



Adam Fedoruk  
Kabir Dhillon

Andrew Lukezic  
Nirmit Nirankari

Rahul Zirvi  
Daniel Fiset

Dylan Schrotter  
Wilson Fasegha

Yin-Jie Tseng  
Karine Al Hakim

# Stock Snapshot

BUY

Target:  
170USD/share



## Market Snapshot

Company Name	Walt Disney Company
Exchange	NYSE
Ticker Symbol	DIS
Sector	Entertainment
Industry	Theme Parks, Streaming, Broadcasting
Market Cap (USD bn)	250.09
Dividend Yield	0%
Current price (Mar 9th, 2022)	USD 133.65

Overview

Segments

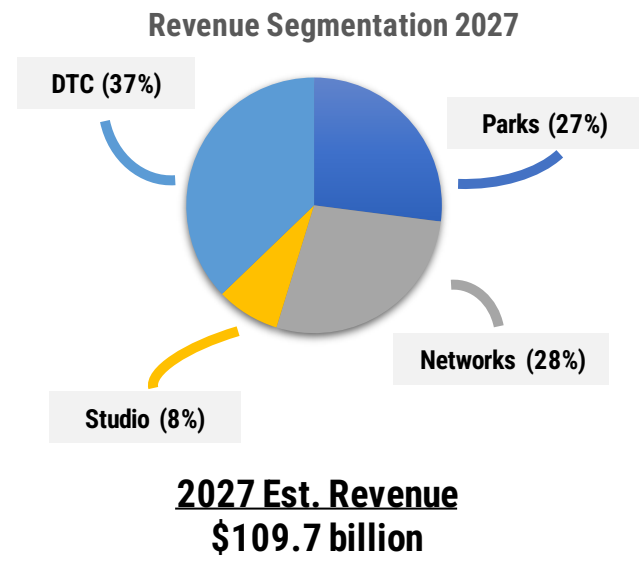
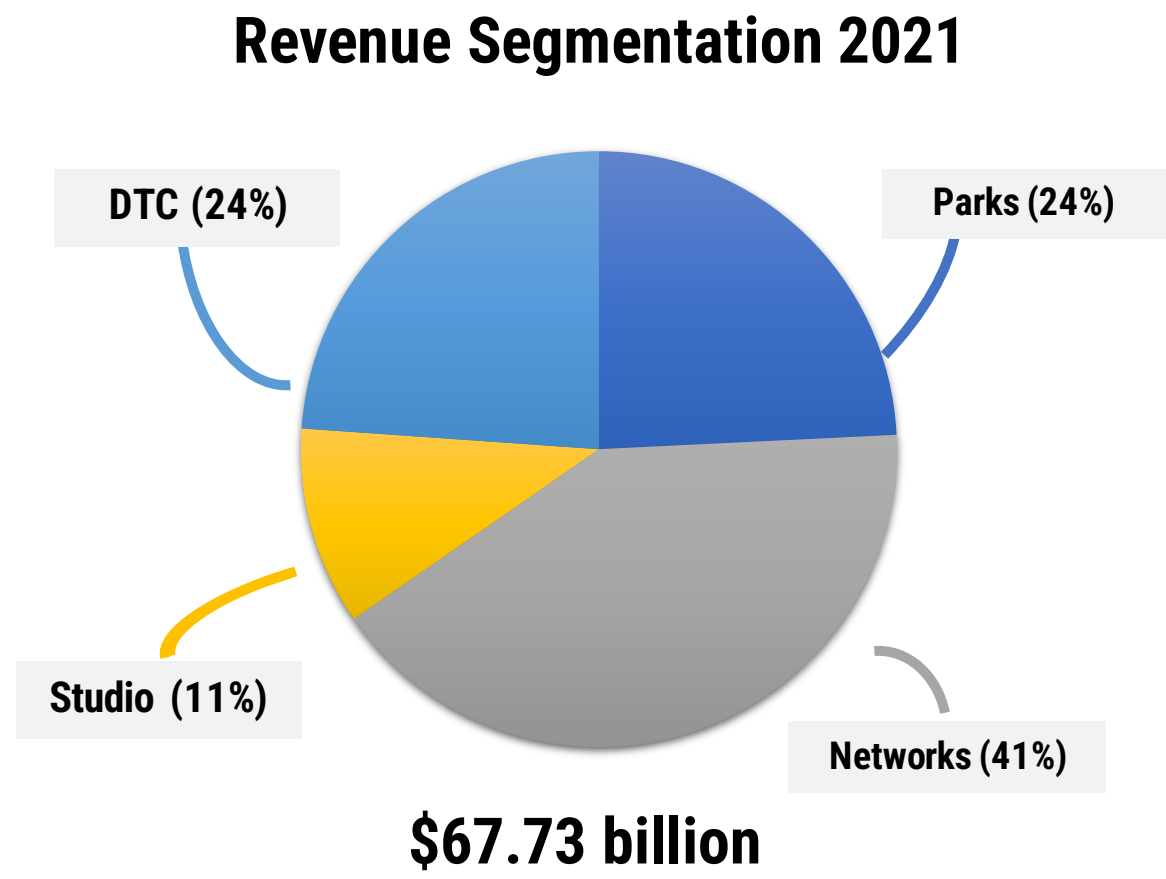
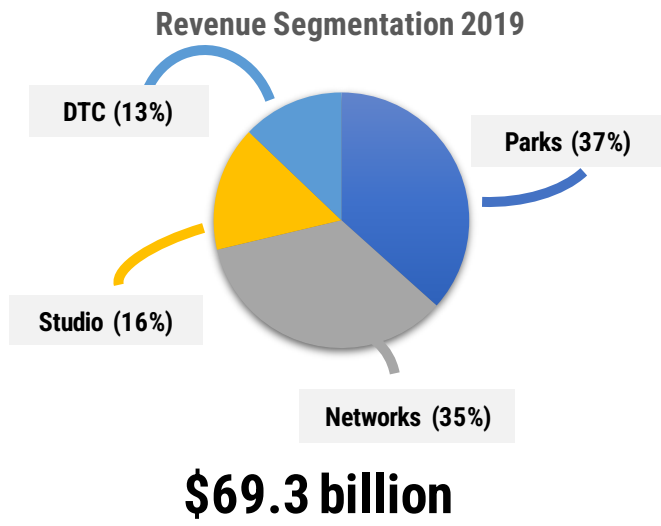
Investment Thesis

Direct-To-Consumer

Valuation

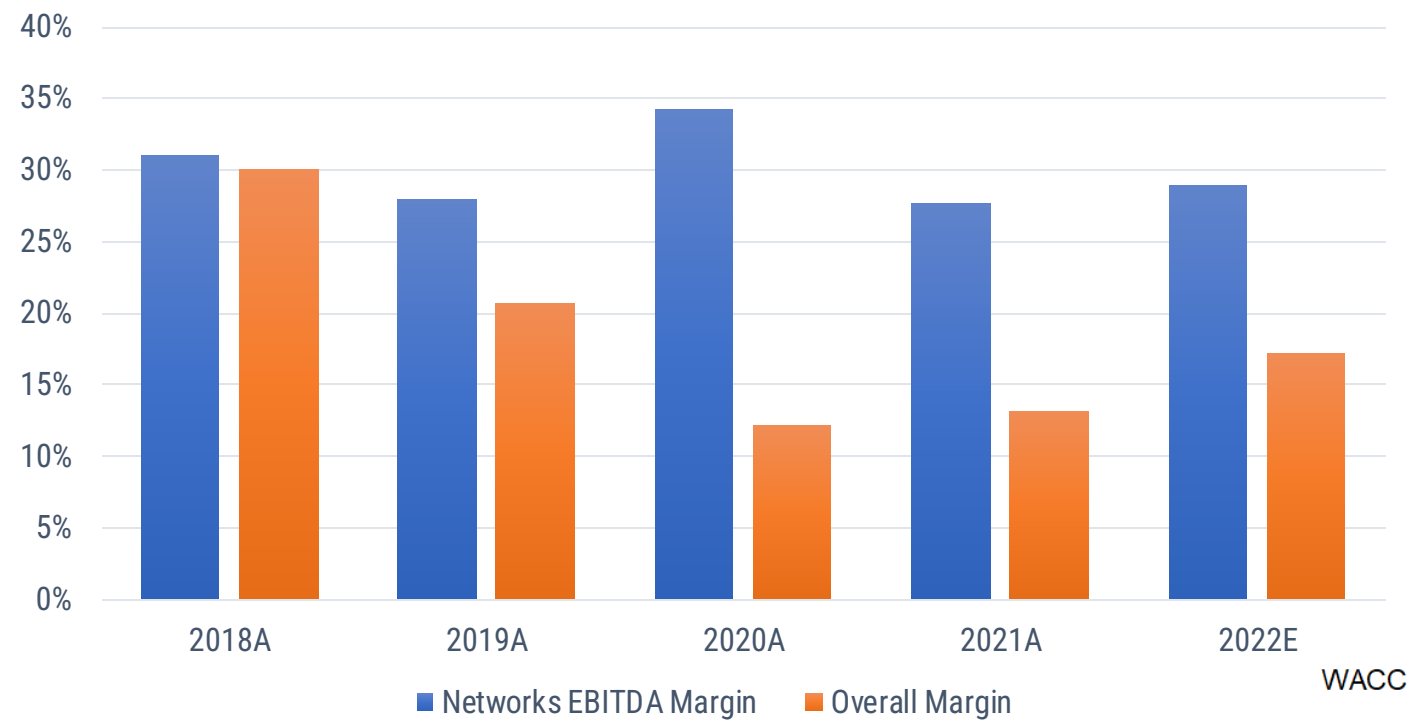
Risks

# Business Overview




\*Segmentation factor is based on 2021 Revenue

# TV Networks Outlook (Linear)



**Strong cash flow generation**



**Stable Valuation**



9.5%  
9.0%  
8.5%  
8.0%  
7.5%

WACC

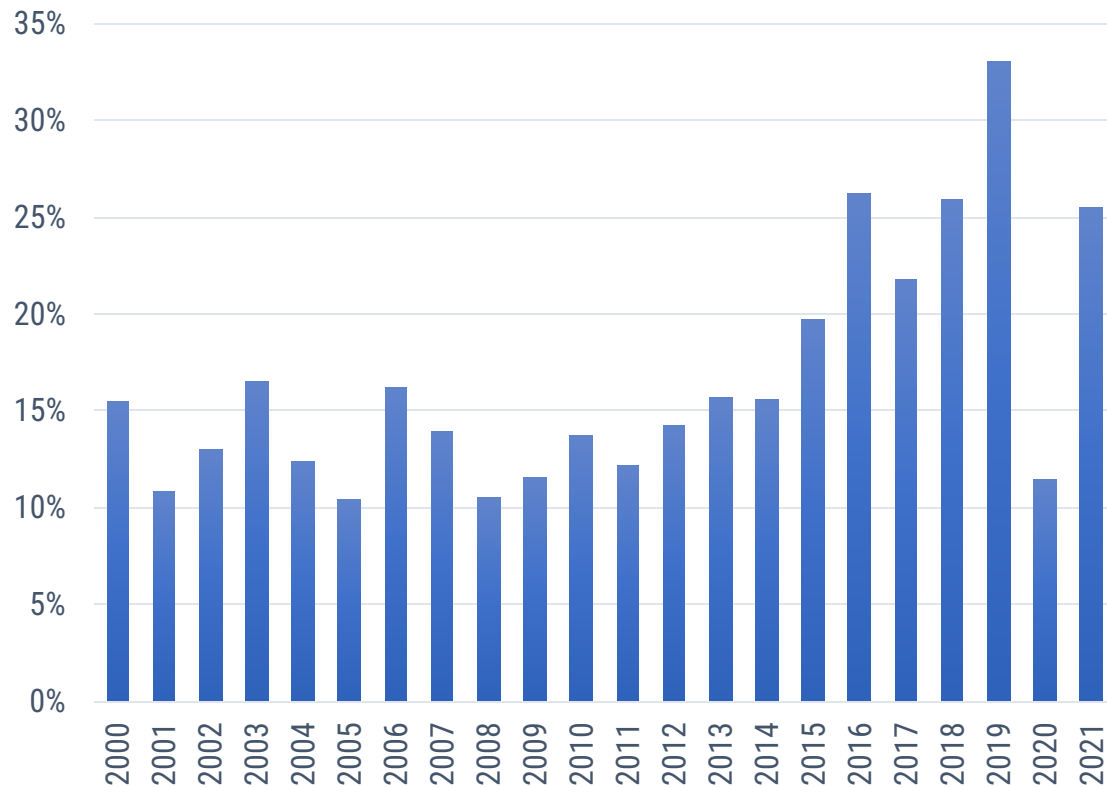
Exit Multiple					
	9.0x	10.0x	11.0x	12.0x	13.0x
\$	28.55	31.49	34.43	37.36	40.30
\$	29.30	32.30	35.31	38.32	41.32
\$	30.07	33.14	36.22	39.30	42.37
\$	30.86	34.00	37.15	40.30	43.45
\$	31.67	34.89	38.11	41.33	44.56

Perpetual Growth Rate					
	-2%	-1%	0%	1%	2%
\$	16.46	17.99	19.84	22.13	25.03
\$	17.60	19.31	21.40	24.01	27.37
\$	18.85	20.77	23.14	26.14	30.07
\$	20.22	22.39	25.09	28.58	33.22
\$	21.73	24.19	27.31	31.39	36.94



# Studio Outlook

## Disney Domestic Box Office Market Share 2000-2021



Source: Company Information

**2009 – Marvel acquired for \$4.40b**

**2008 Budget:** \$140 Million

**2008 Box Office:** \$585.8 Million

**Disney**

**MCU produced** 23 Films  
**Total Box Office:** \$22 Billion  
Content Scalability ✓



**12x TV/EBITDA**  
**5.33x TV/Rev**

Overview

Segments

Investment Thesis

Direct-To-Consumer

Valuation

Risks

THE WALL STREET JOURNAL.

Amazon Closes Deal to Acquire MGM

Tech giant will use the movie and TV studio's content to beef up its Prime Video streaming platform

Content Scalability?

