RELATIVES VALUATION OF THE WALT DISNEY COMPANY

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ABSTRACT

This thematic paper demonstrated how to value the stock price of Walt Disney which applied the concept of the multiple valuation models. applied multiples valuation method to express the valuation of the company's stock price. I calculated 3 ratios which composed of P/E, P/BV, and EV/EBITDA which are calculated based on our projected financial statement and assumptions. As the result, the intrinsic value of DIS stock is USD 92.15, which is slightly undervalued when compare to the current price as of February 5, 2017 at USD 98.5. Hold position for DIS's stock price is recommended.

KEY WORDS: DIS/Studio Entertainment/ Media Network/ Theme Park and Resort/Consumer Products/ Relative Valuation

41 pages

CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AP	Account Payable
AR	Account Receivable
BS	Balance Sheet
BV	Book Value
CBS	CBS corporation
CMCSA	Comcast Corporation
DCF	Discounted Cash Flow
DIS	Walt Disney Ticker
EBIT	Earnings before interests and taxes
EBITDA	Earnings before interest, taxes, depreciation, and Amortization
EBT	Earnings before taxes
EPS	Earnings per share
EV	Enterprise Value
FOXA	21st Century Fox
GDP	Gross Domestic Product
IS	Income Statement
NBA	National Basketball Association
NBC	National Broadcasting Company
NYSE	New York Stock Exchange
PL	Profit and Loss statement
ROA	Return on Equity
ROE	Return on Equity
SG&A	Selling, General and Admin expenses
TWX	Time Warner Inc.
US	United States of America

CHAPTER I

VALUATION

1.1 Highlight

Date: Feb 5, 2017

Ticker: NYSE: DIS **Recommendation: Hold**
Price: USD 98.50 **Price Target: USD 92.15**

Table 1.1: DIS Financial Summary

	2014A	2015A	2016E	2017E
Sales ($mn)	$48,813	$52,465	$56,185	$59,118
Net Income ($mn)	$7,501	$8,382	$9,235	$9,647
Profit Margin ($mn)	15.37%	15.98%	16.44%	16.32%
EPS	$4.41	$5.24	$5.77	$6.03
ROE	16.7%	18.8%	18.2%	16.8%

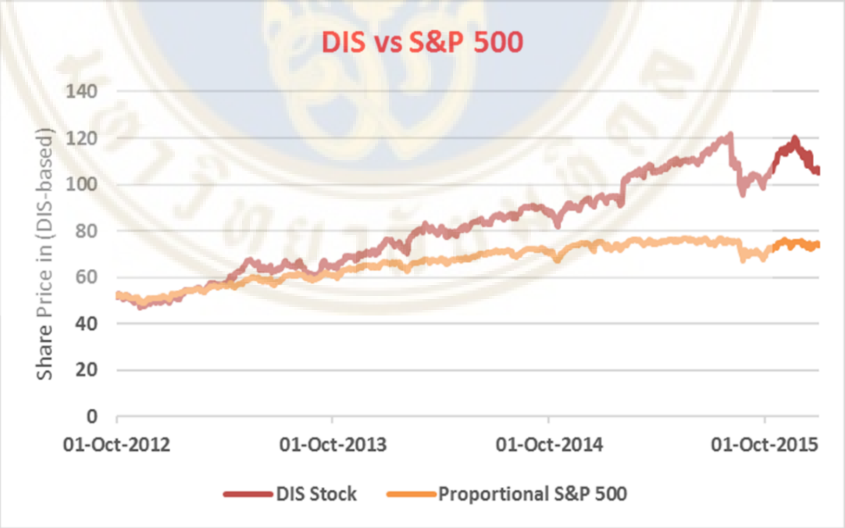


Figure 1.1: DIS Stock Price comparing with S&P 500

1.1.1 Top of the Media Empire: Even though Disney is facing major challenges as key competitors are teaming up with big firms, putting them in front of DISNEY, DISNEY still grows with their dominant media ESPN and film franchises like Marvel and Star Wars from Lucus Film and acquiring firms in related industries.

1.1.2 Solid Performance in Shanghai Disney Resort: Opened in June 2016, the new 5.5 billion park has taken in over 4 million visitors in the first 4 months, and is on track to achieving 15 million visitors annually. The company is enthusiastic, expecting to break even in 2017 and the revenue from its international parks to rise by 43% in 2018

1.1.3 ESPN dominated NBA license and other sport coverage: Taking effect in October 2016, DISNEY's ESPN new TV deal with the NBA, lasting through the 2024-25 season, will increase the annual cost to 2.7 billion or 190% hike over the old 930 million deal but the league promises to provide high quality basketball content with more global reach.

1.2 Business Description

The Walt Disney Company (DISNEY) is an US-based corporation in the mass media entertainment (M&E) industry. The company does not only have a strong presence in the US market, but DISNEY brands and business are also widely recognized throughout the world. In 2015, DISNEY achieved the revenue of USD 52 billion, top 2 in the M&E industry, through its 4 business units.

- **Media Networks** include cable and broadcast TV networks, TV program productions (not to be confused with movies), TV material distributions, and TV and radio stations in the US. This segment of the company owns and operates the widely-known ESPN, DISNEY CHANNELS, ABC FAMILY and A&E TV NETWORKS. The Media Networks segment generate revenue from: One, fees charged to cable, satellite and telecommunication service providers, of whom bought the rights to deliver DISNEY programs. Two, from selling advertising announcements on various DISNEY programs and channels. The main operating expenses are programing and production costs, technical support costs and distribution costs.

- **Theme Parks and Resorts** can be divided into 4 operations. One, DISNEY's full-ownership and operations of hotels and amusement parks in the United States: the Walt Disney World Resort in Florida, the Disneyland Resort in California, Disney Resort & Spa in Hawaii. Two, DISNEY managements and partial ownerships of parks and resorts in Europe and Asia: 81% ownership interests in Disneyland Paris, 47% in Hong Kong Disneyland, and 43% in Shanghai Disney Resort. Three, DISNEY's franchise licenses to Tokyo Disney Resort. Four, operations and ownerships of other tourism related businesses, such as the Disney Vacation Club, Disney Cruise Line, and Adventures by Disney. This segment generates revenue from sales of admissions, merchandise, food and beverages in the theme parks, and charges for stays at the hotels, cruises and other vacation packages offered. Significant costs include labor, infrastructure, depreciation, cost of merchandise, food and beverages, and marketing and sales expenses.
- **Studio Entertainment** create and acquire animated and live-action movies, direct-to-video contents, musical recordings and theatrical stage plays. DISNY Studio includes the Globally recognized film houses: the Walt Disney Pictures, Pixar, Marvel, Lucas film and Touch Stone. Additionally, Disney also produces and distributes Indian Movies through its DTV studio. This segment generates revenue from the distribution of films to the theatrical, home entertainment and television markets, stage play ticket sales and licensing of films and music contents to entertainment events. The main costs are the film production amortization, i.e. the production and advertising costs.
- **Consumer Products** segment makes use of DISNEY's brands to engage in licensing, publishing and retailing of physical product-based businesses. The revenue is generated from: one, the licensing of characters on their films and TV programs to third parties for use of manufacturing relevant products such as apparels and children toys. Two, publishing and distributing children's books, comics and magazines. Three, selling merchandises through DISNEY retails, wholesale and online stores. Four, charging tuition fees at English language learning centers in China. Five, the INTERACTIVE unit, which has merged with the Consumer

Product segment, brings in revenue mainly from licensing DISNEY content to third party video game makers. The major costs for this segment are cost of goods sold and distribution, operating labor and store space rents.

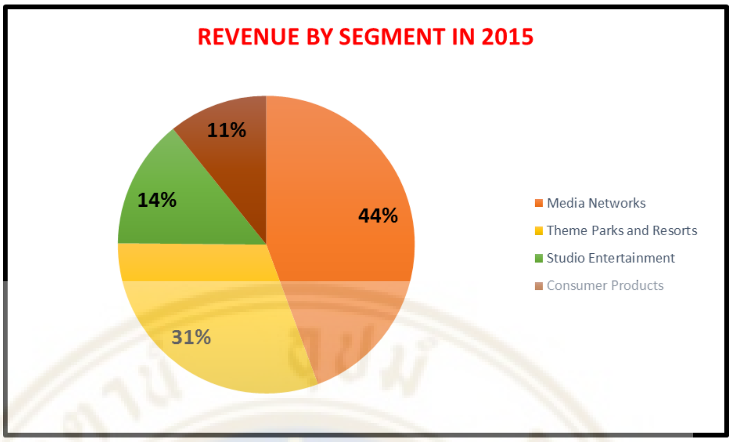


Figure 1.2: Disney Revenue by segment in 2015

1.2.1 DISNEY Acquisition Timeline

2006 **Pixar Animation Studios**

- Disney acquired Pixar Animation Studios of $7.4 billion
- Animation: Toy Story series, Up, Finding Dory

2007 **Club Penguin**

- Interactive media support and backup firm
- Valued at $700 million

2009 **Marvel Entertainment**

- Avenger characters
- Valued at $4 billion

2012 **Lucus Film**

- Acquired from George Lucas valued at $4.06 billion
- Star Wars series and Indiana Jones

