

Henderson State University

Analysis Report- Disney

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Walt Disney Co.	
Ticker Symbol	DIS
Exchange	NYSE
Industry	Entertainment
Sector	Services
Peer	Time Warner Inc.
Shares Owned	300
Purchase Date	-
Purchase Price	23.80
Current Price	18.71
52-wk Low	18.17
52-wk High	35.02
52-wk Change	-41.02%
52-wk Relative	
1 Year Target Price	23.26
Market/Book	1.07
Market Cap.	34.63B
Beta	.89
EPS (ttm)	2.28
Price/Earnings	8.21
PEG	1.15
Dividend & (Yield)	0.35 (1.70%)
Dividend Payout	15%
Interest Coverage	99
ROE	14.04%
Recommendation:	
Hold current shares	

Company History:

The Walt Disney Company operates as a diversified entertainment company worldwide. It was founded in 1923 with the inspiration of Alice Comedies known to us as Alice in Wonderland.

Walt Disney is based in Burbank, California with four business segments: media networks, parks and resorts, studio entertainment and consumer products. **Product Mix**

- ❖ The company's Media Networks segment comprises domestic broadcast television network, television production and distribution operations, domestic television stations, cable/satellite networks, domestic broadcast radio networks and stations, and the Internet and mobile operations. It operates the ABC Television Network and 10 owned television stations, the ESPN Radio and Radio Disney networks, and 46 owned radio stations. This segment also produces, licenses, and distributes cable and animated television programming; and operates ABC-, ESPN-, ABC Family-, SOAPnet-, and Disney-branded Internet Web site businesses, as well as Club Penguin, an online virtual world for kids.
- ❖ The company's Parks and Resorts segment owns and operates the Walt Disney World Resort in Florida that includes theme parks; hotels; vacation ownership units; a retail, dining, and entertainment complex; a sports complex; conference centers; campgrounds; golf courses; and water parks. This segment also owns and operates Disneyland Resort in California, Disney Vacation Club, Disney Cruise Line, and ESPN Zone facilities; manages Disneyland Resort Paris and Hong Kong Disneyland Resort; licenses the operations of the Tokyo Disney Resort in Japan; and designs and develops new theme park concepts, attractions, and resort properties. Its Studio Entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video programming, musical

recordings, and live stage plays.

- ❖ The company's Consumer Products segment licenses Disney characters, and visual and literary properties to manufacturers, retailers, show promoters, and publishers; and publishes books and magazines, computer software, and video game products. This segment markets its products through its own and licensed retail stores, and through a Web site.
- ❖ The Walt Disney Studios distributes motion pictures under [Walt Disney Pictures](#) - which includes Walt Disney Animation Studios, Pixar Animation Studios and DisneyToon Studios - [Touchstone Pictures](#), Hollywood Pictures and [Miramax Films](#). Walt Disney Studios Motion Pictures International serves as the studio's international distribution arm. [Walt Disney Studios Home Entertainment](#) distributes Disney and other film titles to the rental and sell-through home entertainment markets worldwide. [Disney Theatrical Productions](#), one of the largest producers of Broadway musicals, also includes [Disney Live Family Entertainment](#) and [Disney on Ice](#). Disney Music Group distributes original music and motion picture soundtracks under [Walt Disney Records](#), [Hollywood Records](#), and [Lyric Street Records](#).

Stock Chart- Six Months



Recent Headlines

Thurs, Feb 5, 2009

- [Death of the DVD?](#) at CNBC (Thu 10:56pm)
- [Universal Orlando "Fear Factor Live" shuts for now](#) AP (Thu 1:16pm)
- [\[\\$\\$\] Downturn for Disney at RealMoney by TheStreet.com](#) (Thu 12:00pm)
- [Fact meets fantasy in Disney 'Small World' remake](#) AP (Thu 11:53am)
- [Disney Should Go Shopping](#) - at *Seeking Alpha* (Thu, Feb 5)
- [Is Disney Losing Its Magic?](#) - at *Seeking Alpha* (Thu, Feb 5)
- [An Unhappy Mickey Mouse Kicks Off Media Earnings Season](#) - at *Seeking Alpha* (Thu, Feb 5)

Wed, Feb 4, 2009

- [Mickey Mouse Is Going to Have a Cow](#) at *Motley Fool* (Wed, Feb 4)
- [Disney Hammered; Polo Profits Drop](#) at *Forbes.com* (Wed, Feb 4)

Industry Overview

Current Rank: 4

Portfolio Percentage Rank:

Monetary Policy Indicator: expansive 4th of 10

Industry Opinion:

These shares are poised to do well in the future.

Key Issues Affecting the Industry:

Walt Disney Studios, like every company, is affected by the recession. When the economy bounces back, Disney should see an increase at the parks and resort and studios segments.

Porter's Five Forces

1. Rivalry

Disney has a few competitors due to the high cost of infrastructure, capital and reputation. Rivalry in the media and studios segment is high while the rivalry for the theme park and product segments are low.

2. Threats of Substitutes

There are high threat of substitutes for the media, consumer products, and studios segment. There is a low threat of substitutes for the Disney experience at the theme parks.

3. Buying Power

Consumer buying power is relatively low due to differentiated strategy.

4. Supplier Power

There is low supplier power.

5. Barriers to Enter

The infrastructure and other assets needed are very high.

