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Evaluating Disney's Growth Potential: An
Equity Research Analysis of The Walt
Disney Company

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Abstract

This thesis presents an equity research analysis of The Walt Disney Company (Disney), with a primary focus on the Entertainment segment, which encompasses Linear Networks, Direct-to-Consumer (DTC) streaming services, and Content Sales/Licensing. The analysis examines historical financial performance of the company as a whole and provides forecasts for revenue, profitability, and market positioning within its Entertainment segment. Cash flow-based valuation techniques, including Discounted Cash Flow (DCF) and Adjusted Present Value (APV), are employed to derive Disney's intrinsic value. Key valuation parameters, such as the Weighted Average Cost of Capital (WACC), are calculated and used in a scenario analysis to ensure analytical robustness.

The study identifies the DTC sub-segment as a critical growth driver, mitigating revenue declines from Linear Networks caused by cord-cutting and shifting consumer preferences. Revenue projections for DTC and other Entertainment sub-segments reflect broader industry trends, including the rapid expansion of subscription-based streaming and the decline in traditional television. Financial projections suggest significant long-term growth potential, driven by scalability in streaming operations and improved cost efficiencies.

This thesis concludes with a "BUY" recommendation based on intrinsic cash flow-based valuation, supported by robust revenue growth in the DTC sub-segment. A worst-case scenario analysis further explores potential downside risks, contributing to a comprehensive and research-based evaluation of Disney.

Keywords:

Disney, Equity Research, Company Valuation, Media and Entertainment

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This report is part of the Equity research report (annexed), developed by Ferdinand Georg Lamers and Maximilian Nicolas Bäuerle and should be read as an integral part of it.

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Introduction

The equity research report provides a detailed analysis of The Walt Disney Company (“Disney” or “the company”), focusing on its business performance, market positioning, and valuation including all relevant forecasts. The joint report is structured to give a comprehensive overview of Disney’s three main segments - *Entertainment*, *Sports*, and *Experiences*. Each segment is analysed individually, covering its sub-segments, market developments, competitive environment, and revenue forecasts. The company’s overall valuation is conducted using cash flow-based methods (DCF and APV) including the derivation of Weighted Average Cost of Capital (WACC) of Disney, a sensitivity analysis to test robustness, and additional relative valuation techniques (CCA). The final investment recommendation suggests "Hold," driven by growth in the Direct-to-Consumer (DTC) business under the Entertainment segment and strong contributions from Parks and Cruises within Experiences segment taking into account the recent strong performance on the stock market and already priced in expectations. A scenario analysis evaluates possible future developments, highlighting best- and worst-case outcomes.

This individual report contributes to the joint analysis by focusing on Disney’s historical financial performance, a detailed examination and forecast of the Entertainment segment, and a cash-flow-based valuation. It provides a historical financial overview to contextualize Disney’s recent performance and conducts an in-depth analysis of the Entertainment segment, covering all sub-segments with insights into market trends, competitive positioning, and revenue forecasts. The analysis highlights the DTC sub-segment as a key growth driver, mitigating the decline in Linear Networks. Beyond segment-level insights, the report projects company-wide financial metrics, including Net Working Capital (NWC), Capital Expenditures (CAPEX), operating margins, and Return on Invested Capital (ROIC). Additionally, this report covers the derivation Disney’s WACC and applies it in DCF and APV models to estimate intrinsic value, supporting a "BUY" recommendation. To ensure a comprehensive view, a worst-case scenario analysis evaluates potential downside risks.

Ferdinand Georg Lamer’s individual work complements this analysis by focusing on the Sports and Experiences segments including revenue analysis for the respective sub-segments, as well as relative valuation methods for Disney. Additionally, that part focused on the overall company overview and the ESG positioning of the company. The final investment recommendation was derived by combining the results of both parts delivering a comprehensive evaluation of Disney leading to a final “HOLD” recommendation.

Financial analysis

During the historical period from FY17 to FY24, Disney's revenue grew at a compound annual growth rate (CAGR) of 7.5%, increasing from \$55.1 billion to \$91.4 billion (see Fig.1), with fluctuations influenced by external challenges and strategic activities. In FY20 and FY21, revenue declined significantly due to COVID-19, which disrupted theme parks, resorts, cruises, and theatrical distribution. The Experiences segment, which had grown steadily to \$26.2 billion in FY19, was heavily impacted by closures and restrictions. In FY22, Disney recovered, with revenue rising by 22.7%. The reopening of parks, higher attendance, increased ticket prices, and new offerings like Genie+ drove a 69.7% rebound in the Experiences segment alone. Growth was also supported by the recovery of theatrical releases and the expansion of Direct-to-Consumer (DTC) platforms like Disney+ and ESPN+, accelerated by significant subscriber gains. In FY23, growth was further driven by strong park performance and continued DTC gains. However, declines in advertising, retail sales, and TV/VOD revenues partly offset these gains. FY24 revenue increased by 8.7%, reaching \$91.4 billion, as the Parks and DTC segments remained key drivers. The Entertainment segment, which includes major franchises like Marvel and Star Wars, grew steadily with a CAGR of 11.9%, while the Sports segment expanded at a CAGR of 10.1%, benefiting from increased live sports content and integration into DTC offerings. However, declines in theatrical distribution and affiliate revenues moderated overall growth. In general, Disney's revenue development of the last 7 years can be interpreted positively compared to the sector as only Warner Bros. and Netflix were able to record a higher CAGR during this period.

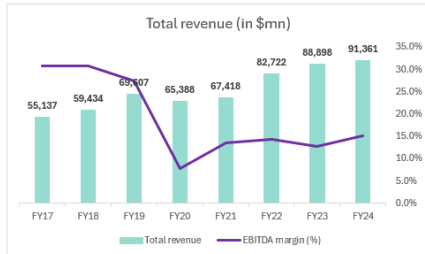


Figure 1 – Source: Annual report, own analysis

Disney's margins fluctuated significantly due to acquisitions, the pandemic, and investments, particularly in its streaming segment (see Fig.2). EBITDA margin declined to 7.8% by FY20 as the pandemic caused widespread disruptions, including park closures and reduced theatrical revenues. Restructuring and impairment charges, which peaked at \$5.7 billion in FY20, further reduced profitability. Similarly, operating margin fell from 25.7% in FY17 to -0.4% in FY20, while net margin dropped from 17.0% to -3.8%. The acquisition of Twenty-First Century Fox (TFCF) and consolidation of Hulu in FY19 also weighed heavily on margins due to higher costs, including amortization of intangible assets and integration expenses. Margins began to recover in FY21 and FY22 as pandemic-related problems eased, driven by improved park attendance and growing DTC revenues. By FY23, EBITDA margin rose to 14.3% and operating margin reached 6.7%. However, restructuring charges of \$3.9 billion and continued DTC investments limited the recovery. Significant investment in Disney+ initially pressured profitability, but by FY24, the DTC segment achieved its first positive

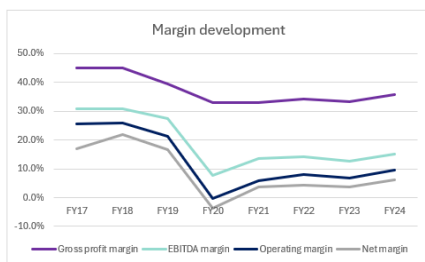


Figure 2 – Source: Annual report, own analysis

operating result, reflecting improved scalability. However, Disney's margins are still below the industry standard (with an average EBITDA margin of 29.6% and an average operating margin of 11.6%), indicating room for improvement.

During the historical period, several key items on Disney's balance sheet also notably changed, reflecting multiple strategic business decisions. Total assets almost doubled from \$95.8 billion in FY17 to \$196.2 billion in FY24, particularly driven by the acquisition of TFCF in FY19, and ongoing investments in the company's operations. The acquisition required Disney to allocate the purchase price to tangible and intangible assets based on fair values, with the excess recorded as goodwill, which therefore increased from \$31.4 billion to \$80.3 billion in FY19 (see Fig.3). Due to impairments related to channel businesses and certain retail store assets these items have since declined, with intangible assets reaching \$10.7 billion and goodwill at \$70.7 billion in FY24. Investments remained relatively steady until FY24 increasing significantly to \$4.5 billion, primarily driven by Disney's \$1.5 billion investment in an 8% stake in Epic Games, Inc. indicating again a strategic focus on digital and interactive media, aligning with broader industry trends and our investment thesis. By FY24, cash levels had declined to \$6.0 billion following the completion of Disney's Hulu acquisition. This included an \$8.6 billion payment to NBCU to redeem its 33% ownership stake, consolidating Disney's 100% ownership of Hulu and reinforcing strategic focus on the DTC segment.

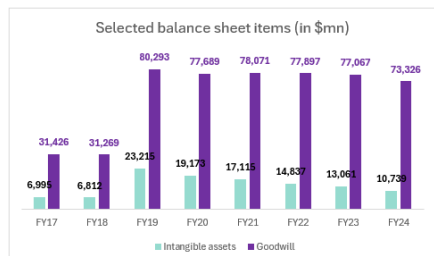


Figure 3 – Source: Annual report, own analysis

As a result, liquidity ratios declined in FY24 reflecting lower cash and cash equivalents. Despite this, Disney's liquidity remains within a manageable range compared to industry peers and is not considered a cause for concern. On the contrary, with a current ratio of 1.05 and a cash ratio of 0.46 in FY23, Disney displayed a solid short-term financial stability, and it is expected that such levels will be reached again in FY25.

| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | CAGR FY17-24 |
|-------------------------|------|------|------|------|------|------|------|------|--------------|
| KPIs - Liquidity | | | | | | | | | |
| Current ratio | 0.81 | 0.94 | 0.90 | 1.32 | 1.08 | 1.00 | 1.05 | 0.73 | n.a. |
| Quick ratio | 0.74 | 0.86 | 0.84 | 1.26 | 1.04 | 0.94 | 0.99 | 0.67 | n.a. |
| Cash ratio | 0.21 | 0.23 | 0.17 | 0.67 | 0.51 | 0.40 | 0.46 | 0.17 | n.a. |

Table 1 – Source: Annual report, own analysis

Disney maintained relatively low debt levels compared to industry peers, despite a notable increase in leverage during FY19 and FY20. The Debt-to-Equity (D/E) ratio peaked at 63.9% in FY20, up from 55.1% in FY17, driven primarily by financing for the acquisition of TFCF. Additionally, the pandemic pressured Disney's operations, requiring increased borrowing to manage cash flow amid significant revenue declines in segments such as Parks and Experiences. Similarly, the Debt-to-EBITDA ratio surged to 11.51 in FY20. Since FY20, Disney has steadily reduced its leverage. By FY24, the D/E ratio declined to 57.0%, and Debt-to-EBITDA fell to 3.32, supported by improved operating performance and debt repayment (see Fig.4). The deleveraging reflects the company's strategic focus on restoring financial flexibility as its operations recover. Debt-to-Capital ratio also decreased from 39.0% in FY20 to 36.3% in FY24 and debt ratio declined to 23.3%, aligning

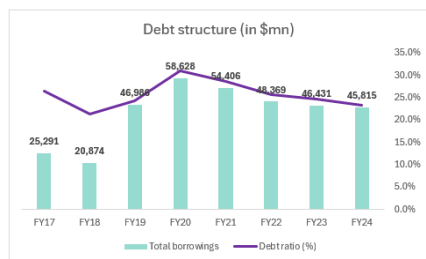


Figure 4 – Source: Annual report, Bloomberg

with efforts to optimize the capital structure. Disney's debt levels remain relatively low compared to industry peers with an average debt ratio of 30.3%, providing the company with the potential to raise additional debt if necessary to fund future strategic initiatives. This flexibility positions Disney to continue investing in growth areas such as its DTC platforms and content production in the future.

Disney's Return on invested capital (ROIC) and asset efficiency also reflected the challenges of acquisitions and pandemic disruptions. Overall ROIC dropped from 12.5% in FY19 to 1.9% in FY21 but rebounded to 6.4% in FY24, driven by improved capital utilization and stronger operations (see Fig.5). Similarly, return on assets (ROA) improved from 1.6% in FY23 to 2.6% in FY24, highlighting better use of assets in the capital-intensive Experiences segment. Asset turnover, at 0.43 in FY23, was slightly below the industry average of 0.55 but improved to 0.47 in FY24 with higher revenue generation. These trends reflect Disney's progress in recovering operational efficiency and utilizing its assets more effectively.



Figure 5 – Source: Annual report, own analysis

Entertainment

The Entertainment segment includes the production and distribution of (non-sports) content across multiple platforms, including theatrical releases, home entertainment, and television distribution. It operates through the three business units *Linear Networks*, *DTC* and *Content Sales/Licensing* including prominent brands such as Walt Disney Pictures, Pixar, Marvel, Lucasfilm, and 20th Century Studios¹. In FY24, the Entertainment segment contributed 45.1% of Disney's total revenues, making it the largest contributor.

Linear Networks

- Market overview

Linear Networks generates revenue primarily through affiliate fees, advertising sales, and programming and distribution services. Affiliate fees are secured through multi-year licensing agreements with multichannel video programming distributors (MVPDs) and affiliated television stations. These agreements are typically based on per-subscriber rates, with pricing influenced by the quality and quantity of programming offered and the competitive landscape of programming services. Advertising revenue, on the other hand, is determined by the size and demographics of the audience delivered to advertisers, as well as overall advertiser demand. These revenues, while substantial, face increasing pressure due to the competitive challenges posed by the rise of streaming services. As streaming platforms offer access to similar content at lower prices, the trend of

¹ <https://bbf.digital/the-status-of-disneys-business-in-its-100th-year>

cord-cutting continues to erode traditional cable subscriptions. This development directly impacts the ability to generate revenues from affiliate fees and consequently, companies have resorted to charging higher contractual rates and investing heavily in content creation to counterbalance the declining subscriber base and maintain their competitive positioning. The number of traditional pay TV households in the United States has been steadily declining, with figures dropping from approximately 58 million in 2023 to a projected level below 41 million by 2028². This decline is mirrored by an increase in cord-cutting, as alone in the second quarter of 2024, 6.9% of U.S. households cut the cord, indicating a significant consumer shift toward streaming and other viewing options³. Advertising revenue in this sub-segment also faces significant challenges. The U.S. TV advertising market is under pressure from the growing popularity of ad-free platforms and the shift of advertisers to digital channels, which offer lower costs and better-targeted audiences. Thus, advertising revenue for traditional TV in the United States has also been decreasing from \$70.22 billion in 2017 to \$66.64 billion in 2022 and is further assumed to decline to \$54.74 billion in 2027⁴. Additionally, the average daily time spent watching traditional TV per capita in the U.S. has been consistently decreasing with a CAGR of -0.6% between 2017 and 2023⁵, as viewers prefer on-demand streaming services over scheduled programming. Media companies are mitigating these trends by increasing the number of advertising minutes sold for commercials⁶, thereby attempting to sustain revenue growth and to offset declining viewership.

- Competition

Disney competes with major industry players, including Comcast's NBCUniversal, Paramount Global, and Warner Bros. Discovery. These companies operate extensive portfolios of television networks, such as NBC, CBS, and CNN, and are engaged in an ongoing competition for audience share and advertising revenue. The success of digital platforms and streaming services has further intensified competition by fragmenting traditional television audiences and diversifying consumer viewing habits and increased competitive pressures. The consolidation of MVPDs has improved their bargaining power during carriage negotiations, challenging networks to secure favourable terms. For example, Warner Bros. Discovery recently finalized a comprehensive distribution agreement with Comcast, ensuring higher carriage fees for its networks while granting Comcast

² <https://www.statista.com/statistics/251268/number-of-pay-tv-households-in-the-us/>

³ <https://www-statista-com.eu1.proxy.openathens.net/statistics/495693/cord-cut-penetration-usa/>

⁴ <https://www-statista-com.eu1.proxy.openathens.net/statistics/272404/tv-advertising-spending-in-the-us/>

⁵ <https://www.statista.com/statistics/411775/average-daily-time-watching-tv-us-by-age/>

⁶ <https://www.nexttv.com/news/tv-ad-impressions-rose-in-2023-but-linear-ad-dollars-fell-ispot?>

expanded rights for Warner's streaming platform, Max, and its U.K. Sky TV operations⁷. In November 2024, Comcast announced plans to spin off a significant portion of its NBCUniversal cable TV assets into a new entity referred to as "SpinCo."⁸ This strategic move is a response to the increasing competition from streaming platforms and the shifting viewer preferences toward digital content. Additionally, the integration of traditional linear offerings with streaming services has become a key competitive strategy. Paramount Global has bundled its linear networks with its Paramount+ streaming service to drive synergies across its content portfolio. Disney has already started to adapt its strategy and incorporated ESPN content into its own streaming service Disney+ to appeal to a broader audience and enhance viewer retention⁹.

- Revenue forecast

Linear Networks comprises the ABC Network, which includes 240 affiliated TV stations already covering nearly 100% of U.S. cable TV households, as well as the Disney Channels and Freeform. Additionally, the FX and National Geographic channels were acquired through the TFCF deal in FY19. Disney also operates multiple international channels, broadening global reach. In FY24, Linear Networks accounted for 26.0% of Disney's total Entertainment revenue, with 64.3% generated from affiliate fees and 34.4% from advertising sales.

Affiliate fee revenue is directly linked to the rates charged to MVPDs - including cable, satellite, telecommunications, and digital over-the-top (OTT) providers such as YouTube TV - and the number of channel subscribers. Additionally, Disney earns fees from its ABC-affiliated TV stations. Affiliate fees have declined by 39.3% since FY19, largely due to cord-cutting and intensified competition. To forecast affiliate fee revenue, it is assumed that Disney will retain its 240 affiliated TV stations for the ABC Network. For the company's main channels, forecasts are based on the average market penetration of U.S. cable TV households. In FY24, penetration rates were 81.9% for Disney Channel, 79.9% for Freeform, 86.2% for FX, and 78.5% for National Geographic. Overall market penetration declined at a CAGR of -0.4% from FY18 to FY24, a trend expected to persist given worsening market conditions. Furthermore, the total number of U.S. cable TV households is projected to decline from 72 million in FY23 to 43 million in FY34 (see Fig.6), reflecting a CAGR of -4.7%, though this assumption is slightly less aggressive compared to broader market forecasts (see market overview). International channels are expected to follow historical trends, with market penetration declining

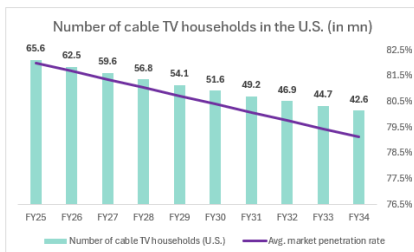


Figure 6 – Source: own analysis

⁷ <https://www.wsj.com/business/media/warner-and-comcast-resolve-harry-potter-dispute-in-new-distribution-pact-ad480d89?>

⁸ <https://www.reuters.com/business/media-telecom/comcast-moves-ahead-with-cable-network-spin-off-2024-11-20/>

⁹ <https://apnews.com/article/espn-disney-streaming-b5ecf68ceff910300c3b3dea8a57110b>

by an average of -7.0% annually.

Advertising revenue is generated by selling commercial time during programming. In line with most recent market trends, Disney is expected to increase the number of advertising minutes sold per hour of commercial time as a strategic business decision to offset declining impressions caused by reduced viewership. Advertising time is divided into primetime and non-primetime slots, with no expected changes in this weighting across a 24-hour period. Additional ad time is anticipated to increase proportionally to the decline in average daily TV viewing time per capita in the U.S., forecasted at -0.6% annually¹⁰ (see Fig.7). However, the price per minute of advertising time is expected to decrease in line with projections for TV advertising spending in the U.S. for Disney's main channels and worldwide for international channels. Linear Networks is expected to decline at a CAGR of -2.6% in the forecasted period (see Fig.8). These forecasts reflect the broader trends impacting the linear television industry, stressing the need for strategic adjustments to maintain revenue streams in this traditional media segment.

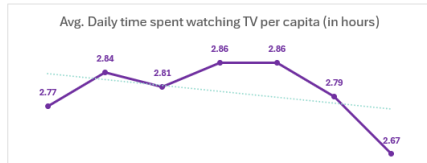


Figure 7 – Source: Statista

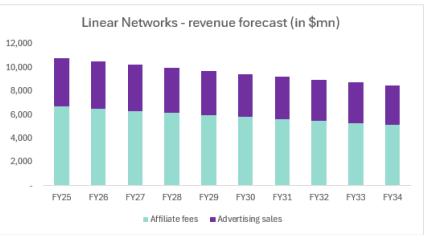


Figure 8 – Source: own analysis

Direct-to-Consumer (DTC)

- Market overview

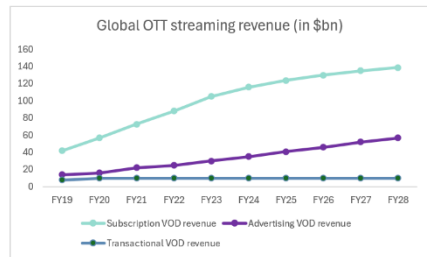


Figure 9 – Source: PWC Global E&M Outlook 2024

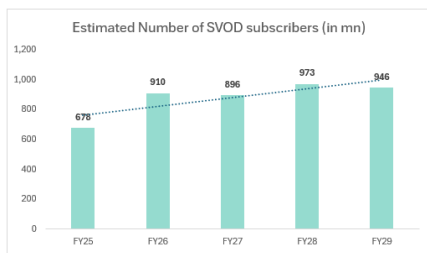


Figure 10 – Source: Statista

DTC streaming services market has experienced significant growth over the past decade, driven by advancements in internet infrastructure, increased accessibility of smart devices, and evolving consumer preferences toward on-demand content. This shift has prompted traditional media companies to invest heavily in their own streaming platforms to compete with established players like Netflix and Amazon Prime Video. Disney+ was able to rapidly gain over 100 million subscribers within 16 months of its launch, indicating the fast consumer transition to digital platforms and Disney's valuable position within the market. In 2023, the global video streaming market was valued at approximately \$145 billion and is projected to expand at a CAGR of 7.3% from 2024 to 2028, reaching an estimated \$206 billion by the end of the forecast period¹¹ (see Fig.9). Subscription-based Video on Demand (SVoD) services have been a significant contributor to this growth. In 2023, the SVoD market generated revenues of \$105 billion, with projections indicating a rise to \$139 billion by 2029, reflecting a CAGR of 5.8%¹² (see Fig.9) with the number of SVoD subscribers increasing from 354 million in FY23 to 946 million in FY29 at a CAGR of 11.5%¹³ (see Fig.10). The rapid growth of the streaming services market is further supported by forecasts suggesting that global

¹⁰ <https://www.statista.com/statistics/411775/average-daily-time-watching-tv-us-by-age/>

¹¹ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

¹² PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

¹³ <https://www-statista-com.eu1.proxy.openathens.net/statistics/1052770/global-svod-subscriber-count-by-platform/>

digital video subscriptions will surpass 3 billion by 2028, a significant 45% increase from current figures. The DTC streaming market is expected to continue its robust growth, driven by factors such as increasing internet penetration, the spreading of smart devices, and a growing demand for personalized content. However, the market is also facing challenges, including intensifying competition, content saturation, and evolving regulatory challenges. Thus, to maintain and grow subscriber bases, Disney must further focus on content diversification, technological innovation, and strategic partnerships.

- Competition

DTC segment operates in a highly competitive environment, with Disney competing against major platforms such as Netflix, Amazon Prime Video, Warner Bros. Discovery's Max, and Paramount Global's Paramount+. Netflix remains the dominant player in the industry, with over 282.7 million global subscribers as of Q3 2024¹⁴ (see Fig.11). Its growth strategy focuses on investing in high-quality, diversified content, including international productions that appeal to a broad audience. Additionally, Netflix has introduced an ad-supported tier which already reached 70 million global monthly users¹⁵ to capture price-sensitive customers, enabling the platform to expand its reach while generating additional revenue streams. Disney already adapted to this strategy by incorporating an own ad-supported tier within Disney+. Amazon Prime Video on the other hand uses its integration with the Amazon ecosystem by bundling Prime Video with its Amazon Prime membership thus providing subscribers access to a wide range of content, including original series, blockbuster films, and exclusive sports rights, such as the NFL's Thursday Night Football¹⁶. By combining streaming services with its e-commerce offerings, Amazon manages to strengthen customer loyalty even though Netflix provides the content with higher quality and is generally the most mature on the global market¹⁷. Warner Bros. Discovery's Max has reinforced its market presence through the merger of HBO Max and Discovery+. This consolidation takes into account the different preferences of viewers, combining HBO originals, Warner Bros. films, and Discovery's nonfiction programming. Additionally, a recent multi-year distribution deal with Comcast enhances Max's reach in the U.S. and key European markets, increasing its subscriber base¹⁸ and even considered a potential merger with Paramount Global's Paramount+, to

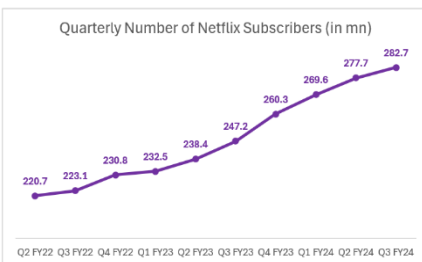


Figure 11 – Source: Statista

¹⁴ <https://www-statista-com.eu1.proxy.openathens.net/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide/>

¹⁵ <https://www.cnn.com/2024/11/12/netflix-ad-supported-tier-70-million-monthly-users.html>

¹⁶ <https://www.cnn.com/2024/09/10/streaming-deals-are-key-to-future-of-nfl-viewership-fandom.html>

¹⁷ <https://www.digitaltrends.com/home-theater/most-popular-streaming-services-by-subscribers/#dt-heading-2-amazon-prime-video-200-million>

¹⁸ <https://www.reuters.com/business/media-telecom/comcast-warner-bros-discovery-enter-multi-year-distribution-deal-2024-12-09/>

unlock synergies and strengthen its content offerings¹⁹.

- Revenue forecast

DTC covers subscription services such as Disney+, Disney+ Hotstar, and Hulu, offering video streaming of general entertainment, family programming, and, in some regions, international sports content. These services are available individually or as part of bundled packages, which may also include ESPN+ to provide additional sports programming. DTC represents a core component of the company’s growth strategy, reflecting the broader industry transition from traditional media to digital streaming. In FY24, the DTC segment generated \$22.8 billion in revenue, a 14.5% increase from \$19.9 billion in FY23. Notably, for the first time, the segment recorded an operating profit of \$143 million, supported by significant investments in content and platform development. In FY24, DTC accounted for 55.3% of Disney’s total Entertainment revenue, with 82.5% earned from subscription fees and 16.3% from advertising sales, making it the largest revenue driver of the Entertainment segment.

For forecasting purposes, the average revenue per paid subscriber was divided into two components: average annual subscription fees per paid subscriber and average annual advertising sales per paid subscriber. Disney’s paid subscriber base is expected to grow from 211 million in FY24 to 430 million in FY34, resulting in a CAGR of 7.3%. This is generally in line with the SVOD market’s projected CAGR of 8.3%²⁰ (see Fig.12), but adjusted for flattening growth, as we do not expect this high rate to sustain over the entire forecast period. Average annual subscription fees per paid subscriber are forecasted to increase based on an effective revenue-weighted inflation rate and global consumer spending. Current market trends suggest that subscriber numbers will not only grow, partly due to cord-cutting from traditional TV, but also that consumers will be willing to pay more for improved streaming services. Additionally, subscription fees per subscriber are assumed to grow with an effective revenue-weighted GDP growth rate, reflecting economic conditions across key markets.

Overall, DTC revenue is expected to grow at a CAGR of 14.7% until FY34 (see Fig.13), highlighting Disney’s strategic focus on expanding its streaming business. Recent trends already show that Disney is targeting strong growth in this segment, as it offers significant potential for the future and is highly scalable. We expect DTC to remain profitable for Disney in the future and to account for most of the Entertainment division’s revenues, particularly as it offsets losses from cord-cutting in the Linear Networks and Content Sales/Licensing divisions.

