NUS INVESTMENT SOCIETY

The Walt Disney Company ("DIS")

Overweight

Fixed Income Department – TMT

Date: 10th Dec 2021

Analysts

Tan Hui Ling	huiling.tan@u.nus.edu
Lin Xuanchang	lin.xuanchang@u.nus.edu
Matthew Brice	matthewbriceee@u.nus.edu

Basic Issuer Information

Issuer	The Walt Disney Company
Equity Ticker	DIS US
Corporate Ticker	DIS
Credit Rating (M/S/F)	A-
Country of Risk	Worldwide
Sector	Media & Entertainment

1Y Price

Company Description

The Walt Disney Company is a multinational entertainment and media conglomerate with presence in 45 countries. Its main business segments include media network, parks, experiences and products, studio entertainment, and direct to consumer business. It is recognised as one of the largest and most prominent media and entertainment company, offering products and services to people worldwide across demographics

Key Financials

(US$)	FY19A	FY20A	FY21E	FY22E
Revenue(mn)	69,607	65,338	86,605	105,852
Growth Rate (%)	2.0	-6.1	32.4	22.2
Gross Profit	27,546	21,508	25,981	33,873
Margin (%)	39.6	32.9	30.0	32.0
EBITDA (mn)	15,997	9,139	6,062	10,585
Margin (%)	23.0	14.0	7.0	10.0
Net Debt /EBITDA	2.04	3.83	5.58	2.59
Current Ratio	0.9	1.3	1.3	1.5

Key Executives

Robert A. Iger	Executive Chairman
Alan Bergman	Chairman
Bob Chapek	Chief Executive Officer
Alan F. Horn	Chief Creative Officer

Scripting the Next Chapter of Fairytale

Recommendations

We are initiating coverage of The Walt Disney Company (DIS US). We have given an issuer profile rating of "overweight" to DIS US's credit outlook. We will be focusing on Walt Disney 4.125% 01-DEC-2041 and Walt Disney Company 3.8% 13-MAY-2060, which are issuances of Walt Disney.

Recent Developments

- Disney and Comcast have struck a new multi-year carriage deal on 30 November which sees the renewal of their content carriage agreement. The agreement is expected to boost Disney's media network business segment and bring about considerable growth in affiliation revenue
- US Disney theme parks are gaining momentum in its track to faster recovery with several theme park locations in California and Florida appearing to have fully recovered in attendance as compared to the comparable c2019 periods. This is coupled with a spike in Disney parks' admission fee, leading to an astounding revenue growth in the recent quarter
- Susan Arnold will succeed Rober Iger as Chairman of the Board, with effective from December 31, 2021, amidst greater push for stronger corporate governance within the Company

Key Credit Considerations

Despite short-term deteriorating credit conditions due to the adverse economic environment in 2020, Disney is well-positioned to capture greater market growth in its 4 main business revenue segments following the re-opening of economies globally, spurring an improvement in Disney's credit strength. Besides, Diversified revenue drivers and wide geographical coverage will help further shield Disney from any external changes and fluctuations, should fears over the new potential variant or resurgence of COVID-19 loom.

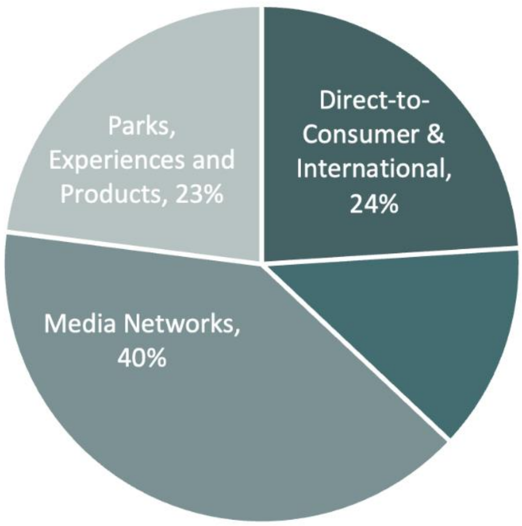
Credit Positives

- Good diversification in both revenue drivers and geographical coverage will help Disney mitigate impacts of the pandemic going forward
- Potential for faster revenue recovery in Disney's parks, products and experience business segment amidst brighter macroeconomic outlook
- Effective leverage on technology as a productivity solution, especially amidst the pandemic, will benefit Disney by reducing its overall operating costs, therefore potentially increasing its profit margin in the longer term

Credit Negatives

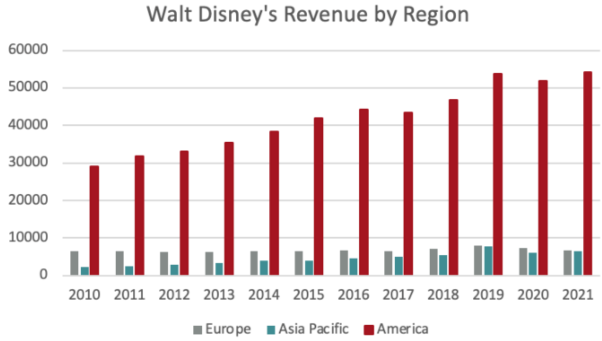
- Disney's direct to consumer business, which has been Disney's key strategic focus since the outbreak of COVID-19 has demonstrated retarding growth in the number of subscribers, potentially affecting Disney's revenue growth rate
- Uncertainty over Comcast-Disney's Hulu pact with ongoing arbitration over Hulu's valuation

Figure 1. Revenue by Business Segments



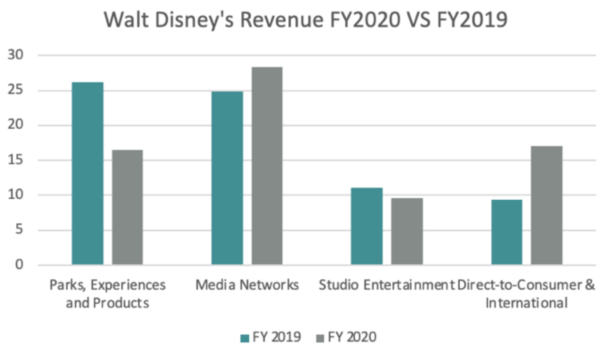
Source: Disney's Annual Report

Figure 2. Disney's Revenue by Region



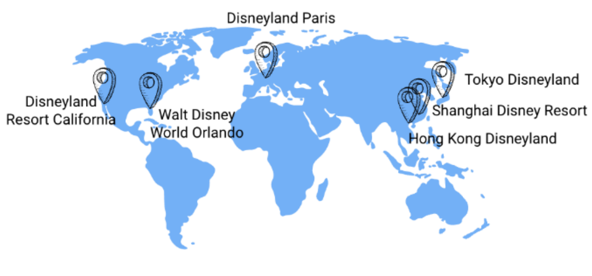
Source: Disney's Annual Report

Figure 3: Disney's Direct-To-Consumer Revenue Trend



Source: Statista

Figure 4. Disney's Theme Park Locations



Source: Disney's Investor Relation

Company Overview

Headquartered in California, The Walt Disney Company (Disney) is a multinational entertainment and media conglomerate with the mission to entertain, inform, and inspire people through its unrivalled power of storytelling, branding and innovation. Since its early inception in 1923, Disney has quickly expanded with its immense success in animation production and was listed in New York Stock Exchange in 1957. As of 4th December 2021, Disney has a market capitalization US$ 266 billion and is traded at US$ 146.22 per share.

Revenue by segments

Established first as a film production company, Disney has since diversified into a wide portfolio of businesses. Nowadays, Disney has 4 main revenue streams by segments, including media networks (40%), parks, experiences, and products (23%), studio entertainment (13%), and direct to consumer (DTC) business (24%), tapping on both its physical and virtual assets to generate profits. Disney's key revenue drivers comprise of affiliate fees and advertising revenues from Disney's media channels, subscription fees to its DTC streaming services, licensing and distribution of film and television properties, as well as earnings tied to its theme parks and related products. Robust business performance in each of its revenue driver during pre-COVID period has ensured sustained profit growth for Disney. The recent outbreak of COVID-19 has put a halt on parks, experiences, and products operations, leading to a 2.6 billion loss in revenue in 2020. In contrast, the DTC business has performed exceptionally well, as the revenue increases by 55% along the same time frame, offsetting the aforementioned loss incurred. Disney's diversified revenue streams and resilient performance in each segment despite the COVID-19 situation makes Disney irrefutably one of the leading companies in the entertainment and media industry.

Disney's target customers & global influence

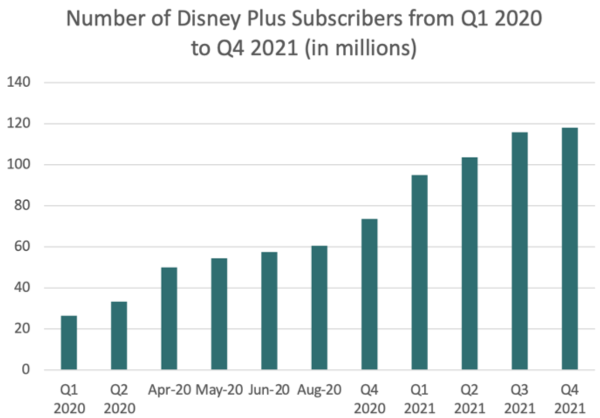
While Disney's businesses and brand personality appeals primarily to the younger demographics, especially generation Z, Disney caters to the needs of adults or the broader category of family as a whole with its integrated and extensive offerings. In addition to its large customer base is also Disney's universal appeal to customers transcending geographical boundaries. Recognizing its strength, Disney started its global expansion first in 1990s bringing its theme parks and iconic characters into Tokyo, France and Hong Kong. Such expansion further amplified Disney's influences in overseas market. As of today, Disney has opened a total of 12 Disney parks, covering Americas, Europe and Asia Pacific, with the most recent one opening in Shanghai. Synergizing with the opening of theme parks is the media networks and DTC businesses that popularized with the staggering progress of digitalization at a global scale. While majority of the revenue still comes from Americas, Disney's businesses in Europe and Asia Pacific have reaped a significant growth of 14% and 41% respectively in pre-COVID period. In 2020, Disney's revenue from Asia Pacific and Europe have collectively made up more than 20% of Disney's total revenue, indicating Disney's success in expansion and strengthening its global presence.

Recent Earning Review

In light of the COVID recovery and eased restrictions, Disney saw an astounding quarterly revenue growth of 99.4% in its Parks, Experiences and Products revenue segment, outperforming analysts' estimates. However, the discovery of Omicron variant recently has dampened Disney's outlook in this business segment.

