

DISNEY (WALT) NYSE-DIS

RECENT PRICE **92.75** P/E RATIO **15.7** (Trailing: 16.7, Median: 16.0) RELATIVE P/E RATIO **0.86** DIV'D YLD **1.5%** VALUE LINE

TIMELINESS 3 Lowered 3/11/16
SAFETY 1 Raised 2/13/09
TECHNICAL 4 Lowered 10/21/16
 BETA 1.00 (1.00 = Market)

High: 30.0
 Low: 22.9
 34.9
 36.8
 35.0
 32.8
 38.0
 44.3
 53.4
 76.5
 95.9
 122.1
 106.8



| Target Price | 2019 | 2020 | 2021 |
|--------------|------|------|------|
| 200 | | | |
| 160 | | | |
| 100 | | | |
| 80 | | | |
| 60 | | | |
| 50 | | | |
| 40 | | | |
| 30 | | | |
| 20 | | | |

2019-21 PROJECTIONS

| Price | Gain | Ann'l Total Return |
|----------|--------|--------------------|
| High 130 | (+40%) | 10% |
| Low 105 | (+15%) | 5% |

Insider Decisions

| D | J | F | M | A | M | J | J | A |
|---|----|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| 8 | 17 | 3 | 1 | 1 | 1 | 0 | 1 | 0 |
| 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 0 |

Institutional Decisions

| 4Q2015 | 1Q2016 | 2Q2016 | Percent shares traded |
|------------------|--------|--------|-----------------------|
| to Buy 869 | 929 | 830 | 30 |
| to Sell 768 | 749 | 783 | 20 |
| Hlds(000) 987915 | 994717 | 938707 | 10 |

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | © VALUE LINE PUB. LLC | 19-21 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------------|--------|
| 12.09 | 12.52 | 12.40 | 13.23 | 15.05 | 15.91 | 16.61 | 18.10 | 20.76 | 19.88 | 20.07 | 23.21 | 23.49 | 25.02 | 28.71 | 32.79 | 35.25 | 36.45 | Revenues per sh ^A | 40.65 |
| 1.98 | 1.89 | 1.06 | 1.19 | 1.70 | 2.03 | 2.32 | 2.81 | 3.28 | 2.77 | 3.03 | 3.79 | 4.26 | 4.63 | 5.76 | 6.71 | 7.35 | 7.75 | "Cash Flow" per sh | 9.00 |
| .90 | .98 | .55 | .66 | 1.09 | 1.31 | 1.61 | 1.92 | 2.26 | 1.82 | 2.07 | 2.54 | 3.13 | 3.38 | 4.26 | 4.90 | 5.75 | 6.05 | Earnings per sh ^{A, B} | 7.35 |
| 1.21 | .21 | .21 | .21 | .21 | .24 | .27 | .31 | .35 | .35 | .35 | .40 | .60 | .75 | .86 | 1.81 | 1.42 | 1.65 | Div'ds Decl'd per sh ^C | 2.00 |
| 1.02 | .89 | .53 | .51 | .70 | .91 | .63 | .80 | .87 | .96 | 1.11 | 2.02 | 2.10 | 1.55 | 1.95 | 2.67 | 2.25 | 2.15 | Cap'l Spending per sh | 2.00 |
| 11.65 | 11.23 | 11.48 | 11.63 | 12.77 | 13.06 | 15.42 | 15.67 | 17.73 | 18.55 | 19.78 | 21.22 | 22.09 | 25.24 | 26.45 | 27.83 | 28.25 | 30.15 | Book Value per sh ^D | 36.65 |
| 2069.0 | 2019.0 | 2042.0 | 2045.0 | 2043.0 | 2007.2 | 2064.0 | 1962.2 | 1822.9 | 1818.3 | 1896.9 | 1762.2 | 1800.0 | 1800.0 | 1700.0 | 1600.0 | 1600.0 | 1600.0 | Common Shs Outst'g ^E | 1600.0 |
| 39.5 | 30.4 | 37.2 | 28.0 | 21.8 | 20.4 | 17.1 | 17.8 | 14.2 | 12.5 | 15.7 | 15.1 | 13.6 | 17.1 | 18.6 | 20.9 | 17.6 | | Avg Ann'l P/E Ratio | 16.0 |
| 2.57 | 1.56 | 2.03 | 1.60 | 1.15 | 1.09 | .92 | .94 | .85 | .83 | 1.00 | .95 | .87 | .96 | .98 | 1.06 | .94 | | Relative P/E Ratio | 1.00 |
| .6% | .7% | 1.0% | 1.1% | .9% | .9% | 1.0% | .9% | 1.1% | 1.5% | 1.1% | 1.0% | 1.4% | 1.3% | 1.1% | 1.8% | 1.4% | | Avg Ann'l Div'd Yield | 1.7% |