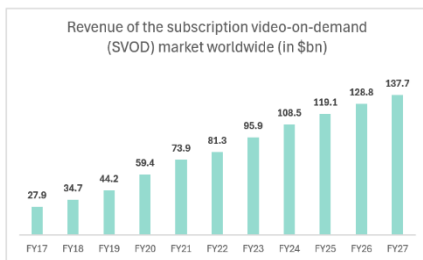


Figure 12 – Source: Statista

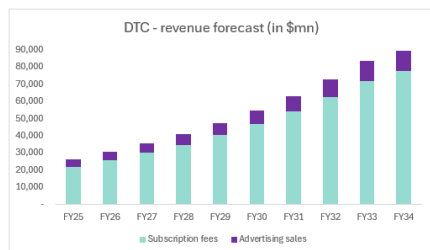


Figure 13 – Source: own analysis

¹⁹ <https://www.bloomberg.com/news/articles/2024-11-05/paramount-gave-up-on-warner-bros-merger-after-months-of-talks>

²⁰ <https://www.statista.com/outlook/dmo/digital-media/video-on-demand/video-streaming-svod/worldwide>

Content Sales/Licensing

- Market overview

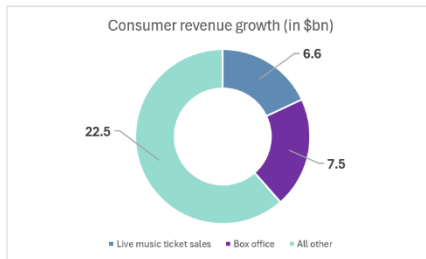


Figure 14 – Source: PWC Global E&M Outlook 2024

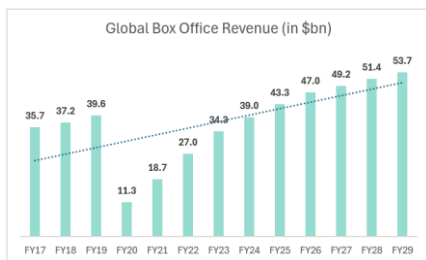


Figure 15 – Source: EMarketer, Statista

The global box office has shown resilience in recent years, with revenues reaching \$33.9 billion in 2023, a 31% increase from the previous year²¹. Cinema admissions worldwide have been recovering gradually since the pandemic. Projections suggest that admissions will return to pre-pandemic levels by 2026, reaching approximately 7.7 billion tickets, comparable to figures from 2017²². Therefore, the box office is expected to maintain steady growth over the next few years. In 2023, the North American box office was predominantly controlled by a select group of major film studios. Box office revenues contributed \$7.5 billion globally in 2023, accounting for a third of total consumer revenue growth²³ (see Fig.14). Looking forward, the global box office market is projected to generate \$38.99 billion in revenue in 2024, with an anticipated CAGR of 6.60% from 2024 to 2029, reaching \$53.67 billion by 2029²⁴ (see Figure 15). In 2023, North America accounted for 27% of global box office revenue, totalling \$9.7 billion, while China was the leading individual market, with \$7.71 billion in box office earnings. Cinema advertisements are projected to grow at a CAGR of 3.6% from 2018 to 2023, reaching \$1.1 billion annually²⁵ reflecting the sustained relevance of cinema as an advertising medium. Meanwhile, the home entertainment market, which includes physical formats like DVDs and Blu-rays, has faced a sharp decline. In the US the share of people watching video on DVD or Blu-ray decreased from 49% in 2019 to 30% in 2022/23²⁶ attributed to the shift in consumer preference toward streaming services.

- Competition

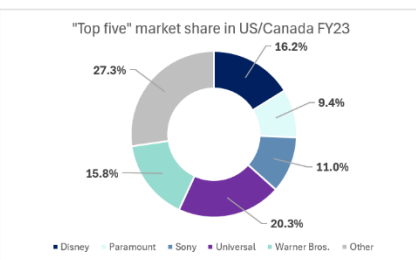


Figure 16 – Source: Statista

The "Big Five" - Disney, Paramount, Sony, Universal, and Warner Bros. - collectively held 72.8% of the market share. Individually, Universal Pictures led the market in 2023, accounting for 20.3% of box office revenue, driven by successful releases like "Oppenheimer". Disney followed with a 16.2% share, while Warner Bros. held 15.8%²⁷ (see Figure 16). This concentration, while slightly lower than the previous year's 80%, demonstrates the significant influence of these studios within the industry. Disney holds a leading position in this segment as one of the few major studios that consistently produce and distribute blockbuster films. If

²¹ <https://www.imdb.com/news/ni64385588/>

²² <https://www-statista-com.eu1.proxy.openathens.net/statistics/307390/number-of-cinema-admissions-worldwide/>

²³ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

²⁴ <https://www.emarketer.com/chart/265503/box-office-revenues-worldwide-2017-2024-billions>, <https://www-statista-com.eu1.proxy.openathens.net/outlook/amo/media/cinema/box-office/worldwide#revenue>

²⁵ <https://www.marketingcharts.com/advertising-trends-108995>

²⁶ <https://www-statista-com.eu1.proxy.openathens.net/statistics/29778/usage-of-dvd-and-blu-ray/>

²⁷ <https://www-statista-com.eu1.proxy.openathens.net/statistics/187171/market-share-of-film-studios-in-north-america-2010/>

Disney continues to focus on creating innovative content that resonates with global audiences, it is well-positioned to capitalize on the sustained demand for blockbuster entertainment. The studio's strong portfolio and track record of success enable it to secure a significant share of annual box office revenue, reinforcing a dominant market position and ensuring stable revenues in the future.

- Revenue forecast

Content Sales/Licensing sub-segment generates revenue from box office earnings, home distribution - including TV licensing, online distribution, and physical formats like DVDs and Blu-rays - licensing on streaming platforms, and advertising in movies. In Content Sales/Licensing, Disney's success largely depends on the performance of its films, both during their theatrical run and later on home entertainment platforms, including digital and physical formats. In FY24, Content Sales/Licensing accounted for 18.7% of Disney's total Entertainment revenue, with 29.4% derived from Theatrical Distribution, 9.8% from Home Entertainment Distribution, and 29.2% from TV/(S)VOD Distribution.

To address the uncertainties of predicting individual movie success, the Theatrical Distribution revenue forecast was structured around three primary variables: the number of film releases, average tickets sold per movie and the average price per ticket. This method reduces the impact of performance volatility on the overall forecast. The estimate for the number of movie releases relies on external projections, already incorporating Disney's announced film releases and broader market insights through FY27. Beyond this, it is assumed that Disney will maintain a steady output of approximately 13 films per year until FY34, reflecting historically stable release patterns (excluding COVID-19-related disruptions) (see Fig.17). Until FY19, a similar approach was used for Fox films. After Disney acquired TFCF, however, it was announced that Fox would cut its releases by half, a decision aimed at minimizing competition among Disney-owned films and leveraging synergies between studios. For simplicity, it is assumed that future Fox movies will be released under the Disney label. To project average revenue per film, historical data on annual ticket sales and average ticket prices were analysed. Future ticket sales per film are expected to grow in proportion to the global increase in cinema admissions, while average ticket prices are forecasted to rise in line with the effective revenue-weighted inflation rate (see Fig.18). Using this approach, Disney's Theatrical Distribution revenue is projected to grow at a compound annual growth rate (CAGR) of 8.5% through the forecast period.

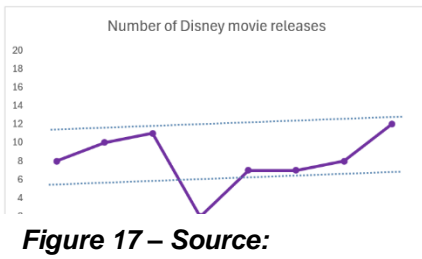


Figure 17 – Source: TheNumbers.com, own analysis

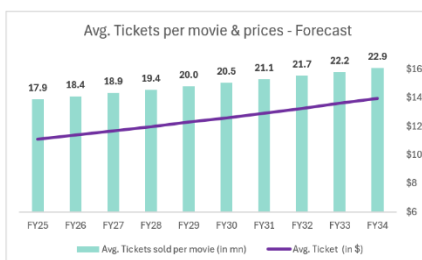


Figure 18 – Source: TheNumbers.com, own analysis

Home Entertainment Distribution revenue has faced a consistent sharp decline in revenue over the historical period, driven by shifting consumer preferences from physical formats such as DVDs and Blu-rays to digital and streaming platforms and in line with declining DVD and Blu-ray sales (see market overview).

For the projected period, we assume that the historical average negative growth rate of -15.6% per year will persist in line with market expectations. However, this decline has been slightly adjusted to reflect the expected annual growth in global entertainment and media consumer spending²⁸ based on the assumption that a niche market for physical media will continue to exist. Nevertheless, we expect Home Entertainment Distribution revenue to decline with a CAGR of -14.7% to \$156 million until FY34.



Figure 19 – Source: Statista, own analysis

The TV/(S)VOD Distribution revenue stream has experienced significant fluctuations in recent years. From FY20 to FY24, this revenue stream declined by -60.3%, primarily due to lower sales volumes of both episodic and film content, partly driven by Disney's strategic shift from licensing content to third parties toward distributing it on its own DTC streaming platforms. For the forecasted period, TV/(S)VOD Distribution revenue is projected to grow in line with global SVOD revenue, with a CAGR of 3.5% (see Fig.19) and the effective revenue-weighted GDP growth rate. However, the cannibalization effect resulting from Disney prioritizing its DTC platforms is expected to continue impacting this revenue stream. While the shift to in-house distribution has initially reduced revenues from external licensing, we anticipate that this effect will fade over time and stabilize at lower levels as Disney optimizes the balance between its DTC offerings and third-party licensing. Overall, TV/(S)VOD revenue is expected to remain relatively stable with a modest CAGR of -0.7%.

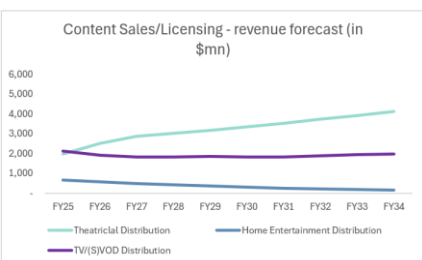


Figure 20 – Source: own analysis

Disney's Entertainment segment is well positioned to deliver long-term value despite the challenges facing certain sub-segments. Our projections suggest that the segment will grow at a CAGR of 10.4% until FY34, primarily driven by the strategic shift toward the DTC segment, which positions Disney to capitalize on the most promising market in the entertainment industry. The projected development appears reasonable based on current market trends and is in line with Disney's double digit growth expectations for FY25 and beyond²⁹. DTC has already emerged as the company's primary growth driver, which aligns with changing consumer preferences, as streaming has rapidly overtaken traditional TV as the main medium for entertainment consumption. Historical trends and market dynamics strongly suggest that linear networks, once the main driver of Disney's entertainment business, are increasingly becoming obsolete in the face of growing competition from DTC platforms reinforcing the importance of Disney's investments into streaming. Under the leadership of Bob Iger, who has consistently emphasized the importance of integrating technology into Disney's operations, the

²⁸ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

²⁹ The Walt Disney Company, "Fourth Quarter and Full Year Earnings for Fiscal 2024," November 21, 2024, available at <https://thewaltdisneycompany.com/investor-relations/>

strategic shift already started, and it is likely that this will remain part of Disney's core strategy for the next 10 years. DTC turning profitable is particularly noteworthy, as it indicates the scalability of the business model. Profitability, combined with strong subscription growth and rising consumer spending on streaming platforms, is a positive sign for Disney's long-term positioning in the competitive entertainment market. In our view, the decision to prioritize DTC as the primary Entertainment revenue driver is not just a reactive adjustment but a proactive move that positions Disney for sustainable growth.

Further financial projections

Net working capital (NWC)

Projected NWC was forecasted based on the cash conversion cycle (CCC), assuming that the company will be able to maintain its historical averages for Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO). Disney's high average DPO (131 days) indicates strong negotiating power with suppliers, allowing the company to secure extended payment terms, while its low DIO (11 days) reflects efficient inventory turnover, particularly in its merchandise and theme park operations, where inventory is quickly converted into sales. Resulting in a negative CCC (see Fig.21), these factors enable Disney to collect cash from customers far before its obligations to suppliers are due, effectively using supplier credit as a source of liquidity. This dynamic reduces the company's reliance on external financing and enhances its overall financial flexibility. Operating cash - a critical component of NWC - was projected separately through a peer group analysis. By using the average historical minimum operating cash-to-sales ratio of 4.8% (see Appendix 10), the forecast aims to reflect a conservative yet realistic estimate of Disney's liquidity needs.

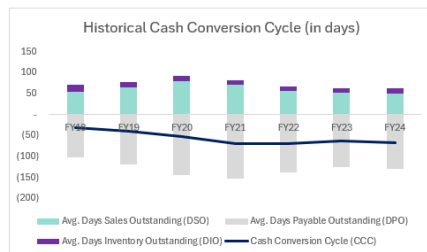


Figure 21 – Source: own analysis

Capital expenditures (CAPEX)

Disney's CAPEX are expected to nearly double to \$9.2 billion by FY34 (see Appendix 4), consistent with the company's own long-term outlook. This increase is primarily driven by the capital-intensive nature of the Experiences segment, which includes theme parks, resorts, and cruises. Future Capex growth will focus heavily on expanding Disney's cruise operations, with the fleet projected to grow from six ships to 13 by FY31, requiring significant investment in new vessels (about \$1 billion each). Additionally, Disney plans to enhance its theme park offerings through new attractions and expansions, further contributing to the increase in capital spending. Furthermore, a natural increase in intangible assets, including character and franchise intangibles, copyrights, and trademarks, is expected to contribute to higher Capex as the entertainment business continues to grow.

Margins and ROIC development

Disney's operating efficiency is expected to further improve significantly over the projected period. Gross margin is projected to increase to 53.7%, while the EBIT margin is anticipated to reach 32.5% by FY34 (see Appendix 9). This improvement is primarily attributed to the DTC segment, which is far less cost-intensive compared to traditional business segments like Linear Networks and theme parks. The scalability and operating efficiency of the streaming model contribute to higher profitability and margin expansion over time. As the DTC business becomes profitable and achieves scale, it also contributes more efficiently to Disney's returns. Overall, ROIC is expected to grow consistently, reaching 25.1% by FY34, consistently exceeding WACC projected at 10.5% (see WACC) and therefore generating substantial shareholder value.

Valuation methodology

Weighted average cost of capital (WACC)

In this research, a valuation analysis was conducted using the Discounted Cash Flow (DCF) method. To discount the projected cash flows, we determined the Weighted Average Cost of Capital (WACC).

- Beta estimation

The equity beta was estimated through a regression analysis between Disney's equity risk premium and the market risk premium, represented by the MSCI World Index adjusted for the 10-year U.S. government bond yield. The regression estimation covered 59 monthly data points (five years of returns) and implied an equity beta of 1.42, with a 95% confidence interval of [1.082; 1.756]. The R^2 of 55.53% indicates that a significant portion of Disney's equity return variance is explained by market movements. To account for changes in Disney's capital structure, the equity beta was first unlevered using the historical D/E ratio of 27.3% (derived from a historical D/EV ratio of 21.5%) and then relevered using the projected capital structure D/E ratio of 20.1%, based on a target D/EV ratio of 16.7%. The equity beta above 1 indicates that Disney's stock price is more volatile than the market, exhibiting increased volatility in response to market changes.

- Cost of equity

The Capital Asset Pricing Model (CAPM) was used to estimate the cost of equity. The risk-free rate was based on the 10-year U.S. government bond yield of 3.8%³⁰, and the market risk premium was calculated at 6.2%, derived from the MSCI World

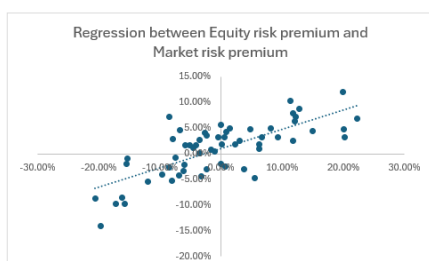


Figure 22 – Source: own analysis

³⁰ Refinitiv, retrieved 07.11.2024

Index's historical average returns over the last 20 years adjusted for the risk-free rate. These inputs resulted in a cost of equity of 12.0% for Disney.

- Cost of debt

Cost of debt was derived from Disney's average bond yield curve, covering maturities between 1 and 30 years, with an initial yield of 4.8%³¹ adjusted for Disney's default risk by deducting the product of the 10-year cumulative probability of default and the loss given default. For the calculations, we used the last 5-year average defaulted global corporate bond and loan recovery rates for 1st lien loans, 1st lien bonds and senior unsecured bonds of 37.8%³², indicating a loss given default of 62.2% cross-sector. Additionally, we calculated the 10-year cumulative probability of default (0.9%)³³, resulting in a cost of debt of 4.3%.

- Capital structure

Capital structure was determined using a target D/EV ratio of 16.7%, which aligns with Disney's historical average over the past eight years. This corresponds to a D/E ratio of 21.0%. While Disney maintains a conservative capital structure, its peers - such as Comcast (1.17), Warner Bros. (0.97), and Paramount (0.65) - operate with higher leverage. Therefore, we believe Disney can sustain higher debt levels in the future.

By combining the estimated cost of equity, cost of debt, and the target capital structure, Disney's final WACC was calculated to be 10.5% for the projected period (see Appendix 6).

Cash flow based valuation

- Discounted cash flow (DCF)

Disney was valued using the DCF method, a widely recognized and robust valuation technique. The effective GDP growth rate FY31-FY34 (2.5%) was used as long-term growth rate, which is also in line with the sustainable growth rate of 2.6%, calculated by multiplying operating ROIC by the retention rate, reflecting the company's efficiency in reinvesting retained earnings. Disney's enterprise value as of December 31, 2025, was estimated at \$306,094 million via the DCF approach. After deducting the value of non-core assets, liabilities, and net debt, the resulting equity value was \$229,806 million which is translated to a price per share of \$126.13, based on 1,825 million shares outstanding, adjusted for Disney's planned buyback of 3 million shares in FY25. The recommendation based on the DCF model was derived from the expected capital gain of 11.7% plus 0.8% from the

³¹ Refinitiv, retrieved 06.12.2024 and own analysis

³² Moody's Investors Service - March Default Report, 12 April 2024 and own analysis

³³ Moody's Investors Service - March Default Report, 12 April 2024 and own analysis

dividend yield. The expected total return of more than 10.0% (12.6%) over a 12-month period leads to a buy recommendation.

- Adjusted present value (APV)

Additionally, an APV approach was utilized to confirm the DCF valuation and ensure robustness. By separating operating performance from financing effects, APV provides a clearer quantification of the financing impact, such as the value of the tax shield and therefore serves as a cross-check to identify any potential inconsistencies in the model assumptions. Significant deviations between the two methods could signal issues such as an inaccurate WACC, unrealistic tax shield assumptions, or inaccuracies in other inputs. However, in this case, the APV method resulted in a share price estimate of \$124.80, only 1.1% deviating from the DCF valuation and thus validating the reliability of this valuation and inputs.

Scenario analysis: Worst-case scenario

In the worst-case scenario, several adverse developments could negatively impact Disney's revenues and profitability throughout the projected period. Risks associated with generative Artificial Intelligence (AI), shifting consumer preferences and intensified competition are expected to create significant challenges. AI could dilute the value of its IP by enabling unauthorized replication of iconic characters and storylines. While AI may streamline production, over-reliance risks producing less original content, potentially disappointing audiences and damaging Disney's creative reputation. Increased competition from streaming platforms such as Netflix and Amazon Prime Video requires Disney to maintain heavy investments in content, adding additional pressure to profitability. Additionally, Universal's new Epic Universe theme park, set to open in Orlando in FY25, could divert tourist revenue from Disney's Walt Disney World Resort. While Disney anticipates some spillover effects, cost-conscious families may prioritize one park over the other, potentially reducing attendance at Disney's parks. Additionally, Disney's significant investments in expanding its cruise ship fleet may face underutilization if the company fails to establish a strong foothold in the market. Low occupancy rates could offset revenue gains from the expanded fleet, resulting in underperformance in this segment despite major CAPEX. In this scenario, Disney's revenues are projected to grow at a reduced CAGR of 6.6%, resulting in a revenue decline of -4.6% by FY34 compared to the base case. Simultaneously, increased costs are expected to reduce NOPLAT by -8.3% in FY34. These combined factors lead to a projected share price of \$112.89, reflecting a -10.5% decrease compared to base case.

Appendix

App. 1: Profit & Loss Forecast

| Walt Disney - Profit & loss forecast | Historical period | | | | | | | | Projected period | | | | | | | | | | CAGR FY25-34 |
|--|-------------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | |
| Core activities | | | | | | | | | | | | | | | | | | | |
| Entertainment | 18,694 | 27,152 | 34,774 | 37,667 | 39,697 | 39,569 | 40,635 | 41,186 | 44,241 | 48,535 | 53,426 | 58,953 | 65,469 | 72,723 | 81,129 | 90,913 | 101,579 | 107,850 | 10.4% |
| Sports | 5,680 | 8,249 | 10,566 | 11,445 | 12,061 | 12,720 | 17,111 | 17,619 | 17,432 | 17,313 | 17,276 | 17,312 | 17,424 | 17,620 | 17,907 | 18,295 | 18,795 | 19,420 | 1.2% |
| Experiences | 23,024 | 24,701 | 26,225 | 27,038 | 28,085 | 28,085 | 32,549 | 34,151 | 35,442 | 37,402 | 39,133 | 40,997 | 42,999 | 45,153 | 47,180 | 49,115 | 50,984 | 52,960 | 4.6% |
| Reconciliation | 7,739 | (658) | (1,959) | (762) | (892) | (2,202) | (1,397) | (1,595) | | | | | | | | | | | |
| Revenue | 55,137 | 59,434 | 69,607 | 65,388 | 67,418 | 62,722 | 89,898 | 91,361 | 97,115 | 103,250 | 109,834 | 117,262 | 125,891 | 135,497 | 146,216 | 158,323 | 171,359 | 180,220 | 7.1% |
| Cost of services (exclusive of depreciation and amortization) | (25,320) | (27,528) | (36,493) | (39,406) | (41,129) | (48,962) | (53,139) | (52,509) | (51,383) | (52,118) | (53,161) | (54,477) | (56,251) | (58,242) | (62,250) | (65,211) | (68,285) | (72,196) | 3.9% |
| Cost of products (exclusive of depreciation and amortization) | (4,986) | (5,198) | (5,568) | (4,474) | (4,002) | (5,439) | (6,062) | (6,189) | (7,492) | (7,906) | (8,272) | (8,666) | (9,089) | (9,544) | (9,973) | (10,382) | (10,777) | (11,192) | 4.6% |
| Costs and expenses | (30,306) | (32,726) | (42,061) | (43,880) | (45,131) | (54,401) | (59,201) | (58,698) | (58,874) | (60,024) | (61,433) | (63,143) | (65,340) | (67,786) | (72,222) | (75,593) | (79,062) | (83,389) | 3.9% |
| Gross Profit | 24,831 | 26,708 | 27,546 | 21,508 | 22,287 | 28,321 | 29,697 | 32,663 | 38,241 | 43,226 | 48,401 | 54,119 | 60,551 | 67,711 | 73,994 | 82,730 | 92,297 | 96,831 | 10.9% |
| Selling, general, administrative and other | (8,176) | (8,860) | (11,549) | (12,369) | (13,517) | (16,388) | (15,336) | (15,759) | (16,753) | (17,811) | (18,947) | (20,228) | (21,717) | (23,373) | (25,223) | (27,311) | (29,560) | (31,088) | 7.1% |
| EBITDA | 16,655 | 17,848 | 15,997 | 9,139 | 8,770 | 11,933 | 14,361 | 16,904 | 21,488 | 25,415 | 29,454 | 33,891 | 38,835 | 44,337 | 48,771 | 55,419 | 62,737 | 65,743 | 13.2% |
| Depreciation and amortization | (2,782) | (3,011) | (4,167) | (5,345) | (5,111) | (5,163) | (5,369) | (4,990) | (5,068) | (5,304) | (5,543) | (5,788) | (6,041) | (6,296) | (6,552) | (6,808) | (7,058) | (7,254) | 4.1% |
| EBIT | 13,873 | 14,837 | 11,830 | 3,794 | 3,659 | 6,770 | 8,992 | 11,914 | 16,421 | 20,112 | 23,911 | 28,103 | 32,793 | 38,041 | 42,219 | 48,610 | 55,680 | 58,488 | 15.2% |
| Notional taxes | (4,856) | (3,635) | (2,484) | (797) | (768) | (1,422) | (1,888) | (2,502) | (3,448) | (4,223) | (5,021) | (5,902) | (6,887) | (7,989) | (8,866) | (10,208) | (11,693) | (12,823) | 15.2% |
| Tax adjustments | (234) | (280) | (193) | 59 | (192) | (211) | (76) | 227 | (443) | (543) | (646) | (759) | (885) | (1,027) | (1,140) | (1,312) | (1,503) | (1,579) | 15.2% |
| NOPLAT | 8,783 | 10,922 | 9,153 | 3,057 | 2,699 | 5,137 | 7,027 | 9,639 | 12,529 | 15,345 | 18,244 | 21,442 | 25,021 | 29,025 | 32,413 | 37,090 | 42,484 | 44,627 | 15.2% |
| Non-core activities | | | | | | | | | | | | | | | | | | | |
| Restructuring and impairment charges | (98) | (33) | (1,183) | (5,735) | (654) | (237) | (3,892) | (3,595) | (1,973) | (2,015) | (2,061) | (2,111) | (2,168) | (2,228) | (2,305) | (2,377) | (2,450) | (2,517) | 2.7% |
| Other income (expense), net | 78 | 601 | 4,357 | 1,038 | 201 | (667) | 96 | (65) | 122 | 129 | 138 | 147 | 158 | 170 | 183 | 198 | 215 | 226 | 7.1% |
| Notional taxes | 7 | (139) | (667) | 986 | 95 | 190 | 797 | 769 | 389 | 396 | 404 | 413 | 422 | 432 | 446 | 458 | 470 | 481 | 2.4% |
| Tax adjustments | 634 | 2,224 | 56 | (1,124) | 704 | (412) | (300) | (431) | 50 | 51 | 52 | 53 | 54 | 56 | 57 | 59 | 60 | 62 | 2.4% |
| Non-core income after taxes | 621 | 2,653 | 2,563 | (4,835) | 346 | (1,126) | (3,299) | (3,323) | (1,413) | (1,439) | (1,468) | (1,499) | (1,534) | (1,570) | (1,619) | (1,662) | (1,706) | (1,749) | 2.4% |
| Loss from discontinued operations, net of income tax benefit | - | - | 687 | (32) | (29) | (48) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income (loss), net of tax | 426 | 359 | (2,879) | (1,612) | 1,988 | 2,178 | 794 | (323) | 105 | 112 | 119 | 127 | 136 | 147 | 158 | 172 | 186 | 195 | 7.1% |
| Non-core result | 1,047 | 3,012 | 371 | (6,479) | 2,965 | 1,078 | (2,505) | (3,646) | (1,307) | (1,327) | (1,349) | (1,372) | (1,397) | (1,424) | (1,461) | (1,491) | (1,520) | (1,553) | 1.9% |
| Financing activities | | | | | | | | | | | | | | | | | | | |
| Interest expense, net | (385) | (574) | (978) | (1,491) | (1,406) | (1,397) | (1,209) | (1,260) | (1,352) | (1,447) | (1,541) | (1,633) | (1,721) | (1,803) | (1,885) | (1,955) | (2,011) | (2,058) | 4.8% |
| Equity in the income of investees, net | 320 | (102) | (103) | 851 | 761 | 816 | 752 | 575 | 610 | 648 | 689 | 736 | 790 | 851 | 918 | 994 | 1,076 | 1,131 | 7.1% |
| Financing result before taxes | (65) | (676) | (1,081) | (640) | (645) | (581) | (427) | (685) | (743) | (799) | (851) | (906) | (931) | (953) | (968) | (982) | (935) | (927) | 2.5% |
| Notional taxes | 23 | 166 | 227 | 176 | 135 | 122 | 90 | 144 | 156 | 168 | 179 | 188 | 195 | 200 | 203 | 202 | 196 | 195 | 2.5% |
| Tax adjustments | - | - | - | - | - | - | - | - | 20 | (22) | (23) | (24) | (25) | (26) | (26) | (25) | (25) | (25) | n.a. |
| Financing result after taxes | (42) | (510) | (854) | (664) | (510) | (459) | (337) | (541) | (567) | (653) | (696) | (732) | (760) | (779) | (790) | (786) | (764) | (757) | 3.3% |
| Net income from continuing operations attributable to noncontrolling interests | (386) | (468) | (530) | (390) | (512) | (360) | (1,036) | (801) | (741) | (788) | (838) | (895) | (961) | (1,034) | (1,116) | (1,208) | (1,308) | (1,375) | 7.1% |
| Other comprehensive income (loss) attributable to noncontrolling interests | 25 | 72 | 65 | (93) | (86) | 143 | 33 | (84) | 22 | 23 | 25 | 26 | 28 | 30 | 33 | 36 | 39 | 41 | 7.1% |
| Total comprehensive income attributable to The Walt Disney Company (Disney) | 9,427 | 13,028 | 8,245 | (4,569) | 3,876 | 5,465 | 3,182 | 4,567 | 9,936 | 12,601 | 15,387 | 18,470 | 21,931 | 25,820 | 28,879 | 33,641 | 38,930 | 40,982 | 17.1% |
| KPIs - As a % of revenue | | | | | | | | | | | | | | | | | | | A in DPE |
| Gross Profit | 45.0% | 44.9% | 39.6% | 32.9% | 33.1% | 34.2% | 33.4% | 35.8% | 39.4% | 41.9% | 44.1% | 46.2% | 48.1% | 50.0% | 50.6% | 52.3% | 53.9% | 53.7% | +14.4pp |
| EBITDA | 30.2% | 30.0% | 23.0% | 14.0% | 13.0% | 14.4% | 16.2% | 18.5% | 22.1% | 24.8% | 26.8% | 28.9% | 30.8% | 32.7% | 33.4% | 35.0% | 36.6% | 36.5% | +14.4pp |
| EBIT | 25.2% | 25.0% | 17.0% | 5.8% | 5.4% | 8.2% | 10.1% | 13.0% | 16.9% | 19.5% | 21.8% | 24.0% | 26.0% | 28.1% | 28.9% | 30.7% | 32.5% | 32.5% | +15.5pp |
| NOPLAT | 15.9% | 18.4% | 13.2% | 4.7% | 4.0% | 6.2% | 7.9% | 10.6% | 12.9% | 14.9% | 16.6% | 18.3% | 19.9% | 21.4% | 22.0% | 23.4% | 24.8% | 24.8% | +11.9pp |

