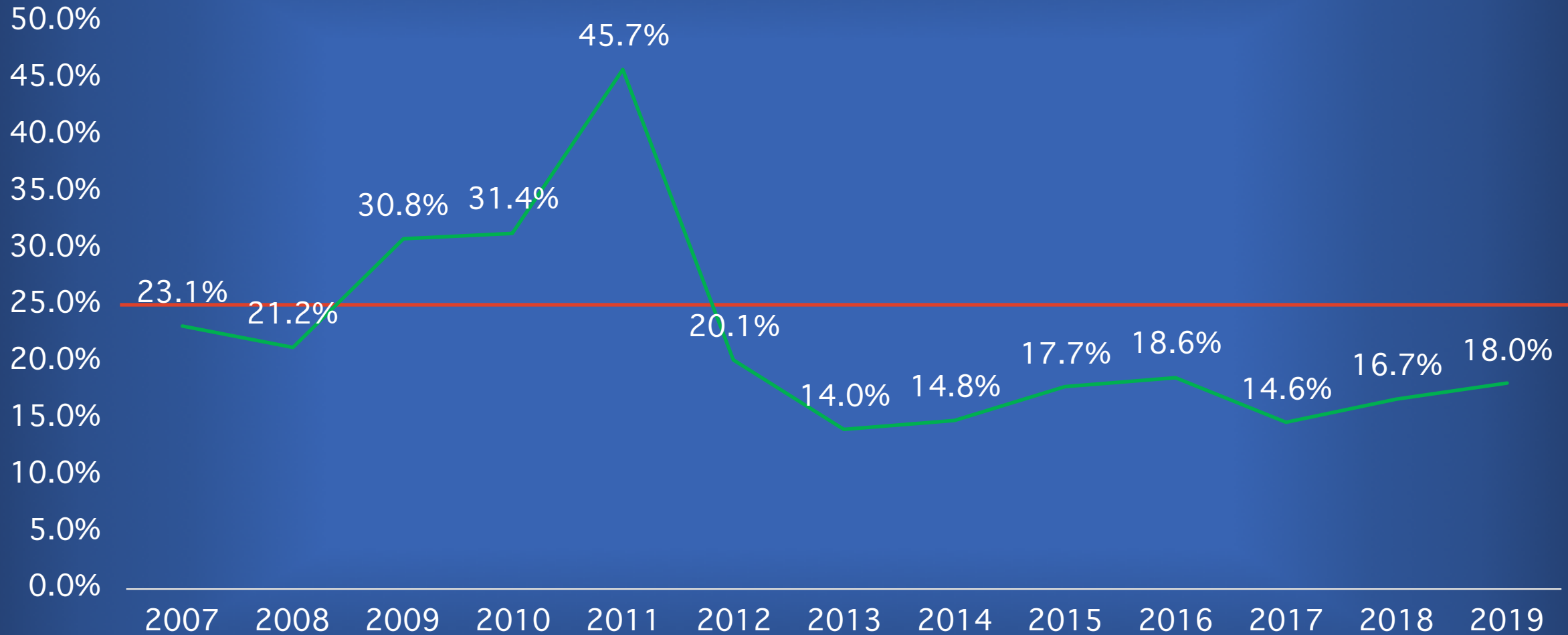
SG&A Below 80%



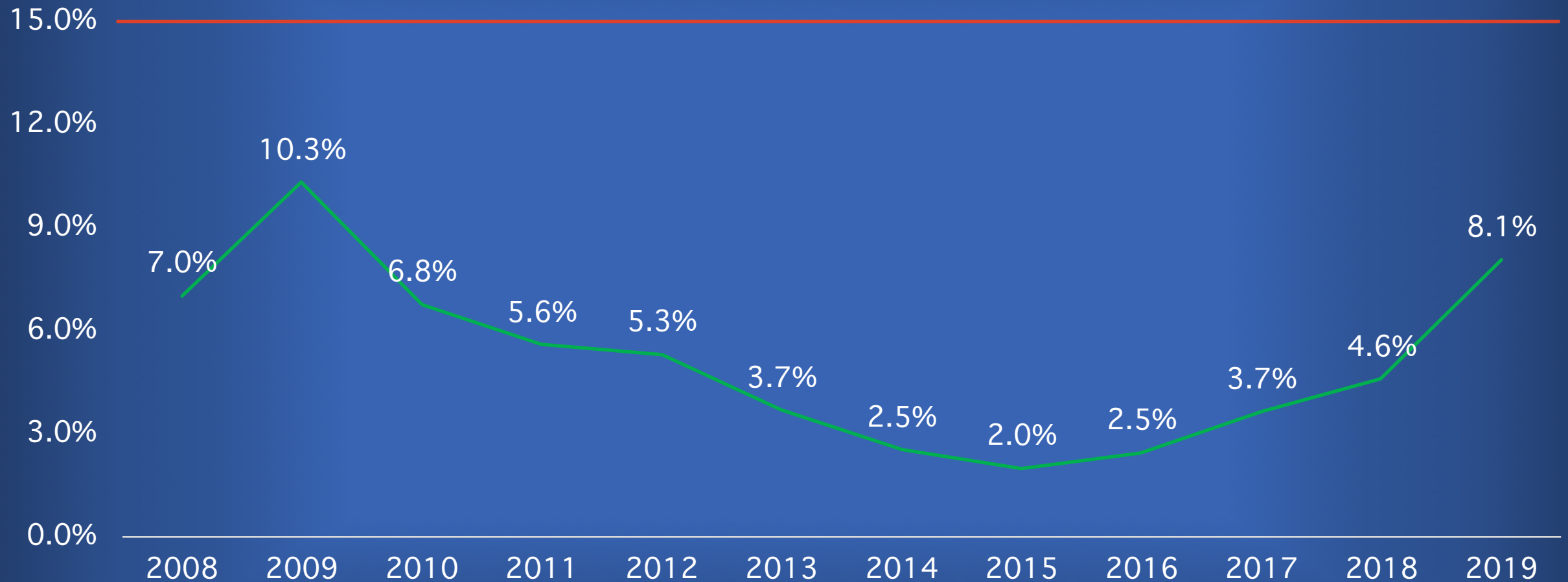
Depreciation Below 10%*



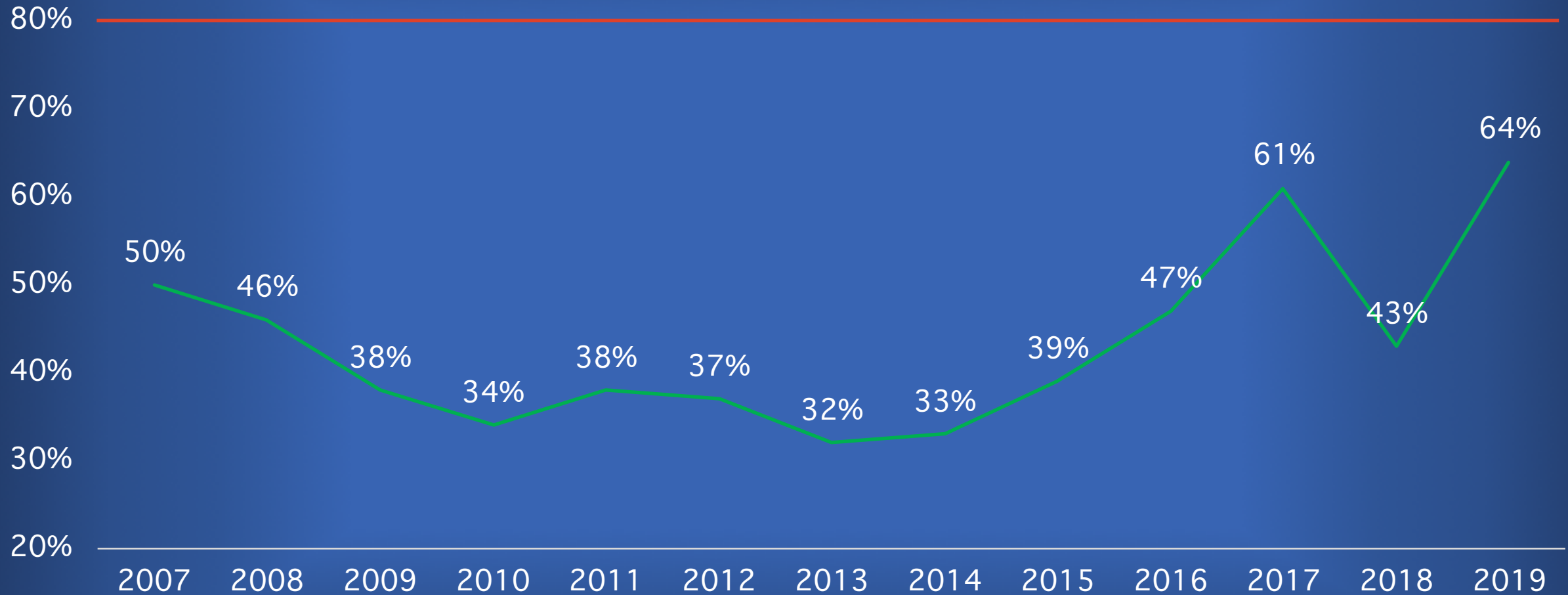
Capital Expenditures **Below 25%**



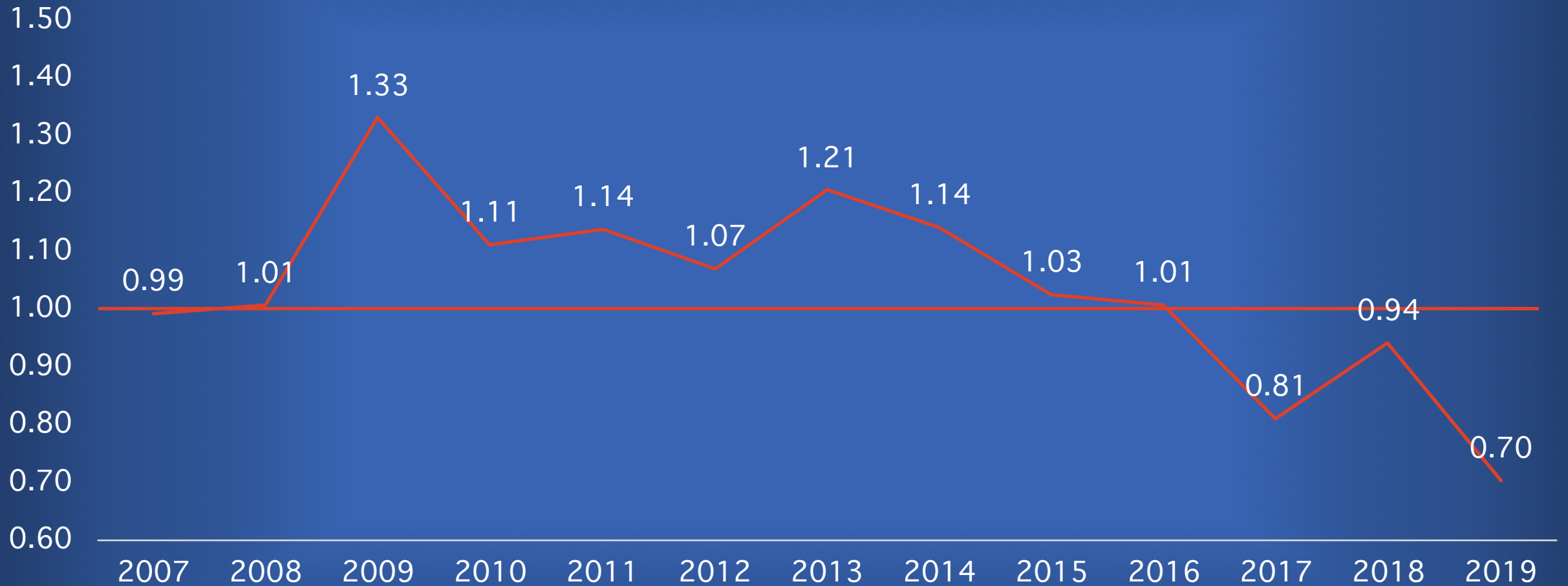
Interest Expense Below 15%



