



Disney Investment

By Tin Hang

The Walt Disney Company (DIS)

The Walt Disney Company, commonly known as Disney, is one of the world's largest and most well-known entertainment conglomerates. Founded on October 16, 1923, by Walt Disney and Roy O. Disney, it has grown from a small animation studio into a global multimedia empire.

Disney is headquartered in Burbank, California, and operates through various segments, including Media Networks, Parks, Experiences and Products, Studio Entertainment, and Direct-to-Consumer & International.

1. Media Networks: This segment includes the company's various television networks, cable channels, and broadcasting operations. Iconic properties like ABC, ESPN, Disney Channel, and National Geographic fall under this category.

2. Parks, Experiences and Products: Disney is renowned for its theme parks and resorts, which include Disneyland Resort, Walt Disney World Resort, Disneyland Paris, Hong Kong Disneyland Resort, Shanghai Disney Resort, and Tokyo Disney Resort. This segment also covers Disney's consumer products and merchandise.

3. Studio Entertainment: Disney is a major player in the film and entertainment industry, with subsidiaries like Walt Disney Pictures, Pixar Animation Studios, Marvel Studios, Lucasfilm, and 20th Century Studios (formerly known as 20th Century Fox). The company produces and distributes films under these banners, with many of its movies becoming cultural phenomena.

4. Direct-to-Consumer & International: This segment encompasses Disney's streaming services, such as Disney+, Hulu, ESPN+, and Hotstar, as well as its international media businesses and global content distribution.

Disney has a rich legacy of creating beloved characters, stories, and franchises, including Mickey Mouse, Snow White, Star Wars, Marvel superheroes, and Disney princesses. Its influence extends far beyond entertainment into areas like merchandise, theme parks, and even educational content.

Over the years, Disney has expanded through acquisitions, purchasing companies like Pixar Animation Studios, Marvel Entertainment, Lucasfilm, and most notably, 21st Century Fox, greatly expanding its content library and market reach.

Despite occasional challenges and controversies, Disney remains a dominant force in the entertainment industry, continually innovating and evolving to meet the changing demands of audiences worldwide.

7 Companies Owned By Disney

- 21st Century Fox is a global media and entertainment company acquired for \$71 billion on March 20, 2019.
- Capital Cities/ABC, a media company, was acquired for \$19 billion on July 31, 1995.
- Pixar Animation Studios, a computer animation studio, was acquired for \$7.4 billion on January 24, 2006.
- Lucasfilm Ltd., a film and TV production company, was acquired for \$4.1 billion on October 30, 2012.
- Marvel Entertainment, an entertainment company, was acquired for \$4 billion on August 31, 2009.
- Fox Family Worldwide, a media and entertainment company, was acquired for approximately \$5.2 billion (\$2.9 billion in cash, plus the assumption of \$2.3 billion in debt). The acquisition was announced on July 23, 2001, and completed on October 24, 2001.
- BAMTech LLC, a streaming services company, was acquired in two installments: \$1 billion for a 33% stake on August 9, 2016, and an additional \$1.6 billion for a 42% stake on August 8, 2017.

Strength

- **Strong Brand Recognition:** Disney has one of the most recognized and beloved brands in the world, encompassing iconic characters, theme parks, and entertainment properties.
- **Diversified Business Segments:** Disney operates in various segments, including media networks, parks and resorts, studio entertainment, consumer products, and interactive media, providing diversification and stability.
- **Content Creation:** Disney is known for its ability to create high-quality and engaging content across various mediums, including movies, television shows, and digital platforms.
- **Global Reach:** With a presence in over 40 countries, Disney has a global reach that allows it to capitalize on international markets and cultural diversity.
- **Theme Parks and Resorts:** Disney's theme parks and resorts, such as Disneyland and Walt Disney World, are major revenue drivers and provide immersive entertainment experiences.





Weakness

- **Dependency on Content Releases:** Disney's success is heavily dependent on the performance of its content releases, making it vulnerable to fluctuations in box office performance and consumer preferences.
- **High Operating Costs:** Running theme parks, producing content, and maintaining a global presence require substantial investment and ongoing operating expenses.
- **Competitive Pressure:** Disney faces intense competition from other entertainment companies, streaming services, and digital platforms, which can impact its market share and profitability.
- **Reliance on Licensing:** While Disney owns a vast library of intellectual property, it also relies on licensing agreements with third-party companies for certain products and services, which can limit control and revenue potential.
- **Economic Sensitivity:** Economic downturns and fluctuations in consumer spending can impact Disney's businesses, particularly its theme parks and consumer products divisions, which are sensitive to discretionary spending.

Opportunities

- Expansion in emerging markets: Disney has opportunities to expand its presence in emerging markets like China, India, and Southeast Asia, where there is a growing middle class and increasing demand for entertainment and leisure activities.
- Growth of streaming services: The rapid growth of streaming services presents opportunities for Disney to capitalize on its content library and expand its subscriber base through platforms like Disney+ and Hulu.
- Expansion into new business segments: Disney can explore opportunities to diversify its business further, such as through acquisitions in the technology sector or expansion into new industries like healthcare or education.
- Partnerships and collaborations: Collaborating with other companies, such as tech firms or content creators, can help Disney access new markets, enhance its offerings, and drive innovation.
- Leveraging emerging technologies: Disney can leverage emerging technologies like augmented reality (AR), virtual reality (VR), and artificial intelligence (AI) to enhance its entertainment experiences, engage audiences, and create new revenue streams.