App. 2: Balance Sheet Forecast

| Walt Disney - Balance sheet forecast | Historical period | | | | | | | | Projected period | | | | | | | | | | CAGR FY17-24 | CAGR FY25-34 |
|--|-------------------|-------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | |
| Core Invested Capital | | | | | | | | | | | | | | | | | | | | |
| Operating Cash | 2,648 | 2,854 | 3,343 | 3,140 | 3,238 | 3,972 | 4,269 | 4,387 | 4,664 | 4,958 | 5,274 | 5,631 | 6,046 | 6,507 | 7,022 | 7,603 | 8,229 | 8,655 | 8.8% | |
| Receivables, net | 8,633 | 9,334 | 15,481 | 12,708 | 13,367 | 12,652 | 12,330 | 12,729 | 14,079 | 14,969 | 15,923 | 17,000 | 18,251 | 19,643 | 21,197 | 22,953 | 24,842 | 26,127 | 6.7% | |
| Inventories | 1,373 | 1,392 | 1,649 | 1,583 | 1,331 | 1,742 | 1,963 | 2,022 | 1,835 | 1,870 | 1,914 | 1,968 | 2,036 | 2,112 | 2,250 | 2,355 | 2,464 | 2,598 | 6.7% | |
| Accounts payable and other accrued liabilities | (8,855) | (9,479) | (17,762) | (16,760) | (20,857) | (20,176) | (20,634) | (21,040) | (21,132) | (21,544) | (22,050) | (22,664) | (23,453) | (24,331) | (25,323) | (26,378) | (28,331) | (29,931) | 15.5% | |
| Other current assets | 588 | 635 | 979 | 875 | 817 | 1,199 | 1,286 | 2,391 | 1,409 | 1,498 | 1,593 | 1,701 | 1,826 | 1,965 | 2,121 | 2,287 | 2,466 | 2,614 | 26.3% | |
| Deferred revenue and other | (4,568) | (4,591) | (4,722) | (4,116) | (4,317) | (5,790) | (6,138) | (6,684) | (6,884) | (7,319) | (7,786) | (8,313) | (8,924) | (9,605) | (10,365) | (11,223) | (12,147) | (12,776) | 6.5% | |
| Net working capital (NWC) | (181) | 145 | (1,032) | (2,570) | (6,421) | (6,401) | (6,924) | (6,195) | (6,300) | (5,569) | (5,131) | (4,677) | (4,218) | (3,708) | (3,698) | (3,140) | (2,504) | (2,712) | 80.2% | |
| Content advances | 1,278 | 1,314 | 4,597 | 2,171 | 2,183 | 1,890 | 3,002 | 2,097 | 3,002 | 3,045 | 3,106 | 3,183 | 3,286 | 3,403 | 3,637 | 3,818 | 3,989 | 4,218 | 8.6% | |
| Produced and licensed content costs | 7,281 | 7,888 | 22,810 | 25,022 | 29,549 | 35,777 | 33,591 | 32,312 | 31,619 | 32,071 | 32,714 | 33,523 | 34,615 | 35,840 | 38,306 | 40,128 | 42,020 | 44,427 | 27.6% | |
| Parks, resorts and other properties | 28,406 | 29,540 | 31,603 | 32,078 | 32,624 | 33,596 | 34,941 | 37,041 | 38,660 | 40,269 | 41,860 | 43,413 | 44,897 | 47,556 | 49,666 | 52,466 | 55,497 | 58,457 | 4.5% | |
| Intangible assets, net | 6,955 | 6,812 | 23,215 | 19,173 | 17,115 | 14,837 | 13,061 | 10,739 | 11,415 | 12,136 | 12,910 | 13,784 | 14,798 | 15,927 | 17,187 | | | | | |

App. 3: Cash Flow Statement Forecast

| Wait Disney - Cash flow forecast | Historical period | | | | | | | | | | Projected period | | | | | | | | | | CAGR FY25-34 |
|---|-------------------|-----------------|-----------------|----------------|----------------|---------------|----------------|----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|--|-----------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | | | |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | FC | FC | FC | FC | FC | FC | FC | FC | FC | FC | | | |
| NOPLAT | 8,783 | 10,922 | 9,193 | 3,057 | 2,699 | 5,137 | 7,027 | 9,639 | 12,529 | 15,345 | 18,244 | 21,442 | 25,021 | 29,025 | 32,213 | 37,090 | 42,484 | 44,627 | 15.2% | | |
| Depreciation and amortization | 2,782 | 3,011 | 4,167 | 5,345 | 5,111 | 5,163 | 5,369 | 4,990 | 5,068 | 5,304 | 5,543 | 5,788 | 6,041 | 6,296 | 6,552 | 6,808 | 7,058 | 7,254 | 4.1% | | |
| Gross cash flow | 11,565 | 13,933 | 13,360 | 8,402 | 7,810 | 10,300 | 12,396 | 14,629 | 17,597 | 20,649 | 23,787 | 27,231 | 31,063 | 35,321 | 38,765 | 43,898 | 49,541 | 51,881 | 12.8% | | |
| Δ NWC | (326) | 1,177 | 1,538 | 3,852 | (21) | 523 | (729) | (164) | (461) | (438) | (454) | (459) | (510) | (10) | (549) | (644) | 208 | n.a. | | | |
| Δ Capex | (3,962) | (22,633) | (1,778) | (3,599) | (3,857) | (4,938) | (4,768) | (7,363) | (7,633) | (7,908) | (8,215) | (8,539) | (8,815) | (9,081) | (9,342) | (9,521) | (9,196) | 2.5% | | | |
| Δ Goodwill | 157 | (49,024) | 2,604 | (382) | 174 | 830 | 3,741 | - | - | - | - | - | - | - | - | - | - | -% | | | |
| Δ Content advances | (36) | (3,283) | 2,426 | (12) | 293 | (1,112) | 905 | (905) | (43) | (81) | (77) | (104) | (116) | (234) | (173) | (180) | (229) | (14.2%) | | | |
| Δ Produced and licensed content costs | (407) | (14,922) | (2,212) | (4,527) | (6,228) | 2,186 | 1,279 | 693 | (452) | (642) | (810) | (1,092) | (1,225) | (2,466) | (1,822) | (1,892) | (2,407) | n.a. | | | |
| Δ Other assets | (975) | (1,350) | (3,718) | (225) | (550) | (1,868) | (2,025) | 734 | (781) | (838) | (946) | (1,099) | (1,223) | (1,365) | (1,542) | (1,660) | (1,128) | n.a. | | | |
| Operating FCF | 11,565 | 8,384 | (76,675) | 7,261 | 2,916 | 111 | 8,018 | 13,032 | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 15.6% | | |
| Non-core result | 1,047 | 3,012 | 371 | (6,479) | 2,285 | 1,004 | (2,505) | (3,646) | (1,307) | (1,327) | (1,349) | (1,372) | (1,397) | (1,424) | (1,461) | (1,491) | (1,520) | (1,553) | 1.9% | | |
| Δ Investments | 303 | (325) | (679) | (32) | 717 | 138 | (1,379) | (319) | (302) | (324) | (365) | (425) | (473) | (527) | (596) | (641) | (436) | 3.5% | | | |
| Δ Deferred income Taxes | (1,371) | 4,793 | (614) | (42) | 1,117 | (1,105) | (981) | 2,433 | 590 | 666 | 774 | 861 | 961 | 1,086 | 1,169 | 795 | (11.7%) | | | | |
| Δ Other long-term liabilities | 147 | 7,170 | 3,173 | (2,657) | (1,977) | (436) | (1,172) | 2,655 | 843 | 905 | 1,021 | 1,186 | 1,320 | 1,473 | 1,664 | 1,792 | 1,218 | (8.3%) | | | |
| Non-operating FCF | 1,047 | 2,091 | 12,009 | (4,599) | (446) | 861 | (3,908) | (7,178) | 3,462 | (236) | (177) | (50) | 138 | 285 | 446 | 663 | 799 | 23 | (42.7%) | | |
| Total FCF | 12,612 | 10,475 | (64,666) | 2,662 | 2,470 | 972 | 4,110 | 5,854 | 14,053 | 11,042 | 13,723 | 16,679 | 19,909 | 23,717 | 26,055 | 31,133 | 36,445 | 39,152 | 12.1% | | |
| Growth in % | -16.9% | -717.4% | -104.1% | -7.2% | -60.7% | 32.0% | 42.5% | 140.1% | -21.4% | 24.3% | 21.5% | 19.4% | 19.1% | 9.9% | 19.5% | 17.1% | 7.4% | ##### | | | |
| Financing cash flow | | | | | | | | | | | | | | | | | | | | | |
| Financing result | (42) | (510) | (854) | (664) | (510) | (459) | (337) | (541) | (567) | (653) | (696) | (732) | (760) | (779) | (790) | (786) | (764) | (757) | 3.3% | | |
| Δ Net debt | (3,999) | 34,126 | (791) | (2,457) | (1,286) | (3,856) | (1,280) | 9,794 | 3,594 | 3,493 | 3,385 | 3,257 | 2,970 | 2,902 | 2,389 | 1,699 | 625 | (26.3%) | | | |
| Change in Equity | 7,458 | 40,104 | (5,294) | 4,970 | 6,455 | 4,269 | 1,419 | (12,625) | (618) | (321) | 7 | 458 | 915 | 1,796 | 2,076 | 2,819 | 3,297 | n.a. | | | |
| Less: net income / comprehensive income | 13,424 | 8,710 | (4,086) | 4,474 | 5,682 | 4,185 | 5,452 | 10,655 | 13,365 | 16,200 | 19,338 | 22,864 | 26,823 | 29,962 | 34,813 | 40,199 | 42,316 | 16.6% | | | |
| Financial Free Cashflow | (42) | (10,475) | 64,666 | (2,662) | (2,470) | (972) | (4,110) | (5,854) | (14,053) | (11,042) | (13,723) | (16,679) | (19,909) | (23,717) | (26,055) | (31,133) | (36,445) | (39,152) | 12.1% | | |

App. 4: CAPEX Breakdown

| | Historical period | | | | | | | | | | Projected period | | | | | | | | | | CAGR FY25-34 |
|---------------------------------------|-------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|--|--|-----------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | | | |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | FC | FC | FC | FC | FC | FC | FC | FC | FC | FC | | | |
| Δ Parks, resorts and other properties | (1,134) | (2,063) | (475) | (546) | (972) | (1,345) | (2,100) | (1,619) | (1,609) | (1,591) | (1,553) | (1,484) | (1,390) | (1,269) | (1,110) | (930) | (901) | (6.3%) | | | |
| Δ Intangible assets, net | 183 | (16,403) | 4,042 | 2,058 | 2,278 | 1,776 | 2,322 | (676) | (721) | (774) | (873) | (1,014) | (1,129) | (1,260) | (1,423) | (1,532) | (1,042) | 4.9% | | | |
| Depreciation and amortization | (3,011) | (4,167) | (5,345) | (5,111) | (5,163) | (5,369) | (4,990) | (5,068) | (5,304) | (5,543) | (5,788) | (6,041) | (6,296) | (6,552) | (6,808) | (7,058) | (7,254) | 4.1% | | | |
| Capex | (3,962) | (22,633) | (1,778) | (3,599) | (3,857) | (4,938) | (4,768) | (7,363) | (7,633) | (7,908) | (8,215) | (8,539) | (8,815) | (9,081) | (9,342) | (9,521) | (9,196) | 2.5% | | | |

App. 5: Financial Health Analysis

| Walt Disney - Financial health (based on reported statements) | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | CAGR |
| \$'000 | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | FY17-24 |
| Entertainment | 18,694 | 27,152 | 34,774 | 37,667 | 39,697 | 39,569 | 40,635 | 41,186 | 11.9% |
| Sports | 5,680 | 8,249 | 10,566 | 11,445 | 12,061 | 17,270 | 17,111 | 17,619 | 17.6% |
| Experiences | 23,024 | 24,701 | 26,225 | 17,038 | 16,552 | 28,085 | 32,549 | 34,151 | 5.8% |
| Reconciliation | 7,739 | (668) | (1,958) | (762) | (892) | (2,202) | (1,397) | (1,595) | n.a. |
| Total Revenue | 55,137 | 59,434 | 69,607 | 65,388 | 67,418 | 82,722 | 88,898 | 91,361 | 7.5% |
| KPIs - Growth rates | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| Entertainment | - | 45.2% | 28.1% | 8.3% | 5.4% | -0.3% | 2.7% | 1.4% | +1.4pp |
| Sports | - | 45.2% | 28.1% | 8.3% | 5.4% | 43.2% | -0.9% | 3.0% | +3.0pp |
| Experiences | - | 7.3% | 6.2% | -35.0% | -2.9% | 69.7% | 15.9% | 4.9% | +4.9pp |
| Total Revenue | - | 7.8% | 17.1% | -6.1% | 3.1% | 22.7% | 7.5% | 2.8% | +2.8pp |
| Gross profit | - | 7.6% | 3.1% | -21.9% | 3.6% | 27.1% | 4.9% | 10.0% | +10.0pp |
| EBITDA | - | 8.0% | 4.1% | -73.3% | 78.2% | 30.5% | -4.2% | 21.8% | +21.8pp |
| EBIT | - | 8.0% | -2.6% | -101.7% | -1674.2% | 68.4% | -10.5% | 47.7% | +47.7pp |
| Total comprehensive income | - | 38.2% | -36.8% | -155.4% | -184.9% | 41.0% | -41.8% | 43.5% | +43.5pp |
| KPIs - Profitability | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| OPEX margin | 74.8% | 75.0% | 83.0% | 94.2% | 94.6% | 91.8% | 89.9% | 87.0% | +12.1pp |
| Gross profit margin | 45.0% | 44.9% | 39.6% | 32.9% | 33.1% | 34.2% | 33.4% | 35.8% | -9.3pp |
| SG&A margin | 14.8% | 14.9% | 16.6% | 18.9% | 20.0% | 19.8% | 17.3% | 17.2% | +2.4pp |
| EBITDA margin | 30.8% | 30.8% | 27.4% | 7.8% | 13.5% | 14.3% | 12.8% | 15.1% | -15.6pp |
| Operating margin | 25.7% | 25.7% | 21.4% | -0.4% | 5.9% | 8.1% | 6.7% | 9.7% | -16.0pp |
| Net margin | 17.0% | 22.0% | 16.6% | -3.8% | 3.7% | 4.2% | 3.8% | 6.3% | -10.7pp |
| Comprehensive income margin | 17.1% | 21.9% | 11.8% | -7.0% | 5.8% | 6.6% | 3.6% | 5.0% | -12.1pp |
| Operating ROIC (no lag), reformulated | - | 13.6% | 5.5% | 1.9% | 1.7% | 3.1% | 4.2% | 5.9% | +5.9pp |
| Operating ROIC (lagging), reformulated | - | - | 11.4% | 1.8% | 1.7% | 3.2% | 4.2% | 5.8% | +5.8pp |
| Overall ROIC, reformulated | - | - | 12.5% | 2.1% | 1.9% | 3.6% | 4.7% | 6.4% | +6.4pp |
| Return on assets | 9.8% | 13.3% | 6.0% | -1.2% | 1.2% | 1.7% | 1.6% | 2.9% | -6.8pp |
| Asset turnover | 0.58 | 0.60 | 0.36 | 0.32 | 0.33 | 0.41 | 0.43 | 0.47 | n.a. |
| KPIs - Liquidity | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| Current ratio | 0.81 | 0.94 | 0.90 | 1.32 | 1.08 | 1.00 | 1.05 | 0.73 | n.a. |
| Quick ratio | 0.74 | 0.86 | 0.84 | 1.26 | 1.04 | 0.94 | 0.99 | 0.67 | n.a. |
| Cash ratio | 0.21 | 0.23 | 0.17 | 0.67 | 0.51 | 0.40 | 0.46 | 0.17 | n.a. |
| KPIs - Solvency | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| D/E ratio | 55.1% | 39.0% | 45.8% | 63.9% | 57.0% | 48.2% | 44.8% | 43.4% | -11.7pp |
| Debt/Capital | 35.5% | 28.0% | 31.4% | 39.0% | 36.3% | 32.5% | 31.0% | n.a. | n.a. |
| Debt/Assets | 26.6% | 21.3% | 24.3% | 30.9% | 28.6% | 25.7% | 24.6% | 23.3% | -3.2pp |
| Debt-to-EBITDA | 1.49 | 1.14 | 2.46 | 11.51 | 5.99 | 4.08 | 4.09 | 3.32 | n.a. |

Source: Annual report, Bloomberg, own analysis

| Based on FY23 | Walt Disney | Comcast | Paramount | Warner Bros | News Corp | Netflix | Fox Corp | | |
|--|-------------|---------|-----------|-------------|-----------|---------|----------|--|--|
| Sales | 88,898 | 121,572 | 29,652 | 41,321 | 9,879 | 33,723 | 14,913 | | |
| CAGR 7 years Sales | 8.3% | 6.1% | 1.9% | 34.8% | 3.3% | 19.3% | 7.0% | | |
| Margins | | | | | | | | | |
| Gross Profit Margin - % | 33.4% | 58.0% | 29.7% | 22.1% | 40.9% | 41.5% | 32.3% | | |
| EBITDA Margin - % | 12.8% | 31.0% | 6.7% | 40.5% | 14.4% | 63.8% | 21.3% | | |
| Operating Margin - % | 6.7% | 19.2% | 5.3% | -1.0% | 7.2% | 20.6% | 18.5% | | |
| Net Margin - % | 3.8% | 12.4% | -4.2% | -7.5% | 1.9% | 16.0% | 8.4% | | |
| Liquidity | | | | | | | | | |
| Current Ratio | 1.05 | 0.60 | 1.32 | 0.93 | 1.28 | 1.12 | 1.93 | | |
| Quick Ratio | 0.99 | n.a. | 1.17 | n.a. | 1.18 | n.a. | 1.78 | | |
| Solvency / Financial Strength | | | | | | | | | |
| D/E ratio | 0.45 | 1.17 | 0.65 | 0.97 | 0.41 | 0.71 | 0.69 | | |
| Interest coverage ratio | 4.94 | 5.70 | 1.71 | -0.18 | 7.10 | 9.94 | 7.92 | | |
| Debt ratio | 24.6% | 36.7% | 27.3% | 35.8% | 19.5% | 29.8% | 33.0% | | |
| Capital Structure | | | | | | | | | |
| Debt/EBITDA | 149.2% | 258.0% | 734.1% | 262.7% | 231.7% | 67.6% | 227.1% | | |
| Debt/Capital | 35.5% | 53.8% | 38.8% | 48.6% | 27.0% | 41.4% | 40.4% | | |
| D/EV ratio | 21.8% | 36.2% | 64.9% | 63.5% | 24.3% | 6.6% | 36.3% | | |
| Return | | | | | | | | | |
| Return on Average Total Assets - % (Income before) | 1.6% | 5.8% | -2.2% | -2.4% | 1.1% | 11.1% | 5.7% | | |
| Return on Invested Capital - % | 4.2% | 10.2% | n.a. | n.a. | 1.7% | 17.1% | 8.1% | | |
| Payout Ratio | n.a. | 31.2% | n.a. | n.a. | 77.9% | 0.0% | 21.4% | | |
| Asset Turnover | 0.43 | 0.47 | 0.53 | 0.32 | 0.58 | 0.69 | 0.68 | | |

Source: Refinitiv, annual report, own analysis

App. 6: Weighted Average Cost of Capital (WACC)

Wait Disney - Weighted average cost of capital (WACC)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | |
|---------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------|------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | |
| DE/VE | | | | | | | | | 21.5% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | |
| Debt/Equity | | | | | | | | | 27.3% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | |
| Statutory tax rate | | | | | | | | | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | |
| Equity beta (unlevered) | | | | | | | | | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | |
| Debt beta | | | | | | | | | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | |
| Equity beta (levered) | | | | | | | | | 1.42 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | |
| Cost of equity | | | | | | | | | 12.6% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | |
| Cost of debt | | | | | | | | | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | |
| Unlevered WACC | | | | | | | | | 10.8% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | |
| Statutory tax rate | | | | | | | | | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | |
| Levered WACC | | | | | | | | | 10.6% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | |
| Unlevered cost of capital | | | | | | | | | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | |

App. 7: Discounted Cash Flow (DCF)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | | Terminal Value |
|---|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------|------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--|----------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | |
| Operating Free Cash Flow to Firm (base case) | | | | | | | | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 40,107 | | |
| Operating Free Cash Flow to Firm (default case) | | | | | | | | 2,794 | 1,728 | 2,546 | 3,385 | 4,199 | 5,368 | 5,561 | 7,388 | 9,207 | 11,356 | 11,640 | | |
| Ultimately expected Cash Flow | | | | | | | | 10,584 | 11,269 | 13,890 | 16,717 | 19,757 | 23,415 | 25,591 | 30,450 | 35,622 | 39,104 | 40,081 | | |
| discounted @ WACC | | | | | | | | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.61 | 0.55 | 0.50 | 0.45 | 0.41 | 0.37 | 0.37 | | |
| Discounted FCF | | | | | | | | 10,196 | 11,371 | 12,382 | 13,240 | 14,198 | 14,040 | 15,115 | 15,998 | 15,890 | 15,890 | 183,665 | | |

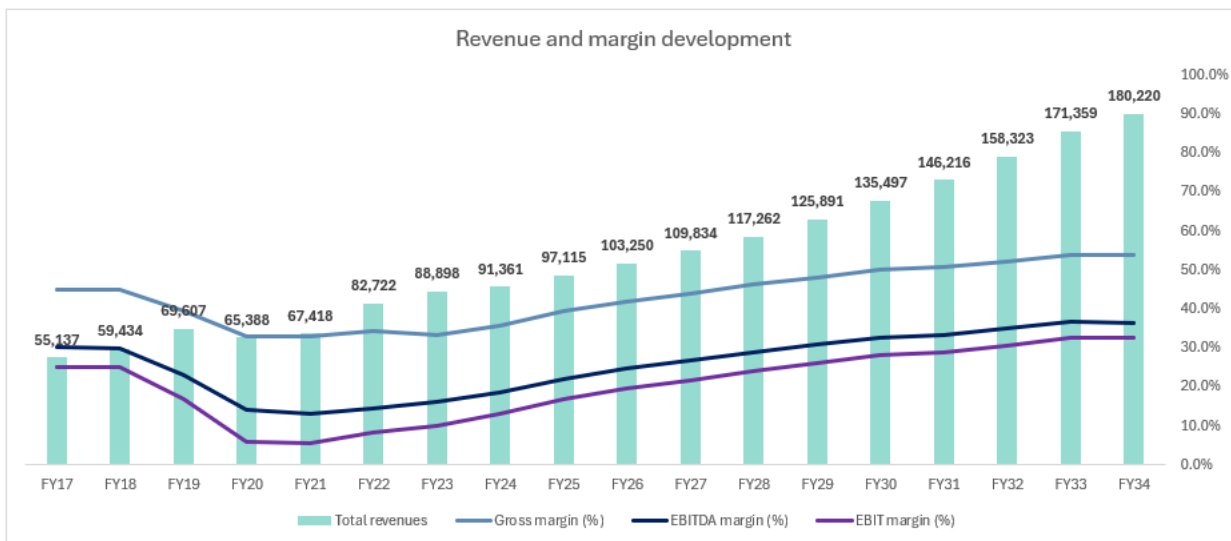
| | |
|---|----------|
| Enterprise Value | 306,094 |
| Share Projection Period | 40% |
| Share Terminal Value | 60% |
| Invested Capital Non Core Operations | (17,278) |
| Value of Financial Debt and other claim | (59,010) |
| Equity Value | 229,806 |
| Total shares outstanding (mn) | 1,822 |
| Price per share (\$) | 126.1 |

App. 8: Adjusted Present Value (APV)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | | Terminal Value |
|---|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------|------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--|----------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | |
| Operating Free Cash Flow to Firm (base case) | | | | | | | | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 40,107 | | |
| Operating Free Cash Flow to Firm (default case) | | | | | | | | 2,794 | 1,728 | 2,546 | 3,385 | 4,199 | 5,368 | 5,561 | 7,388 | 9,207 | 11,356 | 11,640 | | |
| Ultimately expected Cash Flow | | | | | | | | 10,584 | 11,269 | 13,890 | 16,717 | 19,757 | 23,415 | 25,591 | 30,450 | 35,622 | 39,104 | 40,081 | | |
| discounted @ unlevered cost of capital | | | | | | | | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.61 | 0.55 | 0.50 | 0.45 | 0.41 | 0.37 | 0.37 | | |
| Discounted FCF/ Unlevered Enterprise Value | | | | | | | | 10,196 | 11,371 | 12,382 | 13,240 | 14,198 | 14,040 | 15,115 | 15,998 | 15,890 | 15,890 | 180,297 | | |
| Interest Tax Shield | | | | | | | | 284.0 | 303.9 | 323.6 | 342.8 | 361.4 | 378.7 | 395.9 | 410.6 | 422.3 | 432.2 | 443.0 | | |
| discounted @ the unlevered cost of capital | | | | | | | | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.60 | 0.54 | 0.49 | 0.44 | 0.40 | 0.36 | 0.36 | | |
| Discounted Tax Shield | | | | | | | | 274.6 | 264.2 | 252.9 | 240.9 | 228.1 | 215.5 | 201.9 | 187.6 | 173.5 | 173.5 | 3,588 | | |
| Enterprise Value (Levered) | | | | | | | | 10,471 | 11,635 | 12,635 | 13,481 | 14,426 | 14,255 | 15,317 | 16,186 | 16,063 | 16,063 | 183,885 | | |

| | |
|---|----------|
| Enterprise Value | 308,354 |
| Invested Capital Non Core Operations | (18,369) |
| Value of Financial Debt and other claim | (62,604) |
| Equity Value | 227,380 |
| Total shares outstanding (mn) | 1,822 |
| Price per share (\$) | 124.8 |

