



# Bloomsburg Investment Group

Equity Analysis  
Walt Disney Company (DIS)

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## Bloomsburg Investment Group Opinion:

According to our analysis of the Walt Disney Company, we consider it a STRONG buy. Disney is a market leader in the entertainment industry. Disney owns some of the most recognizable brands in the world of entertainment including: ABC, ESPN, Lucas Films, Marvel Studios, Pixar, and Walt Disney World. Disney has extremely strong financials and pays a good dividend. Disney has a market cap of 176.7 Billion. Disney is constantly looking to better position itself through mergers and acquisitions or partnerships.

## Corporate Summary:

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. The company's Media Networks segment operates cable programming services, including the ESPN, Disney channels, and Freeform networks; broadcast businesses, which include the ABC TV Network and eight owned television stations; radio businesses consisting of the ESPN Radio Network; and the Radio Disney network. It also produces and sells original live-action and animated television programming to first-run syndication and other television markets, as well as subscription video on demand services and in home entertainment formats, such as DVD, Blu-Ray, and iTunes. Its Parks and Resorts segment owns and operates the Walt Disney World Resort in Florida and the Disneyland Resort in California. This segment also operates Disney Resort & Spa in Hawaii, Disney Vacation Club, Disney Cruise Line, and Adventures by Disney; and manages Disneyland Paris, Hong Kong Disneyland Resort, and Shanghai Disney Resort, as well as licenses its intellectual property to a third party for the operations of the Tokyo Disney Resort in Japan. The company's Studio Entertainment segment produces and acquires live-action and animated motion pictures for distribution in the theatrical, home entertainment, and television markets primarily under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm, and Touchstone banners. This segment also produces stage plays and musical recordings; licenses and produces live entertainment events; and provides visual and audio effects, and other post-production services. Its Consumer Products & Interactive Media segment licenses its trade names, characters, and visual and literary properties; develops and publishes games for mobile platforms; and sells its products through The Disney Store, DisneyStore.com, and MarvelStore.com, as well as directly to retailers. The company was founded in 1923 and is based in Burbank, California.

## Corporate Details:

Name	Walt Disney Co
Ticker	DIS
Domicile	United States
Sector	Consumer Cyclical
Industry	Media - Diversified
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	113.05
Price 52 Wk High	113.24
Price 52 Wk Low	90.32
Latest Dividend	0.78
Dividend Yield % TTM	1.32
Beta 5 Yr (Mo-End)	1.20
Avg Daily Volume (3 Mo)	6,343,081.94
Shares Outstanding (mil)	1,581.25
Number of Analysts	8

3/29/2017

Walt Disney Co

US Dollar

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## Financial Summary, Year End 2017 (in millions)

Market Capitalization	178,760.11
Total Revenue	55,632.00
Gross Profit	25,639.00
Operating Income	14,358.00
Net Income Cont Ops	9,790.00
Net Income	9,391.00
Current Assets	16,966.00
Cash	4,610.00
Total Assets	92,033.00
Current Liabilities	16,842.00
Long-term Liabilities	31,926.00
Total Liabilities	48,768.00
Total Equity	43,265.00
Operating Cash Flow	13,213.00
Investing Cash Flow	-5,758.00
Financing Cash Flow	-6,991.00
Change In Cash	341.00
EBITDA	17,749.00
Enterprise Value	195,514.11
Capital Expenditure	-4,773.00
P/E Ratio Forward	19.01
PEG Ratio	2.30
Dividend Yield % TTM	1.32

## Financial Highlights

Overall, The Walt Disney company has extremely strong financials. They are outperforming their competitors in several areas while having very few financial statement concerns.

The Walt Disney company has a very strong market capitalization and is one of the industry leaders in terms of its movie studios, theme parks, and broadcasting content.

The Walt Disney company has extremely low debt compared to other companies of comparable size. This positions Disney to be in a great position for mergers and acquisitions.

The Walt Disney company is outperforming its competitors by almost double in terms of ROA. Disney has a ROA of 10.42%. Walt Disney also has the largest Net Income out of everyone of its competitors. Even though Comcast has almost 30 bil. dollars more in revenue, Disney has more net income which means they are much more efficient.