James Bond  
Tomb Raider  
Rocky

Content Library  
Over 4,000 Films

2022 – MGM acquired for \$8.5b

2015 Budget: \$300 Million

2015 Box Office: \$880.7 Million

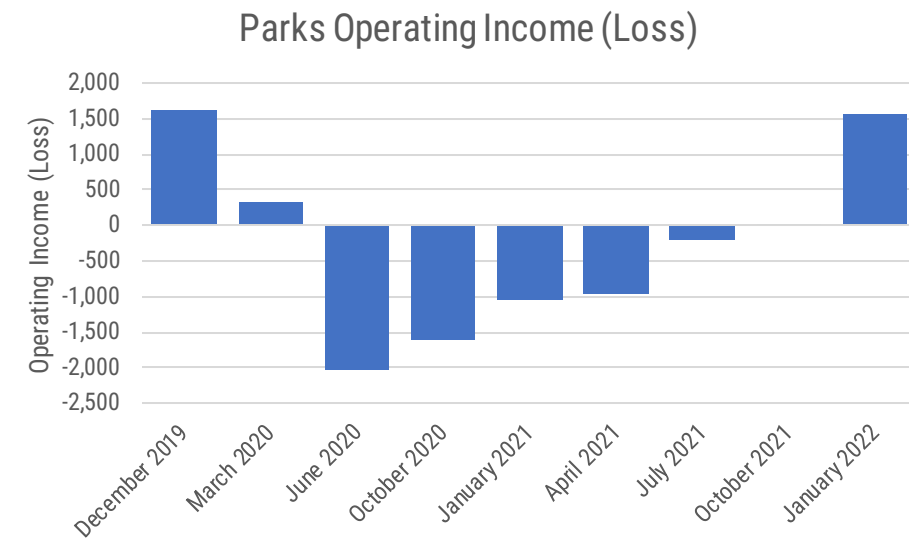
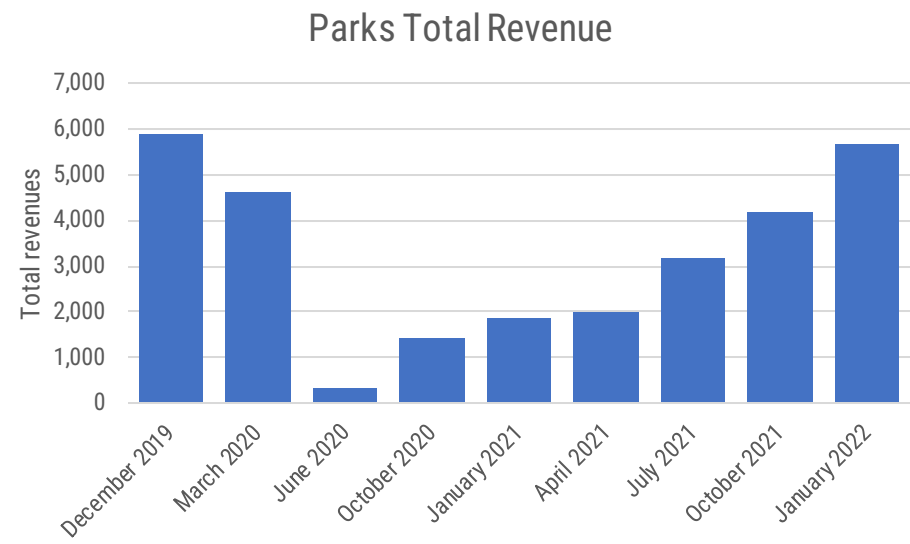
40x TV/EBITDA  
5.66x TV/Revenue



		Exit Multiple				
		20.0x	30.0x	40.0x	50.0x	60.0x
WACC	9.5%	\$ 14.91	22.35	29.80	37.24	44.69
	9.0%	\$ 15.29	22.90	30.52	38.14	45.76
	8.5%	\$ 15.68	23.47	31.27	39.06	46.85
	8.0%	\$ 16.08	24.05	32.03	40.01	47.98
	7.5%	\$ 16.49	24.65	32.82	40.98	49.14

Source: Bloomberg

# Parks Outlook



**Q1 2022 was second best quarter all-time at the Parks**

In USD mn	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Revenue from Parks (Less Products)	\$ 20,296	\$ 21,592	\$ 12,246	\$ 11,212	\$ 16,818	\$ 20,182	\$ 21,796	\$ 22,668	\$ 23,121	\$ 23,584
Parks Growth (YoY)	10%	6%	-43%	-8%	50%	20%	8%	4%	2%	2%

Overview

Segments

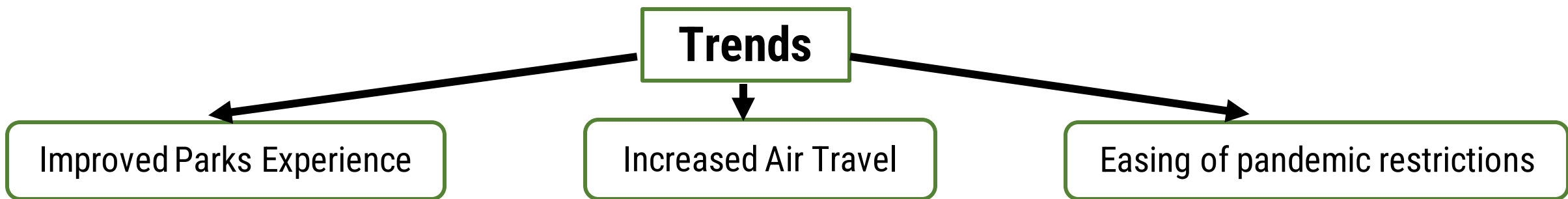
Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Parks Business Primed to Grow



		Exit Multiple				
		8.0x	9.0x	10.0x	11.0x	12.0x
WACC	9.5%	\$ 34.20	37.54	40.87	44.20	47.54
	9.0%	\$ 34.98	38.39	41.80	45.22	48.63
	8.5%	\$ 35.78	39.27	42.76	46.25	49.74
	8.0%	\$ 36.60	40.17	43.75	47.32	50.89
	7.5%	\$ 37.45	41.10	44.76	48.41	52.07

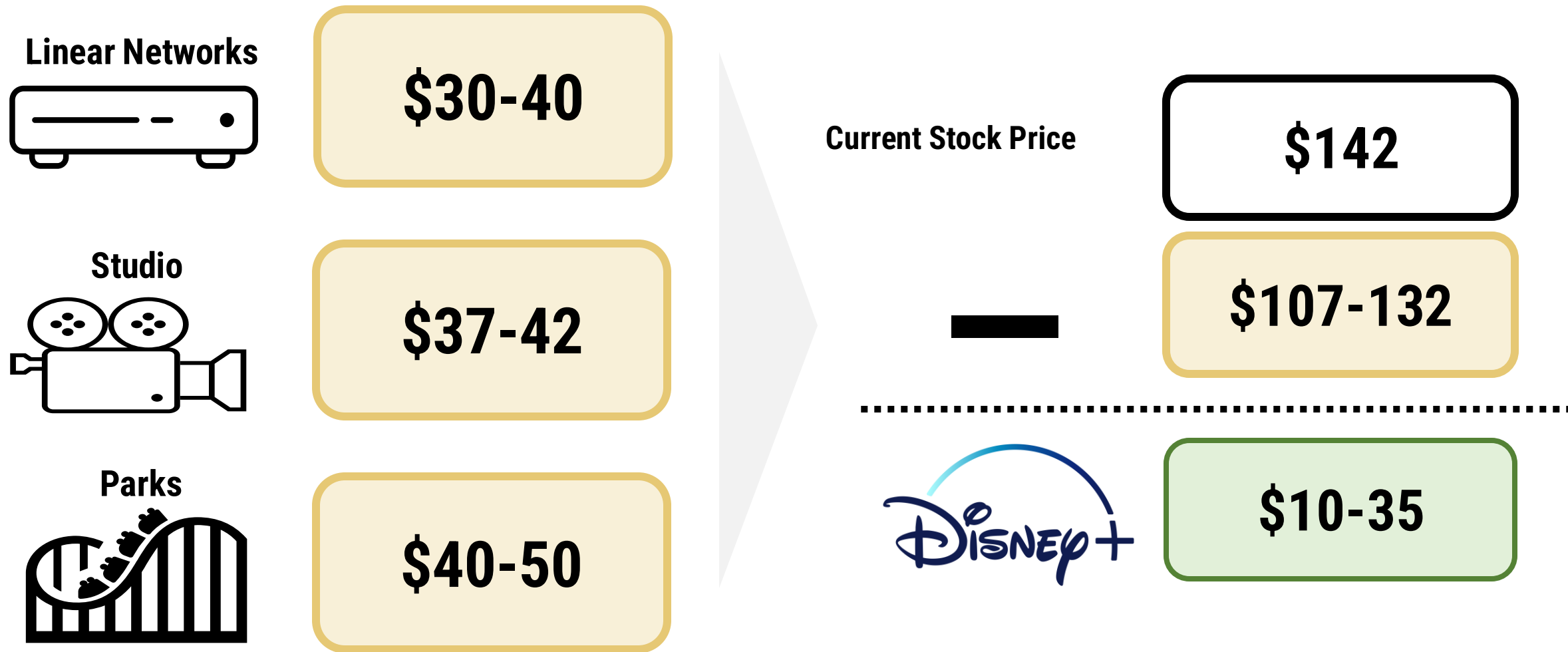
		Perpetual Growth Rate				
		-1%	0%	1%	2%	3%
WACC	9.5%	\$ 28.74	31.22	34.27	38.13	43.19
	9.0%	\$ 30.48	33.27	36.76	41.24	47.21
	8.5%	\$ 32.41	35.57	39.58	44.83	51.98
	8.0%	\$ 34.54	38.16	42.81	49.01	57.69
	7.5%	\$ 36.94	41.10	46.54	53.96	64.68

## Second best quarter all-time with only 68% occupancy rate

	Jan 2021	Jan 2019
Occupancy Rate (%)	68%	88%
Per Guest Spending (\$)	\$456	\$365



# Sum of Parts Shows Potential



Source: Team Analysis

## DTC Investment Thesis:

1. Disney's strategically aligned business segments create hugely valuable synergies.



2. Broad entertainment offerings provide a superior value proposition than competitors

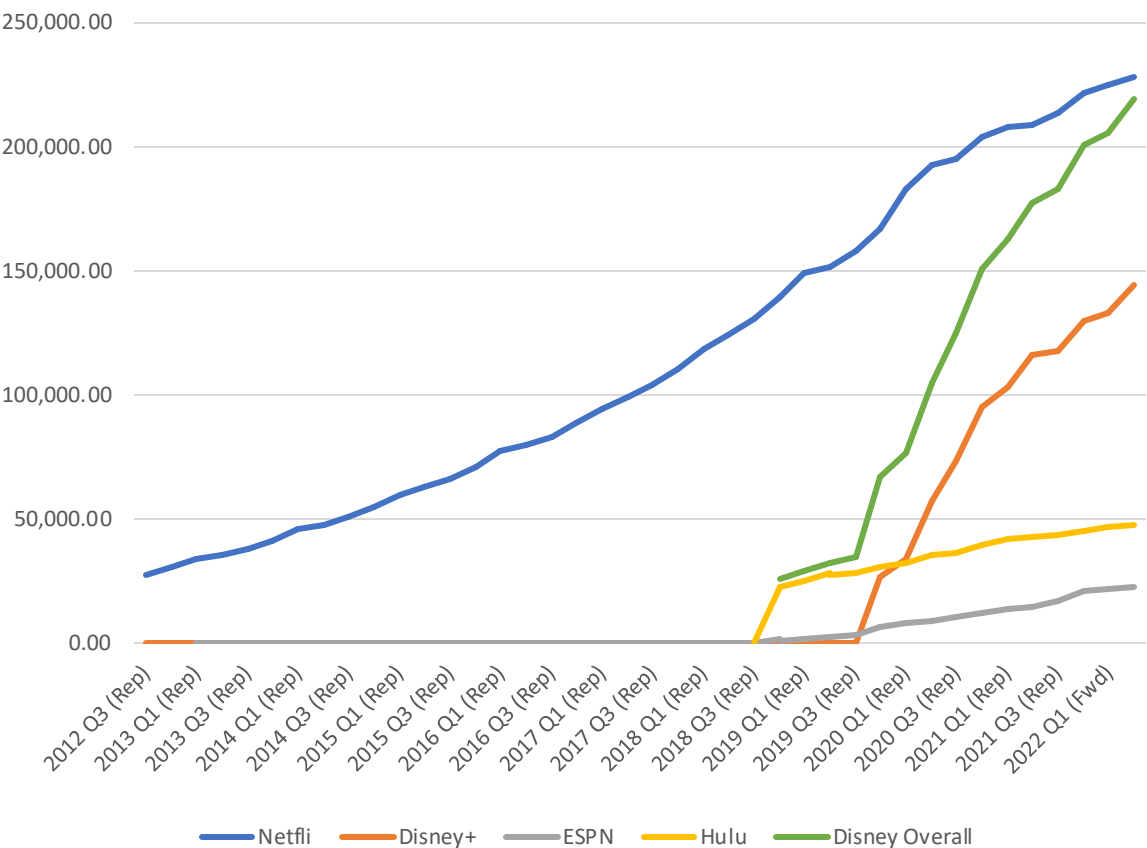


3. Aggressive Growth Strategy is successfully capturing market share.



# Disney Strategy rapidly approaching Netflix

## Long-Term Sub Growth



## Value Proposition

	Disney+	Netflix Basic	Netflix Premium	Disney+, Hulu, ESPN+
Price (USD)	7.99	8.99	17.99	13.99
Account Profiles	7	5	5	7
Simultaneous Streams	4	1	4	4
Number of titles	949	5381	5381	4000+ & Live Sports
Free trial	7 days	no	no	7 days

