

Walt Disney Co.

Bundles of Joy

Reiterate Rating: BUY | PO: 130.00 USD | Price: 99.14 USD

F1Q review: Bringing the magic back

DIS' F1Q results were strong as operating income was well above our expectations (Ex. 1). More importantly, we are encouraged as DIS: 1) achieved significant cost reductions across the business and is on track to meet or exceed their \$7.5bn annualized savings target, 2) increased their recently reinstated dividend by 50% and announced plans to repurchase \$3bn in shares in FY24 (first buyback since 2018), 3) expects DIS+ core net subscriber additions of 5.5-6mn in FY2Q, 4) reiterated plans to reach profitability in streaming by 4Q24 following FY1Q which saw a \$300mn Q/Q improvement in profitability, 5) expects to benefit from crackdown on password sharing (starting in late FY24) and 6) announced a double-digit longer-term margin target in streaming. While several big picture questions remain, we are incredibly encouraged by DIS' progress on several strategic and financial initiatives which are reflected in FY1Q.

Taking decisive action

In a little over a year since returning to the company as CEO, Bob Iger's actions are already having an impact. Moreover, the company has undertaken bold, decisive steps to address the evolving landscape evidenced by the recent JV announcement with WBD and Fox regarding a new sports app, reiterating ESPN's flagship product launch in '25, increasing focus on revitalizing the film division, accelerating investments in theme parks and expanding into gaming (with recent investment in EPIC games).

Adjusting F2Q/FY24 forecasts

We are adjusting our F2Q revenue to \$22.2 (from \$22.5bn prev.) and OI to \$3.6 (from \$3.5bn prev.). We now project FY24 revenue of \$92.0bn (vs \$93.5bn prev.) and FY24 OI of \$15.4bn (vs. \$14.7bn prev.). We now project FY24 EPS of \$4.65 (vs. company's guidance of at least a 20% increase to \$4.60).

Reiterate Buy and raise PO of \$130

We reiterate our Buy rating and raise our PO to \$130 (from \$110) which is based on 22x our CY25E EPS. We roll forward our valuation methodology to CY25 to reflect positive momentum in DIS' business exiting FY1Q. DIS has a collection of best-in-class premiere assets (in content/IP as well as Theme Parks). Near term catalysts include: 1) additional updates on strategic priorities for DIS, 2) continued robust theme park demand.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.54	3.77	4.65	5.60	6.27
GAAP EPS	4.94	4.79	4.79	5.32	5.55
EPS Change (YoY)	55.3%	6.5%	23.3%	20.4%	12.0%
Consensus EPS (Bloomberg)			4.27	5.23	6.05
DPS	0	0	0.75	0.77	0.80
Valuation (Sep)					
P/E	28.0x	26.3x	21.3x	17.7x	15.8x
GAAP P/E	20.1x	20.7x	20.7x	18.6x	17.9x
Dividend Yield	0%	0%	0.8%	0.8%	0.8%
EV / EBITDA*	18.3x	16.9x	14.7x	13.4x	12.3x
Free Cash Flow Yield*	0.6%	2.7%	4.4%	4.2%	4.3%

* For full definitions of *IQmethod*SM measures, see page 7.

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Timestamp: 08 February 2024 05:01AM EST

08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	110.00	130.00
2024E Rev (m)	93,501.6	92,045.3
2025E Rev (m)	97,994.8	97,594.3
2026E Rev (m)	101,970.5	101,552.0
2024E EPS	4.48	4.65
2025E EPS	5.42	5.60
2026E EPS	6.00	6.27
2024E EBITDA (m)	16,725.9	17,091.5
2025E EBITDA (m)	18,631.0	18,834.0
2026E EBITDA (m)	20,199.2	20,397.2
2024E DPS	0.60	0.75

Jessica Reif Ehrlich
Research Analyst
BofAS
+1 646 855 2921
jessica.reif@bofa.com