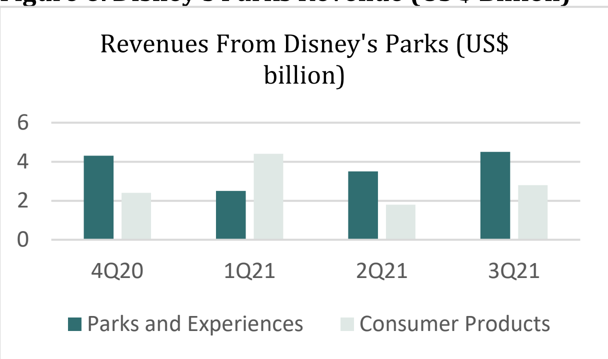
Disney's Direct-to-customers (DTC) segment has dampened in the recent quarter. Despite achieving a year-on-year growth of 60.2% in 2021 and reaching 118.1 million total subscribers, Disney only saw

Figure 5. Disney Plus Subscribers from Q1 2020 to Q4 2021 (in millions)



Source: Disney's Quarterly Report

Figure 6. Disney's Parks Revenue (US $ Billion)



Source: Disney's Quarterly Report

Figure 7: Disney's Major Shareholders

Major Shareholders	
The Vanguard Group, Inc	7.16%
BlackRock Fund Advisors	4.24%
SSgA Funds Management, Inc.	3.96%

Source: Bloomberg

Figure 8: Disney's Executive Leadership

Disney's Exeuctive Leadership	
Robert A. Iger	Executive Chairman and Chairman of the Board
Bob Chapek	Chief Executive Officer
Christine M. McCarthy	Chief Financial Officer, Senior Executive Vice President
Ronald L. Iden	Senior Vice President and Chief Security Officer
Alan Bergman	Chairman, Disney Studios Content
James Pitaro	Chairman, ESPN and Sports Content
Rebecca Campbell	Chairman, International Operations and Direct-to-Consumers

Source: Disney's Investor Relations Website

2.1 million additions to its total subscribers in the recent quarter much fewer than analysts' projections of 10.2 million. Nevertheless, Bob Chapek, the CEO of Disney, remains confident that Disney's streaming services would still hit the expected subscriber target of over 230 million in 10 years' time

In addition to the disappointing number of subscribers, Disney's average revenue per subscriber has also plummeted in the recent quarter, from US$ 4.52 to US$ 4.12, possibly due to low penetration price into Indonesian and Indian market.

Ownership & Management

Management of Disney

In 2020, Disney surprised the entertainment and media industry with the stepping down of its previous CEO Bob Iger, who has led Disney for more than a decade. Disney's current CEO Bob Chapek had 26 years of its career with Disney and is promoted from the Chairman of Disney's parks, experiences, and products. Under his guidance, Disney has successfully tided over the difficulties in COVID-19 period with a strategic shift in business focus from physical parks, experiences, and products to its streaming media. In November 2021, Bob Chapek also announced about company's decision to focus on the entirely new gambling industry for the studio. With a considerable rise in viewership on ESPN, Disney's subsidiary that offers streaming of sporting events, Bob Chapek has decided to expand into online sports betting. This not only creates an additional revenue stream for Disney, strengthening its resilience against external changes such as COVID pandemic, but helps Disney attract and retain its main target demographics, the younger population.

Bob Iger will also be stepping down as the Chairman of the Board of Directors in The Walt Disney Company, with Susan Arnold taking over him, effectively by the end of this year.

Shareholders of Disney

Aside from the executives of Disney, institutional investors hold majority of Disney's shares at about 65% total shares outstanding. The top three shareholder of Disney are Vanguard Group, Blackrock and State Street Corporation and hold 137.8 million. 114.6 million and 75 million of Disney's shares respectively, aggregating to nearly 20% of Disney's total shares outstanding

Subsidiaries of Disney

Given the sheer size of Disney, it has acquired an extensive map of subsidiaries to support its businesses. Some notable ones include 21st Century Fox, Capital Cities, ESPN, Marvel and Fox family. Acquisitions alike helps Disney further expand its reach in entertainment and media industry, catering to need and preferences of different customer profiles.

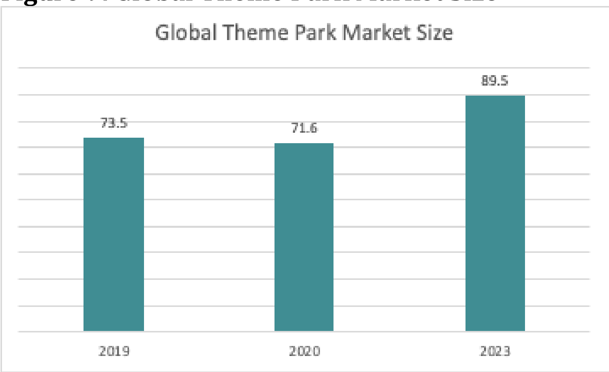
Industry Outlook

Significant migration to digital consumption due to COVID-19

As consumers stayed home and in-person venues shut down, the use of in-home digital services soared. In 2020, consumers' embrace of all things digital helped offset sharp revenue losses across the broader global media and entertainment sector. Since the 2020, there has been a 4.8% increase in the number of internet users worldwide and a 64% increase in digital adoption rate in the entertainment industry. This is a significant change in consumer behavior that is likely to stay sticky even during post-COVID period as the rapid migration to digital technologies driven by the pandemic will continue into the recovery.

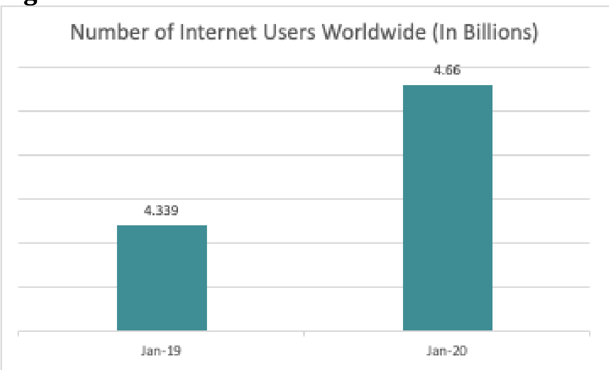
The COVID-19 pandemic has accelerated consumers' willingness to experiment with their entertainment options. The hard lines that

Figure 9: Global Theme Park Market Size



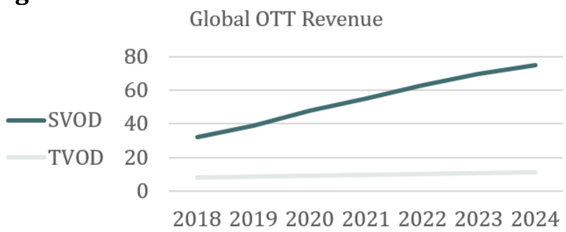
Source: YouGov UK

Figure 10: Number of Internet Users Worldwide



Source: Statista

Figure 11: Global OTT Revenue

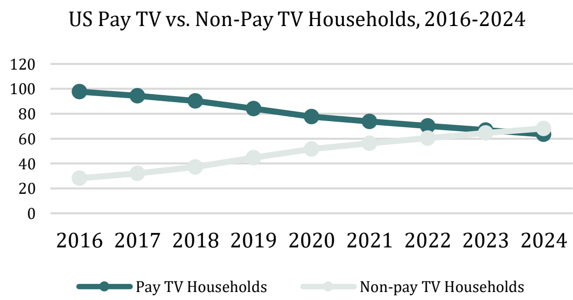


Source: Statista

Figure 12: Top Streaming Service Providers

Source: Disney's Investor Relations

Figure 13: US Cord-cutter Households, 2016 - 2024



Source: eMarketer

used to exist between content and distribution channels are increasingly blurring. The coevolution of entertainment and technology is helping fuel new service offerings and entertainment bundles for consumers – necessitating new strategies and agile approaches for companies and creators like Disney. Streaming providers like Disney are beginning to move past simply focusing on cost and content by becoming more nuanced in their customer engagement. To improve retention, they should address customers' challenges and preferences through content windowing, tiered pricing, tailored services, and social experiences.

Shift in traditional TV business model to video streaming

Fuelled by changes in consumer behaviours, we see a powerful shift in the media and entertainment business model geared towards the streaming boom. There is an astounding growth of 10.6% CAGR in the streaming sector, and such a shift in business model has led to an increase in competition for Disney.

The gradual consumer shift away from traditional linear video services towards streaming will have a dramatic effect on US pay-TV revenues by 2025. More than one-third of US broadband households are cord-cutters who previously subscribed to traditional pay-TV. Changing viewing patterns have accelerated the trend in cord-cutting over recent years. Pandemic has accelerated cord-cutting, making 2020 the worst-ever year for pay-TV. The cable, satellite and telecom TV industry is on track to lose the most subscribers ever, as over 6 million US households is estimated to cut the cord with pay TV, and the number will grow even further, reaching 46.6 million total cord-cutter households, or more than a third of all US households that no longer have pay TV by 2024.

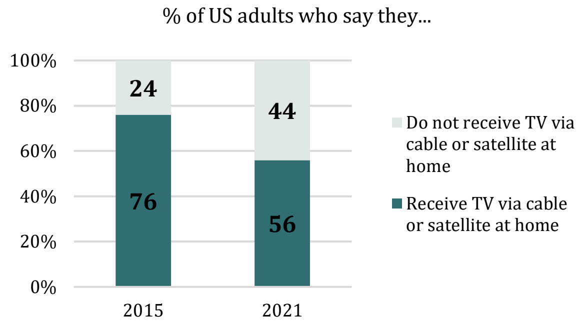
The cord-cutting phenomenon is due to the growing adoption of streaming services by an increasingly technological savvy generation of users. Cord-cutters are more active in consuming all types of over-the-top content and currently spend nearly twice as much monthly on over-the-top services than cord-never. No doubt, the pandemic has also pushed forward the cord-cutting movement's momentum as the health crisis contributed to a down economy and the loss of live sports during the early part of the pandemic. These trends may have also encouraged more consumers to cut the cord than would have otherwise. Global online content consumption has rapidly doubled since the pandemic, from an average of about 3 hours to 7 hours daily. Additionally, consumers are also choosing to cut the cord because of high prices, especially compared with streaming alternatives.