2014 **Marker Studio**

- Valued at $500 million
- Digital media and commercial supports

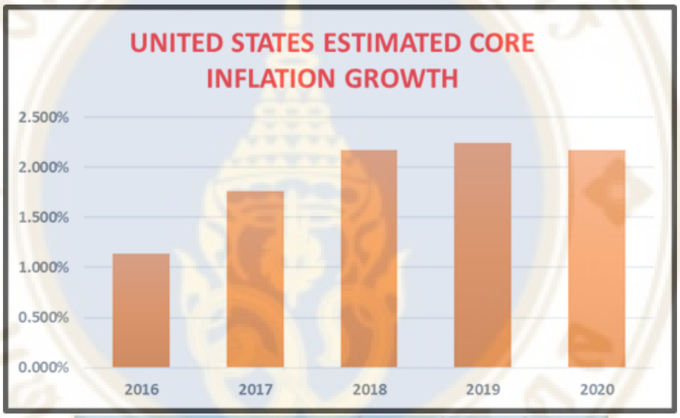
Figure 1.3: Disney Acquisition Timeline

1.3 Macro-Economic Analysis

1.3.1 Recovering US economy promises growth

In 2015, 77% of DISNEY revenues were generated in the United States and Canada, the US Economy, specifically the consumers' disposal income and spending are the drivers of the company performance. As of recent, the US economy has expanded its GDP in the third quarter of 2016 at the annual rate of 2.9%, outperforming consensus, because of the stronger consumer demand and robust global trade. Nevertheless, from a longer horizon, the Americans are still in the recovery stage after the crisis in 2008, with a steady growth. This suggests that the consumers are slowly becoming more optimistic, which translates into a steady growth for DISNEY in in the long run.

Table 1.2: United States Estimated Core Inflation Growth



Percent	2015*	2016	2017
GDP growth	2.8	3.2	3.2
		(3.1)	(3.2)
Headline inflation	-0.9	0.3	2.0
		(0.6)	(2.2)
Core inflation	1.1	0.8	1.0
		(0.8)	**(1.0)**

Note : *Outturn
() June 2016 MPR
Source : Office of National Economic and Social Development Board, Ministry of Commerce, calculations by Bank of Thailand

1.3.2 Stable growths in the Global Market

As a multinational company, Global Economy is also a concern for DISNEY. Despite series of country specifics major events taking place in 2016, the Global economy, all in all, appears to be growing steadily, with advanced and developing countries expecting the GDP growths of 2.1% and 4.3% respectively in 2016. The Shanghai Disney Resort that was opened in June 2016, where the company is anticipating a significant revenue boost in its Park and Resorts segment, will rely on the disposable income of the Chinese middle class. The country's GPD is still achieving the government's target at 6.7% annually. But is on the verge of a major slow down, according to critics.

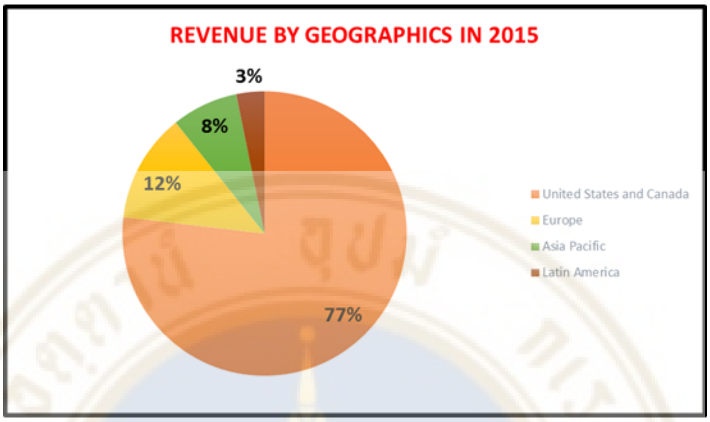


Figure 1.4: Revenue by Geographics in 2015

Table 1.3: Labor force status

of population Table 1 Comparison aged 15 years and over by labor force status

Unit : million persons

Labor force status	2015			2016	
	Aug	Sep	Oct	Aug	Sep
Persons 15 years and over	55.29	55.32	55.35	55.66	55.69
1. Total labor force	38.94	38.65	38.47	38.86	38.28
1.1 employed	38.49	38.32	38.09	38.46	37.87
1.2 unemployed	0.38	0.30	0.33	0.36	0.34
1.3 seasonally	0.07	0.03	0.05	0.04	0.07
2. Not in labor force	16.35	16.67	16.88	16.80	17.41

Source: National Statistical Office

1.4 Industry Analysis

1.4.1 Limited growth Opportunities in the fields

As big of player DISNEY is, it is still vulnerable to the problem of limited growth opportunities as their businesses are reaching the maturity stage. DISNEY has not been putting much effort into entering new business fields where they could achieve untapped markets. Though the past, the company has attempted to expand its interactive segment, development a new experience through virtual realities and video games, its effort was not successful as they could not gain enough market shares to justify its heavy investments. As a result, DISNEY decided to license out its characters to third party video game developers instead, and dissolve its interactive segment. This reveals the company's inability to expand organically, thus they must resort to other means of expansion – merger and acquisitions – to maintain the company growth.

1.4.2 Bright future for Online Streaming, but dimmer for traditional cable TV

The US Media and Entertainment Industry comprises of various businesses which DISNEY is operating, such as TV programs, films, publishing and video games. Although the overall demand for the contents is quite steady, reflecting the overall growth in the economy, what is changing, however, is online streaming are rapidly taking over the traditional cables and satellites channels. The TV industry is not in a good shape as many households in the US are undergoing the cord-cutting process in which TV network customers cancel their subscriptions and turned to online outlets for their daily intake of news and TV shows. Per a study of the firm cg42, the industry will lose US$1 billion in the next 12 months, and the damage will likely to compound. In the film segment, the industry's box office revenue in 2015 has grown by 7% from 2014, supporting the statement of the growth in consumer spending. Nevertheless, the theatrical market growth was still outperformed by the online-streaming films, which grew at 15% in 2015. This suggest quite a clear trend of the online material will become a more dominant industry like the publishing market. In contrast, publishing market is only seeing growth in the education books while the sales in other sections, for both physical and electronic, have been steady. On a more exciting note, the video game industry has become a US$100 billion industry in 2015, and is still has many promising robust growths the up and coming Virtual Reality products. For the owners of ESPN and countless of heavy fan-based fictional characters, DISNEY is in an advantageous position to expand its licensing businesses.

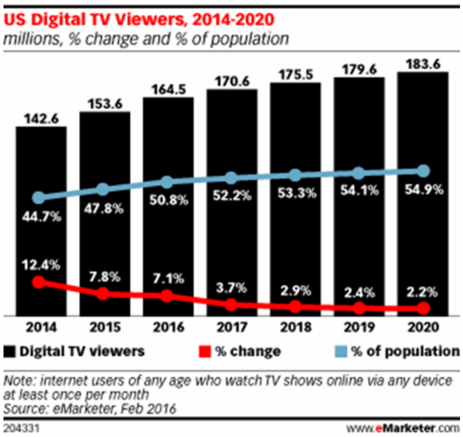


Figure 1.5: US Digital TV Viewers, 2014-2020

1.4.3 Stable Local tourism and increasing foreign visitors

The US Travel, Tourism and Hospitality Industry represent about 2.7 of US GDP in 2015. While the expenditures were mainly from domestic travelling, the country still gained US$216.9 billion from international visitors with a strong outlook for growth in foreigners' visits. More specifically, the most spending activities occurred in the accommodation businesses, that is hotels and resorts segment. DISNEY benefits from its various favorite holiday destination sites that are suitable for US families' demographics.

1.4.4 Recovering stage in consumer spending due to improving economy

Consumer Goods Industry, especially in the US, relies heavily on the spending powers of the consumers. On the upside, the economy is in the recovering stage where it has witnessed a steady GDP growth year-to-year. The accumulated Black Friday spending is also showing a promising revenue growth. Coupling with the declined gasoline price, consumers now have more disposable income which contributes to the strong growth in the consumer goods industry. Additionally, there is also a positive trend in the e-commerce, providing consumers with better accessibilities to available products. On the downside, though the overall economy is improving, the wages of middle class Americans are lagging. The improved wealth seems to have gone more to the middle-upper to upper class. Therefore, this has hindered the potential growth in this industry as a majority of the spenders are still yet to benefit from the improving economy.

1.5 Competition Analysis

DISNEY positions itself as a Media Entertainment Conglomerate and its goal is to become the main source of media and entertainment contents for all genders, age, and national. Its long-founded empire has provided the foundation of the firm to profit in certain business at near monopolistic economies. The company has been so successful, the name “Disney’ itself is globally recognized as a synonym of happiness, allowing the company to strive in the consumer markets.

Table 1.4: Facebook followers

FACEBOOK FOLLOWERS	03-12-16
DISNEY	50,694,314
CBS	3,675,162
TWX	133,960
CMCSA	59,495

1.5.1 Unrivaled Media Library

Throughout the decades of creating and acquiring, DISNEY has accumulated countless of copyrights materials, or as the company called it, the Disney Library. Especially for the Studio Entertainment segment, the vast selection of DISNEY’s characters allow the company to use, reuse and recycle, bringing back old favorite characters to recapture the market. On the other hand, Disney competitors have much smaller libraries, and often had to create entirely new series which requires much higher marketing efforts to penetrate the market. In 2015, DISNEY came second in the overall gross sales in the box office, second only to Universal (Comcast).