Brent Navon, CFA
Research Analyst
BofAS
+1 646 855 3827
brent.navon@bofa.com

David Plaus
Research Analyst
BofAS
+1 646 855 1572
david.plaus@bofa.com

Stock Data

Price	99.14 USD
Price Objective	130.00 USD
Date Established	8-Feb-2024
Investment Opinion	B-1-7
52-Week Range	78.73 USD - 118.18 USD
Mkt Val (mn) / Shares Out (mn)	181,228 USD / 1,828.0
Free Float	100.0%
Average Daily Value (mn)	1205.38 USD
BofA Ticker / Exchange	DIS / NYS
Bloomberg / Reuters	DIS US / DIS.N
ROE (2024E)	8.7%
Net Dbt to Eqty (Sep-2023A)	28.5%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Walt Disney Co.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.7%	4.3%	4.8%	5.4%	5.9%
Return on Equity	7.0%	7.1%	8.7%	10.3%	10.8%
Operating Margin	14.5%	14.5%	16.7%	17.1%	17.8%
Free Cash Flow	1,059	4,897	8,000	7,553	7,761

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	1.4x	1.6x	1.4x	1.3x
Asset Replacement Ratio	1.0x	0.9x	1.1x	1.2x	1.1x
Tax Rate	22.7%	20.4%	28.5%	27.0%	27.0%
Net Debt-to-Equity Ratio	33.9%	28.5%	34.5%	30.4%	26.3%
Interest Cover	6.2x	7.9x	10.2x	9.7x	11.0x

Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	83,745	88,898	92,045	97,594	101,552
% Change	24.2%	6.2%	3.5%	6.0%	4.1%
Gross Profit	12,121	12,863	15,373	16,643	18,037
% Change	56.1%	6.1%	19.5%	8.3%	8.4%
EBITDA	13,767	14,916	17,091	18,834	20,397
% Change	44.6%	8.3%	14.6%	10.2%	8.3%
Net Interest & Other Income	(4,483)	(6,096)	(2,378)	(2,407)	(2,378)
Net Income (Adjusted)	6,467	6,887	8,417	9,980	11,013
% Change	55.2%	6.5%	22.2%	18.6%	10.3%

Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	5,546	4,352	8,607	10,032	11,072
Depreciation & Amortization	5,163	5,369	5,350	5,641	5,810
Change in Working Capital	488	177	(1,404)	420	(580)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(5,195)	(32)	1,246	(2,040)	(2,040)
Capital Expenditure	(4,943)	(4,969)	(5,799)	(6,500)	(6,500)
Free Cash Flow	1,059	4,897	8,000	7,553	7,761
% Change	-16.5%	362.4%	63.4%	-5.6%	2.8%
Share / Issue Repurchase	0	0	(3,000)	(3,000)	(3,000)
Cost of Dividends Paid	0	0	(1,350)	(1,377)	(1,405)
Change in Debt	(6,000)	0	0	0	0

Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	11,615	14,182	8,832	12,008	15,365
Trade Receivables	12,652	12,330	12,823	13,336	13,870
Other Current Assets	4,831	6,251	6,450	6,656	6,871
Property, Plant & Equipment	33,596	34,941	34,941	34,941	34,941
Other Non-Current Assets	140,937	137,875	139,219	140,616	142,069
Total Assets	203,631	205,579	202,264	207,557	213,116
Short-Term Debt	3,070	4,330	4,330	4,330	4,330
Other Current Liabilities	26,003	26,809	27,636	28,496	29,390
Long-Term Debt	45,299	42,101	42,101	42,101	42,101
Other Non-Current Liabilities	20,881	19,327	19,327	19,327	19,327
Total Liabilities	95,253	92,567	93,394	94,254	95,148
Total Equity	108,378	113,012	108,871	113,303	117,968
Total Equity & Liabilities	203,631	205,579	202,264	207,557	213,116

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Entertainment

Company Description

Disney is the largest publicly-traded Media & Entertainment (M&E) company and global leader in producing high quality, branded, family entertainment. Key assets include its Theme Parks (six locations globally), the ABC TV Network, ESPN, FX, National Geographic and other Cable Networks, iconic Film Studios (i.e., Disney, LucasFilms, Marvel, Pixar, 20th Century Fox), Star India, Direct-To-Consumer (DTC) streaming platforms (Disney+/Star, Hulu and ESPN+) and Consumer Products.

Investment Rationale

We believe DIS shares will outperform peers in FY24 as a result of: (1) recent price increases across Disney+/Hulu/ESPN+, (2) strong advertiser demand for the recently launched ad-supported tier on Disney+, (3) cost discipline across the DTC business, and (4) the continued robust theme park demand with several levers for future growth. Notably, the return of Bob Iger could significantly boost investor sentiment and introduces a potential catalyst in the form of a new strategic direction.