The decline of cable TV and the intensified competition within the streaming industry has also pressured media conglomerates in the cable TV industry to pivot and adopt to the new streaming industry. Disney is closing most of its 13 television channels in Southeast Asia and Hong Kong to grow its over-the-top streaming platform. Disney's streaming platform, Disney+, debuted in 2019 in the US, Canada, and the Netherlands, where it went on trial for two months. Two years on, Disney+ has a near-global footprint, launching in Singapore on Feb 23, with further plans mapped out for East Asia and Eastern Europe.

Distancing and hygiene measures required to continue attracting visitors

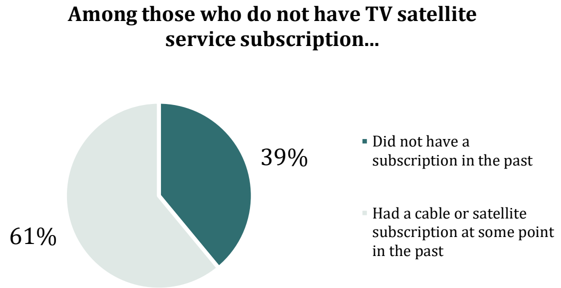
The outlook for the tourism sector remains highly uncertain as tourism continues to be one of the sectors hardest hit by the coronavirus pandemic. While international tourism is still struggling, more travel restrictions have been lifted as governments start to open their economies and establish vaccinated travel lanes between countries. On the other hand, most domestic tourism has restarted and is helping to mitigate the impact on jobs and

Figure 14: Percentage of TV cable subscribers and non-subscribers in the US



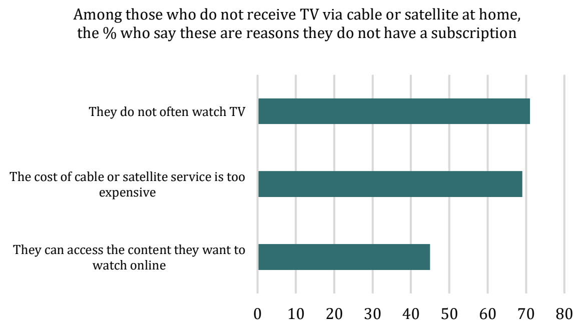
Source: Pew Research Center

Figure 15: % of cord-cutters among those who do not have TV satellite



Source: Pew Research Center

Figure 16: Availability of content online and cost as reasons for not subscribing to cable TV



Source: Pew Research Center

Figure 17: Disney's Table of Financial Ratios

Walt Disney's - Financial Ratios USD Million, Financial year end Sept 30th	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Profitability							
Gross Profit Margin	39.6%	32.9%	30.0%	32.0%	34.0%	36.0%	36.0%
EBIDTA Margin	23.0%	14.0%	7.0%	10.0%	13.0%	16.0%	17.0%
EBIT Margin	17.0%	5.8%	0.5%	4.4%	7.9%	11.0%	12.2%
Net Profit Margin	16.6%	-3.8%	-0.7%	2.7%	5.6%	8.2%	9.2%
ROE	12.3%	-2.8%	-0.7%	3.2%	7.2%	10.7%	12.1%
ROA	6.0%	-1.2%	-0.3%	1.3%	2.9%	4.4%	5.1%
Liquidity							
Current Ratio	0.9	1.3	1.3	1.5	1.7	1.8	2.0
Quick Ratio	0.8	1.3	1.3	1.4	1.5	1.7	1.9
Cash Ratio	0.2	0.2	0.7	0.6	0.7	0.8	0.9
Activity							
Total Asset Turnover	0.7	0.3	0.4	0.5	0.6	0.6	0.6
Fixed Asset Turnover	2.3	2.1	2.7	3.3	3.8	4.0	4.1
Inventory Turnover	45.8	40.5	43.2	35.1	29.0	27.0	27.5
Receivable Turnover	5.6	4.6	5.9	5.8	5.7	5.7	5.9
Payable Turnover	5.1	3.8	4.5	4.3	4.1	4.1	4.1
Working Capital Turnover	-32.7	24.2	8.9	7.1	5.2	4.1	3.4
Cash Conversion Cycle	1.6	-8.8	-11.5	-11.4	-11.7	-12.5	-13.0
Financial Leverage							
LT Debt to Equity	41%	60%	60%	59%	55%	51%	46%
LT Debt to Asset	20%	26%	25%	24%	22%	21%	19%
Interest Coverage	16.36	6.13	5.15	8.99	13.54	18.56	21.99
Net Debt to EBITDA	2.04	3.83	5.58	2.59	1.23	0.47	-0.07
DIO	8.0	9.0	8.4	10.4	12.6	13.5	13.3
DSO	65.1	78.7	61.5	63.0	64.6	64.0	62.3
DPO	71.4	96.5	81.4	84.8	88.9	90.0	88.6

Source: Analyst Estimates

Figure 18: Net Profit Margin

businesses in some destinations. However, real recovery will only be possible when broad-based international tourism returns, and this will require greater precautionary measures so that reopening of attractions such as Disney theme parks, can be done safely, sustainably, and more extensively.

The global amusement park grew at a compound annual growth rate (CAGR) of around 7% from 2014 to 2019. According to industry estimates, it is forecasted to decline from US$ 73.5 billion in 2019 to US$ 71.6 billion in 2022. The 2.7% decline can be attributed to the failure to contain the pandemic, as well as reduced consumer income and confidence around the world. The crux of the issue is that theme parks, whether big or small, is facing a tough time in the wake of the coronavirus pandemic. The theme parks industry is built on crowds and communal experiences, yet now, Disney and other owners of national and regional parks are trying to rewrite the playbook so that they can still be re-open amid the pandemic. However, we believe that there is hope on the horizon since an expected vaccine and revamped health and security measures are expected to lead to global growth of 9% in 2022.

Majority of the customers are keen to go back to the theme parks as soon as possible. Yet, unsurprisingly, majority of the customers would want some distancing measures to continue to be in place. There has been a drastic change in consumer demand because of COVID-19. Perception is going to be key for parks in gaining trust with parkgoers. Consumers need greater confidence in the safety of the products they procure, and visitors of attraction places require greater assurance in terms of the distancing and hygiene measures that are put in place. As such, it is paramount to implement common health and safety standards and protocols across industries within travel and tourism to ensure coherence and consistency through a collaborative and transparent risk-based approach supported by medical evidence. Disney theme parks may need to be revamped to incorporate more distancing and hygiene measures and even touchless technology to provide evidence-based solutions so that more restrictions can be safely lifted. As a result of this, additional cost may be expected by Disney to install greater distancing and hygiene measures to continue attracting visitors.

Financial Analysis

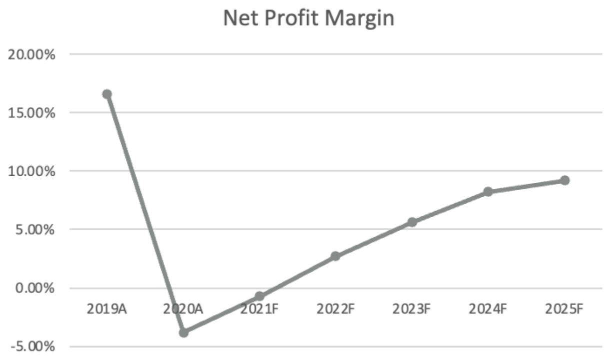
Overview

The financial chart above shows Disney's prospect of financial performance in the next five years, incorporating our assumption as reflected in our model (refer to Appendix for more details). Key ratios on Disney's profitability, liquidity and financial leverage position are computed to holistically evaluate Disney's financial performance.

The COVID-19 pandemic has hit Disney's revenue hard, as reflected by a fall in all the profitability ratios from 2019 to 2020. Most evidently, Disney's net profit margin in 2020 has turned negative from 16.6% in 2019 to -3.8% in 2020, indicating an operational loss. This could be attributed primarily to the closure of Disney's parks and resorts, which constitute a significant portion of Disney's revenue.

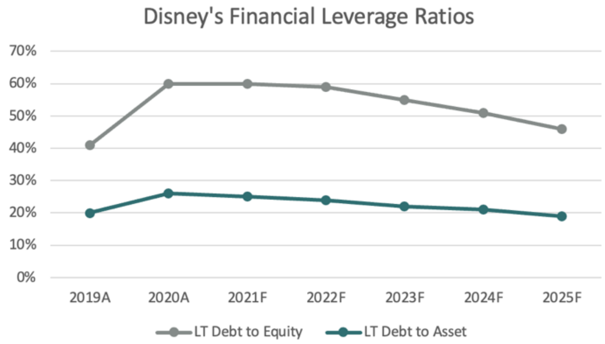
Aligning with the falling profitability is a significant increase in Disney's financial leverage position during COVID-19. Specifically, Disney's LT debt to asset and LT debt to equity has risen by 6% and 19% respectively, signalling Disney's effort in bolstering its financial position with issuance of borrowings.

Despite such hardship experienced by Disney with numerous COVID restrictions, Disney's performance outlook and financial position in the next five years remains robust thanks to Disney's dominant



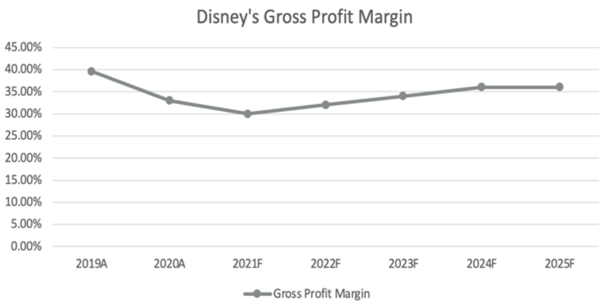
Source: Analyst Estimates

Figure 19: Disney's Financial Leverage Ratios



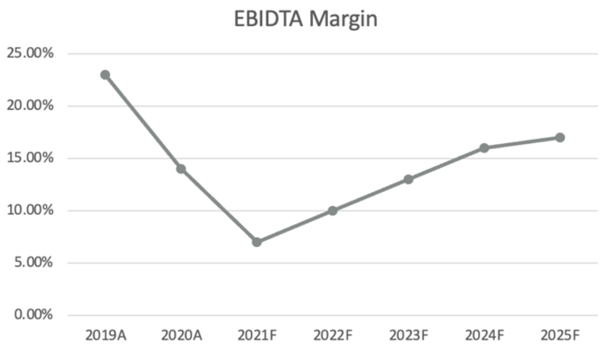
Source: Analyst Estimates

Figure 20: Disney's Gross Profit Margin



Source: Analyst Estimates

Figure 21: Disney's EBITDA Margin



Source: Analyst Estimates

position in the industry and successful shift in its business focus to streaming services.