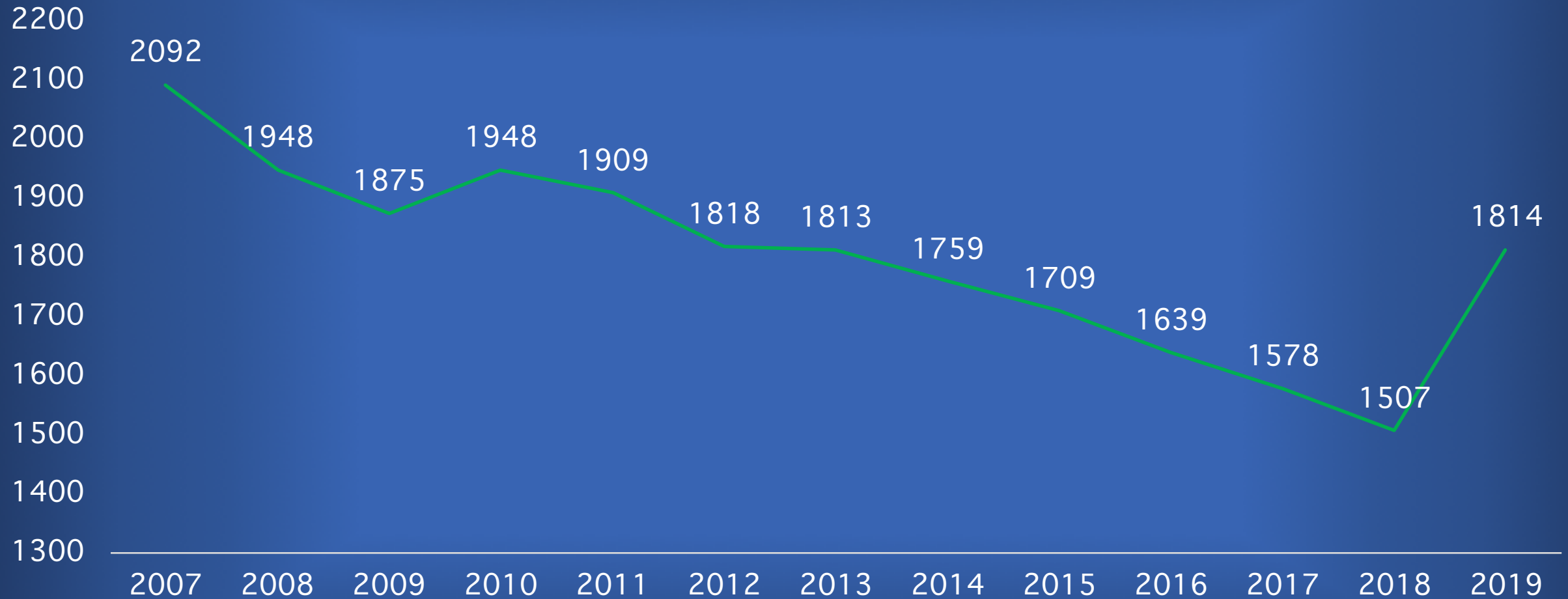
Debt to Equity Below 80%



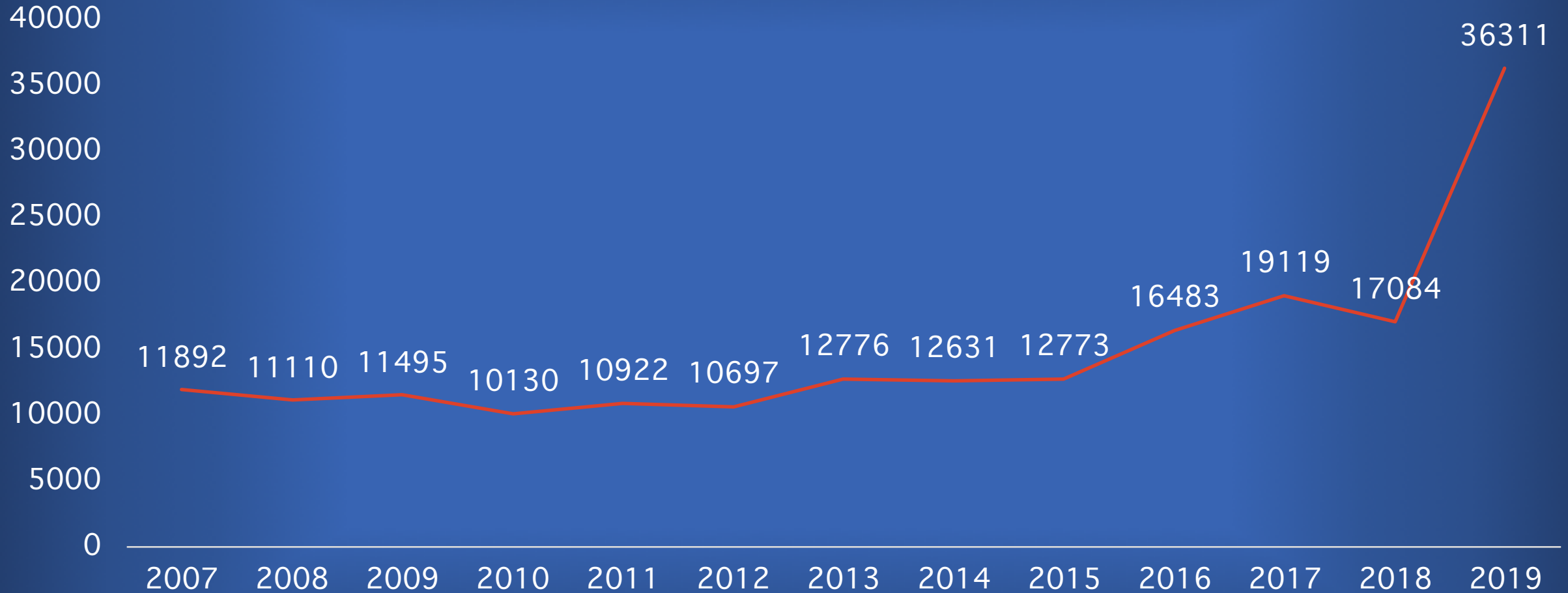
Current Ratio **Above 1**



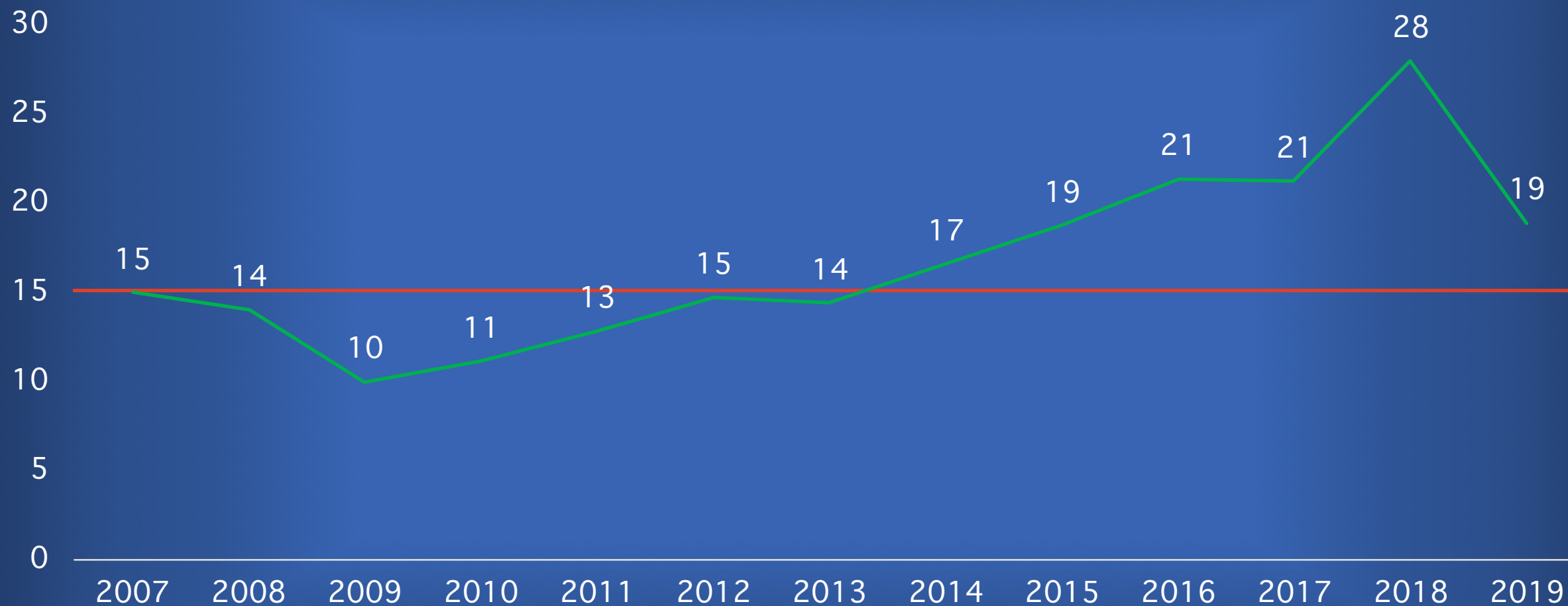
Shares Outstanding Declining Trend*



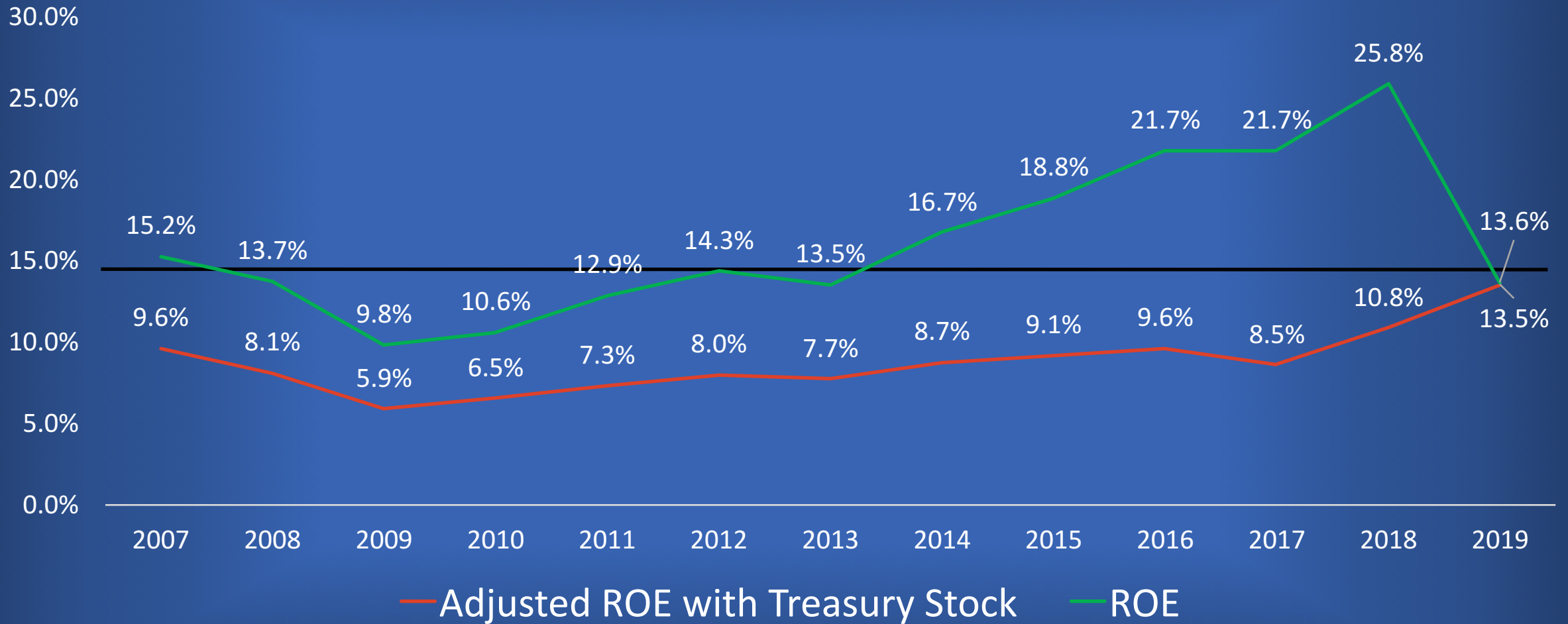