Stock Data

Average Daily Volume 12,158,389

Quarterly Earnings Estimates

	2023	2024
Q1	0.99A	1.22A
Q2	0.93A	1.11E
Q3	1.03A	1.27E
Q4	0.82A	1.05E

Exhibit 1: DIS—Variance Table

We now project FY24E OI of \$15.4bn

	F1Q24 vs. Old						FY2024E New vs. Old Estimates					
	Act.	Est.	Y/Y	Old	Y/Y	Variance	Act.	New	Y/Y	Old	Y/Y	Variance
	F1Q23A	F1Q24E		F1Q24E			FY2023A	FY2024E		FY2024E		
Revenues												
Linear Networks	\$3,202	\$2,803	-12.5%	\$2,992	-6.6%	(\$189)	\$11,701	\$10,678	-8.7%	\$10,961	-6.3%	(\$283)
Direct-to-Consumer	\$4,822	\$5,546	15.0%	\$5,500	14.1%	\$46	\$19,886	\$23,603	18.7%	\$23,459	18.0%	\$144
Content Sales/Licensing & Other	\$2,651	\$1,632	-38.4%	\$2,416	-8.9%	(\$784)	\$9,048	\$7,327	-19.0%	\$8,146	-10.0%	(\$820)
Total Entertainment Revenue	\$10,675	\$9,981	-6.5%	\$10,907	2.2%	(\$926)	\$40,635	\$41,607	2.4%	\$42,567	4.8%	(\$959)
Total Sports Revenue	\$4,640	\$4,835	4.2%	\$4,721	1.7%	\$114	\$17,111	\$17,582	2.8%	\$17,412	1.8%	\$171
Total Experiences Revenue	\$8,545	\$9,132	6.9%	\$9,004	5.4%	\$129	\$32,549	\$34,452	5.8%	\$34,323	5.5%	\$129
Eliminations	(\$348)	(\$399)	nm	(\$200)	nm	(\$199)	(\$1,397)	(\$1,596)	nm	(\$800)	nm	(\$796)
Total Revenue	\$23,512	\$23,549	0.2%	\$24,432	3.9%	(\$883)	\$88,898	\$92,045	3.5%	\$93,502	5.2%	(\$1,456)
Operating Income												
Linear Networks	\$1,330	\$1,236	-7.1%	\$1,000	-24.8%	\$236	\$4,119	\$3,561	-13.6%	\$3,447	-16.3%	\$113
Margin %	42%	44%	--	33%	--	10.7%	35%	33%	--	31%	--	1.9%
Direct-to-Consumer	(\$984)	(\$138)	-86.0%	(\$420)	-57.3%	\$282	(\$2,496)	(\$325)	-87.0%	(\$900)	-64.0%	\$574
Margin %	nm	nm	--	nm	--	nm	nm	nm	--	nm	--	nm
Content Sales/Licensing & Other	(\$1)	(\$224)	nm	(\$150)	nm	(\$74)	(\$179)	(\$274)	nm	(\$148)	nm	(\$126)
Margin %	0%	-14%	--	-6%	--	-7.5%	-2%	-4%	--	-2%	--	-1.9%
Total Entertainment OI	\$345	\$874	nm	\$430	nm	\$444	\$1,444	\$2,961	105.1%	\$2,400	66.2%	\$562
Margin %	3%	9%		4%		4.8%	4%	7%		6%		1.5%
Total Sports OI	(\$164)	(\$103)	-37.2%	(\$100)	-38.9%	(\$3)	\$2,465	\$2,553	3.6%	\$2,603	5.6%	(\$50)
Margin %	-4%	-2%		-2%		0.0%	14%	15%		15%		-0.4%
Total Experiences OI	\$2,862	\$3,105	8.5%	\$2,900	1.3%	\$205	\$8,954	\$9,859	10.1%	\$9,696	8.3%	\$162
Margin %	33%	34%		32%		1.8%	28%	29%		28%		0.4%
Total Operating Income	\$3,043	\$3,876	27.4%	\$3,230	6.1%	\$646	\$12,863	\$15,373	19.5%	\$14,700	14.3%	\$674
Margin %	13%	16%		13%		3.2%	14%	17%		16%		1.0%