## Investment Growth

Time Period: 3/1/2014 to 2/28/2017



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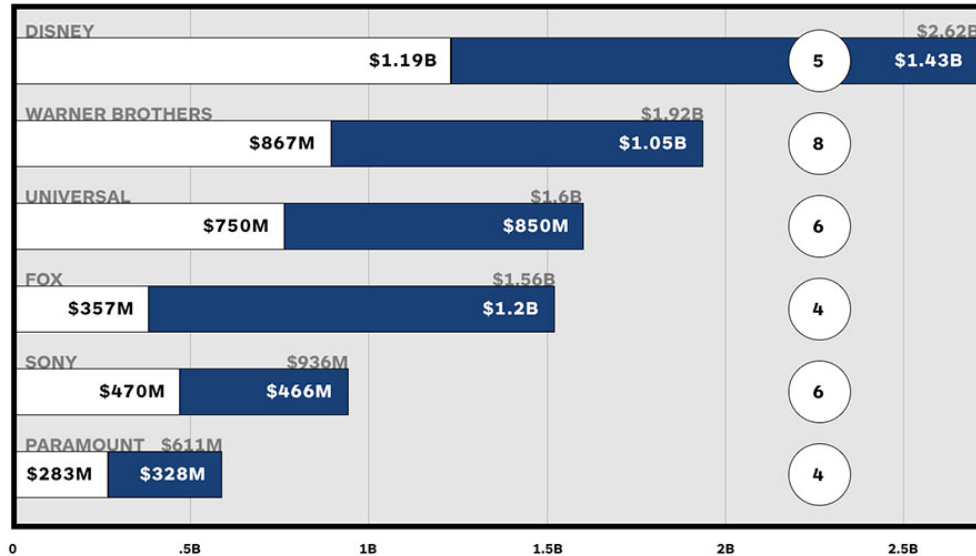


# Walt Disney Co DIS

## IT'S NICE TO BE DISNEY

THE STUDIO IS THE IRON MAN OF THE GLOBAL BOX OFFICE, WHILE EMBATTLED PARAMOUNT FELL TO LAST PLACE IN MARKET SHARE

DOMESTIC   
 GLOBAL   
 FILMS RELEASED   
 Source: Box Office Mojo



### ESPN channels are being added to a skinny bundle

Google just created "YouTube TV" which is a \$35 a month subscription which gives you six accounts and access to 40 live TV providers. A bonus for Walt Disney from this is the fact that ESPN is included in this subscription service as well as ABC. This could be the future for television and it is a positive that Walt Disney is included on the ground floor of "YouTube TV."

### Zootopia Lawsuit

The film "Zootopia" created by Walt Disney Co. is being sued by a man named Gary Goldman who claims he pitched the idea to Disney twice in the past. The film grossed over \$1 billion and the film won an Oscar. In responses, Disney has said, "Mr. Goldman's lawsuit is riddled with patently false allegations. It is an unprincipled attempt to lay claim to a successful film he didn't create, and we will vigorously defend against it in court." Cases like this usually ends in the court siding with big companies. We believe that if they have to settle on this, it will be for a little amount in comparison to the cash Disney has.

### Beauty and the Beast Success

The film that every analysts predicted to be huge has turned out to be even bigger. "Beauty and the Beast" opened at \$170 million in North America and \$350 million worldwide. This was the biggest movie all-time rated PG and climbed to seventh all time on domestic openers.

### Park Additions

Disney has confirmed that Star Wars Land is coming to California and Florida. They will also begin to create a Toy Story land. The "Flight of Passage" ride is set to make visitors feel like they're truly flying on the back of a Banshee over Pandora. New rides will continue to boost well for Disney's stock.



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## Industry Environment:

Disney is a market leader in the consumer discretionary industry. Its movie studio is second to none and has been delivering market block buster time and time again. Other movie studios like paramount studios (which is owned by Viacom) have been struggling. Disney is facing increased competition from Fox 21 over super hero movies but Disney's marvel studios has yet to release a flop. The theme park industry has also been very successful for Disney. Their closest competitor is Universal Studios (owned by Comcast) and both theme parks are constantly making updates to improve but Universal. Universal theme parks are only limited to Orlando, FL, and Hollywood, CA. Disney has multiple theme parks worldwide. The industry environment for broadcasting and cable programing have affected companies across the industry with the trend of "cord cutting." The industry has been looking for alternatives to help alleviate viewership losses.