Disney+ Subs  
**129.8 million**  
(2022A) vs 221mil Netflix

# The Strategy - Content, Content, Content!



**BOB IGER**  
CHIEF EXECUTIVE OFFICER  
2005 - 2020

2019 - \$71.3b



2006 - \$7.4b

P I X A R  
ANIMATION STUDIOS

## Long-Term Plan

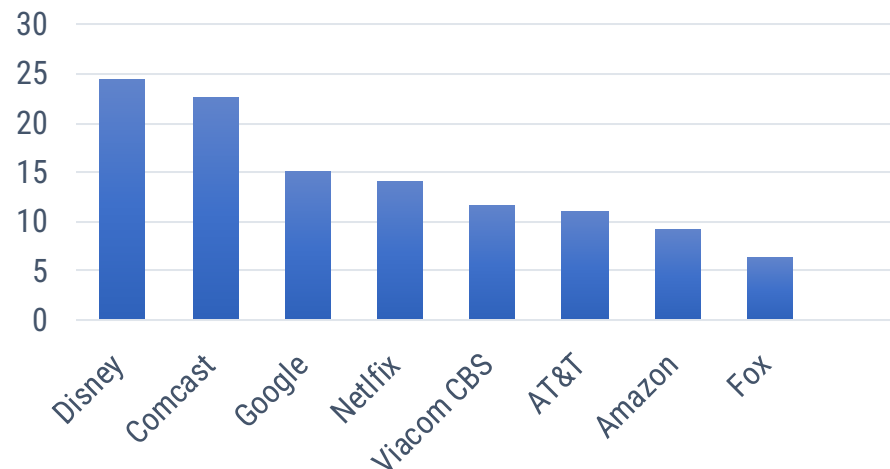
2012 - \$4.05b

STAR  
WARS

2009 - \$4.40b

MARVEL

2021 Est. Content Spending (in USD Billions)



**BOB CHAPEK**  
CHIEF EXECUTIVE OFFICER  
2020 - PRESENT

**Disney**  
**\$33 Billion**  
committed in 2022

Overview

Segments

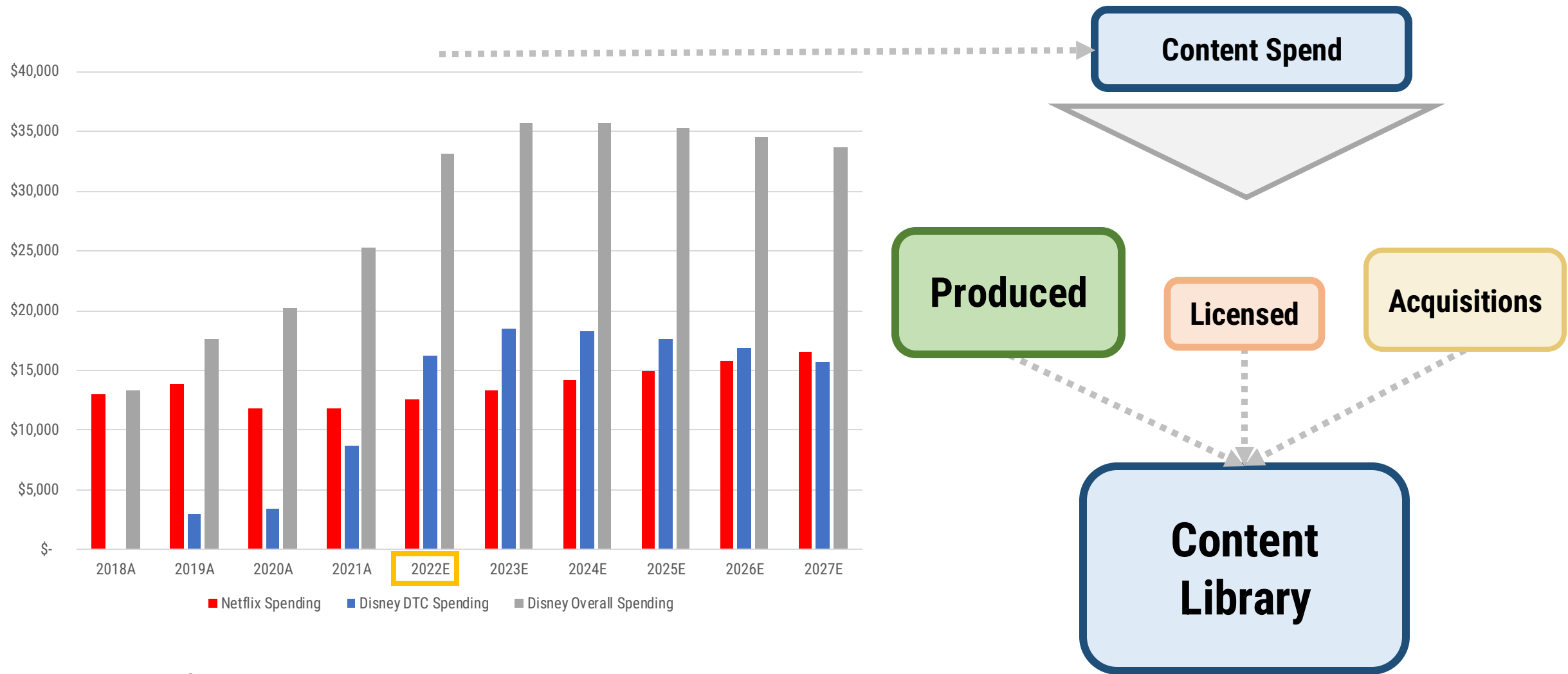
Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Content spending in industry

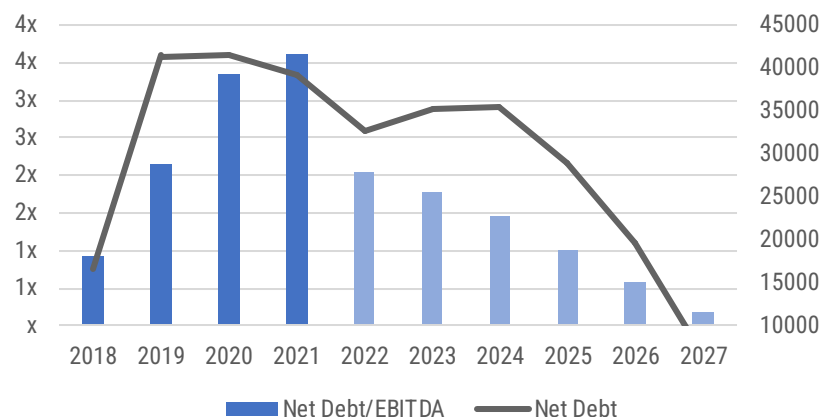


Source: Company Information

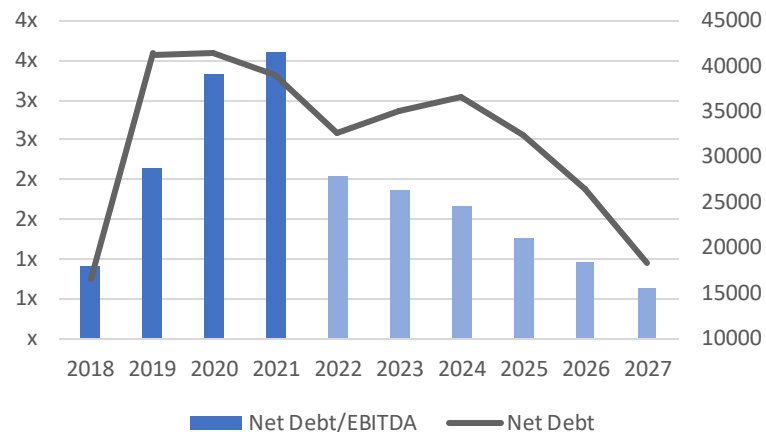


# Disney ready for Streaming Wars

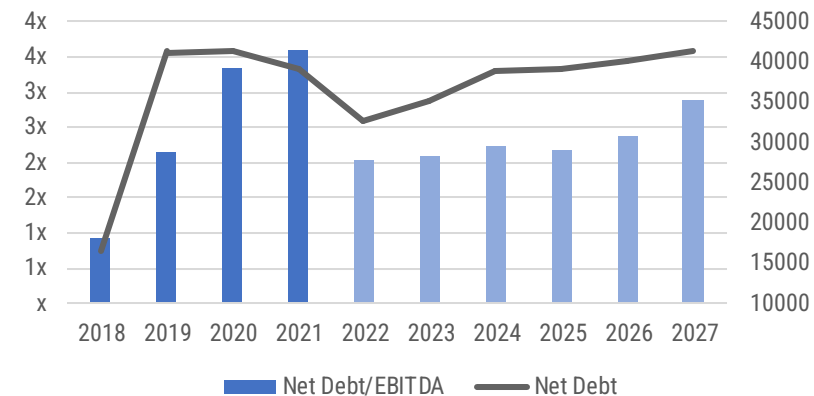
Case 2: Lower Content Spending  
(Terminal Year: 30% Content Spend/Media Revenue)



Base Case: Higher Content Spending  
(Terminal Year: 40% Content Spend/Media Revenue)



Case 2: Higher Content Spending  
(Terminal Year: 50% Content Spend/Media Revenue)



Net Debt/Cash Flow from Operations	2018	2019	2020	2021
Disney	1.37x	8.41x	-13.91x	3.19x
Netflix	-2.45x	-3.37x	3.34x	23.83x



Disney has superior cash flow and ability to raise debt.

Overview

Segments

Investment Thesis

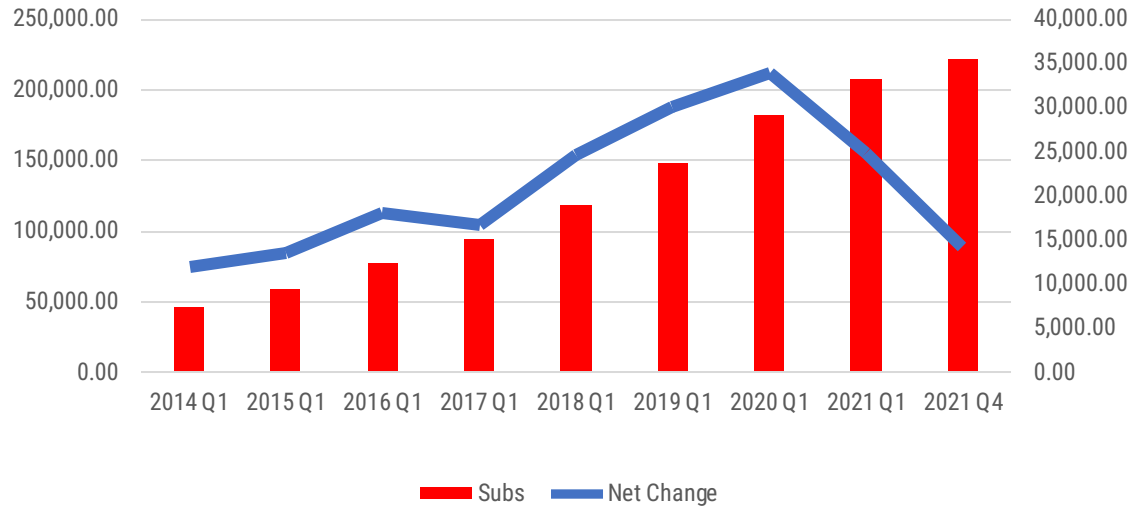
Direct-To-Consumer

Valuation

Risks

# Netflix Facing Issues

Subscriber growth is plateauing despite growing spending on content.



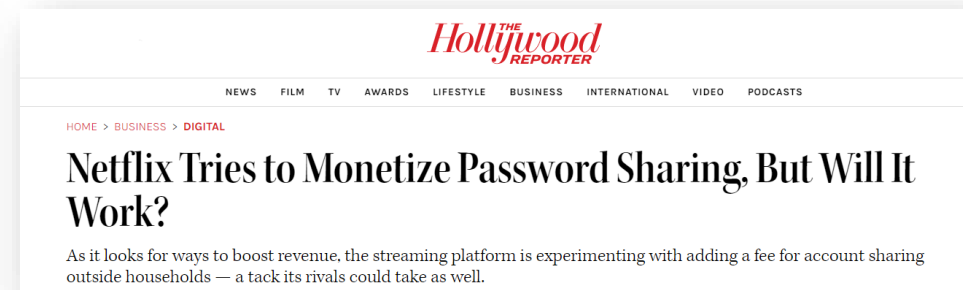
Cash Flows Are Drying Up



2021  
Net Debt /CFO

23.83x

How does Netflix grow cash flow without subscriber growth?



Overview

Segments

Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Netflix's Choices will benefit Disney

# NETFLIX

Increase Prices

Lower Content Spending



Loss In  
Subscribers



Pricing  
Advantage



Diverse  
Appeal



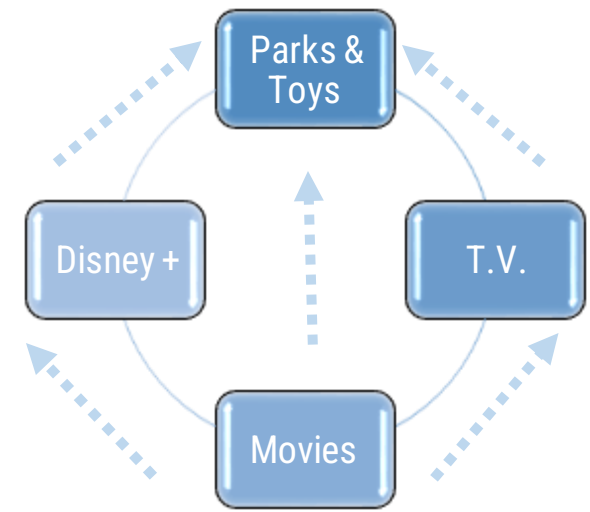
Offer Premium Bundles with Diverse Entertainment Offerings



