The Walt Disney Company

Recommendation STRONG BUY ★★★★★

Price $116.61 (as of Nov 29, 2018 4:00 PM ET)

12-Mo. Target Price $130.00

Report Currency USD

Investment Style Large-Cap Blend

Equity Analyst Tuna N. Amobi, CFA, CPA

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE RESEARCH NOTES SECTION

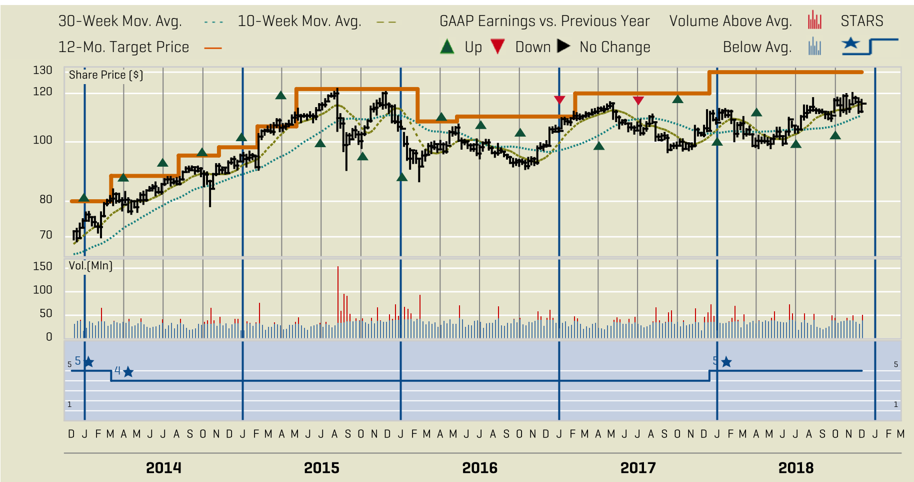
GICS Sector Communication Services
Sub-Industry Movies & Entertainment

Summary This media and entertainment conglomerate has diversified global operations in theme parks, filmed entertainment, television broadcasting, and consumer products.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**$120.20 - 97.68**	Oper. EPS 2019**E**	**7.35**	Market Capitalization[B]	**$173.6**	Beta	**1.17**
Trailing 12-Month EPS	**8.36**	Oper. EPS 2020**E**	**7.64**	Yield [%]	**1.44**	3-Yr Proj. EPS CAGR[%]	**10**
Trailing 12-Month P/E	**13.89**	P/E on Oper. EPS 2019**E**	**15.80**	Dividend Rate/Share	**$1.68**	SPGMI's Quality Ranking	**A+**
$10K Invested 5 Yrs Ago	**$17,211**	Common Shares Outstg.[M]	**1,488.7**	Institutional Ownership [%]	**65**		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **Tuna Amobi** on Nov 09, 2018 03:46 PM, when the stock traded at **$116.00.**

Highlights

- Consolidated revenues are projected to increase a relatively modest 1.8% in FY 19 (Sep.), with some difficult comparisons at the theme parks and film businesses, despite the potential benefit from a slew of newer attractions and a solid content pipeline of current and catalog releases (iMarvel, Pixar, Lucasfilm and Disney). Conversely, we see relatively modest growth at the media networks partly on growth in affiliate fees at the cable networks (including ESPN), combined with advertising and program sales at the broadcast division. In FY 20, we see revenues up 4.2%.
- We project adjusted EBITDA margins of 29.5% in FY 19 -versus 30.2% in FY 18. Results will likely be pressured by investments in a new Disney streaming service, combined with higher sports programming costs at ESPN, and equity losses at the Hulu joint venture. Conversely, we see potential offsets on growth in higher margin revenue, including TV retransmission, digital streaming, and content licensing.
- After depreciation and amortization, interest and taxes, we forecast EPS of $7.35 in FY 18 and $7.64 in FY 20. DIS recently suspended its share repurchases after its pending deal for Fox.