Table 1.5: Competitors' gross earning in 2015

Rank	Studio	2015Gross Earning ($mn)	# of Movies
1	Universal (CMCSA)	2,445	21
2	Buena Vista (DISNEY)	2,280	11
3	Warner Bros. (TWX)	1,603	26
4	20th Century Fox (FOXA)	1,303	17

Additionally, the large library has also been a success factor of DISNEY's consumer product industry. For products, such as toys or apparels, the popularity of the brand ambassadors plays a huge role. For example, thanks to Frozen and Star Wars VII successes, Disney were able enjoy growths in the products like mini BB-8 drone and collectable figures of Elsa, which usually continue to sell one or two years after the box office release dates.

1.5.2 Highest Market Share in Media Networks

Among the main competitors, Disney was able to maintain its largest market share. With the strong presence in sports, especially in the US, ESPN channels were American's favorite outlets for NBA, NFL, NHL and Collegiate Basketball league, capturing the segment of men age from 16 to 50. Its ABC Networks also performed well in 2015, coming third in the total number of views, only behind CBS and NBC. Additionally, its Disney Channel networks dominated the market for children televisions distributing a huge variety of kids' educational and cartoon contents as well as production of its Disney original series. Nevertheless, as the cable industry is facing a threat of rising demands online materials, DISNEY has not been as enthusiastic in investing in the new medium as much as competitors

	MOST WATCHED CABLE NETWORKS		MOST EXPENSIVE CABLE NETWORKS		
	Network	Average Total Viewers	Network	Cost per Subscriber	
	USA network	2,680,000	ESPN	$5.54	★
★	Disney	2,438,000	TNT	$1.33	
★	ESPN	2,210,000	Disney	$1.15	★
★	The History Channel	2,114,000	NFL Network	$1.13	
	TNT	2,070,000	Fox News	$0.94	
	tbs very funny	2,014,000	USA network	$0.71	
	Fox News	1,785,000	ESPN 2	$0.70	★
★	A&E	1,382,000	tbs very funny	$0.62	
	FX	1,466,000	nickelodeon	$0.62	
	AMC	1,382,000	CNN	$0.60	

Figure 1.6: Most watched cable networks and most expensive cable networks

*Red stars represent Disney's Ownership

1.5.3 Near Monopolistic Market in Park and Resorts industry

Disneyland is one of a kind experience. The closest direct competition of this segment would be the Universal Studios ran by Comcast. The 'magical' experience that Disneyland facilitate can be proven by the number of attendance. In 2015, the flagship, Disneyworld Orlando's number of visitors dwarfed the size of The Universal Orlando, 50.1 million to 15.2 million. Handling such as large customers, DISNEY has also been successful in encouraging more

1.6 Investment Summary

In summary, our recommendation is to hold because we believe DISNEY is a great company with profitable business and secured financial powers. The details of our projections and methods will be explained in the Relative valuation section.

Acquisitions Battlefield: With strong financial positions, many of the companies in the industry have been focusing their efforts on expanding through acquiring existing large firms to grow and have an edge over the competitors. As seen in DISNEY's track record – the recent acquisition of Marvel, Pixar or Lucas film – DISNEY could maintain its dominance in Studio Entertainment industry. However, DISNEY competitors have developed the same strategy and have also been acquiring firms in related industries. The most recent threat came from the potential merger of Time Warner and AT&T. The merger, if happens, will create much synergy from AT&T media network operations, providing Time Warner with its own distribution channel of their contents. In this fierce competition, DISNEY, will face a bit more difficulty but with the strong market position in entertainment industry, they will find new strategies to be the top of the market with their existing resources both domestic and international markets.

Shanghai Disney Resort meets expectations: Since its June 2016 opening, the new park is on track to meeting expectations of investors, especially the Chinese joint venture government group, in terms of the visitors turn out. The current per month rate reflects to total seasonal adjusted number of visitors per year of 15.7 million which is higher than the forecasted 15 million in the first year. However, a concern for the new park is that the Shanghai resort misinforming focused too much on matching the Chinese tourists taste, while lacking the original creativity touch of DISNEY and the new resort is expected to cannibalize the ticket sales from the Hong Kong Disneyland, taking away the would be Chinese tourists.

ESPN dominated NBA license and other sport coverage: with ESPN and NBA new deal taking effect in October 2016, even though the company will be paying 190% higher annually for the right to broadcast the regular season games and the play offs that would last to 2024/25 season, the new price will reflect in the quality of the league, especially teams' salary caps, allowing each team to build up rosters with more talented players. This in turn would also increase the league presence abroad, especially in China and Australia where the franchise is rapidly expanding fan base significantly.

In addition, Star Wars has reached its peak: DISNEY's success with Star Wars VII: The Force Awakens has stunned many critics as the company has successfully managed to revive the late franchise with over $2 billion of box office revenue. It has no doubt become one of the most valuable franchises in the DISNEY Library. The company has planned to release at least 1 series every year, loaded with high hopes of growths and profits. However, in the movies industry, it is not easy to predict with precision the success of a film regardless of producer, budget or timing. It has a lot to do with the taste of the population and public awareness at that time, but Disney has done quite well on this marketing strategy. With these reasons, we believe DISNEY will be able to maintain the market share in the Studio Entertainment segment and consequently, it will give positive sales growth in other segments such as consumer products & interactive media and theme parks and resorts.

1.7 Valuation: Multiple Valuation Model

Apart from DCF valuation, relative multiples are alternative tool to reflect the firm's fair value which is quick and easy to investors to know if the firm is undervalued or overvalued. In this paper, we use P/E multiple, P/BV, and EV/EBITDA to find fair value of Disney.

1.7.1 P/E Multiples

P/E multiple is widely used for investors to estimate the firm value based.
Below table is historical average P/E in Disney and Disney's peers from 2011 – 2015 compared with S&P 500 index.

Table 1.6: Average P/E in Disney and Disney's peers and S&P 500 from 2011 – 2015

Historical P/E	2011	2012	2013	2014	2015
DIS	15.4	15.3	22.2	21.6	15.3
CMCSA	17.1	16.4	21.6	18.2	17.7
TWX	13.7	15.5	17.6	17.9	14.8
CBS	15.4	15.3	22.2	21.6	15.3
Industry Average	15.4	15.6	20.9	19.8	15.8
S&P 500	13.7	15.0	18.6	18.6	19.0
Source: Morningstar.com					

To find a target price of Disney by using our estimated EPS from our income statement projection multiplied by average P/E from similar peers provided by Reuter (Comcast Corporation (CMCSA), Time Warner (TWX), and CBS Corporation (CBS)). As a result, the target price $92.15 is less than the current price $98.5 as of 2-Dec-2016 illustrating downside 6.4%.

Table 1.7: Forward P/E valuation

Valuation with peers	Forward P/E
CMCSA	18.37
TWX	15.86
CBS	13.67
Average Peers	15.97
EPS 2016E	$ 5.77
DIS Target Price	**$ 92.15**
Current Price of 2-Dec-16	98.5
Upside/Downside	-6.4%
Source: Reuter	

1.7.2 P/BV Multiple

P/BV is used to compare the market stock price to book value of the firm's equity. Below table is historical average P/BV multiple of Disney and its peers comparing with S&P500. Disney P/BV is higher than industry average and S&P500 index.

Table 1.8: Disney and peers' P/BV valuation

Historical P/BV	2011	2012	2013	2014	2015
DIS	1.8	2.2	2.9	3.6	3.9
CMCSA	1.4	2.0	2.7	2.8	2.7
TWX	1.1	1.5	2.1	2.8	2.2
CBS	1.8	2.3	3.9	3.7	3.7
Industry Average	1.5	2.0	2.9	3.2	3.1
S&P 500	2.0	2.1	2.6	2.7	2.7
Source: Morningstar.com					

The price from P/BV multiple by using average P/BV of peers provided by Reuter multiplied by its book value is higher than the current price of 2-Dec-16 by 16.6%.

Table 1.9: Forward P/BV valuation

Valuation with peers	Forward P/BV
CMCSA	3.15
TWX	2.59
CBS	5.59
Average P/BV	3.78
Equity	48,655.0
Share Outstanding	1,600.0
BV	30.4
Price from BV Multiple	**114.85**
Price of 2-Dec-16	98.5
Difference	16.6%

1.7.3 EV/EBITDA Multiple

Using EV/EBITDA multiple to calculate the enterprise value of Disney, comparing to its earnings before interest expenses, tax expenses, depreciation and amortization expenses. It is one of multiple valuation taking debt level into account. Below is the result of target price $92.13 by using average EV/EBITDA of peers of 9.14x provided by Reuter multiplied by Disney's forecasted EBITDA which is less than the current price $98.5 as of 2-Dec-2016.

