





PLAYLIST

# DIS acquires SPOT

André Cesaretti & Lucas Maeda · 20 slides, LTS Challenge



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#	TITLE	ALBUM	DATE ADDED	
1	 The acquisition The Walt Disney Company, Spotify	LTS	June 15, 2021	23:59

# Spotify: a music an audio company

Spotify was created as a music freemium service – free account with ads and functionality limitations – and now evolved to an audio platform that host creators as user engagement tends towards social media pattern.



- 2006

Spotify was established by Daniel Ek and Martin Lorentzon in Stockholm as music service company
- 2008

Spotify raised \$21.6mn Series A round. Later that year, platform was officially released in Europe.
- 2011

Reached 1mn paid users. Spotify launched in the US and integrated to Facebook – becomes a unicorn.
- 2012

Spotify created web player version and launched its Android app.
- 2015

Expanded into podcasts, video streaming and news radio, becoming a full audio streaming company
- 2018

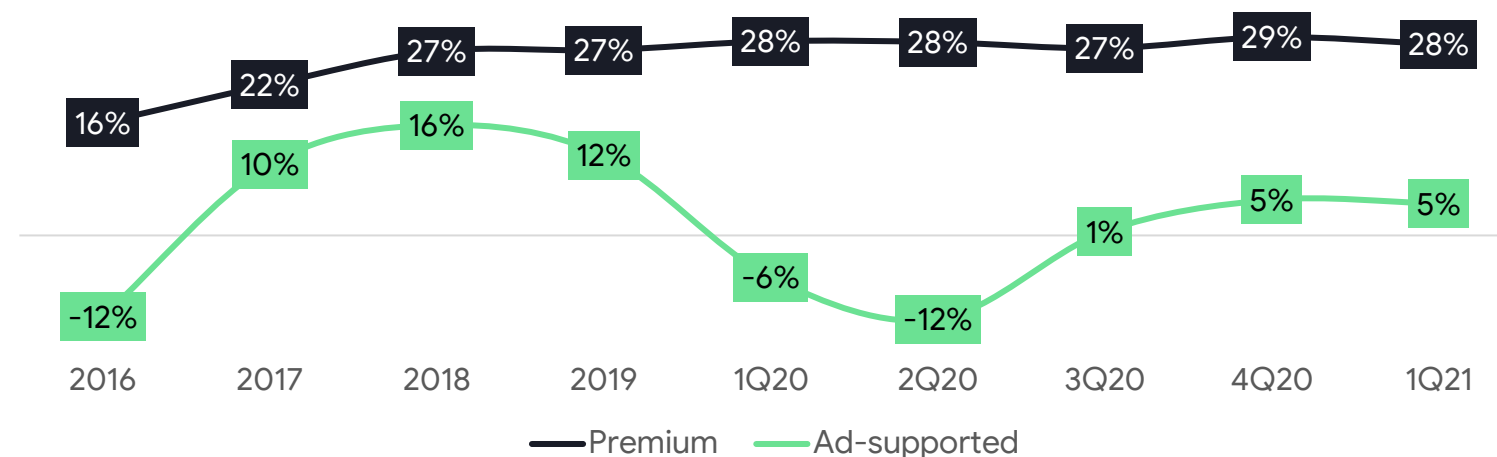
Completed IPO on NYSE.

## 1 Spotify’s flywheel: a creator-based and subscription-driven audio platform model



## 2 A freemium subscription model: relying on high volume - especially premium users

Segment gross margin (%)



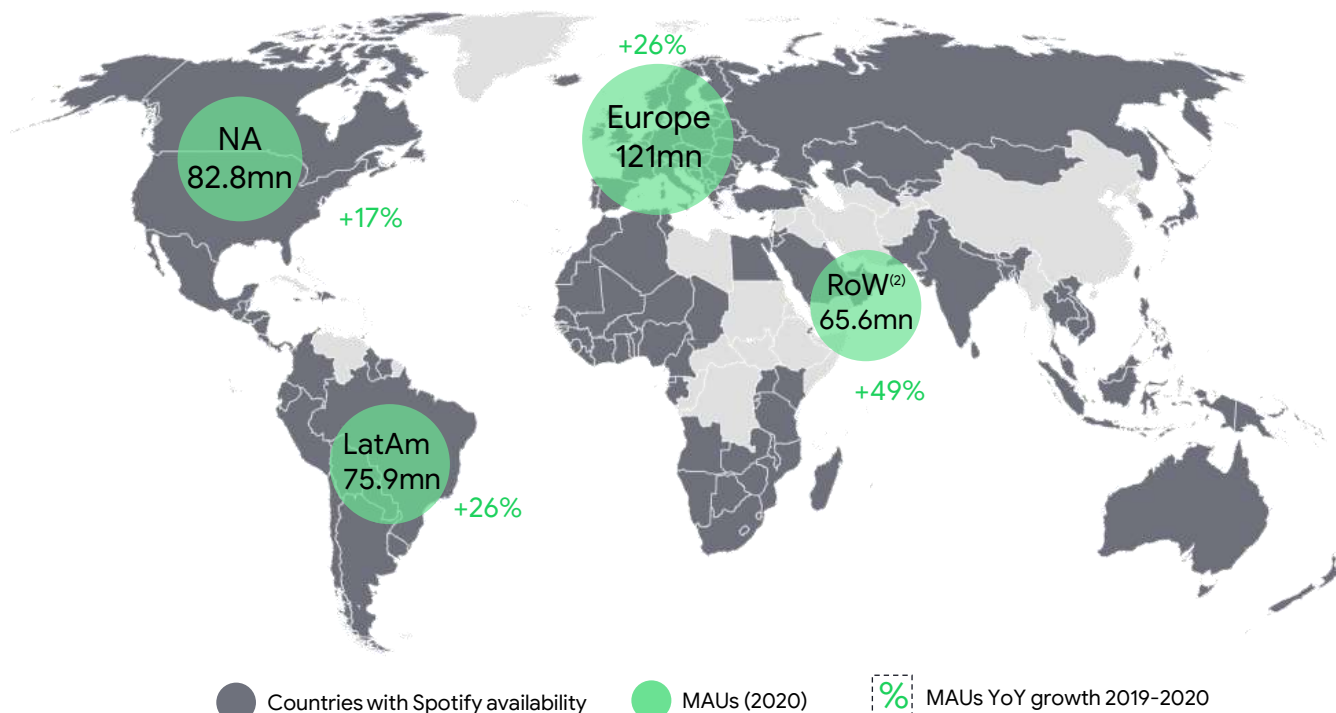
(1) MAU: Monthly Active Users  
Source: Company data