Corporate & Unallocated Expenses	(\$280)	(\$308)	10.0%	(\$263)	-6.3%	(\$46)	(\$1,147)	(\$1,232)	7.4%	(\$1,050)	-8.5%	(\$182)
Restructuring & Impairment Charges & Other	(\$69)	\$0	nm	\$0	nm	\$0	(\$3,836)	\$0	nm	\$0	nm	\$0
Other Income, Net	(\$42)	\$0	nm	\$0	nm	\$0	\$96	\$0	nm	\$0	nm	\$0
Interest Expense, Net	(\$300)	(\$246)	-18.0%	(\$334)	11.3%	\$88	(\$1,209)	(\$1,146)	-5.2%	(\$1,336)	10.5%	\$190
Impairment Of Equity Investments	\$0	\$0	nm	\$0	nm	\$0	\$0	\$0	nm	\$0	nm	\$0
Contract License Early Termination	\$0	\$0	nm	\$0	nm	\$0	\$0	\$0	nm	\$0	nm	\$0
Other Charges	(\$579)	(\$451)	nm	\$0	nm	(\$451)	(\$1,998)	(\$451)	nm	\$0	nm	(\$451)
Income Before Income Taxes	\$1,773	\$2,871	61.9%	\$2,634	48.5%	\$237	\$5,625	\$12,544	123.0%	\$12,314	118.9%	\$230
Tax	(\$412)	(\$720)	74.8%	(\$711)	72.6%	(\$9)	(\$1,379)	(\$3,698)	168.2%	(\$3,325)	141.1%	(\$374)
Tax Rate	23%	25%	nm	27%	nm	-2%	29%	29%	nm	27%	nm	2%
Minority Interest	(\$82)	(\$240)	192.7%	(\$250)	204.9%	\$10	(\$1,036)	(\$690)	-33.4%	(\$800)	-22.8%	\$110
Income from Disc. Ops	\$0	\$0	nm	\$0	nm	\$0	\$0	\$0	nm	\$0	nm	\$0
Net Income	\$1,279	\$1,911	49.4%	\$1,672	30.8%	\$239	\$2,354	\$8,156	246.5%	\$8,189	247.9%	(\$33)
Other Net Adj.	\$531	\$328	nm	\$0	nm	\$328	\$3,848	\$328	nm	\$0	nm	\$328
Adj. Net Income	\$1,892	\$2,239	18.3%	\$1,672	-11.6%	\$566	\$6,981	\$8,483	21.5%	\$8,189	17.3%	\$294
Adj. Earnings Per Share	\$0.99	\$1.22	23.2%	\$0.92	-7.5%	\$0.30	\$3.77	\$4.65	23.4%	\$4.48	18.9%	\$0.17
DTC Metrics												
Core DIS+ Subs	104.3	111.3	6.7%	110.6	6.0%	0.7	112.6	122.3	8.6%	120.1	6.7%	2.2
Net Adds	1.4	(1.3)	NM	(2.0)	NM	0.7	9.7	9.7	NM	7.5	NM	2.2
Avg. ARPU	\$5.77	\$6.84	18.5%	\$6.91	19.8%	(\$0.07)	\$6.38	\$7.60	19.1%	\$7.65	19.8%	(\$0.05)
DIS+ Hotstar Subs	57.5	38.3	-33.4%	38.1	-33.7%	0.2	37.6	39.8	5.9%	39.6	5.3%	0.2
Net Adds	(3.8)	0.7	NM	0.5	NM	0.2	(23.7)	2.2	NM	2.0	NM	0.2
Avg. ARPU	\$0.74	\$1.28	73.0%	\$0.80	7.5%	\$0.48	\$0.66	\$0.82	25.4%	\$0.70	7.3%	\$0.12
Hulu Subs	43.5	45.1	3.7%	44.4	2.1%	0.7	43.9	48.1	9.6%	47.4	8.0%	0.7
Avg. ARPU	\$12.46	\$12.29	-1.4%	\$12.49	0.2%	(\$0.20)	\$12.17	\$12.90	6.0%	\$12.95	6.4%	(\$0.05)
Hulu Live Subs	4.5	4.6	2.2%	4.7	4.4%	-0.1	4.6	4.9	6.5%	5.0	8.7%	-0.1
Avg. ARPU	\$87.90	\$93.61	6.5%	\$90.08	2.5%	\$3.53	\$90.52	\$90.94	0.5%	\$90.08	-0.5%	\$0.86
ESPN+ Subs	24.9	25.2	1.2%	26.3	5.6%	-1.1	26.0	26.7	2.7%	27.8	6.9%	-1.1
Avg. ARPU	\$5.53	\$6.09	10.1%	\$5.90	6.6%	\$0.19	\$5.49	\$6.47	17.8%	\$6.42	17.0%	\$0.05