Increasing profitability Metrics

Disney's profitability metrics are expected to rebound from 2020 onwards. Specifically, Disney's gross margin and EBITDA margin are expected to experience substantial growth, from 30% and 7% in 2021 to 36% and 16% in 2024 when COVID is expected to fully recover. Similarly, all other profitability metrics are projected to grow significantly across the same period. In terms of cost, Disney's operating cost is expected to fall as COVID recovers and COVID-related expense declines. In terms of revenue, Disney's revenue is likely to increase significantly. This is because as COVID restriction eases and Disney's resorts gradually reopen, revenue from Disney's Park, experiences and products segment are likely to quickly bounce back, and even grow more than proportionately due to pent up demand. Survey conducted has shown that more than 65% of the customers are keen to return to Disney's theme park as soon as possible, possibly because of Disney's brand and customer loyalty that has long been established. As a result of this, we would be expecting high growth in the number of visitors to Disney's theme park, providing a considerable amount of revenue to Disney. This is aligned with Disney's recent quarterly report, that bolstered a more than 99% revenue growth in Disney's Park, experiences, and products segment.

In addition, Disney's DTC services are also likely to experience high growth during the period. Despite being a new force to streaming services in 2018, Disney has already established a diverse portfolio of streaming companies, including Disney+, ESPN+, and Hulu, catering to wide demographics, making Disney a strong force in the streaming service market. Coupling with this is the miraculous growth of the streaming market due to increasing digital adoption during the COVID period. According to a report by Grand View Research, the video streaming market is expected to grow at a CAGR of more than 20% from 2020 to 2027. With Disney's brand identity and financial capability, they are likely to grow at a higher rate than the market, contributing to Disney's revenue growth.

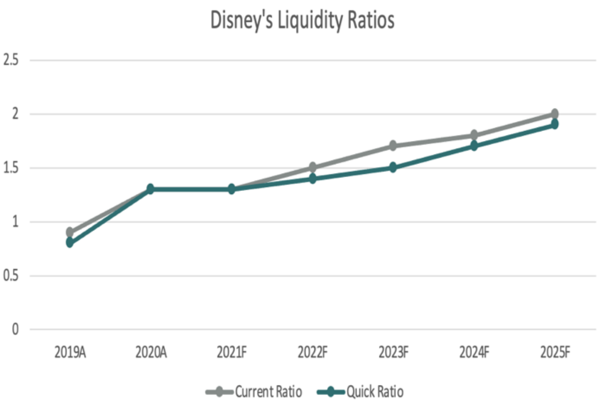
However, the growth in profitability ratio is likely to retard in 2025 as subscription to Disney's services become saturated, and its parks, experiences and products segment lose the momentum of high customer intake due to post-COVID pent up demand.

Increasing liquidity ratio and decreasing financial leverage

Disney's liquidity ratio is also projected to increase with COVID recovery. Specifically, Disney's current ratio and quick ratio are expected to increase from 1.3 to 2.0 and 1.9 respectively, indicating stronger capability to meet its short-term obligation. This could be the result of an increase in Disney's revenue and net income and therefore, cash position that allows Disney's to pay off any short-term debt easily.

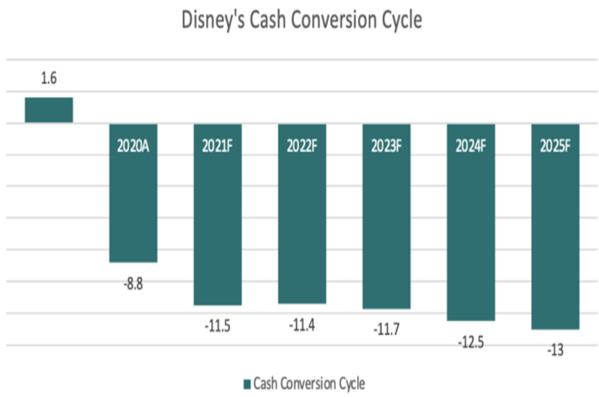
In addition, despite having a significant increase in financial leverage during COVID period to shield against net income loss, both Bloomberg and Forbes have indicated positive sign to Disney's post-COVID recovery. On that note, Disney is unlikely to require additional borrowings to boost its recovery. Therefore, Disney's financial leverage is expected to decline. Specifically, Disney's long-term debt to asset and long-term debt to equity ratio are expected to fall by 6% and 14% each from 2021 to 2025, suggesting that Disney will become less indebted and financially more robust in the next five years.

Figure 22: Disney's Liquidity Ratios



Source: Analyst Estimates

Figure 23: Disney's Cash Conversion Cycle

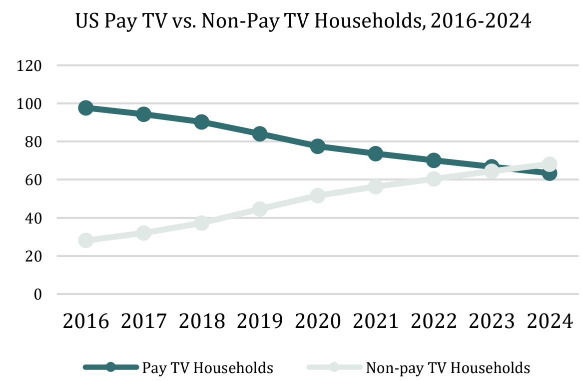


Source: Analyst Estimates

Figure 24: Disney's Cable Channels

Source: Fox TV

Figure 25: US Cord-cutter Households, 2016 - 2024



Source: eMarketer

Negative cash conversion cycle

Disney's cash conversion cycle is computed as the sum of days sales outstanding and days inventory outstanding less days payable outstanding. Shockingly, Disney has been consistently registering a negative cash flow cycle, highlighting that Disney is able to collect cash prior to paying out any for its purchases. This is not only the result of Disney's dominant market position in the media and entertainment industry but could also be explained by Disney's unique business model. Be it Disney' s parks and resort services or its media and streaming services, customers are required to pay upfront before taking up the services. For instance, customers would need to purchase ticket before entering Disney's Park or subscribe to Disney+ shall the customers want to enjoy the diverse array of movie selections for premium members. As such, Disney's receivable period is exceptionally short in comparison to its payable. This is also made possible with Disney's reputation and extraordinary services that secured customers' trust. Customers are confident and assured that they would enjoy Disney's products, and therefore would be willing to pay prior to actually receiving the services.

In addition, Disney's cash conversion cycle is expected to decrease further from -11.5 in 2021 to -13.0 in 2025. This could be attributed to stronger market presence and power as Disney recovers from the plaguing Covid situation, expands on its DTC services and further diversifies its revenue stream through venturing into the gambling market. Such an increase in Disney's negative cash conversion cycle substantially increases Disney's capability in generating cash. This strengthens Disney's financial power and reinforces its position as the industry leader in the next five years.

Recent Development

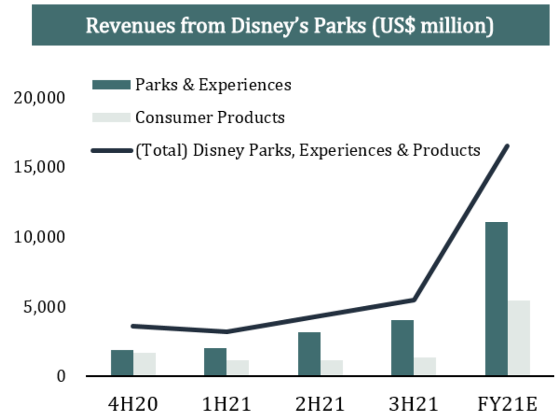
1. Renewal of Comcast-Disney deal promises multi-year content carriage bundle

Disney and Comcast have struck a new multi-year carriage deal on 30 November which sees the renewal of their content carriage agreement and will continue to make Disney's robust lineup of sports, news, kids, family, and general entertainment programming available to 31, 688 Xfinity TV customers. As part of the two media conglomerates' content carriage agreement renewal, Comcast will also distribute its ACC Network (ACCN) to its Xfinity customers, allowing fans and followers of the Atlantic Coast Conference to access the multiplatform network in the month of December. Comcast is the largest pay-TV operator in the US and in the world with 18.5 million video subscribers, so renewing its carriage agreement was critical for Disney. The multi-year agreement will see the continued distribution of Disney's cable channels, including the ESPN networks (E.g., ESPN+), the Disney branded channels (E.g., Disney+), the FX networks, and the National Geographic channels (Figure 24). With the ESPN suite of channels bringing in as much as US$ 10.50 in monthly affiliate fees per subscriber, total monthly fees per subscriber would be approximated at US$ 16.24. In sum, it would yield about US$ 3.6 billion in annual affiliate revenue from Comcast, which could reach US$ 3.8 billion after adding in retransmission fees for the ABC stations.

Typically, media companies generate about 50% of their revenue from affiliate fees and the rest from advertising. In Disney's case, it is a 70-30 split, which implies that total revenue exposure to Comcast is about US$ 5.4 billion, including advertisements.

Disney is heavily exposed to the TV bundle because of its ownership of ESPN, the main contributor to its US$ 18.6 billion in annual affiliate revenue. Though the linear-TV business is in strategic limbo (Figure 25), given the future lies in streaming, the old model remains lucrative and its stable cash flows have helped pay for

Figure 26: Revenue from Disney's Parks



Source: Factset

Figure 27: Disney's Park Ticket Comparison

Tier	Price per Single-Day Single-Park Ticket (As of 25 Oct)	Price per Single-Day Single-Park Ticket (Before 25 Oct)
1	$104	$104
2	$119	$114
3	$134	$124
4	$149	$139
5	$159	$154
6	$164	New

Source: CNBC

Figure 28: Susan Arnold as The Walt Disney's Newly Elected Chairman

Source: The Walt Disney Company

costly original streaming content. Disney face a tough balancing act because linear-TV's business is irreplaceable in the short-term, suggesting that the TV bundle will be around for a while. Cord-cutting has fuelled media consolidation, which gives massive media companies the ability to get subscribers directly. Presently, the frenzied pace of cord-cutting has seemed to cool, and it is expected by Bloomberg Intelligence that the ecosystem will settle at a subscriber loss rate of around 4.5% this year and hold somewhat steady in 2022. Over the longer term, it is projected that the ecosystem will reach almost 74 million subscribers by 2024, 20% lower than 2019.