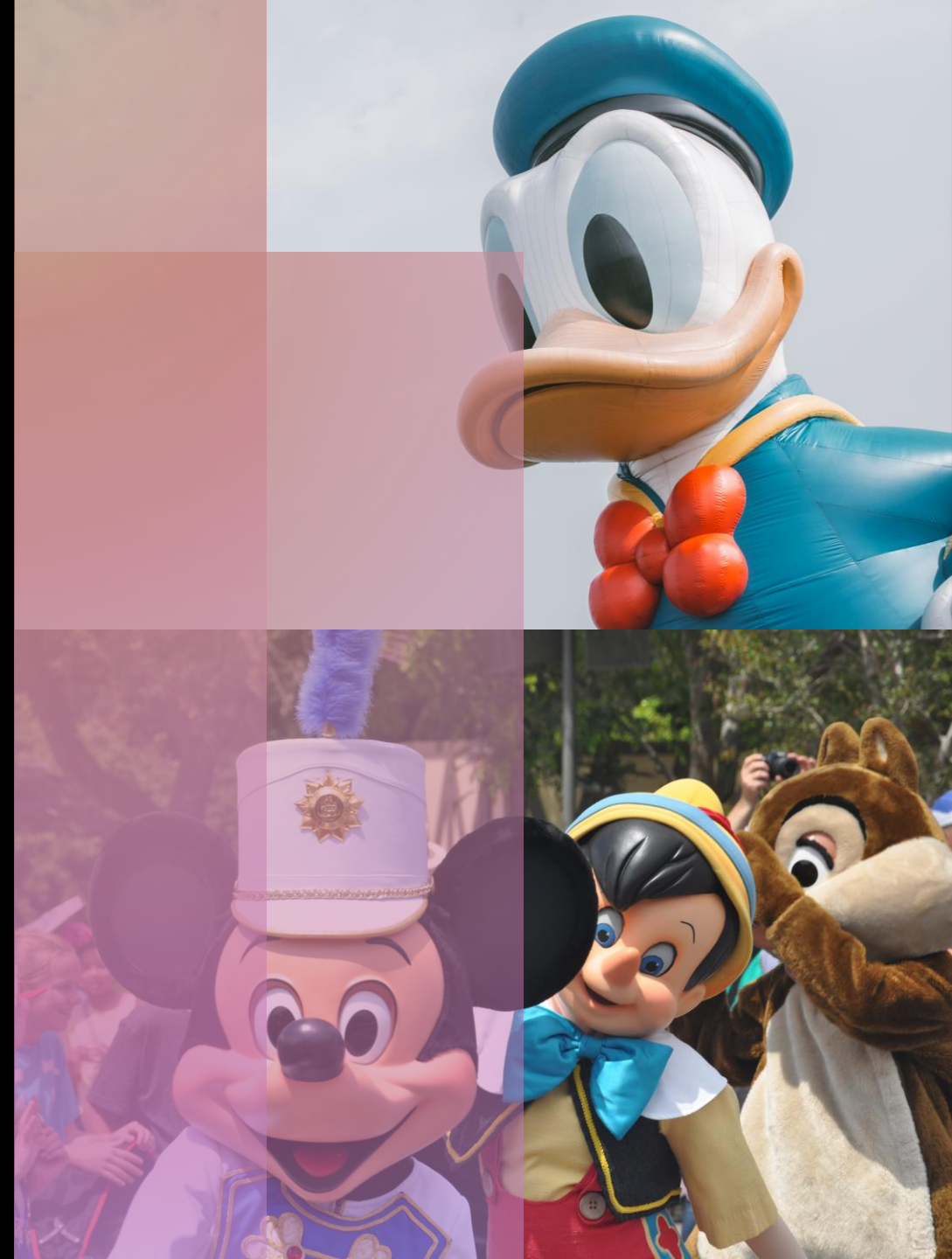


Threats

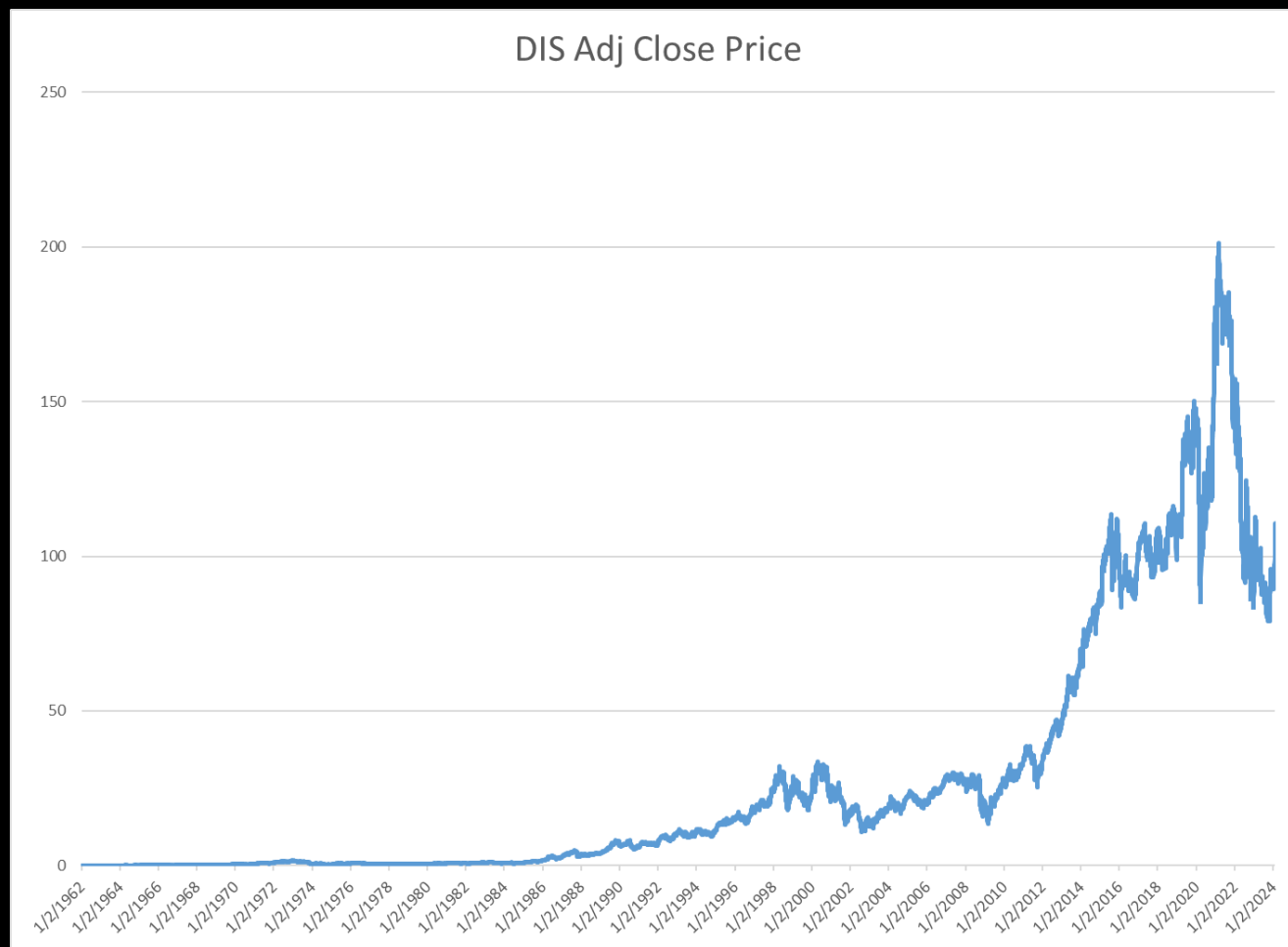
- Intense competition: Disney faces competition from various players in the entertainment industry, including traditional media companies, streaming services, tech giants, and independent content creators, which could impact its market share and pricing power.
- Changing consumer preferences: Shifts in consumer preferences and behaviors, such as cord-cutting, ad-skipping, and changing viewing habits, pose a threat to Disney's traditional revenue streams and require the company to adapt its business model accordingly.
- Piracy and illegal distribution: Piracy and illegal distribution of content remain significant threats to Disney's revenue streams, particularly in regions with lax enforcement of intellectual property laws.
- Economic downturns and volatility: Economic downturns, recessions, and volatility in financial markets can impact consumer spending, advertising budgets, and travel, which could adversely affect Disney's revenue and profitability.
- Technological disruption: Rapid technological advancements, such as streaming technology, digital piracy, and changing consumer devices, pose challenges for Disney in terms of adapting its content distribution strategies and protecting its intellectual properties.