LT Debt Downward Trend



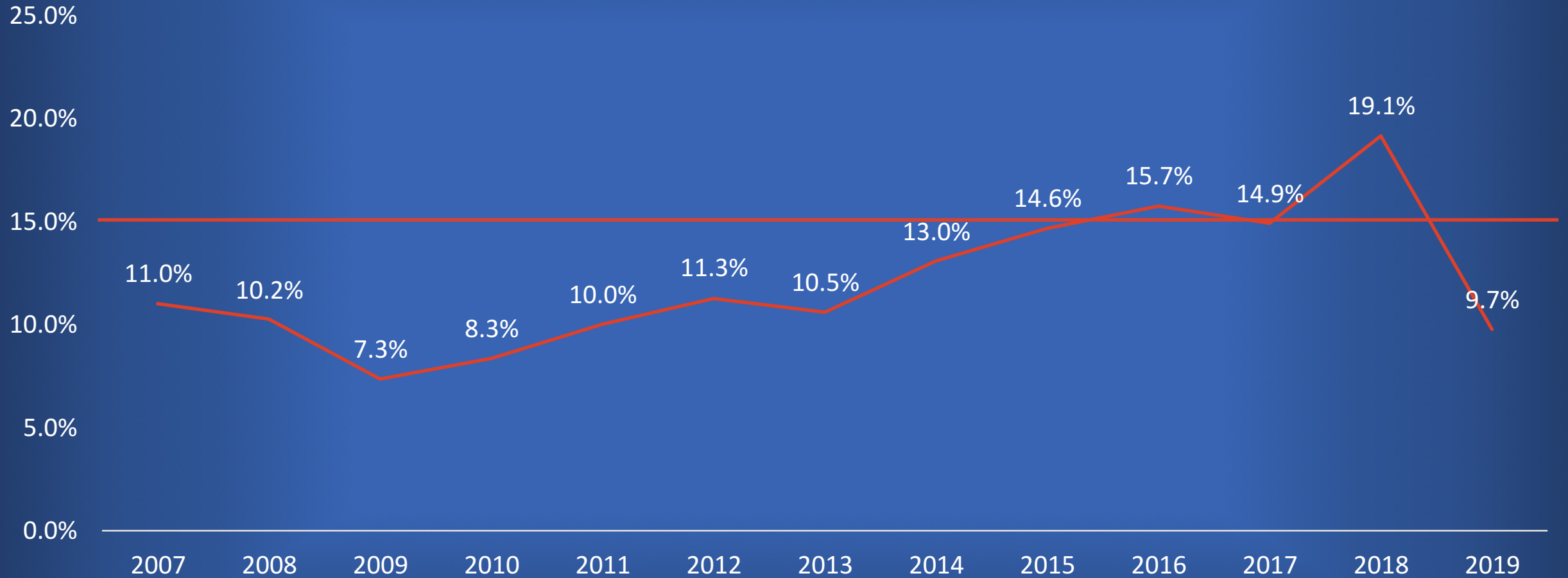
Return on Equity Above 15%



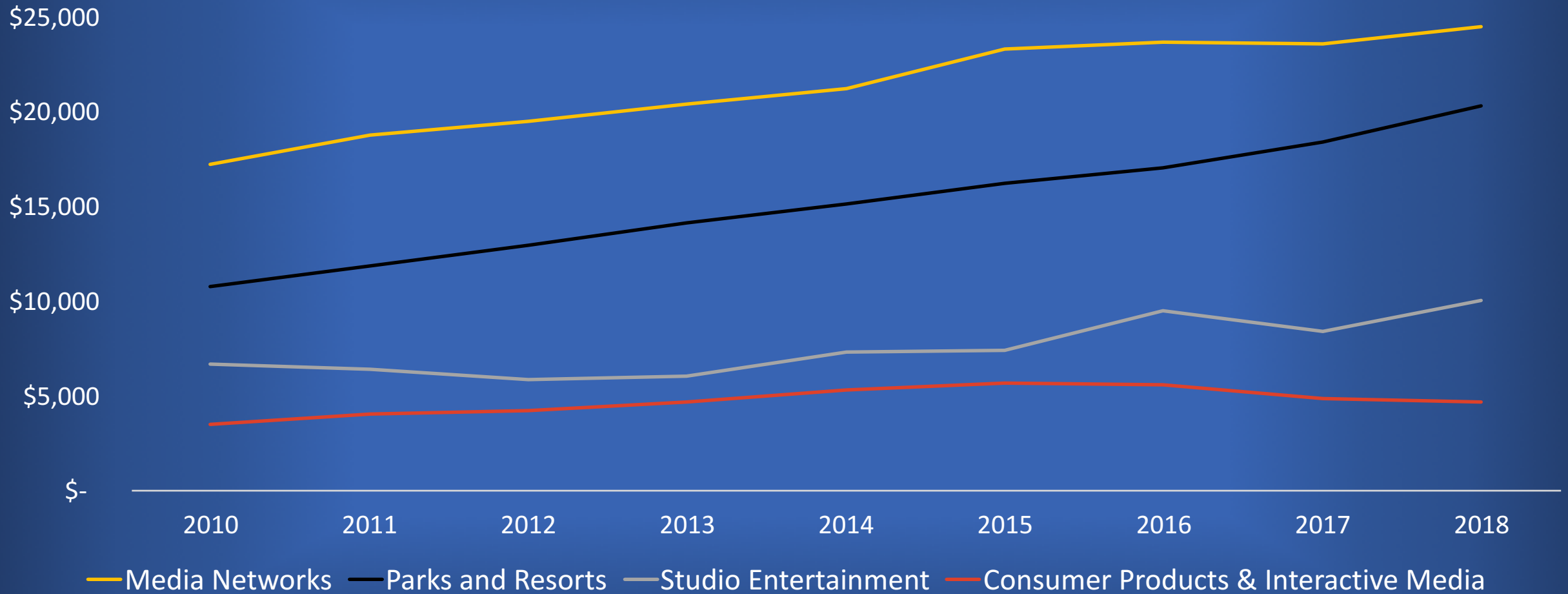
Adjusted ROE Above 15%



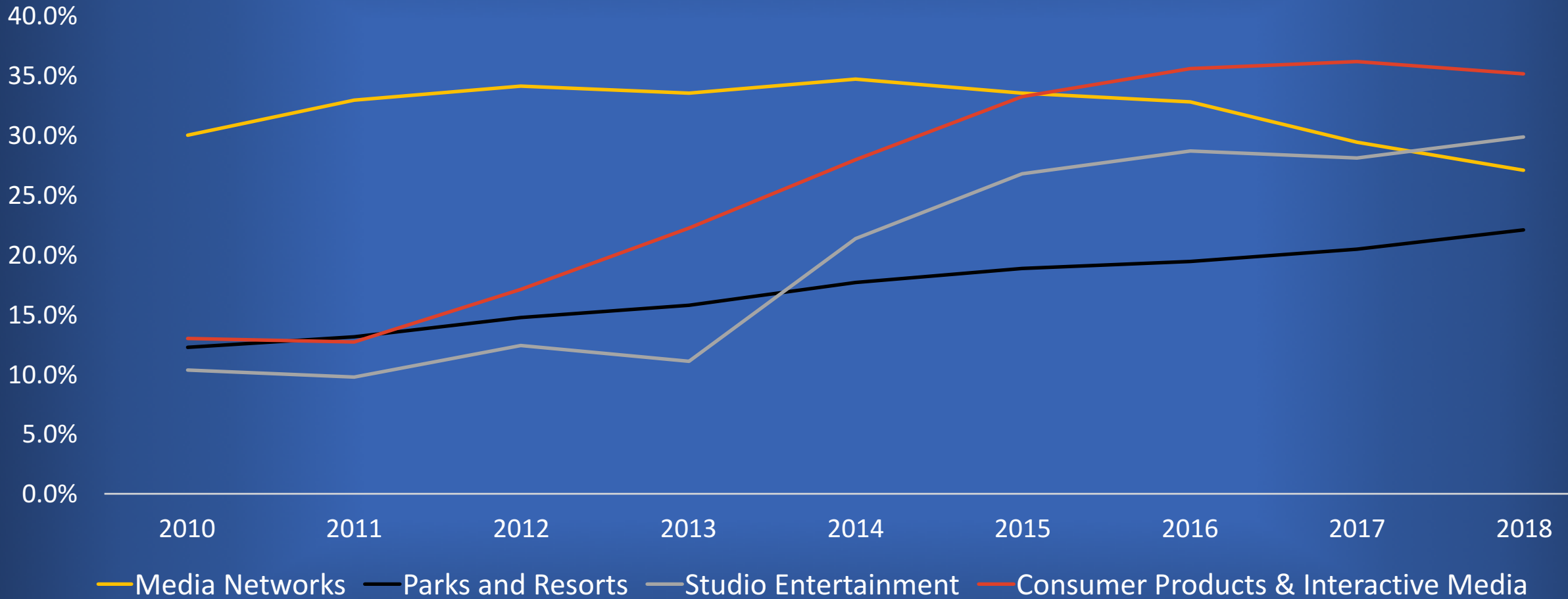
Return on Capital Above 15%



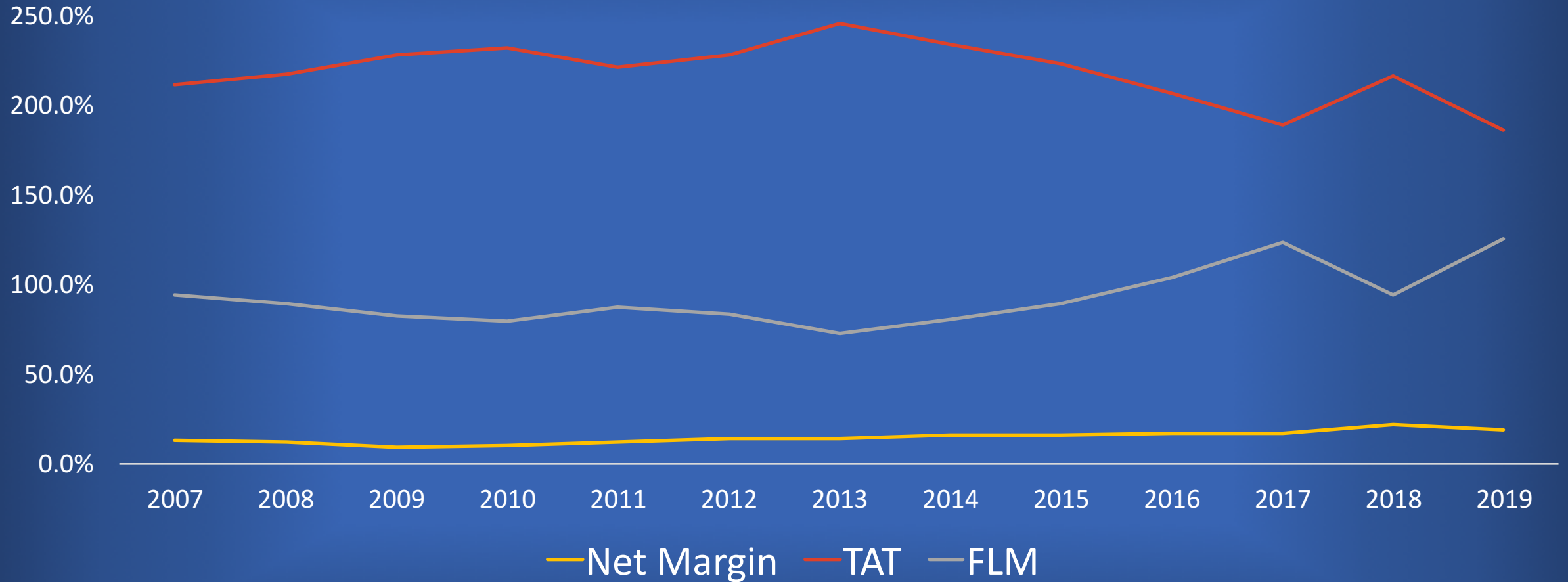
Revenue Breakdown by Segment



Operating Margin by Segment




DuPont Analysis



DuPont Analysis



	2014	2015	2016	2017	2018
Net Profit Margin	0.15	0.16	0.17	0.16	0.21
Total Asset Turnover	0.58	0.59	0.60	0.58	0.60
Financial Leverage Multiplier	1.87	1.98	2.13	2.32	2.02
					