High Risk & Uncertainty

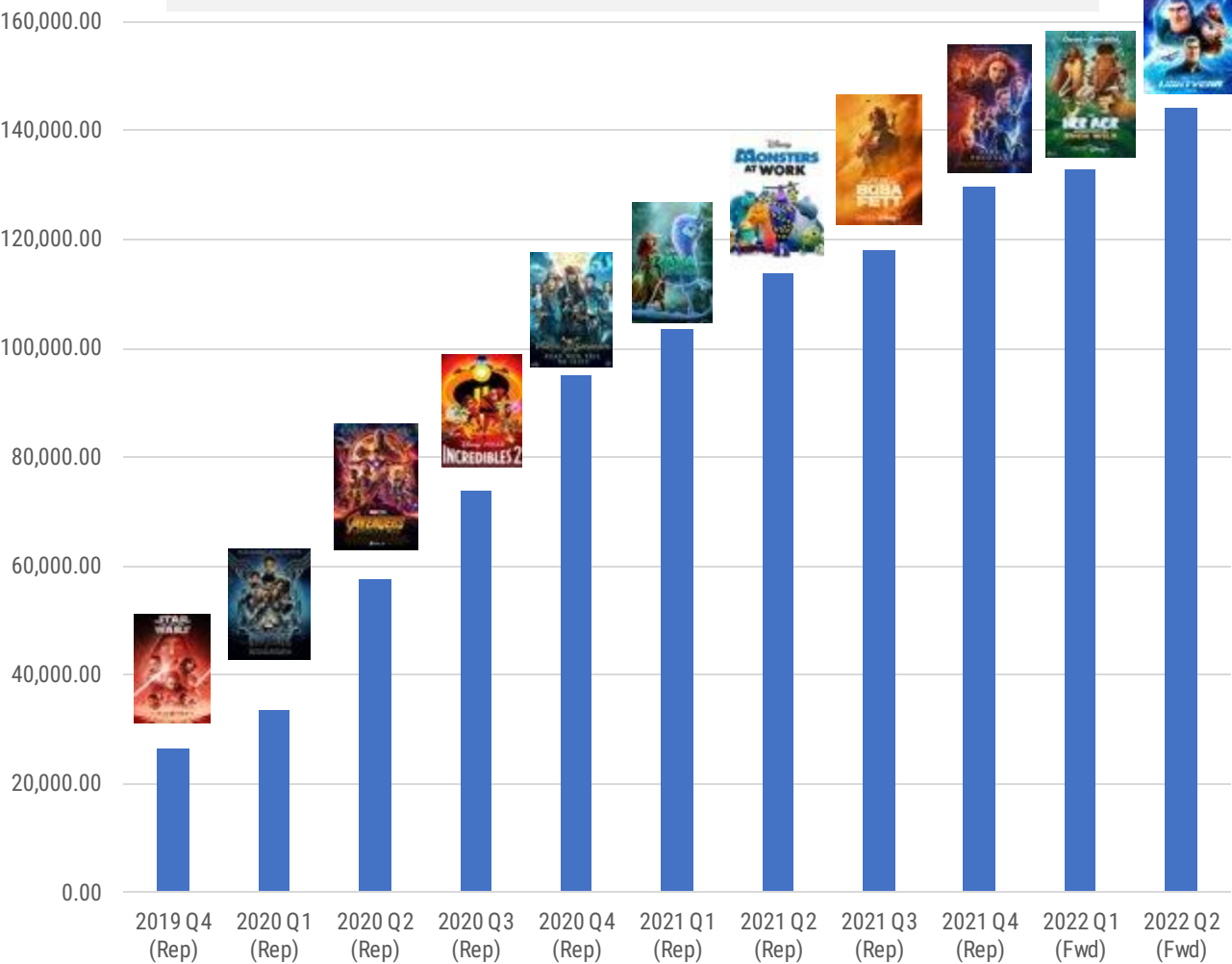


Synergies

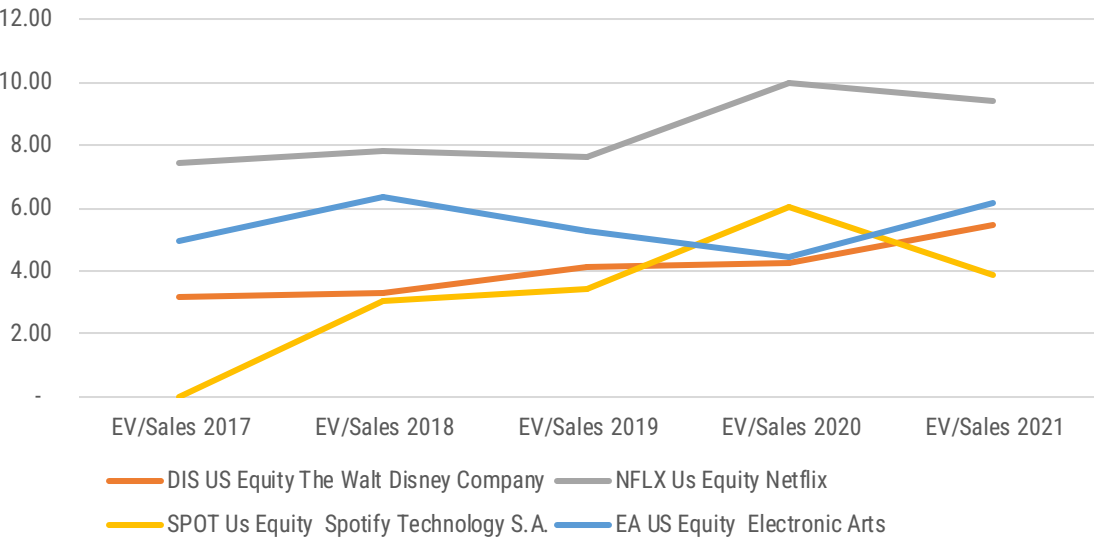


# Subscriber Growth Drives Valuation

## Disney+ Only Subs



## Historic Peer Group EV/Sales

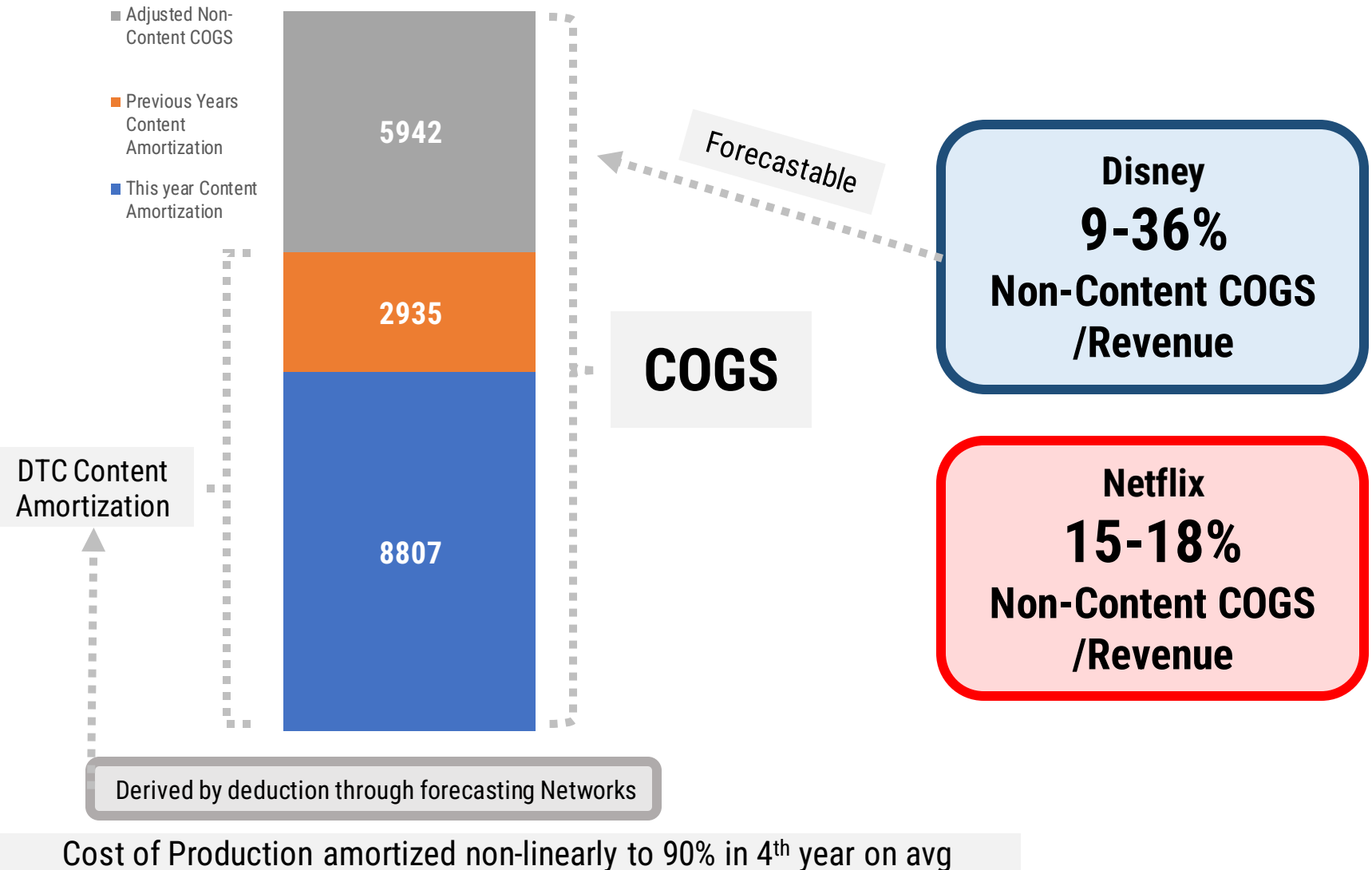


**Implied Price 2021:**  
**~51\$ at 6.2x EV/Sales**  
**~84\$ at 10x EV/Sales**

# Model Assumptions – Forecasting COGS

## DCF Model - WACC

In USD mn	2022E
Discount Period	0
Sales	22179.4
Stated COGS	17685.5
Less: Content Amortization	11742.8
Adjusted Non-Content COGS	5942.7
Gross Profit	16236.7
SG&A	5101.3
Depreciation & Amortization	443.6
Less: Content Amortization	11742.8
Other Operating Costs	0.0
Adjusted EBIT	-163.8
EBITDA	279.8
Income tax	-44.2
NOPLAT	-119.6
<b>FCF Adjustments</b>	
Add: Content Amortization	11742.8
Less: Content Spend	19867.8
Depreciation & Amortization	443.6
Capex	-1707.8
Change in Net Working Capital	943.9
<b>Free Cash Flow to the Firm (FCFF)</b>	<b>-10452.7</b>
<b>Discounted Cash Flow</b>	
<b>Terminal Value (2027E)</b>	





# Model Assumptions – Forecasting Content Spend

## Big Three Assumptions

### Revenue Based

#### Case 1:

2yr Street Estimate from Bloomberg

#### Case 2:

200mil Disney+ in 5 years

### FCF Based

Disney

**40-50%**

Produced Content/  
Media Revenue

Netflix

**60-80%**

Produced Content/  
Media Revenue

### Cost Based

Content Amortization  
/Content Added

**75% in 2022**

**95% in 2027**

**18% by 2027**  
Non-Content COGS  
/Revenue

\*Price Assumptions Identical

\*Revenue derived through Sub/ARPU predictions

Overview

Segments

Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Determining the Value of a Subscriber - Case 2

Membership Survival	1.0000
Revenue/Subscriber	\$ 76.99
Cost/ Subscriber	\$ 22.84
Operating Profit/Loss per Subscriber	\$ 54.15

Value per Subscriber =	\$369.58
Number of Subscribers =	182.90
<b>Value of Existing Subscribers =</b>	<b>\$ 67,595.44</b>

## Value of New Subscribers

Cost of Acquiring a New Subscriber	\$ 119.50
Value per new user (in today's \$) =	\$250.07
<b>Value Added by New Users</b>	<b>\$ 95,653.78</b>

Technology & Development	\$854.00
Content Costs	\$10,587.20
After-tax Corporate Expenses	
<b>Value Drag of Corporate Expenses</b>	<b>\$138,915.04</b>

Value of Disney Operating Assets	\$24,334.18
+ Cash & Cross Holdings	\$3,813.00
- Debt	\$13,930.00
<b>Value of Equity</b>	<b>\$14,217.18</b>
Number of Shares	1808
<b>Value per Share</b>	<b>\$ 7.86</b>

Revenue/Subscriber	\$ 133.87
Service Cost/Subscriber	\$ 25.67
Operating Profit/Subscriber	\$ 108.20

Value per Subscriber	\$ 881.50
----------------------	-----------

Cost of Acquiring a New Subscriber	\$ 154.44
Trending up	

Content Costs	\$ 13,866.40
---------------	--------------

Value of Drag of Corporate Expenses	\$ 186,024.33
-------------------------------------	---------------

Value of Netflix Operating Assets	\$ 162,665
-----------------------------------	------------



**Target**  
**\$5-30**

Valuing Netflix	
Value of Existing Subscribers	\$ 195,555
Value of New Subscribers	\$ 153,135
- PV of Corporate Expenses	\$ 186,024
Value of Netflix Operating Assets	\$ 162,665
+ Cash	\$ 6,028
- Debt	\$ 15,393
Value of Equity	\$ 153,300
Value of Equity Options	\$ 4,978
Number of Shares	454.2
Implied Share Price	\$ 327

Overview

Segments

Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Determining the Value of DTC – Transitioning from Growth Stage

## Case 2 vs Case 1: Difference in Short Term Subscriber Growth

Case 2		Subs Year 10 (in m):					382.80				
Avg Monthly Price in Year 10	\$	16.48	Rate at which Price Increases (Starting after 2027, Terminal 2.5% Rate)								
			10.0%	12.5%	15.0%	17.5%	20.0%				
		95.0%	4.28	14.06	25.21	37.91	52.37				
		93.5%	-3.73	4.85	14.60	25.69	38.28				
	Renewal Rate	92.5%	-8.88	-1.03	7.86	17.96	29.43				
		91.5%	-13.87	-6.71	1.39	10.58	20.99				
	90.0%	-21.05	-14.83	-7.81	0.13	9.11					
COGS Year 10		\$13,908.98	Rate at which Content Spending Decreases (Starting after 2027, Terminal 2% Rate)								
			0.0%	-2.5%	-5.0%	-7.5%	-10.0%				
	9.5%		-3.57	2.38	7.80	12.73	17.19				
WACC	9.0%		-2.59	3.64	9.31	14.45	19.11				
	8.5%		-1.53	4.99	10.91	16.29	21.16				
	8.0%		-0.39	6.42	12.62	18.24	23.33				
	7.5%		0.83	7.96	14.44	20.32	25.65				
Avg Monthly Price in Year 10	\$	16.48	Price Rate after forecasted 5 years								
			10.0%	12.5%	15.0%	17.5%	20.0%				
		20	7.93	22.07	39.19	59.99	85.31				
	Lifetime of a Existing Sub (yrs)	18	1.86	13.42	27.07	43.21	62.31				
		15	-8.88	-1.03	7.86	17.96	29.43				
		12	-21.85	-17.36	-12.47	-7.15	-1.35				
10		-31.92	-29.32	-26.56	-23.64	-20.55					
Year			2027E	2028M	2029M	2030M	2031M				
Avg Price Per Month at 15% growth		\$	9.42	\$	10.84	\$	12.46	\$	14.33	\$	16.48

Case 1		Subs Year 10 (in m):					441.33				
Avg Monthly Price in Year 10	\$	16.23	Rate at which Price Increases (Starting after 2027, Terminal 2.5% Rate)								
			10.0%	12.5%	15.0%	17.5%	20.0%				
Renewal Rate	95.0%		6.62	17.65	30.21	44.51	60.80				
	93.5%		-2.47	7.19	18.17	30.65	44.84				
	92.5%		-8.30	0.52	10.54	21.91	34.81				
	91.5%		-13.96	-5.91	3.21	13.55	25.26				
	90.0%		-22.09	-15.10	-7.20	1.73	11.83				
COGS Year 10	\$	15,052.89	Rate at which Content Spending Decreases (Starting after 2027, Terminal 2% Rate)								
			0.0%	-2.5%	-5.0%	-7.5%	-10.0%				
WACC	9.5%		-1.85	4.60	10.47	15.79	20.62				
	9.0%		-0.60	6.14	12.27	17.84	22.88				
	8.5%		0.73	7.78	14.19	20.01	25.28				
	8.0%		2.15	9.52	16.23	22.31	27.83				
	7.5%		3.68	11.39	18.40	24.77	30.53				
Avg Monthly Price in Year 10	\$	16.23	Price Rate after forecasted 5 years								
			10.0%	12.5%	15.0%	17.5%	20.0%				
Lifetime of a Existing Sub (yrs)	20		10.58	26.49	45.77	69.18	97.68				
	18		3.75	16.77	32.13	50.30	71.80				
	15		-8.30	0.52	10.54	21.91	34.81				
	12		-22.88	-17.82	-12.32	-6.32	0.20				
	10		-34.17	-31.24	-28.14	-24.85	-21.37				
Year			2027E	2028M	2029M	2030M	2031M				
Avg Price Per Month at 15% growth		\$	9.28	\$	10.67	\$	12.27	\$	14.11	\$	16.23