Investment

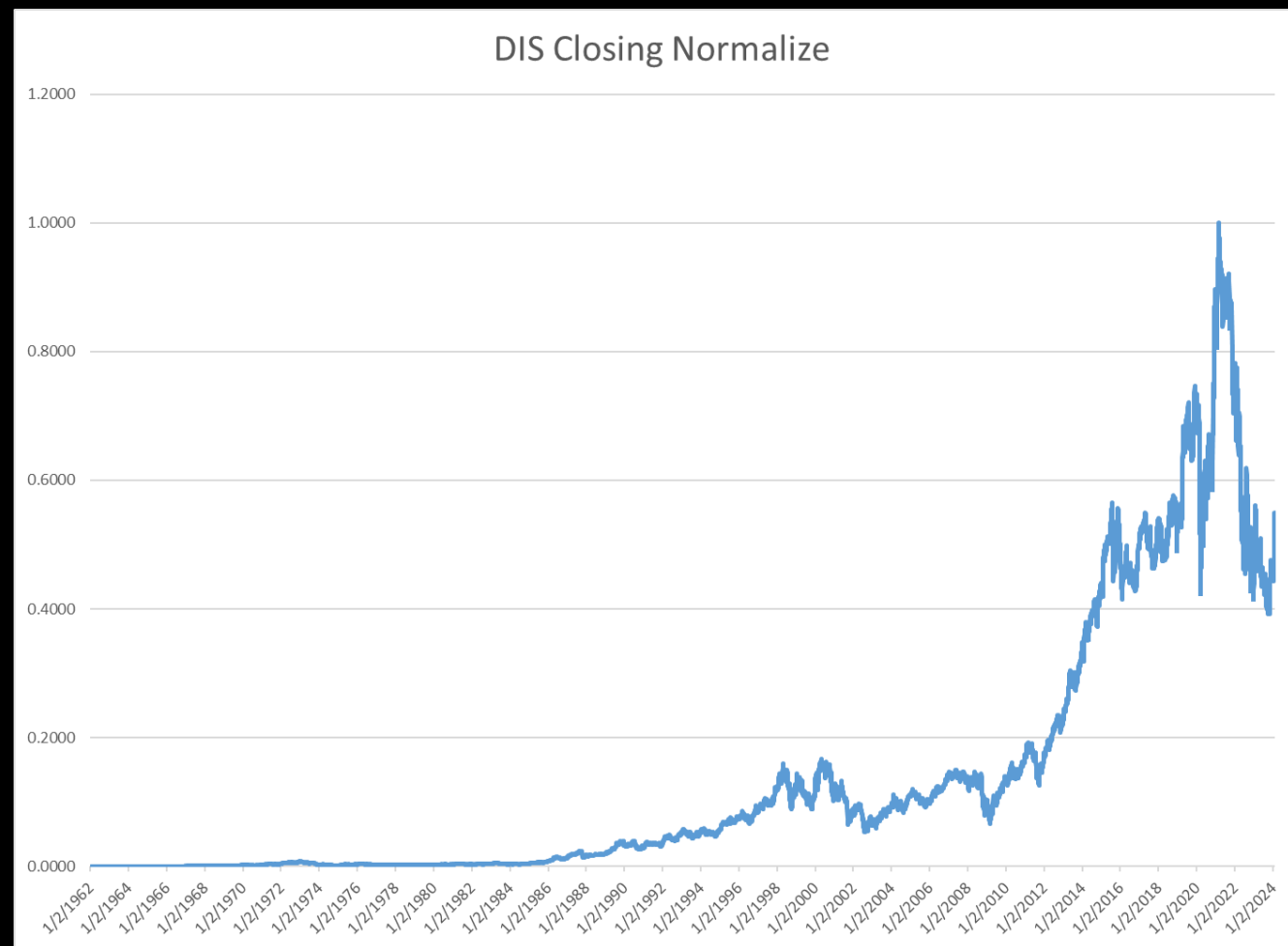
- **Diverse Revenue Streams:** Disney generates revenue from various sources, including its theme parks (like Disneyland and Disney World), media networks (such as ABC and ESPN), movie studios (including Disney Animation and Pixar), and merchandise sales. This diversification can help mitigate risks associated with fluctuations in any one industry.
- **Strong Intellectual Property Portfolio:** Disney owns some of the most valuable entertainment franchises in the world, including Star Wars, Marvel, Pixar, and its own classic Disney characters. These properties have a proven track record of success and can provide a steady stream of revenue through merchandise sales, movie releases, theme park attractions, and more.
- **Streaming Services:** Disney has made significant investments in the streaming industry with the launch of Disney+, its own streaming platform. The rapid growth of Disney+ since its launch has been impressive, and it represents a major shift in Disney's distribution strategy, allowing the company to reach consumers directly.
- **Brand Strength:** Disney is a globally recognized brand with a long history of creating high-quality entertainment content. Its brand strength can translate into consumer loyalty and continued revenue generation across its various business segments.
- **Potential for Growth:** Despite being a large and well-established company, Disney still has opportunities for growth, especially in emerging markets and through continued innovation in content creation and distribution.
- **Dividend Payments:** Disney has a history of paying dividends to shareholders, which can provide investors with a steady income stream in addition to the potential for capital appreciation.
- **Management Team:** Investors often look favorably upon Disney's management team, led by CEO Bob Chapek. Effective leadership is crucial for the success of any company, and Disney's management has demonstrated a strong track record in navigating the challenges of the entertainment industry.