App. 9: Total Revenue and Margin Development FY17 – FY34



App. 10: Operating Cash Analysis

| Walt Disney - Operating cash analysis | | | | | | | | |
|---|-------------|-------------|-------------|--------------|-------------|-------------|-------------|----------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | CAGR |
| \$'000 | Actual | Actual | Actual | Actual | Actual | Actual | Actual | FY17-23 |
| Comcast Corp (CMCSA.OQ) | | | | | | | | |
| Revenues | 85,029 | 94,507 | 108,942 | 103,564 | 116,385 | 121,427 | 121,572 | 6.1% |
| Cash & Cash Equivalents | 3,428 | 3,814 | 5,500 | 11,740 | 8,711 | 4,749 | 6,215 | 10.4% |
| in % | 4.0% | 4.0% | 5.0% | 11.3% | 7.5% | 3.9% | 5.1% | n.a. |
| Paramount Global (PARA.OQ) | | | | | | | | |
| Revenues | 26,535 | 26,425 | 26,998 | 25,285 | 28,586 | 30,154 | 29,652 | 1.9% |
| Cash & Cash Equivalents | 285 | 856 | 632 | 2,984 | 6,267 | 2,885 | 2,460 | 43.2% |
| in % | 1.1% | 3.2% | 2.3% | 11.8% | 21.9% | 9.6% | 8.3% | n.a. |
| Warner Bros Discovery Inc (WBD.OQ) | | | | | | | | |
| Revenues | 6,873 | 10,553 | 11,144 | 10,671 | 12,191 | 33,817 | 41,321 | 34.8% |
| Cash & Cash Equivalents | 7,309 | 986 | 1,552 | 2,091 | 3,905 | 3,731 | 3,780 | (10.4%) |
| in % | 106.3% | 9.3% | 13.9% | 19.6% | 32.0% | 11.0% | 9.1% | n.a. |
| News Corp (NWSA.OQ) | | | | | | | | |
| Revenues | 8,139 | 9,024 | 10,074 | 9,008 | 9,358 | 10,385 | 9,879 | 3.3% |
| Cash & Cash Equivalents | 2,016 | 2,034 | 1,643 | 1,517 | 2,236 | 1,822 | 1,833 | (1.6%) |
| in % | 24.8% | 22.5% | 16.3% | 16.8% | 23.9% | 17.5% | 18.6% | n.a. |
| Netflix Inc (NFLX.OQ) | | | | | | | | |
| Revenues | 11,693 | 15,794 | 20,156 | 24,996 | 29,698 | 31,616 | 33,723 | 19.3% |
| Cash & Cash Equivalents | 2,823 | 3,794 | 5,018 | 8,206 | 6,028 | 5,147 | 7,117 | 16.7% |
| in % | 24.1% | 24.0% | 24.9% | 32.8% | 20.3% | 16.3% | 21.1% | n.a. |
| Fox Corp (FOXA.OQ) | | | | | | | | |
| Revenues | 9,921 | 10,153 | 11,389 | 12,303 | 12,909 | 13,974 | 14,913 | 7.0% |
| Cash & Cash Equivalents | 19 | 2,500 | 3,234 | 4,645 | 5,886 | 5,200 | 4,272 | 146.6% |
| in % | 0.2% | 24.6% | 28.4% | 37.8% | 45.6% | 37.2% | 28.6% | n.a. |
| Operating cash treshold | | | | | | | | Avg. |
| | | | | | | | | FY17-23 |
| Minimum | 0.2% | 3.2% | 2.3% | 11.3% | 7.5% | 3.9% | 5.1% | 4.8% |
| Average | 26.8% | 14.6% | 15.2% | 21.7% | 25.2% | 15.9% | 15.1% | 19.2% |
| Median | 14.1% | 15.9% | 15.1% | 18.2% | 22.9% | 13.7% | 13.9% | 16.3% |
| Maximum | 106.3% | 24.6% | 28.4% | 37.8% | 45.6% | 37.2% | 28.6% | 44.1% |

Source: Refinitiv, own analysis

THE WALT DISNEY CO.

MEDIA AND ENTERTAINMENT

FERDINAND LAMERS / MAXIMILIAN BÄUERLE

COMPANY REPORT

17 DECEMBER 2024

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The magic continues: Disney's next chapter

Strategic expansion across Entertainment & Experiences

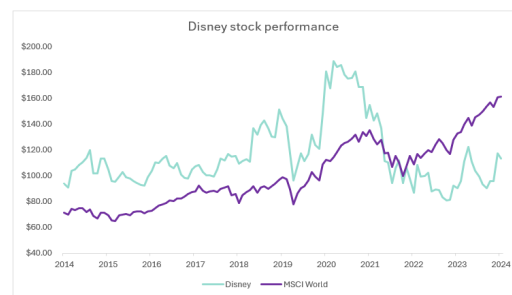
- In FY24, Disney reported a **14.5% revenue increase** in its **Direct-to-Consumer (DTC)** segment, driven by Disney+, Hulu and ESPN+. DTC achieved **profitability** for the first time with 221 million global subscribers, projected further growth to **430 million**.
- The **Experiences** segment, contributing **37.4% of FY24 revenue**, reflects Disney's commitment to immersive entertainment. A **\$60 billion investment** across theme parks and resorts through FY34 aims for a **4.6% CAGR**, with Disney Cruise Line expected to grow at 12.6% annually.
- The **Theatrical Distribution** sub-segment is positioned for recovery with box office revenues projected to grow at **8.5% CAGR**, supported by annual releases of **13 major films** and an expected 31% global cinema admission growth by FY26.
- Despite a **2.6% CAGR decline in Linear Networks** due to cord-cutting, the DTC segment's profitability underscores Disney's strategic realignment to streaming services, positioning it against competitors like Netflix, which holds 30% global market share.
- Disney maintains financial strength with **\$9.2 billion CAPEX growth** expected by FY34 and a forecasted **25.1% ROIC**, well above the weighted average cost of capital (WACC) of **10.5%**, signaling long-term shareholder value creation.

Company description

Disney is a global leader in entertainment with diversified operations across media, streaming, and experiences. Forecasted FY34 revenues exceed **\$129 billion**, driven by strategic investments, an expanding subscriber base, and ongoing innovation.

| | |
|--------------------------------|------------------|
| Recommendation: | HOLD |
| Price Target FY25: | 121.64 \$ |
| <i>Upside/Downside:</i> | +7.8% |
| Price (as of 17-Dec-24) | 112.84 \$ |
| Bloomberg: DIS US Equity | |
| 52-week range (\$) | 83.91-123.74 |
| Market Cap (\$b) | 203.02 |
| Outstanding Shares (m) | 1,825 |

Source: Refinitiv, Yahoo Finance, Walt Disney Annual reports, own analysis



Source: Refinitiv

| (Values in \$ millions) | 2023 | 2024 | 2025F |
|-------------------------|--------|--------|--------|
| Revenues | 88,898 | 91,361 | 97,115 |
| EBITDA | 14,361 | 16,904 | 21,488 |
| Net Profit | 7,027 | 9,639 | 12,529 |
| EBIT Margin (%) | 10.1% | 13.0% | 16.9% |
| Operating ROIC (%) | 4.7% | 6.4% | 8.4% |
| EPS | 3.85 | 5.28 | 6.88 |
| P/E | n.a. | 44.7 | - |
| EV/Sales | n.a. | 2.4 | - |
| EV/EBIT | n.a. | 18.2 | - |

Source: Walt Disney Annual reports, own analysis

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY FERDINAND LAMERS AND MAXIMILIAN BÄUERLE, MASTER IN FINANCE STUDENTS OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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Company Overview

The Walt Disney Company, a global leader in entertainment, operates through three key business segments: Entertainment, Sports, and Experiences. With a workforce of over 233,000 employees and operations in more than 130 countries, Disney remains a dominant force in the U.S. and Canada, which accounted for 78.9% of its total revenues in FY24. Europe contributed 11.3%, and Asia contributed 9.8% (see Fig. 1). This geographic distribution reflects Disney's strong foothold in its domestic market and its growing presence internationally, particularly in expected high-growth regions such as Asia-Pacific.

Disney's transition from five segments to three streamlined its operations and revenue recognition. The Experiences segment, encompassing Parks, Resorts, Vacation Clubs, and Cruise Lines, generated 37.4% of total revenues in FY24. The Sports segment, led by ESPN, accounted for 19.3%, while the Entertainment segment contributed 43.3% (see Fig. 2). This realignment reflects Disney's strategic focus on leveraging experiential entertainment and digital content distribution strengths to adapt to evolving consumer preferences.

FY24 marked continued success for Disney+, with the streaming platform achieving profitability for the first time, supported by over 221 million paid subscribers across Disney+, Hulu, and ESPN+. The Entertainment segment has seen strong growth in its DTC offerings, while strategic investments in original content and platform development have partially offset challenges in traditional media. Disney's iconic franchises, including Marvel, Star Wars, and Pixar, continue to underpin its global appeal, driving sustained revenue from theatrical releases, licensing, and merchandise.

In the Experiences segment, Disney reinforced its leadership through significant investments in its parks and resorts. Key developments included the launch of Zootopia Land in Shanghai and expansions in Orlando, integrating popular franchises like Frozen and Encanto. The segment's revenue recovery post-pandemic, strengthened by increased park attendance and higher per-capita guest spending, is complemented by robust growth in Disney Cruise Line, projected to grow at a double-digit CAGR through FY34. Despite challenges such as rising operational costs, economic uncertainties, and shifts in media consumption, Disney remains focused on long-term growth through strategic investments and innovation. The company's \$60 billion commitment to expanding its parks and resorts over the next decade indicates ambition to enhance guest experiences and sustain competitive advantage.

Geographic Revenue Split Walt Disney

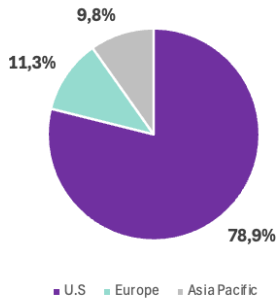


Figure 1 – Source: Future Data Stats

Segment Revenue Split The Walt Disney Company

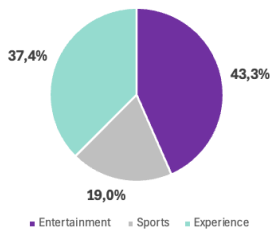


Figure 2 – Source: Future Data Stats

Financial analysis

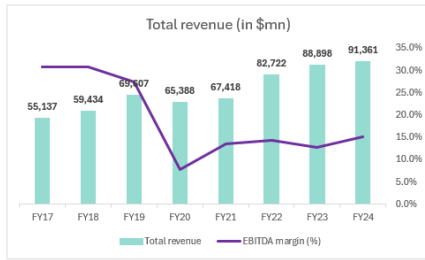


Figure 3 – Source: Annual report, own analysis

During the historical period from FY17 to FY24, Disney's revenue grew at a compound annual growth rate (CAGR) of 7.5%, increasing from \$55.1 billion to \$91.4 billion (see Fig.3), with fluctuations influenced by external challenges and strategic activities. In FY20 and FY21, revenue declined significantly due to COVID-19, which disrupted theme parks, resorts, cruises, and theatrical distribution. The Experiences segment, which had grown steadily to \$26.2 billion in FY19, was heavily impacted by closures and restrictions. In FY22, Disney recovered, with revenue rising by 22.7%. The reopening of parks, higher attendance, increased ticket prices, and new offerings like Genie+ drove a 69.7% rebound in the Experiences segment alone. Growth was also supported by the recovery of theatrical releases and the expansion of Direct-to-Consumer (DTC) platforms like Disney+ and ESPN+, accelerated by significant subscriber gains. In FY23, growth was further driven by strong park performance and continued DTC gains. However, declines in advertising, retail sales, and TV/VOD revenues partly offset these gains. FY24 revenue increased by 8.7%, reaching \$91.4 billion, as the Parks and DTC segments remained key drivers. The Entertainment segment, which includes major franchises like Marvel and Star Wars, grew steadily with a CAGR of 11.9%, while the Sports segment expanded at a CAGR of 10.1%, benefiting from increased live sports content and integration into DTC offerings. However, declines in theatrical distribution and affiliate revenues moderated overall growth. In general, Disney's revenue development of the last 7 years can be interpreted positively compared to the sector as only Warner Bros. and Netflix were able to record a higher CAGR during this period.

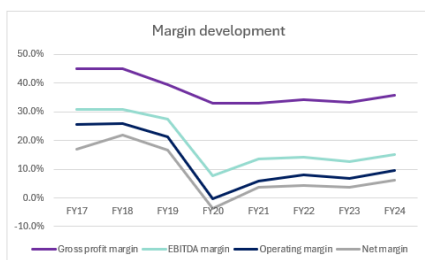


Figure 4 – Source: Annual report, own analysis

Disney's margins fluctuated significantly due to acquisitions, the pandemic, and investments, particularly in its streaming segment (see Fig.4). EBITDA margin declined to 7.8% by FY20 as the pandemic caused widespread disruptions, including park closures and reduced theatrical revenues. Restructuring and impairment charges, which peaked at \$5.7 billion in FY20, further reduced profitability. Similarly, operating margin fell from 25.7% in FY17 to -0.4% in FY20, while net margin dropped from 17.0% to -3.8%. The acquisition of Twenty-First Century Fox (TFCF) and consolidation of Hulu in FY19 also weighed heavily on margins due to higher costs, including amortization of intangible assets and integration expenses. Margins began to recover in FY21 and FY22 as pandemic-related problems eased, driven by improved park attendance and growing DTC revenues. By FY23, EBITDA margin rose to 14.3% and operating margin reached 6.7%. However, restructuring charges of \$3.9 billion and continued DTC investments limited the recovery. Significant investment in Disney+ initially

pressured profitability, but by FY24, the DTC segment achieved its first positive operating result, reflecting improved scalability. However, Disney's margins are still below the industry standard (with an average EBITDA margin of 29.6% and an average operating margin of 11.6%), indicating room for improvement.

During the historical period, several key items on Disney's balance sheet also notably changed, reflecting multiple strategic business decisions. Total assets almost doubled from \$95.8 billion in FY17 to \$196.2 billion in FY24, particularly driven by the acquisition of TFCF in FY19, and ongoing investments in the company's operations. The acquisition required Disney to allocate the purchase price to tangible and intangible assets based on fair values, with the excess recorded as goodwill, which therefore increased from \$31.4 billion to \$80.3 billion in FY19 (see Fig.5). Due to impairments related to channel businesses and certain retail store assets these items have since declined, with intangible assets reaching \$10.7 billion and goodwill at \$70.7 billion in FY24. Investments remained relatively steady until FY24 increasing significantly to \$4.5 billion, primarily driven by Disney's \$1.5 billion investment in an 8% stake in Epic Games, Inc. indicating again a strategic focus on digital and interactive media, aligning with broader industry trends and our investment thesis. By FY24, cash levels had declined to \$6.0 billion following the completion of Disney's Hulu acquisition. This included an \$8.6 billion payment to NBCU to redeem its 33% ownership stake, consolidating Disney's 100% ownership of Hulu and reinforcing strategic focus on the DTC segment.

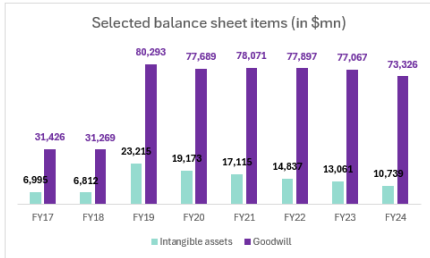


Figure 5– Source: Annual report, own analysis

| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | CAGR FY17-24 |
|-------------------------|------|------|------|------|------|------|------|------|---------------------|
| KPIs - Liquidity | | | | | | | | | 5.11x EBITDA |
| Current ratio | 0.81 | 0.94 | 0.90 | 1.32 | 1.08 | 1.00 | 1.05 | 0.73 | n.a. |
| Quick ratio | 0.74 | 0.86 | 0.84 | 1.26 | 1.04 | 0.94 | 0.99 | 0.67 | n.a. |
| Cash ratio | 0.21 | 0.23 | 0.17 | 0.67 | 0.51 | 0.40 | 0.46 | 0.17 | n.a. |

Table 1– Source: Annual report, own analysis

As a result, liquidity ratios declined in FY24 reflecting lower cash and cash equivalents. Despite this, Disney's liquidity remains within a manageable range compared to industry peers and is not considered a cause for concern. On the contrary, with a current ratio of 1.05 and a cash ratio of 0.46 in FY23, Disney displayed a solid short-term financial stability, and it is expected that such levels will be reached again in FY25 (see Tab.1).

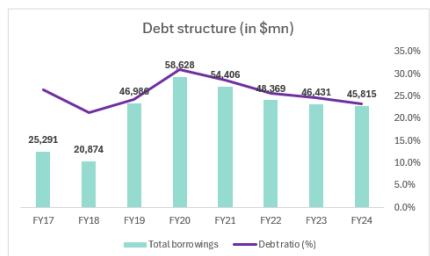


Figure 6– Source: Annual report, Bloomberg

Disney maintained relatively low debt levels compared to industry peers, despite a notable increase in leverage during FY19 and FY20. The Debt-to-Equity (D/E) ratio peaked at 63.9% in FY20, up from 55.1% in FY17, driven primarily by financing for the acquisition of TFCF. Additionally, the pandemic pressured Disney's operations, requiring increased borrowing to manage cash flow amid significant revenue declines in segments such as Parks and Experiences. Similarly, the Debt-to-EBITDA ratio surged to 11.51 in FY20. Since FY20, Disney has steadily reduced its leverage. By FY24, the D/E ratio declined to 57.0%, and Debt-to-EBITDA fell to 3.32, supported by improved operating performance and debt repayment (see Fig.6). The deleveraging reflects the company's strategic focus on restoring financial flexibility as its operations recover. Debt-to-Capital

ratio also decreased from 39.0% in FY20 to 36.3% in FY24 and debt ratio declined to 23.3%, aligning with efforts to optimize the capital structure. Disney's debt levels remain relatively low compared to industry peers with an average debt ratio of 30.3%, providing the company with the potential to raise additional debt if necessary to fund future strategic initiatives. This flexibility positions Disney to continue investing in growth areas such as its DTC platforms and content production in the future.

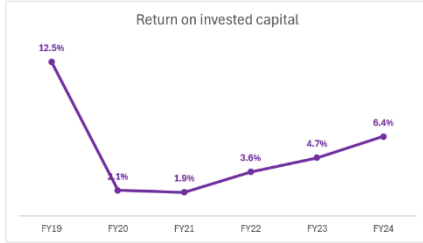


Figure 7– Source: Annual report, own analysis

Disney's Return on invested capital (ROIC) and asset efficiency also reflected the challenges of acquisitions and pandemic disruptions. Overall ROIC dropped from 12.5% in FY19 to 1.9% in FY21 but rebounded to 6.4% in FY24, driven by improved capital utilization and stronger operations (see Fig.7). Similarly, return on assets (ROA) improved from 1.6% in FY23 to 2.6% in FY24, highlighting better use of assets in the capital-intensive Experiences segment. Asset turnover, at 0.43 in FY23, was slightly below the industry average of 0.55 but improved to 0.47 in FY24 with higher revenue generation. These trends reflect Disney's progress in recovering operational efficiency and utilizing its assets more effectively.

Entertainment

Linear Networks

- Market overview

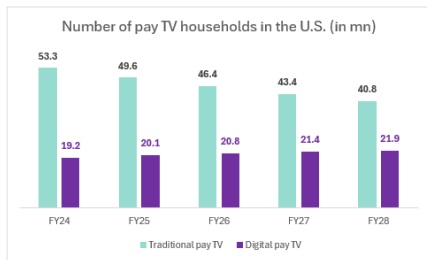


Figure 8 – Source: Statista

Linear Networks generates revenue primarily through affiliate fees, advertising sales, and programming and distribution services. Affiliate fees are secured through multi-year licensing agreements with multichannel video programming distributors (MVPDs) and affiliated television stations. These agreements are typically based on per-subscriber rates, with pricing influenced by the quality and quantity of programming offered and the competitive landscape of programming services. Advertising revenue, on the other hand, is determined by the size and demographics of the audience delivered to advertisers, as well as overall advertiser demand. These revenues, while substantial, face increasing pressure due to the competitive challenges posed by the rise of streaming services. As streaming platforms offer access to similar content at lower prices, the trend of cord-cutting continues to erode traditional cable subscriptions. This development directly impacts the ability to generate revenues from affiliate fees and consequently, companies have resorted to charging higher contractual rates and investing heavily in content creation to counterbalance the declining subscriber base and maintain their competitive positioning. The number of traditional pay TV

households in the United States has been steadily declining, with figures dropping from approximately 58 million in 2023 to a projected level below 41 million by 2028¹ (see Fig. 8). This decline is mirrored by an increase in cord-cutting, as alone in the second quarter of 2024, 6.9% of U.S. households cut the cord, indicating a significant consumer shift toward streaming and other viewing options². Advertising revenue in this sub-segment also faces significant challenges. The U.S. TV advertising market is under pressure from the growing popularity of ad-free platforms and the shift of advertisers to digital channels, which offer lower costs and better-targeted audiences. Thus, advertising revenue for traditional TV in the United States has also been decreasing from \$70.22 billion in 2017 to \$66.64 billion in 2022 and is further assumed to decline to \$54.74 billion in 2027³. Additionally, the average daily time spent watching traditional TV per capita in the U.S. has been consistently decreasing with a CAGR of -0.6% between 2017 and 2023⁴, as viewers prefer on-demand streaming services over scheduled programming. Media companies are mitigating these trends by increasing the number of advertising minutes sold for commercials⁵, thereby attempting to sustain revenue growth and to offset declining viewership.

▪ Competition

Disney competes with major industry players, including Comcast's NBCUniversal, Paramount Global, and Warner Bros. Discovery. These companies operate extensive portfolios of television networks, such as NBC, CBS, and CNN, and are engaged in an ongoing competition for audience share and advertising revenue. The success of digital platforms and streaming services has further intensified competition by fragmenting traditional television audiences and diversifying consumer viewing habits and increased competitive pressures. The consolidation of MVPDs has improved their bargaining power during carriage negotiations, challenging networks to secure favourable terms. For example, Warner Bros. Discovery recently finalized a comprehensive distribution agreement with Comcast, ensuring higher carriage fees for its networks while granting Comcast expanded rights for Warner's streaming platform, Max, and its U.K. Sky TV operations⁶. In November 2024, Comcast announced plans to spin off a significant portion of its NBCUniversal cable TV assets into a new entity

¹ <https://www.statista.com/statistics/251268/number-of-pay-tv-households-in-the-us/>

² <https://www-statista-com.eu1.proxy.openathens.net/statistics/495693/cord-cut-penetration-usa/>

³ <https://www-statista-com.eu1.proxy.openathens.net/statistics/272404/tv-advertising-spending-in-the-us/>

⁴ <https://www.statista.com/statistics/411775/average-daily-time-watching-tv-us-by-age/>

⁵ <https://www.nexttv.com/news/tv-ad-impressions-rose-in-2023-but-linear-ad-dollars-fell-ispot?>

⁶ <https://www.wsj.com/business/media/warner-and-comcast-resolve-harry-potter-dispute-in-new-distribution-pact-ad480d89?>

referred to as "SpinCo."⁷ This strategic move is a response to the increasing competition from streaming platforms and the shifting viewer preferences toward digital content. Additionally, the integration of traditional linear offerings with streaming services has become a key competitive strategy. Paramount Global has bundled its linear networks with its Paramount+ streaming service to drive synergies across its content portfolio. Disney has already started to adapt its strategy and incorporated ESPN content into its own streaming service Disney+ to appeal to a broader audience and enhance viewer retention⁸.

▪ Revenue forecast

Linear Networks comprises the ABC Network, which includes 240 affiliated TV stations already covering nearly 100% of U.S. cable TV households, as well as the Disney Channels and Freeform. Additionally, the FX and National Geographic channels were acquired through the TFCF deal in FY19. Disney also operates multiple international channels, broadening global reach. In FY24, Linear Networks accounted for 26.0% of Disney’s total Entertainment revenue, with 64.3% generated from affiliate fees and 34.4% from advertising sales.

Affiliate fee revenue is directly linked to the rates charged to MVPDs - including cable, satellite, telecommunications, and digital over-the-top (OTT) providers such as YouTube TV - and the number of channel subscribers. Additionally, Disney earns fees from its ABC-affiliated TV stations. Affiliate fees have declined by 39.3% since FY19, largely due to cord-cutting and intensified competition. To forecast affiliate fee revenue, it is assumed that Disney will retain its 240 affiliated TV stations for the ABC Network. For the company’s main channels, forecasts are based on the average market penetration of U.S. cable TV households. In FY24, penetration rates were 81.9% for Disney Channel, 79.9% for Freeform, 86.2% for FX, and 78.5% for National Geographic. Overall market penetration declined at a CAGR of -0.4% from FY18 to FY24, a trend expected to persist given worsening market conditions. Furthermore, the total number of U.S. cable TV households is projected to decline from 72 million in FY23 to 43 million in FY34 (see Fig.9), reflecting a CAGR of -4.7%, though this assumption is slightly less aggressive compared to broader market forecasts (see market overview). International channels are expected to follow historical trends, with market penetration declining by an average of -7.0% annually.

Advertising revenue is generated by selling commercial time during programming. In line with most recent market trends, Disney is expected to increase the number of advertising minutes sold per hour of commercial time as

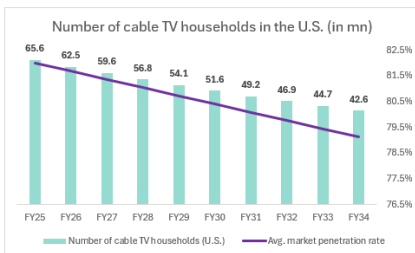


Figure 9– Source: own analysis

⁷ <https://www.reuters.com/business/media-telecom/comcast-moves-ahead-with-cable-network-spin-off-2024-11-20/>

⁸ <https://apnews.com/article/espn-disney-streaming-b5ecf68ceff910300c3b3dea8a57110b>

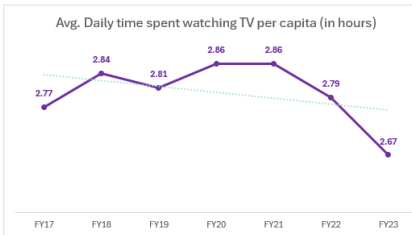


Figure 10 – Source: Statista

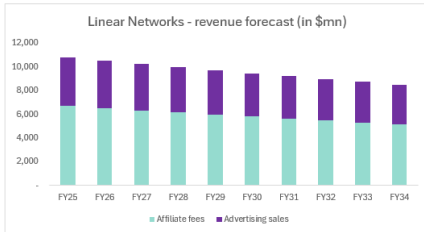


Figure 11– Source: own analysis

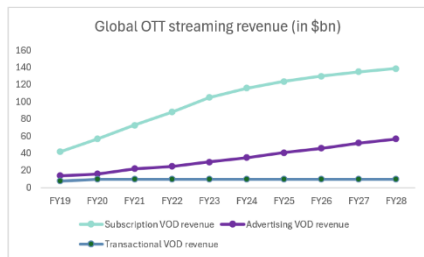


Figure 12 – Source: PWC Global E&M Outlook 2024

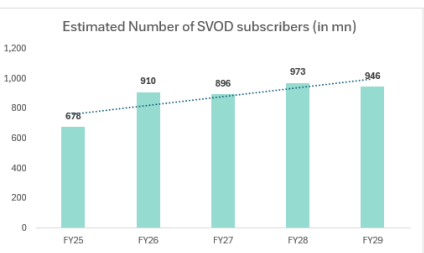


Figure 13 – Source: Statista

a strategic business decision to offset declining impressions caused by reduced viewership. Advertising time is divided into primetime and non-primetime slots, with no expected changes in this weighting across a 24-hour period. Additional ad time is anticipated to increase proportionally to the decline in average daily TV viewing time per capita in the U.S., forecasted at -0.6% annually⁹ (see Fig.10). However, the price per minute of advertising time is expected to decrease in line with projections for TV advertising spending in the U.S. for Disney’s main channels and worldwide for international channels. Linear Networks is expected to decline at a CAGR of -2.6% in the forecasted period (see Fig.11). These forecasts reflect the broader trends impacting the linear television industry, stressing the need for strategic adjustments to maintain revenue streams in this traditional media segment.

