

DISNEY (WALT) NYSE-DIS

RECENT PRICE **110.41** P/E RATIO **18.6** (Trailing: 19.4 Median: 16.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **1.5%** VALUE LINE

TIMELINESS 4 Lowered 12/22/17
SAFETY 1 Raised 2/13/09
TECHNICAL 2 Raised 2/2/18
BETA 1.00 (1.00 = Market)

High: 34.9 36.8 35.0 32.8 38.0 44.3 53.4 76.5 95.9
 Low: 23.8 30.7 18.6 15.1 28.7 28.2 37.9 50.2 69.9

LEGENDS
 — 12.0 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession

2020-22 PROJECTIONS

| | | | |
|------|-------|--------|--------------------|
| | Price | Gain | Ann'l Total Return |
| High | 145 | (+30%) | 9% |
| Low | 120 | (+10%) | 4% |

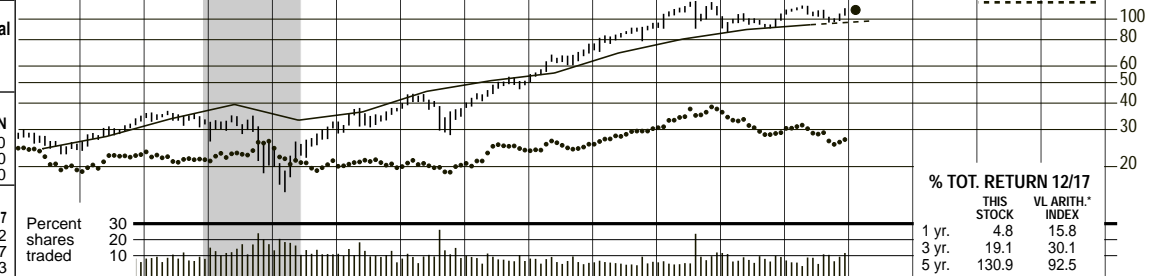
Insider Decisions

| | | | | | | | | | |
|---------|---|---|---|---|---|---|---|---|---|
| | M | A | M | J | J | A | S | O | N |
| to Buy | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Options | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 0 |
| to Sell | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |

Institutional Decisions

| | | | |
|---------|--------|--------|--------|
| | 1Q2017 | 2Q2017 | 3Q2017 |
| to Buy | 866 | 902 | 812 |
| to Sell | 944 | 872 | 927 |

Hlds(000) 108226410352121014173



| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | © VALUE LINE PUB. LLC | 20-22 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|-----------------------------------|---------------|
| 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 | 34.77 | 36.76 | 38.85 | Revenues per sh ^A | 43.25 |
| 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 | 7.45 | 7.84 | 8.20 | "Cash Flow" per sh | 10.30 |
| .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 | 5.73 | 5.69 | 6.20 | Earnings per sh ^{A B} | 8.20 |
| .21 | .21 | .21 | .21 | .24 | .27 | .31 | .35 | .35 | .35 | .40 | .60 | .75 | .86 | 1.81 | 1.42 | 1.56 | 1.72 | Div'ds Decl'd per sh ^C | 2.35 |
| .89 | .53 | .51 | .70 | .91 | .63 | .80 | .87 | .96 | 1.11 | 2.02 | 2.10 | 1.55 | 1.95 | 2.67 | 2.98 | 2.42 | 3.00 | Cap'l Spending per sh | 3.00 |
| 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 | 27.04 | 27.54 | 34.50 | Book Value per sh ^D | 49.85 |
| 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 | 1500.0 | 1485.0 | Common Shs Outst'g ^E | 1450.0 |
| 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 | 17.7 | 18.5 | | Avg Ann'l P/E Ratio | 16.0 |
| 1.56 | 2.03 | 1.60 | 1.15 | 1.09 | .92 | .94 | .85 | .83 | 1.00 | .95 | .87 | .96 | .98 | 1.05 | .93 | .90 | | Relative P/E Ratio | 1.00 |
| .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% | 1.5% | | Avg Ann'l Div'd Yield | 1.8% |

CAPITAL STRUCTURE as of 9/30/17
 Total Debt \$25291 mill. Due in 5 Yrs \$16000 mill.
 LT Debt \$19119 mill. LT Interest \$850 mill.
 (Total interest coverage: NMF)

(32% of Cap'l)
 Leases, Uncapitalized Annual rentals 580.0 mill.
 Pension Assets-10/16 \$23.33 bill.
 Oblig. \$14.53 bill.