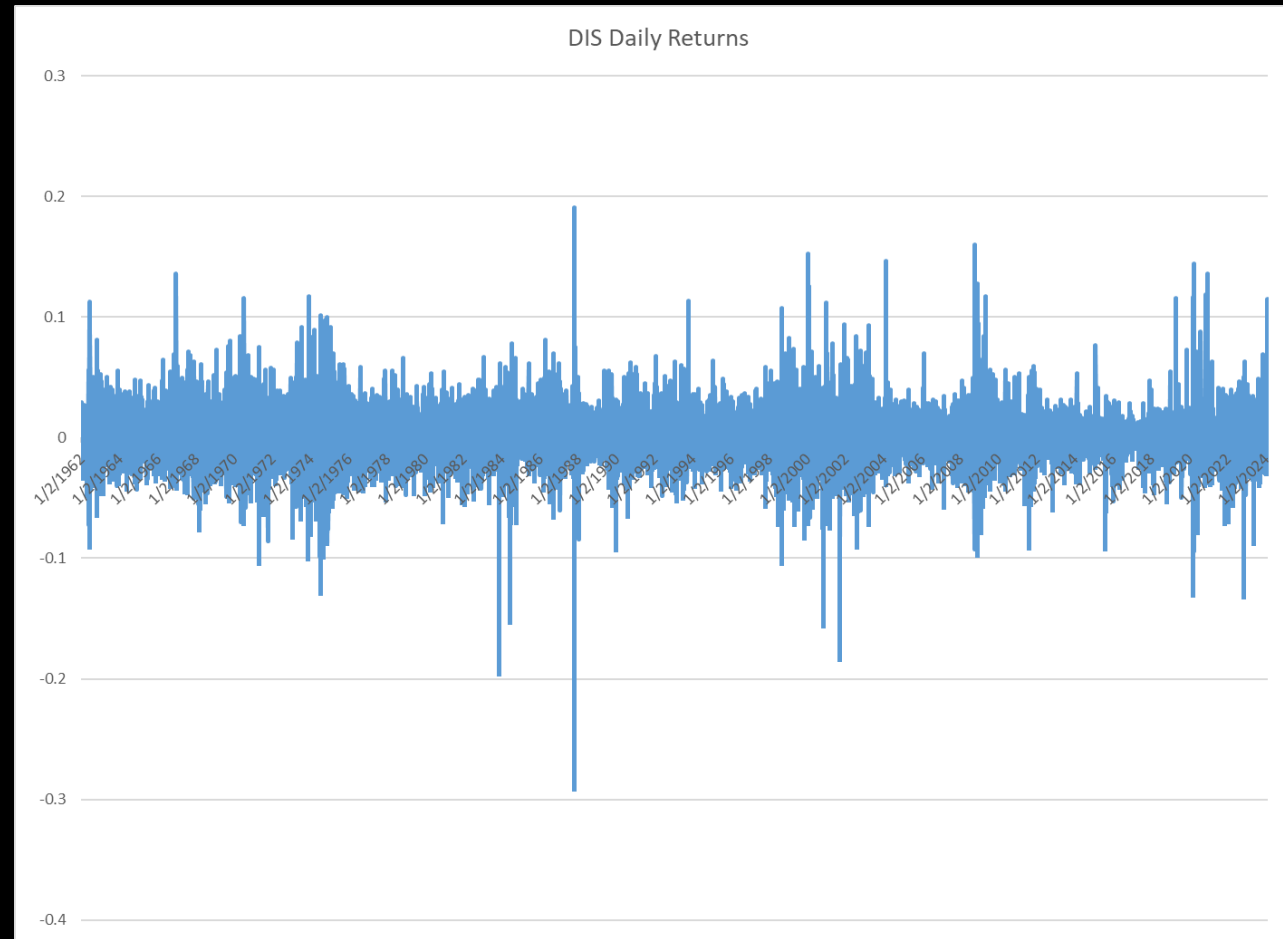
Disney Adj. Close Price



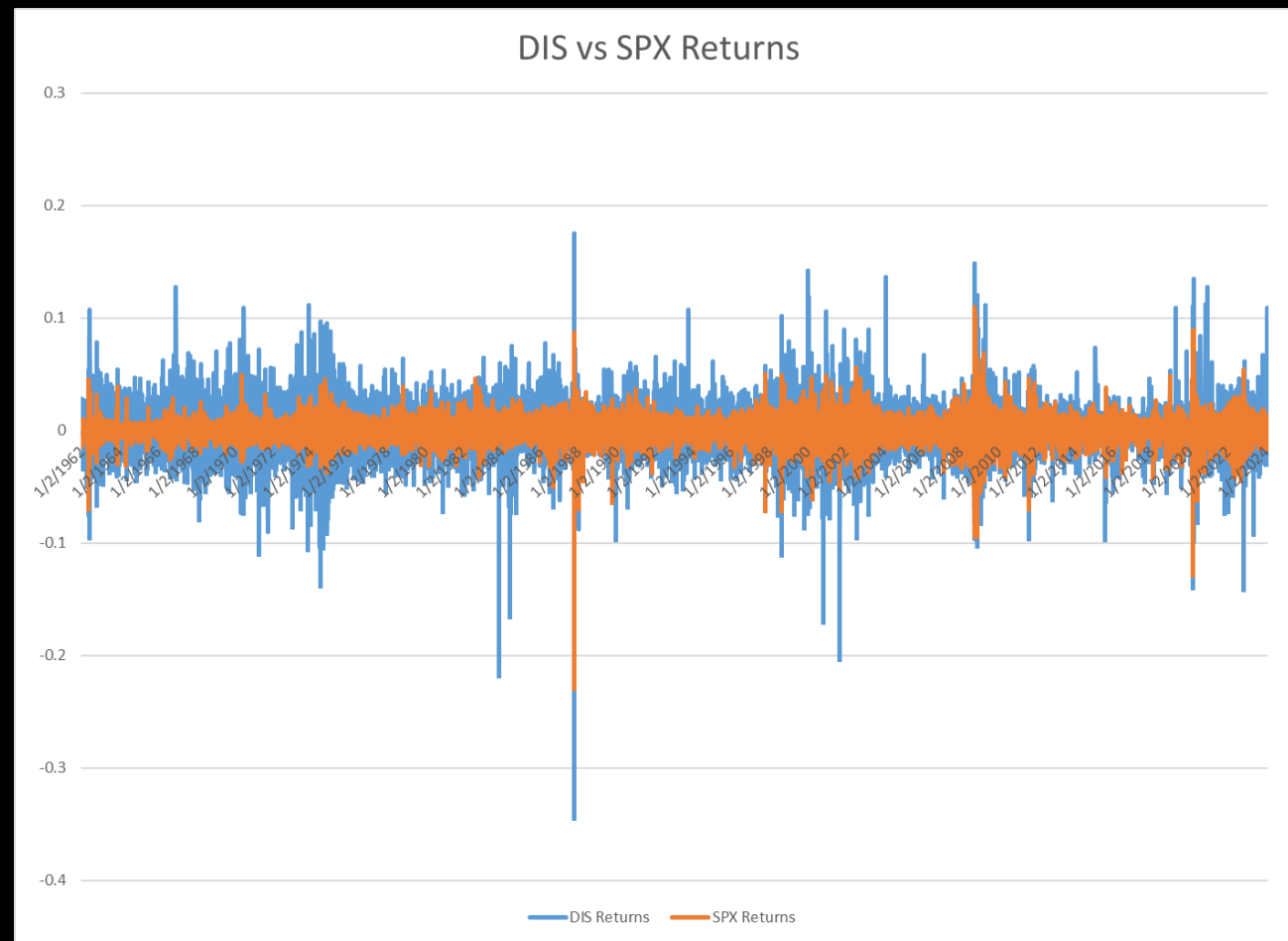
Disney Closing Normalize Price