Direct-to-Consumer (DTC)

- Market overview

DTC streaming services market has experienced significant growth over the past decade, driven by advancements in internet infrastructure, increased accessibility of smart devices, and evolving consumer preferences toward on-demand content. This shift has prompted traditional media companies to invest heavily in their own streaming platforms to compete with established players like Netflix and Amazon Prime Video. Disney+ was able to rapidly gain over 100 million subscribers within 16 months of its launch, indicating the fast consumer transition to digital platforms and Disney’s valuable position within the market. In 2023, the global video streaming market was valued at approximately \$145 billion and is projected to expand at a CAGR of 7.3% from 2024 to 2028, reaching an estimated \$206 billion by the end of the forecast period¹⁰ (see Fig.12). Subscription-based Video on Demand (SVoD) services have been a significant contributor to this growth. In 2023, the SVoD market generated revenues of \$105 billion, with projections indicating a rise to \$139 billion by 2029, reflecting a CAGR of 5.8%¹¹ (see Fig.12) with the number of SVOD subscribers increasing from 354 million in FY23 to 946 million in FY29 at a CAGR of 11.5%¹² (see Fig.13). The rapid growth of the streaming services market is further supported by forecasts suggesting that global digital video subscriptions will surpass 3 billion by 2028, a significant 45% increase from current figures. The DTC

⁹ <https://www.statista.com/statistics/411775/average-daily-time-watching-tv-us-by-age/>

¹⁰ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

¹¹ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

¹² <https://www-statista-com.eu1.proxy.openathens.net/statistics/1052770/global-svod-subscriber-count-by-platform/>

streaming market is expected to continue its robust growth, driven by factors such as increasing internet penetration, the spreading of smart devices, and a growing demand for personalized content. However, the market is also facing challenges, including intensifying competition, content saturation, and evolving regulatory challenges. Thus, to maintain and grow subscriber bases, Disney must further focus on content diversification, technological innovation, and strategic partnerships.

▪ Competition

DTC segment operates in a highly competitive environment, with Disney competing against major platforms such as Netflix, Amazon Prime Video, Warner Bros. Discovery's Max, and Paramount Global's Paramount+. Netflix remains the dominant player in the industry, with over 282.7 million global subscribers as of Q3 2024¹³ (see Fig.14). Its growth strategy focuses on investing in high-quality, diversified content, including international productions that appeal to a broad audience. Additionally, Netflix has introduced an ad-supported tier which already reached 70 million global monthly users¹⁴ to capture price-sensitive customers, enabling the platform to expand its reach while generating additional revenue streams. Disney already adapted to this strategy by incorporating an own ad-supported tier within Disney+. Amazon Prime Video on the other hand uses its integration with the Amazon ecosystem by bundling Prime Video with its Amazon Prime membership thus providing subscribers access to a wide range of content, including original series, blockbuster films, and exclusive sports rights, such as the NFL's Thursday Night Football¹⁵. By combining streaming services with its e-commerce offerings, Amazon manages to strengthen customer loyalty even though Netflix provides the content with higher quality and is generally the most mature on the global market¹⁶. Warner Bros. Discovery's Max has reinforced its market presence through the merger of HBO Max and Discovery+. This consolidation takes into account the different preferences of viewers, combining HBO originals, Warner Bros. films, and Discovery's nonfiction programming. Additionally, a recent multi-year distribution deal with Comcast enhances Max's reach in the U.S. and key European markets, increasing its subscriber base¹⁷

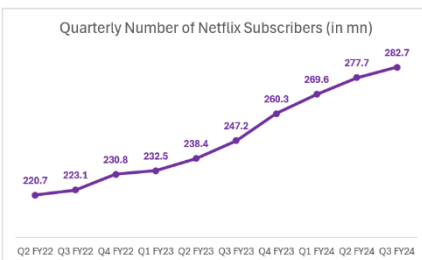


Figure 14 – Source: Statista

¹³ <https://www-statista-com.eu1.proxy.openathens.net/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide/>

¹⁴ <https://www.cnn.com/2024/11/12/netflix-ad-supported-tier-70-million-monthly-users.html>

¹⁵ <https://www.cnn.com/2024/09/10/streaming-deals-are-key-to-future-of-nfl-viewership-fandom.html>

¹⁶ <https://www.digitaltrends.com/home-theater/most-popular-streaming-services-by-subscribers/#dt-heading-2-amazon-prime-video-200-million>

¹⁷ <https://www.reuters.com/business/media-telecom/comcast-warner-bros-discovery-enter-multi-year-distribution-deal-2024-12-09/>

and even considered a potential merger with Paramount Global's Paramount+, to unlock synergies and strengthen its content offerings¹⁸.

▪ Revenue forecast

DTC covers subscription services such as Disney+, Disney+ Hotstar, and Hulu, offering video streaming of general entertainment, family programming, and, in some regions, international sports content. These services are available individually or as part of bundled packages, which may also include ESPN+ to provide additional sports programming. DTC represents a core component of the company's growth strategy, reflecting the broader industry transition from traditional media to digital streaming. In FY24, the DTC segment generated \$22.8 billion in revenue, a 14.5% increase from \$19.9 billion in FY23. Notably, for the first time, the segment recorded an operating profit of \$143 million, supported by significant investments in content and platform development. In FY24, DTC accounted for 55.3% of Disney's total Entertainment revenue, with 82.5% earned from subscription fees and 16.3% from advertising sales, making it the largest revenue driver of the Entertainment segment.

For forecasting purposes, the average revenue per paid subscriber was divided into two components: average annual subscription fees per paid subscriber and average annual advertising sales per paid subscriber. Disney's paid subscriber base is expected to grow from 211 million in FY24 to 430 million in FY34, resulting in a CAGR of 7.3%. This is generally in line with the SVOD market's projected CAGR of 8.3%¹⁹ (see Fig.15), but adjusted for flattening growth, as we do not expect this high rate to sustain over the entire forecast period. Average annual subscription fees per paid subscriber are forecasted to increase based on an effective revenue-weighted inflation rate and global consumer spending. Current market trends suggest that subscriber numbers will not only grow, partly due to cord-cutting from traditional TV, but also that consumers will be willing to pay more for improved streaming services. Additionally, subscription fees per subscriber are assumed to grow with an effective revenue-weighted GDP growth rate, reflecting economic conditions across key markets.

Overall, DTC revenue is expected to grow at a CAGR of 14.7% until FY34 (see Fig.16), highlighting Disney's strategic focus on expanding its streaming business. Recent trends already show that Disney is targeting strong growth in this segment, as it offers significant potential for the future and is highly scalable. We expect DTC to remain profitable for Disney in the future and to account for

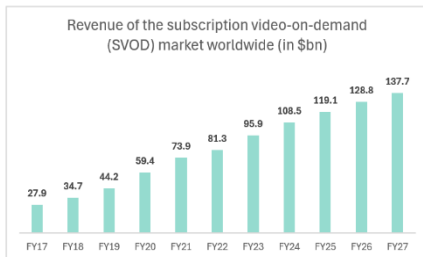


Figure 15 – Source: Statista

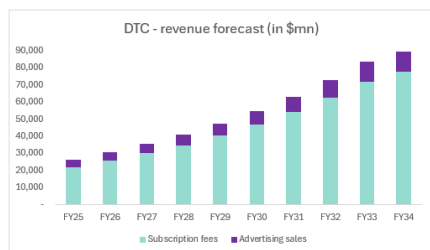


Figure 16 – Source: own analysis

¹⁸ <https://www.bloomberg.com/news/articles/2024-11-05/paramount-gave-up-on-warner-bros-merger-after-months-of-talks>

¹⁹ <https://www.statista.com/outlook/dmo/digital-media/video-on-demand/video-streaming-svod/worldwide>

most of the Entertainment division’s revenues, particularly as it offsets losses from cord-cutting in the Linear Networks and Content Sales/Licensing divisions.

Content Sales/Licensing

- Market overview

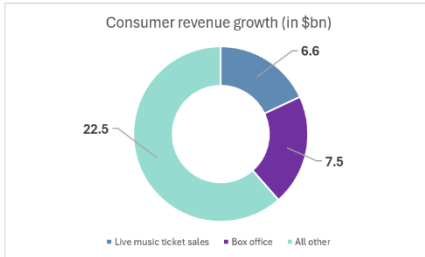


Figure 17 – Source: PWC Global E&M Outlook 2024

The global box office has shown resilience in recent years, with revenues reaching \$33.9 billion in 2023, a 31% increase from the previous year²⁰. Cinema admissions worldwide have been recovering gradually since the pandemic. Projections suggest that admissions will return to pre-pandemic levels by 2026, reaching approximately 7.7 billion tickets, comparable to figures from 2017²¹.

Therefore, the box office is expected to maintain steady growth over the next few years. In 2023, the North American box office was predominantly controlled by a select group of major film studios. Box office revenues contributed \$7.5 billion globally in 2023, accounting for a third of total consumer revenue growth²² (see Fig.17). Looking forward, the global box office market is projected to generate \$38.99 billion in revenue in 2024, with an anticipated CAGR of 6.60% from 2024 to 2029, reaching \$53.67 billion by 2029²³ (see Figure 18). In 2023, North America accounted for 27% of global box office revenue, totalling \$9.7 billion, while China was the leading individual market, with \$7.71 billion in box office earnings. Cinema advertising is projected to grow at a CAGR of 3.6% from 2018 to 2023, reaching \$1.1 billion annually²⁴ reflecting the sustained relevance of cinema as an advertising medium. Meanwhile, the home entertainment market, which includes physical formats like DVDs and Blu-rays, has faced a sharp decline. In the US the share of people watching video on DVD or Blu-ray decreased from 49% in 2019 to 30% in 2022/23²⁵ attributed to the shift in consumer preference toward streaming services.

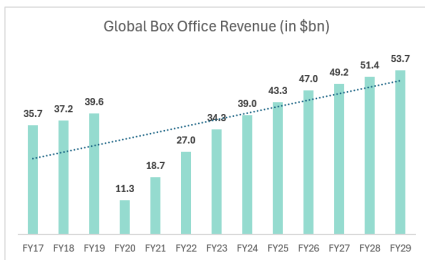


Figure 18 – Source: EMarketer, Statista

- Competition

The "Big Five" - Disney, Paramount, Sony, Universal, and Warner Bros. - collectively held 72.8% of the market share. Individually, Universal Pictures led the market in 2023, accounting for 20.3% of box office revenue, driven by successful releases like "Oppenheimer". Disney followed with a 16.2% share,

²⁰ <https://www.imdb.com/news/ni64385588/>

²¹ <https://www-statista-com.eu1.proxy.openathens.net/statistics/307390/number-of-cinema-admissions-worldwide/>

²² PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

²³ <https://www.emarketer.com/chart/265503/box-office-revenues-worldwide-2017-2024-billions>, <https://www-statista-com.eu1.proxy.openathens.net/outlook/amo/media/cinema/box-office/worldwide#revenue>

²⁴ <https://www.marketingcharts.com/advertising-trends-108995>

²⁵ <https://www-statista-com.eu1.proxy.openathens.net/chart/29778/usage-of-dvd-and-blu-ray/>

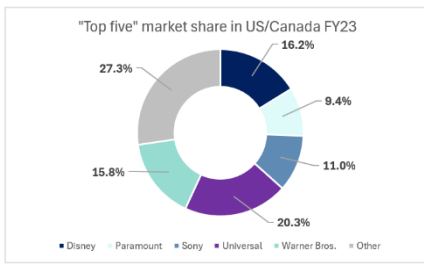


Figure 19 – Source: Statista

while Warner Bros. held 15.8%²⁶ (see Figure 19). This concentration, while slightly lower than the previous year's 80%, demonstrates the significant influence of these studios within the industry. Disney holds a leading position in this segment as one of the few major studios that consistently produce and distribute blockbuster films. If Disney continues to focus on creating innovative content that resonates with global audiences, it is well-positioned to capitalize on the sustained demand for blockbuster entertainment. The studio's strong portfolio and track record of success enable it to secure a significant share of annual box office revenue, reinforcing a dominant market position and ensuring stable revenues in the future.

▪ Revenue forecast

Content Sales/Licensing sub-segment generates revenue from box office earnings, home distribution - including TV licensing, online distribution, and physical formats like DVDs and Blu-rays - licensing on streaming platforms, and advertising in movies. In Content Sales/Licensing, Disney's success largely depends on the performance of its films, both during their theatrical run and later on home entertainment platforms, including digital and physical formats. In FY24, Content Sales/Licensing accounted for 18.7% of Disney's total Entertainment revenue, with 29.4% derived from Theatrical Distribution, 9.8% from Home Entertainment Distribution, and 29.2% from TV/(S)VOD Distribution.

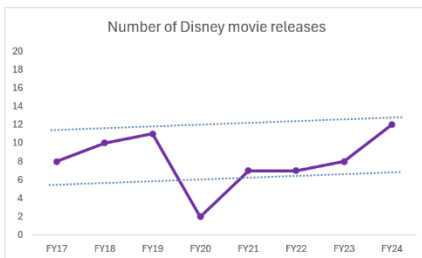


Figure 20– Source: TheNumbers.com, own analysis

To address the uncertainties of predicting individual movie success, the Theatrical Distribution revenue forecast was structured around three primary variables: the number of film releases, the average tickets sold per movie and the average ticket price. This method reduces the impact of performance volatility on the overall forecast. The estimate for the number of movie releases relies on external projections, already incorporating Disney's announced film releases and broader market insights through FY27. Beyond this, it is assumed that Disney will maintain a steady output of approximately 13 films per year until FY34, reflecting historically stable release patterns (excluding COVID-19-related disruptions) (see Fig.20). Until FY19, a similar approach was used for Fox films. After Disney acquired TFCF, however, it was announced that Fox would cut its releases by half, a decision aimed at minimizing competition among Disney-owned films and leveraging synergies between studios. For simplicity, it is assumed that future Fox movies will be released under the Disney label. To project average revenue per film, historical data on annual ticket sales and average ticket prices were analysed. Future ticket sales per film are expected to grow in proportion to the

²⁶ <https://www-statista-com.eu1.proxy.openathens.net/statistics/187171/market-share-of-film-studios-in-north-america-2010/>

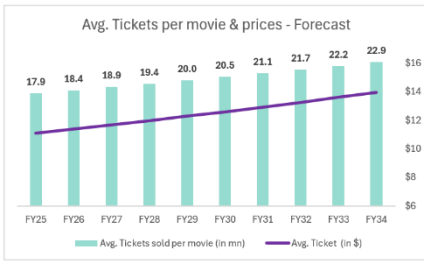


Figure 21 – Source: TheNumbers.com, own analysis

global increase in cinema admissions, while average ticket prices are forecasted to rise in line with the effective revenue-weighted inflation rate (see Fig.21). Using this approach, Disney’s Theatrical Distribution revenue is projected to grow at a compound annual growth rate (CAGR) of 8.5% through the forecast period.

Home Entertainment Distribution revenue has faced a consistent sharp decline in revenue over the historical period, driven by shifting consumer preferences from physical formats such as DVDs and Blu-rays to digital and streaming platforms and in line with declining DVD and Blu-ray sales (see market overview). For the projected period, we assume that the historical average negative growth rate of -15.6% per year will persist in line with market expectations. However, this decline has been slightly adjusted to reflect the expected annual growth in global entertainment and media consumer spending²⁷ based on the assumption that a niche market for physical media will continue to exist. Nevertheless, we expect Home Entertainment Distribution revenue to decline with a CAGR of -14.7% to \$156 million until FY34. The TV/(S)VOD Distribution revenue stream has experienced significant fluctuations in recent years. From FY20 to FY24, this revenue stream declined by -60.3%, primarily due to lower sales volumes of both episodic and film content, partly driven by Disney's strategic shift from licensing content to third parties toward distributing it on its own DTC streaming platforms.



Figure 22 – Source: Statista, own analysis

For the forecasted period, TV/(S)VOD Distribution revenue is projected to grow in line with global SVOD revenue, with a CAGR of 3.5% (see Fig.22) and the effective revenue-weighted GDP growth rate. However, the cannibalization effect resulting from Disney prioritizing its DTC platforms is expected to continue impacting this revenue stream. While the shift to in-house distribution has initially reduced revenues from external licensing, we anticipate that this effect will fade over time and stabilize at lower levels as Disney optimizes the balance between its DTC offerings and third-party licensing. Overall, TV/(S)VOD revenue is expected to remain relatively stable with a modest CAGR of -0.7%.

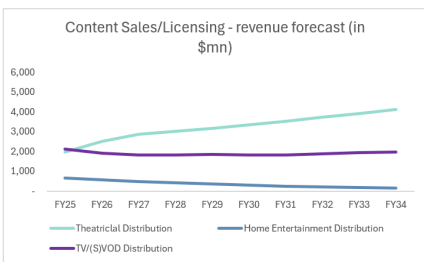


Figure 23 – Source: own analysis

Disney’s Entertainment segment is well positioned to deliver long-term value despite the challenges facing certain sub-segments. Our projections suggest that the segment will grow at a CAGR of 10.4% until FY34, primarily driven by the strategic shift toward the DTC segment, which positions Disney to capitalize on the most promising market in the entertainment industry. The projected development appears reasonable based on current market trends and is in line with Disney's double digit growth expectations for FY25 and beyond²⁸. DTC has

²⁷ PWC Global E&M Outlook 2024 – 2028 (<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>)

²⁸ The Walt Disney Company, "Fourth Quarter and Full Year Earnings for Fiscal 2024," November 21, 2024, available at <https://thewaltdisneycompany.com/investor-relations/>

already emerged as the company’s primary growth driver, which aligns with changing consumer preferences, as streaming has rapidly overtaken traditional TV as the main medium for entertainment consumption. Historical trends and market dynamics strongly suggest that linear networks, once the main driver of Disney’s entertainment business, are increasingly becoming obsolete in the face of growing competition from DTC platforms reinforcing the importance of Disney’s investments into streaming. Under the leadership of Bob Iger, who has consistently emphasized the importance of integrating technology into Disney’s operations, the strategic shift already started, and it is likely that this will remain part of Disney’s core strategy for the next 10 years.

Sports

- Market overview

The global sports media market is experiencing consistent growth, driven by rising consumer demand for live sports content and the increasing number of digital channels. Industry projections suggest that the global sports media rights market will achieve a compound annual growth rate (CAGR) of 5.2% through 2030, reaching over \$83 billion²⁹ (see Fig. 24). Disney has positioned itself to benefit from this trend by leveraging ESPN+ to capture audiences seeking flexible, on-demand sports streaming experiences. In the U.S., ESPN’s revenue is enhanced by its substantial portfolio of broadcast rights for major leagues, including the NFL, NBA, and MLB. Advertising and affiliate fees remain key revenue drivers closely tied to the performance of live sports programming. Internationally, Star India plays an essential role in high-growth markets like Asia, capitalizing on the popularity of cricket and other regional sports to expand Disney’s global footprint. Through strategic investments in digital platforms and content delivery, Disney’s Sports segment is well-positioned to profit from the continued growth of the global sports media landscape.

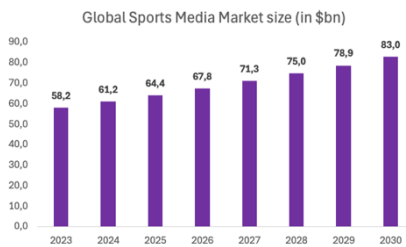


Figure 24 – Source: Future Data Stats

- Competition

The Walt Disney Company's Sports segment, led by ESPN, operates in a highly competitive and evolving media environment. It competes with traditional broadcasters such as NBCUniversal, CBS Sports, and TNT Sports, as well as digital-native platforms like Amazon Prime Video and Netflix, which increasingly invest in sports content. This competition is particularly intense in the battle for advertising revenues, a critical component of Disney's sports business, which

²⁹ <https://www.futuredatastats.com/sports-media-market#:~:text=The%20global%20Sports%20Media%20Market,USD%2082.99%20billion%20by%202030>

generated approximately \$4.39 billion in FY24. Securing favourable distribution agreements with multichannel video programming distributors (MVPDs) is equally essential. However, the rise of cord-cutting and industry consolidation creates challenges, impacting affiliate revenues, which remain a substantial income source, as demonstrated by ESPN's \$10.42 billion affiliate fee revenue in FY24.

Disney's Sports segment also faces growing competition in acquiring exclusive broadcasting rights, with tech giants like Amazon securing significant deals, such as the NBA media rights for the 2025–26 season. This intensifies cost pressures, requiring Disney to adopt strategic approaches to maintain profitability. Moreover, the company must continuously attract top-tier talent to deliver high-quality sports programming, further enhancing its competitive positioning. The segment's performance is influenced by the seasonality of sports events, with revenue varying based on the timing of key events like the Super Bowl or the FIFA World Cup. For example, ESPN's advertising revenue saw an 11.9% year-over-year increase between FY23 and FY24 due to the favourable scheduling of key events.

To navigate these challenges, Disney integrates ESPN into its broader streaming ecosystem, utilizing its extensive Disney+ subscriber base to drive engagement. Strategic partnerships and investments in streaming capabilities maintain its position, as seen in its recent collaboration with Warner Bros. Discovery and Fox, to enhance its sports streaming portfolio.

- Revenue forecast

The Sports segment of The Walt Disney Company, led by ESPN and Star India, remains an important contributor to the company's operations, accounting for 19.3% of total revenues in FY24. This segment derives revenue from affiliate fees, advertising sales, and subscription fees from Disney's U.S. sports streaming platform, ESPN+. Affiliate fees dominate the revenue structure, contributing 59.1% of the total sports revenue, advertising sales account for 24.9%, and subscription fees make up 9.4% (see Fig.25). The 9.4% contribution of ESPN+ subscription fees to the total sports revenue is remarkable, considering the platform's relatively recent launch in 2018, highlighting its rapid growth and successful adoption in a highly competitive streaming market. This significant performance is a strong indicator that this revenue segment will continue to grow.

The affiliate fee revenue forecast relies on two primary variables: paid subscribers and the average annual affiliate fee per paid subscriber, split between ESPN and Star India. These variables are appropriate as they include Disney's customer base's scale and monetization efficiency per subscriber. This

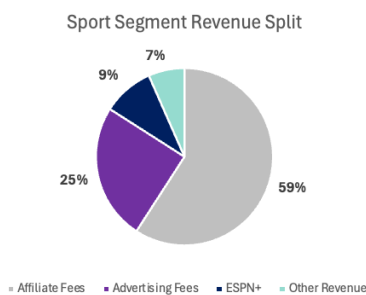


Figure 25– Source: Annual Report, own Analysis

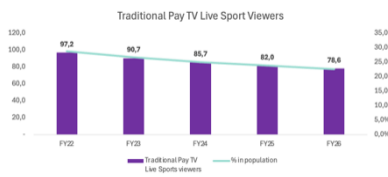


Figure 26– Source: Emarketer

approach ensures the forecast reflects both market trends in subscriber growth and pricing strategies adapted to regional economic dynamics.

The historical number of paid subscribers was derived from Disney’s annual reports. In contrast, future projections for paid subscribers align with the declining traditional pay-TV live sports viewers in the U.S.³⁰, anticipated to decrease through 2025 and beyond (see Fig. 26). This decline reflects ongoing cord-cutting trends and shifts toward digital streaming platforms. A similar methodology was employed for Star India, adjusting for regional differences in consumer behavior and market conditions. As a result, the total paid subscriber base is expected to decrease at a CAGR of -5.1%, consistent with Disney’s historical subscriber trends. The average affiliate sales per paid subscriber were forecasted using the effective revenue-weighted inflation rate, a suitable metric as it accounts for changes in purchasing power and pricing adjustments over time. U.S. inflation data was applied for ESPN, while Star India used Asia-Pacific inflation rates, leading to an expected CAGR of 2.2% for ESPN and 4.3% for Star India until FY34. Despite these regional differences, total affiliate fee revenue is projected to decline at a CAGR of -2.9%. This decline reflects the shrinking traditional TV subscriber base, outweighing pricing adjustments. Advertising sales were forecasted using the same variables, paid subscribers and average affiliate sales per paid subscriber as affiliate fees. This correlation is reasonable because advertising revenue in the Sports segment is directly tied to subscriber numbers and the monetization potential of affiliated channels. Advertising spend forecasts globally align with trends, projecting a negative CAGR of -1.3% through FY27³¹ (see Fig. 27). This decline is driven by changes in media consumption patterns, where advertisers increasingly allocate budgets to digital platforms over traditional TV.



Figure 27– Source: Statista

For ESPN, advertising sales are expected to grow modestly at 0.9% per year, reflecting its strong brand positioning and continued demand for premium sports content in the U.S. market. In contrast, Star India is forecasted to decline by -1.3% per year, reflecting challenges in the Indian media market, including lower ad spending and increasing competition. The overall advertising sales for the Sports segment are expected to decline at a CAGR of -4.4% to \$2.79 billion by FY34. This decline is tied to the anticipated reduced paid subscribers, driven by cord-cutting trends and competition from digital platforms. ESPN+, DTC subscription-based service, generates revenue primarily from subscription fees and, to a lesser extent, pay-per-view fees and advertising. The service has

³⁰ <https://www.emarketer.com/press-releases/digital-live-sports-viewing-jumps-466-since-2018/>

³¹ <https://www-statista-com.eu1.proxy.openathens.net/statistics/237803/global-tv-advertising-revenue/>

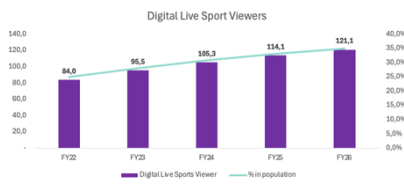


Figure 28– Source: Emarketer

experienced significant growth since its launch in 2018, driven by increasing consumer preference for on-demand and live-streamed sports content. Subscription fee revenue is forecasted based on paid subscribers and the average annual subscription fee per subscriber, making these metrics appropriate as they reflect both the platform’s user base growth and revenue optimization efforts. The number of paid subscribers is projected to grow at a CAGR of 9.2% until FY34, aligning with the rising trend in digital live sports viewership in the U.S., which has surged by 466% since 2018³² (see Fig.28). This growth reflects changing consumer preferences and Disney’s strategic initiatives, including the fall 2025 launch of a new DTC offering integrating live ESPN-branded TV channels with ESPN+. These developments are expected to strengthen ESPN+’s subscriber base further. The average annual subscription fee per subscriber was forecasted using the effective revenue-weighted inflation rate and weighted GDP rate, leading to a projected increase of 4.3% until FY34. This growth and an expected increase of 13.9% over the forecast period reflects Disney’s ability to enhance pricing power through improved content offerings and market positioning.

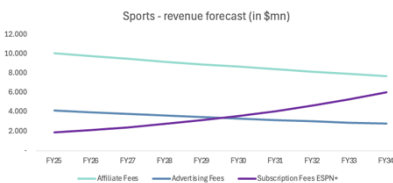


Figure 29– Source: Annual Report, own Analysis

Despite its strategic importance, the Sports segment is expected to exhibit modest growth (see Fig. 29), with total revenue projected to rise at a CAGR of 1.2% until FY34, making it the slowest-growing segment of Disney’s portfolio. Declines in traditional affiliate fees and advertising revenue, driven by cord-cutting and global media trends, are partially offset by strong growth in ESPN+ subscription revenue. This underscores the need for Disney to continue optimizing its sports segment through innovation in DTC offerings and regional market strategies and leveraging its strong ESPN brand.