## Future Pricing/Content Spending Outlook > Short-Term Sub Growth Forecasting

Overview

Segments

Investment Thesis

Direct-To-Consumer

Valuation

Risks

# Segmented DCF Valuation

## Cost of Capital

**Cost of debt**  
2.17%

**Cost of equity**  
11.7%

**WACC**  
9.48%

Bottom-Up Beta: 1.53

Regression Beta: 0.97  
WACC ~7%

### Case 1:

2yr Street Estimate from Bloomberg

Present Value of Projected FCF **-\$6,169.7**

		Exit Multiple				
		11.0x	13.0x	15.0x	17.0x	19.0x
WACC	9.5%	\$ 34.57	42.49	50.42	58.34	66.26
	9.0%	\$ 35.58	43.69	51.79	59.90	68.01
	8.5%	\$ 36.62	44.91	53.21	61.50	69.80
	8.0%	\$ 37.68	46.17	54.66	63.15	71.64
	7.5%	\$ 38.78	47.47	56.16	64.84	73.53

		Perpetual Growth Rate				
		0%	1%	2%	3%	4%
WACC	9.5%	\$ 20.40	24.19	28.98	35.26	43.81
	9.0%	\$ 22.03	26.26	31.70	38.95	49.10
	8.5%	\$ 23.86	28.61	34.83	43.31	55.55
	8.0%	\$ 25.91	31.30	38.48	48.54	63.62
	7.5%	\$ 28.24	34.40	42.80	54.93	74.00

### Case 2:

200mil Disney+ in 5 years

Present Value of Projected FCF **-\$7,640.4**

		Exit Multiple				
		11.0x	13.0x	15.0x	17.0x	19.0x
WACC	9.5%	\$ 30.49	37.82	45.16	52.49	59.82
	9.0%	\$ 31.43	38.93	46.43	53.93	61.43
	8.5%	\$ 32.39	40.06	47.74	55.41	63.08
	8.0%	\$ 33.37	41.23	49.08	56.93	64.79
	7.5%	\$ 34.39	42.43	50.46	58.50	66.54

		Perpetual Growth Rate				
		0%	1%	2%	3%	4%
WACC	9.5%	\$ 16.84	20.28	24.63	30.32	38.08
	9.0%	\$ 18.33	22.16	27.09	33.67	42.87
	8.5%	\$ 19.98	24.29	29.93	37.62	48.73
	8.0%	\$ 21.84	26.73	33.24	42.36	56.04
	7.5%	\$ 23.96	29.54	37.16	48.16	65.45



**Target**  
**\$5-30**

**Case 1:~35\$**  
**Case 2:~30\$**

# Catalysts & Opportunities

## Advertising Revenue

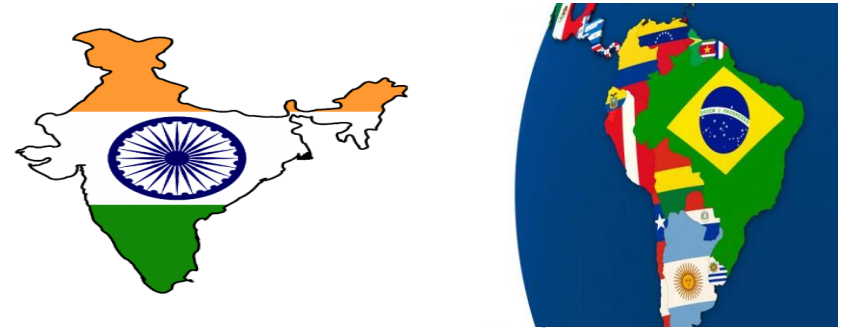
- Ad discounted Disney+ subscriptions
- Cable is a subscription service with ads

## Cable Cutting Trends

- Demographic trends will continue to support cable cutting trends.



## Emerging Markets



Growing GDP Per-Capita



Currently Censoring American Content

Source:

Overview

Segments

Investment Thesis

Direct-To-Consumer

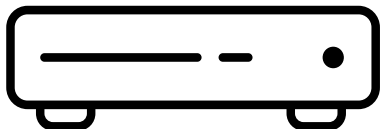
Valuation

Risks



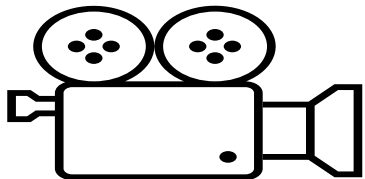
# Valuation Conclusion

Linear Networks



**\$30-40**

Studio



**\$37-42**

Parks



**\$40-50**



**\$30>**

**+**

**\$107-132**



Overall DCF

**\$140-150**

Current Stock Price

**\$142**

Source: Team Analysis

# Investment Risks

Impact	High					
	Medium	IR1		IR2		
		OR1	RR1	MR1		
			SR1	MR3/4		
	Low	SR2				
		Low	Medium	High	Probability	

## Market Risk

**MR 1 – Global decline in economic activity**

MR 3 – Foreign exchange rate risk

MR 4 – Interest rate risk

## Social Risk

**SR 1 – Florida Bill**

**SR 2 – Content Culture Risk**

## Operational Risk

OR 1 – Acquisition Failing Risk

## Industry Risk

IR 1 – Intellectual Property Theft

**IR 2 – Competitive Forces**

## Regulatory Risk

RR 1 – COVID Regulations

# Stock Snapshot Conclusion



# Appendix: Income Statement Assumptions

## Income Statement Assumptions

\*\* Numbers highlighted in blue are inputs, orange are key assumptions based on other modelling, black are calculated figures

	2017A		2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Sales Growth (YoY)			1.9%	8.3%	29.2%	6.6%	3.5%	20.0%	10.5%	6.5%	4.6%	3.8%	3.4%
Parks Growth (YoY)				10.2%	6.4%	-43.3%	-8.4%	50.0%	20.0%	8.0%	4.0%	2.0%	2.0%
Products Growth (YoY)				-4.4%	5.2%	3.4%	11.4%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Media Growth (YoY)				12.6%	28.0%	21.4%	-5.9%	13.1%	8.6%	6.4%	5.1%	4.5%	4.0%
Networks Growth (YoY)	3%	3.0%		9.6%	13.3%	14.4%	-1.1%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%
Studio Growth (YoY)				20.5%	10.6%	-13.4%	-23.8%	10.0%	5.0%	1.0%	1.0%	1.0%	1.0%
DTC Growth (YoY)				11.0%	173.8%	81.5%	-3.8%	33.6%	18.6%	14.4%	10.3%	8.6%	7.2%
COGS Margin			54.9%	55.0%	60.5%	67.3%	66.8%	63.7%	63.0%	62.0%	60.3%	58.9%	58.1%
COGS Margin (Parks)			54.1%	53.9%	53.4%	67.4%	65.2%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
COGS Margin (Linear Networks)				60.2%	62.4%	53.9%	59.8%	60.0%	60.0%	60.0%	60.0%	60.0%	63.0%
COGS Margin (Studio)				44.2%	46.6%	71.3%	61.7%	55.0%	55.0%	55.0%	50.0%	50.0%	50.0%
Overall COGS (DTC)					91.3%	59.4%	81.1%	80.6%	77.0%	72.5%	68.0%	63.4%	58.5%
DTC Content Amortization/ DTC Content Spending					90.5%	104.9%	66.6%	59.1%	65.8%	72.0%	78.0%	84.3%	90.9%
Non-Content Related COGS					36.0%	9.7%	28.6%	26.8%	25.0%	23.3%	21.5%	19.8%	18.0%
SG&A			15.5%	14.7%	11.8%	13.6%	17.1%	16.8%	16.0%	15.2%	14.7%	14.8%	14.9%
SG&A Margin (Parks)			12.6%	11.9%	11.9%	15.5%	17.4%	15.0%	15.0%	15.0%	13.0%	13.0%	13.0%
SG&A Margin (Linear Networks)				8.7%	9.5%	11.7%	12.4%	11.0%	9.5%	9.5%	9.5%	9.5%	9.5%
SG&A Margin (Studio)				24.8%	28.0%	27.3%	26.7%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
SG&A Margin (DTC)					22.6%	18.4%	27.2%	23.0%	21.0%	18.0%	18.0%	18.0%	18.0%
D&A (Parks) (%sales)			9.4%	9.4%	8.8%	14.3%	14.4%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
D&A (Linear Networks) (%sales)				0.9%	0.8%	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
D&A (Studio) (%sales)				1.2%	1.2%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
D&A (DTC) (%sales)					3.5%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT Margin (Parks)			23.8%	24.7%	25.8%	2.7%	2.8%	26.5%	25.6%	25.3%	27.7%	27.7%	27.7%
EBIT Margin (Networks)			32.2%	30.2%	27.3%	29.2%	29.9%	28.4%	29.9%	29.9%	29.9%	29.9%	26.9%
EBIT Margin (Studio)			28.3%	29.8%	24.1%	26.0%	7.7%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%
EBIT Margin (DTC)			4.5%	-4.6%	-17.1%	-16.3%	-10.3%	-43.1%	-32.2%	-21.5%	-13.0%	-6.6%	-0.3%
EBIT Margin (Other)			0.6%	1.2%	1.0%	1.1%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Depreciation			4.7%	4.6%	1.9%	3.4%	4.6%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Amortization(%sales)			0.4%	0.4%	1.9%	3.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EBIT Margin			25.1%	25.1%	16.9%	5.5%	5.6%	6.5%	8.6%	10.7%	13.7%	15.3%	16.3%
Nonoperating income (%sales)			1.4%	1.0%	6.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Unusual expense(%sales)			0.4%	0.1%	1.8%	7.4%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Tax rate			32.3%	11.4%	22.1%	-36.8%	1.1%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%

# Appendix: Income Statement Continued

Lower Margin and Slow Growth forecasted in other 3 segments. Margins were declined in 2027E to get conservative terminal values. 2019A>2027E

Disney Forecast Summary Excluding DTC Business											
In USD mn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Revenue	51,376	56,688	62,179	55,067	51,991	59,054	63,504	65,608	66,975	67,930	68,900
EBIT	14,280	15,726	16,220	11,241	9,445	13,814	15,170	15,616	16,917	17,149	16,472
EBIT Margin	28%	28%	26%	20%	18%	23%	24%	24%	25%	25%	24%
Revenue Growth		10.3%	9.7%	-11.4%	-5.6%	13.6%	7.5%	3.3%	2.1%	1.4%	1.4%

Segmentation data

	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	54451	60102	71528	72034	68310	80859	89355	95179	99596	103368	106892
Total Revenue from Parks+Products	42%	41%	37%	24%	24%	28%	29%	29%	29%	28%	28%
Parks	42%	41%	37%	24%	24%	28%	29%	29%	29%	28%	28%
Total Revenue from Media	58%	59%	63%	76%	76%	72%	71%	71%	71%	72%	72%
Linear Networks	37%	36%	35%	39%	41%	35%	33%	31%	30%	29%	28%
Studio	15%	17%	16%	13%	11%	10%	9%	9%	9%	8%	8%
DTC	6%	6%	13%	24%	24%	27%	29%	31%	33%	34%	36%

CAGR	
Overall	8.0%



# Appendix: Balance Sheet

In USD Billions	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
	Historical Data			Forecast					
ASSETS									
Current Assets									
Cash	5418	17917	15962	15897	7383	248	-1717	-1564	1264
Net accounts receivable	12882	10873	11007	7054	6169	4849	4116	4171	4255
Other receivables	2599	1835	2360	2426	2681	2855	2988	3101	3207
Inventory	1649	1583	1331	1411	1542	1616	1646	1668	1702
Other current assets	979	872	814	809	894	952	996	1034	1069
Total current assets	23527	33080	31474	27597	18668	10520	8028	8410	11497
Non-Current Assets									
Net PP&E	31603	36126	36855	40013	42140	44277	45947	47649	49393
PP&E - Gross	64018	71643	74775	78796	81089	83566	85469	87347	89243
Accumulated depreciation	32415	35517	37920	38783	38949	39289	39522	39699	39850
Capital Expenditures	4876	4022	3578	6226	5361	5711	5478	5685	5879
Long-Term Investments	3366	4203	4110	4110	4110	4110	4110	4110	4110
Intangible Assets	103508	96862	95186	93343	91117	88637	85981	83193	80292
Total non-current assets	170457	168469	172135	173450	173351	173007	172022	170936	169779
Total Assets	193984	201549	203609	201047	192020	183527	180051	179346	181277
LIABILITIES									
Current Liabilities									
ST Debt and Curr. Portion of LT Debt	8857	6495	6544	6,500	6,400	6,300	6,200	6,100	6,000
Accounts Payable	13778	12663	16357	15507	14688	13038	13643	14160	14643
Accrued payroll	3010	2925	3482	3573	3949	4206	4402	4568	4724
Miscellaneous current liabilities	5696	4545	4694	5660	6255	6663	6972	7236	7482
Total current liabilities	31341	26628	31077	31241	31292	30207	31217	32064	32849
Non-Current Liabilities									
Total Long-Term Debt	38129	55828	51769	45225	38725	32325	26025	19825	13725
Total liabilities	91132	104037	101385	95005	88556	81071	75781	70428	65113
EQUITY									
Common Equity				92371	89792	88785	90599	95247	102493
Minority interest	13975	13929	13671	13671	13671	13671	13671	13671	13671
Total shareholders equity	102852	97512	102224	106042	103463	102456	104270	108918	116164
Total Liabilities & Shareholders Equity	193984	201549	203609	201047	192020	183527	180051	179346	181277
Balance Check	0	0	0	0	0	0	0	0	0

	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
	Historical Data				Forecast					
Sales	59469	69385	65125	67387	80859	89355	95179	99596	103368	106892
Accounts receivable Turnover	25.47	28.50	100.42	86.46	50	40	30	25	25	25
Other receivables (%sales)	2%	4%	3%	4%	3%	3%	3%	3%	3%	3%
Inventory Turnover	15.55	14.35	13.18	10.79	10.00	10.00	10.00	10.00	10.00	10.00
Other Current Asset (%sales)	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Chg in net PP&E		2063	4523	729	3158	2127	2137	1671	1701	1744
Change in Gross PP&E		3714	7625	3132	4021	2293	2476	1904	1878	1895
Chg in accumulated depreciation		1651	3102	2403	863	166	340	233	177	151
Capex (%sales)	8.1%	8.2%	5.8%	5.5%	7.7%	6.0%	6.0%	5.5%	5.5%	5.5%
Chg in Long-Term Investments			837.0	-93.0	0.00	0.00	0.00	0.00	0.00	0.00
Chg in Intangible Assets			-6646	-1676	-1843	-2226	-2481	-2655	-2788	-2901
ST Debt and Curr. Portion of LT Debt	3790.00	8857.00	6495.00	6544.00	6,500	6,400	6,300	6,200	6,100	6,000
AP Turnover	39.91	72.48	70.97	88.60	70	60	50	50	50	50
Accrued payroll (%sales)	4%	4%	4%	5%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Misc. curr. Liabilities (%sales)	9%	8%	7%	7%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Issuance of Long-Term Debt (Borrowing)	1056.0	42558.0	18120.0	64.0						
Chg in Total Long-Term Debt		21045.0	17699.0	-4059.0						
Chg in Minority Interest		8793.0	-46.0	-258.0						