Disney Daily Returns



Disney vs SPX Daily Returns

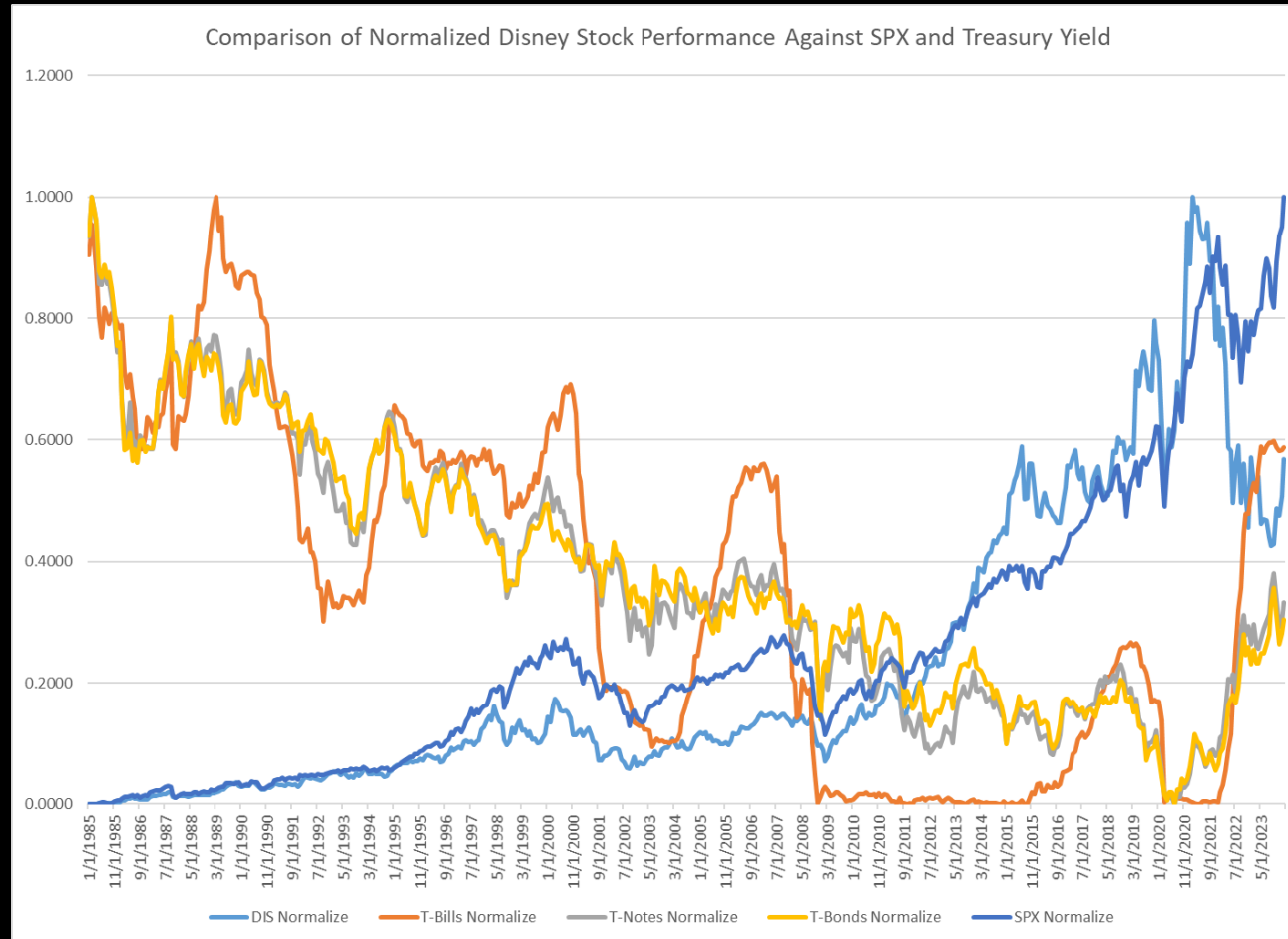


DIS vs SPX