Experiences

- Market Overview:

The global theme park and resort market has demonstrated significant resilience and growth in recent years, driven by increasing international tourism, rising disposable incomes, and strategic investments in enhancing guest experiences. In 2023, attendance at the top 25 theme parks worldwide grew by 23.5% year-over-year, reaching 244.6 million visitors, marking a strong recovery post-pandemic. The key regions remain North America and Asia-Pacific, with the U.S. maintaining its position as a dominant market. At the same time, Asia-Pacific shows robust growth driven by substantial developments in China and Japan.

³² <https://www.emarketer.com/press-releases/digital-live-sports-viewing-jumps-466-since-2018/>

The global amusement parks market is projected to grow at a nominal CAGR of 9.17% from 2024 to 2032, reaching \$129.9 billion by the end of the forecast period³³. This growth is supported by rising consumer demand for unique entertainment experiences, the introduction of cutting-edge ride technology, and the integration of intellectual property (IP) into attractions. Parks that consistently invest in new attractions and leverage popular IPs, such as Disney and Universal, have shown better performance, with increased attendance and per capita spending. The hotel and resort segment is another significant component of the parks and resorts market and has seen positive trends. In 2023, hotel occupancy rates in key regions such as the Americas, Europe, and Asia-Pacific reached pre-pandemic levels, supported by the resurgence of international travel. Revenue per available room (RevPAR) increased steadily, with the Americas recording a 6.6 % year-over-year increase in 2023³⁴. As a market leader, Disney continues to dominate with significant expansions and investments in its parks and resorts. The company announced a \$60 billion investment plan to "turbocharge" its Disney Experiences over the next decade. New developments include the launch of Zootopia Land in Shanghai and expansions in its Orlando parks, which integrate iconic Disney IPs such as "Frozen" and "Encanto." These investments aim to sustain Disney's competitive edge in the rapidly evolving market. Despite optimistic growth projections, challenges such as rising operational costs, seasonality, and weather dependencies remain significant. Operators address these challenges through technological innovation, including dynamic pricing models and digital solutions to enhance customer convenience and spending. At the same time profitability in the leisure industry is also subject to uncontrollable factors, including economic conditions, health concerns, weather patterns, and travel trends. Attendance and revenue fluctuate seasonally, peaking during summer, winter holidays, and major celebrations like anniversaries.

The global parks and resorts market is expected to remain strong, with consistent growth driven by consumer demand for unique, high-quality experiences and ongoing investment by major players. This favourable outlook makes the sector a key area of interest for stakeholders seeking long-term growth opportunities.

- **Competition**

The Walt Disney Company faces strong competition in its Parks and Resorts segment from other theme park operators, vacation alternatives, and entertainment industries. Disney's primary rival, Universal Parks & Resorts,

³³ <https://www.infiniumglobalresearch.com/market-reports/global-amusement-park-market?utm>

³⁴ <https://www.hospitalitynet.org/news/4118640.html?utm>

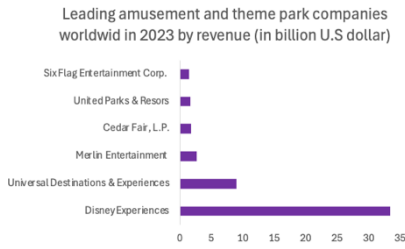


Figure 30– Source: Statista

operates parks in the U.S., Japan, and Singapore, leveraging popular intellectual properties such as “Harry Potter” and “Super Nintendo World” to drive high visitor engagement and attendance growth³⁵ (see in Fig.30). Additionally, Universal's new Epic Universe theme park, set to open in Orlando in FY25, could divert tourist revenue from Disney's Walt Disney World Resort. While Disney anticipates some spillover effects, cost-conscious families may prioritize one park over the other, potentially reducing attendance at Disney's parks. Six Flags Entertainment Corporation, focuses on regional parks and thrill rides, targeting a different demographic but remaining a notable competitor. Cedar Fair and Europa Park add to the competitive landscape, with Cedar Fair and Canada and Europa Park. Notably, Disney maintains a dominant position, with four parks consistently ranked in the global top five for attendance³⁶. Disney's resorts, Disney Cruise Line, and Disney Vacation Club also compete with broader vacation alternatives, including hotels like Hilton, Marriott, and Holiday Inn, and cruise operators such as Carnival Corporation, Royal Caribbean, and MSC Cruises. Additionally, Disney's licensing and retail business competes with licensors, publishers, and retailers of character-branded merchandise and home entertainment.

Parks

Experience Segment Revenue Split

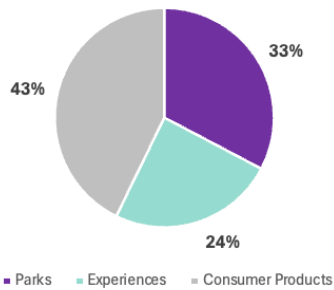


Figure 31– Source: Annual Report, own Analysis

The Disney Experiences Segment, which constitutes 37.4% of The Walt Disney Company's total revenue, is divided into three primary subsegments: Parks, Experiences, and Consumer Products (see Fig.31). Parks, the largest subsegment, account for 32.7% of total Experience revenue and include a diverse portfolio of theme parks across the United States, Europe, and Asia. Disney's domestic operations feature six parks, including Magic Kingdom, EPCOT, Hollywood Studios, and Animal Kingdom in Florida, alongside Disneyland and Disney California Adventure in California. Internationally, Disney operates parks in Paris, Hong Kong, Shanghai, and Tokyo, with Tokyo DisneySea and Tokyo Disneyland often among the world's top-ranked parks for attendance.

Disney's parks are divided into domestic and international operations to estimate theme park revenue, with visitor numbers and average ticket prices identified as the primary revenue drivers. Visitor numbers are forecasted using the average year-over-year growth from FY18, FY19, and FY23, mitigating distortions caused by the COVID-19 pandemic. Historical average ticket prices are calculated by dividing total theme park admission revenue by aggregate visitor numbers (see

³⁵ <https://www.statista.com/statistics/258810/theme-und-amusement-park-companies-ranked-by-revenue/>

³⁶ <https://www.gminsights.com/industry-analysis/amusement-parks-market>

| Domestic Parks | Visitors ('000) |
|-----------------------------|-----------------|
| Magic Kingdom | 17.720 |
| Epcot | 11.980 |
| Disney's Hollywood studios | 10.300 |
| Disney's Animal Kingdom | 8.770 |
| Disneyland California | 17.250 |
| Disney California Adventure | 10.000 |

| International Parks | Visitors ('000) |
|--------------------------|-----------------|
| Disneyland Paris | 10.400 |
| Walt Disney Studios Park | 5.700 |
| Hong Kong Disneyland | 6.400 |
| Shanghai Disneyland | 14.000 |
| Tokyo Disneyland | 15.100 |
| Tokio DisneySea | 12.400 |

Table 2– Source: Annual Report, own Analysis

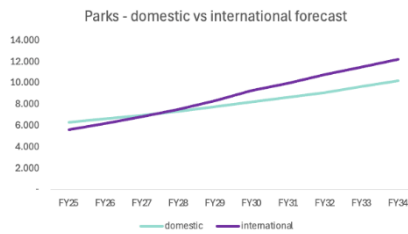


Figure 32– Source: Annual Report, own Analysis

Tab.2), and future prices are projected using effective revenue-weighted inflation rates specific to each region, including the U.S., Europe, and Asia-Pacific. Domestic parks are expected to experience growth ranging from 0.5% for Disney’s Hollywood Studios to 7.3% for EPCOT. This growth reflects rising consumer interest in theme parks, particularly in the U.S., where the amusement park market size increased by 17% in 2023 as families and travelers prioritize entertainment experiences post-pandemic³⁷. Investments in enhancing park attractions and leveraging Disney’s iconic intellectual properties, such as the “Guardians of the Galaxy” and “Frozen” franchises, further support this growth direction. Internationally, similar growth trends are projected (see Fig. 32). Shanghai Disneyland is forecasted to grow at 1.1% annually. In comparison, Tokyo Disneyland is expected to see a peak growth rate of 11.2% before stabilizing at 2.8% by FY34, driven by strong domestic demand and the popularity of new attractions. Conversely, Hong Kong Disneyland is expected to experience a negative theme park admission revenue growth rate. The decline is attributed to reduced international tourism, geopolitical tensions, and local economic instability.

Disney’s theme park admission revenue is projected to grow by 7.4% in FY25, with a gradual deceleration to 6.1% by FY34. This robust growth is supported by global demand for immersive and high-quality entertainment experiences, particularly as consumers shift their focus toward leisure travel and family activities. The global theme park market, valued at \$55.90 billion in 2024, is projected to grow at a 10.55% CAGR to \$124.71 billion by 2032³⁸. Furthermore, the industry has demonstrated remarkable resilience, with the top 25 theme parks reporting a 23% increase in attendance in 2023 compared to the prior year³⁹.

Experiences

Main text. Disney’s Experiences Segment generates substantial revenue through its global resorts, Vacation Clubs, and Cruise Lines. Within the resort segment, revenues are divided into domestic and international operations. Key drivers include occupancy rates, average guest spending per room, and available room nights. Forecasting available room nights involved adding the number of hotel rooms to available Vacation Club units and multiplying by 365 days per year. This

³⁷ <https://www.statista.com/topics/10431/amusement-and-theme-parks-in-the-us/>

³⁸ <https://aecom.com/wp-content/uploads/documents/reports/AECOM-Theme-Index-2023.pdf?utm>

³⁹ <https://www.fortunebusinessinsights.com/theme-park-market-110644>

comprehensive approach reflects the operational scale of Disney’s offerings in both markets.

The domestic segment comprises three major resorts: Walt Disney Resort in Florida, with 18 hotels and 23,000 rooms; Disneyland Resort in California, with three hotels and 2,400 rooms; and Aulani Resort in Hawaii, with one hotel and 350 rooms. The occupancy rate for domestic resorts was estimated at 86%, calculated as the average rate from FY17 to FY24, excluding FY20 and FY21, to avoid distortions caused by the COVID-19 pandemic. The number of hotel rooms and Vacation Club units is forecasted to remain constant at FY24 levels. This assumption is grounded in Disney’s current focus on maximizing operational efficiency and enhancing guest experiences within its infrastructure rather than aggressively expanding capacity. Average guest spending per room is projected to grow in line with the effective revenue-weighted GDP growth rate of the U.S., reflecting economic growth and inflation-adjusted pricing strategies. Total revenue for domestic resorts and Vacation Clubs is expected to grow at a nominal CAGR of 2.1% through FY34, supported by stable demand and rising guest spending per room. The international segment includes Disneyland Paris (7 hotels, 5,750 rooms), Disneyland Hong Kong (3 hotels, 1,750 rooms), Shanghai Disney Resort (2 hotels, 1,220 rooms), and Tokyo Disney Resort (4 hotels, 3,500 rooms) (see Fig. 33). Like the domestic segment, the occupancy rate was estimated at 76%, using historical averages from FY17 to FY24 while excluding FY20 and FY21. The number of hotel rooms and Vacation Club units is also forecasted to remain constant at FY24 levels, aligning with Disney’s strategic approach to focus on optimizing its existing capacity. The segmentation between domestic and international resorts is critical due to differences in economic conditions, guest preferences, and market dynamics. Average guest spending per room for international resorts was forecasted using each respective country’s effective revenue-weighted GDP growth rate. Growth rates reflect regional economic variations, with long-term projections ranging from 1.6% in Europe to 4.1% in Asia-Pacific, highlighting the robust growth potential in emerging markets (see Fig.34). However, political instability and regional challenges, such as those affecting Hong Kong Disneyland, continue to pose risks, contributing to a decline in expected revenues for that property.

Disney Cruise Line operates six ships, including Disney Magic and Disney Wonder (875 staterooms each), Disney Dream and Disney Fantasy (1,250 staterooms each), and Disney Wish and the newly launched Disney Treasure (1,250 staterooms each). By FY34, Disney plans to expand its fleet to 13 ships with 16,350 staterooms, providing 5.97 thousand available room nights annually. The occupancy rate was calculated based on a seven-year historical average,

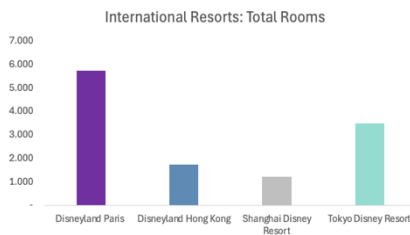


Figure 33– Source: Annual Report, own Analysis

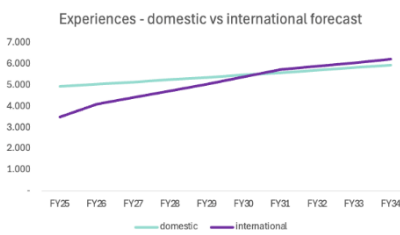


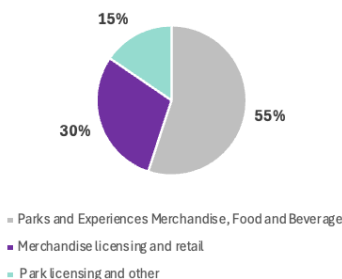
Figure 34– Source: Annual Report, own Analysis

excluding FY20 and FY21. This significant fleet expansion, supported by heavy capital expenditures, reflects Disney’s commitment to the rapidly growing cruise market. The investment is expected to generate substantial returns, with Cruise Line revenue forecasted to grow at a CAGR of 12.6% through FY34. This growth is driven by increased capacity, robust consumer demand for premium cruise experiences, and Disney’s ability to leverage its iconic brand to attract new and returning guests.

Although the CAGR for resorts and Vacation Clubs remains moderate due to capacity constraints and stable occupancy rates, the Cruise Line’s double-digit revenue growth significantly boosts the overall performance of Disney’s Resorts and Vacations Segment. The segment is expected to achieve an overall CAGR of 4.1% through FY34, underscoring the strategic importance of diversifying revenue streams across domestic and international resorts, Vacation Clubs, and cruises. The steady growth in Disney’s traditional resort operations, combined with the accelerated expansion of its cruise business, provides a strong foundation for capturing the growing global demand for premium, immersive vacation experiences. In our view, this strategic combination not only ensures a stable revenue stream from established resort operations but also allows Disney to capitalize on the rapid growth potential of the cruise market, which offers significant room for expansion. By diversifying revenue across these segments, Disney is well-positioned to navigate regional economic challenges and mitigate risks associated with fluctuations in individual markets, ensuring resilience and long-term profitability. This approach demonstrates a forward-thinking strategy that leverages Disney’s iconic brand and operational expertise to sustain growth while catering to evolving consumer preferences in the global travel and leisure industry.

Consumer products

Consumer Products: Revenue Split



Disney’s Consumer Products segment includes three key areas: Parks and Experiences Merchandise, Food and Beverage; Merchandise Licensing and Retail; and Park Licensing and Others (see Fig. 35).

Disney’s merchandise licensing operations cover various product categories, including toys, apparel, games, home décor, accessories, health and beauty products, food, footwear, stationery, and consumer electronics. The company licenses characters from its extensive portfolio, such as Mickey and Friends, Star Wars, Spider-Man, Disney Princesses, Lilo & Stitch, Frozen, Avengers, Winnie the Pooh, and Toy Story, for use on third-party products. Royalties are typically based on a fixed percentage of the wholesale or retail selling price and often include minimum guarantee payments from licensees. In 2022, global retail sales

Figure 35— Source: Annual Report, own Analysis



Figure 36– Source: Statista

of licensed Disney merchandise amounted to \$61.7 billion, highlighting Disney's position as the world's leading licensor⁴⁰ (see Fig. 36). Disney operates branded retail stores and online platforms to sell Disney, Marvel, Pixar, and Lucasfilm-branded products. The company managed approximately 40 stores in Japan, 20 in North America, two in Europe, and one in China. Additionally, Disney creates, distributes, and publishes various products, including children's books and comic books, in multiple countries and languages, further extending its brand reach. For forecasting purposes, revenues from the Consumer Products segment are projected to grow with the effective revenue-weighted GDP growth rate, resulting in a long-term growth rate of approximately 2.2%. This conservative approach accounts for the established licensing and retail markets, where significant expansion is often aligned with overall economic growth. While Disney's strong brand portfolio provides a competitive advantage, the segment's performance is influenced by broader financial conditions, consumer spending patterns, and the evolving retail landscape.

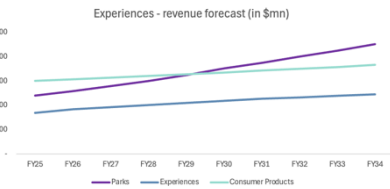


Figure 37– Source: Annual Report, own Analysis

In total, the Experience Segment is forecasted to grow at a CAGR of 4.6% to reach a value of \$52.95 billion in FY34, reflecting a steady upward direction (see Fig. 37). This aligns with Disney's FY25 outlook, where the company anticipates the Experiences Segment to grow by 6-8% annually in the coming years, driven by robust performance across its Parks, Vacation Clubs, and Cruise Lines, supported by strategic investments and rising consumer demand for immersive experiences.

Further financial projections

Net working capital (NWC)

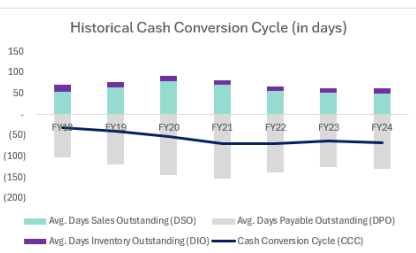


Figure 38 – Source: own analysis

Projected NWC was forecasted based on the cash conversion cycle (CCC), assuming that the company will be able to maintain its historical averages for Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO). Disney's high average DPO (131 days) indicates strong negotiating power with suppliers, allowing the company to secure extended payment terms, while its low DIO (11 days) reflects efficient inventory turnover, particularly in its merchandise and theme park operations, where inventory is quickly converted into sales. Resulting in a negative CCC (see Fig.38), these factors enable Disney to collect cash from customers far before its obligations to suppliers are due, effectively using supplier credit as a source of liquidity. This dynamic reduces the company's reliance on external financing and enhances its

⁴⁰ <https://www.statista.com/chart/11509/top-10-merchandise-licensors/?utm>

overall financial flexibility. Operating cash - a critical component of NWC - was projected separately through a peer group analysis. By using the average historical minimum operating cash-to-sales ratio of 4.8%, the forecast aims to reflect a conservative yet realistic estimate of Disney's liquidity needs.

Capital expenditures (CAPEX)

Disney's CAPEX are expected to nearly double to \$9.2 billion by FY34, consistent with the company's own long-term outlook. This increase is primarily driven by the capital-intensive nature of the Experiences segment, which includes theme parks, resorts, and cruises. Future Capex growth will focus heavily on expanding Disney's cruise operations, with the fleet projected to grow from six ships to 13 by FY31, requiring significant investment in new vessels (about \$1 billion each). Additionally, Disney plans to enhance its theme park offerings through new attractions and expansions, further contributing to the increase in capital spending. Furthermore, a natural increase in intangible assets, including character and franchise intangibles, copyrights, and trademarks, is expected to contribute to higher Capex as the entertainment business continues to grow.

Margins and ROIC development

Disney's operating efficiency is expected to further improve significantly over the projected period. Gross margin is projected to increase to 53.7%, while the EBIT margin is anticipated to reach 32.5% by FY34 (see Appendix X). This improvement is primarily attributed to the DTC segment, which is far less cost-intensive compared to traditional business segments like Linear Networks and theme parks. The scalability and operating efficiency of the streaming model contribute to higher profitability and margin expansion over time. As the DTC business becomes profitable and achieves scale, it also contributes more efficiently to Disney's returns. Overall, ROIC is expected to grow consistently, reaching 25.1% by FY34, consistently exceeding WACC projected at 10.5% (see WACC) and therefore generating substantial shareholder value.

Valuation methodology

Weighted average cost of capital (WACC)

In this research, a valuation analysis was conducted using the Discounted Cash Flow (DCF) method. To discount the projected cash flows, we determined the Weighted Average Cost of Capital (WACC).

- Beta estimation

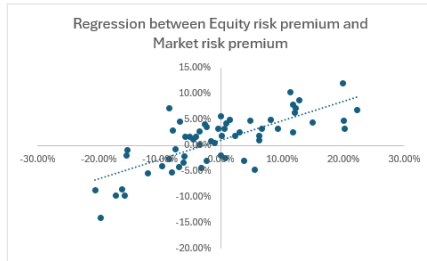


Figure 39 – Source: own analysis

The equity beta was estimated through a regression analysis between Disney's equity risk premium and the market risk premium, represented by the MSCI World Index adjusted for the 10-year U.S. government bond yield. The regression estimation covered 59 monthly data points (five years of returns) and implied an equity beta of 1.42, with a 95% confidence interval of [1.082; 1.756]. The R^2 of 55.53% indicates that a significant portion of Disney's equity return variance is explained by market movements. To account for changes in Disney's capital structure, the equity beta was first unlevered using the historical D/E ratio of 27.3% (derived from a historical D/EV ratio of 21.5%) and then relevered using the projected capital structure D/E ratio of 20.1%, based on a target D/EV ratio of 16.7%. The equity beta above 1 indicates that Disney's stock price is more volatile than the market, exhibiting increased volatility in response to market changes.

- Cost of equity

The Capital Asset Pricing Model (CAPM) was used to estimate the cost of equity. The risk-free rate was based on the 10-year U.S. government bond yield of 3.8%⁴¹, and the market risk premium was calculated at 6.5%, derived from the MSCI World Index's historical average returns over the last 20 years adjusted for the risk-free rate. These inputs resulted in a cost of equity of 12.0% for Disney.

- Cost of debt

Cost of debt was derived from Disney's average bond yield curve, covering maturities between 1 and 30 years, with an initial yield of 4.8%⁴² adjusted for Disney's default risk by deducting the product of the 10-year cumulative probability of default and the loss given default. For calculation purposes, it was used the last 5-year average defaulted global corporate bond and loan recovery rates for 1st lien loans, 1st lien bonds and senior unsecured bonds of 37.8%⁴³, indicating a loss given default of 62.2% cross-sector. Using the same source, it was calculated the 10-year cumulative probability of default (0.9%), resulting in a cost of debt of 4.3%.

- Capital structure

Capital structure was determined using a target D/EV ratio of 16.7%, which aligns with Disney's historical average over the past eight years. This corresponds to a

⁴¹ Refinitiv, retrieved 07.11.2024

⁴² Refinitiv, retrieved 06.12.2024 and own analysis

⁴³ Moody's Investors Service - March Default Report, 12 April 2024 and own analysis

D/E ratio of 21.0%. While Disney maintains a conservative capital structure, its peers - such as Comcast (1.17), Warner Bros. (0.97), and Paramount (0.65) - operate with higher leverage. Therefore, we believe Disney can sustain higher debt levels in the future. By combining the estimated cost of equity, cost of debt, and the target capital structure, Disney's final WACC was calculated to be 10.5% for the projected period.

Cash flow based valuation

- Discounted cash flow (DCF)

Disney was valued using the DCF method, a widely recognized and robust valuation technique. The effective GDP growth rate FY31-FY34 (2.5%) was used as long-term growth rate, which is also in line with the sustainable growth rate of 2.6%, calculated by multiplying operating ROIC by the retention rate, reflecting the company's efficiency in reinvesting retained earnings. Disney's enterprise value as of December 31, 2025, was estimated at \$306,094 million via the DCF approach. After deducting the value of non-core assets, liabilities, and net debt, the resulting equity value was \$229,806 million which is translated to a price per share of \$126.13, based on 1,825 million shares outstanding, adjusted for Disney's planned buyback of 3 million shares in FY25. The recommendation through the DCF model was based on the expected capital gain of 11.7% plus 0.8% from the dividend yield. The expected total return of more than 10.0% (12.6%) over a 12-month period leads to a buy recommendation.

- Adjusted present value (APV)

Additionally, an Adjusted Present Value (APV) approach was utilized to confirm the DCF valuation and ensure robustness. By separating operating performance from financing effects, APV provides a clearer quantification of the financing impact, such as the value of the tax shield and therefore serves as a cross-check to identify any potential inconsistencies in the model assumptions. Significant deviations between the two methods could signal issues such as an inaccurate WACC, unrealistic tax shield assumptions, or inaccuracies in other inputs. However, in this case, the APV method resulted in a share price estimate of \$124.80, only 1.1% deviating from the DCF valuation and thus validating the reliability of this valuation and inputs.

- Sensitivity analysis

A comprehensive sensitivity analysis was performed to evaluate the impact of key financial assumptions on enterprise value (EV) and share price, thereby analysing the robustness of The Walt Disney Company's valuation. The analysis

focused on two critical parameters in the discounted cash flow (DCF) model: the Weighted Average Cost of Capital (WACC) and the long-term growth rate. By examining how variations in these assumptions influence valuation, a clearer understanding of the potential risks and opportunities associated with Disney's financial outlook was established.

The analysis began by assessing the impact of a 0.5% increase or decrease in both the WACC and the long-term growth rate (see App. 4). Using a detailed matrix, WACC ranged from 9.52% to 11.52%, reflecting possible fluctuations in market risk assessment. These changes resulted in enterprise values spanning from \$265.9 billion to \$358.3 billion. Adjustments to the long-term growth rate, ranging between 1.5% and 3.5%, produced enterprise values between \$284.1 billion and \$334.3 billion. This indicates that the valuation is sensitive to changes in both parameters but is with 34.7% more sensitive to shifts in WACC than to variations in the long-term growth rate, which shows a sensitivity of 17.7%. The sensitivity to WACC emphasizes the importance of accurately estimating the cost of capital in Disney's valuation, as even small inaccuracies can lead to large deviations in enterprise value. This relationship was further evaluated regarding share price (see App. 5). Variations in WACC led to a 38.9% change in share price, with values ranging from \$107.89 to \$147.89. In comparison, long-term growth rate adjustments resulted in a 19.7% fluctuation, producing share prices between \$116.11 and \$139.01. The greater sensitivity to WACC underscores its dominant role in influencing valuation outcomes and highlights the necessity of maintaining realistic and well-supported assumptions for this parameter. App. 6 analysed how a 0.2% change in the cost of debt and equity impacted Disney's share price. The cost of debt ranged from 3.87% to 4.67%, resulting in share prices between \$125.05 and \$127.23, reflecting a low sensitivity of 1.74%. This limited effect is attributable to Disney's modest leverage, which reduces the overall influence of debt on the company's WACC. In contrast, changes in the cost of equity, which ranged from 11.56% to 12.36%, resulted in share prices from \$133.32 to \$119.54, indicating a sensitivity of -10.34%. This gap arises because equity comprises a more significant portion of Disney's capital structure, increasing the effect of variations in the cost of equity on overall valuation. Finally, the sensitivity analysis was extended to evaluate changes in the terminal growth rate, ranging from 2% to 3%, while holding WACC constant (App. 7). The resulting share prices varied from \$132.14 to \$120.82, demonstrating a sensitivity of -8.56%. This outcome reflects the role of terminal growth rate assumptions in determining the perpetuity value of cash flows, which accounts for a substantial portion of the DCF valuation. A higher growth rate suggests stronger long-term

prospects, leading to a higher valuation, whereas a lower growth rate reflects more conservative expectations.

The sensitivity analysis confirms Disney's stable growth potential, supported by strong brand equity and diversified segments. However, variations in WACC and growth rates can significantly impact valuation, highlighting the need for close monitoring of macroeconomic indicators like interest rates and market risk premiums.

Trading Comparables Analysis - CCA

Main text. This section used the trading comparables methodology to value Walt Disney. Competitors were identified based on their business model, geographical coverage, enterprise value, sales growth, and profitability. The selected peer group includes Comcast Corporation, Paramount Global, News Corp, Netflix, Inc., and Fox Corp. These companies represent a mix of traditional and digital media players, providing a meaningful basis for comparative valuation.