Return on Equity	16.68%	18.83%	21.71%	21.74%	25.83%

OBLIGATION RATIO



Long-Term Debt:	\$37.803B
+ Leases * 7:	\$4.767B
+ Pension:	\$1.78B
- Cash:	\$10.108B
/ Net Profit:	\$15.8B
<hr/>	
= Obligation Ratio:	2.17 years



MOAT

MOAT



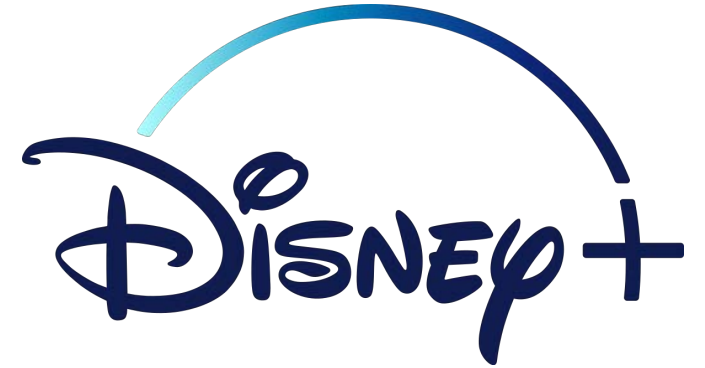
- Media Networks
- Iconic Characters
- Theme Parks
- Intangible Assets
- Brand Names
- “The happiest place on Earth!”



MOAT



21ST
CENTURY
FOX



hotstar



WALT DISNEY Parks and Resorts

VALUE BANDS



DCF- BASE CASE



Earnings Per Share	\$7.38
Growth Rate in the Next 10 years	11%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$137.71
Margin of Safety	5.89%



DCF- BULL CASE

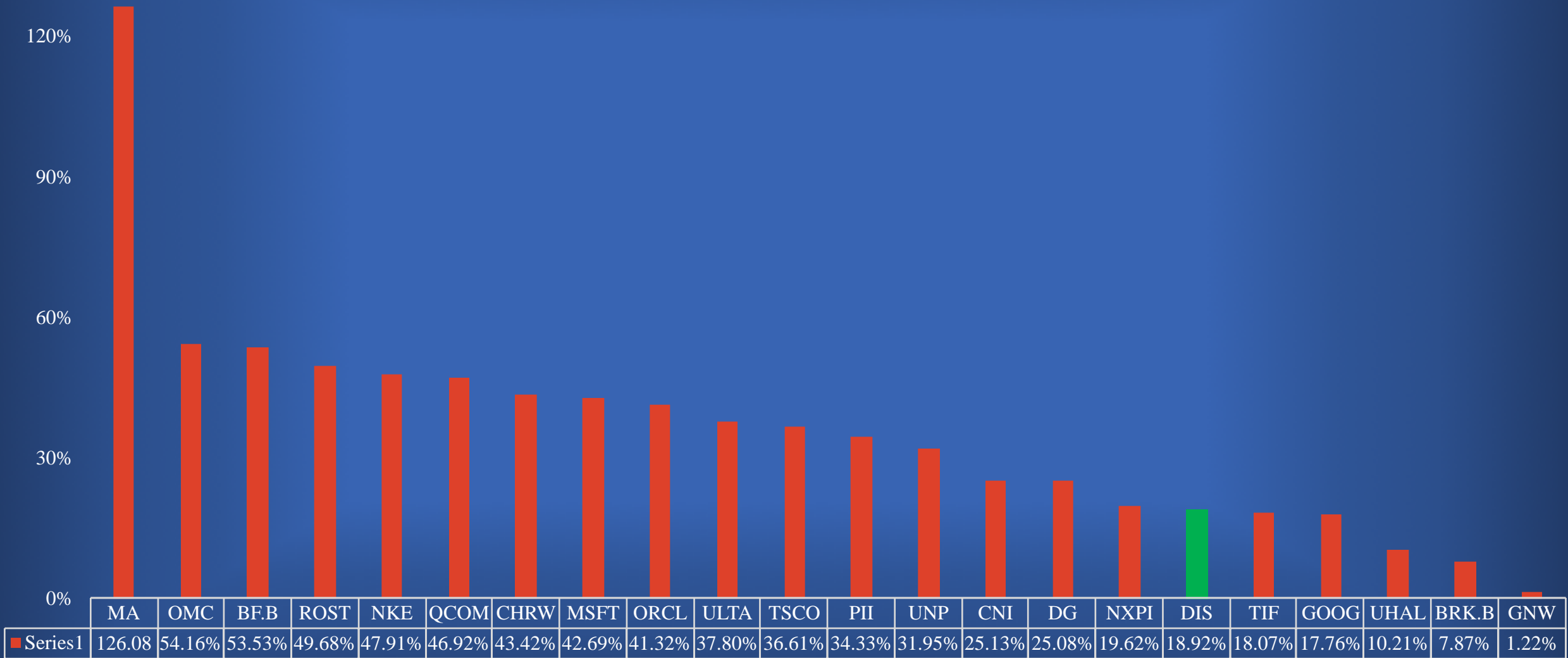
Earnings Per Share	\$7.38
Growth Rate in the Next 10 years	15%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$180.66
Margin of Safety	28.26%

DCF- BEAR CASE

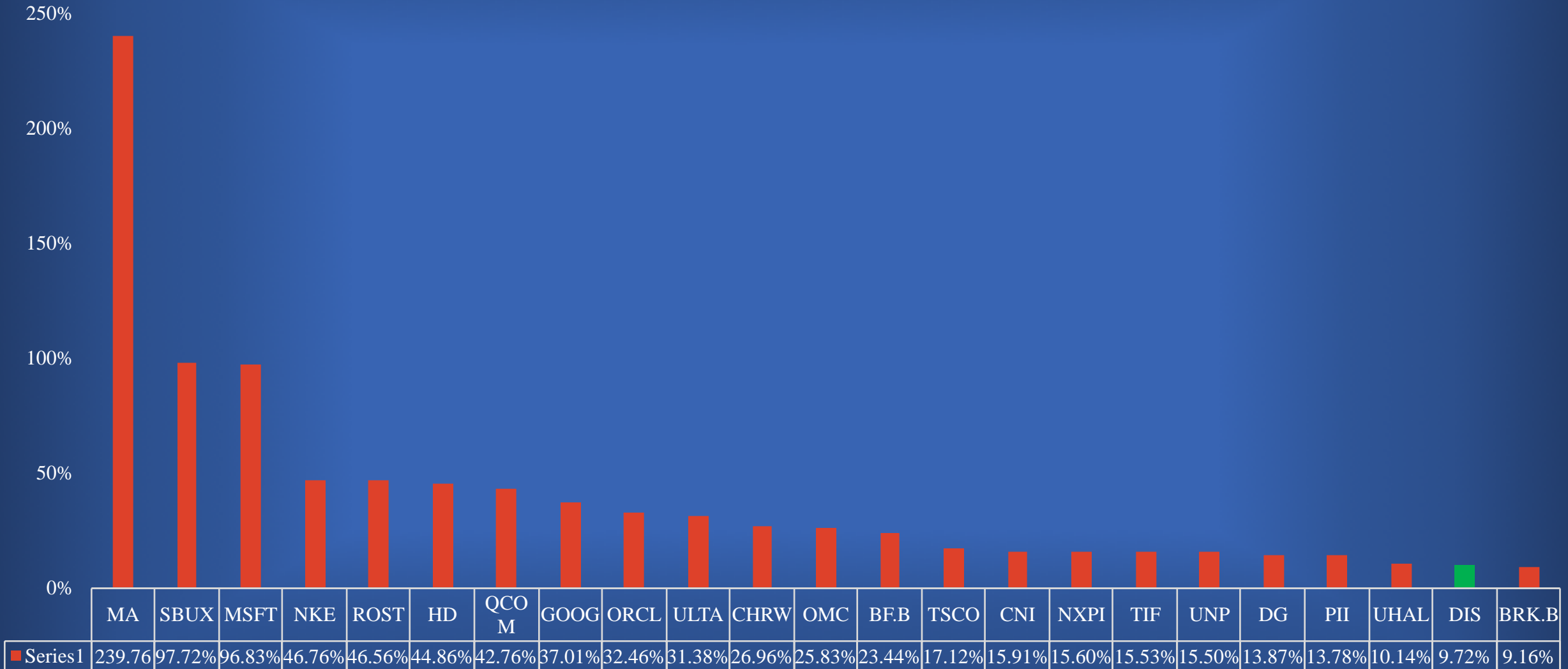


Earnings Per Share	\$7.38
Growth Rate in the Next 10 years	6.50%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$101.79
Margin of Safety	-27.32%