# Appendix: Cash Flow

Cash flow statement											
In USD mn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Net income	9366	3011	4160	5345	2349	3322	5320	7298	9968	11698	12970
<b>Operating Activities</b>											
Depreciation	2586	2758	1323	2205	3068	3234	3574	3807	3984	4135	4276
Amortization	334	-1573	117	-392	2043	2426	2681	2855	2988	3101	3207
Change in Net Working Capital	-110	-837	-5644	-645	2194	3599	347	2057	-539	-1138	-1109
Increase/decrease in:											
Receivables	107	-720	55	1943	-357	3887	630	1146	601	-169	-190
Inventory	-5	-17	-223	14	252	-80	-131	-74	-30	-22	-34
Accounts Payable	-368	235	191	-2293	2410	850	819	1650	-605	-517	-483
Income Tax Payable	208	592	-6599	-152	-282	0	0	0	0	0	0
Accrued Payroll	0	0	0	0	0	-91	-375	-257	-195	-167	-156
Miscellaneous current liabilities	-52	-927	932	-157	171	-966	-595	-408	-309	-264	-247
Other funds	-29	1564	-2940	5750	-3034	-8125	-6996	-5672	-4270	-2882	-1545
<b>Operating Cash Flow</b>	<b>12147</b>	<b>4923</b>	<b>-2984</b>	<b>12263</b>	<b>6620</b>	<b>4456</b>	<b>4926</b>	<b>10346</b>	<b>12131</b>	<b>14914</b>	<b>17799</b>
<b>Investing Activities</b>											
Capex	-3623	-4465	-4876	-4022	-3578	-6226	-5361	-5711	-5478	-5685	-5879
Net assets gained from acquisitions	-417	-1581	-11331	0	-350	-200	-200	-200	-200	-200	0
<b>Net Investing Cash Flow</b>	<b>-24</b>	<b>-1596</b>	<b>-34</b>	<b>126</b>	<b>-3421</b>	<b>-6426</b>	<b>-5561</b>	<b>-5911</b>	<b>-5678</b>	<b>-5885</b>	<b>-5879</b>
<b>Financing Activities</b>											
Net change in debt	3703	-2583	3677	11233	-3699	-6544	-6500	-6400	-6300	-6200	-6100
<b>Net Cash Flow from Financing</b>	<b>-54</b>	<b>1106</b>	<b>-157</b>	<b>-484</b>	<b>-3264</b>	<b>-6544</b>	<b>-6500</b>	<b>-6400</b>	<b>-6300</b>	<b>-6200</b>	<b>-6100</b>
<b>Net Cash Flow</b>	<b>230</b>	<b>-207</b>	<b>173</b>	<b>27</b>	<b>-65</b>	<b>-8514</b>	<b>-7135</b>	<b>-1965</b>	<b>153</b>	<b>2829</b>	<b>5820</b>
<b>Free Cash Flow</b>	<b>8524</b>	<b>458</b>	<b>-7860</b>	<b>8241</b>	<b>3042</b>	<b>-1770</b>	<b>-435</b>	<b>4635</b>	<b>6653</b>	<b>9229</b>	<b>11920</b>

# Appendix: Debt Schedule and Ratios

DEBT SCHEDULE	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Cash Balance @ Beg of Year (End of Last Year)	4,150	5,418	17,917	15,962	15,897	7,383	248	(1,717)	(1,564)
Plus: Free Cash Flow from Operations and Investing	1,939	9,279	18,883	11,076	9,382	15,272	22,477	27,045	32,713
Plus: Free Cash Flow from Financing (BEFORE L.O.C.)	1,106	(157)	(1,815)	(3,264)	(6,544)	(6,500)	(6,400)	(6,300)	(6,200)
Less: Minimum Cash Balance	2,000	1,998	1,999	2,000	2,000	2,000	2,000	2,000	2,000
Total Cash Available or (Required) from L.O.C.	5,195	12,542	32,986	21,774	16,735	14,155	14,324	17,027	22,948
Line of Credit			1,331	0	0	0	0	0	0
Debt									
Long Term Debt, Net of Current Maturities	37983	52917	48540	41996	35496	29096	22796	16596	10496
Current Portion of Long Term Debt	8857	6495	6544	6,500	6,400	6,300	6,200	6,100	6,000
Interest Expense									
Interest Rate on Long Term Debt				2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Interest Rate on Line of Credit				4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Interest Expense on Long Term Debt				1,323	1,155	987	823	660	501
Interest Expense on Line of Credit				27	0	0	0	0	0
Total Interest Expense				1,350	1,155	987	823	660	501

Disney Ratios										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Debt/CFO	1.37	8.41	-13.91	3.19	4.92	7.75	7.13	2.97	2.00	1.02
Net Debt/EBITDA	.92x	2.15x	3.34x	3.61x	2.07x	1.84x	1.62x	1.24x	.89x	.53x
Net Debt/EBIT	1.1x	2.49x	5.17x	6.84x	3.23x	2.76x	2.34x	1.72x	1.22x	.71x
EBIT/Interest Expense	18.07x	11.19x	4.45x	3.3x	7.62x	10.85x	15.23x	21.73x	30.2x	42.75x
EBITDA/Interest Expense	21.7x	12.98x	6.89x	6.25x	11.9x	16.26x	21.98x	30.21x	41.15x	57.69x
Current Ratio	0.87	0.75	1.24	1.01	0.88	0.60	0.35	0.26	0.26	0.35
D/E	0.83	0.89	1.07	0.99	0.90	0.86	0.79	0.73	0.65	0.56
Net Debt	16582	41422	41495	39122	32599	34513	35148	30713	24260	15232

# Appendix: Sub growth and ARPU Forecast

Live Case:		1																																																		
	2019 A (Rep)		2020 A (Rep)		2021 A (Rep)		2022 A (Fwd)		2023 A (Fwd)		2024 A (Fwd)		2025 A (Fwd)		2026 A (Fwd)		2027 A (Fwd)																																			
Disney+																																																				
Subscribers			26500.00				73700.00				118100.00				160804.14		201698.00				221867.80				232961.19				242279.64				249548.03																			
ARPU	\$		5.56	\$			4.80	\$			4.08	\$			4.50	\$		4.99	\$			5.59	\$			6.04	\$			6.40	\$		6.72																			
ESPN+																																																				
Subscribers			3500.00				10300.00				17100.00				24082.51			27684.50				31560.33				35347.57				38882.33			41992.91																			
ARPU	\$		5.12	\$			4.35	\$			4.57	\$			5.06	\$		5.40	\$			5.72	\$			5.95	\$			6.19	\$		6.37																			
Hulu																																																				
Subscribers			28500.00				36600.00				43700.00				49155.61			52033.03				54634.69				57366.42				60234.74			63246.48																			
ARPU SVOD Only	\$		13.09	\$			12.24	\$			12.86	\$			12.92	\$		13.75	\$			14.43	\$			15.01	\$			15.46	\$		15.93																			
Hulu & Live TV																																																				
Subscribers			2900.00				4100.00				4000.00				4120.00			4224.78				4351.53				4395.04				4395.04			4395.04																			
Live TV + SOD	\$		55.98	\$			67.24	\$			81.35	\$			89.16	\$		98.08	\$			103.97	\$			109.16	\$			113.53	\$		115.80																			
Net Revenue from Streaming																				8408.00				13466.80				17368.52				22179.39				27428.23				31940.54				35490.78				38654.75				41526.05

Case 1	Bloomberg yr 1&2 forecasted figures								
	2019 A (Rep)	2020 A (Rep)	2021 A (Rep)	2022 A (Fwd)	2023 A (Fwd)	2024 A (Fwd)	2025 A (Fwd)	2026 A (Fwd)	2027 A (Fwd)
Disney+									
Subscribers		178%	60%	36%	25%	10%	5%	4%	3%
ARPU		-14%	-15%	10%	11%	12%	8%	6%	5%
ESPN+									
Subscribers		194%	66%	41%	15%	14%	12%	10%	8%
ARPU		-15%	5%	11%	7%	6%	4%	4%	3%
Hulu									
Subscribers		28%	19%	12%	6%	5%	5%	5%	5%
ARPU SVOD Only		-6%	5%	0%	6%	5%	4%	3%	3%
Hulu & Live TV									
Subscribers		41%	-2%	3%	3%	3%	1%	0%	0%
Live TV + SOD		20%	21%	10%	10%	6%	5%	4%	2%

# Appendix: Sub growth and ARPU Forecast (lower growth scenario)

Live Case:		2								
		2019 A (Rep)	2020 A (Rep)	2021 A (Rep)	2022 A (Fwd)	2023 A (Fwd)	2024 A (Fwd)	2025 A (Fwd)	2026 A (Fwd)	2027 A (Fwd)
Disney+										
Subscribers		26500.00	73700.00	118100.00	141720.00	162978.00	179275.80	188239.59	195769.17	201642.25
ARPU	\$	5.56	\$ 4.80	\$ 4.08	\$ 4.50	\$ 4.99	\$ 5.44	\$ 5.82	\$ 6.17	\$ 6.48
ESPN+										
Subscribers		3500.00	10300.00	17100.00	24082.51	27684.50	31560.33	35347.57	38882.33	41992.91
ARPU	\$	5.12	\$ 4.35	\$ 4.57	\$ 5.06	\$ 5.40	\$ 5.72	\$ 5.95	\$ 6.19	\$ 6.37
Hulu										
Subscribers		28500.00	36600.00	43700.00	49155.61	52033.03	54634.69	57366.42	60234.74	63246.48
ARPU SVOD Only	\$	13.09	\$ 12.24	\$ 12.86	\$ 12.92	\$ 13.75	\$ 14.43	\$ 15.01	\$ 15.46	\$ 15.93
Hulu & Live TV										
Subscribers		2900.00	4100.00	4000.00	4734.00	4854.40	5000.03	5050.03	5050.03	5050.03
Live TV +SOD	\$	55.98	\$ 67.24	\$ 81.35	\$ 89.16	\$ 98.08	\$ 103.97	\$ 109.16	\$ 113.53	\$ 115.80
Net Revenue from Streaming		8408.00	13466.80	17368.52	21805.45	25850.36	29570.61	32620.94	35437.49	37991.71
Case 2		Disney takes 5 years to hit 200mil								
		2019 A (Rep)	2020 A (Rep)	2021 A (Rep)	2022 A (Fwd)	2023 A (Fwd)	2024 A (Fwd)	2025 A (Fwd)	2026 A (Fwd)	2027 A (Fwd)
Disney+										
Subscribers			178%	60%	20%	15%	10%	5%	4%	3%
ARPU			-14%	-15%	10%	11%	9%	7%	6%	5%
ESPN+										
Subscribers			194%	66%	41%	15%	14%	12%	10%	8%
ARPU			-15%	5%	11%	7%	6%	4%	4%	3%
Hulu										
Subscribers			28%	19%	12%	6%	5%	5%	5%	5%
ARPU SVOD Only			-6%	5%	0%	6%	5%	4%	3%	3%
Hulu & Live TV										
Subscribers			41%	-2%	18%	3%	3%	1%	0%	0%
Live TV +SOD			20%	21%	10%	10%	6%	5%	4%	2%

# Appendix: Sub Valuation Model

Value of Existing Subscribers																					
	Base Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Life Indicator		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0
Membership Survival	1.0000	0.9250	0.8556	0.7915	0.7321	0.6772	0.6264	0.5794	0.5360	0.4958	0.4586	0.4242	0.3924	0.3629	0.3357	0.3105	0.2873	0.2657	0.2458	0.2273	0.2103
Revenue/Subscriber	\$ 76.99	\$ 79.54	\$ 84.58	\$ 89.47	\$ 94.11	\$ 98.34	\$ 113.09	\$ 130.05	\$ 149.56	\$ 171.99	\$ 197.79	\$ 227.46	\$ 261.58	\$ 300.81	\$ 345.93	\$ 397.82	\$ 457.50	\$ 526.12	\$ 605.04	\$ 695.80	\$ 800.17
Cost/ Subscriber	\$ 22.84	\$ 23.30	\$ 23.76	\$ 24.24	\$ 24.72	\$ 25.22	\$ 25.85	\$ 26.49	\$ 27.16	\$ 27.84	\$ 28.53	\$ 29.25	\$ 29.98	\$ 30.73	\$ 31.49	\$ 32.28	\$ 33.09	\$ 33.92	\$ 34.76	\$ 35.63	\$ 36.52
Operating Profit/Loss per Subscriber	\$ 54.15	\$ 56.24	\$ 60.82	\$ 65.23	\$ 69.38	\$ 73.12	\$ 87.24	\$ 103.55	\$ 122.40	\$ 144.15	\$ 169.26	\$ 198.21	\$ 231.60	\$ 270.09	\$ 314.44	\$ 365.54	\$ 424.41	\$ 492.21	\$ 570.28	\$ 660.16	\$ 763.64
Tax rate	27.00%	27.000%	27.000%	27.000%	27.000%	27.000%	27.000%	27.000%	27.000%	27.000%	27.000%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%
After-tax Operating Income	\$39.53	\$37.98	\$37.99	\$37.69	\$37.08	\$36.15	\$39.89	\$43.80	\$47.89	\$52.17	\$56.66	\$61.38	\$66.34	\$71.56	\$77.06	\$82.87	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Present Value (at Cost of Capital)		\$34.88	\$32.05	\$29.21	\$26.40	\$23.64	\$23.96	\$24.17	\$24.27	\$24.29	\$24.23	\$24.11	\$23.93	\$23.71	\$23.46	\$23.17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Life of subscriber =	15.00																				
Avg monthly service cost		\$ 6.63	\$ 7.05	\$ 7.46	\$ 7.84	\$ 8.19	\$ 9.42	\$ 10.84	\$ 12.46	\$ 14.33	\$ 16.48	\$ 18.95	\$ 21.80	\$ 25.07	\$ 28.83	\$ 33.15	\$ 38.12	\$ 43.84	\$ 50.42	\$ 57.98	\$ 66.68
Value per Subscriber =	\$385.48																				
Number of Subscribers =	182.90																				
Value of Existing Subscribers =	\$ 70,503.39																				

Value of New Subscribers	
Cost of Acquiring a New Subscriber	\$ 119.50
Value per new user (in today's \$) =	\$265.97