2. Steady spike in Disney theme parks' attendance and prices

From an attendance perspective and based on recent data, US Disney theme parks are gaining momentum in its track to faster recovery with several theme park locations in California and Florida appearing to have fully recovered in attendance as compared to the comparable c2019 periods. Disney World (Orlando) is the exception and the largest of the three locations, which is still running at reduced capacity and likely feeling the absence of international travellers to a greater degree than other theme parks.

Theme parks in Florida saw their attendance up double-digits compared to prior week as COVID-19 cases remain flat. Disney World admissions increased 24% WoW in November. Park goers are tracking up 7% from the prior quarter's attendance, down 20% QTD versus F1Q20, and up 77% QTD versus 1Q21. The considerable 24% WoW increase is in line with historical seasonal trends, and we expect to see similar increases as the holiday season approaches. Long-time competitor of Disney World, Universal Orlando, also saw its attendance increased 43% from the prior week and is pacing 13% above QTD 4Q19 and 110% above QTD 4Q20.

In a similar vein, theme parks in California have also witnessed continued climb in admissions as COVID-19 cases fall double-digits. Disneyland admissions are pacing 24% above 4Q21 levels but are still down 25% from F1Q20. Long-time competitor, Universal Studios Hollywood, also continued its recovery, with attendance down 16% QTD from 4Q19.

In other news, with stronger attendance in its attraction parks, Disney has now raised the price of a single admission to its California theme parks on the busiest days by 6.5% to US$ 164, part of the company's shift to a system that ties admissions costs to demand. As part of the move, the slowest days will remain at US$ 104. Disneyland has created a tiered format for ticket prices in 2016, with weekend, summer, and holiday prices higher than other days. With the recent move, the company now has six tiers.

3. Greater emphasis on corporate governance management

Disney has elected Susan Arnold as Chairman of the Board (Figure 28), with effective from December 31, 2021. Arnold has served as independent lead director since 2018, and she will succeed Robert Iger when he leaves the company at the end of the year. The new appointment came at a time when big corporations are moving away from an organizational structure where the Chief Executive Officer and Chairperson roles are held by a single person following a push for corporate governance by shareholders and, in some cases, regulators to untangle the two roles.

The issue of the separation of the job of Chariman and the CEO has always been a controversial one at companies everywhere and especially at Disney, with Robert Iger taking on the two roles at one point in time. While Disney's board wants to let its CEO, Bob Chapek, run the company and make important decisions that he can, the installation of Arnold signals that this will be extra level of check and

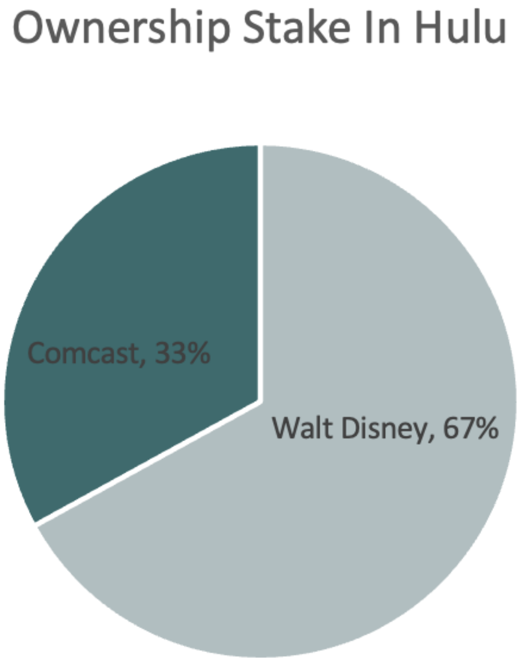
Figure 29: Disney's Acquisition of 21st Century Fox in 2019

Source: The Walt Disney Company

Figure 30: Disney Cruise Line Logo

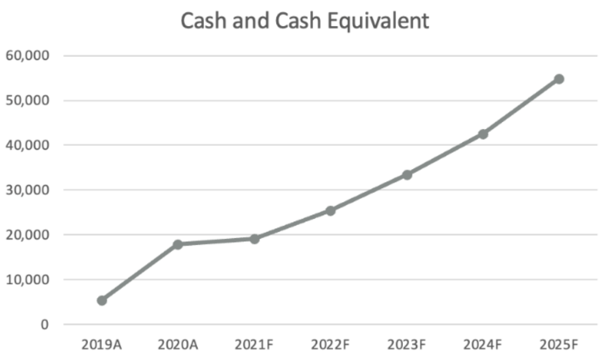
Source: Disney Cruise Line Website

Figure 31: Ownership Stake In Hulu



Source: Bloomberg

Figure 32: Disney's Cash and Cash Equivalent



Source: Analyst Estimates

balance, and Bob Chapek would not be able to operate with total autonomy in the way that previous CEOs have. We believe that Arnold's appointment not only serves as an outside oversight of the chief executive but more importantly, also as a leader who understands consumer business. With prior experiences in executive roles at Proctor and Gamble and McDonald's Corp, Disney is also sending a signal that it favors big consumer products brands and people who understands marketing and more importantly, its customers.

Arnold is an incredibly esteemed executive whose wealth of experience, unwavering integrity, and expert judgement have been invaluable to the Company since she first joined the Board in 2017. Arnold was formerly an operating executive of equity investment firm The Carlyle Group. She has also served in executive roles at Proctor and Gamble and McDonald's Corp.

Issuance Credit Analysis

Positives

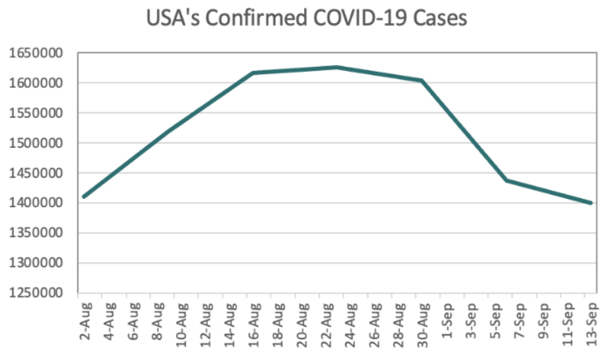
1. Good geographical diversification and diversified revenue drivers help Disney mitigate impact of the pandemic

Disney has 4 different revenue segments, namely media networks, direct-to-consumer and international products, parks, experiences, and products as well as studio entertainment. In addition, in each of its revenue segment, Disney is well-diversified, by controlling and having a stake in many of the brands in the media and entertainment industry. For Disney, 40% of its revenues comes from media networks, 24% comes from direct-to-consumer and international products, 23% comes from parks, experiences, and products, and 13% comes from studio entertainment. Under its media network, Disney owns both domestic cable networks and broadcasting services, while under its consumer products, it owns both licensing and retail services. In its parks, experiences, and products line, besides owning Walt Disney World, with theme parks in 12 countries, it also owns Disney Cruise Line, a cruise line operation that is a subsidiary of The Walt Disney Company.

As a massive corporate media empire, Disney owns ESPN, ABC, Lifetime, History, A&E and FX in its media networks segment alone. Marvel Studios and Lucasfilm are also both Disney-owned as well under its studio entertainment segment. In 2019, Disney acquired 21st Century Fox at US$ 71Bn in 2019 (Figure 29) and this gave Disney a 67% majority stake in Hulu. Disney's acquisition of Fox includes the likes of Fox Film carrying X-Men and Deadpool in Disney's portfolio placing Disney in a better position to take on Netflix and Amazon. Additionally, Disney's established revenue streams have high barriers of entries, which have built a strong branding across the names under them, making it difficult for new entrants or even some of its competitors to overtake Disney on many fronts.

Certainly, apart from its strong geographical diversification and diversified revenue drivers that help Disney to mitigate the impacts of the pandemic on its revenue streams, Disney also took it upon itself during the pandemic by significantly increasing its cash balance through the issuance of senior notes of US$ 1.0 billion in March 2020 and additional credit facility of US$ 5.0 billion in April 2020 with Citibank, in view of the peak of the COVID-19 situation. This strategic move helped Disney to bolster its liquidity without having significant impact on Disney's financial strength as the five-year credit agreement gave Disney access to fresh credit, should it be needed. Furthermore, even if the US$ 1.0 billion in debt offering increased Disney's leverage, it is rather insignificant compared to the total amount of US$ 58.27 billion debt that Disney has. To ensure strong cashflow, Disney suspended certain capital projects which saved US$ 463 million, did not issue any dividends in respect to fiscal year 2020, saving approximately US$ 1.6 billion, temporarily reduced management compensation, and eliminated Board of Directors retainers and committee fees. These efforts and measures in response to the pandemic have helped and will continue to help in ensuring the stability of Disney's cashflows and revenues going forward.

Figure 33: USA's Confirmed COVID-19 Cases



Source: World Health Organisation

Figure 34: Disney's Magic Bands

Source: Various Company Websites

Figure 35: My Disney Experience Application

Source: Apple Application Store

Figure 36: Disney's Play Disney Parks Application

Source: Apple Application Store

2. Potential for faster revenue recovery in Disney's theme parks amidst brighter macroeconomic outlook

While Disney's theme parks are still not operating at full capacity, and movie theatres have yet to regain pre-pandemic audience numbers, favourable seasonality in the final months of 2021 combined with the backdrop of an accelerated re-opening of global economies can potentially see faster revenue recovery in Disney's theme parks with the recent stable upward trend in theme park attendances. In its latest earnings call for the third quarter of 2021, Disney did not disclose what the current park capacities are, but Chapek has affirmed his bullish sentiments about the future of Disney's US theme parks. He revealed that Disney World's Hotel capacity is at 70% and that capacity increased over the course of third quarter. Previously, we believed that the general slowdown in attendance recovery prior to Labor Day was being driven by elevated new daily COVID-19 cases in United States as the Delta variant spreads. As the number of new cases appear to have reached a peak and is experiencing a persistent decline, we believe that attendance improvements are also beginning to be recognized by investors.

Furthermore, changes in Disney's pricing model for its theme parks also suggest that Disney is feeling comfortable about raising prices as the pandemic ebbs and consumers start to spend again. Disney is confident that higher-end consumers are more willing to spend freely and thus, the company has been using price increases, a new ride reservation system and other tools to help manage demand and maximize revenue. This moves closer to dynamic pricing designed to spread visitation throughout the weeks, months and year comes as California theme parks enjoy strong demand after reopening.