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Exhibit 2: DIS—Income Statement

We project FY24E EPS of \$4.65

	2023						2024								
Fiscal Year Ends 09/30	FY2021A	FY2022A	Q1A	Q2A	Q3A	Q4A	FY2023A	Q1A	Q2E	Q3E	Q4E	FY2024E	FY2025E	FY2026E	
DIS: Income Statement	2021	2022	2023.1	2023.2	2023.3	2023.4	2023	2024.1	2024.2	2024.3	2024.4	2024	2025	2026	
Revenues			Revenues					Revenues							
Entertainment	\$36,489	\$39,569	\$10,675	\$10,309	\$10,127	\$9,524	\$40,635	\$9,981	\$10,171	\$10,909	\$10,545	\$41,607	\$44,629	\$46,914	
% Chg. (YOY)		8.4%	3.2%	4.2%	0.9%	2.5%	2.7%	-6.5%	-1.3%	7.7%	10.7%	2.4%	7.3%	5.1%	
Sports	\$15,960	\$17,270	\$4,640	\$4,226	\$4,335	\$3,910	\$17,111	\$ 4,835	\$ 4,362	\$ 4,407	\$ 3,979	\$17,582	\$18,395	\$18,984	
% Chg. (YOY)		8.2%	-0.8%	0.3%	-3.2%	0.3%	-0.9%	4.2%	3.2%	1.7%	1.8%	2.8%	4.6%	3.2%	
Experiences	\$15,961	\$28,085	\$8,545	\$7,646	\$8,198	\$8,160	\$32,549	\$9,132	\$8,070	\$8,649	\$8,601	\$34,452	\$35,370	\$36,454	
% Chg. (YOY)		76.0%	20.7%	17.5%	13.2%	12.5%	15.9%	6.9%	5.5%	5.5%	5.4%	5.8%	2.7%	3.1%	
Eliminations	(\$992)	(\$1,179)	(\$348)	(\$366)	(\$330)	(\$353)	(\$1,397)	(\$399)	(\$399)	(\$399)	(\$399)	(\$1,596)	(\$800)	(\$800)	
Total Revenue	\$ 67,418	\$83,745	\$23,512	\$21,815	\$22,330	\$21,241	\$88,898	\$23,549	\$22,203	\$23,567	\$22,726	\$92,045	\$97,594	\$101,552	
% Chg. (YOY)		24.2%	7.8%	7.6%	3.8%	5.4%	6.2%	0.2%	1.8%	5.5%	7.0%	3.5%	6.0%	4.1%	
Operating Income			Operating Income					Operating Income							
Entertainment	\$5,196	\$2,126	\$345	\$455	\$408	\$236	\$1,444	\$874	\$662	\$793	\$632	\$2,961	\$3,454	\$4,158	
% Chg. (YOY)		-59.1%	-72.9%	-48.3%	-29.8%	-138.8%	-32.1%	153.3%	45.5%	94.5%	167.7%	105.1%	16.6%	20.4%	
Margin %	14.2%	5.4%	3.2%	4.4%	4.0%	2.5%	3.6%	8.8%	6.5%	7.3%	6.0%	7.1%	7.7%	8.9%	
Sports	\$2,690	\$2,710	(\$164)	\$794	\$854	\$981	\$2,465	(\$103)	\$775	\$874	\$1,007	\$2,553	\$2,783	\$2,768	
% Chg. (YOY)		0.7%	47.6%	-34.4%	-10.0%	13.7%	-9.0%	-37.2%	-2.4%	2.4%	2.6%	3.6%	9.0%	-0.6%	
Margin %	16.9%	15.7%	-3.5%	18.8%	19.7%	25.1%	14.4%	-2.1%	17.8%	19.8%	25.3%	14.5%	15.1%	14.6%	
Experiences	(\$120)	\$7,285	\$2,862	\$2,036	\$2,297	\$1,759	\$8,954	\$3,105	\$2,165	\$2,586	\$2,003	\$9,859	\$10,406	\$11,111	
% Chg. (YOY)		-6170.8%	24.5%	26.6%	12.8%	31.1%	22.9%	8.5%	6.3%	12.6%	13.9%	10.1%	5.5%	6.8%	
Margin %	-0.8%	25.9%	33.5%	26.6%	28.0%	21.6%	27.5%	34.0%	26.8%	29.9%	23.3%	28.6%	29.4%	30.5%	