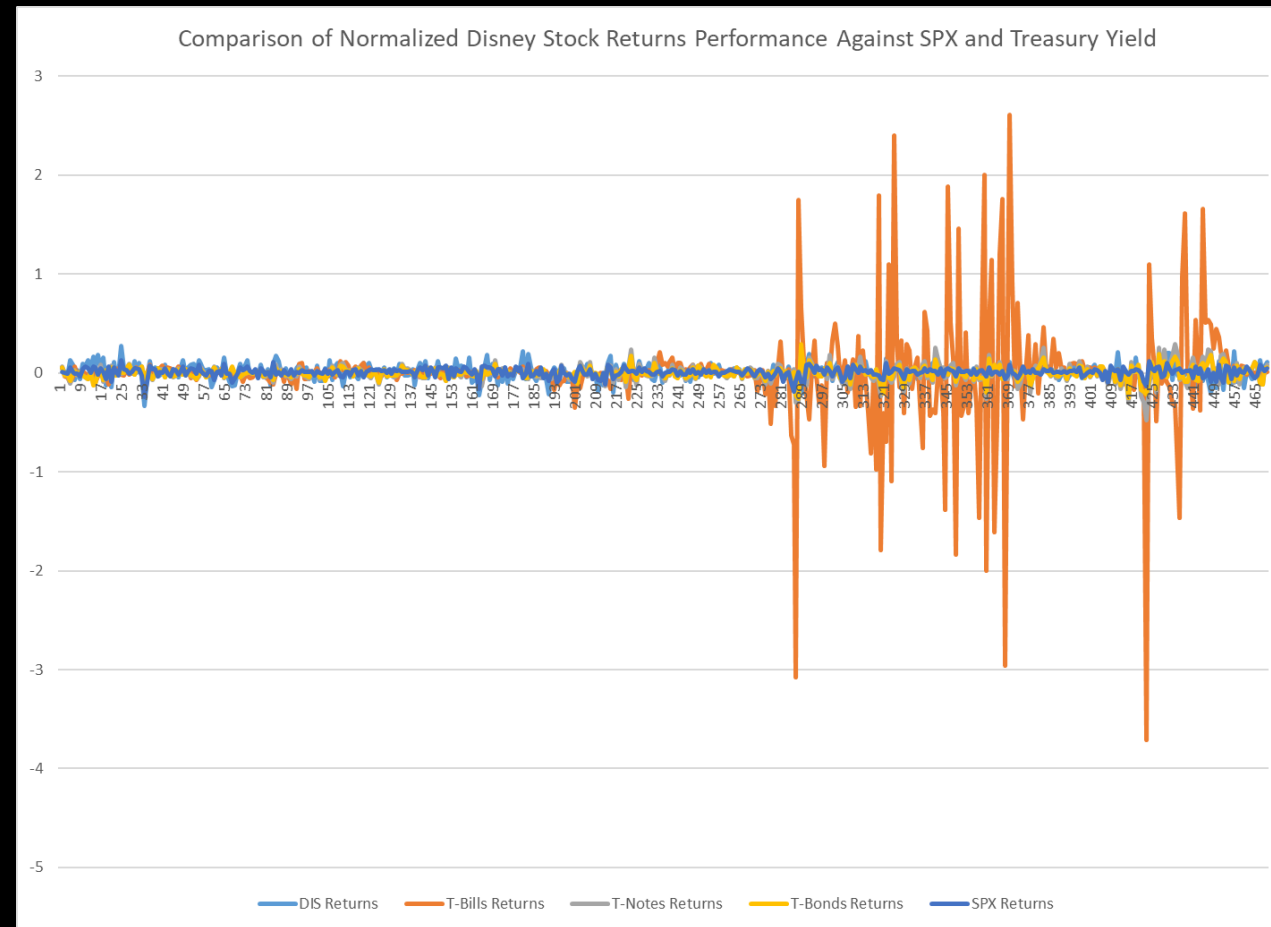
2019-2023



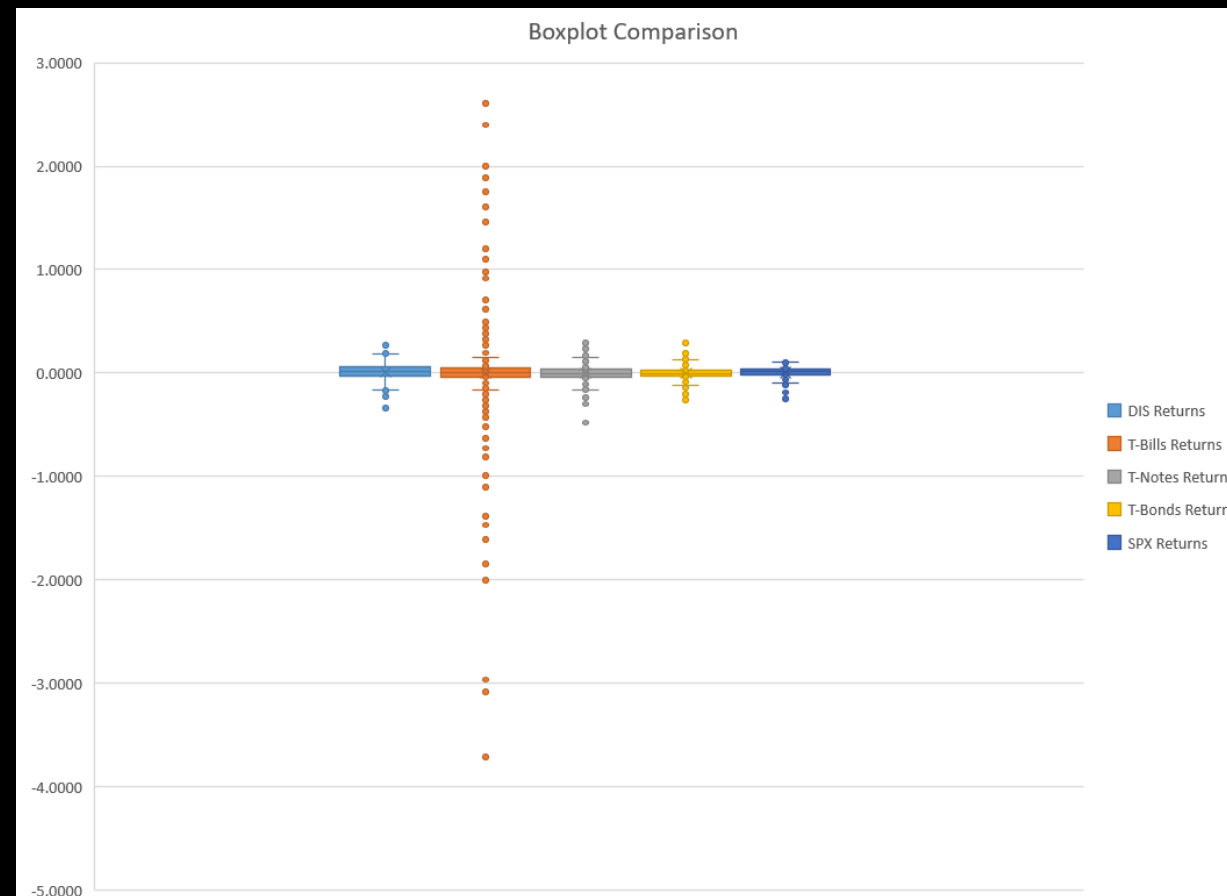
Disney Performance vs SPX & Treasury Yield