## Competitor Comparison

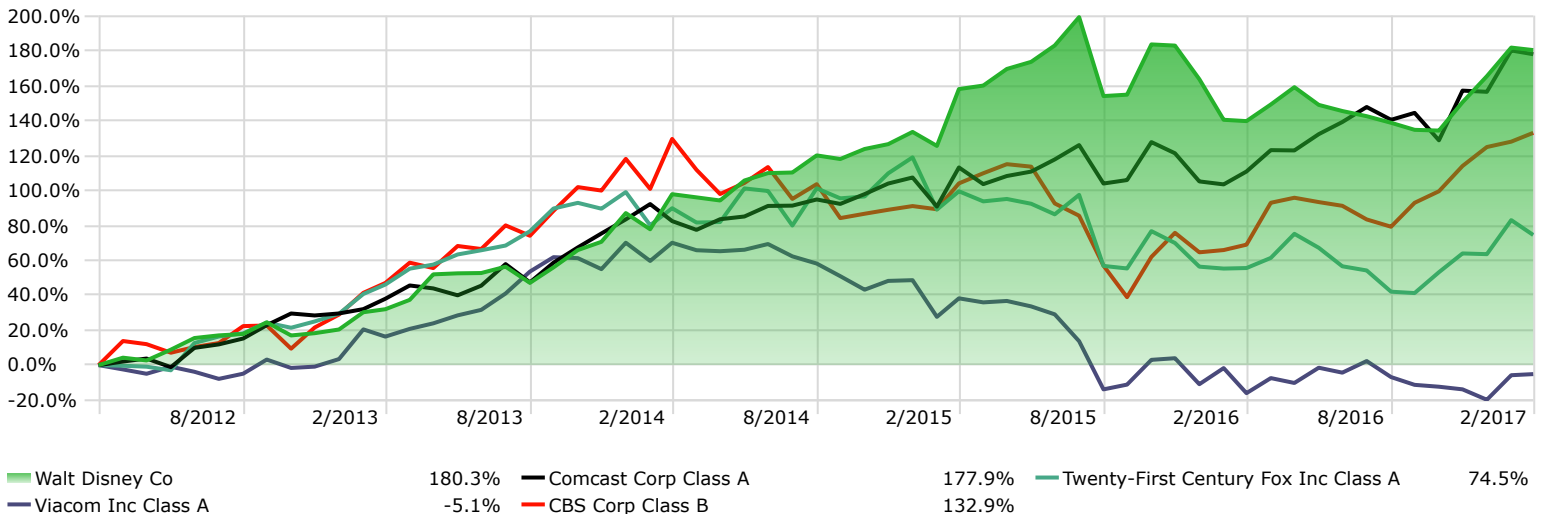
	Revenue (mil)	Revenue % Chg	Gross Profit (mil)	Gross Margin %	Net Income (mil)	Net Income % Chg	Net Margin %	Market Cap (mil) (Daily)	Current Ratio	Receivable Turnover
Walt Disney Co	55,632.00	6.04	25,639.00	46.09	9,391.00	12.04	16.88	178,760.11	1.01	6.92
Comcast Corp Class A	80,403.00	7.91	55,940.00	69.57	8,695.00	6.52	10.81	175,886.68	0.76	9.92
Twenty-First Century Fox Inc Class A	27,326.00	-5.73	10,197.00	37.32	2,755.00	-66.83	10.08	60,041.08	2.12	4.49
Viacom Inc Class A	12,488.00	-5.88	5,804.00	46.48	1,438.00	-25.18	11.52	18,713.66	1.23	4.53
CBS Corp Class B	13,166.00	3.91	5,210.00	39.57	1,261.00	-10.76	9.58	27,754.20	1.64	3.87

## Competitor Comparison (Cont.)

	Asset Turnover	ROA %	Total Debt to Total Equity	ROE %	Beta 5 Yr	P/E Ratio Forward	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Free Cash Flow / Sales % TTM
Walt Disney Co	0.62	10.42	0.47	21.39	1.20	19.01	2.30	4.14	1.32	13.79
Comcast Corp Class A	0.46	5.01	1.13	16.37	1.02	19.76	1.54	3.26	1.48	10.47
Twenty-First Century Fox Inc Class A	0.56	5.60	1.44	17.84	1.33	15.36	1.32	4.19	1.11	13.37
Viacom Inc Class A	0.56	6.44	2.79	36.80	1.21	12.44	1.91	4.20	2.12	11.52
CBS Corp Class B	0.55	5.25	2.54	27.26	1.65	15.29	0.90	7.52	1.02	11.31

## Investment Growth

Time Period: 3/1/2012 to 2/28/2017





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**Strengths:**

Disney has a very large Market Capitalization. It is a market leader in the entertainment industry. Disney also has very little debt which could allow Disney to make a high profile acquisition. Disney is extremely successful in its mergers and acquisitions. Disney has extremely high brand awareness including: ABC, ESPN, Lucas Films, Marvel Studios, Pixar, and Walt Disney World.

**Weaknesses:**

One weakness for Disney could be ESPN. The viewership for ESPN has been down, but Disney believes that this is a short-term problem and not long-term. The trend of cord cutting is a long term concern.

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**Opportunities:**

Disney is continuously looking for streaming partnerships for its content. It has deals with STARZ and Netflix to stream its movies. It also reached a deal with TBS to show the original Trilogy of its Star Wars franchise. Some analysts said there could be a possible acquisition of Netflix for Disney which could put the company above and beyond its competitors. The purchase of 33% in BAMTECH could provide an endless future in the live-streaming with sports and entertainment. Disney also partnered up with YouTube for a skinny bundle package of its ESPN and ABC news networks.

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**Threats:**

Comcast and other competitors are constantly looking to take away from Disney's market capitalization.



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## **Valuation: Discount Cash Flow Model (DCF)**

Using the DCF model, we received a value of \$219.75. This is compared to \$112.15. This was calculated using a lower expected short term growth rate and a higher percentage in capital expenditures due to Theme Park additions.

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## **Valuation: Discount Dividend Model (DDM)**

Using DDM we received a value of \$128.08. This is compared to \$112.15. This was calculated using a lower expected short term growth rate and a higher percentage in capital expenditures due to Theme Park additions.

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## **Valuation: Multiple Valuation**



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## **Bloomsburg Investment Group Disclaimer**

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