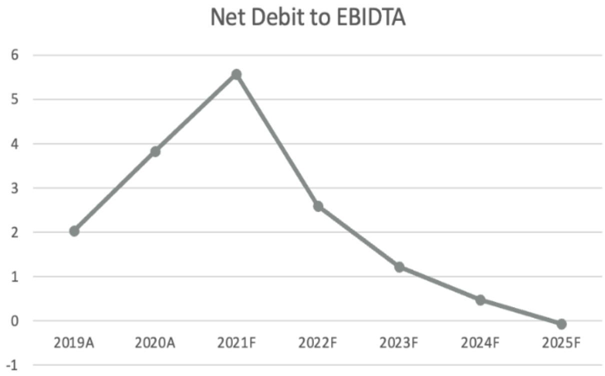
3. Effective leverage on technology as a productivity solution, especially amidst the pandemic

Because of Disney's earlier investments of technology into its daily operational processes, technologies that serve to enhance its operational efficiency have been more seamlessly integrated into the theme park operations and Disney theme parks are able to raise attendance capacity faster with the better enforcement of distancing and hygiene standards.

Disney's Magic Bands (Figure 34) are a good example of how that company has been able to integrate cashless pay and fast passes with technology. Disney also has an app called "My Disney Experience" just for its theme parks that guests can use to make reservations for rides, mobile order from restaurants and make purchases at gift shops. As mobile ordering becomes more ubiquitous, the need for cashier labour will be reduced. Fewer people will use cash and ticketing and ride reservations will be digitized. Additionally, employees who were responsible for physically counting the number of people in queues for rides or the restroom will be replaced with automatic counters. While initially motivated by COVID-19 hygiene standards and soon become a new norm, technology will start to replace all those things that people were doing. Moving forward, foreseeably, all touchpoints that are physical in nature will move to no- or low- touch transactions.

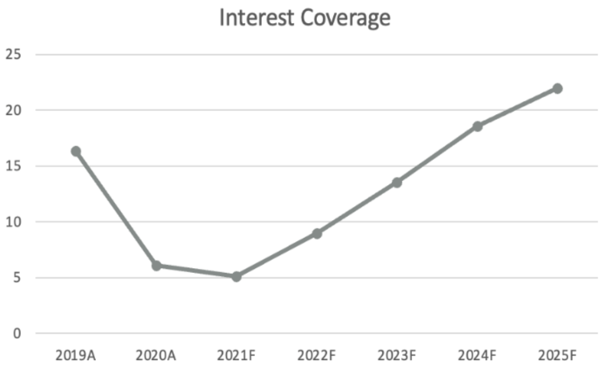
Besides the investments in IoT MagicBands to help improve operational efficiency, Disney theme parks are also expected to

Figure 37: Disney's Net Debt to EBITDA



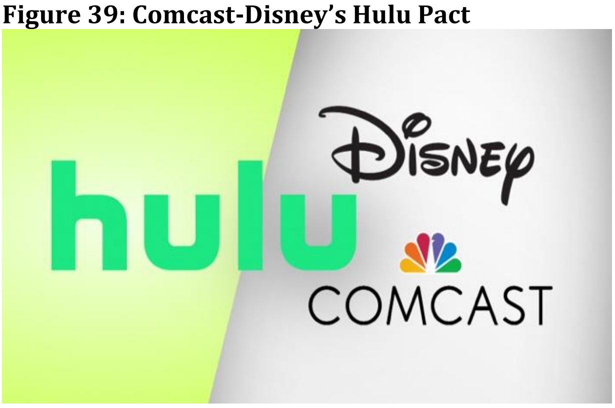
Source: Analyst Estimates

Figure 38: Disney's Interest Coverage



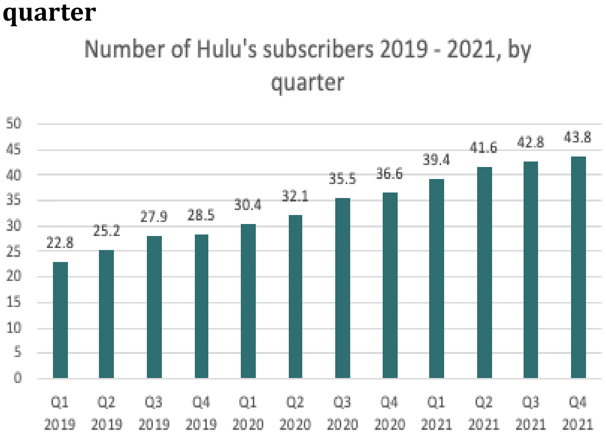
Source: Analyst Estimates

Figure 39: Comcast-Disney's Hulu Pact



Source: Various Company Website

Figure 40: Hulu's Subscribers 2019-2021, by quarter



Source: Walt Disney's Q4 2021 Results

continue investing in the development of mobile apps, a trend that has been building for several years. Although park apps are not new, increased investment in loyalty and engagement solutions such as waiting time at rides is expected to increase, boosting margin expansions as mobile app revenues are expected to reach $935 billion in 2023.

Such heavy investments into technology will enable the business to pivot towards a less manpower intensive, more efficient, more effective, and safer model. While initial CAPEX might be high, we believe that these investments would in turn translate to cost savings for Disney, supporting future improvements in profit margin.

Negatives

1. Businesses' significant exposure to economic cycle

Disney's businesses have significant exposure to the economic cycle and currently rely heavily on both cyclical advertising and discretionary spending as 11% of revenue comes from cyclical advertising and 32.04% comes from parks and resorts. With the uncertainty of the COVID-19 pandemic, Disney's revenues and leverage ratios can be even more negatively affected should the pandemic situation deteriorates. For example, Disney's parks and resorts businesses which depends heavily on consumer dependency of vacation travel, are the most influenced by macro-economic conditions and can have a significant impact on Disney's revenues. This could be seen when in FY2020, Disney's revenues saw a drop of 37% when all amusement parks had to be closed.

As a result, there has been a substantial increase in Net Debt-to-EBITDA ratio in recent years as it rose from 0.9x in 2018 to 5.2x in 2021 (Figure 37). The Net Debt-to-EBITDA ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant and the increase signifies an increase in the company's leverage. Meanwhile, there is also a drastic decrease in EBITDA / Interest expense in recent years – dropping from 48.1x in 2018 to 4.5x in 2021.

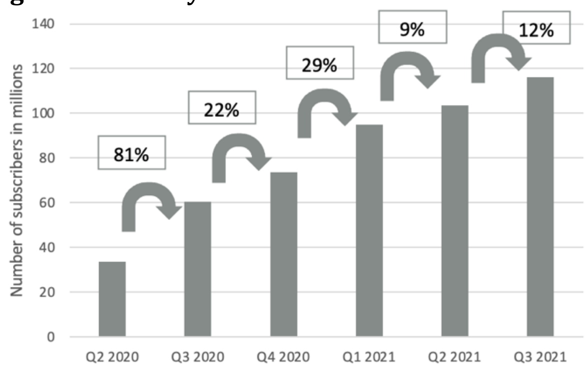
Disney's credit metrics may deteriorate further if the impact of COVID-19 and its variants last longer than expected. While the poor performance in its credit metrics post-2019 can be largely attributed to the impact that the pandemic had on multiple segments of the business, including theme parks and attractions, there is also no guarantee that the Company's operations would recover to pre-pandemic levels in FY2022, considering that new variants along the way may re-institute more lockdown measures and stricter safe-distancing measures which may deter visitors from going to theme parks, directly impacting the parks, experiences and products segment of the business.

1. Disney+ subscription rate slows down

Over the past three quarters, there has been a drop in the growth of subscribers for Disney's flagship streaming service Disney+. Disney reported reaching 118.1 million global subscribers with Disney+ about two years after its launched. However, as of the end of its fiscal third quarter in August this year, the number has dropped by 2.1 million. The dramatic slowdown fell short of Wall Street analysts' expectations, but it is not an unexpected one. Other channels under Disney, such as ESPN+, came in at 17.1 million subscribers, ahead of analysts' forecast. Hulu is at 43.8 million, including both the on-demand service and live TV package. While that number was an uptick from last quarter, it was still below Wall Street estimations.

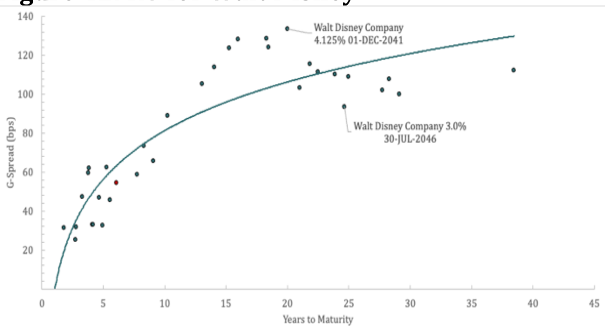
CEO Bob Chapek had signalled in September that subscriber growth for Disney+ would slow down, with subscriber gains in the low-single-digit millions, a decline from the more than 12 million added

Figure 41: Disney +’s Subscribers Growth Rate



Source: Statista

Figure 42: RV for Walt Disney



Source: Factset

in the prior quarter. This is, by far, the slowest increase to date. The slowdown in Disney+ subscription rate is not unexpected. Average revenue per customer on Disney+ also dropped from US$ 4.62 to US$ 4.16 in the current quarter as compared to the prior-year quarter. With majority of the countries’ reopening their economies and people start to head out to work, they will turn away from their online entertainment, leading to slower subscription growth and average revenue per customer. Furthermore, several other headwinds, including a pandemic-related shortage of new shows, an increasingly competitive streaming environment, the delay of Indian Premier League cricket games and difficulties rolling out in Latin America, have also caused the lag in the number of subscribers for Disney+. Price hikes and a lower mix of wholesale subscribers have helped offset the decline. Overall, the ongoing and projected slower growth for Disney+ is a concern going forward because it makes it harder for Disney+ to achieve the 230 million to 260 million paid subscribers promised by the company by the end of the 2024 fiscal year. Inevitably, this will have an impact on Disney’s future revenues, and therefore, its credit metrics.