Disney Performance vs SPX & Treasury Yield



DIS vs Treasury Bills vs SPX Returns

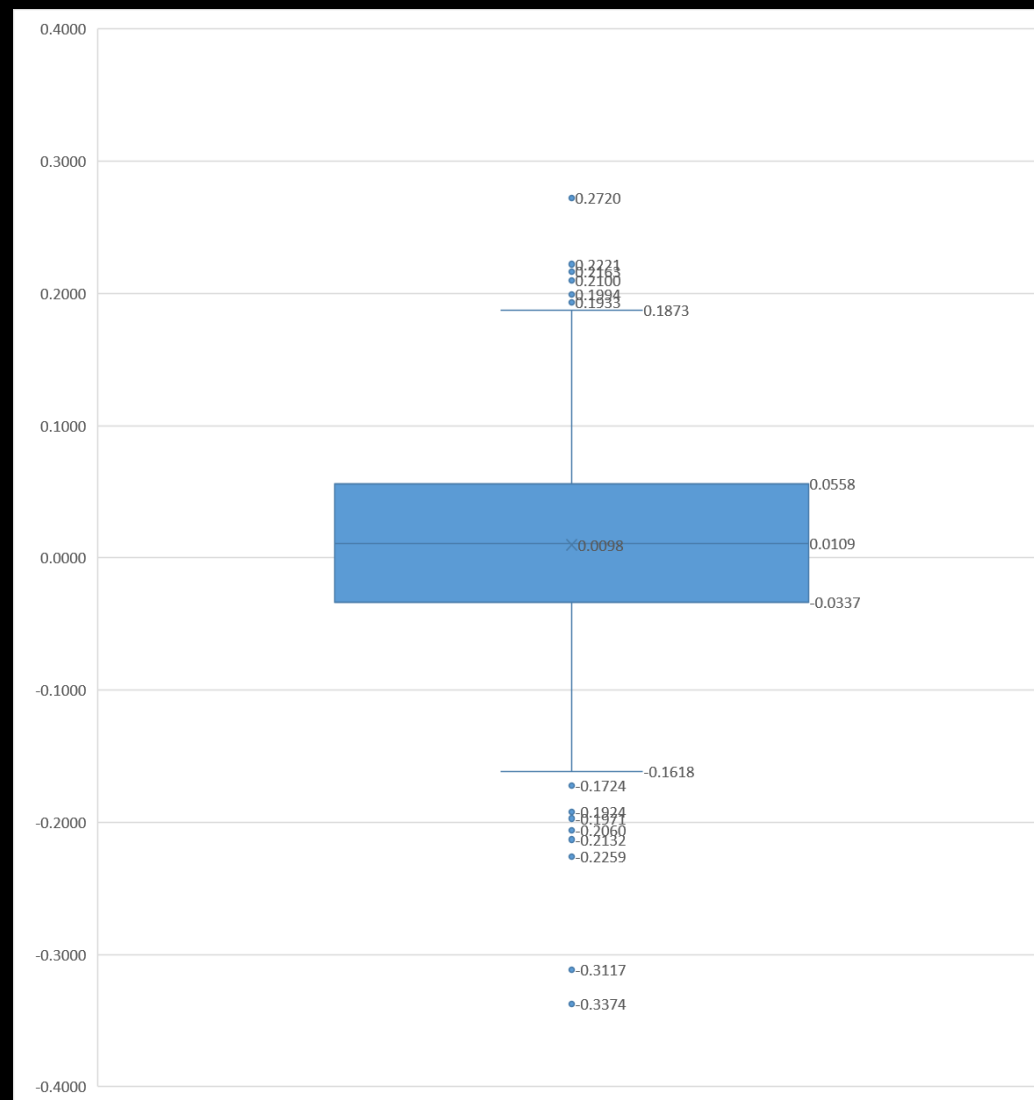


Descriptive Statistics

DIS		T-Bills		T-Notes		T-Bonds		SPX	
Mean	0.009816703	Mean	-0.00091831	Mean	-0.002022083	Mean	-0.001964199	Mean	0.007129105
Standard Error	0.003638379	Standard Error	0.022769606	Standard Error	0.003806066	Standard Error	0.002779196	Standard Error	0.002057925
Median	0.010933564	Median	0.001644544	Median	-0.001392065	Median	-0.002016807	Median	0.01206099
Mode	0	Mode	0	Mode	0	Mode	0	Mode	#N/A
Standard Deviation	0.078794209	Standard Deviation	0.493107876	Standard Deviation	0.082425724	Standard Deviation	0.060187411	Standard Deviation	0.04456726
Sample Variance	0.006208527	Sample Variance	0.243155378	Sample Variance	0.006794	Sample Variance	0.003622524	Sample Variance	0.001986241
Kurtosis	1.608306311	Kurtosis	18.45543107	Kurtosis	4.233011591	Kurtosis	3.459334106	Kurtosis	2.962452708
Skewness	-0.373950685	Skewness	-1.106111784	Skewness	-0.380419852	Skewness	-0.228906278	Skewness	-0.964209709
Range	0.609359474	Range	6.323641859	Range	0.768605638	Range	0.550982856	Range	0.369208073
Minimum	-0.337370369	Minimum	-3.713572067	Minimum	-0.479095411	Minimum	-0.259128896	Minimum	-0.245428036
Maximum	0.271989105	Maximum	2.610069793	Maximum	0.289510227	Maximum	0.29185396	Maximum	0.123780037
Sum	4.604033699	Sum	-0.430687364	Sum	-0.948357152	Sum	-0.921209141	Sum	3.343550192
Count	469	Count	469	Count	469	Count	469	Count	469
Confidence Level(95.0%)	0.007149581	Confidence Level(95.0%)	0.04474332	Confidence Level(95.0%)	0.007479095	Confidence Level(95.0%)	0.005461248	Confidence Level(95.0%)	0.004043917