| CAPITAL STRUCTURE as of 7/2/16 | | | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Revenues (\$mill) ^A | 65000 |
|---|--|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|------|--------------------------------|-------|
| Total Debt \$20441 mill. Due in 5 Yrs \$10925 mill. | | | | 34285 | 35510 | 37843 | 36149 | 38063 | 40893 | 42278 | 45041 | 48813 | 52465 | 56420 | 58350 | | | Revenues (\$mill) ^A | 65000 |
| LT Debt \$15129 mill. LT Interest \$600 mill. | | | | 20.2% | 23.3% | 23.7% | 20.3% | 22.2% | 23.5% | 25.7% | 25.8% | 28.3% | 29.7% | 30.0% | 30.5% | | | Operating Margin | 32.0% |
| (Total interest coverage: NMF) | | | | 1436.0 | 1491.0 | 1582.0 | 1631.0 | 1713.0 | 1841.0 | 1987.0 | 2192.0 | 2288.0 | 2354.0 | 2425 | 2460 | | | Depreciation (\$mill) | 2600 |
| (26% of Cap'l) | | | | 3343.0 | 4014.0 | 4405.0 | 3408.0 | 4035.0 | 4839.0 | 5682.0 | 6136.0 | 7501.0 | 8382.0 | 9320 | 9930 | | | Net Profit (\$mill) | 11760 |
| Leases, Uncapitalized Annual rentals 463.0 mill. | | | | 34.2% | 37.2% | 36.6% | 36.1% | 35.1% | 34.5% | 33.3% | 31.0% | 34.6% | 36.2% | 32.0% | 32.0% | | | Income Tax Rate | 32.0% |
| Pension Assets-10/15 \$9.42 bill. | | | | 9.8% | 11.3% | 11.6% | 9.4% | 10.6% | 11.8% | 13.4% | 13.6% | 15.4% | 16.0% | 16.5% | 17.0% | | | Net Profit Margin | 18.1% |
| Oblig. \$12.38 bill. | | | | d648.0 | d77.0 | 75.0 | 2955.0 | 1225.0 | 1669.0 | 896.0 | 2405.0 | 1884.0 | 424.0 | d250 | 175 | | | Working Cap'l (\$mill) | 585 |
| Pfd Stock None | | | | 10843 | 11892 | 11110 | 11495 | 10130 | 10922 | 10697 | 12776 | 12676 | 12773 | 15000 | 15000 | | | Long-Term Debt (\$mill) | 15000 |
| Common Stock 1,607,101,183 shs. as of 8/3/16 | | | | 31820 | 30753 | 32323 | 37374 | 37519 | 37385 | 39759 | 45429 | 44958 | 44525 | 45160 | 48250 | | | Shr. Equity (\$mill) | 58675 |
| MARKET CAP: \$149 billion (Large Cap) | | | | 8.4% | 10.0% | 10.8% | 8.1% | 8.9% | 10.4% | 11.6% | 10.8% | 13.0% | 14.7% | 15.5% | 15.5% | | | Return on Total Cap'l | 15.0% |
| CURRENT POSITION | | | | 10.5% | 13.1% | 13.6% | 10.1% | 10.8% | 12.9% | 14.3% | 13.5% | 16.7% | 18.8% | 19.5% | 20.5% | | | Return on Shr. Equity | 20.0% |
| (SMILL.) | | | | 8.9% | 11.0% | 11.6% | 8.2% | 9.0% | 10.9% | 11.6% | 10.6% | 13.3% | 11.9% | 15.5% | 15.0% | | | Retained to Com Eq | 14.5% |
| Cash Assets | | | | 16% | 16% | 15% | 19% | 16% | 16% | 19% | 22% | 20% | 37% | 24% | 27% | | | All Div'ds to Net Prof | 27% |
| Receivables | | | | | | | | | | | | | | | | | | | |
| Inventory (Avg Cst) | | | | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | | | | | | | |
| Accts Payable | | | | | | | | | | | | | | | | | | | |
| Debt Due | | | | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | | | | | |
| Current Liab. | | | | | | | | | | | | | | | | | | | |

| ANNUAL RATES | Past 10 Yrs | Past 5 Yrs | Est'd '13-'15 to '19-'21 |
|--------------------|-------------|------------|--------------------------|
| of change (per sh) | 7.0% | 7.5% | 6.0% |
| Revenues | 13.5% | 13.5% | 8.0% |
| "Cash Flow" | 15.0% | 15.5% | 10.0% |
| Earnings | 18.0% | 26.5% | 10.0% |
| Dividends | 8.0% | 7.0% | 5.5% |
| Book Value | | | |

| Fiscal Year Ends | QUARTERLY REVENUES (\$mill.) ^A | Full Fiscal Year | | | |
|------------------|---|------------------|---------|---------|-------|
| | Dec.Per | Mar.Per | Jun.Per | Sep.Per | |
| 2013 | 11341 | 10554 | 11578 | 11568 | 45041 |
| 2014 | 12309 | 11649 | 12466 | 12389 | 48813 |
| 2015 | 13391 | 12461 | 13101 | 13512 | 52465 |
| 2016 | 15244 | 12969 | 14277 | 13930 | 56420 |
| 2017 | 15775 | 13275 | 14300 | 15000 | 58350 |

