

Equity Research Report: Walt Disney Company (The)

Business Overview

Disney's balance sheet for 2022 reflects a robust financial position, characterized by a diverse asset base and manageable liabilities. The total assets of the company are comprised of significant investments in property, plant, and equipment, particularly its theme parks, resorts, and entertainment facilities, which are crucial to its operations. These assets not only represent a substantial portion of Disney's total assets but also serve as the backbone of its revenue-generating capabilities. In 2022, Disney's total assets were approximately \$203 billion, showcasing the scale of its operations and the value of its investments in infrastructure and technology. Additionally, Disney's intangible assets, including its vast library of intellectual property, brand value, and goodwill from acquisitions, contribute significantly to its overall asset portfolio, enhancing its competitive advantage in the entertainment industry. The company's strong brand recognition and extensive content library position it favorably to capitalize on emerging trends in media consumption and entertainment. On the liabilities side, Disney's balance sheet includes both current and long-term liabilities. Current liabilities typically encompass operational expenses, accounts payable, and short-term financial obligations, which the company manages effectively to ensure liquidity. Long-term liabilities may include debt incurred for financing expansions, acquisitions, and capital expenditures. Disney's debt-to-equity ratio, which stood at approximately 0.5 in 2022, is an important metric to consider, as it indicates the level of leverage the company is using to finance its growth. A balanced approach to debt management is essential for maintaining financial stability, especially in an industry susceptible to economic fluctuations and changing consumer preferences. The equity section of Disney's balance sheet reflects shareholder investments, retained earnings, and accumulated other comprehensive income. This section is crucial for funding future growth initiatives and returning value to shareholders through dividends and share repurchases. Disney's ability to generate free cash flow, which was approximately \$6 billion in 2022, is vital for supporting its capital expenditures and strategic investments in content and technology. The company's commitment to maintaining a strong balance sheet while pursuing growth opportunities is evident in its prudent financial management practices. In summary, Disney's balance sheet for 2022 indicates a solid financial foundation, with a strategic mix of assets and liabilities that positions the company for continued growth. The effective management of debt and equity, along with a focus on generating cash flow, will be critical as Disney navigates the evolving entertainment landscape. As the company continues to invest in new technologies and content, maintaining a healthy balance sheet will enable it to adapt to market changes and capitalize on emerging opportunities, ensuring its leadership position in the industry.

Market Position

Disney holds a prominent position in the global entertainment industry, recognized for its diverse portfolio that includes media networks, parks and resorts, studio entertainment, and direct-to-consumer streaming services. The company's strong brand equity and extensive intellectual property portfolio, including franchises like Marvel, Star Wars, and Pixar, position it favorably against competitors. Disney+ has rapidly gained market share in the streaming sector, competing with established players such as Netflix and Amazon Prime. The company's ability to leverage its existing content library and create new original programming has been pivotal in attracting and retaining subscribers. Disney's strategy to bundle its streaming services with Hulu and ESPN+ has further enhanced its value proposition, appealing to a broader audience and encouraging subscriber growth. Despite its strong market position, Disney faces several risks that could impact its operations and financial performance. One of the primary risks is the ongoing competition in the streaming space, where consumer preferences are continually evolving. The need for constant content innovation and investment in technology is essential to maintain subscriber growth and engagement. The rapid pace of change in the media landscape requires Disney to be agile and responsive to emerging trends, which can strain resources and affect profitability. Additionally, economic fluctuations and changes in consumer spending habits can affect attendance at Disney's parks and resorts, which are crucial revenue sources. The COVID-19 pandemic highlighted the vulnerability of the parks segment to external factors, leading to significant revenue declines during periods of restricted operations. As the world continues to navigate the aftermath of the pandemic, Disney must remain vigilant in managing health and safety protocols to

ensure guest confidence and satisfaction. Operational risks also include the management of large-scale productions and the complexities of running theme parks, which require substantial capital investment and operational expertise. The company's ability to deliver high-quality experiences consistently is critical to maintaining its reputation and customer loyalty. Furthermore, regulatory risks related to content distribution, data privacy, and labor practices can pose challenges to Disney's operations, particularly as it expands its global footprint. Compliance with varying regulations across different countries can complicate operations and impact profitability. In summary, while Disney enjoys a strong market position bolstered by its iconic brands and diverse offerings, it must navigate various risks that could affect its growth trajectory. The company's strategic focus on innovation, content creation, and enhancing guest experiences will be critical in addressing these challenges and sustaining its leadership in the entertainment industry. By proactively managing these risks and adapting to changing market conditions, Disney can continue to thrive and deliver value to its shareholders.