Table 1.10: Forward EV/EBITDA valuation

Valuation with peers	Forward EV/EBITDA
CMCSA	7.51
TWX	9.93
CBS	9.99
Average EV/EBITDA	9.14
EBITDA	17,042
Share Outstanding	1,600
EBITDA/Share	10.65
Target EV	**97.39**
+ Net debt	5.26
Target Price	**92.13**
Price of 2-Dec-16	98.5
Difference	-6.5%

1.7.4 Sensitivity Analysis of Relative valuation

Table 1.11: Forward P/E Sensitivity

Fwd P/E: TARGET PRICE SENSITIVITY						
		Average P/E				
	$ 92.15	14.37	15.17	15.97	16.77	17.56
Forecasted EPS	5.19	$ 74.64	$ 78.79	$ 82.94	$ 87.09	$ 91.23
	5.48	$ 78.79	$ 83.17	$ 87.55	$ 91.92	$ 96.30
	5.77	$ 82.94	$ 87.55	$ 92.15	$ 96.76	$ 101.37
	6.06	$ 87.09	$ 91.92	$ 96.76	$ 101.60	$ 106.44
	6.35	$ 91.23	$ 96.30	$ 101.37	$ 106.44	$ 111.51

Table 1.12: Forward P/BV Sensitivity

Fwd P/BV: TARGET PRICE SENSITIVITY						
		Average P/BV				
	$ 114.85	3.40	3.59	3.78	3.97	4.15
BV of Equity	27.37	$ 93.03	$ 98.20	$ 103.36	$ 108.53	$ 113.70
	28.89	$ 98.20	$ 103.65	$ 109.11	$ 114.56	$ 120.02
	30.41	$ 103.36	$ 109.11	$ 114.85	$ 120.59	$ 126.33
	31.93	$ 108.53	$ 114.56	$ 120.59	$ 126.62	$ 132.65
	33.45	$ 113.70	$ 120.02	$ 126.33	$ 132.65	$ 138.97

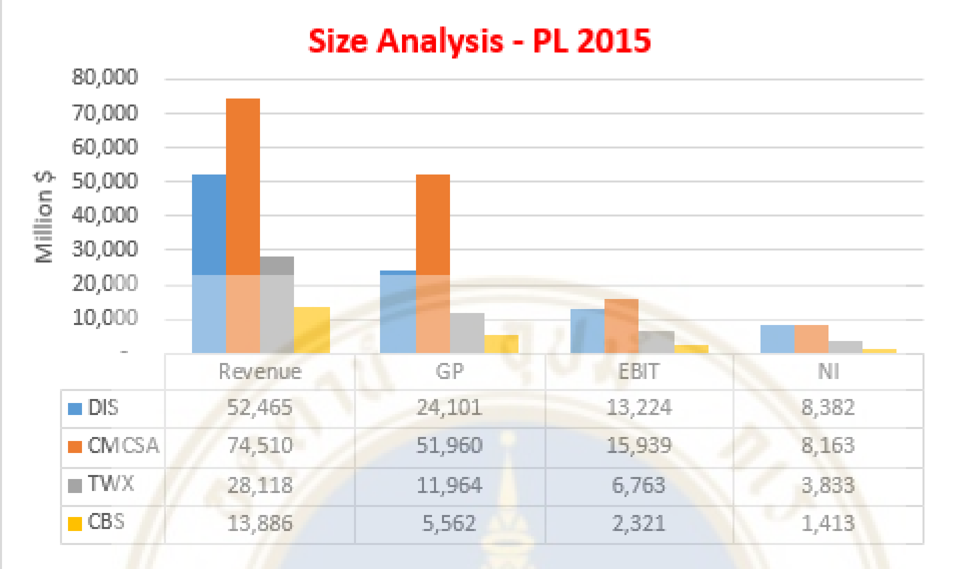
Table 1.13: Forward EV/EBITDA Sensitivity

Fwd EV/EBITDA: TARGET PRICE SENSITIVITY						
		Average EV/EBITDA				
	$ 97.39	8.23	8.69	9.14	9.60	10.06
EBITDA/Share	9.59	$ 78.89	$ 83.27	$ 87.65	$ 92.03	$ 96.42
	10.12	$ 83.27	$ 87.89	$ 92.52	$ 97.15	$ 101.77
	10.65	$ 87.65	$ 92.52	$ 97.39	$ 102.26	$ 107.13
	11.18	$ 92.03	$ 97.15	$ 102.26	$ 107.37	$ 112.48
	11.72	$ 96.42	$ 101.77	$ 107.13	$ 112.48	$ 117.84

1.8 Financial Analysis

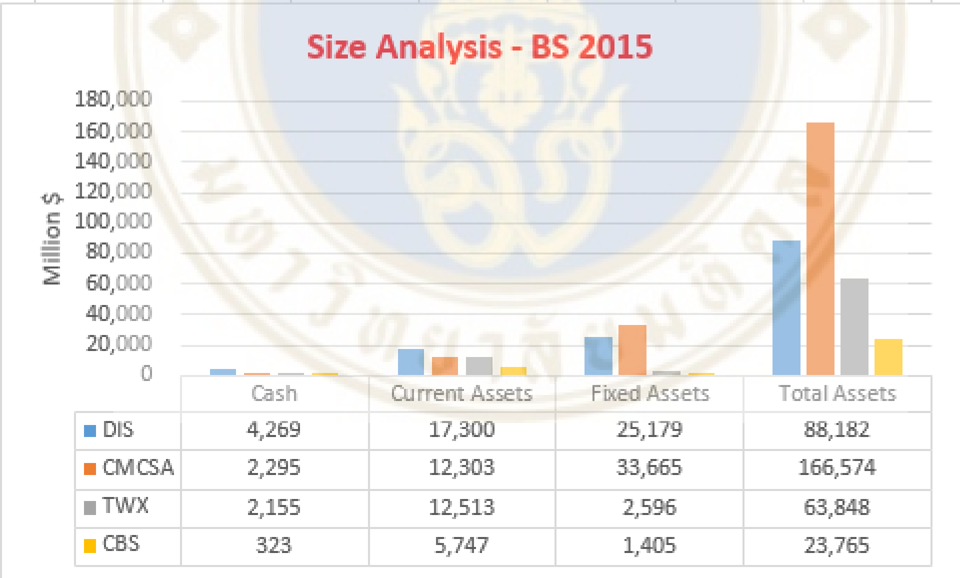
1.8.1 Size Analysis

According to PL 2015 comparison among Disney and its peers, Disney's revenue and gross profit comes after Comcast which is the world largest media and entertainment by revenue. Although Disney has less revenue than Comcast, Disney net income is almost equal to Comcast. Considering their balance sheet, Disney has the second biggest number of total assets after Comcast but Disney holds cash $4 million more than Comcast $2 million. Disney has less liabilities than Comcast which has very high liabilities especially borrowing.



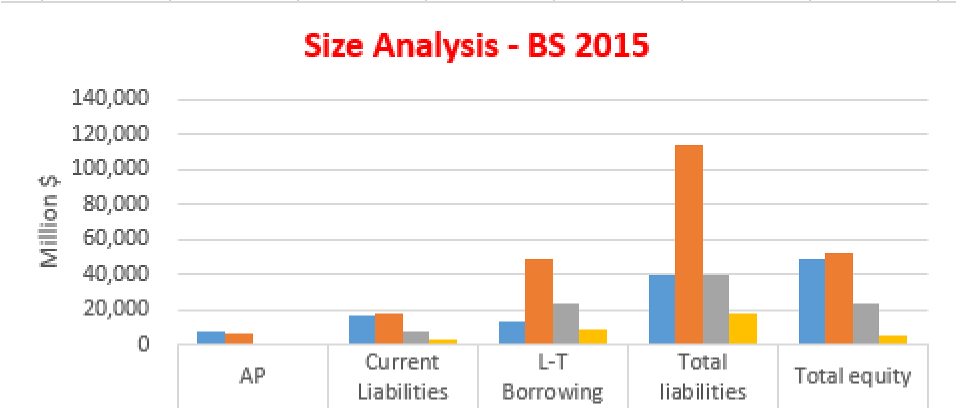
	Revenue	GP	EBIT	NI
DIS	52,465	24,101	13,224	8,382
CMCSA	74,510	51,960	15,939	8,163
TWX	28,118	11,964	6,763	3,833
CBS	13,886	5,562	2,321	1,413

Figure 1.7: Size Analysis – Income Statement 2015



	Cash	Current Assets	Fixed Assets	Total Assets
DIS	4,269	17,300	25,179	88,182
CMCSA	2,295	12,303	33,665	166,574
TWX	2,155	12,513	2,596	63,848
CBS	323	5,747	1,405	23,765

Figure 1.8: Size Analysis – Balance Sheet 2015



	AP	Current Liabilities	L-T Borrowing	Total liabilities	Total equity
DIS	7,844	16,334	12,773	39,527	48,655
CMCSA	6,215	18,178	48,994	114,305	52,269
TWX	653	8,002	23,594	40,229	23,619
CBS	192	3,560	8,226	18,202	5,563

Figure 1.9: Size Analysis – Balance Sheet 2015 cont

1.8.2 Common Size Analysis

1.8.2.1 Income Statement 2015

Disney has lower revenue than Comcast due to its business size being smaller than Comcast in the same industry. Cost of revenue portion of Disney is around 54% larger than Comcast around 26% leading to smaller gross profit at 46%, comparing to Comcast. However, Disney has less SG&A expense and depreciation portion around 16% and 4% respectively. Disney's EBIT and EBT is about 25-26%. Disney's net income is about 16% while Comcast is about 9% only because of high SG & A expenses.