Investment Rationale/Risk

- In early-November, after posting stronger-than-expected Sep-Q results to wrap up a rather remarkable fiscal year, DIS reaffirmed its positive view for its pending acquisition of Fox's entertainment assets, potentially on track to close in the calendar first quarter of 2019. We see another landmark deal that could be poised to significantly boost DIS's international exposure and foster a potentially transformative direct-to-consumer strategy under its ESPN and Disney brands. Meanwhile, we see continued multi-platform benefits on a robust pipeline of homegrown and acquired franchises, with continued financial flexibility on further de-leveraging initiatives.
- Risks to our recommendation and target include a sharp slowdown in global consumer spending (ads, theme parks, home video); ESPN subscriber losses (amid digital competition); geopolitical anxieties; film volatility; and potentially dilutive acquisitions -- including the prospects of a potential bidding war for the Fox assets.
- Our 12-month target price is $130, on EV/ EBITDA of 12.1X our FY 19 estimate, a notable (and we think warranted) premium versus peers. DIS recently offered a 1.4% yield.

Analyst's Risk Assessment

LOW | **MEDIUM** | HIGH

Our risk assessment reflects our view of potentially sizable multi-platform upside from the company's large stable of popular entertainment brands, franchises, and characters, as well as a strong management team led by a well-regarded CEO. Conversely, we note the company's high vulnerability to a slowdown in consumer spending and its relatively high exposure to capital-intensive theme parks businesses.

Revenue/Earnings Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2018	15,351	14,548	15,228	14,307	59,434
2017	14,784	13,336	14,238	12,779	55,137
2016	15,244	12,969	14,277	13,142	55,632
2015	13,391	12,461	13,101	13,512	52,465
2014	12,309	11,649	12,466	12,389	48,813
2013	11,341	10,554	11,578	11,568	45,041

Earnings Per Share ($)

	1Q	2Q	3Q	4Q	Year
2020	**E** 1.95	**E** 2.02	**E** 2.14	**E** 1.53	**E** 7.64
2019	**E** 1.85	**E** 1.93	**E** 2.08	**E** 1.49	**E** 7.35
2018	2.91	1.95	1.95	1.55	8.36
2017	1.55	1.50	1.51	1.13	5.69
2016	1.73	1.30	1.59	1.09	5.73
2015	1.27	1.23	1.45	0.95	4.90

Fiscal year ended Sep 30. Next earnings report expected: Early Feb. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.88	Nov 28	Dec 07	Dec 10	Jan 10 '19
0.84	Jun 26	Jul 06	Jul 09	Jul 26 '18
0.84	Nov 29	Dec 08	Dec 11	Jan 11 '18

Dividends have been paid since 1957. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

The Walt Disney Company

Business Summary August 08, 2018

CORPORATE OVERVIEW. The Walt Disney Co. is a leading media conglomerate with key operations in theme parks, television, filmed entertainment, and merchandise licensing. Theme Parks and Resorts (30% of FY 16 [September] revenues and 21% of EBIT) includes the company's best known assets: Disney World and Disneyland parks in Orlando, FL, and Anaheim, CA, respectively; the Disney Cruise Line; Euro Disney, Paris (39%-owned); and Hong Kong Disneyland (43%-owned). In June 2016, the company opened another park in mainland China (Shanghai).

In June 2018, the company revised its offer to acquire certain entertainment assets of Twenty-First Century Fox (FOX) to about $71.3 billion in cash and stock (as further discussed below).

Media Networks (43% of revenues and 49% of EBIT) includes the ABC broadcast network; 10 TV stations; and cable networks ESPN (80%-owned), The Disney Channel, and ABC Family. Studio entertainment (17% of revenues and 17% of EBIT) includes the film, television, and home video businesses under the Walt Disney, Touchstone, and Miramax brands. Consumer products (10% of revenues and 13% of EBIT) include merchandise licensing, children's book publishing, video game development, as well as more than 200 retail stores in North America, over 100 in Europe, and over 50 in Japan. In May 2016, the company discontinued its Infinity console games business.

IMPACT OF SIGNIFICANT DEVELOPMENTS. In June 2018, after a bidding war against Comcast (CMCSA), Disney revised its offer to acquire certain entertainment assets of Twenty-First Century Fox to about $71.3 billion in a 50/50 cash-and-stock transaction. The deal includes Fox's film/television assets; FX and National Geographic channels, the regional sports networks, Fox international networks and STAR India; as well as the FOX's minority stakes in Hulu (30%) and Sky Plc. (39%). With U.S. regulatory approvals already in place, in June, the company expected the deal to close in the next year -- subject to pending approvals in international jurisdictions. The company expects about $2 billion in cost synergies related to the deal, pursuant to which it extended the tenure of its CEO Robert Iger until the end of 2021.