| Fiscal Year Ends | EARNINGS PER SHARE ^{A, B} | Full Fiscal Year | | | |
|------------------|------------------------------------|------------------|---------|---------|------|
| | Dec.Per | Mar.Per | Jun.Per | Sep.Per | |
| 2013 | .77 | .83 | 1.01 | .77 | 3.38 |
| 2014 | 1.03 | 1.08 | 1.28 | .87 | 4.26 |
| 2015 | 1.27 | 1.23 | 1.45 | .95 | 4.90 |
| 2016 | 1.73 | 1.30 | 1.59 | 1.13 | 5.75 |
| 2017 | 1.80 | 1.40 | 1.65 | 1.20 | 6.05 |

| Cal-endar | QUARTERLY DIVIDENDS PAID ^C | Full Year | | | |
|-----------|---------------------------------------|-----------|---------|---------|------|
| | Mar.Per | Jun.Per | Sep.Per | Dec.Per | |
| 2012 | .60 | -- | -- | .75 | 1.35 |
| 2013 | -- | -- | -- | -- | -- |
| 2014 | .86 | -- | -- | -- | .86 |
| 2015 | 1.15 | -- | .66 | -- | 1.81 |
| 2016 | .71 | -- | .71 | -- | |

BUSINESS: The Walt Disney Company operates Media Networks, incl. ABC and ESPN (44% of '15 revs.); Parks and Resorts: Disneyland, Walt Disney World (Magic Kingdom, Epcot, Hollywood Studios, Animal Kingdom), and a cruise line (31%); Studio Entertainment (14%); Consumer Products (9%); and Interactive Media (2%). Earns Tokyo Disneyland royalties. Manages Disneyland Paris and Hong Kong Disneyland. Acq. Pixar, 5/06; Marvel, 12/09; Lucas-Films, 12/12. Div. ABC Radio, 6/07. '15 depr. rate: 4.7%. Employs 185,000. Laurene Powell Jobs Trust owns 7.8% of stock; off. and dir., less than 1% (1/16 proxy). Chairman/CEO: Robert A. Iger. Inc.: DE. Address: 500 S. Buena Vista St., Burbank, CA 91521-7320. Tel.: 818-560-1000. Internet: www.thewaltdisneycompany.com.

The Walt Disney Company likely closed fiscal 2016 on a strong note. (Fiscal year ended October 1st). The media conglomerate has built a lot of momentum over the past few quarters. Its focus on its brands, including a strong movie slate, and a healthy asset mix helped drive totals throughout the year. Indeed, the company has already benefited nicely from the *Star Wars* franchise. In all, we believe the top and bottom lines climbed 5%-10% and 15%-20%, respectively, in the fiscal year just ended. Nevertheless...

The company's revenue and earnings growth may moderate somewhat this year. We still look for healthy comparisons in fiscal 2017, and believe the top and bottom lines will advance another 3% and 5%, respectively. And though our outlook reflects good traction for a mature company, it pales in comparison to the impressive revenue and profit growth Disney registered in the last couple of years. To wit, the conglomerate's Media Networks segment has been struggling of late, owing to higher operating costs and a wavering advertising environment. And even though Disney has been ramping up its tech-

logical investments to bolster its streaming capabilities to offset losses from cord-cutting viewers, its broadcasting division may still struggle in the near term.

The company is determined to widen its audiences. Disney recently made a \$1 billion investment for a one-third stake in BAMTech (with the option to increase its interest to a majority position later on). The equity stake in the technology services and video streaming company should help Disney better scale and monetize its content. And it plans to leverage BAMTech's technology to launch a direct-to-consumer ESPN streaming service. Meanwhile, the conglomerate has also been strengthening its digital presence by bolstering its mobile position.

These shares appear to be well valued at this juncture. Although the stock has had a good run over the past few years, it has lost some steam since our August review. And DIS is ranked to keep pace with the broader market averages in the coming year. That said, rumors regarding potential merger activity may lead to sudden price movements in the near term.

Orly Seidman
 November 4, 2016

| | | | |
|---|--|------------------------------|-----|
| (A) Fiscal year ends Saturday closest to Sept. 30th. Fiscal 2009 contained 53 weeks. | (C) Div'ds hist. paid in mid-Jan. Initiated semi-annual dividend in July '15. Two div'ds paid in calendar 2012. (D) Incl. interest in Disney Internet Group: '00, 35¢. Next egs. report due early Feb.. (E) In millions. | Company's Financial Strength | A++ |
| (B) Dil. egs. Excl. nonrecurring gains/(losses): '00, 2¢; '01, (\$1.00); '02, 8¢; '03, (4¢); '04, 4¢; '05, (9¢); '06, 3¢; '07, 32¢; '08, 2¢; '09, 6¢; '10, (4¢); '11, (2¢). Excl. disc. ops.: '07, 1¢. Excl. loss from interest in Disney Internet Group: '00, 35¢. Next egs. report due early Feb.. (C) Div'ds | | Stock's Price Stability | 85 |
| | | Price Growth Persistence | 100 |
| | | Earnings Predictability | 100 |