Table 1.14: Income Statement Common Size of IS and peer comparison

Common Size Analysis	Disney	Comcast
Income Statement	2015	2015
Revenue Amount	**52,465**	**74,510**
Revenue	100%	100%
Cost of Revenue	54%	30%
Gross Profit	46%	70%
S & A	16%	37%
Depreciation & Amortization	4%	12%
Total cost and expense	75%	79%
EBIT	25%	21%
Interest Expenses	0%	4%
EBT	26%	18%
Provisional Tax	10%	7%
Net Income	**16%**	**11%**

1.8.2.2 Balance Sheet 2015

Disney holds cash 5% and current assets 19% of the total assets which is more than Comcast about 1% and 8% respectively. Disney has more portion of fixed assets about 29% while Comcast has 18% of its' total assets. Disney has about 8% intangible assets significantly less than Comcast having around 49% of the total assets due to holding more licenses of media channels and programs.

Table 1.15: Balance Sheet Common Size of IS and peer comparison

Common Size Analysis	Disney	Comcast
Balance Sheet	**2015**	**2015**
Assets amount	88,182	166,574
Total cash	5%	1%
Receivables	9%	4%
Inventories	2%	0%
Television costs and advances	1%	0%
Deferred income taxes	1%	0%
Maketable securities	0%	0%
Other current assets	1%	2%
Total Current assets	**19%**	**7%**
Film and television costs	7%	
LT Investment - Affiliate Companies	3%	2%
Property/Plant/Equipment-Net	29%	20%
Net Goodwill	32%	20%
Intangible Assets	8%	49%
Other Long Term Assets, Total	3%	1%
Total Assets	**100%**	**100%**

Table 1.16: Balance Sheet Common Size of IS and peer comparison Cont.

Common Size Analysis	Disney	Comcast
Liabilities ($ Millions)	**2015**	**2015**
Total liabiities amt	**39,527**	**114,305**
Accounts Payable	20%	5%
Current Port. of LT Debt/Capital Lease	12%	3%
Unearned royalties and other advance	10%	
Total Current Liabilities	41%	16%
Total Long Term Debt	32%	43%
Deferred Income Tax	10%	29%
Other Liabilities, Total	16%	12%
Total Liabilities	**100%**	**100%**
Shareholders Equity ($ Millions)	**2015**	**2015**
Total equity amt	**48,655**	**52,269**
Common Stock, Total	72%	74%
Retained Earnings	121%	41%
Accumulated other comprehensive lo	-5%	
Treasury Stock - Common	-97%	-14%
Other Equity, Total	8%	0%
Total Equity	**100%**	**100%**
L+E	**100%**	**100%**

1.8.3 Trend Analysis

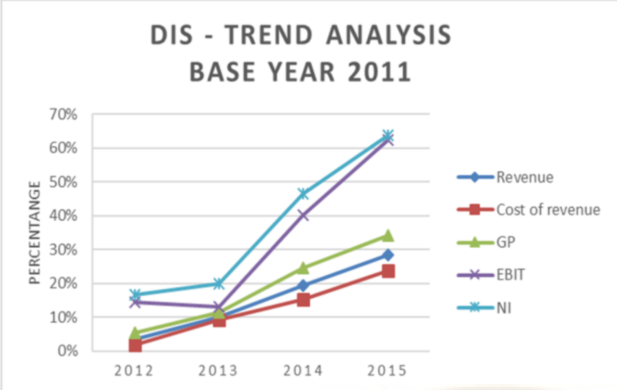


Figure 1.10: Disney Trend Analysis Base Year:Income Statement

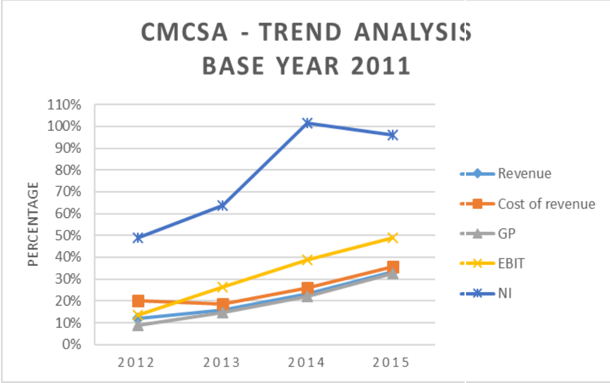


Figure 1.11: CMCSA Trend Analysis base year: Income Statement

According to above table, it illustrated clearly Disney has done a very good performance at the bottom line of Profit and Loss with base year 2011 even though in terms of the revenue Comcast has higher revenue but not net income.

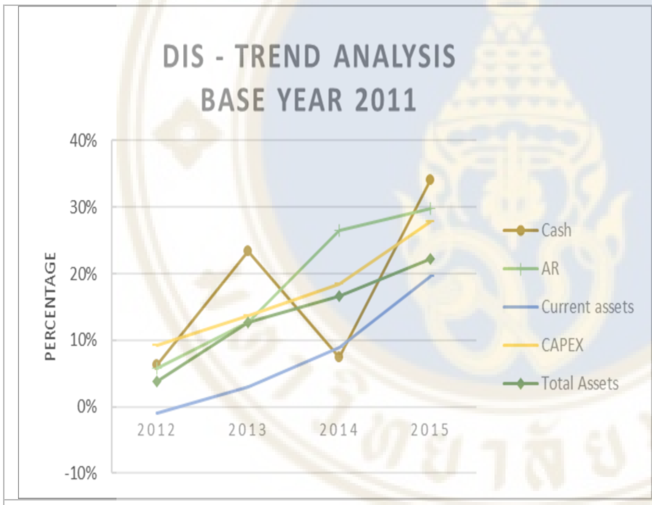


Figure 1.12: Disney Trend Analysis Base Year : Balance Sheet

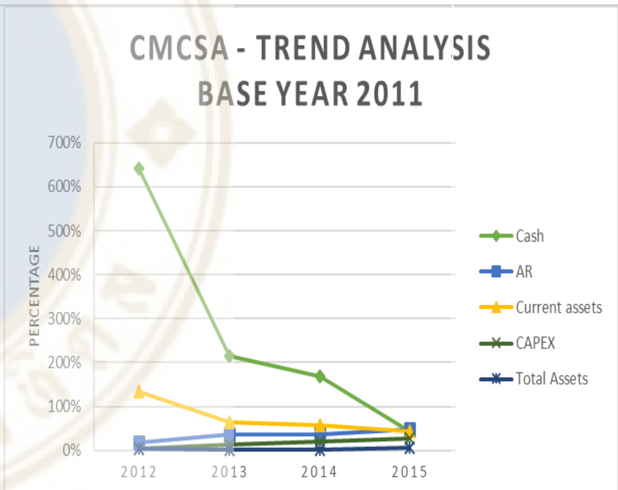


Figure 1.13: CMCSA Trend Analysis base year : Balance Sheet

Looking at trend analysis on assets of the balance sheet, Disney cash grows every year from base year while Comcast is vice versa. Other assets of Disney are growing as well but Comcast's assets are the same, not significantly change from the base year.

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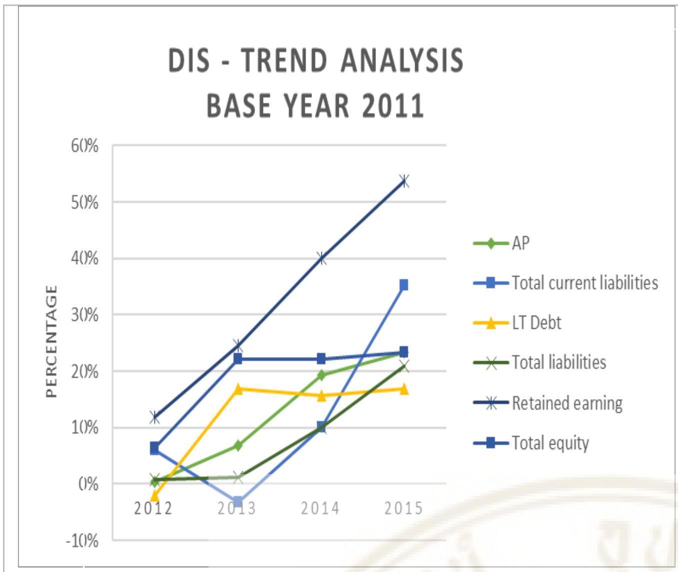

Figure 1.14: Disney Trend Analysis Base Year : Balance Sheet Cont

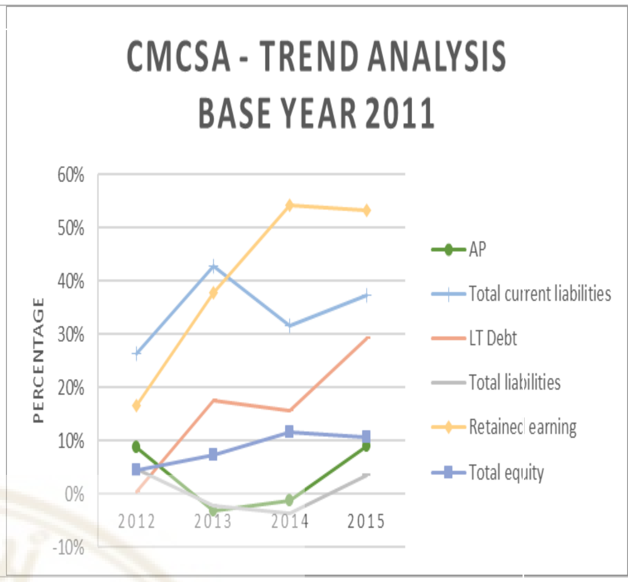

Figure 1.15: CMCSA Trend Analysis base year : Balance Sheet Cont

An outstanding graph for Disney and Comcast is retained earning which is growing skyrocket from base year. Moreover, account payable for both companies are similar trend but Disney is slightly higher than Comcast from 2014-2015. However, Disney's long term debt is growing less than the competitor.

