

DISNEY (WALT) NYSE-DIS

RECENT PRICE **110.70** P/E RATIO **16.1** (Trailing: 17.1; Median: 16.0) RELATIVE P/E RATIO **0.87** DIV'D YLD **1.5%** VALUE LINE

TIMELINESS 2 Raised 3/9/18
SAFETY 1 Raised 2/13/09
TECHNICAL 4 Lowered 7/13/18
BETA 1.00 (1.00 = Market)



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

2021-23 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	180	(+65%)	14%
Low	150	(+35%)	9%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options to Buy	0	10	8	11	2	0	9	0	0
to Sell	0	0	0	0	0	1	0	0	0

Institutional Decisions

	3Q2017	4Q2017	1Q2018
to Buy	812	823	1014
to Sell	927	845	924
Hlds(000)	1014173	931673	946778

Percent shares traded: 30, 20, 10

Target Price Range
 2021 2022 2023

% TOT. RETURN 6/18
 THIS STOCK INDEX
 1 yr. 0.2 13.9
 3 yr. -4.2 32.8
 5 yr. 77.5 71.5

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	39.75	41.10	Revenues per sh ^A	47.45
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	8.70	9.45	"Cash Flow" per sh	11.20
.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	6.75	7.40	Earnings per sh ^{A B}	9.15
.21	.21	.21	.24	.27	.31	.35	.35	.35	.40	.60	.75	.86	1.81	1.42	1.56	1.68	1.72	Div'ds Decl'd per sh ^C	2.00
.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	3.00	Cap'l Spending per sh	3.00
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	32.85	35.40	Book Value per sh ^D	49.00
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	1480.0	Common Shs Outst'g ^E	1475.0
NMF	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	18.5	18.5	Avg Ann'l P/E Ratio	18.0
NMF	1.60	1.15	1.09	.92	.94	.85	.83	1.00	.95	.87	.96	.98	1.05	.93	.91	0.93	0.91	Relative P/E Ratio	1.00
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%	1.5%	1.5%	Avg Ann'l Div'd Yield	1.2%

CAPITAL STRUCTURE as of 3/31/18
 Total Debt \$24684 mill. Due in 5 Yrs \$16000 mill.
 LT Debt \$18766 mill. LT Interest \$1200 mill.
 (Total interest coverage: NMF)

(29% of Cap'l)
 Leases, Uncapitalized Annual rentals 580.0 mill.
 Pension Assets-10/17 \$12.33 bill.
 Oblig. \$14.53 bill.

Pfd Stock None
 Common Stock 1,490,523,320 shs.
 as of 5/2/18

MARKET CAP: \$165 billion (Large Cap)

37843	36149	38063	40893	42278	45041	48813	52465	55632	55137	59050	60820	Revenues (\$mill) ^A	70000
23.7%	20.3%	22.2%	23.5%	25.7%	25.8%	28.3%	29.7%	30.4%	30.2%	31.0%	31.0%	Operating Margin	33.0%
1582.0	1631.0	1713.0	1841.0	1987.0	2192.0	2288.0	2354.0	2527.0	2782.0	2820	2950	Depreciation (\$mill)	3000
4405.0	3408.0	4035.0	4839.0	5682.0	6136.0	7501.0	8382.0	9391.0	8980.0	10075	11025	Net Profit (\$mill)	13500
36.6%	36.1%	35.1%	34.5%	33.3%	31.0%	34.6%	36.2%	34.2%	32.1%	21.0%	21.0%	Income Tax Rate	21.0%
11.6%	9.4%	10.6%	11.8%	13.4%	13.6%	15.4%	16.0%	16.9%	16.3%	17.1%	18.1%	Net Profit Margin	19.3%
75.0	2955.0	1225.0	1669.0	896.0	2405.0	1884.0	424.0	124.0	d3706	d1500	d220	Working Cap'l (\$mill)	585
11110	11495	10130	10922	10697	12776	12676	12773	16483	19119	19000	18000	Long-Term Debt (\$mill)	16000
32323	33734	37519	37385	39759	45429	44958	44525	43265	41315	48750	52420	Shr. Equity (\$mill)	72250
10.8%	8.1%	8.9%	10.4%	11.6%	10.8%	13.0%	14.7%	15.9%	15.2%	15.0%	15.5%	Return on Total Cap'l	15.5%
13.6%	10.1%	10.8%	12.9%	14.3%	13.5%	16.7%	18.8%	21.7%	21.7%	20.5%	21.0%	Return on Shr. Equity	18.5%
11.6%	8.2%	9.0%	10.9%	11.6%	10.6%	13.3%	11.9%	16.4%	15.8%	15.5%	16.0%	Retained to Com Eq	14.5%
15%	19%	16%	16%	19%	22%	20%	37%	25%	27%	25%	23%	All Div'ds to Net Prof	22%