CORPORATE STRATEGY. As a content-oriented company, DIS's top strategic priorities include creativity and innovation, international expansion, and leveraging new technology applications. Under CEO Robert Iger, DIS has been making its content available across various digital platforms (broadband, wireless/mobile -- including iTunes, iPhone/iPad, Netflix, and Amazon -- and video games). In August 2017, the company unveiled plans to launch ESPN-branded and Disney-branded streaming offerings in early 2018 and in 2019, respectively. Concurrently, DIS also announced plans to end its distributions agreement with Netflix beginning with the 2019 calendar year theatrical slate.

In September 2017, the company paid $1.5 billion for an additional 42% stake in BAMtech, a video streaming company previously formed by Major League Baseball (MLB), raising its stake to 75%. Earlier, in August 2016, the company acquired its initial 33% stake in BAMTech for about $1 billion. In 2014, DIS acquired Maker Studios, a digital content network on YouTube, for up to $950 million. In 2012, DIS acquired Lucasfilm (and the StarWars franchise), for $4.06 billion in cash and stock. Other key acquisitions included Marvel Entertainment, a film studio with a library of more than 5,000 comic book characters, purchased in 2009 for about $4 billion in cash and stock; and Pixar, a CGI animation studio, acquired in 2006 for $7.4 billion in stock.

Earlier, in 2010, DIS acquired Playdom, an online social gaming platform, for up to $763 million, as well as Tapulous, a developer of mobile games/apps (for an undisclosed price). In 2007, it acquired kids' social networking site Club Penguin for up to $700 million. In 2010, it sold Miramax film for about $660 million, and earlier, in 2007, it sold ABC radio assets (22 stations plus the ABC radio network) for $2.7 billion.

In recent years, the company embarked on its latest round of capital spending related to its theme parks and resorts businesses, including a new mixed-use resort in Hawaii (opened summer 2011); significant expansion of Disney World's Fantasyland (2011); three new themed areas -- including Toy Story Land -- at Hong Kong Disneyland (2011); two new cruise ships named Disney Dream and Disney Fantasy (2011); and a new Cars Land at Disneyland's California Adventure (June 2012).

In 2008, DIS set a slate of 10 new animated films (from Disney and Pixar) to be released through 2012 -- decidedly focusing on Disney-branded films, after sharply reducing its annual film output (to 10 live-action/animation films plus two to three Touchstone titles).

In 2009, DIS and privately held Hearst Corp. each contributed their 50% interest in Lifetime Entertainment to A&E Television Networks (AETN) to create AETN/Lifetime (in which DIS currently has a 42% stake). In May 2012, Comcast's NBCU exercised an option to require AETN to purchase a major portion of its 15.8% stake in NBCU. In 2009, DIS joined NBCU and News Corp.'s Fox as an equity partner in online video site Hulu.

FINANCIAL TRENDS. We believe DIS has ample financial flexibility, with a solid balance sheet and leverage ratios (as measured by net debt to EBITDA). As of December 31, 2016, DIS had total debt of about $20.5 billion, and with cash and equivalents of $3.7 billion, net debt stood at nearly $16.8 billion. Over the past several years, DIS has targeted a double-digit return on invested capital (ROIC).

In December 2014, the company increased its annual dividend by 34%, to $1.15 a share -- after similar double-digit percentage annual increases since December 2011. Over the past few years, the company has executed a share buyback program pursuant to a share repurchase authorization, most recently on an accelerated pace of $6 billion to $8 billion in annual share repurchases.

Corporate Information

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Officers

Chairman & CEO
R. A. Iger

Senior EVP & CFO
C. M. McCarthy

Senior EVP, General Counsel & Secretary
A. N. Braverman

Board Members

A. B. Lewis	J. Pitaro
A. F. Horn	J. S. Chen
B. Sherwood	M. B. Froman
D. Walden	M. E. Lagomasino
F. A. deSouza	M. G. Parker
F. H. Langhammer	M. T. Barra
G. E. Knell	R. A. Iger
I. V. Tavrin	S. A. Catz
J. Landgraf	S. E. Arnold

Domicile
Delaware

Founded
1923

Employees
201,000

Auditor
PricewaterhouseCoopers LLP

The Walt Disney Company

Quantitative Evaluations

Fair Value Rank 4

1	2	3	4	5
LOWEST				HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **$128.54** Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that DIS is slightly undervalued by $11.93 or 10.2%.