2. Uncertainty over Comcast-Disney’s Hulu Pact

With Disney and NBC having their own streaming platforms, the Hulu joint venture between Comcast and Disney has somewhat complicated both companies’ strategic plans. Notably, it has hampered Comcast from having exclusive access to NBC content for Peacock, where subscriber growth seems to have recently plateaued, but that may change if Comcast considers ending its Hulu content licensing pact in 2022. Currently, with a 66% stake, Disney controls and eventually will fully own Hulu, an American streaming platform. Hulu had 43.8 million subscribers in October, with 4 million on its Live TV service and 39.7 million on its streaming platform. There have been reports that Comcast and Disney are in arbitration over Hulu’s valuation, which has been set by the two owners at a floor of US$ 27.5 billion. It is jointly owned by Disney and Comcast, which has the option to sell its 33% stake at a minimum $5.8 billion valuation in January 2024. Comcast could potentially receive more, depending on whether or how much Comcast invests in Hulu over the period. Disney has been expanding Hulu Internationally under the Star brand, which is a risk for Hulu’s valuation. However, we believe that it is unlikely that Comcast will use this opportunity to pre-emptively unwind its Hulu stake, given the forecast of Hulu’s continued growth as a bigger player in the entertainment landscape.

Issuance Analysis

Walt Disney’s Outstanding Bonds

Overweight bonds of 10-20 years’ time-to-maturity vs 1-10 & 20-30 years’ time to maturity

Walt Disney’s bonds that are between 1 to 10 years to maturity adhere closely to a consistent treasury yield curve and the spreads are tight. Whereas, the 10 to 20 years to maturity bonds and mostly above the treasury yield curve. On the flip side, bonds that have 20 to 30 years to maturity are below greatly below the treasury yield curve. This is very unusual because the norm for bonds that have a longer maturity period, will have a higher yield. However, in this case, the 20-30 years bonds to maturity are lower than that of the 10 to 20 years to maturity bonds

Overweight Walt Disney Company 4.125% 01-DEC-2041 VS Walt Disney Company 3.8% 13-MAY-2060

There is a price disparity between the above two bonds. Despite Walt Disney Company 3.8% 13-MAY-2060 being 38.56 years to maturity as compared to Walt Disney 4.125% 01-DEC-2041 which is 19.99 years to maturity. Considering that the issuance company for both bonds are the same, this means that the level of risk of each bond are the same too which is very unusual. Thus, we are taking a position of overweight Walt Disney Company 4.125% 01-DEC-2041 VS Walt Disney Company 3.8% 13-MAY-2060.

Disclaimer

Appendix:

Pro Forma Financial Statements (3FS)

Balance Sheet

Balanced Sheet								
Assets								
Cash and Cash Equivalenet	4,150	5,418	17,914	19,109	25,469	33,375	42,544	54,808
Receivable	9,334	15,481	12,708	16,455	20,112	23,306	24,590	27,424
Inventories	1,392	1,649	1,583	2,425	3,599	4,858	5,246	5,850
Licensed content costs and advances	1,314	4,597	2,171	4,244	6,478	8,905	11,366	12,676
Other current assets	635	979	875	866	1,059	1,227	1,366	1,524
Total Current Assets	**16,825**	**28,124**	**35,251**	**43,098**	**56,716**	**71,671**	**85,113**	**102,282**
Produced and licensed content costs	7,888	22,810	25,022	25,022	25,022	25,022	25,022	25,022
Investments	2,899	3,224	3,903	3,903	3,903	3,903	3,903	3,903
PP&E	29,540	31,603	32,078	31,663	32,078	33,122	35,875	39,177
Intangible assets, net	6,812	23,215	19,173	19,173	19,173	19,173	19,173	19,173
Other non-current assets	34,634	85,008	86,122	86,122	86,122	86,122	86,122	86,122
Total non-current assets	**81,773**	**165,860**	**166,298**	**165,883**	**166,298**	**167,342**	**170,095**	**173,397**
Total Assets	**98,598**	**193,984**	**201,549**	**208,981**	**223,014**	**239,012**	**255,208**	**275,678**
Liabilities								
Account payable and accrued liabilities	9,479	17,762	16,801	21,824	27,352	32,384	34,973	39,003
Current portion of borrowings/ Revolver	3,790	8,857	5,711	6,000	6,000	6,000	6,000	6,000
Deferred revenue and other	4,591	4,722	4,116	4,363	4,625	4,902	5,196	5,508
Total current liabilities	**17,860**	**31,341**	**26,628**	**32,187**	**37,977**	**43,286**	**46,169**	**50,511**
Borrowings	17,084	38,129	52,917	52,917	52,917	52,917	52,917	52,917
Deferred income taxes	3,109	7,902	7,288	9,527	11,644	13,493	15,027	16,759
Other long-term liabilities	6,590	13,760	17,204	17,321	21,170	24,533	27,323	30,471
Redeemable noncontrolling interest	1,123	8,963	9,249	9,249	9,249	9,249	9,249	9,249
Total non-current liabilities	**27,906**	**68,754**	**86,658**	**89,014**	**94,980**	**100,192**	**104,516**	**109,396**
Total Liabilities	**45,766**	**100,095**	**113,286**	**121,201**	**132,957**	**143,478**	**150,685**	**159,907**
Equity								
Common stock	36,779	53,907	54,497	54,497	54,497	54,497	54,497	54,497
Retained earnings	82,679	42,494	38,315	37,833	40,109	45,586	54,574	65,823
Other comprehensive loss	(3,097)	(6,617)	(8,322)	(8,322)	(8,322)	(8,322)	(8,322)	(8,322)
Treasury stock	(67,588)	(907)	(907)	(907)	(907)	(907)	(907)	(907)
Non-controlling interest	4,059	5,012	4,680	4,680	4,680	4,680	4,680	4,680
Total Equity	**52,832**	**93,889**	**88,263**	**87,781**	**90,057**	**95,534**	**104,522**	**115,771**
Total Liabilities and Equity	**98,598**	**193,984**	**201,549**	**208,981**	**223,014**	**239,012**	**255,208**	**275,678**
Balance check	0	0	0	0	0	0	0	0

Income Statement

Income Statement								
Revenue	59,434	69,607	65,388	86,605	105,852	122,665	136,613	152,355
Cost of sales	(32,726)	(42,061)	(43,880)	(60,623)	(71,979)	(80,959)	(87,433)	(97,507)
Gross Profit	**26,708**	**27,546**	**21,508**	**25,981**	**33,873**	**41,706**	**49,181**	**54,848**
Selling, general & administrative	(8,860)	(11,549)	(12,369)	(19,919)	(23,287)	(25,760)	(27,323)	(28,947)
Depreciation & Amortization	(3,011)	(4,167)	(5,345)	(5,611)	(5,937)	(6,316)	(6,810)	(7,363)
Operating profit (EBIT)	**14,837**	**11,830**	**3,794**	**451**	**4,648**	**9,631**	**15,048**	**18,538**
Interest expense, net	(574)	(978)	(1,491)	(1,178)	(1,178)	(1,178)	(1,178)	(1,178)
Other income, net	601	4,357	1,689	-	-	-	-	-
Other expense	(135)	(1,286)	(5,735)	-	-	-	-	-
Pretax profit	**14,729**	**13,923**	**(1,743)**	**(727)**	**3,470**	**8,453**	**13,870**	**17,360**
Taxes	(1,663)	(2,339)	(731)	124	(625)	(1,606)	(2,635)	(3,298)
Net income	**13,066**	**11,584**	**(2,474)**	**(603)**	**2,846**	**6,847**	**11,235**	**14,061**

Cash Flow

Cash flow statement					
Net Income	(603)	2,846	6,847	11,235	14,061
Depreciation & Amortization	5,611	5,937	6,316	6,810	7,363
Changes in working capital assets	(6,653)	(7,258)	(7,049)	(4,273)	(4,905)
Changes in working capital liabilities	5,270	5,789	5,309	2,884	4,342
Changes in deferred income tax	2,239	2,117	1,849	1,534	1,732
Changes in other non-current liabilities	117	3,849	3,363	2,790	3,148
Other changes from operating activities	0	0	0	0	0
Cash from operating activities	**5,981**	**13,281**	**16,635**	**20,980**	**25,740**
Changes in Capex	(5,196)	(6,351)	(7,360)	(9,563)	(10,665)
Other changes from investing activities	0	0	0	0	0
Cash from investing activities	**(5,196)**	**(6,351)**	**(7,360)**	**(9,563)**	**(10,665)**
Revolver	289	0	0	0	0
Dividends issued	121	(569)	(1,369)	(2,247)	(2,812)
Other changes from financing activities	0	0	0	0	0
Cash from financing activities	**410**	**(569)**	**(1,369)**	**(2,247)**	**(2,812)**
Net change in cash	**1,195**	**6,360**	**7,906**	**9,170**	**12,263**