# Volume is still reigning over price

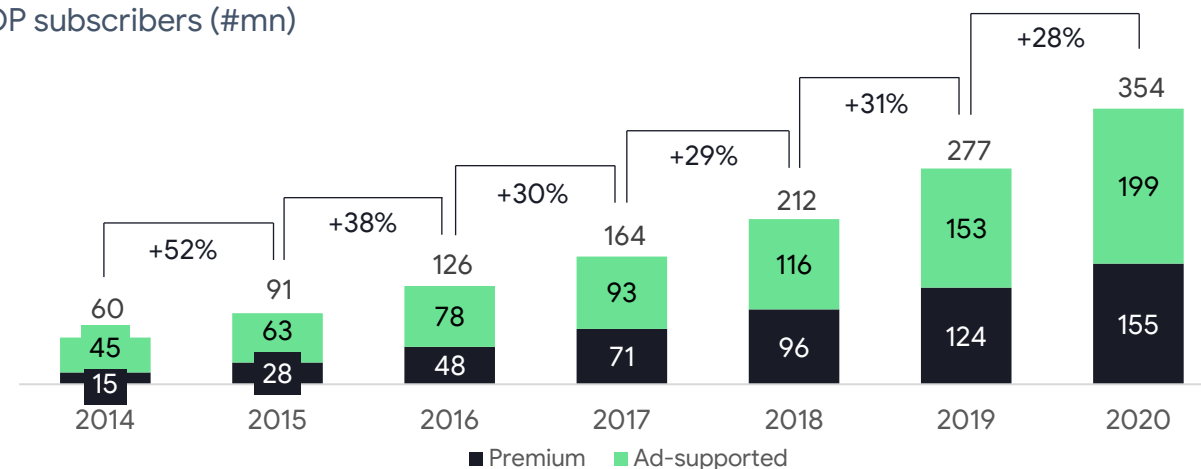
Spotify is already an established worldwide company – available in over 170 countries – still showing subscriber growth potential and high ad-supported to premium conversion – boosting revenue sales despite little to no price pressure yet.

## 1 Strong worldwide presence; still double-digit MAUs growth

Average MAUs regional distribution and growth

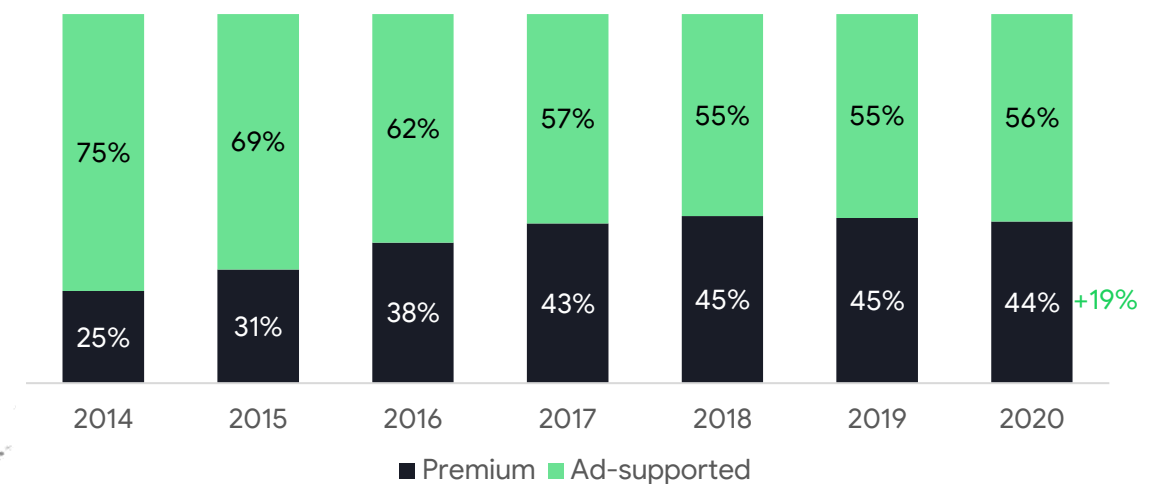


EOP subscribers (#mn)



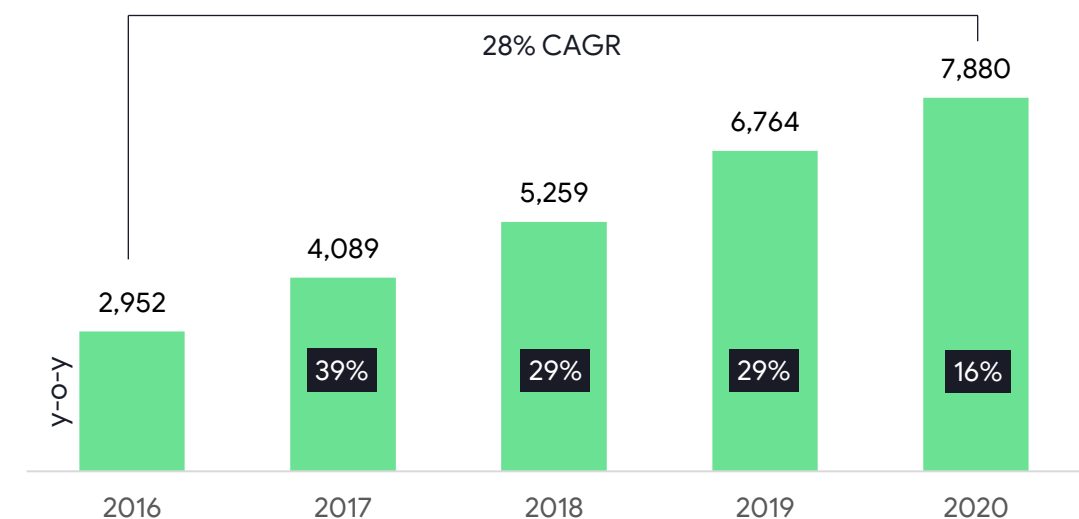
## 2 Not significant price pressure; users shift to premium

Subscriber mix (%)



## 3 Subscriber growth and mix driving revenue rise

Spotify revenues (€mn)



Source: Company data

# Not quite there yet...

Sacrificing premium ARPU short term in favor of subscriber mix led to margins close to zero pre-covid as Spotify showed early signs of positive net income with operation already generating cash on a yearly basis.