Volatility LOW | AVERAGE | HIGH

Technical Evaluation **NEUTRAL** Since November, 2018, the technical indicators for DIS have been NEUTRAL.

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2018	2017	2016	2015
Price/Sales	2.97	2.82	2.74	3.36
Price/EBITDA	9.87	9.28	8.95	11.30
Price/Pretax Income	11.48	10.93	10.12	12.76
P/E Ratio	13.99	17.32	16.21	21.02
Avg. Diluted Shares Outsg.(M)	1507	1578	1639	1709

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Sales	7.79	4.25	5.70
Net Income	40.29	14.55	15.47
Ratio Analysis (Annual Avg.)			
Net Margin (%)	NM	NM	NM
% LT Debt to Capitalization	22.83	NA	NA
Return on Equity (%)	26.10	NA	NA

Company Financials Fiscal year ending Sep. 30

Per Share Data ($)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tangible Book Value	7.19	1.91	5.33	5.74	5.65	6.05	5.41	4.49	4.40	5.27
Free Cash Flow	6.56	5.56	5.13	4.20	3.72	3.71	2.33	1.83	2.33	1.92
Earnings	8.36	5.69	5.73	4.90	4.26	3.38	3.13	2.52	2.03	1.76
Earnings (Normalized)	5.56	5.26	5.53	4.81	4.00	3.14	2.91	2.40	1.99	1.77
Dividends	1.72	1.62	1.49	1.37	1.15	0.86	0.75	0.60	0.40	0.35
Payout Ratio (%)	20	27	25	37	20	22	19	16	16	20
Prices: High	117.90	116.10	120.65	122.08	91.20	67.89	53.40	44.34	37.98	29.40
Prices: Low	96.80	90.31	86.25	78.54	63.10	46.53	28.19	29.05	27.00	15.14
P/E Ratio: High	19.8	20.9	25.3	26.1	22.9	21.0	17.9	20.2	NM	14.9
P/E Ratio: Low	13.3	16.3	16.6	19.6	18.4	15.0	12.3	14.6	NM	7.4
Income Statement Analysis (Million $)										
Revenue	59,434	55,137	55,632	52,465	48,813	45,041	42,278	40,893	38,063	36,149
Operating Income	14,837	13,988	14,487	13,224	11,540	9,450	8,984	7,781	6,726	5,697
Depreciation + Amortization	3,011	2,782	2,527	2,354	2,288	2,192	1,987	1,841	1,713	1,631
Interest Expense	682	507	354	265	294	349	472	435	456	588
Pretax Income	14,729	13,788	14,868	13,868	12,246	9,620	9,260	8,043	6,627	5,658
Effective Tax Rate	11.3	32.1	34.2	36.2	34.6	31.0	33.3	34.6	34.9	36.2
Net Income	12,598	8,980	9,391	8,382	7,501	6,136	5,682	4,807	3,963	3,307
Net Income (Normalized)	8,383	8,299	9,072	8,213	7,044	5,688	5,285	4,578	3,873	3,328
Balance Sheet and Other Financial Data (Million $)										
Cash	4,150	4,017	4,610	4,269	3,421	3,931	3,387	3,185	2,722	3,417
Current Assets	16,825	15,889	16,966	16,758	15,169	14,109	13,709	13,757	12,225	11,889
Total Assets	98,598	95,789	92,033	88,182	84,141	81,241	74,898	72,124	69,206	63,117
Current Liabilities	17,860	19,595	16,842	16,334	13,292	11,704	12,813	12,088	11,000	8,934
Long Term Debt	17,084	19,119	16,483	12,773	12,631	12,776	10,697	10,922	10,130	11,495
Total Capital	74,829	71,443	67,493	65,991	62,973	62,532	56,553	53,718	52,046	48,352
Capital Expenditures	4,465	3,623	4,773	4,265	3,311	2,796	3,784	3,559	2,110	1,753
Cash from Operations	14,295	12,343	13,136	11,385	9,780	9,452	7,966	6,994	6,578	5,319
Current Ratio	0.94	0.81	1.01	1.03	1.14	1.21	1.07	1.14	1.11	1.33
% Long Term Debt of Capitalization	22.8	26.8	24.4	19.4	20.1	20.4	18.9	20.3	19.5	23.8
% Net Income of Revenue	21.2	16.3	16.9	16.0	15.4	13.6	13.4	11.8	10.4	9.1
% Return on Assets	9.54	9.31	10.05	9.59	8.72	7.57	7.64	6.88	6.35	5.67
% Return on Equity	26.1	20.0	20.4	18.3	16.6	14.7	15.2	13.3	11.5	10.4