Walt Disney's averages exceed the peer averages for all ratios except EV/Sales, where Disney's value of 2.4x matches the peer average (see Fig.40). This alignment in EV/Sales suggests that the market recognizes Disney's strong revenue generation capabilities, particularly given its diversified content portfolio, parks, and consumer products. The parity with peers may also reflect an underlying potential for growth, especially in its DTC segment, as Disney continues to expand its streaming platform and capture market share globally. The data suggests a relative overvaluation in earnings potential and profitability for the EV/EBITDA, EV/EBIT, and P/E ratios. This likely reflects the market's optimism about Disney's robust growth direction, fueled by its global brand equity and strategic focus on high-growth segments like streaming and entertainment. With its strong pipeline of content and the increasing operational synergies across its media and parks divisions, Disney appears well-positioned to increase profitability and drive shareholder value. The EV/EBIT, EV/Sales and P/E ratios suggest an average share price of \$91.3-\$104.5, indicating that Walt Disney's valuation is broadly in line with its current share price of \$112.84 (16.12.2024) and its 52-week range of \$83.9-\$123.7 (see Fig. 41). However, the EV/EBITDA ratio suggest a much lower average share price of \$64.2. This discrepancy underscores the market's belief in Disney's ability to capitalize on its growth opportunities, particularly in the streaming segment. Considering the discrepancy between CCA's suggested prices and the actual market price, Walt Disney appears slightly overvalued. We believe this reflects the market already pricing in anticipated growth, particularly in the DTC segment. This valuation adjustment may lead investors to reassess, focusing on Disney's potential for long-term

All figures are related to LTM

| Company Name | EV/Sales | EV/EBITDA | EV/EBIT | P/E |
|---------------------------|----------|-----------|---------|-------|
| Company Name | LTM | LTM | LTM | LTM |
| CMCSA Comcast Corporation | 2.2 | 7.1 | 11.5 | 10.8 |
| PARA Paramount Global | 0.8 | 11.3 | 14.3 | -5.4 |
| NWSA News Corp | 1 | 9.5 | 19.1 | 110.0 |
| NFLX Netflix, Inc. | 6.5 | 10.3 | 31.7 | 76.4 |
| FOX Fox Corp | 1.3 | 6.3 | 7.2 | 16.7 |
| Maximum | 6.5 | 11.3 | 31.7 | 110.0 |
| 75th Percentile | 2.2 | 10.3 | 19.1 | 76.4 |
| Average | 2.4 | 8.9 | 16.8 | 41.7 |
| 25th Percentile | 1.3 | 7.1 | 11.5 | 10.8 |
| Minimum | 0.8 | 6.3 | 7.2 | -5.4 |
| DIS The Walt Disney Comp | 2.4 | 12.8 | 18.2 | 45.2 |

Figure 40– Source: Annual Report, own Analysis

| | EV/Sales | EV/EBITDA | EV/EBIT | P/E |
|-----------------|----------|-----------|---------|-------|
| Maximum | 309,5 | 86,6 | 189,0 | 275,8 |
| 75th Percentile | 92,3 | 76,8 | 106,7 | 191,5 |
| Average | 104,1 | 64,2 | 91,3 | 104,5 |
| 25th Percentile | 48,5 | 47,8 | 56,9 | 27,0 |
| Minimum | 19,7 | 39,8 | 29,7 | 15,7 |

Figure 41– Source: Annual Report, own Analysis

growth and its ability to capitalize on emerging market trends. Such expectations highlight confidence in Disney's capacity to deliver sustainable value by leveraging its growth initiatives across key business segments, including streaming and global expansion. Nevertheless, it is essential to recognize the inherent complexities of directly comparing Walt Disney to its selected peers, as all peers differ in size, business model, and geographical reach. Disney's standing as a market leader, characterized by a substantial competitive advantage and the most significant market capitalization among its peers, Disney's unique position makes direct comparisons challenging.

Scenario analysis

Best-case scenario

In an optimistic economic landscape, Disney achieves significant revenue growth and cost efficiencies across its key segments. Favourable macroeconomic conditions and effective execution drive operational excellence and financial performance. In this best-case scenario, the projected share price reaches \$139.9, a 10.9% increase compared to the base case, with a valuation delta of \$13.7 (see Fig. 16). In the entertainment segment, Disney+ and Hulu surpass subscriber growth expectations, fueled by effective marketing, strategic partnerships, and blockbuster releases that outperform at the box office. Licensing and syndication revenues rise as global demand for Disney's intellectual property grows, showcasing its ability to combine content excellence with innovative distribution. The sports segment benefits from innovative monetization strategies, such as customized streaming packages and successful negotiations for high-profile events, boosting advertising and sponsorship revenues. Global expansion and increased interest in live sports and sports betting further enhance revenue streams, reflecting Disney's adaptability to evolving market trends. The experiences segment, including parks, resorts, and cruise lines, sees robust recovery due to economic growth and rising demand for experiential travel. Increased attendance, higher guest spending, and new attractions foster growth, while cruise operations thrive on growing interest in premium travel. Cost efficiencies, including economies of scale in content production, operational optimizations, labour and energy savings, and company-wide digital transformation, reduce costs while maintaining quality.

Worst-case scenario

In the worst-case scenario, several adverse developments could negatively impact Disney's revenues and profitability throughout the projected period. Risks

associated with generative Artificial Intelligence (AI), shifting consumer preferences and intensified competition are expected to create significant challenges. AI could dilute the value of its IP by enabling unauthorized replication of iconic characters and storylines. While AI may streamline production, over-reliance risks producing less original content, potentially disappointing audiences and damaging Disney's creative reputation. Increased competition from streaming platforms such as Netflix and Amazon Prime Video requires Disney to maintain heavy investments in content, adding additional pressure to profitability. Additionally, Universal's new Epic Universe theme park, set to open in Orlando in FY25, could divert tourist revenue from Disney's Walt Disney World Resort. While Disney anticipates some spillover effects, cost-conscious families may prioritize one park over the other, potentially reducing attendance at Disney's parks. Additionally, Disney's significant investments in expanding its cruise ship fleet may face underutilization if the company fails to establish a strong foothold in the market. Low occupancy rates could offset revenue gains from the expanded fleet, resulting in underperformance in this segment despite major CAPEX. In this scenario, Disney's revenues are projected to grow at a reduced CAGR of 6.6%, resulting in a revenue decline of -4.6% by FY34 compared to the base case. Simultaneously, increased costs are expected to reduce NOPLAT by -8.3% in FY34. These combined factors lead to a projected share price of \$112.89, reflecting a -10.5% decrease compared to base case.

ESG

In the evolving entertainment and media landscape, sustainability and social responsibility are central to Disney's corporate strategy. The company's Environmental, Social, and Governance (ESG) initiatives address regulatory control and stakeholder expectations, positioning Disney as a leader in innovation, inclusivity, and resilience while reducing environmental and social risks. Disney has made significant strides in environmental sustainability, with ambitious goals to reduce greenhouse gas emissions validated by the Science Based Targets initiative (SBTi) in 2023. The company prioritizes energy efficiency across theme parks, studios, and transportation fleets, diverts over 61% of operational waste from landfills, and invests heavily in renewable energy. However, challenges in managing supply chain emissions and resource optimization remain, offering opportunities for cost reduction and improved environmental performance. In workforce engagement and DEI, Disney fosters inclusivity through programs like Disney Aspire and partnerships supporting underrepresented communities. Over 15,000 employees participate in career development initiatives, and the company's philanthropy includes \$235 million in

donations and 93 million books distributed to underserved children, reinforcing societal impact and brand loyalty. Disney’s governance reflects high ethical and regulatory standards, with active oversight of sustainability initiatives by its Board of Directors. Transparency in executive compensation, tax practices, and supply chain management strengthens accountability and stakeholder trust. While Disney’s ESG framework is strong, addressing supply chain emissions and transparency challenges, alongside expanding community engagement, would further enhance its global impact and competitive positioning.

Recommendation

Based on a comprehensive valuation analysis, we recommend a HOLD position on Walt Disney's stock. This recommendation is derived from a detailed evaluation of the company's financial performance, strategic initiatives, market position, and forward-looking outlook. Our valuation projects a share price of \$121.64 by 31 December 2025, reflecting an anticipated capital gain of 7.8%. Additionally, Disney’s announced dividend per share (DPS) of \$1 for FY25⁴⁴ translates into a dividend yield of 0.8%, yielding a total expected return of 8.6% (see Fig. 42). Our valuation approach leverages a weighted average methodology, with 85% allocated to cash flow-based valuations (DCF and APV) and 15% to multiples-based valuations. This reflects our confidence in cash flow-based methodologies for capturing Disney’s intrinsic value, particularly its DTC segment, while acknowledging the discrepancies identified through CCA. The CCA resulted in a share price of \$99.98, driven by trading multiple differences compared to competitors. Nonetheless, the market’s confidence in Disney’s ability to capitalize on its growth potential, especially in the rapidly growing streaming segment, supports its premium valuation. Our cash flow-based analysis yielded an average share price of \$125.46, suggesting a potential buy signal. However, Disney’s exceptional FY24 performance has already driven a double-digit increase in its share price over the past four weeks, indicating that much of our optimistic investment thesis is already reflected in the current valuation (see Fig. 43). While Disney’s growth opportunities, including streaming expansion and park developments, remain robust, the recent surge in stock price limits the short-term upside potential. Consequently, we recommend holding the stock while closely monitoring the company’s execution of strategic initiatives and the evolving market environment to reassess opportunities for long-term value creation.

| Recommendation | | |
|--|------------------|----------------------|
| THE WALT DISNEY COMPANY (XNYS:DIS) | \$ 112.84 | Retrieved 16.12.2024 |
| Current Share Price | \$ 113.34 | |
| 52 Week High | \$ 123.74 | Retrieved 16.12.2024 |
| 52 Week Low | \$ 83.91 | Retrieved 16.12.2024 |
| Average CCA | \$ 99.98 | |
| Average CF-based Valuation | \$ 125.46 | |
| Weight CCA | 15.0% | |
| Weight CF-based Valuation | 85.0% | |
| Recommended Share Price (as of 31 Dec 2025) | \$ 121.64 | |
| Expected capital gain | 7.8% | |
| DPS (FY25) | \$ 1.00 | |
| Expected dividend yield | 0.8% | |
| Expected total return | 8.6% | |
| Recommendation | HOLD | |

Figure 42– Source: Annual Report, own Analysis

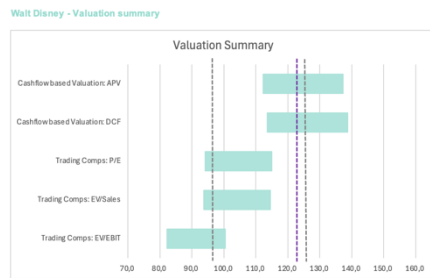


Figure 43– Source: Annual Report, own Analysis

⁴⁴ <https://thewaltdisneycompany.com/the-walt-disney-company-declares-cash-dividend-of-1-00-per-share/>

Appendix

Financials and analyses

App. 1: Profit & Loss Forecast

| Walt Disney - Profit & loss forecast | Historical period | | | | | | | | Projected period | | | | | | | | | | | | CAGR FY25-34 |
|--|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--|--------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | | |
| Revenue | 55,137 | 59,434 | 69,607 | 65,386 | 67,416 | 82,722 | 88,898 | 91,361 | 97,115 | 103,250 | 109,834 | 117,262 | 125,891 | 135,487 | 146,216 | 158,323 | 171,359 | 180,220 | 7.1% | | |
| Core activities | | | | | | | | | | | | | | | | | | | | | |
| Entertainment | 18,694 | 27,152 | 34,774 | 37,667 | 39,697 | 39,569 | 40,635 | 41,186 | 44,241 | 48,535 | 53,426 | 58,953 | 65,469 | 72,723 | 81,129 | 90,913 | 101,579 | 107,850 | 10.4% | | |
| Sports | 5,680 | 8,249 | 10,566 | 11,445 | 12,061 | 12,720 | 17,111 | 17,619 | 17,432 | 17,313 | 17,276 | 17,312 | 17,424 | 17,620 | 17,907 | 18,295 | 18,795 | 19,420 | 1.2% | | |
| Experiences | 23,024 | 24,701 | 26,225 | 17,038 | 16,552 | 28,085 | 32,549 | 34,151 | 35,442 | 37,402 | 39,133 | 40,997 | 42,999 | 45,153 | 47,180 | 49,115 | 50,984 | 52,950 | 4.6% | | |
| Reconciliation | 7,739 | (668) | (1,958) | (762) | (892) | (2,202) | (1,397) | (1,595) | | | | | | | | | | | | | |
| Revenue | 55,137 | 59,434 | 69,607 | 65,386 | 67,416 | 82,722 | 88,898 | 91,361 | 97,115 | 103,250 | 109,834 | 117,262 | 125,891 | 135,487 | 146,216 | 158,323 | 171,359 | 180,220 | 7.1% | | |
| Cost of services (exclusive of depreciation and amortization) | (25,320) | (27,528) | (36,493) | (39,406) | (41,129) | (48,962) | (53,139) | (52,509) | (51,383) | (52,118) | (53,161) | (54,477) | (56,251) | (58,242) | (62,250) | (65,211) | (68,285) | (72,196) | 3.9% | | |
| Cost of products (exclusive of depreciation and amortization) | (4,986) | (5,198) | (5,568) | (4,474) | (4,002) | (5,439) | (6,062) | (6,189) | (7,492) | (7,906) | (8,272) | (8,866) | (9,089) | (9,544) | (9,973) | (10,382) | (10,777) | (11,192) | 4.6% | | |
| Costs and expenses | (30,306) | (32,726) | (42,061) | (43,880) | (45,131) | (54,401) | (59,201) | (58,698) | (58,874) | (60,024) | (61,433) | (63,143) | (65,340) | (67,786) | (72,222) | (75,593) | (79,062) | (83,389) | 3.9% | | |
| Gross Profit | 24,831 | 26,708 | 27,546 | 21,508 | 22,287 | 28,321 | 29,697 | 32,663 | 38,241 | 43,226 | 48,401 | 54,119 | 60,551 | 67,711 | 73,994 | 82,730 | 92,297 | 96,831 | 10.9% | | |
| EBITDA | (8,176) | (8,860) | (11,549) | (12,369) | (13,517) | (16,388) | (15,759) | (15,759) | (16,753) | (17,811) | (18,947) | (20,228) | (21,717) | (23,373) | (25,223) | (27,311) | (29,560) | (31,088) | 7.1% | | |
| Depreciation and amortization | 16,655 | 17,848 | 15,997 | 9,139 | 8,770 | 11,933 | 14,361 | 16,904 | 21,488 | 25,415 | 29,454 | 33,891 | 38,835 | 44,337 | 48,771 | 55,419 | 62,737 | 65,743 | 13.2% | | |
| EBIT | (2,722) | (3,011) | (4,167) | (5,345) | (5,111) | (5,163) | (5,399) | (4,990) | (5,068) | (5,304) | (5,543) | (5,788) | (6,041) | (6,296) | (6,552) | (6,808) | (7,058) | (7,254) | 4.1% | | |
| Nonational taxes | (4,856) | (3,635) | (2,484) | (797) | (768) | (1,422) | (1,888) | (2,202) | (3,448) | (4,223) | (5,021) | (5,902) | (6,887) | (7,989) | (8,866) | (10,208) | (11,693) | (12,283) | 15.2% | | |
| Tax adjustments | (234) | (280) | (153) | 59 | (192) | (211) | (76) | (257) | (443) | (543) | (646) | (759) | (885) | (1,027) | (1,140) | (1,312) | (1,503) | (1,579) | 15.2% | | |
| NOPLAT | 8,783 | 10,922 | 9,193 | 3,057 | 2,699 | 5,137 | 7,027 | 9,639 | 12,529 | 15,345 | 18,244 | 21,442 | 25,021 | 29,025 | 32,213 | 37,090 | 42,484 | 44,627 | 15.2% | | |
| Non-core activities | | | | | | | | | | | | | | | | | | | | | |
| Restructuring and impairment charges | (98) | (33) | (1,183) | (5,735) | (654) | (237) | (3,892) | (3,595) | (1,973) | (2,015) | (2,061) | (2,111) | (2,168) | (2,228) | (2,305) | (2,377) | (2,450) | (2,517) | 2.7% | | |
| Other income (expense), net | 78 | 601 | 4,357 | 1,038 | 208 | 667 | 96 | (667) | 122 | 129 | 138 | 147 | 158 | 170 | 183 | 198 | 215 | 226 | 7.1% | | |
| Nonational taxes | 7 | (139) | (667) | 986 | 95 | 190 | 797 | 769 | 389 | 396 | 404 | 413 | 422 | 432 | 446 | 458 | 470 | 481 | 2.4% | | |
| Tax adjustments | 634 | 2,224 | 56 | (1,124) | 704 | (412) | (300) | (431) | 50 | 51 | 52 | 53 | 54 | 56 | 57 | 59 | 60 | 62 | 2.4% | | |
| Non-core income after taxes | 621 | 2,653 | 2,563 | (4,835) | 346 | (1,126) | (3,299) | (3,323) | (1,413) | (1,439) | (1,468) | (1,499) | (1,534) | (1,570) | (1,619) | (1,662) | (1,706) | (1,749) | 2.4% | | |
| Loss from discontinued operations, net of income tax benefit | - | - | 687 | (32) | (29) | (48) | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Other comprehensive income (loss), net of tax | 426 | 359 | (2,879) | (1,612) | 1,968 | 2,178 | 794 | (323) | 105 | 112 | 119 | 127 | 136 | 147 | 158 | 172 | 186 | 195 | 7.1% | | |
| Non-core result | 1,047 | 3,012 | 371 | (6,479) | 2,285 | 1,004 | (2,505) | (3,646) | (1,307) | (1,327) | (1,349) | (1,372) | (1,397) | (1,424) | (1,461) | (1,491) | (1,520) | (1,553) | 1.9% | | |
| Financing activities | | | | | | | | | | | | | | | | | | | | | |
| Interest expense, net | (385) | (574) | (978) | (1,491) | (1,406) | (1,397) | (1,209) | (1,260) | (1,352) | (1,447) | (1,541) | (1,633) | (1,721) | (1,803) | (1,885) | (1,955) | (2,011) | (2,058) | 4.8% | | |
| Equity in the income of investees, net | 320 | (102) | (103) | 651 | 761 | 816 | 782 | 575 | 610 | 648 | 689 | 736 | 790 | 851 | 918 | 994 | 1,076 | 1,131 | 7.1% | | |
| Financing result before taxes | (65) | (676) | (1,081) | (840) | (645) | (581) | (427) | (685) | (743) | (799) | (851) | (906) | (931) | (953) | (968) | (962) | (935) | (927) | 2.5% | | |
| Nonational taxes | 23 | 166 | 227 | 176 | 135 | 122 | 90 | 144 | 156 | 168 | 179 | 188 | 195 | 200 | 203 | 202 | 196 | 195 | 2.5% | | |
| Tax adjustments | - | - | - | - | - | - | - | - | 20 | (22) | (23) | (24) | (25) | (26) | (26) | (26) | (25) | (25) | n.a. | | |
| Financing result after taxes | (42) | (510) | (854) | (664) | (510) | (459) | (337) | (541) | (567) | (633) | (696) | (732) | (760) | (779) | (790) | (786) | (764) | (757) | 3.3% | | |
| Net income from continuing operations attributable to noncontrolling interests | (388) | (468) | (530) | (390) | (512) | (360) | (1,036) | (801) | (741) | (788) | (838) | (895) | (961) | (1,034) | (1,116) | (1,208) | (1,308) | (1,375) | 7.1% | | |
| Other comprehensive income (loss), net of tax | 25 | 72 | 65 | 93 | (86) | 143 | 33 | (84) | 22 | 23 | 25 | 26 | 28 | 30 | 33 | 36 | 39 | 41 | 7.1% | | |
| Total comprehensive income attributable to The Walt Disney Company (Disney) | 9,427 | 13,028 | 8,245 | (4,569) | 3,876 | 5,465 | 3,182 | 4,567 | 9,936 | 12,601 | 15,387 | 18,470 | 21,931 | 25,820 | 28,879 | 33,641 | 38,930 | 40,982 | 17.1% | | |
| KPIs - As a % of revenue | | | | | | | | | | | | | | | | | | | | | |
| Gross Profit | 45.0% | 44.9% | 39.6% | 32.9% | 33.1% | 34.2% | 33.4% | 35.8% | 39.4% | 41.9% | 44.1% | 46.2% | 48.1% | 50.0% | 50.6% | 52.3% | 53.9% | 53.7% | +14.4ppt | | |
| EBITDA | 30.2% | 30.0% | 23.0% | 14.0% | 13.0% | 14.4% | 16.2% | 18.5% | 22.1% | 24.6% | 26.8% | 28.9% | 30.8% | 32.7% | 33.4% | 35.0% | 36.6% | 36.5% | +14.4ppt | | |
| EBIT | 25.2% | 25.0% | 17.0% | 5.8% | 4.4% | 8.2% | 10.1% | 13.0% | 16.9% | 19.5% | 21.8% | 24.0% | 26.0% | 28.1% | 28.9% | 30.7% | 32.5% | 32.5% | +15.5ppt | | |
| NOPLAT | 15.9% | 18.4% | 13.2% | 4.7% | 4.0% | 6.2% | 7.9% | 10.6% | 12.9% | 14.9% | 16.6% | 18.3% | 19.9% | 21.4% | 22.0% | 23.4% | 24.8% | 24.8% | +11.9ppt | | |

App. 2: Balance Sheet Forecast

| Walt Disney - Balance sheet forecast | Historical period | | | | | | | | Projected period | | | | | | | | | | | | CAGR FY17-24 | CAGR FY25-34 |
|--------------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-------|--|--------------|--------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | | | |
| Core Invested Capital | | | | | | | | | | | | | | | | | | | | | | |
| Operating Cash | 2,648 | 2,854 | 3,343 | 3,140 | 3,238 | 3,972 | 4,269 | 4,387 | 4,664 | 4,958 | 5,274 | 5,631 | 6,046 | 6,507 | 7,022 | 7,603 | 8,229 | 8,856 | 8.8% | | | |
| Receivables, net | 8,833 | 9,334 | 16,481 | 12,708 | 13,387 | 12,852 | 12,330 | 12,729 | 14,079 | 14,969 | 15,823 | 17,000 | 18,251 | 19,643 | 21,197 | 22,953 | 24,842 | 26,127 | 6.7% | | | |
| Inventories | 1,373 | 1,392 | 1,649 | 1,208 | 1,331 | 1,742 | 1,963 | 2,022 | 1,835 | 1,870 | 1,914 | 1,998 | 2,036 | 2,112 | 2,250 | 2,355 | 2,464 | 2,598 | 6.7% | | | |
| Other current assets | (8,855) | (9,479) | (17,752) | (16,760) | (20,857) | (20,178) | (20,834) | (21,040) | (21,132) | (21,544) | (22,050) | (22,664) | (23,453) | (24,331) | (25,233) | (27,133) | (28,378) | (29,331) | 15.5% | | | |
| Deferred revenue and other | (4,588) | (4,591) | (4,722) | (4,118) | (4,317) | (5,730) | (6,138) | (6,684) | (6,884) | (7,319) | (7,788) | (8,313) | (8,924) | (9,605) | (10,365) | (11,223) | (12,147) | (12,776) | 8.5% | | | |
| Net working capital (NWC) | (181) | 145 | (1,032) | (2,570) | (6,421) | (6,401) | (6,924) | (6,955) | (6,300) | (5,569) | (5,131) | (4,677) | (4,218) | (3,708) | (3,698) | (3,148) | (2,504) | (2,712) | 80.2% | | | |
| Content advances | 1,278 | 1,314 | 4,597 | 2,171 | 2,183 | 1,890 | 3,002 | 2,097 | 3,002 | 3,045 | 3,106 | 3,183 | 3,286 | 3,403 | 3,637 | 3,810 | 3,969 | 4,218 | 8.8% | | | |
| Produced and licensed content costs | 7,481 | 7,888 | 22,810 | 25,022 | 29,549 | 35,777 | 33,591 | 32,312 | 31,619 | 32,071 | 32,714 | 33,523 | 34,615 | 35,840 | 38,500 | 40,128 | 42,020 | 44,427 | 27.0% | | | |
| Parks, resorts and other properties | 28,406 | 29,540 | 31,603 | 32,028 | 32,024 | 33,598 | 34,941 | 37,041 | 38,600 | 40,289 | 41,880 | 43,413 | 44,897 | 46,287 | 47,536 | 48,668 | 49,596 | 50,497 | 4.5% | | | |
| Intangible assets, net | 6,995 | 6,812 | 23,215 | 19,173 | 17,115 | 14,837 | 13,081 | 10,739 | 11,415 | 12,136 | 12,910 | 13,784 | 14,798 | 15,927 | 17,157 | 18,510 | 20,142 | 21,194 | 7.4% | | | |
| Goodwill | 31,426 | 31,269 | 80,293 | 77,089 | 75,071 | 77,697 | 77,067 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 73,326 | 15.2% | | | |
| Other assets | 2,390 | 3,365 | 4,715 | 8,433 | 8,658 | 9,208 | 11,076 | 13,101 | 12,367 | 13,148 | 13,969 | 14,932 | 16,031 | 17,254 | 18,619 | 20,161 | 21,921 | 22,949 | 32.2% | | | |
| Total core invested capital | 77,795 | 80,333 | 166,201 | 161,996 | 161,779 | 166,804 | 165,814 | 162,421 | 164,358 | 168,427 | 172,770 | 177,484 | | | | | | | | | | |

App. 3: Cash Flow Statement Forecast

| Walt Disney - Cash flow forecast | | | | | | | | | | | | | | | | | | | |
|---|-------------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| | Historical period | | | | | | | | Projected period | | | | | | | | CAGR FY25-34 | | |
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | | FY33 FC | FY34 FC |
| NOPLAT | 8,783 | 10,922 | 9,193 | 3,057 | 2,699 | 5,137 | 7,027 | 9,639 | 12,529 | 15,345 | 18,244 | 21,442 | 25,021 | 29,025 | 32,213 | 37,090 | 42,484 | 44,627 | 15.2% |
| Depreciation and amortization | 2,782 | 3,011 | 4,167 | 5,345 | 5,111 | 5,163 | 5,369 | 4,990 | 5,068 | 5,304 | 5,543 | 5,788 | 6,041 | 6,296 | 6,552 | 6,808 | 7,058 | 7,254 | 4.1% |
| Gross cash flow | 11,565 | 13,933 | 13,360 | 8,402 | 7,810 | 10,300 | 12,396 | 14,629 | 17,597 | 20,649 | 23,787 | 27,231 | 31,063 | 35,321 | 38,765 | 43,898 | 49,541 | 51,881 | 12.8% |
| Δ NWC | (326) | 1,177 | 1,538 | 3,852 | (21) | 523 | (729) | (729) | (164) | (461) | (438) | (454) | (459) | (510) | (10) | (549) | (644) | (208) | n.a. |
| Δ Capex | (3,962) | (22,633) | (1,778) | (3,599) | (3,857) | (4,938) | (4,768) | (4,768) | (7,363) | (7,633) | (7,908) | (8,215) | (8,539) | (8,815) | (9,081) | (9,342) | (9,521) | (9,196) | 2.5% |
| Δ Goodwill | 157 | (49,024) | 2,604 | (382) | 174 | 830 | 3,741 | (905) | (43) | (61) | (77) | (104) | (116) | (234) | (173) | (180) | (229) | (14,2%) | |
| Δ Content advances | (36) | (3,283) | 2,426 | (12) | 293 | (1,112) | 905 | 693 | (452) | (642) | (810) | (1,092) | (1,225) | (2,466) | (1,822) | (1,892) | (2,407) | (2,407) | n.a. |
| Δ Produced and licensed content costs | (407) | (14,922) | (2,212) | (4,527) | (6,228) | 2,186 | 1,279 | 734 | (781) | (838) | (946) | (1,099) | (1,223) | (1,365) | (1,542) | (1,660) | (1,128) | (1,128) | n.a. |
| Δ Other assets | (975) | (1,350) | (3,718) | (225) | (550) | (1,868) | (2,025) | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 15.8% | |
| Operating FCF | 11,565 | 8,384 | (76,675) | 7,261 | 2,916 | 111 | 8,018 | 13,032 | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 15.8% |
| Non-core result | 1,047 | 3,012 | 371 | (6,479) | 2,285 | 1,004 | (2,505) | (3,646) | (1,307) | (1,327) | (1,349) | (1,372) | (1,397) | (1,424) | (1,461) | (1,491) | (1,520) | (1,553) | 1.9% |
| Δ Investments | 303 | (325) | (679) | (32) | 717 | 138 | (1,379) | (319) | (302) | (324) | (365) | (425) | (473) | (527) | (596) | (641) | (436) | (436) | 3.5% |
| Δ Deferred income Taxes | (1,371) | 4,793 | (614) | (42) | 1,117 | (1,105) | (981) | 2,433 | 550 | 590 | 666 | 774 | 861 | 961 | 1,086 | 1,169 | 795 | (11,7%) | |
| Δ Other long-term liabilities | 147 | 7,170 | 3,173 | (2,657) | (1,977) | (436) | (1,172) | 2,655 | 843 | 905 | 1,021 | 1,186 | 1,320 | 1,473 | 1,664 | 1,792 | 1,218 | (8,3%) | |
| Non-operating FCF | 1,047 | 2,091 | 12,009 | (4,599) | (446) | 861 | (3,908) | (7,178) | 3,462 | (236) | (177) | (50) | 138 | 285 | 446 | 663 | 799 | 23 | (42,7%) |
| Total FCF | 12,612 | 10,475 | (64,666) | 2,662 | 2,470 | 4,110 | 5,854 | 14,053 | 11,042 | 13,723 | 16,679 | 19,909 | 23,717 | 26,055 | 31,133 | 36,445 | 39,152 | 12.1% | |
| Growth in % | | -16.9% | -717.4% | -104.1% | -7.2% | -60.7% | 323.0% | 42.5% | 140.1% | -21.4% | 24.3% | 21.5% | 19.4% | 19.1% | 9.9% | 19.5% | 17.1% | 7.4% | ##### |
| Financing cash flow | | | | | | | | | | | | | | | | | | | |
| Financing result | (42) | (510) | (854) | (664) | (510) | (459) | (337) | (541) | (567) | (653) | (696) | (732) | (760) | (779) | (790) | (786) | (764) | (757) | 3.3% |
| Δ Net debt | (3,989) | 34,126 | (791) | (2,457) | (1,286) | (3,856) | (1,280) | 9,794 | 3,594 | 3,493 | 3,385 | 3,257 | 2,970 | 2,902 | 2,389 | 1,699 | 625 | (26,3%) | |
| Change in Equity | 7,458 | 40,104 | (5,294) | 4,970 | 6,455 | 4,269 | 1,419 | (12,625) | (618) | (321) | 7 | 458 | 915 | 1,796 | 2,076 | 2,819 | 3,297 | n.a. | |
| Less: net income / comprehensive income | 13,424 | 8,710 | (4,086) | 4,474 | 5,682 | 4,185 | 5,452 | 10,855 | 13,365 | 16,200 | 19,338 | 22,864 | 26,823 | 29,962 | 34,813 | 40,199 | 42,316 | 16.6% | |
| Financial Free Cashflow | (42) | (10,475) | 64,666 | (2,662) | (2,470) | (972) | (4,110) | (5,854) | (14,053) | (11,042) | (13,723) | (16,679) | (19,909) | (23,717) | (26,055) | (31,133) | (36,445) | (39,152) | 12.1% |