Financial Ratios

Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	9.84	8.37	26.69	13.06
P/E High - Last 5 Yrs.	37.09	25.68	0.27	25.75
P/E Low - Last 5 Yrs.	9.90	5.24	0.09	6.65
Beta	0.93	0.78	0.90	0.89
Price to Sales (TTM)	1.03	0.76	3.84	1.62
Price to Book (MRQ)	1.15	0.81	5.47	2.52
Price to Tangible Book (MRQ)	16.79	5.56	6.55	5.10
Price to Cash Flow (TTM)	6.48	4.56	14.28	6.53
Price to Free Cash Flow (TTM)	11.16	10.02	28.14	14.32
% Owned Institutions	--	--	--	--

Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	1.70	2.00	0.10	3.23
Dividend Yield - 5 Year Avg.	0.81	0.56	1.30	1.94
Dividend 5 Year Growth Rate	--	5.53	23.27	11.64
Payout Ratio(TTM)	--	12.61	18.41	39.83

Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	-8.16	-0.18	-5.17	1.64
Sales (TTM) vs TTM 1 Yr. Ago	1.67	5.23	-1.11	9.99
Sales - 5 Yr. Growth Rate	6.94	6.61	9.60	14.08
EPS (MRQ) vs Qtr. 1 Yr. Ago	-28.46	-145.34	-71.25	-70.10
EPS (TTM) vs TTM 1 Yr. Ago	0.61	--	--	--
EPS - 5 Yr. Growth Rate	28.62	26.04	16.63	17.12
Capital Spending - 5 Yr. Growth Rate	8.51	15.12	14.65	10.29

Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	0.98	1.11	1.15	0.87
Current Ratio (MRQ)	1.07	1.27	1.51	1.06
LT Debt to Equity (MRQ)	37.46	48.80	37.41	85.54
Total Debt to Equity (MRQ)	49.01	54.68	73.95	108.32
Interest Coverage (TTM)	99.17	36.63	0.17	32.04

Profitability Ratios	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	17.81	32.67	12.54	39.69
Gross Margin - 5 Yr. Avg.	16.29	30.64	26.68	40.72
EBITD Margin (TTM)	22.18	--	--	--
EBITD - 5 Yr. Avg.	20.38	19.21	12.40	18.62
Operating Margin (TTM)	18.13	13.42	3.12	--
Operating Margin - 5 Yr. Avg.	16.55	14.20	8.06	17.67
Pre-Tax Margin (TTM)	18.13	12.99	3.14	15.16
Pre-Tax Margin - 5 Yr. Avg.	16.55	13.91	8.32	17.35
Net Profit Margin (TTM)	11.64	8.19	1.81	10.84
Net Profit Margin - 5 Yr. Avg.	10.78	8.97	5.11	12.20
Effective Tax Rate (TTM)	35.81	31.20	21.60	26.99
Effective Tax Rate - 5 Yr. Avg.	34.84	30.93	39.07	29.94
Management Effectiveness	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	6.75	4.48	1.67	5.93
Return on Assets - 5 Yr. Avg.	6.42	4.68	4.57	6.05
Return on Investment (TTM)	8.60	5.58	2.51	8.20
Return on Investment - 5 Yr. Avg.	8.05	5.68	6.89	8.21
Return on Equity (TTM)	12.76	8.71	4.49	17.07
Return on Equity - 5 Yr. Avg.	12.04	8.84	10.65	16.59
Efficiency	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	246,600	430,275	32,340,079	378,946

Net Income/Employee (TTM)	28,707	30,937	1,067,090	46,643
Receivable Turnover (TTM)	5.65	6.20	6.20	9.90
Inventory Turnover (TTM)	31.92	21.01	5.20	6.08
Asset Turnover (TTM)	0.58	0.50	0.48	0.64

DCF Model	
Beta	0.95
Valueline Safety Rating	2
Expected Growth (EPS)	2.28
Projected Growth & Dividend Yield	15%
Required Rate Return	11.02%
Projected Future P/E	13
Annualized HPR	28.27%
PV of Future Price	\$40.94
Recommendation	Undervalued

P/E Sensitivity					
Present Value	Price 2014	2014	EPS 2014	HPR 2014	Annual Return
24.00	44.46	8.5	5.23	2.66	18.07%
29.65	54.92	10.5	5.23	3.22	21.95%
35.29	65.38	12.5	5.23	3.78	25.30%
40.94	75.84	14.5	5.23	4.34	28.27%
46.59	86.30	16.5	5.23	4.90	30.93%
52.24	96.76	18.5	5.23	5.46	33.35%
57.88	107.22	20.5	5.23	6.02	35.58%

Earnings Sensitivity					
Present Value	Price 2014	2014	EPS 2014	HPR 2014	Annual Return
36.24	67.14	14.5	4.63	3.87	25.82%
37.81	70.04	14.5	4.83	4.03	26.66%
39.38	72.94	14.5	5.03	4.18	27.48%

40.94	75.84	14.5	5.23	4.34	28.27%
42.51	78.74	14.5	5.43	4.49	29.03%
45.64	84.54	14.5	5.83	4.80	30.50%

Momentum



Analyst's Opinion

Why Buy DIS?

It has a strong future in theme parks as Disney expands globally.

Why not buy DIS?

Until the economy is out of the recession, people will continue to spend less on unnecessary vacations such as Walt Disney. They are also cutting costs in the studios segments which could lead into

Final Discussion:

I would hold Disney stock.

Works Cited

In Order of Occurrence:

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