	Base Year	1	2	3	4	5	6	7	8	9	10
Total Subscribers	182.90	219.69	247.55	270.47	286.00	299.94	314.93	330.68	347.21	364.57	382.80
New Subscribers	0.00	50.51	44.33	41.49	35.82	35.38	37.49	39.37	41.33	43.40	45.57
Value per Subscriber	\$265.97	\$272.62	\$279.44	\$286.42	\$293.58	\$300.92	\$308.45	\$316.16	\$324.06	\$332.16	\$340.47
Value added by new Subscribers		\$13,769.97	\$12,388.73	\$11,882.84	\$10,515.57	\$10,647.51	\$11,564.25	\$12,446.02	\$13,395.03	\$14,416.40	\$15,515.65
Terminal Value (New Subscribers)											\$62,945.31
Present Value		\$ 12,648.44	\$ 10,452.85	\$ 9,209.42	\$ 7,485.98	\$ 6,962.55	\$ 6,946.10	\$ 6,866.86	\$ 6,788.52	\$ 6,711.08	\$ 33,550.06
Value Added by New Users	\$ 107,621.87										

Value Drag of Corporate Expenses (Cost)											
	Base Year	1	2	3	4	5	6	7	8	9	10
Technology & Development	\$854.00	\$879.62	\$906.01	\$933.19	\$961.18	\$990.02	\$1,019.72	\$1,050.31	\$1,081.82	\$1,114.28	\$1,147.70
Content Costs	\$10,587.20	\$14,068.26	\$15,924.85	\$17,145.59	\$17,754.02	\$17,975.35	\$17,076.58	\$16,222.75	\$15,411.61	\$14,641.03	\$13,908.98
After-tax Corporate Expenses		\$ 10,911.95	\$ 12,286.53	\$ 13,197.51	\$ 13,662.10	\$ 13,844.72	\$ 13,210.30	\$ 12,609.34	\$ 12,040.21	\$ 11,501.38	\$ 10,991.38
Terminal Value (Corporate Exp)											\$ 163,263.44
PV of Corporate Expenses		\$10,023.20	\$10,366.62	\$10,228.31	\$9,725.98	\$9,053.24	\$7,934.81	\$6,956.97	\$6,101.91	\$5,354.09	\$74,511.71
Value Drag of Corporate Expenses	\$150,256.83										

Valuing Disney	
Value of Existing Subscribers	\$70,503.39
Value of New Subscribers	\$107,621.87
- PV of Corporate Expenses	\$150,256.83
Value of Disney Operating Assets	\$27,868.43
+ Cash & Cross Holdings	\$3,813.00
- Debt	\$13,930.00
Value of Equity	\$17,751.43
Number of Shares	1808
Value per Share	\$ 9.82

Valuing Netflix	
Value of Existing Subscribers	\$ 195,555
Value of New Subscribers	\$ 153,135
- PV of Corporate Expenses	\$ 186,024
Value of Netflix Operating Assets	\$ 162,665
+ Cash	\$ 6,028
- Debt	\$ 15,393
Value of Equity	\$ 153,300
Value of Equity Options	\$ 4,978
Number of Shares	454.2
Implied Share Price	\$ 327

# Appendix: Some More Sub Model Assumptions Testing

Case 1		Subs Year 10 (in m):						441.33	
		[(Marketing+COGS-Amortization)/(Sub Change)]							
Avg Monthly Price in Year 10	\$	16.23	Cost of Acquiring a New Subscriber						
			\$	109.00	\$	104.00	\$	99.00	\$
WACC	9.5%		5.17	6.39	7.62	8.85	10.07		
	9.0%		6.64	7.87	9.10	10.33	11.55		
	8.5%		8.22	9.45	10.67	11.90	13.13		
	8.0%		9.90	11.13	12.36	13.58	14.81		
	7.5%		11.70	12.92	14.15	15.38	16.60		

Case 2		Subs Year 10 (in m):						382.80	
		[(Marketing+COGS-Amortization)/(Sub Change)]							
Avg Monthly Price in Year 10	\$	16.48	Cost of Acquiring a New Subscriber						
			\$	109.00	\$	104.00	\$	99.00	\$
WACC	9.5%		2.81	3.83	4.84	5.85	6.86		
	9.0%		4.02	5.03	6.04	7.06	8.07		
	8.5%		5.31	6.32	7.34	8.35	9.36		
	8.0%		6.69	7.70	8.72	9.73	10.74		
	7.5%		8.17	9.18	10.19	11.20	12.21		

		DTC Fixed COGS/Revenue				
Case 1		16.0%	18.0%	20.0%	22.0%	24.0%
Total Amortization/ Content Added	110%	1.71	-0.01	-1.73	-3.44	-5.16
	100%	8.74	7.02	5.31	3.59	1.87
	95%	12.26	10.54	8.82	7.10	5.39
	93%	14.01	12.30	10.58	8.86	7.15
	90%	15.77	14.05	12.34	10.62	8.90

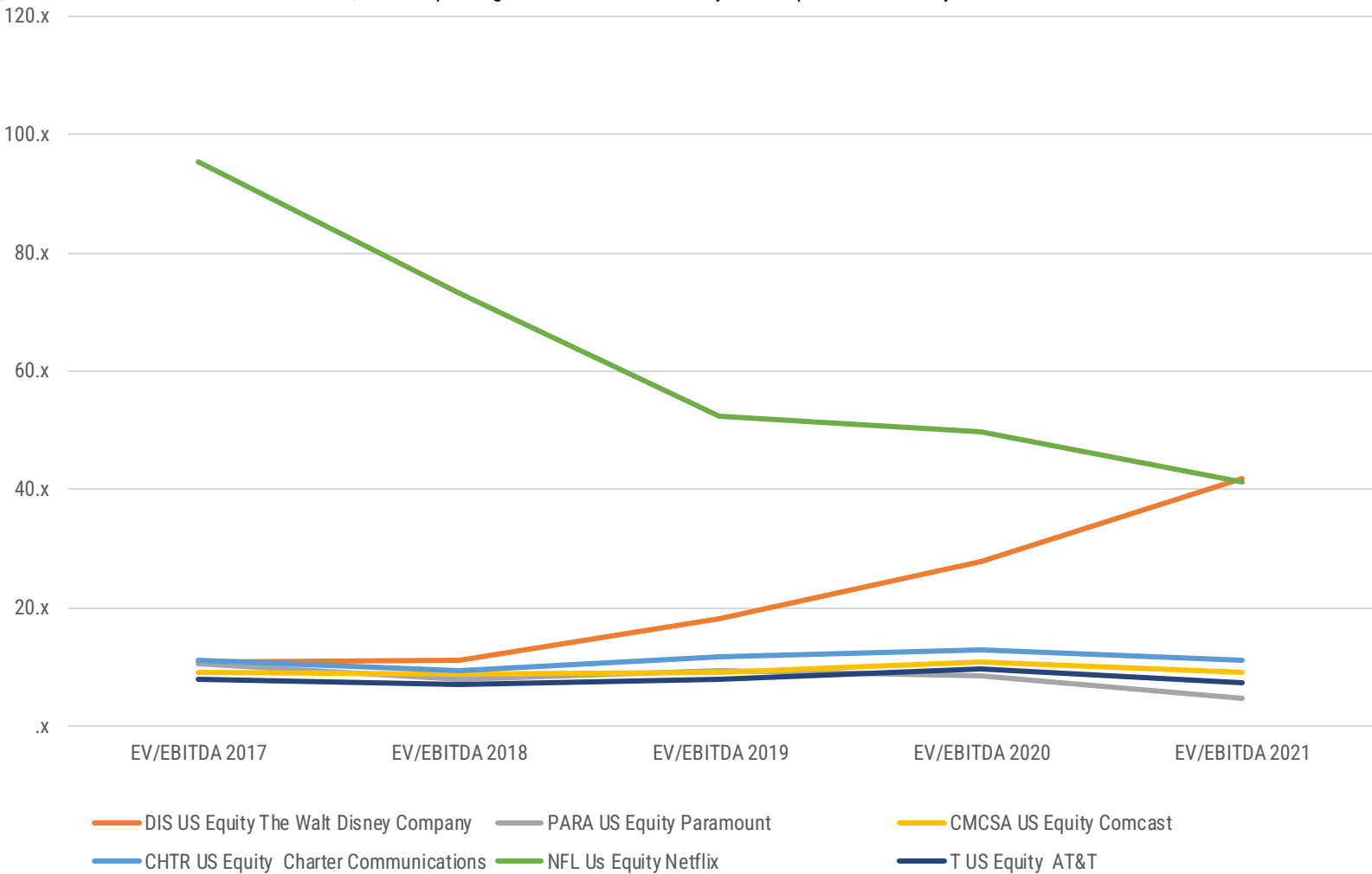


# Appendix: Quick Comps

Every equity report I read calculated EBIT and EBITDA differently due to the accounting of content spending and the effect that has on FCF and margins. To properly do a comps analysis, I would need to calculate the ratios on my own. However, I can only properly do that for Disney and Netflix as they are the only ones with clear prepared financials. Comcast, Amazon and Apple still do not release financials in depth enough to conduct the same analysis on their streaming businesses. Thus, I did not properly complete a large comps analysis and instead opted to compare apples to apples with Disney and Netflix. However, the market has mainly been trading on sales multiples like sub growth, so EV/EBITDA is probably not a good metric for a relative valuation. Furthermore, the subs model was completed for both Disney and Netflix to get a comps vibe, while models about content amortization, content spending and debt ratios were analyzed in depth for both Disney and Netflix.

DIS US Equity (Parks Segment)	The Walt Disney Company
FUN US Equity	Cedar Fair Entertainment Company
SIX US Equity	Six Flags Entertainment Corporation
CCL US Equity	Carnival Tour Operator Company
DIS US Equity	The Walt Disney Company
NFLX Us Equity	Netflix
SPOT Us Equity	Spotify Technology S.A.
EA US Equity	Electronic Arts
DIS US Equity (Linear Networks)	The Walt Disney Company
AMCX US Equity	AMC Networks Company
FOX US Equity	Fox Corporation
SBGI US Equity	Sinclair Broadcast Group
DIS US Equity (Studios)	The Walt Disney Company
LGF US Equity	Lionsgate Entertainment Company
EROSMEDIA Indian Equity	Eros International Production Company
PVR Indian Equity	PVR Cinemas
DIS US Equity	The Walt Disney Company
PARA US Equity	Paramount
CMCSA US Equity	Comcast
CHTR US Equity	Charter Communications
NFL Us Equity	Netflix
T US Equity	AT&T

Final Valuation		
EV/EBITDA	2021E	2022E
Median	66.84	167.73
34th percen	55.40	111.61
66th percen	239.26	189.80



# Appendix: WACC Calculations

Regression Beta	0.97					
Weighted Unlevered Beta	0.86					
Tax Rate	0.27					
Year	2018	2019	2020	2021	2022	2023
D/E	0.83	0.89	1.07	0.99	0.90	0.86
Beta Depending on Targeted D/E	1.38	1.42	1.53	1.48	1.42	1.40

	Unlevered Industry Beta	Weight	
Broadcasting	0.73	41%	0.30
Entertainment	0.91	35%	0.32
Recreation	1.01	16%	0.16
Retail	1.00	8%	0.08
			0.86

[https://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/Betas.html](https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html)

Beta	1.40
------	------

Capital Structure	
Common Equity	
Share Price	\$139.14
Shares Outstanding (Millions)	1808.0
Market Capitalization	\$251,565
Debt	
Total Debt	\$58,313
Preferred Equity	
Preference Shares (\$ Millions)	\$0
Debt-to-Total Capitalization	18.8%
Common Equity-to-Total Capitalization	81.2%
Preferred Equity-to-Total Capitalization	0.0%

WACC Calculation	
Cost of Debt	
Pre-Tax Cost of Debt	2.97%
Income Tax Rate	1.05%
After Tax Cost of Debt	2.94%
Cost of Common Equity	
Risk-Free Interest Rate	2.46%
Levered Beta	1.40
Market Risk Premium	5.70%
Cost of Common Equity	10.42%
Cost of Preferred Equity	
Preferred Dividend	\$0.00
Preferred Equity	\$0
Cost of Preferred Equity	0.00%
WACC	9.01%

# Appendix: Overall DCF

## DCF Model - WACC

In USD mn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Discount Period						0	1	2	3	4	5
Sales	54943	59469	69385	65125	67387	80859	89355	95179	99596	103368	106892
Less: Content Amortization	11650	12837	17079	20578	20959	24375	26319	27692	28579	29141	29350
Adjusted COGS	18526	19847	24874	23256	24059	27123	29976	31301	31508	31759	32778
Gross Profit	36417	39622	44511	41869	43328	53737	59379	63878	68088	71609	74114
SG&A	8523	8754	8176	8860	11541	13616	14280	14483	14660	15292	15879
EBITDA	27894	30868	36335	33009	31787	40121	45099	49395	53428	56317	58235
Depreciation & Amortization	2782	3011	2646	4410	5111	5660	6255	6663	6972	7236	7482
Less: Content Amortization	11650	12837	17079	20578	20959	24375	26319	27692	28579	29141	29350
Other Operating Costs (Income)	519	521	3475	-3673	366	647	715	761	797	827	855
Adjusted EBIT	13981	15541	20085	4348	6083	10732	13240	15802	18674	20767	22258
Income tax	4422	1663	3031	699	25	1229	1968	2699	3687	4327	4797
NOPLAT	9559	13878	17054	3649	6058	9504	11272	13103	14987	16441	17461
FCF Adjustments											
Depreciation & Amortization	2782	3011	2646	4410	5111	5660	6255	6663	6972	7236	7482
Add: Content Amortization	11650	12837	17079	20578	20959	24375	26319	27692	28579	29141	29350
Less: Content Spend	12725	13360	17621	20181	25260	32500	33315	33363	32849	32023	30894
Capex	-3623	-4465	-4876	-4022	-3578	-6226	-5361	-5711	-5478	-5685	-5879
Change in Net Working Capital	-110	-837	-5644	-645	2194	3599	347	2057	-539	-1138	-1109
Free Cash Flow to the Firm (FCFF)	7753	12738	19926	5079	1096	-2786	4822	6326	12750	16247	18628
Discounted Cash Flow						-2786	4423	5323	9842	11505	12100
Terminal Value (2027E)											319144

Enterprise Value	
Present Value of Projected FCF	\$40,407.5
Terminal Value	
Terminal Year EBITDA	\$29,740
Exit Multiple	13.0x
Terminal Value	\$386,624.4
Discount Factor	0.65
Present Value of Terminal Value	\$251,140.5
% of Enterprise Value	86%
Enterprise Value	\$291,547.9

Implied Equity Value	
Enterprise Value	\$291,547.9
Less: Total Debt	\$58,313.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$15,962.0
Implied Equity Value	\$249,196.9
Shares Outstanding	1808.0
Implied Share Price	\$137.83