1.8.4 Financial Ratio: Return & Liquidity Risk

Table 1.17: Financial Ratios

Financial Ratios 2015	**Disney**	**Comcast**	**Time Warner**	**CBS**
ROA (Before Tax)	14.9%	10.0%	10.6%	9.8%
ROE	18.8%	15.6%	16.2%	25.4%
Financial Leverage	1.81	3.19	2.70	4.27
Turnover Ratio				
Assets Turnover	0.61	0.45	0.44	0.58
AR Turnover	6.16	10.80	3.79	3.76
Fixed Assets Turnover	2.16	-5.16	-16.28	-32.07
AP Turnover	3.48	3.63	24.74	43.35
Short-term Liquidity Risk				
Current Ratio	1.04	0.68	1.56	1.61
Quick Ratio	0.94	0.51	1.20	1.13
Long-term liquidity Risk				
Debt Ratio	0.20	0.32	0.37	0.36
Time Interest Earned	49.70	6.15	4.89	5.82

In terms of returns and risks ratios, DISNEY outperformed the competitors in most of the categories. It has the highest ROA while having the lowest debt ratio. This shows that the company can achieve a decent return, but could be improved by increasing debt financing without facing any significant risks. Operational-wise, the company has the most impressive Assets and AP turnover, reflecting the efficiency and the conservativeness – which is also shown in low AR turnover.

1.9 Investment Risks and Downside Possibilities

As any investors know, there are no such things as certainties in the market. Every investment comes with risks and the downside possibilities. In our model, so far, we have been taking a conservative approach in evaluating the company's performance. Reasonably, we believe that we have given our target price a moderate cushion against the risks and downside possibilities that the company may encounter.

1.9.1. Changes in US and Global economic conditions may have an adverse effect on the profitability in some news if not all DISNEY's business units. With the Historical beta of 1.24, DISNEY is quite sensitive to the markets conditions of both the US and in the many countries it operates in. In events, such as a recession in the US, where consumers spending drop, the company will likely to see a decline in the Parks and Resorts attendance, less spending on advertising or fewer DVD and product sales. Such scenarios would directly impact DISNEY's bottom line as the company is heavily invested in fixed assets. Similar economic conditions in other countries could can also influence DISNEY's performance and the company has started to move more of its revenue abroad. From such events, DISNEY may also suffer from the losses in exchange rates in the different currencies of the countries it operates in. More importantly, as pointed out in the previous section, the cost of equity is by far the most sensitive variable for the company's value. Changes in economic events often directly impact the required return in the market, which could drive up the cost of equity.

1.9.2 Changes in consumer tastes and preferences for entertainment and consumer products may reduce the demand for the products and services DISNEY offers. In our research, we have found that DISNEY has been excellent in capturing the markets of entertainment and related products. However, we notice that no companies can ever always deliver everything that a consumer wants for entertainment. For example, as the popularity in video games is rising globally, replacing the demand for traditional entertainment such as movies or TV. DISNEY was not able to successfully tap in to this demand (now only license out it characters such as Star Wars to third party games maker). This poses as a risk to DISNEY as such changes could occur rapidly leaving the company vulnerable to the sudden decrease sales.

1.9.3 Changes in technology that could affect consumer consumption pattern is another downside potential. Similarly, to the change in taste, breakings developments in technology could leave DISNEY's heavy investments in the current operations obsolete. Particularly, the changes in the preference of media channels. As explained previously, more US consumers are moving away from traditional cable TV to watching the same contents online. Similar change, for example, the development of the Virtual Reality entertainments, where DISNEY is currently not participating, may affect the need for the experience of a trip to Disneyland in the future.

The changes in Intellectual property rights. The success if DISNEY business depends on the existence and maintenance of Intellectual property rights in the products and service it creates. DISNEY invests heavily on their rights as the only entity in the world to be able to use the characters, stories, music, plays and many other intellectual products it acquired or created. Because of the uniqueness and the popularities of each of the rights bring, DISNEY could enjoy the uncompleted market in many popular franchises such as Mickey Mouse, Toy Story, The Avengers and Star Wars, in its Studio Entertainment segment. However, these rights have expiration dates, when the rights enter the 'Public Domain' to be freely used for commercial. DISNEY was able to defend and lobbied to postpone some of it rights (Mickey Mouse Franchise) in the past. Nevertheless, the rules and regulations are subject to change and thus could have an adverse effect on the value in the DISNEY Library.

1.9.4 Increase competitive pressures may challenge DISNEY's profitability. As we have already touched on in the previous section, DISNEY is facing increases in competitions in all its business segments. Specifically, DISNEY key competitors are also looking to buy strategic firms, taking away DISNEY potential take overs or at least increase the cost for M&A. In the Media Networks, DISNEY has suffered from the increase in ESPN broadcasting rights of the NBA. Additionally, currently Time Warner is on the verge of merging with AT&T. If complete, the combination of the two giant firms would be a major threat to DISNEY's business, especially in the battle for various channels of media contents.

1.10 Risk Matrix

Table 1.18: Risk Matrix

Risk Matrix	Negligible	Minor	Moderate	Significant	Severe
Very likely	Low Med	Medium	Med Hi	High	High
Likely	Low	Low Med	Medium	Med Hi	High
Possible	Low	Low Med	Medium	Med Hi	Med Hi
Unlikely	Low	Low Med	Low Med	Medium	Med Hi
Very likely	Low	Low	Low Med	Medium	Medium

Risk Matrix	Negligible	Minor	Moderate	Significant	Severe
Very likely				Consumer taste and preference	US economy
Likely		Intellectual property rights	Competive Pressure	Global eoconomy	
Possible					Technology
Unlikely					
Very unlikely					

CHAPTER II

DATA

2.1 Company's Information

2.1.1 Business Structure

Walt Disney's business consists of 4 segments as following illustration:

Figure 2.1: Company business segments **Source:** Walt Disney Websit

2.1.2 Major Shareholders and Free-float

Major Holders Currency in USD.

Breakdown	
7.82%	Shares Held by All Insider and 5% Owners
63.30%	% of Shares Held by Institutional & Mutual Fund Owners
68.67%	% of Float Held by Institutional & Mutual Fund Owners
1,815	Number of Institutions Holding Shares

Figure 2.2: Major Shareholders

Direct Holders (Forms 3 and 4)

Name	Shares	Date Reported
IGER ROBERT A	1,262,045	Jan 16, 2016
STAGGS THOMAS O	122,609	Jan 18, 2016
BRAVERMAN ALAN N	155,485	Jan 18, 2016
MCCARTHY CHRISTINE M	112,135	Jan 18, 2016
RASULO JAMES A	91,902	Mar 13, 2015
LOZANO MONICA C	74,668	Mar 31, 2016
LEWIS AYLWIN B	71,983	Sep 30, 2016
MATSCHULLAT ROBERT W	62,295	Sep 30, 2016
CHEN JOHN S	52,377	Sep 30, 2016
MAYER KEVIN A	46,614	Mar 5, 2016

Figure 2.3: Direct Holders

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	90,873,517	Sep 30, 2016	5.65%	8,438,514,879
State Street Corporation	44,345,902	Sep 30, 2016	2.76%	4,117,960,504
State Farm Mutual Automobile Insurance Co	42,206,018	Sep 30, 2016	2.63%	3,919,250,873
BlackRock Institutional Trust Company, N.A.	39,868,002	Sep 30, 2016	2.48%	3,702,142,705
FMR, LLC	30,568,628	Sep 30, 2016	1.90%	2,838,602,826
Bank of New York Mellon Corporation	27,327,231	Sep 30, 2016	1.70%	2,537,606,697
Goldman Sachs Group, Inc.	25,210,509	Sep 30, 2016	1.57%	2,341,047,890
Massachusetts Financial Services Co.	22,325,574	Sep 30, 2016	1.39%	2,073,152,823
Northern Trust Corporation	20,271,038	Sep 30, 2016	1.26%	1,882,368,608
Bank of America Corporation	20,261,351	Sep 30, 2016	1.26%	1,881,469,074

Figure 2.4: Top Institutional Holders **Source:** Walt Disney Website

2.1.3 Management and Organizational Chart

Figure 2.5: Organization Chart **Source:** Walt Disney Website

Figure 2.6: Board of Directors Source: Walt Disney Website

2.2 Corporate Governance (CG)

The Board of Directors has adopted Corporate Each Committee on the Board of Directors is governed Governance Guidelines, which set forth a flexible by a charter adopted by the Board of Directors. framework within which the Board, assisted by its Committees, directs the affairs of the Company. The Corporate Governance Guidelines, the Standards of Guidelines address, among other things, the Business Conduct, the Code of Business Conduct and composition and functions of the Board of Directors, Ethics for Directors and each of the Committee charters director independence, stock ownership by and are available on the Company's Investor Relations compensation of Directors, management succession and website under the ''Corporate Governance''