Total Segment Operating Income	\$7,766	\$12,121	\$3,043	\$3,285	\$3,559	\$2,976	\$12,863	\$3,876	\$3,602	\$4,253	\$3,642	\$15,373	\$16,643	\$18,037	
% Chg. (YOY)		56.1%	-6.6%	-11.2%	-0.2%	86.3%	6.1%	27.4%	9.7%	19.5%	22.4%	19.5%	8.3%	8.4%	
Margin %	11.5%	14.5%	12.9%	15.1%	15.9%	14.0%	14.5%	16.5%	16.2%	18.0%	16.0%	16.7%	17.1%	17.8%	
Corporate & Unallocated Expenses	(\$928)	(\$1,159)	(\$280)	(\$279)	(\$295)	(\$293)	(\$1,147)	(\$308)	(\$308)	(\$308)	(\$308)	(\$1,232)	(\$1,050)	(\$1,050)	
Restructuring & Impairment Charges	(\$654)	(\$237)	(\$69)	(\$152)	(\$2,650)	(\$965)	(\$3,836)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Income, Net	(\$409)	(\$667)	(\$42)	\$149	(\$11)	\$0	\$96	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest Expense, Net	(\$1,406)	(\$1,397)	(\$300)	(\$322)	(\$305)	(\$282)	(\$1,209)	(\$246)	(\$300)	(\$300)	(\$300)	(\$1,146)	(\$1,357)	(\$1,328)	
Impairment Of Equity Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Contract License Early Termination	\$0	(\$1,023)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Charges	(\$1,808)	(\$2,353)	(\$579)	(\$558)	(\$432)	(\$429)	(\$1,998)	(\$451)	\$0	\$0	\$0	(\$451)	\$0	\$0	
Income Before Income Taxes	\$2,561	\$5,285	\$1,773	\$2,123	(\$134)	\$1,007	\$4,769	\$2,871	\$2,994	\$3,645	\$3,034	\$12,544	\$14,236	\$15,660	
Tax	(\$25)	(\$1,732)	(\$412)	(\$635)	(\$19)	(\$313)	(\$1,379)	(\$720)	(\$808)	(\$1,184)	(\$986)	(\$3,698)	(\$3,844)	(\$4,228)	
Tax Rate	1%	33%	23%	30%	-14%	31%	29%	25%	27%	32%	32%	29%	27%	27%	
Minority Interest	(\$512)	(\$360)	(\$82)	(\$217)	(\$307)	(\$430)	(\$1,036)	(\$240)	(\$150)	(\$150)	(\$150)	(\$690)	(\$360)	(\$360)	
Income from Disc. Ops	(\$28)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Income	\$1,996	\$3,193	\$1,279	\$1,271	(\$460)	\$264	\$2,354	\$1,911	\$2,036	\$2,311	\$1,898	\$8,156	\$10,032	\$11,072	
Other Net Adj.	\$3,613	\$3,375	\$531	\$431	\$2,370	\$516	\$3,848	\$328	\$0	\$0	\$0	\$328	\$0	\$0	
Adj. Net Income	\$4,514	\$6,607	\$1,892	\$1,702	\$1,884	\$1,503	\$6,981	\$2,239	\$2,036	\$2,311	\$1,898	\$8,483	\$10,032	\$11,072	
Adj. EPS	\$2.28	\$3.54	\$0.99	\$0.93	\$1.03	\$0.82	\$3.77	\$1.22	\$1.11	\$1.27	\$1.05	\$4.65	\$5.60	\$6.27	
% Chg. (YOY)		54.9%	-6.8%	-14.2%	-5.7%	173.3%	6.5%	23.2%	19.6%	23.3%	27.9%	23.4%	20.3%	12.0%	
Fully Diluted Shares	1,828	1,827	1,827	1,831	1,829	1,833	1,827	1,835	1,830	1,820	1,810	1,810	1,782	1,757	