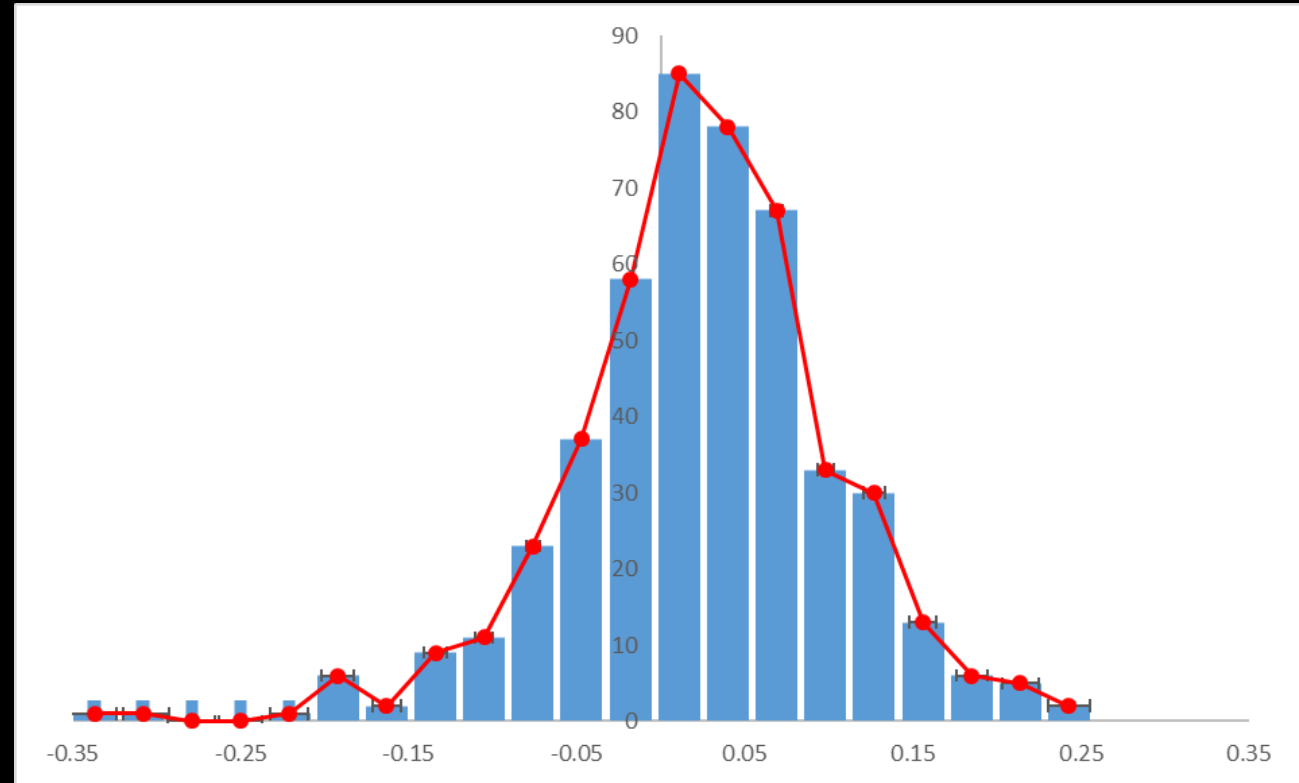
DIS Returns Boxplot

	<i>DIS</i>
Mean	0.009816703
Standard Error	0.003638379
Median	0.010933564
Mode	0
Standard Deviation	0.078794209
Sample Variance	0.006208527
Kurtosis	1.608306311
Skewness	-0.373950685
Range	0.609359474
Minimum	-0.337370369
Maximum	0.271989105
Sum	4.604033699
Count	469
Confidence Level(95.0%)	0.007149581



Monthly Returns Distributions for DIS

Bin -0.337370369 has a frequency of 1, indicating that there is 1 observation falling within this interval. Bin -0.19228478 has a frequency of 6, indicating that there are 6 observations within this interval. Bin 0.010835045 has a frequency of 85, meaning there are 85 observations within this interval. The data appears to be normally distributed. The t-value is 2.698098 and the p-value is 0.007226; therefore, the distribution of returns is not normal.



Conclusion

Investing in Disney have several reasons:

- **Diverse Revenue Streams:** Disney operates in various sectors including media networks, theme parks, studio entertainment, consumer products, and direct-to-consumer streaming services. This diversification can provide stability during economic downturns.
- **Iconic Brands:** Disney owns some of the most recognizable and beloved brands globally, including Pixar, Marvel, Star Wars, and its own Disney-branded content. These brands have a strong emotional connection with consumers, which can lead to enduring revenue streams.
- **Streaming Growth:** Disney's direct-to-consumer streaming service, Disney+, has experienced rapid growth since its launch. With a vast library of content and a strong slate of upcoming releases, Disney+ presents a significant avenue for revenue growth.
- **Theme Park Recovery:** While the COVID-19 pandemic impacted Disney's theme park business, there's optimism for recovery as travel and leisure activities resume. Disney's theme parks are iconic destinations and have historically been lucrative revenue generators.
- **Global Presence:** Disney's reach extends worldwide, giving it access to diverse markets and audiences. This global presence provides opportunities for expansion and mitigates risks associated with regional economic fluctuations.
- **Content Production Powerhouse:** Disney's studios consistently produce blockbuster films and hit television shows, generating significant revenue through box office sales, streaming rights, merchandise, and more.
- **Innovation and Adaptability:** Disney has shown a willingness to adapt to changing consumer preferences and technological advancements. Whether through new content formats, digital distribution strategies, or theme park innovations, Disney has demonstrated its ability to evolve with the times.
- **Strong Financials:** Despite challenges such as the pandemic, Disney maintains a strong financial position with healthy cash reserves and manageable debt levels. This stability can provide investors with confidence in the company's ability to weather uncertainties.
- **Experienced Management Team:** Disney is led by an experienced management team with a track record of success in navigating complex challenges and capitalizing on opportunities.
- **Dividend Payouts:** Disney has historically paid dividends to shareholders, offering an additional incentive for long-term investors seeking income alongside potential capital appreciation.

Overall, investing in Disney offers exposure to a diverse portfolio of iconic brands, robust content production capabilities, and promising growth prospects across various sectors, making it an attractive option for long-term investors seeking stability and growth potential in the entertainment and media industry.

The Disney Company has been in existence since 1923, amounting to over 100 years of operation. Additionally, it has been publicly traded since 1962, marking 62 years in the public market. Therefore, Disney is deemed a solid long-term investment, consistently outperforming the market by 2%.



**Thank you for your time and
attention.**