App. 4: Enterprise Value Sensitivity Analysis

| | | WACC | | | | |
|-----------------------------|--------------|----------------|----------------|----------------|----------------|----------------|
| | | 9,63% | 10,13% | 10,63% | 11,13% | 11,63% |
| Terminal Growth Rate | 306,094 | | | | | |
| | 1,50% | 322,756 | 300,199 | 280,254 | 262,509 | 246,630 |
| | 2,00% | 336,554 | 311,907 | 290,263 | 271,121 | 254,085 |
| | 2,50% | 352,287 | 325,151 | 301,504 | 280,732 | 262,356 |
| | 3,00% | 370,396 | 340,253 | 314,219 | 291,526 | 271,587 |
| | 3,50% | 391,460 | 357,635 | 328,718 | 303,735 | 281,953 |

App. 5: Share Price Sensitivity Analysis

| | | WACC | | | | |
|-----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | | 9,63% | 10,13% | 10,63% | 11,13% | 11,63% |
| Terminal Growth Rate | 126,13 | | | | | |
| | 1,50% | 133,65 | 123,40 | 114,34 | 106,29 | 99,08 |
| | 2,00% | 139,95 | 128,74 | 118,91 | 110,22 | 102,49 |
| | 2,50% | 147,13 | 134,79 | 124,04 | 114,61 | 106,26 |
| | 3,00% | 155,40 | 141,69 | 129,85 | 119,53 | 110,47 |
| | 3,50% | 165,03 | 149,63 | 136,47 | 125,11 | 115,21 |

App. 6: Share Price Sensitivity Analysis

| | | Cost of Debt | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | 4,09% | 4,29% | 4,49% | 4,69% | 4,89% |
| Cost of Equity | 126,13 | | | | | |
| | 12,16% | 123,18 | 122,65 | 122,13 | 121,62 | 121,11 |
| | 12,36% | 119,94 | 119,43 | 118,94 | 118,44 | 117,95 |
| | 12,56% | 116,83 | 116,35 | 115,87 | 115,40 | 114,92 |
| | 12,76% | 113,85 | 113,39 | 112,93 | 112,47 | 112,02 |
| | 12,96% | 110,98 | 110,54 | 110,10 | 109,66 | 109,23 |

App. 7: Share Price Sensitivity Analysis

| | | Terminal Growth Rate | | | | |
|-------------|---------------|----------------------|--------|--------|--------|--------|
| | | 2,00% | 2,25% | 2,50% | 2,75% | 3,00% |
| WACC | 126,13 | | | | | |
| | 10,63% | 118,91 | 121,40 | 124,04 | 126,85 | 129,85 |

App. 8: Trading Multiples Analysis

All figures are related to LTM

| Ticker | Company Name | EV/Sales LTM | EV/EBITDA LTM | EV/EBIT LTM | P/E LTM |
|-----------------|------------------------------|-----------------|------------------|----------------|-------------|
| CMCSA | Comcast Corporation | 2,2 | 7,1 | 11,5 | 10,8 |
| PARA | Paramount Global | 0,8 | 11,3 | 14,3 | -5,4 |
| NWSA | News Corp | 1 | 9,5 | 19,1 | 110,0 |
| NFLX | Netflix, Inc. | 6,5 | 10,3 | 31,7 | 76,4 |
| FOX | Fox Corp | 1,3 | 6,3 | 7,2 | 16,7 |
| Maximum | | 6,5 | 11,3 | 31,7 | 110,0 |
| 75th Percentile | | 2,2 | 10,3 | 19,1 | 76,4 |
| Average | | 2,4 | 8,9 | 16,8 | 41,7 |
| 25th Percentile | | 1,3 | 7,1 | 11,5 | 10,8 |
| Minimum | | 0,8 | 6,3 | 7,2 | 5,4 |
| DIS | The Walt Disney Comp. | 2,4 | 12,8 | 18,2 | 45,2 |

App. 9: Trading Share Price Analysis

| | Share Price | | | |
|-----------------|--------------|-------------|-------------|--------------|
| | EV/Sales | EV/EBITDA | EV/EBIT | P/E |
| Maximum | 309,5 | 86,6 | 189,0 | 275,8 |
| 75th Percentile | 92,3 | 76,8 | 106,7 | 191,5 |
| Average | 104,1 | 64,2 | 91,3 | 104,5 |
| 25th Percentile | 48,5 | 47,8 | 56,9 | 27,0 |
| Minimum | 19,7 | 39,8 | 28,7 | - |

App. 10: CAPEX Breakdown

| | Historical period | | | | | | | | Projected period | | | | | | | | | | CAGR FY25-34 |
|---------------------------------------|-------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|-----------------|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | |
| Δ Parks, resorts and other properties | (1,134) | (2,063) | (475) | (546) | (972) | (1,345) | (2,100) | (1,619) | (1,609) | (1,591) | (1,553) | (1,484) | (1,390) | (1,269) | (1,110) | (930) | (901) | (6.3%) | |
| Δ Intangible assets, net | 183 | (16,403) | 4,042 | 2,058 | 2,276 | 1,776 | 2,322 | (676) | (721) | (774) | (873) | (1,014) | (1,129) | (1,260) | (1,423) | (1,532) | (1,042) | 4.9% | |
| Depreciation and amortization | (3,011) | (4,167) | (5,345) | (5,111) | (5,163) | (5,389) | (4,990) | (5,068) | (5,304) | (5,543) | (5,788) | (6,041) | (6,296) | (6,552) | (6,808) | (7,058) | (7,254) | 4.1% | |
| Capex | (3,962) | (22,633) | (1,778) | (3,599) | (3,857) | (4,938) | (4,768) | (7,363) | (7,633) | (7,908) | (8,215) | (8,539) | (8,815) | (9,081) | (9,342) | (9,521) | (9,196) | 2.5% | |

App. 11: Financial Health Analysis

| Walt Disney - Financial health (based on reported statements) | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|
| \$'000 | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 Actual | CAGR FY17-24 |
| Entertainment | 18,694 | 27,152 | 34,774 | 37,667 | 39,697 | 39,569 | 40,635 | 41,186 | 11.9% |
| Sports | 5,680 | 8,249 | 10,566 | 11,445 | 12,061 | 17,270 | 17,111 | 17,619 | 17.6% |
| Experiences | 23,024 | 24,701 | 26,225 | 17,038 | 16,552 | 28,085 | 32,549 | 34,151 | 5.8% |
| Reconciliation | 7,739 | (668) | (1,958) | (762) | (892) | (2,202) | (1,397) | (1,595) | n.a. |
| Total Revenue | 55,137 | 59,434 | 69,607 | 65,388 | 67,418 | 82,722 | 88,898 | 91,361 | 7.5% |
| KPIs - Growth rates | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| Entertainment | - | 45.2% | 28.1% | 8.3% | 5.4% | -0.3% | 2.7% | 1.4% | +1.4pp |
| Sports | - | 45.2% | 28.1% | 8.3% | 5.4% | 43.2% | -0.9% | 3.0% | +3.0pp |
| Experiences | - | 7.3% | 6.2% | -35.0% | -2.9% | 69.7% | 15.9% | 4.9% | +4.9pp |
| Total Revenue | - | 7.8% | 17.1% | -6.1% | 3.1% | 22.7% | 7.5% | 2.8% | +2.8pp |
| Gross profit | - | 7.6% | 3.1% | -21.9% | 3.6% | 27.1% | 4.9% | 10.0% | +10.0pp |
| EBITDA | - | 8.0% | 4.1% | -73.3% | 78.2% | 30.5% | -4.2% | 21.8% | +21.8pp |
| EBIT | - | 8.0% | -2.6% | -101.7% | -1674.2% | 68.4% | -10.5% | 47.7% | +47.7pp |
| Total comprehensive income | - | 38.2% | -36.8% | -155.4% | -184.9% | 41.0% | -41.8% | 43.5% | +43.5pp |
| KPIs - Profitability | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| OPEX margin | 74.8% | 75.0% | 83.0% | 94.2% | 94.6% | 91.8% | 89.9% | 87.0% | +12.1pp |
| Gross profit margin | 45.0% | 44.9% | 39.6% | 32.9% | 33.1% | 34.2% | 33.4% | 35.8% | -9.3pp |
| SG&A margin | 14.8% | 14.9% | 16.6% | 18.9% | 20.0% | 19.8% | 17.3% | 17.2% | +2.4pp |
| EBITDA margin | 30.8% | 30.8% | 27.4% | 7.8% | 13.5% | 14.3% | 12.8% | 15.1% | -15.6pp |
| Operating margin | 25.7% | 25.7% | 21.4% | -0.4% | 5.9% | 8.1% | 6.7% | 9.7% | -16.0pp |
| Net margin | 17.0% | 22.0% | 16.6% | -3.8% | 3.7% | 4.2% | 3.8% | 6.3% | -10.7pp |
| Comprehensive income margin | 17.1% | 21.9% | 11.8% | -7.0% | 5.8% | 6.6% | 3.6% | 5.0% | -12.1pp |
| Operating ROIC (no lag), reformulated | - | 13.6% | 5.5% | 1.9% | 1.7% | 3.1% | 4.2% | 5.9% | +5.9pp |
| Operating ROIC (lagging), reformulated | - | - | 11.4% | 1.8% | 1.7% | 3.2% | 4.2% | 5.8% | +5.8pp |
| Overall ROIC, reformulated | - | - | 12.5% | 2.1% | 1.9% | 3.6% | 4.7% | 6.4% | +6.4pp |
| Return on assets | 9.8% | 13.3% | 6.0% | -1.2% | 1.2% | 1.7% | 1.6% | 2.9% | -6.8pp |
| Asset turnover | 0.58 | 0.60 | 0.36 | 0.32 | 0.33 | 0.41 | 0.43 | 0.47 | n.a. |
| KPIs - Liquidity | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| Current ratio | 0.81 | 0.94 | 0.90 | 1.32 | 1.08 | 1.00 | 1.05 | 0.73 | n.a. |
| Quick ratio | 0.74 | 0.86 | 0.84 | 1.26 | 1.04 | 0.94 | 0.99 | 0.67 | n.a. |
| Cash ratio | 0.21 | 0.23 | 0.17 | 0.67 | 0.51 | 0.40 | 0.46 | 0.17 | n.a. |
| KPIs - Solvency | | | | | | | | | |
| | | | | | | | | | Δ in ppts |
| D/E ratio | 55.1% | 39.0% | 45.8% | 63.9% | 57.0% | 48.2% | 44.8% | 43.4% | -11.7pp |
| Debt/Capital | 35.5% | 28.0% | 31.4% | 39.0% | 36.3% | 32.5% | 31.0% | n.a. | n.a. |
| Debt/Assets | 26.6% | 21.3% | 24.3% | 30.9% | 28.6% | 25.7% | 24.6% | 23.3% | -3.2pp |
| Debt-to-EBITDA | 1.49 | 1.14 | 2.46 | 11.51 | 5.99 | 4.08 | 4.09 | 3.32 | n.a. |

Source: Annual report, Bloomberg, own analysis

| Based on FY23 | Walt Disney | Comcast | Paramount | Warner Bros | News Corp | Netflix | Fox Corp | | |
|--|-------------|---------|-----------|-------------|-----------|---------|----------|--|--|
| Sales | 88,898 | 121,572 | 29,652 | 41,321 | 9,879 | 33,723 | 14,913 | | |
| CAGR 7 years Sales | 8.3% | 6.1% | 1.9% | 34.8% | 3.3% | 19.3% | 7.0% | | |
| Margins | | | | | | | | | |
| Gross Profit Margin - % | 33.4% | 58.0% | 29.7% | 22.1% | 40.9% | 41.5% | 32.3% | | |
| EBITDA Margin - % | 12.8% | 31.0% | 6.7% | 40.5% | 14.4% | 63.8% | 21.3% | | |
| Operating Margin - % | 6.7% | 19.2% | 5.3% | -1.0% | 7.2% | 20.6% | 18.5% | | |
| Net Margin - % | 3.8% | 12.4% | -4.2% | -7.5% | 1.9% | 16.0% | 8.4% | | |
| Liquidity | | | | | | | | | |
| Current Ratio | 1.05 | 0.60 | 1.32 | 0.93 | 1.28 | 1.12 | 1.93 | | |
| Quick Ratio | 0.99 | n.a. | 1.17 | n.a. | 1.18 | n.a. | 1.78 | | |
| Solvency / Financial Strength | | | | | | | | | |
| D/E ratio | 0.45 | 1.17 | 0.65 | 0.97 | 0.41 | 0.71 | 0.69 | | |
| Interest coverage ratio | 4.94 | 5.70 | 1.71 | -0.18 | 7.10 | 9.94 | 7.92 | | |
| Debt ratio | 24.6% | 36.7% | 27.3% | 35.8% | 19.5% | 29.8% | 33.0% | | |
| Capital Structure | | | | | | | | | |
| Debt/EBITDA | 149.2% | 258.0% | 734.1% | 262.7% | 231.7% | 67.6% | 227.1% | | |
| Debt/Capital | 35.5% | 53.8% | 38.8% | 48.6% | 27.0% | 41.4% | 40.4% | | |
| D/EV ratio | 21.8% | 36.2% | 64.9% | 63.5% | 24.3% | 6.6% | 36.3% | | |
| Return | | | | | | | | | |
| Return on Average Total Assets - % (Income before taxes) | 1.6% | 5.8% | -2.2% | -2.4% | 1.1% | 11.1% | 5.7% | | |
| Return on Invested Capital - % | 4.2% | 10.2% | n.a. | n.a. | 1.7% | 17.1% | 8.1% | | |
| Payout Ratio | n.a. | 31.2% | n.a. | n.a. | 77.9% | 0.0% | 21.4% | | |
| Asset Turnover | 0.43 | 0.47 | 0.53 | 0.32 | 0.58 | 0.69 | 0.68 | | |

Source: Refinitiv, annual report, own analysis

App. 12: Weighted Average Cost of Capital (WACC)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | | | | | | |
|---------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|--|--|--|--|--|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | | | | | | |
| D/EV | | | | | | | | 21.5% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | 16.7% | | | | | | |
| Debt/Equity | | | | | | | | 27.3% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | 20.1% | | | | | | |
| Statutory tax rate | | | | | | | | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | | | | | | |
| Equity beta (unlevered) | | | | | | | | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | | | | | | |
| Debt beta | | | | | | | | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | | | | | | |
| Equity beta (levered) | | | | | | | | 1.42 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | 1.32 | | | | | | |
| Cost of equity | | | | | | | | 12.6% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | | | | | | |
| Cost of debt | | | | | | | | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | 4.3% | | | | | | |
| Unlevered WACC | | | | | | | | 10.8% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | | | | | | |
| Statutory tax rate | | | | | | | | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | | | | | | |
| Levered WACC | | | | | | | | 10.6% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | | | | | | |
| Unlevered cost of capital | | | | | | | | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | | | | | | |

App. 13: Discounted Cash Flow (DCF)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | | | | | | |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|--|--|--|--|--|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | Terminal Value | | | | | |
| Operating Free Cash Flow to Firm (base case) | | | | | | | | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 40,107 | | | | | | |
| Operating Free Cash Flow to Firm (default case) | | | | | | | | 2,794 | 1,728 | 2,546 | 3,385 | 4,199 | 5,368 | 5,561 | 7,388 | 9,207 | 11,356 | 11,640 | | | | | | |
| Ultimately expected Cash Flow | | | | | | | | 10,584 | 11,269 | 13,890 | 16,717 | 19,757 | 23,415 | 25,591 | 30,450 | 35,622 | 39,104 | 40,081 | | | | | | |
| discounted @ WACC | | | | | | | | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | | | | | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.61 | 0.55 | 0.50 | 0.45 | 0.41 | 0.37 | 0.33 | | | | | | |
| Discounted FCF | | | | | | | | 10,196 | 11,371 | 12,362 | 13,240 | 14,198 | 14,040 | 15,115 | 15,998 | 15,890 | 15,890 | 163,665 | | | | | | |

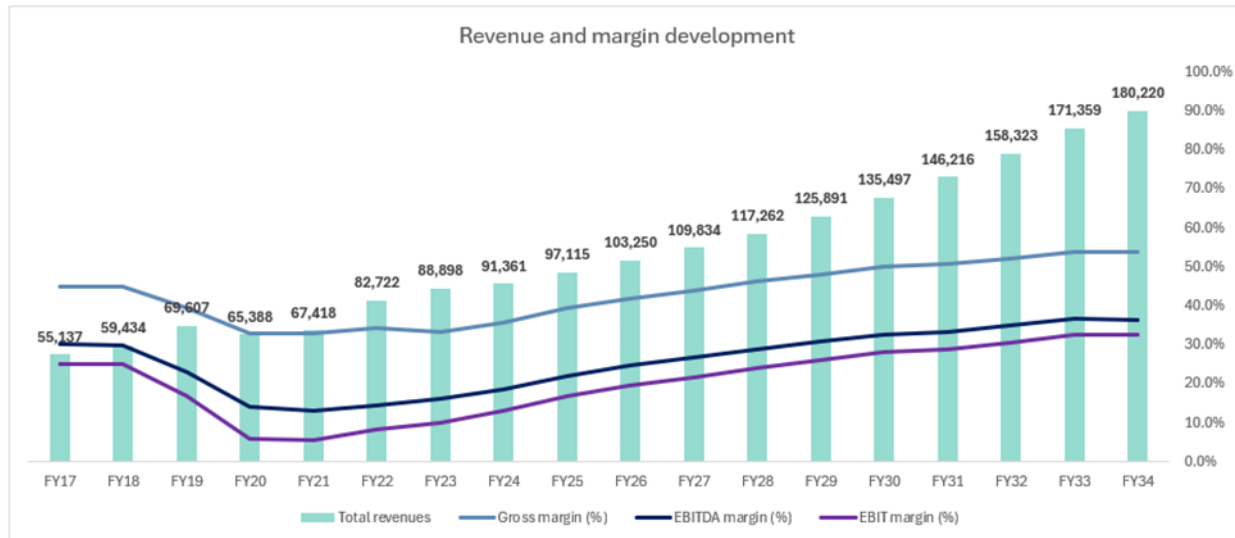
| | |
|---|----------|
| Enterprise Value | 306,094 |
| Share Projection Period | 40% |
| Share Terminal Value | 60% |
| Invested Capital Non Core Operations | (17,278) |
| Value of Financial Debt and other claim | (59,010) |
| Equity Value | 229,806 |
| Total shares outstanding (mn) | 1,822 |
| Price per share (\$) | 126.1 |

App. 14: Adjusted Present Value (APV)

| | Historical period | | | | | | | | Projected period | | | | | | | | | | | | | | | |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|--|--|--|--|--|
| | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | FY24 FC | FY25 FC | FY26 FC | FY27 FC | FY28 FC | FY29 FC | FY30 FC | FY31 FC | FY32 FC | FY33 FC | FY34 FC | Terminal Value | | | | | |
| Operating Free Cash Flow to Firm (base case) | | | | | | | | 10,591 | 11,278 | 13,901 | 16,729 | 19,771 | 23,431 | 25,609 | 30,470 | 35,646 | 39,129 | 40,107 | | | | | | |
| Operating Free Cash Flow to Firm (default case) | | | | | | | | 2,794 | 1,728 | 2,546 | 3,385 | 4,199 | 5,368 | 5,561 | 7,388 | 9,207 | 11,356 | 11,640 | | | | | | |
| Ultimately expected Cash Flow | | | | | | | | 10,584 | 11,269 | 13,890 | 16,717 | 19,757 | 23,415 | 25,591 | 30,450 | 35,622 | 39,104 | 40,081 | | | | | | |
| discounted @ unlevered cost of capital | | | | | | | | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | 10.5% | | | | | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.61 | 0.55 | 0.50 | 0.45 | 0.41 | 0.37 | 0.33 | | | | | | |
| Discounted FCF/ Unlevered Enterprise Value | | | | | | | | 10,196 | 11,371 | 12,362 | 13,240 | 14,198 | 14,040 | 15,115 | 15,998 | 15,890 | 15,890 | 180,297 | | | | | | |
| Interest Tax Shield | | | | | | | | 284.0 | 303.9 | 323.6 | 342.8 | 361.4 | 378.7 | 395.9 | 410.6 | 422.3 | 432.2 | 443.0 | | | | | | |
| discounted @ the unlevered cost of capital | | | | | | | | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | 10.7% | | | | | | |
| Discount factor | | | | | | | | 0.90 | 0.82 | 0.74 | 0.67 | 0.60 | 0.54 | 0.49 | 0.44 | 0.40 | 0.36 | 0.33 | | | | | | |
| Discounted Tax Shield | | | | | | | | 274.6 | 284.2 | 252.9 | 240.9 | 228.1 | 215.5 | 201.9 | 187.6 | 173.5 | 158.8 | 143.5 | | | | | | |
| Enterprise Value (Levered) | | | | | | | | 10,471 | 11,635 | 12,635 | 13,481 | 14,426 | 14,255 | 15,317 | 16,186 | 16,063 | 16,063 | 183,885 | | | | | | |

| | |
|---|----------|
| Enterprise Value | 308,354 |
| Invested Capital Non Core Operations | (18,369) |
| Value of Financial Debt and other claim | (62,604) |
| Equity Value | 227,380 |
| Total shares outstanding (mn) | 1,822 |
| Price per share (\$) | 124.8 |

App. 15: Total Revenue and Margin Development FY17 – FY34



App. 16: Operating Cash Analysis

| Walt Disney - Operating cash analysis | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------|
| \$'000 | FY17 Actual | FY18 Actual | FY19 Actual | FY20 Actual | FY21 Actual | FY22 Actual | FY23 Actual | CAGR FY17-23 |
| Comcast Corp (CMCSA.OQ) | | | | | | | | |
| Revenues | 85,029 | 94,507 | 108,942 | 103,564 | 116,385 | 121,427 | 121,572 | 6.1% |
| Cash & Cash Equivalents | 3,428 | 3,814 | 5,500 | 11,740 | 8,711 | 4,749 | 6,215 | 10.4% |
| in % | 4.0% | 4.0% | 5.0% | 11.3% | 7.5% | 3.9% | 5.1% | n.a. |
| Paramount Global (PARA.OQ) | | | | | | | | |
| Revenues | 26,535 | 26,425 | 26,998 | 25,285 | 28,586 | 30,154 | 29,652 | 1.9% |
| Cash & Cash Equivalents | 285 | 856 | 632 | 2,984 | 6,267 | 2,885 | 2,460 | 43.2% |
| in % | 1.1% | 3.2% | 2.3% | 11.8% | 21.9% | 9.6% | 8.3% | n.a. |
| Warner Bros Discovery Inc (WBD.OQ) | | | | | | | | |
| Revenues | 6,873 | 10,553 | 11,144 | 10,671 | 12,191 | 33,817 | 41,321 | 34.8% |
| Cash & Cash Equivalents | 7,309 | 986 | 1,552 | 2,091 | 3,905 | 3,731 | 3,780 | (10.4%) |
| in % | 106.3% | 9.3% | 13.9% | 19.6% | 32.0% | 11.0% | 9.1% | n.a. |
| News Corp (NWSA.OQ) | | | | | | | | |
| Revenues | 8,139 | 9,024 | 10,074 | 9,008 | 9,358 | 10,385 | 9,879 | 3.3% |
| Cash & Cash Equivalents | 2,016 | 2,034 | 1,643 | 1,517 | 2,236 | 1,822 | 1,833 | (1.6%) |
| in % | 24.8% | 22.5% | 16.3% | 16.8% | 23.9% | 17.5% | 18.6% | n.a. |
| Netflix Inc (NFLX.OQ) | | | | | | | | |
| Revenues | 11,693 | 15,794 | 20,156 | 24,996 | 29,698 | 31,616 | 33,723 | 19.3% |
| Cash & Cash Equivalents | 2,823 | 3,794 | 5,018 | 8,206 | 6,028 | 5,147 | 7,117 | 16.7% |
| in % | 24.1% | 24.0% | 24.9% | 32.8% | 20.3% | 16.3% | 21.1% | n.a. |
| Fox Corp (FOXA.OQ) | | | | | | | | |
| Revenues | 9,921 | 10,153 | 11,389 | 12,303 | 12,909 | 13,974 | 14,913 | 7.0% |
| Cash & Cash Equivalents | 19 | 2,500 | 3,234 | 4,645 | 5,886 | 5,200 | 4,272 | 146.6% |
| in % | 0.2% | 24.6% | 28.4% | 37.8% | 45.6% | 37.2% | 28.6% | n.a. |
| Operating cash treshold | | | | | | | | Avg. FY17-23 |
| Minimum | 0.2% | 3.2% | 2.3% | 11.3% | 7.5% | 3.9% | 5.1% | 4.8% |
| Average | 26.8% | 14.6% | 15.2% | 21.7% | 25.2% | 15.9% | 15.1% | 19.2% |
| Median | 14.1% | 15.9% | 15.1% | 18.2% | 22.9% | 13.7% | 13.9% | 16.3% |
| Maximum | 106.3% | 24.6% | 28.4% | 37.8% | 45.6% | 37.2% | 28.6% | 44.1% |

Source: Refinitiv, own analysis

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Report Recommendations

| | |
|-------------|---|
| Buy | Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period. |
| Hold | Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period. |
| Sell | Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period. |

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