Pfd Stock None
 Common Stock 1,510,312,194 shs.
 as of 11/15/17

MARKET CAP: \$167 billion (Large Cap)

| | | | | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|--------------------------------|--------------|
| 35510 | 37843 | 36149 | 38063 | 40893 | 42278 | 45041 | 48813 | 52465 | 55632 | 55137 | 59050 | Revenues (\$mill) ^A | 62720 |
| 23.3% | 23.7% | 20.3% | 22.2% | 23.5% | 25.7% | 25.8% | 28.3% | 29.7% | 30.4% | 30.2% | 31.0% | Operating Margin | 33.0% |
| 1491.0 | 1582.0 | 1631.0 | 1713.0 | 1841.0 | 1987.0 | 2192.0 | 2288.0 | 2354.0 | 2527.0 | 2782.0 | 2800 | Depreciation (\$mill) | 3000 |
| 4014.0 | 4405.0 | 3408.0 | 4035.0 | 4839.0 | 5682.0 | 6136.0 | 7501.0 | 8382.0 | 9391.0 | 8980.0 | 9825 | Net Profit (\$mill) | 11900 |
| 37.2% | 36.6% | 36.1% | 35.1% | 34.5% | 33.3% | 31.0% | 34.6% | 36.2% | 34.2% | 32.1% | 32.1% | Income Tax Rate | 21.0% |
| 11.3% | 11.6% | 9.4% | 10.6% | 11.8% | 13.4% | 13.6% | 15.4% | 16.0% | 16.9% | 16.3% | 16.6% | Net Profit Margin | 19.1% |
| d77.0 | 75.0 | 2955.0 | 1225.0 | 1669.0 | 896.0 | 2405.0 | 1884.0 | 424.0 | 124.0 | d3706 | 220 | Working Cap'l (\$mill) | 585 |
| 11892 | 11110 | 11495 | 10130 | 10922 | 10697 | 12776 | 12676 | 12773 | 16483 | 19119 | 16000 | Long-Term Debt (\$mill) | 16000 |
| 30753 | 32323 | 33734 | 37519 | 37385 | 39759 | 45429 | 44958 | 44525 | 43265 | 41315 | 52420 | Shr. Equity (\$mill) | 72250 |
| 10.0% | 10.8% | 8.1% | 8.9% | 10.4% | 11.6% | 10.8% | 13.0% | 14.7% | 15.9% | 15.2% | 14.5% | Return on Total Cap'l | 13.5% |
| 13.1% | 13.6% | 10.1% | 10.8% | 12.9% | 14.3% | 13.5% | 16.7% | 18.8% | 21.7% | 21.7% | 18.5% | Return on Shr. Equity | 16.5% |
| 11.0% | 11.6% | 8.2% | 9.0% | 10.9% | 11.6% | 10.6% | 13.3% | 11.9% | 16.4% | 15.8% | 14.0% | Retained to Com Eq | 11.5% |
| 16% | 15% | 19% | 16% | 16% | 19% | 22% | 20% | 37% | 25% | 27% | 26% | All Div'ds to Net Prof | 30% |

CURRENT POSITION

| | 2015 | 2016 | 9/30/17 |
|---------------------|-------|-------|---------|
| Cash Assets | 4269 | 4610 | 4017 |
| Receivables | 8019 | 9065 | 8633 |
| Inventory (Avg Cst) | 1571 | 1390 | 1373 |
| Other | 2899 | 1901 | 1866 |
| Current Assets | 16758 | 16966 | 15889 |
| Accts Payable | 7844 | 9130 | 8855 |
| Debt Due | 4563 | 3687 | 6172 |
| Other | 3927 | 4025 | 4568 |
| Current Liab. | 16334 | 16842 | 19595 |

ANNUAL RATES

| | Past 10 Yrs | Past 5 Yrs | Est'd '15-'17 to '20-'22 |
|-------------------|-------------|------------|--------------------------|
| Revenues (per sh) | 7.5% | 9.5% | 6.0% |
| "Cash Flow" | 12.0% | 14.5% | 9.0% |
| Earnings | 13.0% | 16.0% | 8.5% |
| Dividends | 19.5% | 29.0% | 8.0% |
| Book Value | 6.5% | 5.5% | 12.5% |

BUSINESS: The Walt Disney Company operates Media Networks, incl. ABC and ESPN (43% of '16 revs.); Parks and Resorts: Disneyland, Walt Disney World (Magic Kingdom, Epcot, Hollywood Studios, Animal Kingdom), and a cruise line (30%); Studio Entertainment (17%); Consumer Products and Interactive Media (10%). 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. '17 depr. rate: 4.8%. Employs 199,000. Off. and dir., less than 1% of common stock; Vanguard, 6.1%; Blackrock, 5.5% (1/18 proxy). Chairman/CEO: Robert A. Iger. Inc.: DE. Addr.: 500 S. Buena Vista St., Burbank, CA 91521. Tel.: 818-560-1000. Internet: www.thewaltdisneycompany.com.