COMPANY OVERVIEW

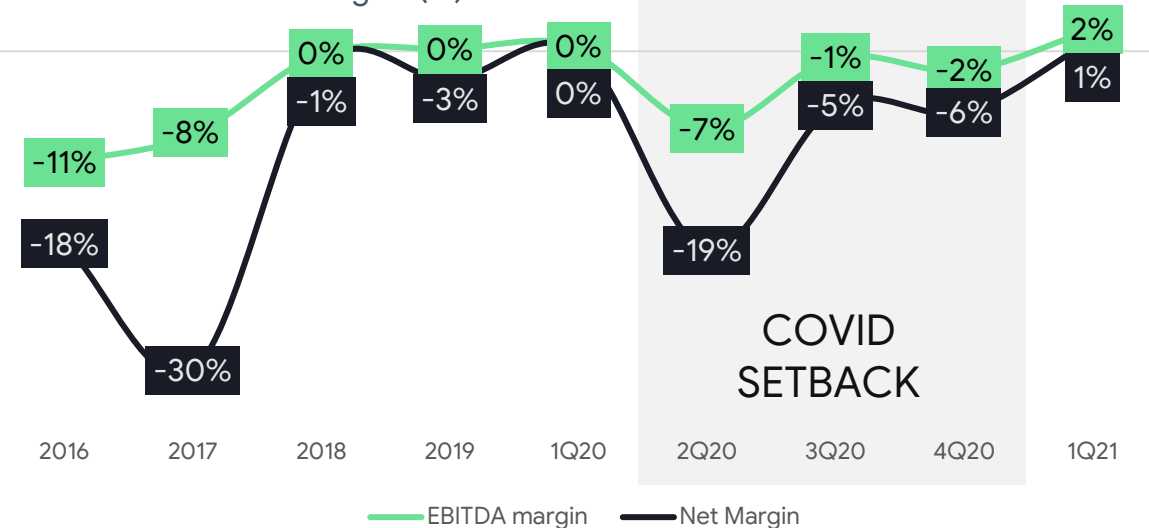
SYNERGIES ANALYSIS

DEAL STRUCTURE

FINANCIALS & VALUATION

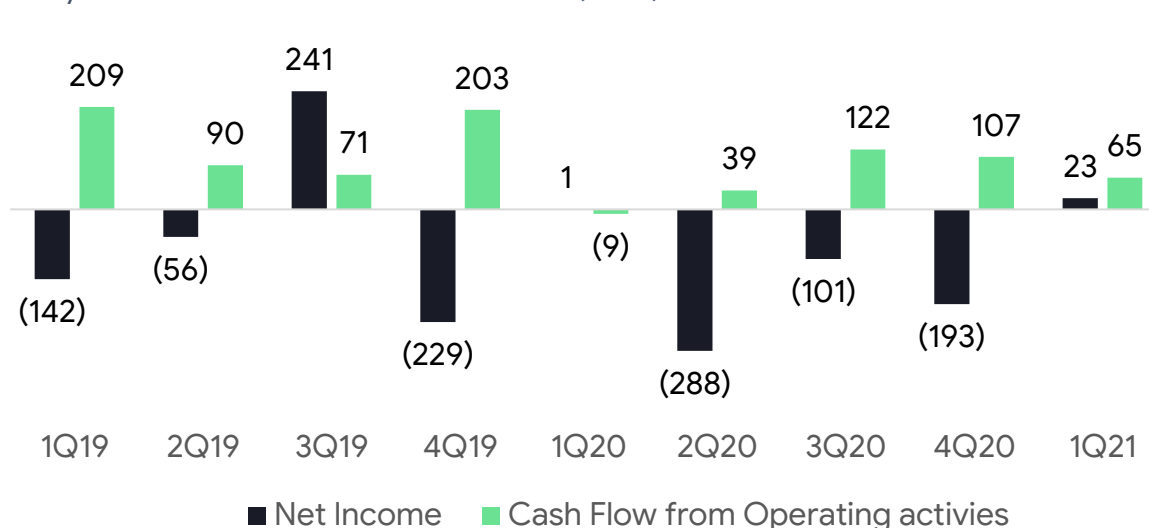
## 1 Margins close to evening-out as premium gains share

SPOT EBITDA and Net Margins (%)



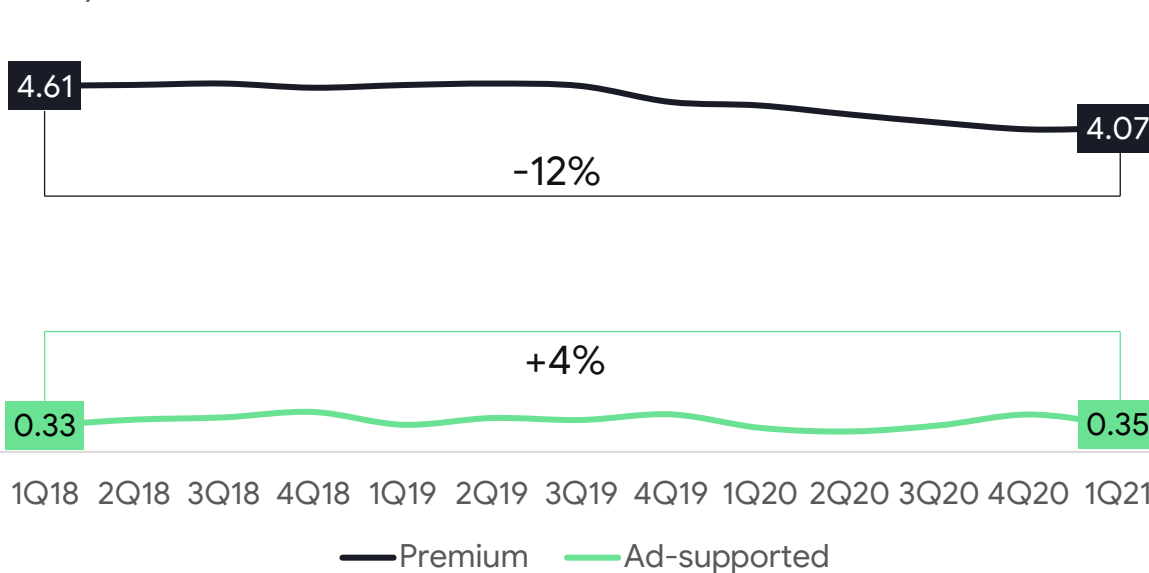
## 2 Not yet fully profitable but operation can generate cash

Spotify's Net Income and Free Cash Flow (€mn)



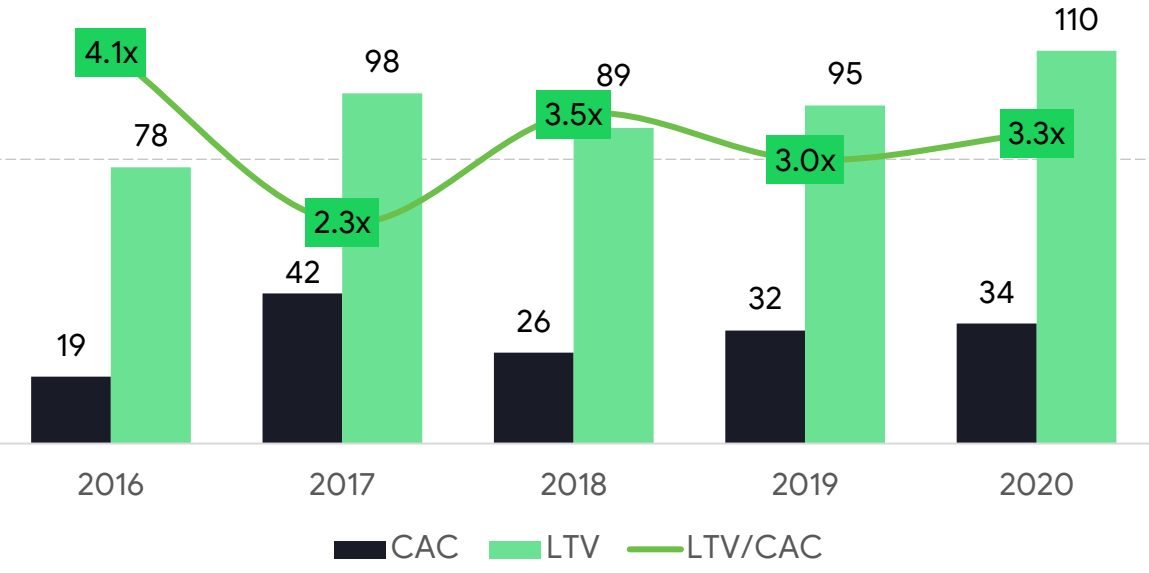
## 3 And despite ARPU decrease in flagship Premium plans

Monthly ARPU (€)



## 4 LTV/CAC showed resilience as churn shrinked by 2.2%

SPOT CAC, LTV (€mn) and LTV/CAC



Source: Company data, ACLM Capital

# ... but in the sweet SPOT

Despite not consolidated financially, SPOT has caused and enjoyed a not yet finished disruption in music industry as results are starting to come in – could experience the same growth trend in podcast segment as TAM increases.