Figure 2.7: Audit Committee

Figure 2.8: Compensation Committee

Figure 2.9: Governance and Nominating Committee

2.3 SWOT Analysis

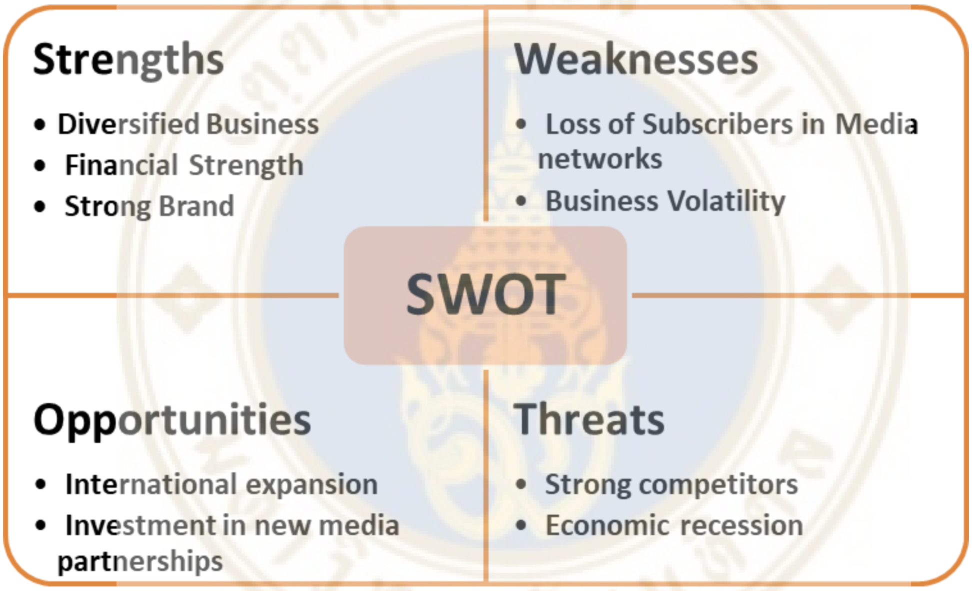

Figure 2.10: SWOT Analysis

2.3.1 Strengths

2.3.1.1 Diversified Business

Disney is one of the largest diversified business conglomerate in the world in media and entertainment. They own one of the most mainstream channels in the U.S such as ESPN sport channel, ABC news channel, Disney channels as well as acquire the huge-fan based movie franchises in the world - Marvels and Star Wars. Both franchises benefit Studio entertainment, Theme parks, and consumer products which is the most successful earning.

2.3.1.2 Financial Strength

Disney has a very strong balance sheet in terms of holding cash proximately $4 billion reported by Disney annual report 2015 as well as the portion of current debt including long term and short term is only 19% of the total assets.

2.3.1.3 Strong Brand

Disney brand is listed one of the most valuable brands in the world reported by Forbes. Brand image is very positive throughout the world in terms of family friendly business for theme park and resort business and kid friendly business thru Disney animated movies and series, Disney kid TV programs, and consumer products. Moreover, Marvel and Star Wars that have the big fan base around the world.

2.3.2 Weakness

2.3.2.1 Loss of Subscribers in Media networks

Due to changing in the media network trend from traditional to the web streaming, the subscriber number has been declined especially ESPN channels. Normally, the basic package for cable network does not provide ESPN and Disney channels for free. The customers will shift from the pay-television subscription to online subscription offered cheaper package.

2.3.2.2 Business Volatility

Unpredictable revenue in the entertainment business is common because the success of Disney business highly depends on the customer taste and preference. The more attractive and hit of Disney products, the more earning they are going to gain. Creating one movie or series does not really predicted whether this will be hits or not.

2.3.3 Opportunities

2.3.3.1 International expansion

Disney have strong overseas market and has potential to be successful for international investment especially in theme park and resort business. Recently, Disney invested in a new theme park in Shanghai, China to attract the middle class and booming market in China.

2.3.3.2 Investment in new media partnerships

Disney always look for new media channel partnership to enhance their revenue and find new products to replace with less popular ones. In 2015, Disney acquires BAMtech to develop streaming platform for Disney programs, movies, and series.

2.3.4 Threats

2.3.4.1 Strong competitors

In this diversified media and entertainment business, there are other big conglomerates like Comcast (CMCSA) and Time Warner (TWX). Comcast has Universal Studios to produce films and Universal studios theme parks to compete with Disney while Time Warner has Warner Bros studio for film production and HBO and Turner Broadcasting for television production to compete with Disney as well.

2.3.4.2 Economic recession

Disney's products are not necessary for living. Hence with economic recession period, people may watch less movies, pay TV programs less, not buy Disney theme parks tickets or look for cheaper alternative for entertaining. This will create potential loss for Disney.

2.4 Five Force Analysis

Figure 2.11: Five Force Analysis

2.4.1 Industry Rivalry – Medium

- Unique animation and cartoon brand – DISNEY has long brand image of cartoon and animation such as Mickey Mouse and Minnie, Disney princesses, and Toy Story.
- No.1 of theme parks in the world – Disney invested big and innovative amusement in many big cities with their own cartoon and movie characters. Holding Marvel and Star Wars franchise – Disney bought a lot of hero characters and epic space movies franchise with Jedi heroes and philosophy.

2.4.2 Supplier Power – Medium

- Large conglomerate – One of the most well-known diversified business corporation in the world
- High amount of merchandising – Being a huge corporation is able to procure large volume of the supplies but high cost of switching suppliers due to unique products.
- Some of DISNEY key content suppliers such as NBA or NFL possess the bargaining power over DISNEY. Such suppliers, therefore, have been able to raise price on their live contents which DISNEY must pay up to outbid it competitors.

2.4.3 Threats of substitute – Medium

- Unique products – No one could do like what Disney does in short time
- High cost – High cost for entertainment and media production
- High loyalties – Disney holds many licensed products
- Many indirect substitutes – As many new forms of entertainments emerges such as virtual realities and cheapening international travelling, DISNEY is not able maintain all customers with its traditional media or the Disneyland experience.

2.4.4 Threats of New Entrants – Low

- Time and cost of entry – High cost and time consumption to compete with Disney
- Unique production – Distinctive animated characters with long life time on many Disney production
- High risk factors – Making products like Disney which is hard to predict the revenue

2.4.5 Buyer power - High

- Theme park entry fee – Ticket price can determine the number of visitors

- Movie ticket, pay television fee – Price can determine the number of subscriber and chance to switch to other platform such as streaming channels
- Switching cost – Switching cost is not high and very competitive package

2.5 Financial Statement Projection

2.5.1 Income Statement Projection

Table 2.1: Income Statement Projection

THE WALT DISNEY COMPANY As of Fiscal Year Ended October 3, 2015 CONSOLIDATED STATEMENTS OF INCOME	2011	2012	2013	2014	2015	2016*	2017*	2018*	2019*	2020*
Revenues										
Media Networks	18,714	19,436	20,356	21,152	23,264	25,755	26,815	27,844	28,773	29,874
Theme Parks and Resorts	11,797	12,920	14,087	15,099	16,162	16,860	18,203	19,148	19,839	20,533
Studio Entertainment	6,351	5,825	5,979	7,278	7,366	7,620	7,858	8,138	8,367	8,643
Consumer Products	4,031	4,097	4,619	5,284	5,673	5,951	6,243	6,548	6,869	7,206
Total Revenue	40,893	42,278	45,041	48,813	52,465	56,185	59,118	61,678	63,848	66,256
Costs and Expenses										
Cost of Revenues (exclusive of depreciation and amortization)	(22,927)	(23,338)	(25,034)	(26,420)	(28,364)	(30,524)	(32,237)	(33,716)	(34,964)	(36,351)
Selling, general, adminstrative and other	(8,032)	(7,798)	(8,365)	(8,565)	(8,523)	(8,619)	(9,035)	(9,416)	(9,743)	(10,108)
Depreciation and Amortization	(1,841)	(1,987)	(2,192)	(2,288)	(2,354)	(2,478)	(2,676)	(2,814)	(2,916)	(3,018)
Total costs and expenses	(32,800)	(33,123)	(35,591)	(37,273)	(39,241)	(41,621)	(43,947)	(45,946)	(47,623)	(49,477)
Restructuring and impairment charges	(55)	(100)	(214)	(140)	(53)	0	0	0	0	0
Other expense, net	75	239	(69)	(31)	0	0	0	0	0	0
Interest expense	(435)	(472)	(349)	(294)	(265)	(336)	(310)	(193)	(39)	0
Interest and investment income	92	103	114	317	148	161	174	195	420	945
Interest income (expense),net	(343)	(369)	(235)	23	(117)	(174)	(136)	2	382	945
Adjustments from Business Segments	0	0	(54)	0	0	0	0	0	0	0
Equity in the income of investees	585	627	688	854	814	814	814	814	814	814
Income before income taxes	8,355	9,552	9,620	12,246	13,868	15,204	15,849	16,548	17,422	18,537
Income taxes	(2,785)	(3,087)	(2,984)	(4,242)	(5,016)	(5,499)	(5,733)	(5,985)	(6,301)	(6,705)
Net income	5,570	6,465	6,636	8,004	8,852	9,705	10,117	10,563	11,120	11,832
Less: Net Income attributable to noncontrolling interests	(451)	(491)	(500)	(503)	(470)	(470)	(470)	(470)	(470)	(470)
Net Income Attributable to The Walt Disney Company	5,119	5,974	6,136	7,501	8,382	9,235	9,647	10,093	10,650	11,362
Dividends Paid	(756)	(1,076)	(1,324)	(1,508)	(3,063)	(3,358)	(3,501)	(3,655)	(3,848)	(4,094)