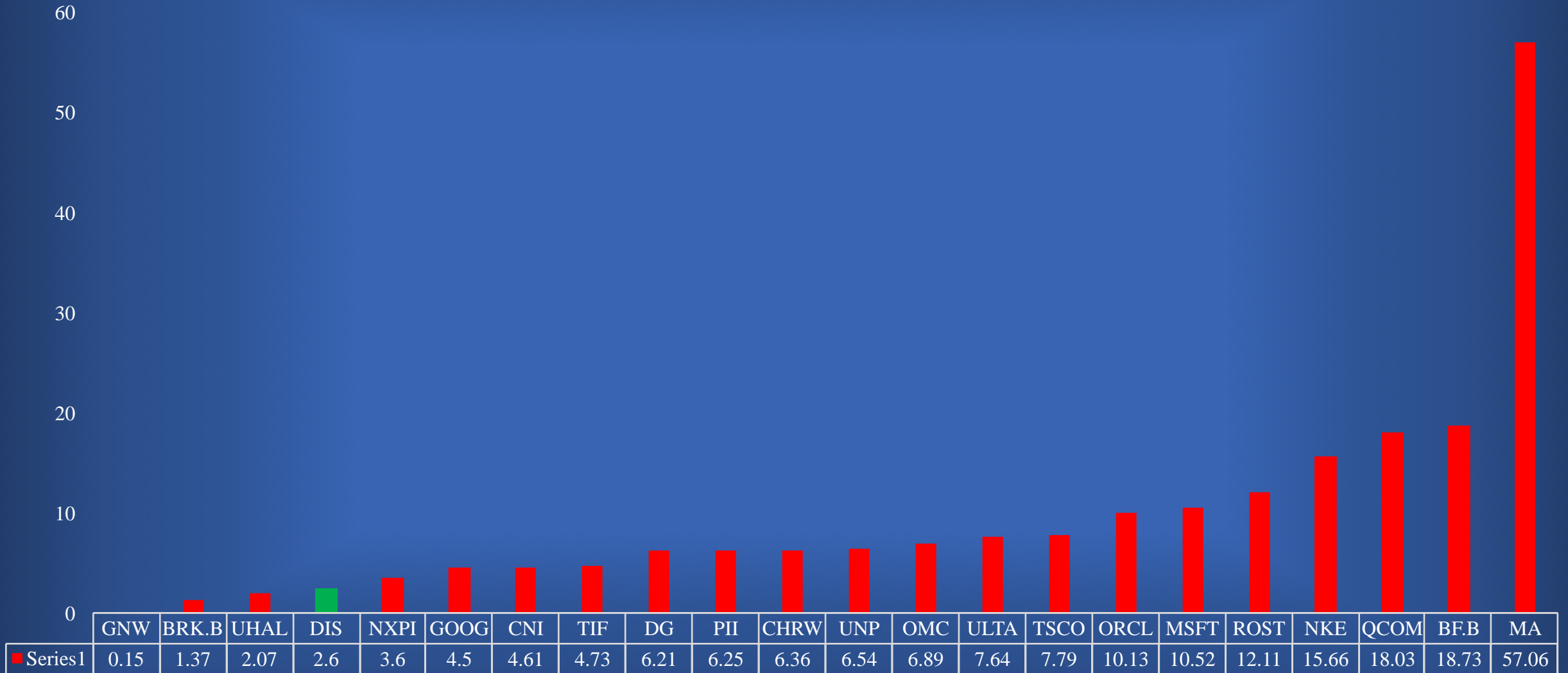
INTRAPORTFOLIO: ROE



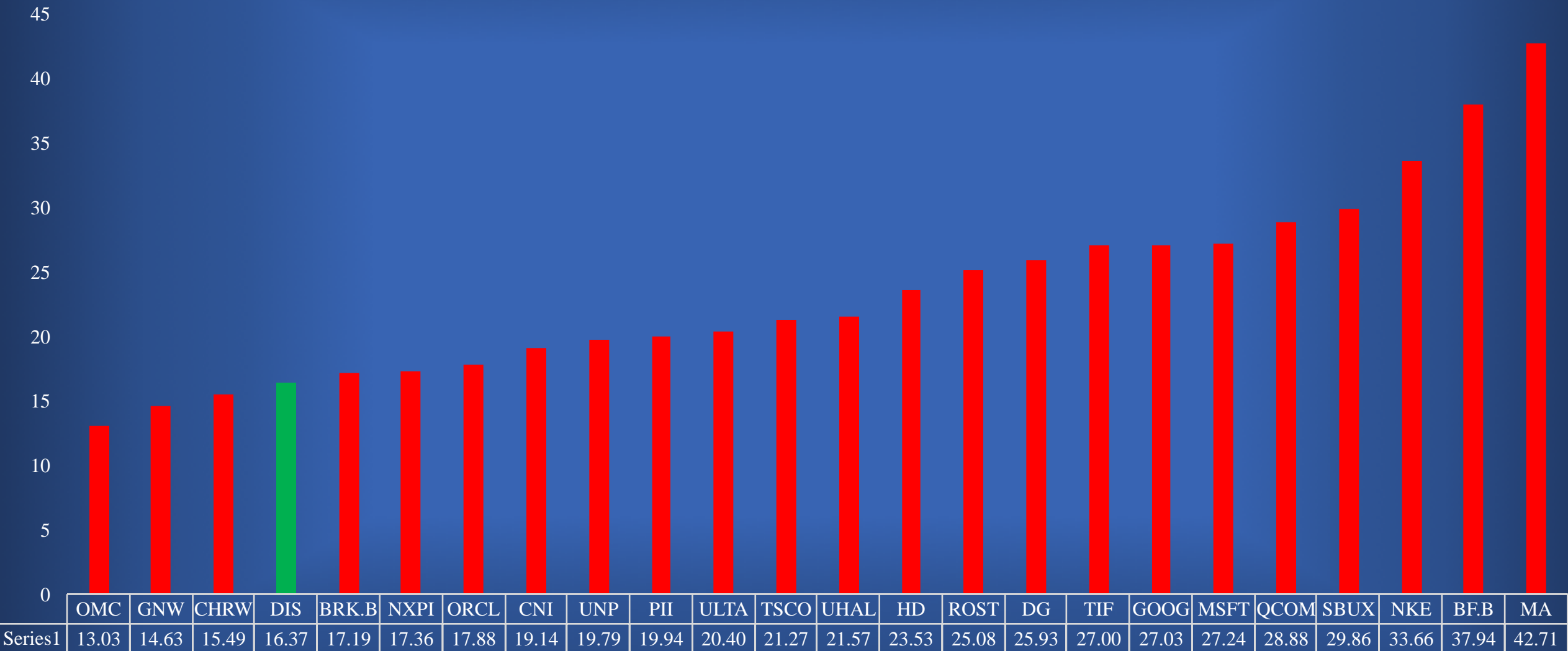
INTRAPORTFOLIO: ROIC



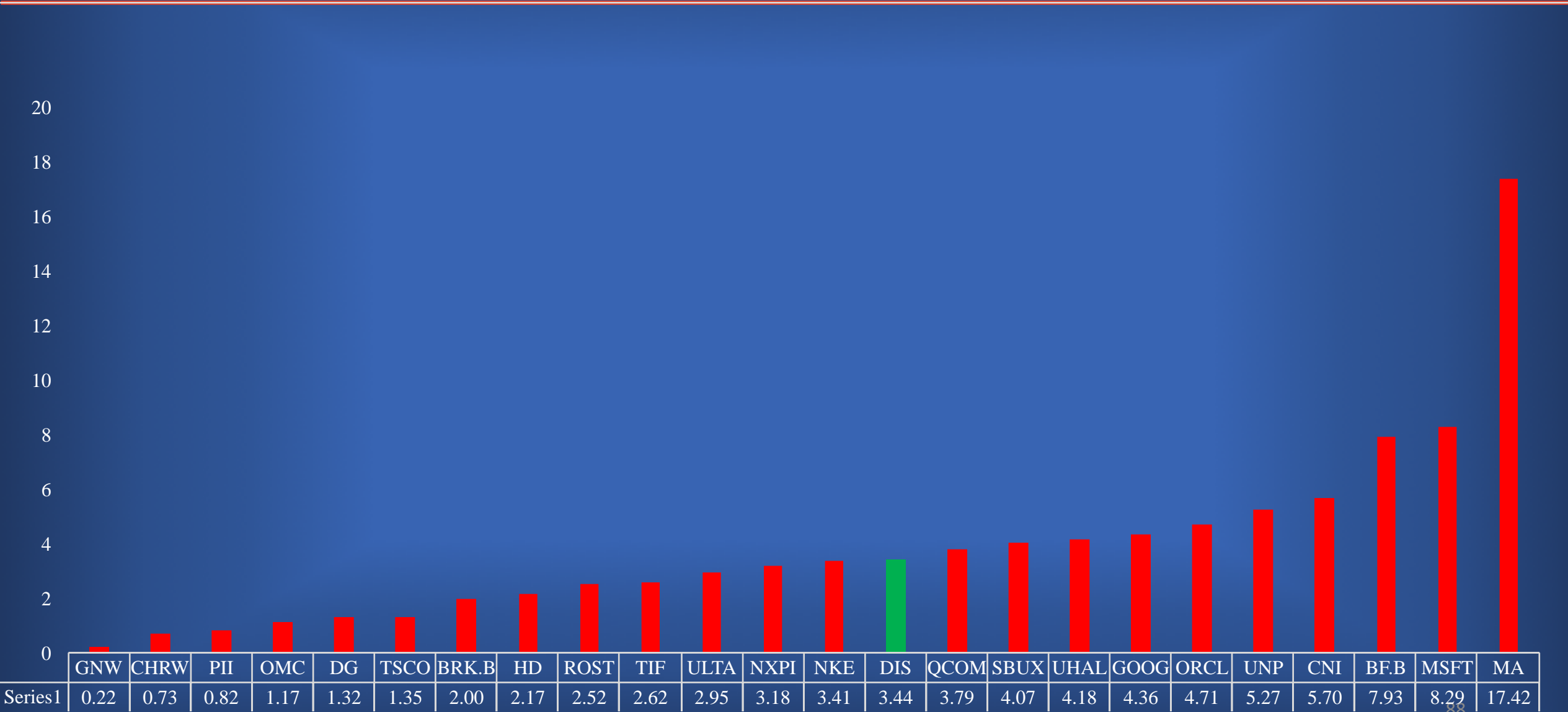
INTRAPORTFOLIO: PRICE/BOOK



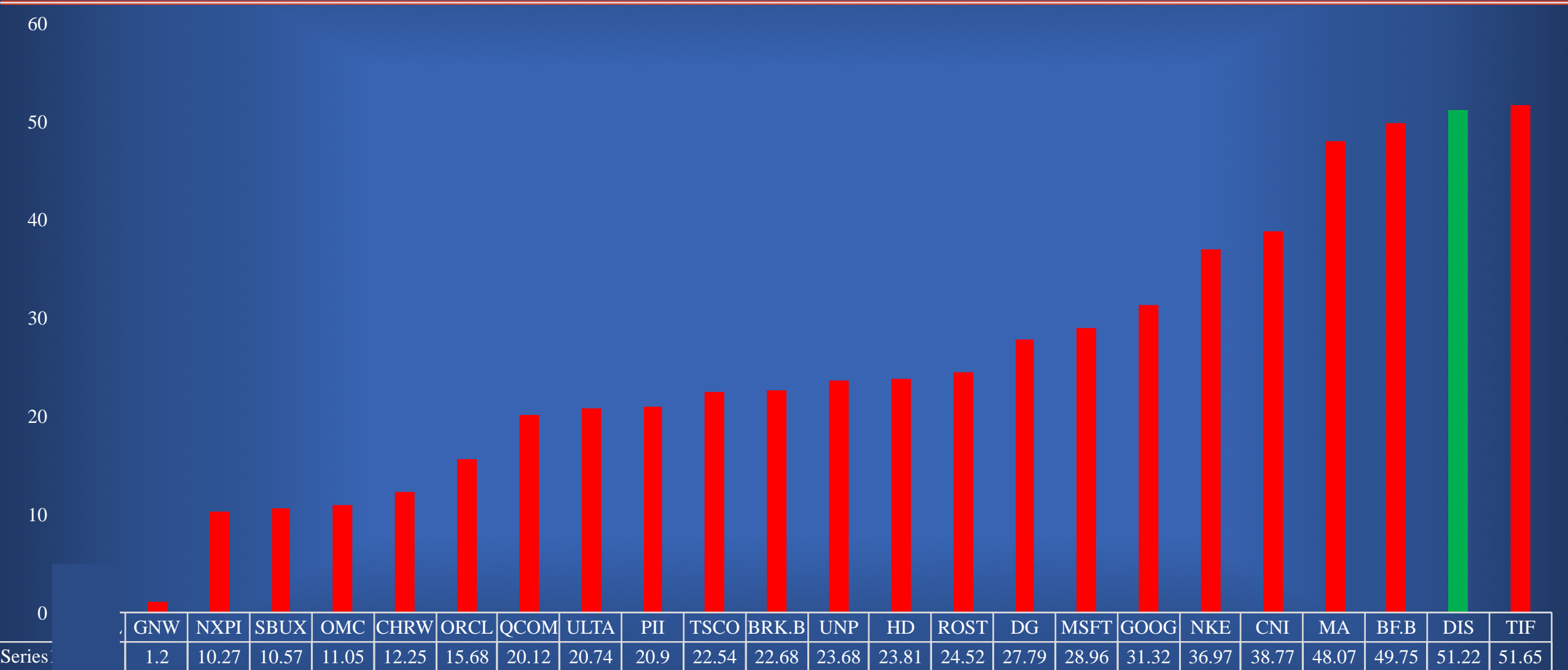
INTRAPORTFOLIO: PRICE/EARNINGS



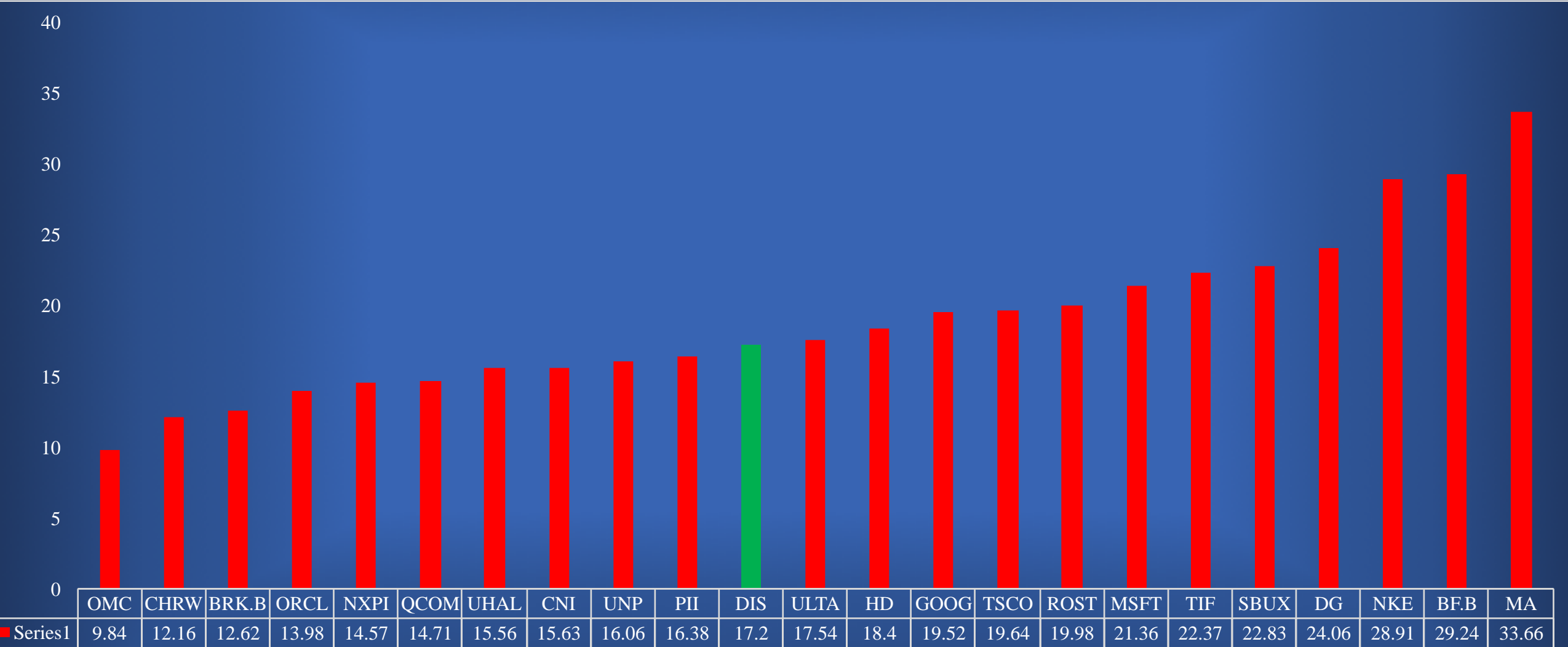
INTRAPORTFOLIO: PRICE/SALES



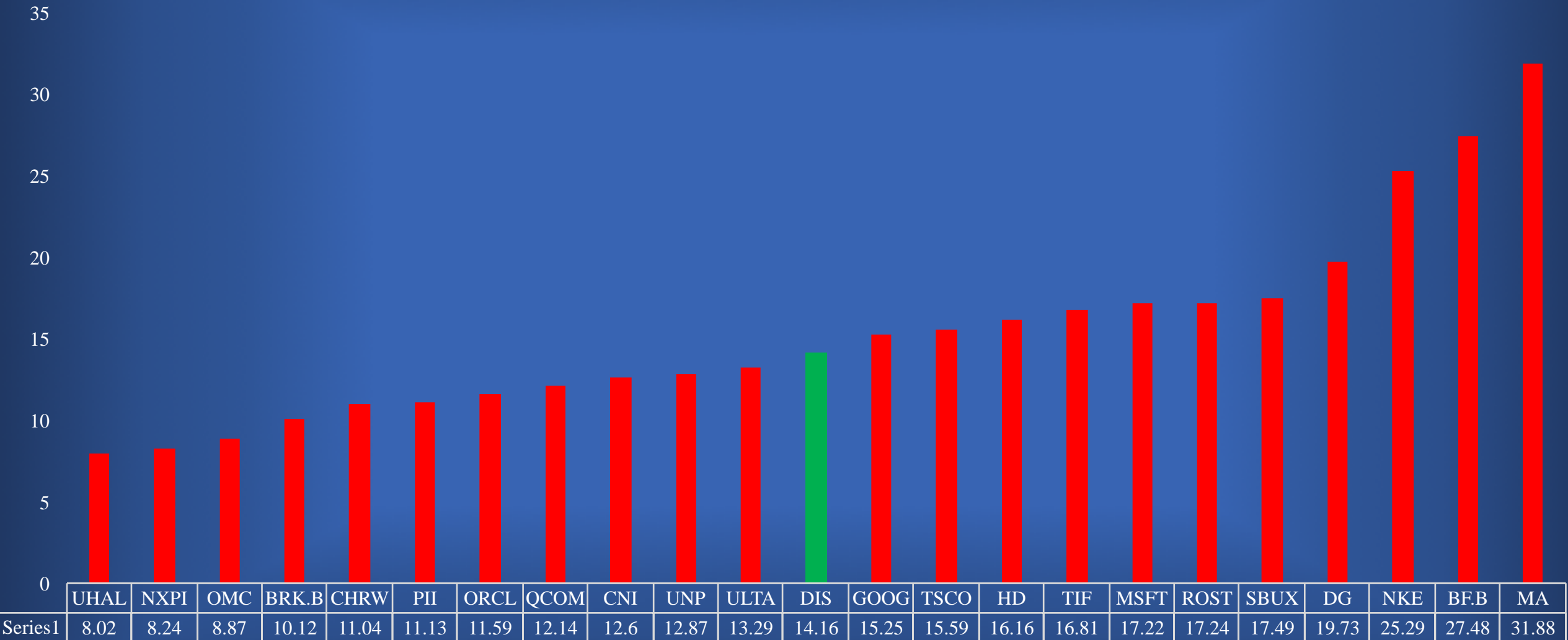
INTRAPORTFOLIO: PRICE/FCF



INTRAPORTFOLIO: EV TO EBIT



INTRAPORTFOLIO: EV TO EBITDA



CONCIOUS INVESTOR



	9/09	9/10	9/11	9/12	9/13	9/14	9/15	9/16	9/17	9/18