COMPANY OVERVIEW

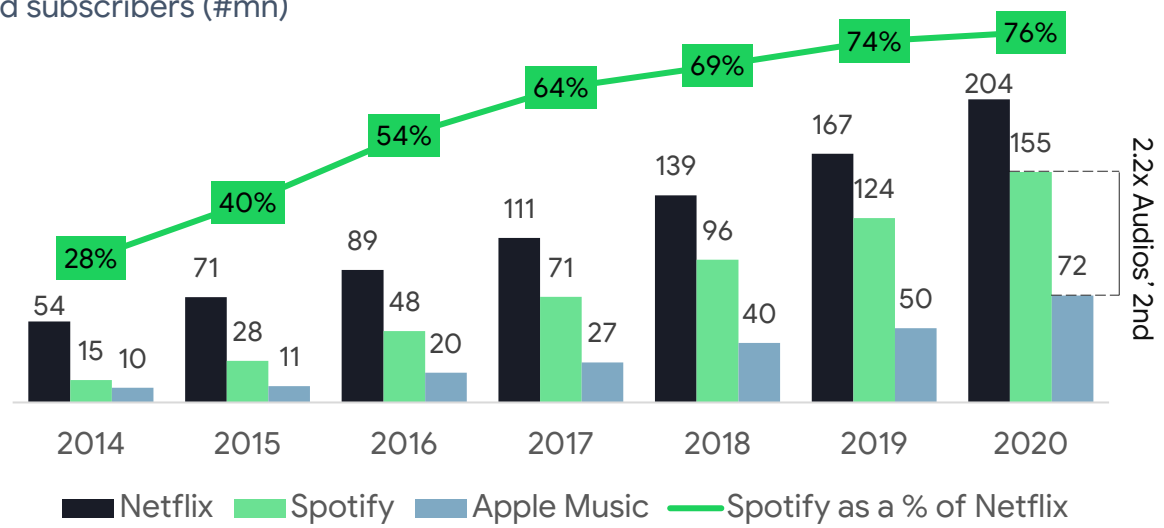
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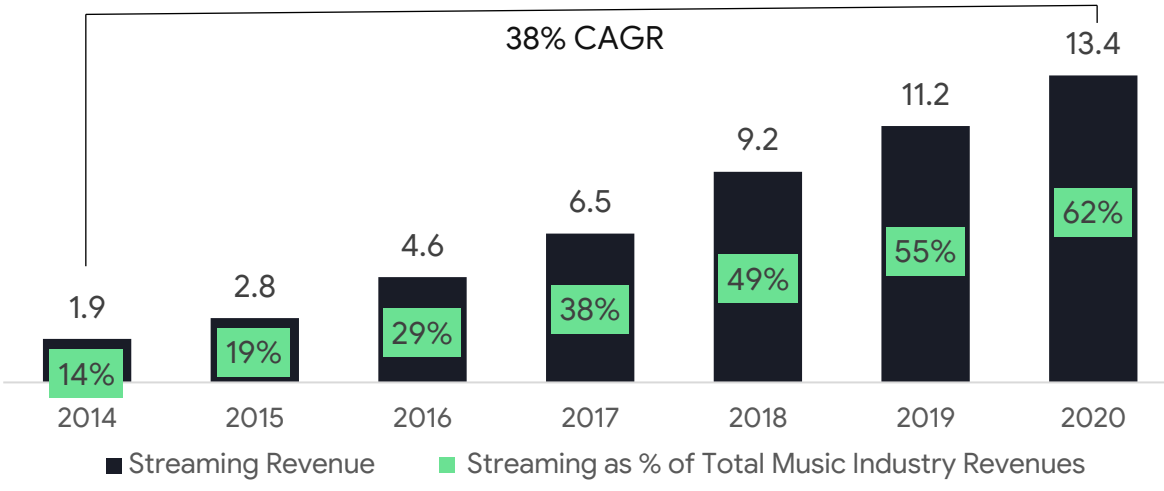
## 1 Audios’ king – going for broader streaming’s head

Paid subscribers (#mn)



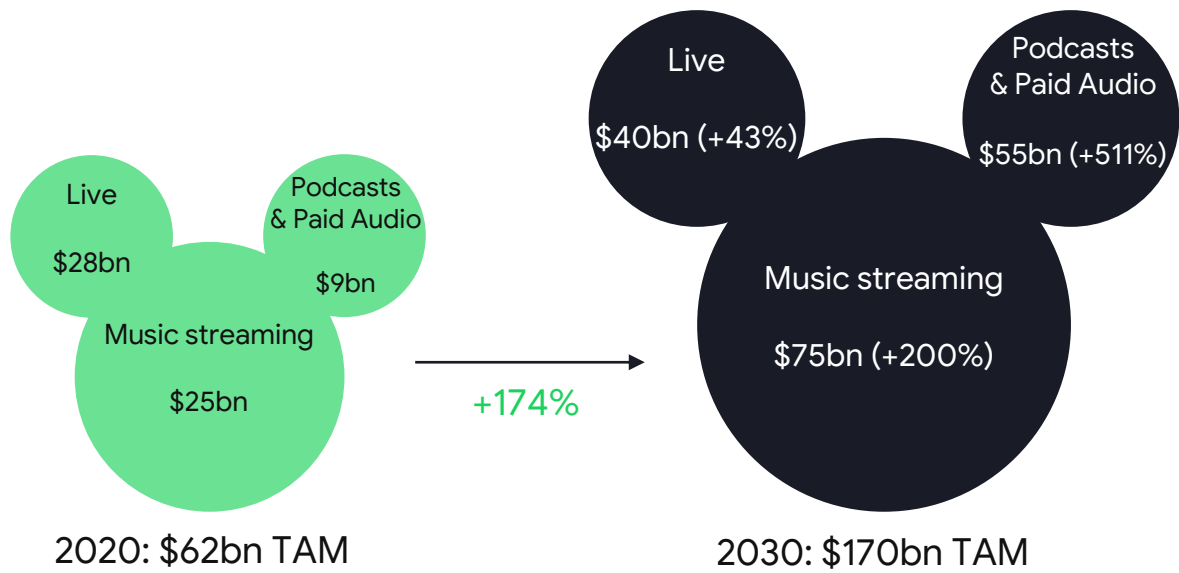
## 2 Consolidating in a still disrupting music streaming industry

Music industry revenue (\$bn)