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

The Walt Disney Company

Sub-Industry Outlook

We have a neutral fundamental outlook on the movies and entertainment sub-industry, against a backdrop of a gradual improvement in consumer discretionary spending. While traditional formats (e.g. DVDs and CDs) and distribution channels (e.g. theaters) have likely reached saturation, we see continued evolution of newer channels for digital delivery of content to consumers, including online/mobile streaming, electronic sell-through (EST) and video on demand (VOD), as well as a proliferation of streaming video outlets.

We see the DVD sell-through market buffeted by secular headwinds amid increased penetration of streaming video offerings, with rentals pressured by a demise of several brick-and-mortar store chains. Also, streaming music sales have recently reached a tipping point, outweighing declines in physical downloads and a protracted decline in physical formats such as CD and vinyl albums. Meanwhile, we see a blurring of lines across recorded music, concert promotion, artist management and ticketing.

We have a cautious near-term outlook on the domestic box office, after two consecutive record years in 2015 and 2016, as well as in 2012 and 2013, before a notable retreat in 2017 after the worst summer movie season in a decade. Amid increased out-of-home entertainment options, we see potential secular pressures on movie attendance, with some film studios also experimenting with shorter theatrical windows. We see continued shifts in media consumption on changing consumer behavior, creating potential opportunities and challenges for content providers. Conversely, we see relatively compelling growth opportunities across several international markets such as India and China.

Amid further convergence of content, technology, and services, recent years have witnessed the growing popularity of streaming video platforms such as Netflix, Amazon, and Hulu, with services such as HBO Now, Showtime Anytime and several others recently joining the fray. Online video platforms provide an increasingly compelling platform for content providers, even as many these companies face more competition amid increased content investments by many of the leading online players, as well social media outlets (e.g., Facebook, YouTube, and Twitter), in our view.

Meanwhile, the industry M&A scene has been fairly active, with renewed interest from a number of domestic and international buyers, most recently highlighted by Disney's pending $71.3 deal for Fox's entertainment assets after an intense bidding war against Comcast - soon after AT&T's $85 billion deal for Time Warner, and Regal Entertainment Group's cross-border acquisition by U.K.-based Cineworld Group for $5.9 billion. Other notable recent deals include Dreamworks Animation's $3.8 billion acquisition by Comcast; Legendary Entertainment's $3.5 billion acquisition by China's Wanda Group; AMC Entertainment's deals for Carmike Cinemas and U.K.-based Odeon/UCI Cinemas, for about $1.2 billion apiece. Earlier deals include Disney/Lucasfilm, Lionsgate/Summit, Disney/Marvel, and Comcast/NBCU. We see opportunities for further ownership concentration in the industry, against a backdrop of recent consolidation among multichannel video programming distributors.

Year to date through September 14, 2018, the S&P Movies & Entertainment Index was 10.2% versus an increase of 8.8% in the S&P 1500 Index. In 2017, the sub-industry index rose 4.1%, significantly lagging a 19.4% increase in the broader market benchmark.