Revenue Build

Revenue by Business Segment								
Media Networks	21,922	24,827	28,393	33,842	40,230	47,137	53,724	61,347
Parks Experiences and Products	24,701	26,225	16,502	18,566	21,428	22,982	24,592	26,307
Studio Entertainment	10,065	11,127	9,636	11,633	13,574	15,263	16,490	17,829
DTC Businesses	3,414	9,386	16,967	26,599	33,616	39,242	43,765	48,830
Eliminations	(668)	(1,958)	(6,110)	(4,034)	(2,996)	(1,958)	(1,958)	(1,958)
Total Revenue	**59,434**	**69,607**	**65,388**	**86,605**	**105,852**	**122,665**	**136,613**	**152,355**
% growth								
Media Networks								
Affliation fee	**11,907**	**13,433**	**15,018**	**16,820**	**19,007**	**21,668**	**24,701**	**28,159**
% change in Affiliation fee		13%	12%	12%	13%	14%	14%	14%
Advertising fee	**6,586**	**6,967**	**6,374**	**6,660**	**6,924**	**7,166**	**7,426**	**7,703**
% change in advertising fee		6%	-9%	4%	4%	4%	3%	3%
Advertising fees from cable networks	3,129	3,505	3,111	3,267	3,463	3,705	3,964	4,242
% change in advertising fees from cable networks		12%	-11%	5%	6%	7%	7%	7%
Advertising fees from broadcasting	3,457	3,462	3,263	3,394	3,461	3,461	3,461	3,461
% change in advertising fees from broadcasting		0%	-6%	4%	2%	0%	0%	0%
TV/SVOD distribution	**3,429**	**4,429**	**7,001**	**10,361**	**14,299**	**18,303**	**21,597**	**25,484**
% change in TV/SVOD distribution		29%	58%	48%	38%	28%	18%	18%
Parks, experiences and products								
Theme park admission fee	**7,183**	**7,540**	**4,038**	**4,575**	**5,419**	**5,804**	**6,216**	**6,657**
% change in theme park admission		5%	-46%	13%	18%	7%	7%	7%
Parks attendence	64	66	33	37	42	44	47	49
& change in parks attendence	4%	-2%	-49%	10%	15%	5%	5%	5%
Theme park admission fee in dollars	112	115	121	124	128	131	133	136
% change in park's admission fee		3%	5%	3%	3%	2%	2%	2%
Parks & Experiences merchandise, food and beverage	**5,674**	**5,963**	**3,441**	**3,899**	**4,618**	**4,946**	**5,297**	**5,673**
% change in merchandise, food and beverage		5%	-42%	13%	18%	7%	7%	7%
Parks attendence	64	66	33	37	42	44	47	49
% change in parks attendence	4%	-2%	-49%	10%	15%	5%	5%	5%
Average spending on merchandise food and beverage in dollars	88	91	103	106	109	111	114	116
% change in merchandise food and beverage		3%	13%	3%	3%	2%	2%	2%
Merchandise licensing and retail	**4,249**	**4,519**	**4,185**	**4,436**	**4,658**	**4,844**	**4,990**	**5,139**
% change in merchandise licensing and retail		6%	-7%	6%	5%	4%	3%	3%
Parks licensing & others	**1,657**	**1,937**	**1,436**	**1,651**	**1,883**	**2,127**	**2,383**	**2,645**
% change in parks licensing & others		17%	-26%	15%	14%	13%	12%	11%
Resorts & vacation	**5,938**	**6,266**	**3,402**	**4,005**	**4,850**	**5,261**	**5,707**	**6,193**
Hotels occupency	87%	88%	41%	45%	52%	54%	57%	60%
% change in hotel occupency		1%	-53%	10%	15%	5%	5%	5%
Available Room nights (in thousand)	13,224	13,212	14,321	14,321	14,321	14,321	14,321	14,321
% change in available room nights		0%	8%	0%	0%	0%	0%	0%
Room used	11,505	11,627	5,872	6,459	7,428	7,799	8,189	8,598
% change in room used		1%	-49%	10%	15%	5%	5%	5%
per room guest spending (in dollars)	338	348	356	363	370	378	385	393
% change in per room guest spending		3%	2%	2%	2%	2%	2%	2%
per room guest spending on non hotel related services	178	191	223	257	283	297	312	327
		7%	17%	15%	10%	5%	5%	5%
Studio Entertainment								
Theatrical distribution	**4,303**	**4,726**	**2,134**	**2,561**	**2,945**	**3,239**	**3,401**	**3,571**
% change in theatrical distribution		10%	-55%	20%	15%	10%	5%	5%
Home Entertainment	**1,647**	**1,734**	**1,528**	**1,604**	**1,669**	**1,719**	**1,753**	**1,788**
% change in home entertainment		5%	-12%	5%	4%	3%	2%	2%
TV/SVOD Distribution	**4,115**	**4,667**	**5,974**	**7,468**	**8,961**	**10,305**	**11,336**	**12,469**
% change in TV/SVOD distribution		13%	28%	25%	20%	15%	10%	10%
DTC								
DTC revenue		**9,386**	**16,967**	**26,599**	**33,616**	**39,242**	**43,765**	**48,830**
% change in subscription fee			81%	57%	26%	17%	12%	12%
Disney +			**4,245**	**5,572**	**7,020**	**8,477**	**9,791**	**11,309**
% change in revenue from Disney +								
Average annual revenue per subscriber (in dollars)			4.8	5.0	5.3	5.6	5.8	6.1
% change in average annual revenue per subscriber				5%	5%	5%	5%	5%
Number of subscriber			73.7	92	111	127	140	154
% change in number of subscribers				25%	20%	15%	10%	10%
ESPN+		**215**	**538**	**706**	**889**	**1,074**	**1,240**	**1,432**
% change in revenue from ESPN+								
Average Monthly revenue per subscriber (in dollars)		5.12	4.35	4.57	4.80	5.04	5.29	5.55
% change in average annual revenue per subscriber			-15%	5%	5%	5%	5%	5%
Number of subscribers		3.50	10.30	12.9	15.45	17.77	19.54	21.50
			194%	25%	20%	15%	10%	10%
Hulu		**9,171**	**12,184**	**20,321**	**25,706**	**29,691**	**32,734**	**36,089**
% change in revenue from Hulu			33%					
Average monthly revenue per subscriber (in dollars)		55.98	67.24	77	85	89	94	98
% change in average annual revenue per subscriber			20%	15%	10%	5%	5%	5%
Number of subscribers		28.5	36.6	43.8	50	55	58	61
% change in number of subscribers			28%	20%	15%	10%	5%	5%
Effective Month counted		6	5	6	6	6	6	6

Supporting Schedules

Revenue								
Total Revenue	59,434	69,607	65,388	86,605	105,852	122,665	136,613	152,355
% growth		2.0%	-6.1%	32.4%	22.2%	15.9%	11.4%	11.5%

Cost								
Cost of sales	(32,726)	(42,061)	(43,880)	(60,623)	(71,979)	(80,959)	(87,433)	(97,507)
Cost of sales as % of revenue	55%	60%	67%	70%	68%	66%	64%	64%
Selling, general & administrative	(8,860)	(11,549)	(12,369)	(19,919)	(23,287)	(25,760)	(27,323)	(28,947)
SG&A as % of revenue	15%	17%	19%	23%	22%	21%	20%	19%
Income Tax expense	(1,663)	(2,339)	(731)	124	(625)	(1,606)	(2,635)	(3,298)
Income Tax expense as % of pretax income	11%	17%	42%	17%	18%	19%	19%	19%

Balanced sheet items								
Receivable	9,334	15,481	12,708	16,455	20,112	23,306	24,590	27,424
Receivable as % of revenue		22%	19%	19%	19%	19%	18%	18%
Inventories	1,392	1,649	1,583	2,425	3,599	4,858	5,246	5,850
Inventories as % of COGS		4%	4%	4%	5%	6%	6%	6%
Licensed content costs and advances	1,314	4,597	2,171	4,244	6,478	8,905	11,366	12,676
Licensed content costs and advances as % of COGS		11%	5%	7%	9%	11%	13%	13%
Other current assets	635	979	875	866	1,059	1,227	1,366	1,524
Other current assets as % of revenue		1%	1%	1%	1%	1%	1%	1%
Account payable and accrued liabilities	9,479	17,762	16,801	21,824	27,352	32,384	34,973	39,003
Account payable and accrued liabilities as % of COGS		42%	38%	36%	38%	40%	40%	40%
Deferred revenue and other	4,591	4,722	4,116	4,363	4,625	4,902	5,196	5,508
as % of revenue		7%	6%	6%	6%	6%	6%	6%
Deferred income taxes	3,109	7,902	7,288	9,527	11,644	13,493	15,027	16,759
Deferred tax as % of revenue		11%	11%	11%	11%	11%	11%	11%
Other long-term liabilities	6,590	13,760	17,204	17,321	21,170	24,533	27,323	30,471
Other long-term liabilities as % of revenue		20%	26%	20%	20%	20%	20%	20%

PPE Schedule								
Plus: Capital Expenditure		4,876	4,022	5,196	6,351	7,360	9,563	10,665
Capex as % of revenue		7%	6%	6%	6%	6%	7%	7%
Accumulated Depreciation		(32,415)	(35,517)	(41,128)	(47,065)	(53,381)	(60,191)	(67,554)
PPE								
Attractions building and equipment	55,238	58,589	62,111	66,892	72,671	79,295	87,806	97,191
Projects in progress	3,942	4,264	4,449	4,813	5,321	5,983	6,940	8,113
Land	1,124	1,165	1,035	1,087	1,150	1,224	1,320	1,426
Total PPE	**60,304**	**64,018**	**67,595**	**72,791**	**79,142**	**86,502**	**96,065**	**106,730**
Acquisition								
Attractions building and equipment		3,351	3,522	4,781	5,780	6,624	8,511	9,385
Projects in progress		322	185	364	508	662	956	1,173
Land		41	(130)	52	64	74	96	107
Total Capex		**3,714**	**3,577**	**5,196**	**6,351**	**7,360**	**9,563**	**10,665**
Acquisition as % of CAPEX				Acquisition % used				
Attractions building and equipment		90%	95%	92%	91%	90%	89%	88%
Projects in progress		9%	5%	7%	8%	9%	10%	11%
Land		1%	-4%	1%	1%	1%	1%	1%
Depreciation expense								
Attractions building and equipment				239	289	331	426	469
Projects in progress				24	34	44	64	78
Land				3	3	4	5	5
Addition to depreciation				266	326	379	494	553
Total depreciation			**(5,345)**	**(5,611)**	**(5,937)**	**(6,316)**	**(6,810)**	**(7,363)**
Useful lives								
Attractions building and equipment	20							
Projects in progress	15							
Land	20							

Revolver								
Cash beginning				17,914	19,109	25,469	33,375	42,544
Minimum cash balance				(500)	(500)	(500)	(500)	(500)
free cash flow during the period				906	6,360	7,906	9,170	12,263
Cash available				**18,320**	**24,969**	**32,875**	**42,044**	**54,308**
Revolver								
Beginning				5,711	6,000	6,000	6,000	6,000
Draw/paydown				(5,711)	(6,000)	(6,000)	(6,000)	(6,000)
Discretionary borrowing/paydown				6,000	6,000	6,000	6,000	6,000
Ending		**8,857**	**5,711**	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**

Interest expense								
Revolver				6,000	6,000	6,000	6,000	6,000
Interest rate				2%	2%	2%	2%	2%
Interest expense				**(120)**	**(120)**	**(120)**	**(120)**	**(120)**
Borrowings				52,917	52,917	52,917	52,917	52,917
interest rate				2%	2%	2%	2%	2%
Interest expense				**(1,058)**	**(1,058)**	**(1,058)**	**(1,058)**	**(1,058)**
Total interest expense				(1,178)	(1,178)	(1,178)	(1,178)	(1,178)

Retained earning								
Beginning				38,315	37,833	40,109	45,586	54,574
Add Net income	13,066	11,584	(2,474)	(603)	2,846	6,847	11,235	14,061
Less Dividends	(2,913)	(1,596)	(495)	121	(569)	(1,369)	(2,247)	(2,812)
Ending	**82,679**	**42,494**	**38,315**	**37,833**	**40,109**	**45,586**	**54,574**	**65,823**
Dividend as % of net income	22%	14%	20%	20%	20%	20%	20%	20%