Ticker: DIS  Recommendation: Buy
Current Price: $106.44  Price Target: $121
TruValue: 69

Trading Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 Week Price Range</td>
<td>$76.31-$106.64</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>$180.8 billion</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.12%</td>
</tr>
<tr>
<td>Avg. Daily Volume (3M)</td>
<td>6.9 million</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>19.1</td>
</tr>
<tr>
<td>Beta</td>
<td>1.11</td>
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<tr>
<td>Shares Outstanding</td>
<td>1.74 billion</td>
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Investment Thesis

- Strong continuation of revenue from media & parks
- Increase in revenue from Marvel & Lucas Films
- By offering streaming services, can bypass cable companies and retain more revenue

Business Overview

Brief history of the company
- Founded in 1923 and in Burbank
- Started as cartoon company but expanded into a mass media conglomerate

Explain how the company makes money
- Produces cartoons & family movies
- Owns several prominent cable channels, particularly ABC & ESPN
- Diversified in revenue: 21.15% from media networks, 15.1% from parks, 7.28 from studio entertainment

Leadership / Governance 76.2
Innovation 70.2
Environment 66.9
Social Impact 69.2
Work Place 65.9
Economic Sustainability 76.1
Overall 69
Management and Employee Relations
CEO and other executives deemed important
- CEO: Bob Iger
- Executive since 2000, CEO since 2005
- Acquired Pixar, Marvel, Lucas Film

Management Guidance
Been able to continue revenue growth and strong cash flow while acquiring companies to add to their portfolio.

Recent News
Announced a series of live-action films based off of historic cartoons (like Cinderella), numerous continuations of Marvel films, new Star Wars Episode as well as Frozen 2.

Macro Factors
Appreciation of dollar hurting overseas revenue. Disney is a global brand with movies and parks being strong revenue generators overseas. However, with 21% coming from US media, company won’t be hurt like others.

Competition
CTC Media
Twenty First Century Fox
Liongate
- stand out due to strong brand recognition and media portfolio

Portfolio Allocation
Where does this fit in our portfolio?
- Large Cap
- Growth
- Domestic Equity
- Consumer Services

Sales Growth Rate:
- 2013: 6.54%
- 2014: 8.37%
- est. 2015: 9%
- est. 2016: 8%
- est. 2017: 7%
- est. 2018: 5%

What factors have led you to this conclusion?
- Slow revenue growth despite sizeable acquisitions.
- Room to continue to expand growth, although without new acquisitions, should taper off in later years.

Free Cash Flow:
- 2015: 27,063
- 2016: 38,971
- 2017: 41,699
- 2018: 43,784
- 2019: 45,973

WAAC Calculation:

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<tbody>
<tr>
<td>Risk Free Rate</td>
<td>1%</td>
</tr>
<tr>
<td>Beta</td>
<td>1.5</td>
</tr>
<tr>
<td>Market Risk Premium</td>
<td>11%</td>
</tr>
<tr>
<td>Cost of Equity</td>
<td>17.5%</td>
</tr>
<tr>
<td>After-Tax Cost of Debt</td>
<td>3.25%</td>
</tr>
<tr>
<td>Target Debt to Assets Ratio</td>
<td>20%</td>
</tr>
<tr>
<td>Weighted Average Cost of Capital</td>
<td>14.65%</td>
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</tbody>
</table>

Valuation:

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<tr>
<td>Enterprise Value</td>
<td>$305.1 billion</td>
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<tr>
<td>Add Cash</td>
<td>$3.4 billion</td>
</tr>
<tr>
<td>Firm Value</td>
<td>$308.5 billion</td>
</tr>
<tr>
<td>Subtract Debt</td>
<td>$95.7 billion</td>
</tr>
<tr>
<td>Equity Value</td>
<td>$212.8 billion</td>
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<tr>
<td>Number of Shares</td>
<td>1.76 billion</td>
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<tr>
<td>Per-Share Equity Value</td>
<td>$121</td>
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Recommendation:
Disney is a valuable investment due to the constant dividend payment, the continuation growth of their Marvel film franchises, the newly announced live-action films (such as Cinderella, and a second Alice in Wonderland film), and the incoming Star Wars movies. Their revenue from cable networks should continue to grow, and they could keep more revenue by launching their own streaming service, ala HBO. This is a strong long term buy.