Operating Results

Disney, a titan in the diversified entertainment sector, showcased a remarkable financial performance in 2022, rebounding from the challenges posed by the COVID-19 pandemic. The company operates through various segments, including Media Networks, Parks, Experiences and Products, and Direct-to-Consumer. In the fiscal year, Disney reported a significant increase in revenue, largely attributed to the recovery of its theme parks, which saw a resurgence in attendance and spending per visitor. The parks and experiences segment, which had been severely impacted during the pandemic, experienced a substantial rebound as restrictions eased, leading to increased guest capacity and higher spending on food, merchandise, and experiences. In 2022, Disney's total revenue reached approximately \$82.7 billion, marking a notable increase compared to the previous year. The parks segment alone generated around \$26 billion, reflecting a strong recovery as the company capitalized on pent-up demand for travel and entertainment. Furthermore, the direct-to-consumer segment, which includes Disney+, ESPN+, and Hulu, continued to drive growth, attracting millions of new subscribers and

expanding its content library with original programming. Disney+ alone surpassed 152 million subscribers by the end of 2022, demonstrating its effectiveness in capturing market share in the competitive streaming landscape. Despite the overall positive revenue growth, Disney faced challenges such as rising operational costs and inflationary pressures. The company reported an increase in expenses related to content creation, marketing, and operational improvements across its parks. However, Disney's strategic initiatives to optimize operations and enhance guest experiences helped mitigate these challenges. The operating income for the year showed resilience, reflecting the company's ability to manage costs effectively while investing in high-growth areas. Net income for the year was approximately \$3.1 billion, showcasing the effectiveness of Disney's strategies in navigating a complex market environment. This financial strength is crucial as Disney continues to enhance shareholder value through dividends and share repurchases, signaling confidence in its long-term growth prospects. The company's ability to adapt to market dynamics and invest in emerging trends, such as streaming and digital content, positions it favorably for future success. In summary, Disney's income statement for 2022 reflects a robust performance characterized by a strong recovery in its parks and experiences segment, coupled with sustained growth in its direct-to-consumer offerings. This financial strength is essential as Disney navigates a rapidly evolving entertainment landscape, ensuring it remains a leader in the industry while delivering value to its shareholders. The outlook for Disney remains positive, with continued investments in technology and content expected to drive future growth and profitability.

Financial Metrics

FY (USD mn)	2020	2021	2022	2023	2024
Revenue	65388	67418	82722	88898	91361
Gross Revenue	21508	22287	28321	29697	32663
EBITDA	5249	9218	11997	11596	14006
EBITDA Margin	0.14	0.13	0.15	0.13	0.15
PE Ratio	-78.24	157.92	53.83	62.94	35.24
PB Ratio	2.65	3.61	1.81	1.49	1.74
Revenue Growth	-3.0%	-18.5%	-6.9%	-2.7%	N/A
Gross Margin	0.33	0.33	0.34	0.33	0.36
FCF	7618.0	5567.0	6010.0	9866.0	13971.0
FCF Conversion	-2.69	2.75	1.88	4.19	2.81
ROIC	2.9%	1.9%	2.6%	3.6%	5.2%
EV/EBITDA	49.97	38.85	17.39	15.86	15.56

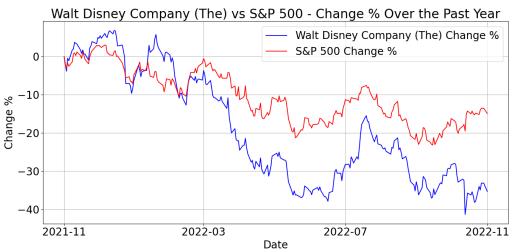
FinRobot

<https://ai4finance.org/>
<https://github.com/Al4Finance-Foundation/FinRobot>
Report date: 2022-11-29

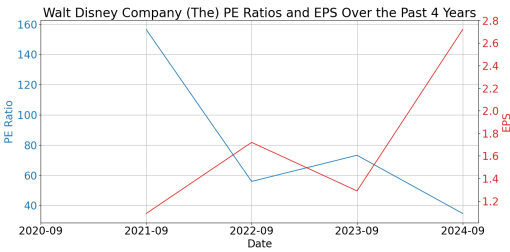
Key data

Rating	BUY
Target Price	
6m avg daily vol (USDmn)	12.24
Closing Price (USD)	94.52
Market Cap (USDmn)	172809.25
52 Week Price Range (USD)	85.23 - 158.36
BVPS (USD)	59.48

Share Performance



PE & EPS



Risk Assessment

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Competitors Analysis

Disney operates in a highly competitive landscape, with several major players vying for market share across various segments of the entertainment industry. Key competitors include:

- Netflix (NFLX)**: As a pioneer in streaming services, Netflix continues to dominate the market with a vast library of original content and licensed films. Disney competes directly with Netflix through its own streaming service, Disney+, which has rapidly gained subscribers since its launch.
- Comcast (CMCSA)**: Through its NBCUniversal division, Comcast competes with Disney in both the cable network and streaming markets. Comcast's Peacock streaming service is a direct competitor to Disney+, and the company also operates theme parks that compete with Disney's parks.
- Activision Blizzard (ATVI)**: While primarily a video game company, Activision Blizzard competes with Disney in the realm of interactive entertainment. Disney has made significant investments in gaming and interactive experiences, positioning itself against traditional gaming companies. Disney's competitive advantage lies in its strong brand equity, extensive intellectual property portfolio, and diversified revenue streams. The company's ability to leverage its iconic characters and franchises across multiple platforms, including film, television, merchandise, and theme parks, sets it apart from competitors. However, Disney must continuously innovate and adapt to changing consumer preferences to maintain its market position in the face of fierce competition.