Source: BofA Global Research estimates

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Exhibit 3: DIS—FCF Statement

We project FY24E FCF of \$8.0bn

	2023						2024							
Fiscal Year Ends 09/30	FY2021A	FY2022A	Q1A	Q2A	Q3A	Q4A	FY2023A	Q1A	Q2E	Q3E	Q4E	FY2024E	FY2025E	FY2026E
DIS: Cash Flow Statement	2021	2022	2023.1	2023.2	2023.3	2023.4	2023	2024.1	2024.2	2024.3	2024.4	2024	2025	2026
Free Cash Flow														
Operating Income	(\$2,427)	\$8,604	\$2,184	\$2,448	\$2,832	\$2,083	\$9,547	\$2,968	\$2,694	\$3,345	\$2,734	\$11,741	\$13,193	\$14,587
+ D&A	\$5,111	\$5,163	\$1,306	\$1,310	\$1,344	\$1,409	\$5,369	\$1,243	\$1,369	\$1,369	\$1,369	\$5,350	\$5,641	\$5,810
= EBITDA	\$2,684	\$13,767	\$3,490	\$3,758	\$4,176	\$3,492	\$14,916	\$4,211	\$4,063	\$4,715	\$4,103	\$17,091	\$18,834	\$20,397
+ Change in Working Capital	(\$100)	\$488	(\$4,276.0)	\$1,694.0	\$994.0	\$1,765.0	\$177	(\$4,016.0)	\$1,000.0	\$500.0	\$1,112.0	(\$1,404)	\$420	(\$580)
+ Interest Expense, Net	(\$1,406)	(\$1,397)	(\$300)	(\$322)	(\$305)	(\$282)	(\$1,209)	(\$246.0)	(\$300.0)	(\$300.0)	(\$300.0)	(\$1,146)	(\$1,357)	(\$1,328)
+ Taxes	(\$25)	(\$1,732)	(\$412)	(\$635)	(\$19)	(\$313)	(\$1,379)	(\$720.0)	(\$808.4)	(\$1,184.4)	(\$985.6)	(\$3,698)	(\$3,844)	(\$4,228)
+ Other	\$3,242	(\$5,124)	\$524	(\$1,259)	(\$2,044)	\$140	(\$2,639)	\$2,956	\$0.0	\$0.0	\$0.0	\$2,956	\$0	\$0
= Operating Cash Flow	\$4,395	\$6,002	(\$974)	\$3,236	\$2,802	\$4,802	\$9,866	\$2,185	\$3,955	\$3,730	\$3,929	\$13,799	\$14,053	\$14,261
+ Capex	(\$3,578)	(\$4,943)	(\$1,181)	(\$1,249)	(\$1,165)	(\$1,374)	(\$4,969)	(\$1,299)	(\$1,500)	(\$1,500)	(\$1,500)	(\$5,799)	(\$6,500)	(\$6,500)
= Free Cash Flow	\$817	\$1,059	(\$2,155)	\$1,987	\$1,637	\$3,428	\$4,897	\$886	\$2,455	\$2,230	\$2,429	\$8,000	\$7,553	\$7,761
/ Diluted Shares Outstanding	1,828	1,827	1,827	1,831	1,829	1,833	1,827	1,835	1,830	1,820	1,810	1,810	1,782	1,757
= FCF/S	\$0.45	\$0.58	(\$1.18)	\$1.09	\$0.90	\$1.87	\$2.68	\$0.48	\$1.34	\$1.23	\$1.34	\$4.42	\$4.24	\$4.42
Debt & Leverage														
Gross Debt	\$54,406	\$48,369					\$46,431					\$46,431	\$46,431	\$46,431
- Cash	\$15,959	\$11,615	-	-	-	-	\$14,182	-	-	-	-	\$8,832	\$12,008	\$15,365
= Net Debt	\$38,447	\$36,754					\$32,249					\$37,599	\$34,423	\$31,066
Gross Debt/EBITDA	20.3x	3.5x					3.1x					2.7x	2.5x	2.3x
Net Debt/EBITDA	14.3x	2.7x					2.2x					2.2x	1.8x	1.5x

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Walt Disney Co. (DIS)

Our price objective of \$130 is based on approximately 22x our CY25E adj. EPS forecast. Our 22x multiple represents a premium to the market, roughly in line with DIS' historical premium.