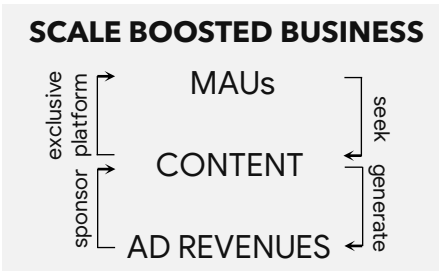
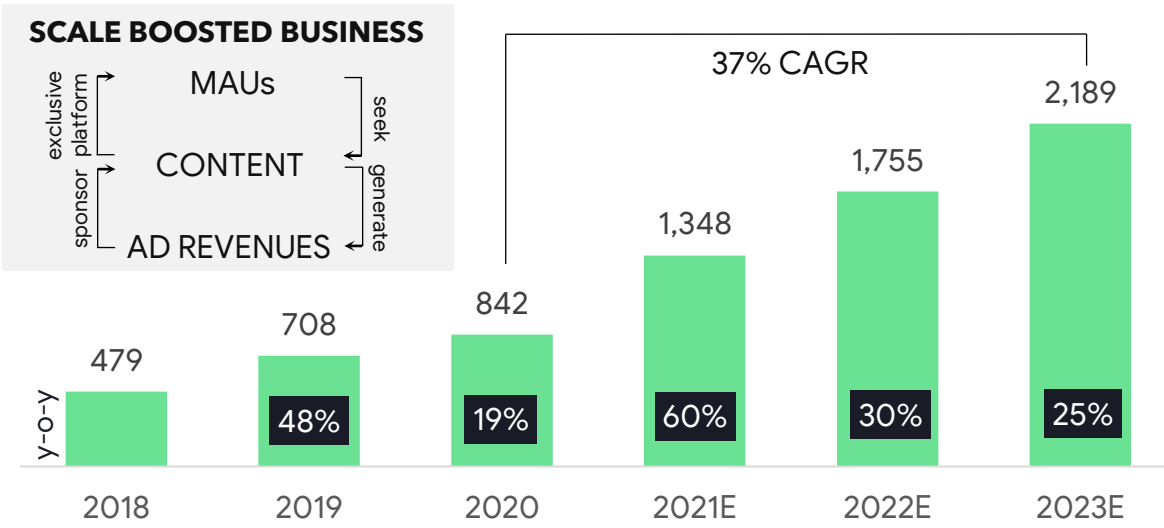
## 3 Deep ecosystem opportunities as TAM increases

TAM (\$bn)



## 4 Creator-based podcasts as major growth avenue

Podcast industry revenues (\$bn)



Source: Company data, IFPI, PwC, Deloitte, Omdia, IAB

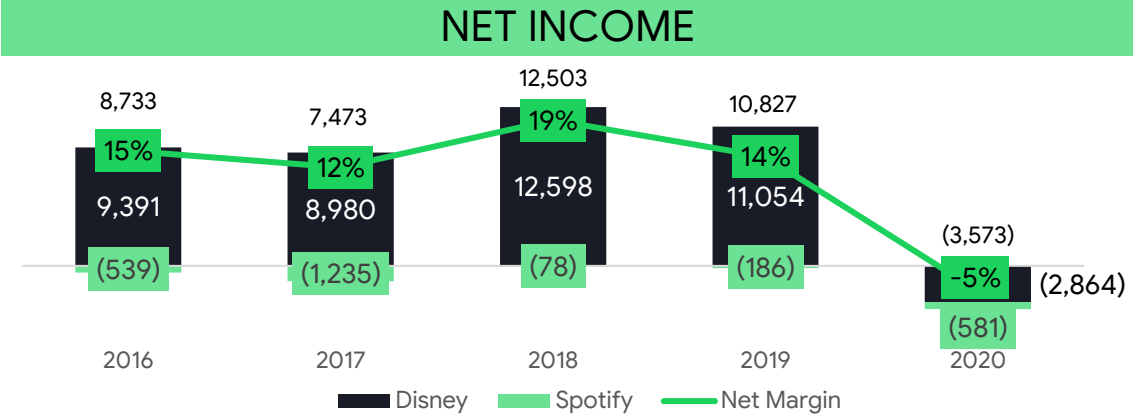
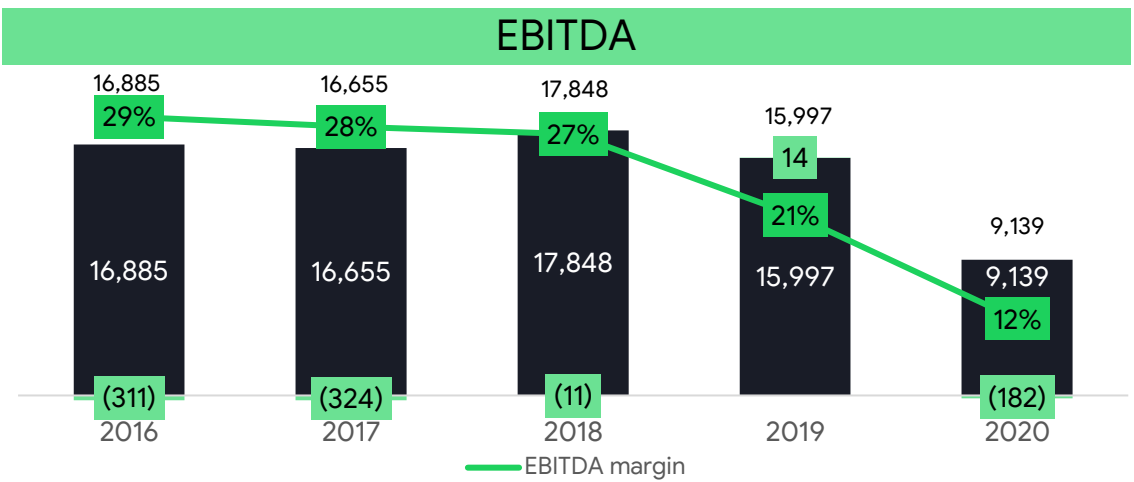
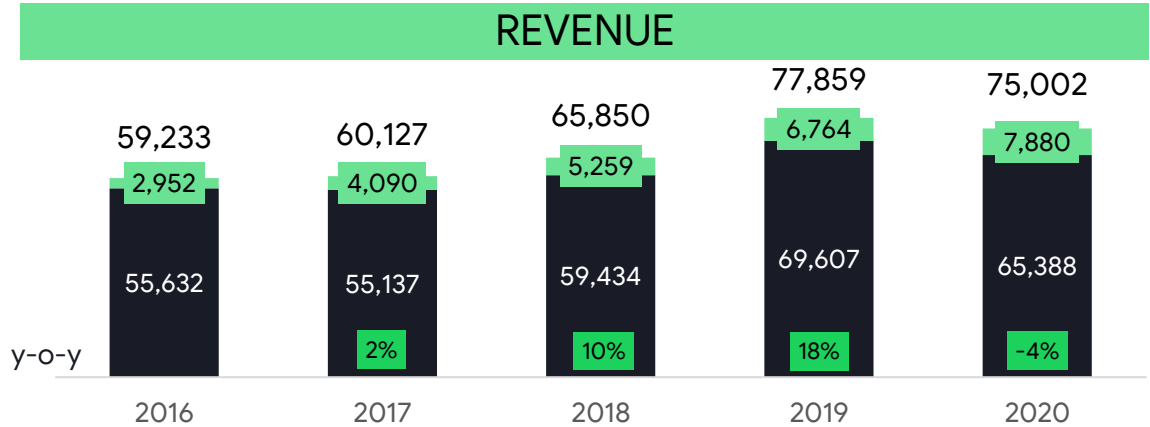
# A group of remarkable brands

Creating the most complete media & entertainment company there is: adding audio to a mix that contains sports, cinema, streaming, news and – unlike other major companies in the industry – parks & resorts.