2.5.2 Balance Sheet Projection

Table 2.2: Balance Sheet Projection

THE WALT DISNEY COMPANY As of Fiscal Year Ended October 3, 2015 CONSOLIDATED BALANCE SHEETS		2011	2012	2013	2014	2015	2016*	2017*	2018*	2019*	2020*
ASSETS											
Current Assets											
Cash and cash equivalents		3,185	3,387	3,931	3,421	4,269	4,385	4,614	4,814	4,983	5,171
Receivables		6,182	6,540	6,967	7,822	8,019	8,482	8,925	9,311	9,639	10,002
Inventories		1,595	1,537	1,487	1,574	1,571	1,692	1,787	1,869	1,938	2,015
Television costs and advances		674	676	634	1,061	1,170	1,330	1,385	1,438	1,486	1,543
Deferred income taxes		1,487	765	485	497	767	447	471	491	508	528
Maketable securities		383	285	442	220	160	0	0	0	5,581	13,611
Other current assets		634	804	605	794	962	962	962	962	962	962
Total current assets		14,140	13,994	14,551	15,389	16,918	17,300	18,144	18,886	25,098	33,834
Film and television costs		4,357	4,541	4,783	5,325	6,183	7,313	7,634	7,954	8,239	8,577
LT Investment - Affiliate Companies	3%	2,052	2,438	2,407	2,476	2,483	2,483	2,483	2,483	2,483	2,483
Parks, resorts and other property											
Attractions, buildings and equipment		35,515	38,582	41,192	42,263	42,745	44,824	48,396	50,908	52,745	54,591
Accumulated depreciation		(19,572)	(20,687)	(22,459)	(23,722)	(24,844)	(27,322)	(29,998)	(32,812)	(35,728)	(38,746)
		15,943	17,895	18,733	18,541	17,901	17,502	18,398	18,096	17,017	15,845
Projects in progress		2,625	2,453	2,476	3,553	6,028	5,458	5,893	6,199	6,423	6,648
Land		1,127	1,164	1,171	1,238	1,250	1,273	1,375	1,446	1,498	1,551
		19,695	21,512	22,380	23,332	25,179	24,233	25,666	25,741	24,938	24,043
Intangible assets, net		5,121	5,015	7,370	7,434	7,172	8,420	8,860	9,243	9,569	9,930
Goodwill		24,145	25,110	27,324	27,881	27,826	27,826	27,826	27,826	27,826	27,826
Other assets		2,614	2,288	2,426	2,304	2,421	2,421	2,421	2,421	2,421	2,421
Total assets		**72,124**	**74,898**	**81,241**	**84,141**	**88,182**	**89,996**	**93,034**	**94,555**	**100,574**	**109,113**
LIABILITIES AND EQUITY											
Current liabilities											
Accounts payable and Other accrued liabilities		6,362	6,393	6,803	7,595	7,844	8,477	8,951	9,358	9,699	10,077
Current portion of borrowings		3,055	3,614	1,512	2,164	4,563	3,369	2,165	520	0	0
Unearned royalties and other advances		2,671	2,806	3,389	3,533	3,927	4,296	4,521	4,716	4,882	5,066
Total current liabilities		12,088	12,813	11,704	13,292	16,334	16,143	15,636	14,595	14,582	15,144
Borrowings		10,922	10,697	12,776	12,631	12,773	9,432	6,060	1,457	0	0
Deferred income taxes		2,866	2,251	4,050	4,098	4,051	4,051	4,051	4,051	4,051	4,051
Other long-term liabilities		6,795	7,179	4,561	5,942	6,369	5,369	5,669	5,927	6,143	6,383
Total liabilities		**32,671**	**32,940**	**33,091**	**35,963**	**39,527**	**34,995**	**31,416**	**26,029**	**24,776**	**25,577**
Equity											
Preferred stock		0	0	0	0	0	0	0	0	0	0
Common stock		30,296	31,731	33,440	34,301	35,122	35,122	35,122	35,122	35,122	35,122
Retained earnings		38,375	42,965	47,758	53,734	59,028	65,375	71,991	78,898	86,171	93,909
Accumulated other comprehensive loss		(2,630)	(3,266)	(1,187)	(1,968)	(2,421)	(2,421)	(2,421)	(2,421)	(2,421)	(2,421)
Treasury stock		(28,656)	(31,671)	(34,582)	(41,109)	(47,204)	(47,204)	(47,204)	(47,204)	(47,204)	(47,204)
Total Disney Shareholders' equity		37,385	39,759	45,429	44,958	44,525	50,872	57,488	64,395	71,668	79,406
Noncontrolling interests		2,068	2,199	2,721	3,220	4,130	4,130	4,130	4,130	4,130	4,130
Total equity		39,453	41,958	48,150	48,178	48,655	55,002	61,618	68,525	75,798	83,536
Total liabilities and equity		**72,124**	**74,898**	**81,241**	**84,141**	**88,182**	**89,996**	**93,034**	**94,555**	**100,574**	**109,113**

2.5.3 Statement of Cash Flow Projection

Table 2.3: Cash Flow Statement Projection

THE WALT DISNEY COMPANY As of Fiscal Year Ended October 3, 2015 CONSOLIDATED STATEMENTS OF CASH FLOWS	2011	2012	2013	2014	2015	2016*	2017*	2018*	2019*	2020*
OPERATING ACTIVITIES										
Net income	5,258	6,173	6,636	8,004	8,852	9,705	10,117	10,563	11,120	11,832
Depreciation and amortization	1,841	1,987	2,192	2,288	2,354	2,478	2,676	2,814	2,916	3,018
Gains on sales of investments and dispositions	(75)	(184)	(252)	(299)	(91)	0	0	0	0	0
Deferred income taxes	127	472	92	517	(102)	(320)	23	20	17	19
Equity in the income of investees	(585)	(627)	(688)	(854)	(814)	(814)	(814)	(814)	(814)	(814)
Cash distributions received from equity investees	608	663	694	718	752	752	752	752	752	752
Net change in film and television costs and advances	332	(52)	(49)	(964)	(922)	(1,706)	(786)	(784)	(698)	(828)
Equity-based compensation	423	408	402	408	410	410	410	410	410	410
Other	204	217	322	234	341	0	0	0	0	0
Changes in operating assets and liabilities:										
Receivables	(518)	(108)	(374)	(480)	(211)	(463)	(443)	(386)	(328)	(363)
Inventories	(199)	18	51	(81)	1	(121)	(95)	(82)	(69)	(77)
Other assets	(189)	(151)	(30)	(151)	34	0	0	0	0	0
Accounts payable and other accrued liabilities	(367)	(608)	367	536	(49)	633	474	407	341	378
Income taxes	134	(242)	89	(96)	354	(320)	23	20	17	19
Cash provided by operations	6,994	7,966	9,452	9,780	10,909	10,234	12,337	12,921	13,666	14,346
INVESTING ACTIVITIES										
Investments in parks, resorts and other property	(3,559)	(3,784)	(2,796)	(3,311)	(4,265)	(3,970)	(4,177)	(4,358)	(4,511)	(4,681)
Sales of investments/proceeds from dispositions	564	15	397	395	166	0	0	0	0	0
Acquisitions	(184)	(1,088)	(2,443)	(402)	0	0	0	0	0	0
Other	(107)	98	166	(27)	(146)	0	0	0	0	0
Cash used in investing activities	(3,286)	(4,759)	(4,676)	(3,345)	(4,245)	(3,970)	(4,177)	(4,358)	(4,511)	(4,681)
FINANCING ACTIVITIES										
Commercial paper borrowings/(repayments), net	393	467	(2,050)	50	2,376	(1,194)	(1,204)	(1,644)	(520)	0
Borrowings	2,350	3,779	3,931	2,231	2,550	733	0	527	0	0
Reduction of borrowings	(1,096)	(3,822)	(1,502)	(1,648)	(2,221)	(3,341)	(3,372)	(4,603)	(1,457)	0
Dividends	(756)	(1,076)	(1,324)	(1,508)	(3,063)	(3,358)	(3,501)	(3,655)	(3,848)	(4,094)
Repurchases of common stock	(4,993)	(3,015)	(4,087)	(6,527)	(6,095)	0	(381)	0	(4,173)	(6,394)
Proceeds from exercise of stock options	1,128	1,008	587	404	329	0	(485)	0	0	0
Contributions from noncontrolling interest holders	0	0	505	608	1,012	1,012	1,012	1,012	1,012	1,012
Other	(259)	(326)	(274)	(320)	(402)	0	0	0	0	0
Cash used in financing activities	(3,233)	(2,985)	(4,214)	(6,710)	(5,514)	(6,148)	(7,931)	(8,364)	(8,986)	(9,476)
Impact of exchange rates on cash and cash equivalents	(12)	(20)	(18)	(235)	(302)	0	0	0	0	0
Change in cash and cash equivalents	463	202	544	(510)	848	116	229	200	169	188
Cash and cash equivalents, beginning of year	2,722	3,185	3,387	3,931	3,421	4,269	4,385	4,615	4,814	4,983
Cash and cash equivalents, end of year	3,185	3,387	3,931	3,421	4,269	4,385	4,615	4,814	4,983	5,172

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