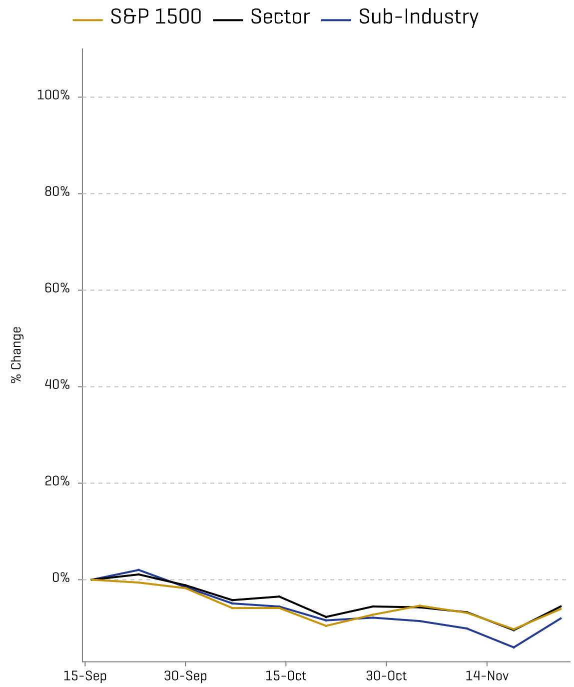
/Tuna N. Amobi, CFA, CPA

Industry Performance

GICS Sector: **Communication Services**

Based on S&P 1500 Indexes

Five-Year market price performance through Dec 01, 2018



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.
Source: S&P Global Market Intelligence

Sub-Industry: Movies & Entertainment Peer Group*: Movies & Entertainment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price ($)	Stk. Mkt. Cap. (M $)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc. ($)	Yield (%)	Return on Equity (%)	LTD to Cap (%)
The Walt Disney Company	**DIS**	**NYSE**	**USD**	**116.61**	**173,594**	**1.6**	**10.8**	**14**	**128.54**	**1.4**	**26.1**	**22.8**
Cinemark Holdings, Inc.	CNK	NYSE	USD	38.96	4,552	-5.4	5.3	16	38.00	3.3	19.9	51.3
Formula One Group	FWON.K	NasdaqGS	USD	30.38	6,992	-5.9	-18.8	16	NA	Nil	7.4	50.5
Lions Gate Entertainment Corp.	LGF.A	NYSE	USD	20.10	4,105	9.1	-41.6	33	19.91	1.8	16.0	43.5
Live Nation Entertainment, Inc.	LYV	NYSE	USD	55.91	11,716	11.3	22.4	NM	NA	Nil	0.5	49.3
Netflix, Inc.	NFLX	NasdaqGS	USD	288.75	125,920	1.0	53.5	NM	252.16	Nil	17.9	64.5
The Madison Square Garden Company	MSG	NYSE	USD	272.21	6,465	-1.3	26.3	54	163.40	Nil	5.2	3.7
Twenty-First Century Fox, Inc.	FOXA	NasdaqGS	USD	49.53	91,719	8.4	54.3	19	44.67	0.7	24.4	45.0
Viacom Inc.	VIAB	NasdaqGS	USD	32.03	13,058	1.2	12.7	8	44.84	2.5	24.5	53.5
Vivendi SA	VIVH.Y	OTCPK	USD	25.38	32,149	4.6	-5.7	23	NA	2.2	6.7	18.9
World Wrestling Entertainment, Inc.	WWE	NYSE	USD	72.08	5,624	5.2	157.2	98	62.43	0.7	13.2	44.8

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

November 20, 2018
01:36 pm ET... CFRA KEEPS STRONG BUY OPINION ON SHARES OF THE WALT DISNEY COMPANY (DIS 112.94*****): We see a potentially robust auction for 22 regional sports networks (RSNs) that are being divested pursuant to the FCC's consent decree on Disney's pending $71.3B acquisition of Fox's (FOXA 49 ***) assets. An unconfirmed CNBC report indicates a strong field of first-round bidders, including Amazon (AMZN 1,515 ****), Sinclair (SBGI 30 ***), Tegna (TGNA 12 ***) and some prominent private equity firms. We note the RSNs in play hold broadcast rights to the games of 44 professional teams in baseball (MLB), basketball (NBA) and hockey (NHL). Notable among the RSNs is the Yes Entertainment Network (YES), home of the NY Yankees and Brooklyn Nets. Given an auction for the RSNs that could top $25B, we see a likely boost to DIS's de-leveraging targets (post-Fox deal), noting $15B in recent proceeds from a sale of the 39% stake in Sky to Comcast (CMCS.A 37 ****). With the Disney/Fox deal seen closing by Q1 2019, the second round of the RSNs bids is reportedly due before the end of 2018. /Tuna N. Amobi, CFA, CPA