- 1 COMPANY OVERVIEW
- 2 SYNERGIES ANALYSIS
- 3 DEAL STRUCTURE
- 4 FINANCIALS & VALUATION



## NewCo FINANCIAL HIGHLIGHTS (\$mn)



Source: Company data, ACLM Capital

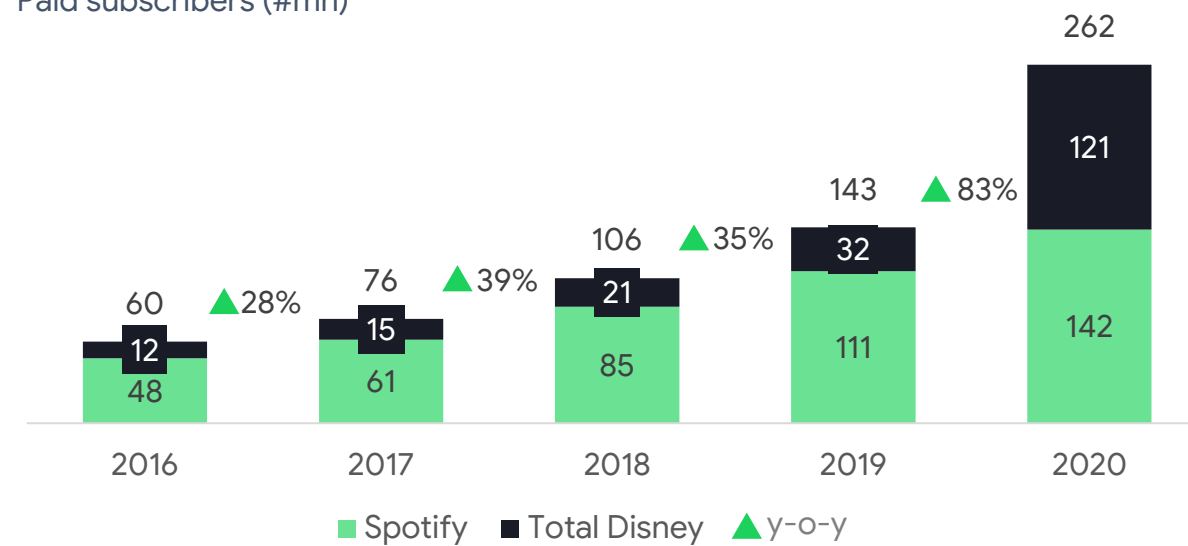


# DIS + SPOT: breaks the internet

Acquiring SPOT would result in the establishment of the largest premium subscribed ecosystem in media & entertainment, even considering audio segment – AMZN, AAPL.

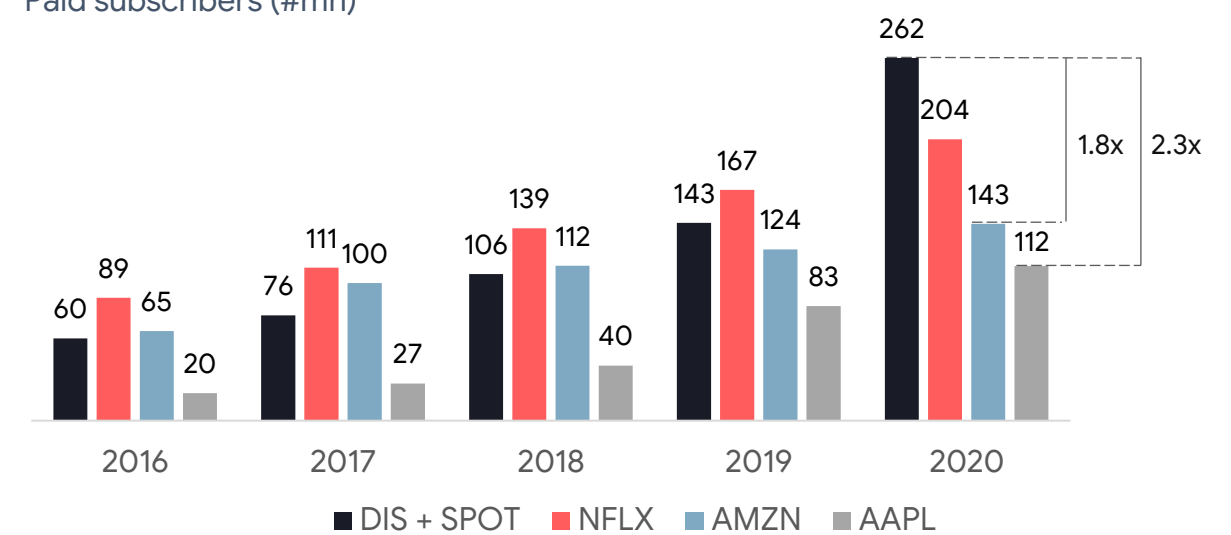
## 1 DIS + SPOT creates a 262mn paid subscribers titan

Paid subscribers (#mn)



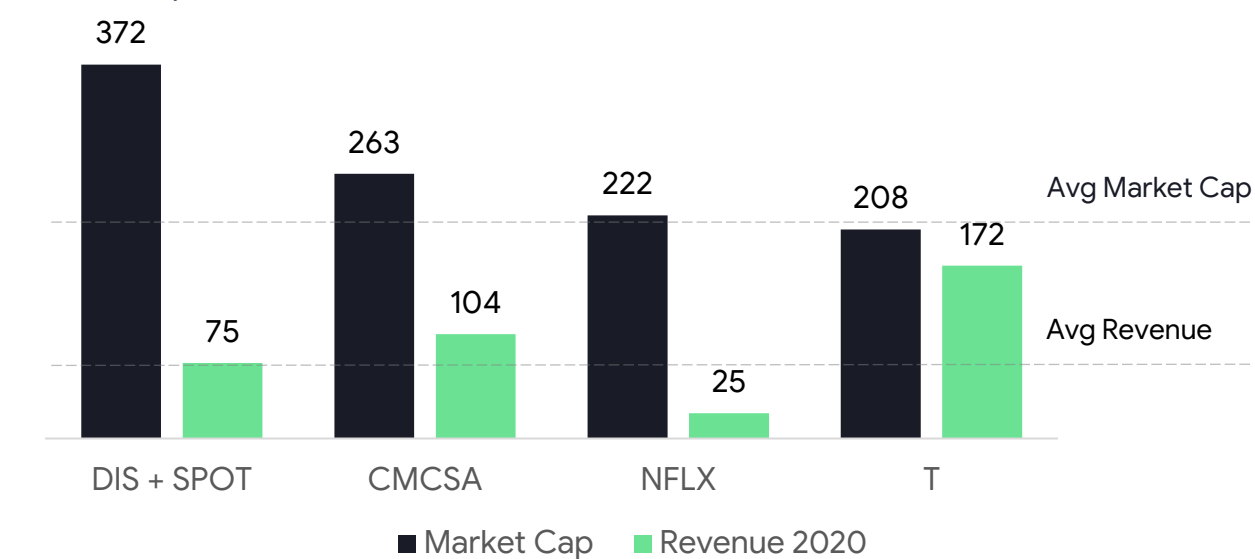
## 2 Most subscribed platform – even considering video & audio