EPS (\$)	1.76	2.03	2.52	3.13	3.38	4.26	4.90	5.73	5.69	8.36
SPS (\$)	19.45	19.90	22.03	23.49	25.02	28.71	31.08	34.62	36.76	39.62

HGROWTH	STAEGR
17.90%	95.04%
8.84%	98.14%

CONCIOUS INVESTOR



	9/13	9/14	9/15	9/16	9/17	9/18
EPS (\$)	3.38	4.26	4.90	5.73	5.69	8.36
SPS (\$)	25.02	28.71	31.08	34.62	36.76	39.62

HGROWTH	STAEGR
17.35%	94.86%
9.35%	98.54%

CONCIOUS INVESTOR



	9/16	9/17	9/18
EPS (\$)	5.73	5.69	8.36
SPS(\$)	34.62	36.76	39.62

HGROWTH	STAEGR
20.79%	91.87%
6.99%	99.83%

CONCIOUS INVESTOR- SAFETY



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD
Default	\$ 129.60	\$ 7.53	17.12	16.12 %	25.80 %	15.43 %
Safety	\$ 129.60	\$ 7.53	14.51	11.79 %	18.90 %	9.51 %

-15.25%

-26.86%

-26.74%

-38.37%

CONCIOUS INVESTOR- KILL IT



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD
Default	\$ 129.60	\$ 7.53	17.12	16.12 %	25.80 %	15.43 %
Safety	\$ 129.60	\$ 7.53	13.59	2.39 %	0.00 %	0.00 %

-20.62%

-85.17%

-100.00%

-100.00%



RECOMMENDATION

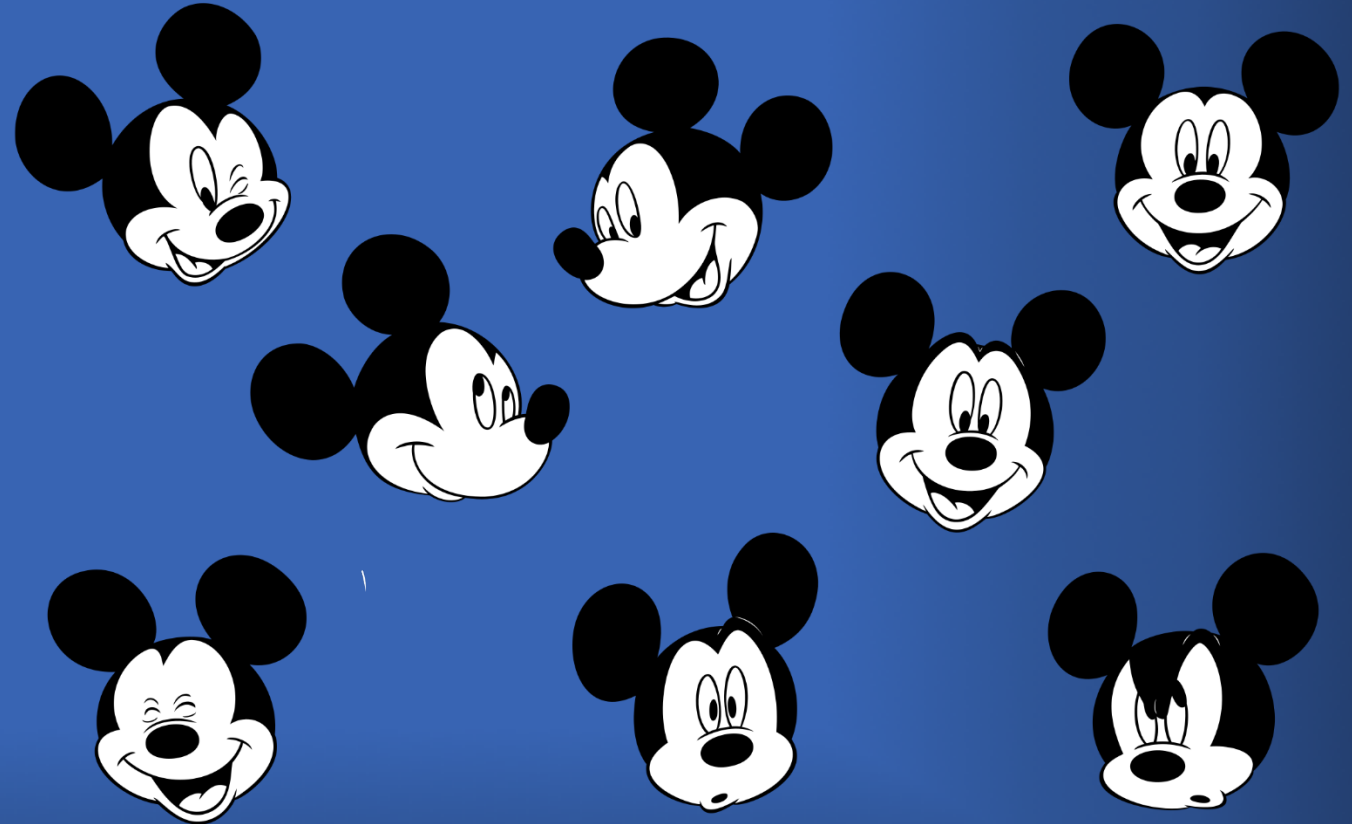
WHAT DOES MICKEY MOUSE RECOMMEND?



RECOMMENDATION



 We recommend a
limit order for DIS
80 shares at
\$125-\$128





QUESTIONS?