Downside risks are a significant slowdown in ESPN's growth due to cord cutting, weakened consumer confidence and softer theme park attendance, advertising weakness due to softer audience delivery and/or economic conditions and/or film flops and poor execution with respect to the 21CF integration.

Analyst Certification

I, Jessica Reif Ehrlich, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Comcast Corp	CMCSA	CMCSA US	Jessica Reif Ehrlich
	Endeavor Group Holdings, Inc.	EDR	EDR US	Jessica Reif Ehrlich
	Madison Square Garden Entertainment	MSGE	MSGE US	Peter Henderson
	Netflix, Inc.	NFLX	NFLX US	Jessica Reif Ehrlich
	Spotify Technology	SPOT	SPOT US	Jessica Reif Ehrlich
	Walt Disney Co.	DIS	DIS US	Jessica Reif Ehrlich
	Warner Bros. Discovery	WBD	WBD US	Jessica Reif Ehrlich
NEUTRAL				
	Fox Corporation	FOXA	FOXA US	Jessica Reif Ehrlich
	Fox Corporation	FOX	FOX US	Jessica Reif Ehrlich
	Sphere Entertainment Co.	SPHR	SPHR US	Peter Henderson
	Warner Music Group Corporation	WMG	WMG US	Jessica Reif Ehrlich
UNDERPERFORM				
	Altice USA, Inc.	ATUS	ATUS US	Jessica Reif Ehrlich
	iHeartMedia, Inc.	IHRT	IHRT US	Jessica Reif Ehrlich
	Paramount Global	PARA	PARA US	Jessica Reif Ehrlich
RSTR				
	Liberty SiriusXM Group	LSXMA	LSXMA US	Jessica Reif Ehrlich
	Liberty SiriusXM Group	LSXMK	LSXMK US	Jessica Reif Ehrlich
	Sirius XM Holdings Inc	SIRI	SIRI US	Jessica Reif Ehrlich

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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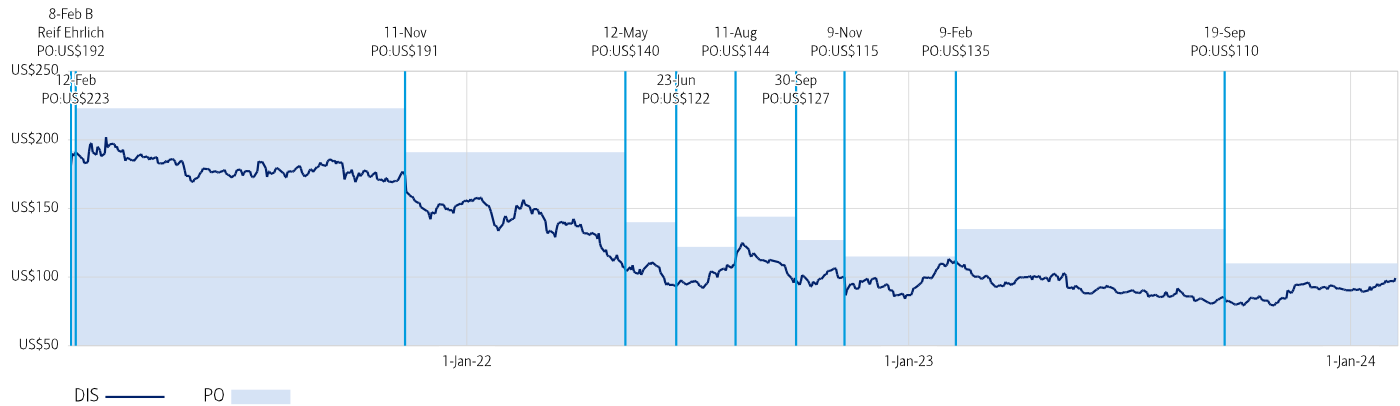
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Walt Disney Co. (DIS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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