Paid subscribers (#mn)



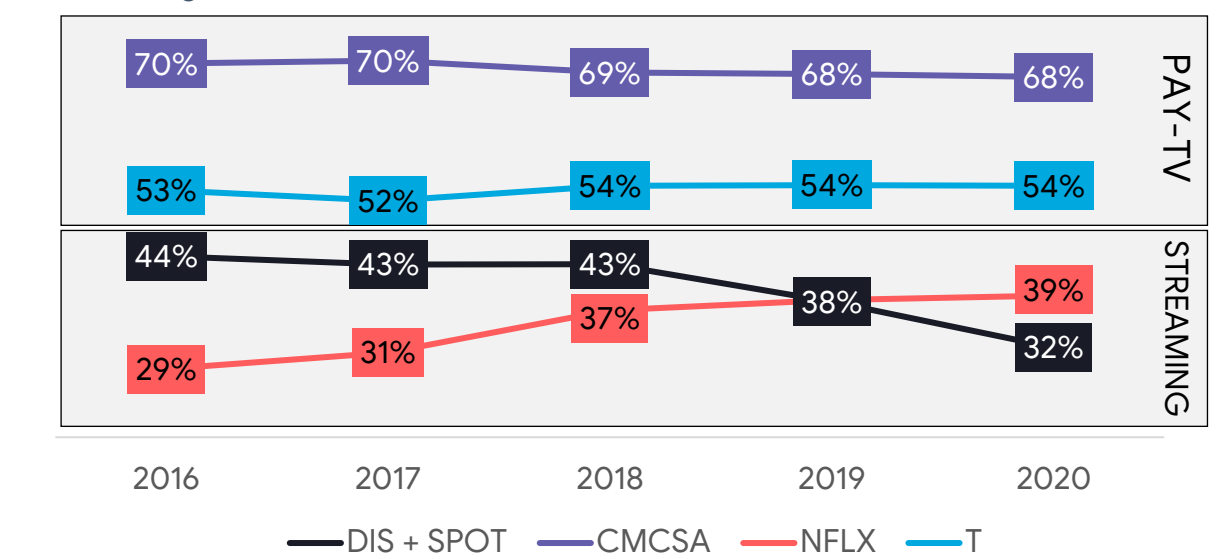
## 3 Creating the largest pure M&E company in capitalization

Market Cap and Revenue (\$bn)



## 4 As revenue gap is a result of main operation distinction

Gross margin (%)



# A two-step marketing cross-sell strategy

As both companies have a huge brand awareness, we believe that both brands should exist. But to accelerate Disney's DTC and Spotify, we started with an aggressive marketing approach.

## THE STRATEGY

The marketing approach that we are searching for is the one consumers understand that SPOT is under DIS' umbrella - and both brands could benefit from this new strategy.

### 1st STEP

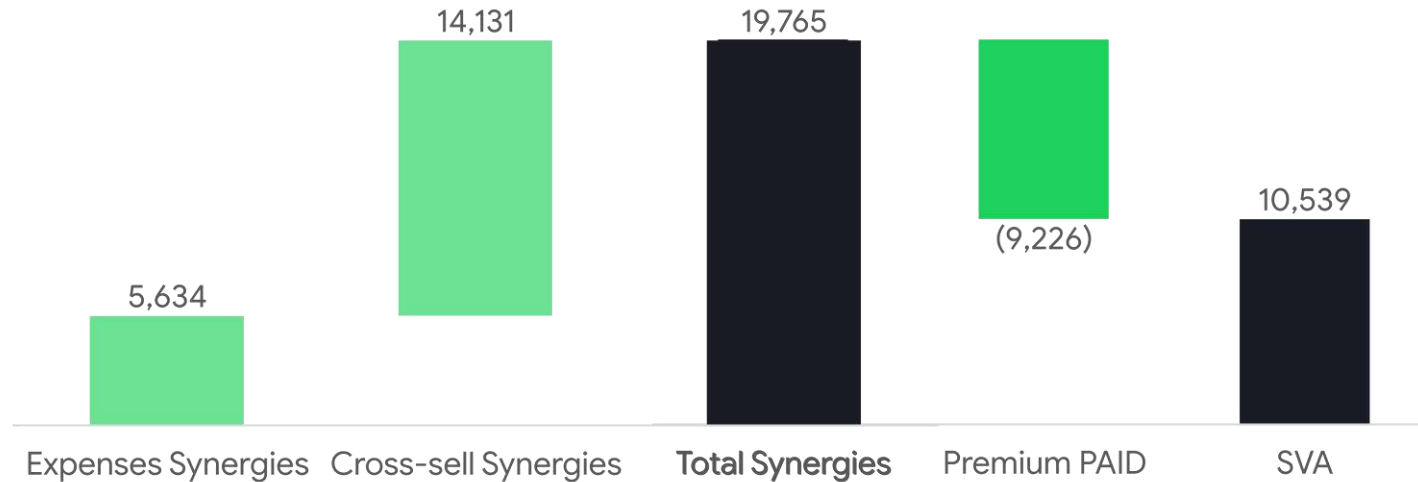
Untill the end of the year, subscribers that own a Spotify Premium account can enjoy Disney+ and vice versa

### 2nd STEP

A multiple bundle subscription strategy in the following years will be enough to reduce churn – even considering ARPU's decline. Overall, DIS will become a more heavily subscription-based company.

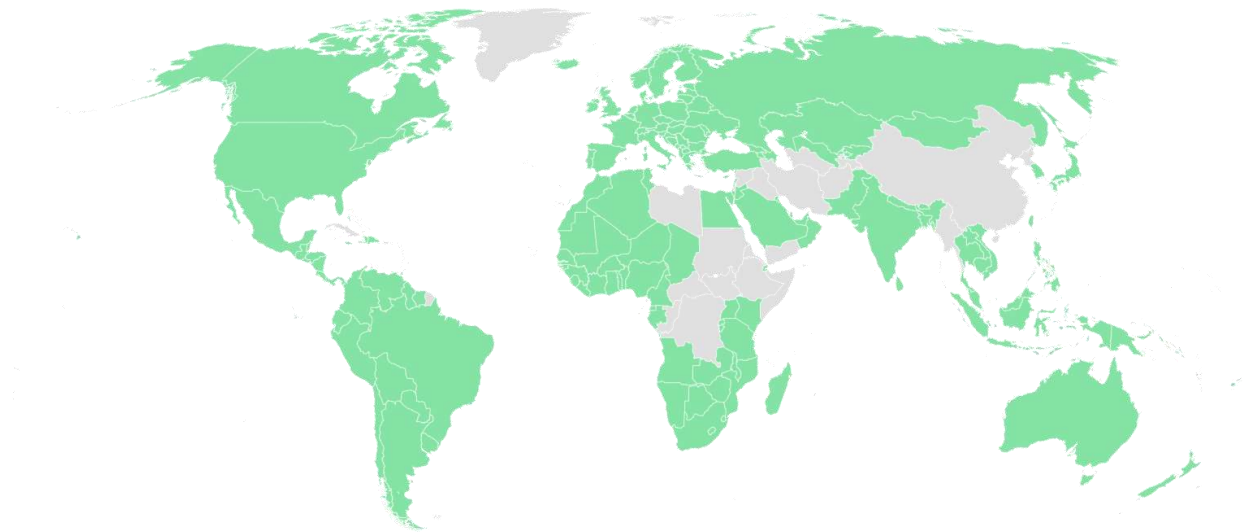
## 1 An acquisition that creates value to stockholders