November 09, 2018
08:05 am ET... CFRA KEEPS STRONG BUY OPINION ON SHARES OF THE WALT DISNEY COMPANY (DIS 118*****): We keep our 12-month target price of $130 (1.4% yield) on premium FY 19 (Sep.) EV/EBITDA of 12.1X vs. peers. We trim FY 19 EPS estimate by $0.29 to $7.35 and set FY 20's at $7.64. Disney's pending $71.3 billion deal for Fox, now seen closing by Q1 '19, should further boost its robust content pipeline. With the ESPN+ offering seemingly gaining some early traction, DIS provided a bit more color on another Disney-branded offering (set for '19 launch) which, along with Hulu, could provide a wholesome framework for its evolving direct-to-consumer strategy. Sep-Q adjusted EPS of $1.48 vs. $1.07, was $0.13 above the consensus. Revenues rose 12% fueled by the studio and theme parks. Total segment operating income margins widened 100 basis points. Having divested a 39% stake in Sky ahead of the Disney/Fox deal, and with Fox's regional sports networks on the auction block pursuant to the deal, we see potential fluidity in near-term capital allocation, with share buybacks temporarily halted. /Tuna N. Amobi, CFA, CPA

November 07, 2018
03:07 pm ET... CFRA KEEPS HOLD OPINION ON 'A' SHARES OF TWENTY-FIRST CENTURY FOX (DIS 47.02***): We keep our 12-month target price of $48, an ample takeover premium on a $71.3B sale of the entertainment assets to Disney, expected to close in H1 calendar '19, with some pending international approvals. We cut our FY 19 (Jun.) EPS estimate by $0.24 to $2.01 and FY 20's by $0.22 to $2.27. Sep-Q adjusted EPS of $0.52 vs. $0.49 matched the consensus. Revenues rose 2.5% on higher affiliate revenues and advertising (including sports and political ads) and TV retransmission and licensing revenues vs. tough filmed entertainment comparisons. Adjusted EBITDA margins widened 50 basis points, despite higher sports programming costs (including FIFA World Cup). We see an increasingly delineated organizational structure and strategic priorities for the "New Fox" (post-Disney deal), with a streamlined focus on news and sports content offerings, and sufficient financial flexibility for its de-leveraging and other capital allocation priorities, likely including a modest dividend and share buybacks. /Tuna N. Amobi, CFA, CPA

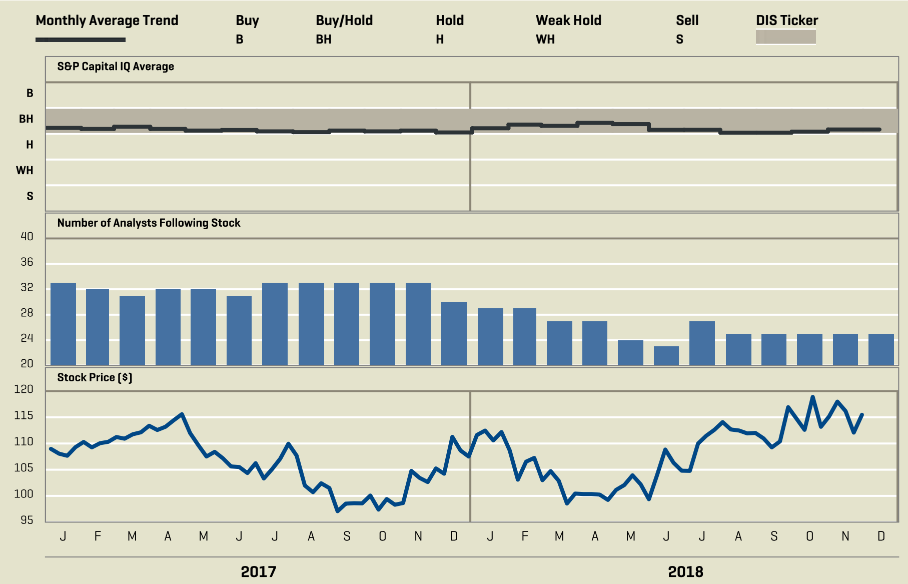
September 26, 2018
12:41 pm ET... CFRA KEEPS STRONG BUY OPINION ON THE SHARES OF WALT DISNEY COMPANY (DIS 115.75*****): Twenty-First Fox (FOXA 46 ***) says it would tender its 39% stake in Sky Plc (SKY LN 17 ***) to Comcast (CMCS.A 35 ****), which last weekend prevailed in an auction of the U.K.-based satellite TV broadcaster with an offer of GBP 17.28 a share, 10% above a rival offer from Disney, which is set to acquire Fox’s entertainment assets (including that 39% minority stake in Sky) for $71.3 billion. Based on Comcast’s proposal (translating to about $22.75 a share), that minority stake is currently expected to fetch over $15 billion. The news should bring some resolution to Fox’s long association with a storied pay TV brand in Sky, recently the subject of a fierce bidding war between Disney and Comcast after Fox’s own takeover attempts were scuttled by regulatory hurdles. Separately, we note current plans to divest the Fox regional sports networks pursuant to the U.S. conditional regulatory approvals of the Disney/Fox deal, likely generating further ample proceeds for a meaningful debt paydown. /Tuna N. Amobi, CFA, CPA