QUARTERLY REVENUES (\$mill.) ^A

| Fiscal Year Ends | Dec.Per | Mar.Per | Jun.Per | Sep.Per | Full Fiscal Year |
|------------------|--------------|--------------|--------------|--------------|------------------|
| 2014 | 12309 | 11649 | 12466 | 12389 | 48813 |
| 2015 | 13391 | 12461 | 13101 | 13512 | 52465 |
| 2016 | 15244 | 12969 | 14277 | 13142 | 55632 |
| 2017 | 14784 | 13336 | 14238 | 12779 | 55137 |
| 2018 | 15250 | 14575 | 14550 | 14675 | 59050 |

EARNINGS PER SHARE ^{A B}

| Fiscal Year Ends | Dec.Per | Mar.Per | Jun.Per | Sep.Per | Full Fiscal Year |
|------------------|-------------|-------------|-------------|-------------|------------------|
| 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 | 1.11 | 5.73 |
| 2017 | 1.55 | 1.50 | 1.51 | 1.13 | 5.69 |
| 2018 | 1.60 | 1.60 | 1.60 | 1.40 | 6.20 |

The Walt Disney Company proposed to acquire most of Twenty-First Century Fox. In mid-December, Disney inked a definitive agreement to buy the bulk of 21st Century Fox (specifically, the Twentieth Century Fox Film and Television studios, and much of its cable and international TV operations) for \$52.4 billion in stock. Under the terms of the deal, FOXA stockholders would receive 0.2745 DIS shares for each share held (adjusted for tax liabilities), and it would issue 515 million new shares, representing a 25% stake in DIS on a pro-forma basis. Disney would also assume Fox's \$13.7 billion of debt, valuing the deal at roughly \$66.1 billion. The tie-up, which could close by the end of 2018, is subject to shareholder approval and other regulatory conditions, and legislators may require Fox to spin off some of its assets in order to attain antitrust approvals.

ket footprint. Too, the combination would broaden their digital position, specifically direct-to-consumer distribution. All told, management expects the merger will be accretive within the two years of closing, and should lead to nearly \$2 billion in cost synergies by 2021 and better position the media empire over the long haul.

On its own, the media conglomerate is well poised for near-term growth. Disney likely got off to a decent start this year (fiscal 2018 ends September 30th). The blockbuster success of the latest *Star Wars* installment should support Studio Entertainment, and increased attendance and guest spending likely boosted the Parks & Resorts segment, offsetting the lagging Media Networks and Consumer Products and Interactive Media units. The strength of Disney's brands and content should boost results moving forward. Plus, Disney will likely invest in technological improvements, including its streaming platforms.

These unfavorably ranked shares appear to be well valued at this juncture. Plus, merger speculation may sway the stock price in the near term.

QUARTERLY DIVIDENDS PAID ^C

| Calendar | Mar.Per | Jun.Per | Sep.Per | Dec.Per | Full Year |
|----------|---------|---------|---------|---------|-----------|
| 2014 | .86 | -- | -- | -- | .86 |
| 2015 | 1.15 | -- | .66 | -- | 1.81 |
| 2016 | .71 | -- | .71 | -- | 1.42 |
| 2017 | .78 | -- | .78 | -- | 1.56 |
| 2018 | .84 | -- | -- | -- | |

The potential combination augurs well for both media companies. Indeed, the combination would create a powerhouse of film and television brands, increase the output capacity from the studios, and expand their global and mar-

Orly Seidman February 2, 2018

(A) Fiscal year ends Saturday closest to Sept. 30th. Fiscal 2009 contained 53 weeks.
 (B) Dil. egs. Excl. nonrecurring gains/(losses): '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¢. Next egs. report due early May.
 (C) Div'ds hist. paid in mid-Jan. Two div'ds paid in calendar 2012. Initiated semi-annual dividend in July '15.
 (D) Incl. intang., in fiscal '16: \$34.8 bill., \$21.75/sh. (E) In millions.

| | |
|------------------------------|-----|
| Company's Financial Strength | A++ |
| Stock's Price Stability | 90 |
| Price Growth Persistence | 90 |
| Earnings Predictability | 95 |

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