CURRENT POSITION

	2016	2017	3/31/18
Cash Assets	4610	4017	4179
Receivables	9065	8633	9678
Inventory (Avg Cst)	1390	1373	1301
Other	1901	1866	1650
Current Assets	16966	15889	16808
Accts Payable	9130	8855	9022
Debt Due	3687	6172	5918
Other	4025	4568	4788
Current Liab.	16842	19595	19728

BUSINESS: The Walt Disney Company operates Media Networks, incl. ABC and ESPN (43% of '17 revs.); Parks and Resorts: Disneyland, Walt Disney World (Magic Kingdom, Epcot, Hollywood Studios, Animal Kingdom), and a cruise line (33%); Studio Entertainment (15%); Consumer Products and Interactive Media (9%). 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.

All told, the acquisition is valued at \$71.3 billion. Although it is subject to shareholder and closing approvals, and Fox plans to spin off some of its assets as part of the conditions to the tie-up, we expect it to go smoothly.

We imagine the deal would augur well for long-term growth. The combination will create a powerhouse of brands, and ought to complement Disney's direct-to-consumer strategy nicely. Too, management envisions it will achieve \$2 billion in cost synergies by 2021.

On its own, the company is on track for solid earnings growth this year. Disney got off to a good start during the first half of fiscal 2018 (year ends September 29th). We now look for the top and bottom lines to add 5%-10% and 15%-20%, respectively, this year.

The issue is favorably ranked. These shares have had a nice run over the past few years, and we imagine the pending Fox acquisition could continue to gyrate this stock in the near term. Nevertheless, DIS holds decent risk-adjusted total return potential out to 2021-2023.

Orly Seidman
 August 3, 2018

ANNUAL RATES

	Past 10 Yrs	Past 5 Yrs	Est'd '15-'17 to '21-'23
Revenues (per sh)	7.5%	9.5%	5.5%
"Cash Flow"	12.0%	14.5%	7.5%
Earnings	13.0%	16.0%	9.0%
Dividends	19.5%	29.0%	4.0%
Book Value	6.5%	5.5%	10.0%

Fiscal Year Ends

	Dec.Per	Mar.Per	Jun.Per	Sep.Per	Full Fiscal Year
2015	13391	12461	13101	13512	52465
2016	15244	12969	14277	13142	55632
2017	14784	13336	14238	12779	55137
2018	15351	14548	15115	14036	59050
2019	15500	14850	15450	15020	60820

Fiscal Year Ends

	Dec.Per	Mar.Per	Jun.Per	Sep.Per	Full Fiscal Year
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	1.89	1.95	1.70	1.21	6.75
2019	2.00	2.05	1.85	1.50	7.40

Cal-endar

	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	--	.84	--	

The Walt Disney Company and Twenty-First Century Fox merger has cleared some hurdles. Indeed, in late June, the tie-up earned the approval of the Department of Justice. Moreover, Disney amended its takeover offer earlier that month, to sweeten the deal and deter competitors (i.e., Comcast) from vying for the media company. To review, last December, Disney offered to buy the bulk of Fox's businesses, adding Twenty-First Century Fox Film and Television studios, and much of its cable and international television properties for roughly \$66 billion in cash and stock. Under the new terms, Fox shareholders may elect to receive \$38 per share in cash or between 0.3324 and 0.4063 DIS shares, depending on its closing price when the deal comes to fruition, per each FOXA share held. Overall, we believe this tax-free arrangement will be much more amenable to Fox stakeholders. We expect that Disney will pay about 50% in cash (about \$35.7 billion) and will issue up to 343 million shares. Following the combination, DIS will own 81% of the new entity. Plus, Disney plans to absorb Twenty-First Century's \$13.8 billion debt load.

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

(A) Fiscal year ends Saturday closest to Sept. 30th. Fiscal 2009 contained 53 weeks.
 (B) Dil. egs. Excl. nonrecurring gains/(losses): '02, 8c; '03, (4c); '04, 4c; '05, (9c); '06, 3c; '07, 32c; '08, 2c; '09, 6c; '10, (4c); '11, (2c). Excl. disc. ops.: '07, 1c. Next egs. report due early November.
 (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 '17: \$38.4 bill., \$25.60/sh. (E) In millions.

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