September 24, 2018
07:46 am ET... CFRA KEEPS STRONG BUY OPINION ON SHARES OF THE WALT DISNEY COMPANY (DIS 110.4*****): Disney, in concert with Twenty-First Century Fox (FOXA 44 ***) was outbid by Comcast (CMCS.A 38 ****) for control of Sky Plc (SKY LN 16 ***), after a three-round auction presided over by the U.K. Takeover Panel over the weekend. Disney’s and Fox’s final offer for Sky reportedly fell 10% short of Comcast’s prevailing offer of GBP 17.28 a share, valuing the Pan-European satellite TV broadcaster at GBP 30.2B ($39.5B), some 17% above Comcast’s earlier offer in July. With regulatory clearances already in place, Comcast expects to complete the deal before the end of October, subject to a likely affirmative Sky shareholders' vote in about two weeks. Still, we see some consolation on Disney’s pending $71.3 deal for Fox, whose 39% minority stake in Sky (set to be inherited by Disney) will also factor into the governance framework for Sky, and vice versa for Hulu, in which Disney would own a 60% controlling stake (upon inheriting Fox’s 30% stake) vs. Comcast’s 30% current minority stake in Hulu. /Tuna N. Amobi, CFA, CPA

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

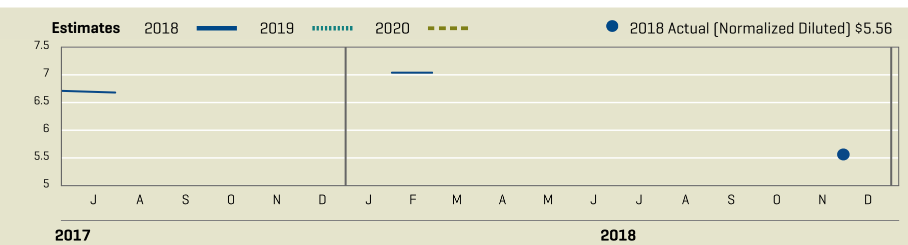
The Walt Disney Company

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	9	36	9	8
Buy/Hold	3	12	3	2
Hold	9	36	9	11
Weak Hold	1	4	1	1
Sell	2	8	2	2
No Opinion	1	4	1	1
Total	**25**	**100**	**25**	**25**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2020	7.48	8.39	6.96	19	15.6
2019	7.17	8.04	6.44	24	16.3
2020 vs. 2019	**▲4%**	**▲4%**	**▲8%**	**▼-21%**	**▼-4%**
Q1'20	1.69	1.95	1.36	7	69.0
Q1'19	1.59	1.82	1.35	18	73.3
Q1'20 vs. Q1'19	**▲6%**	**▲7%**	**▲1%**	**▼-61%**	**▼-6%**

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2019, analysts estimate that DIS will earn USD $7.17. For fiscal year 2020, analysts estimate that DIS's earnings per share will grow by 4% to USD $7.48.

The Walt Disney Company

Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking
(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates
CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price
The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research
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Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

Global STARS Distribution as of September 28, 2018

Ranking	North America	Europe	Asia	Global
Buy	38.1%	32.7%	42.6%	37.7%
Hold	56.0%	52.8%	44.8%	54.2%
Sell	5.9%	14.5%	12.6%	8.1%
Total	100.0%	100.0%	100.0%	100.0%

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