Perpetual Growth	3%
Implied Share Price	\$113.59

# Appendix: DTC Streaming DCF

		Exit Multiple				
		8.0x	10.0x	12.0x	14.0x	16.0x
WACC	9.5%	\$ 13.45	20.78	28.11	35.44	42.77
	9.0%	\$ 14.13	21.63	29.13	36.63	44.13
	8.5%	\$ 14.83	22.50	30.18	37.85	45.52
	8.0%	\$ 15.55	23.40	31.25	39.11	46.96
	7.5%	\$ 16.29	24.33	32.36	40.40	48.44

		Perpetual Growth Rate				
		1%	2%	3%	4%	5%
WACC	9.5%	\$ 14.23	18.58	24.27	32.03	43.23
	9.0%	\$ 16.11	21.04	27.61	36.82	50.63
	8.5%	\$ 18.24	23.88	31.57	42.68	60.13
	8.0%	\$ 20.68	27.20	36.32	50.00	72.80
	7.5%	\$ 23.50	31.12	42.12	59.41	90.53

DCF Model - WACC									
In USD mn	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Discount Period				0	1	2	3	4	5
Sales	9349.0	16967.0	16319.0	21805.4	25850.4	29570.6	32620.9	35437.5	37991.7
Stated COGS	8540.0	10078.0	13234.0	17585.3	19906.1	21432.0	22192.5	22469.2	22241.1
Less: Content Amortization	5175.4	8436.4	8574.5	11742.8	13434.4	14549.1	15173.3	15467.2	15402.6
Adjusted Non-Content COGS	3364.6	1641.6	4659.5	5842.5	6471.6	6882.9	7019.2	7002.0	6838.5
Gross Profit	5984.4	15325.4	11659.5	15963.0	19378.7	22687.7	25601.7	28435.5	31153.2
SG&A	2116.0	3126.0	4435.0	5015.3	5428.6	5322.7	5871.8	6378.7	6838.5
EBITDA	3868.4	12199.4	7224.5	10947.7	13950.2	17365.0	19730.0	22056.7	24314.7
Depreciation & Amortization	325.0	260.0	329.0	436.1	517.0	591.4	652.4	708.7	759.8
Less: Content Amortization	5175.4	8436.4	8574.5	11742.8	13434.4	14549.1	15173.3	15467.2	15402.6
Other Operating Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	-982.0	4023.0	-1021.0	-359.0	1032.7	3407.3	5209.1	7298.3	9671.9
Income tax	-216.9	-1480.0	-10.8	-96.9	278.8	920.0	1406.4	1970.5	2611.4
NOPLAT	-765.1	5503.0	-1010.2	-262.1	753.9	2487.3	3802.6	5327.8	7060.5
FCF Adjustments									
Add: Content Amortization	5175.4	8436.4	8574.5	11742.8	13434.4	14549.1	15173.3	15467.2	15402.6
Less: Content Spend	5717.4	8039.4	12875.5	19867.8	20430.7	20220.8	19443.7	18349.2	16947.3
Depreciation & Amortization	325.0	260.0	329.0	436.1	517.0	591.4	652.4	708.7	759.8
Capex	-637.3	-947.3	-854.8	-1679.0	-1551.0	-1774.2	-1794.2	-1949.1	-2089.5
Change in Net Working Capital	-737.7	-151.9	524.1	970.6	100.5	639.1	-176.5	-390.3	-394.1
Free Cash Flow to the Firm (FCFF)	-881.7	5364.6	-6361.2	-10600.6	-7376.9	-5006.4	-1433.0	1595.7	4580.2
Discounted Cash Flow				-10600.6	-6776.1	-4224.1	-1110.6	1135.9	2995.0
Terminal Value (2027E)									80409.4

Enterprise Value	
Present Value of Projected FCF	#####
Terminal Value	
Terminal Year EBITDA	\$10,432
Exit Multiple	12.0x
Terminal Value	\$125,181.3
Discount Factor	0.65
Present Value of Terminal Value	\$81,857.6
% of Enterprise Value	129%
Enterprise Value	\$63,277.3
Perpetual Growth	3%
Implied Share Price	\$28.60

Implied Equity Value	
Enterprise Value	\$63,277.3
Less: Total Debt	\$58,313.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$15,962.0
Net Debt adjusted	-\$10,117.5
Implied Equity Value	\$53,159.9
Shares Outstanding	1808.0
Implied Share Price	\$29.40
Current share of Revenue	24%

In USD mn	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Produced Content/Media Revenue	47%	47%	40%	38%	39%	37%	49%	56%	52%	49%	46%	43%	40%
Amortization/Content Added	92%	99%	92%	96%	97%	102%	83%	75%	79%	83%	87%	91%	95%
In USD mn	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Licensed programming and rights		\$ 689	\$ 919	\$ 3,529	\$ 4,949	\$ 5,142	\$ 5,369	\$ 5,604	\$ 5,848	\$ 6,100	\$ 6,362	\$ 6,633	
Produced Content		\$ 594	\$ 771	\$ 2,188	\$ 3,090	\$ 7,734	\$ 14,499	\$ 14,827	\$ 14,373	\$ 13,344	\$ 11,987	\$ 10,314	
Spending Attributable to DTC		\$ 1,284	\$ 1,690	\$ 5,717	\$ 8,039	\$ 12,876	\$ 19,868	\$ 20,431	\$ 20,221	\$ 19,444	\$ 18,349	\$ 16,947	
Content Amortization for DTC				\$ 1,166.83	\$ 5,175.43	\$ 8,436.36	\$ 8,574.53	\$ 11,742.84	\$ 13,434.43	\$ 14,549.06	\$ 15,173.32	\$ 15,467.18	\$ 15,402.59

# Appendix: Parks DCF

## DCF Model - WACC

In USD mn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Discount Period						0	1	2	3	4	5
Sales	23024.0	24701.0	26225.0	17038.0	16552.0	22318.2	25791.8	27518.5	28504.8	29074.9	29656.4
COGS	12455.0	13326.0	14015.0	11485.0	10799.0	12275.0	14185.5	15135.2	15677.7	15991.2	16311.0
SG&A	2896.0	2930.0	3133.0	2642.0	2886.0	3347.7	3868.8	4127.8	3705.6	3779.7	3855.3
Depreciation & Amortization	2161.0	2327.0	2306.0	2437.0	2377.0	2231.8	2579.2	2751.9	2850.5	2907.5	2965.6
Gross Profit	5512.0	6118.0	6771.0	474.0	490.0	4463.6	5158.4	5503.7	6271.1	6396.5	6524.4
Other Operating Costs											
EBIT	5512.0	6118.0	6771.0	474.0	490.0	4463.6	5158.4	5503.7	6271.1	6396.5	6524.4
Income tax	1779.0	696.7	1495.6	-174.4	5.2	1205.2	1392.8	1486.0	1693.2	1727.1	1761.6
NOPLAT	3733.0	5421.3	5275.4	648.4	484.8	3258.5	3765.6	4017.7	4577.9	4669.4	4762.8
FCF Adjustments											
Depreciation & Amortization	2161.0	2327.0	2306.0	2437.0	2377.0	2231.8	2579.2	2751.9	2850.5	2907.5	2965.6
Capex	-1531.9	-1835.0	-1787.7	-951.3	-867.0	-1718.5	-1547.5	-1651.1	-1567.8	-1599.1	-1631.1
Change in Net Working Capital	-46.5	-344.0	-2069.3	-152.6	531.6	993.4	100.3	594.8	-154.3	-320.2	-307.6
Free Cash Flow to the Firm (FCFF)						2778.4	4697.0	4523.7	6014.8	6298.0	6405.0
Discounted Cash Flow						2778.4	4308.7	3806.6	4643.0	4459.7	4160.5
Terminal Value (2027E)											80741.2

Enterprise Value	
Present Value of Projected FCF	\$24,156.9
Terminal Value	
Terminal Year EBITDA	\$9,490
Exit Multiple	10.0x
Terminal Value	\$94,900.6
Discount Factor	0.65
Present Value of Terminal Value	\$61,644.8
% of Enterprise Value	72%
Enterprise Value	\$85,801.7

Perpetual Growth	1%
Implied Share Price	\$36.69

Implied Equity Value	
Enterprise Value	\$85,801.7
Less: Total Debt	\$58,313.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$15,962.0
Net Debt adjusted	-\$10,261.9
Implied Equity Value	\$75,539.7
Shares Outstanding	1808.0
Implied Share Price	\$41.78

Current share of Revenue 24%

# Appendix: Studios DCF

## DCF Model - WACC

In USD mn	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Discount Period						0	1	2	3	4	5
Sales		10065.0	11127.0	9636.0	7346.0	8080.6	8484.6	8569.5	8655.2	8741.7	8829.1
Add: Content Amortization		1750.5	1785.5	1821.2	1857.7	1894.8	1932.7	1971.4	2010.8	2051.0	2092.0
Adjusted COGS		2698.5	3401.5	5049.8	2678.3	2549.5	2733.8	2741.8	2316.8	2319.8	2322.5
Gross Profit		7366.5	7725.5	4586.2	4667.7	5531.1	5750.8	5827.6	6338.4	6421.9	6506.6
SG&A		2493.0	3119.0	2628.0	1963.0	2101.0	2206.0	2228.1	2250.3	2272.8	2295.6
EBITDA		4873.5	4606.5	1958.2	2704.7	3430.1	3544.8	3599.6	4088.0	4149.0	4211.0
Depreciation & Amortization		119.0	135.0	291.0	294.0	323.2	339.4	342.8	346.2	349.7	353.2
Less: Content Amortization		1750.5	1785.5	1821.2	1857.7	1894.8	1932.7	1971.4	2010.8	2051.0	2092.0
Other Operating Costs											
Adjusted EBIT		3004.0	2686.0	-154.0	553.0	1212.1	1272.7	1285.4	1731.0	1748.3	1765.8
Interest Expense		89	160	194	186	142	124	106	88	71	54
Income tax		342.1	593.3	56.7	5.8	327.3	343.6	347.1	467.4	472.1	476.8
NOPLAT		2572.6	1933.1	-404.7	360.8	742.5	804.9	832.2	1175.2	1205.3	1235.2
FCF Adjustments											
Depreciation & Amortization		119.0	135.0	291.0	294.0	323.2	339.4	342.8	346.2	349.7	353.2
Add: Content Amortization		1750.5	1785.5	1821.2	1857.7	1894.8	1932.7	1971.4	2010.8	2051.0	2092.0
Less: Content Spend		1682.6	1716.2	1750.5	1785.5	1821.2	1857.7	1894.8	1932.7	1971.4	2010.8
Capex		-747.7	-758.5	-538.0	-384.8	-622.2	-509.1	-514.2	-476.0	-480.8	-485.6
Change in Net Working Capital		-140.2	-878.0	-86.3	235.9	359.7	33.0	185.2	-46.8	-96.3	-91.6
Free Cash Flow to the Firm (FCFF)						157.5	677.2	552.1	1170.3	1250.1	1275.6
Discounted Cash Flow						157.5	621.3	464.6	903.4	885.2	828.6
Terminal Value (2027E)											18555.3

Enterprise Value	
Present Value of Projected FCF	\$3,860.5
Terminal Value	
Terminal Year EBITDA	\$2,119
Exit Multiple	40.0x
Terminal Value	\$84,759.7
Discount Factor	0.65
Present Value of Terminal Value	\$55,057.6
% of Enterprise Value	93%
Enterprise Value	\$58,918.0

Perpetual Growth	2%
Implied Share Price	\$6.28

Implied Equity Value	
Enterprise Value	\$58,918.0
Less: Total Debt	\$58,313.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$15,962.0
Net Debt adjusted	-\$4,554.4
Implied Equity Value	\$54,363.6
Shares Outstanding	1808.0
Implied Share Price	\$30.07

Current share of Revenue 11%



# Appendix: Linear Networks DCF

## DCF Model - WACC

In USD mn	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
Discount Period					0	1	2	3	4	5
Sales	21922	24827	28393	28093	28655	29228	29520	29815	30114	30415
Add: Content Amortization	9920	10118	10320	10527	10737	10952	11171	11395	11622	11855
Adjusted COGS	3277	5381	4989	6281	6456	6585	6541	6495	6446	7306
Gross Profit	18645	19446	23404	21812	22199	22643	22979	23321	23668	23108
SG&A	1899	2361	3330	3491	3152	2777	2804	2832	2861	2889
EBITDA	16746	17085	20074	18321	19047	19867	20175	20488	20807	20219
Depreciation & Amortization	199	191	262	168	172	175	177	179	181	182
Less: Content Amortization	9920	10118	10320	10527	10737	10952	11171	11395	11622	11855
Other Operating Costs										
Adjusted EBIT	6627	6776	9492	7626	8138	8739	8827	8915	9004	8182
Income tax	755	1497	-3492	80	2197	2360	2383	2407	2431	2209
NOPLAT	5872	5279	12984	7546	5941	6380	6443	6508	6573	5973
FCF Adjustments										
Depreciation & Amortization	199	191	262	168	172	175	177	179	181	182
Add: Content Amortization	9920	10118	10320	10527	10737	10952	11171	11395	11622	11855
Less: Content Spend	9920	10118	10320	10527	10737	10952	11171	11395	11622	11855
Capex	-1629	-1692	-1585	-1471	-2206	-1754	-1771	-1640	-1656	-1673
Change in Net Working Capital	-305	-1959	-254	902	1275	114	638	-161	-332	-315
Free Cash Flow to the Firm (FCFF)					2631	4688	4211	5208	5429	4798
Discounted Cash Flow					2631	4300	3544	4020	3844	3116
Terminal Value (2027E)										69789

Enterprise Value	
Present Value of Projected FCF	\$21,455.8
Terminal Value	
Terminal Year EBITDA	\$8,364
Exit Multiple	11.0x
Terminal Value	\$92,004.6
Discount Factor	0.65
Present Value of Terminal Value	\$59,763.6
% of Enterprise Value	74%
Enterprise Value	\$81,219.4

Perpetual Growth	2%
Implied Share Price	\$27.31

Implied Equity Value	
Enterprise Value	\$81,219.4
Less: Total Debt	\$58,313.0
Less: Preferred Securities	\$0.0
Less: Non-Controlling Interest	\$0.0
Plus: Cash & Equivalents	\$15,962.0
Net Debt adjusted	-\$17,417.2
Implied Equity Value	\$63,802.2
Shares Outstanding	1808.0
Implied Share Price	\$35.29

Current share of 41%



Disney is arguably one of the best entertainment companies in the world.

**Disney's strategically aligned business segments create hugely valuable synergies.**

Disney's broad **entertainment offerings provide a superior value proposition** than its competitors and is successfully capturing market share.

For these reasons we believe **Disney is best poised to find sustainable and meaningful success in the DTC market.**