Synergies, Premium Paid and SVA (in \$mn)



## 2 NewCo to reach 186 countries globally –footprint is boosted by SPOT

NewCo's footprint



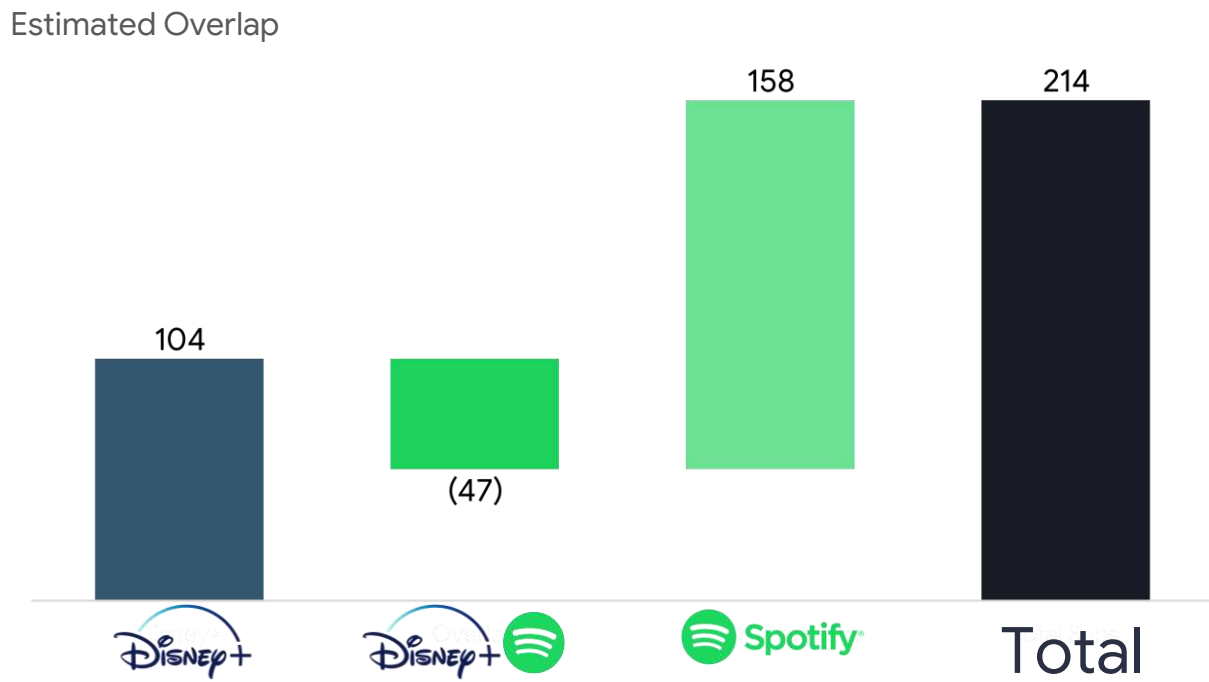


# Starting with an aggressive market approach

We would start a promotion where Spotify subscribers sign Disney+ without any additional charges and vice versa in order to boost both companies' subscription given relatively little overlap.

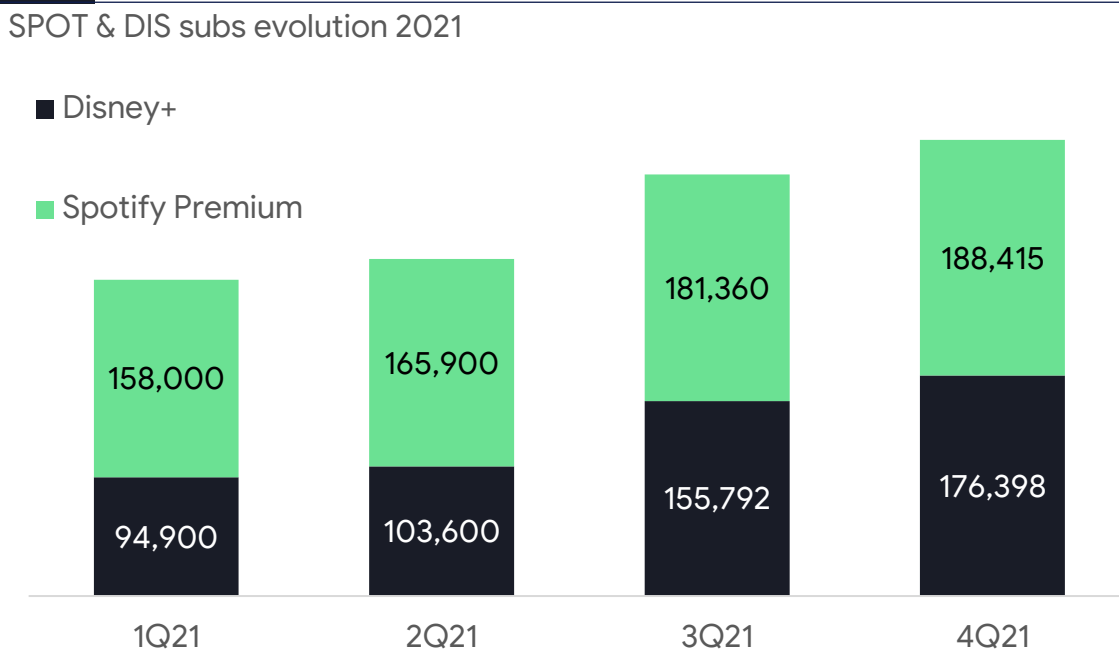
1

30% overlap between services based on field research



2

An imediate response leading to subscription growth



3

In 60% of the cases, the combination of both brands in a bundle would result in more subs to both platforms

		Overlap								Overlap					
Real Additions	Spotify	10%	20%	30%	40%	50%	Real Additions	Disney	10%	20%	30%	40%	50%	Real Additions	Disney
	30%	6%	1%	-3%	-7%	-12%		30%	25%	19%	13%	7%	1%		30%
	40%	12%	6%	1%	-5%	-10%		40%	38%	31%	23%	16%	9%		40%
	50%	17%	10%	4%	-2%	-9%		50%	49%	41%	32%	23%	15%		50%
	60%	21%	14%	6%	-1%	-8%		60%	58%	48%	39%	29%	19%		60%
	70%	24%	16%	8%	1%	-7%		70%	65%	54%	44%	33%	23%		70%





We did a sensitivity analysis between the overlap of both platforms and the real incremental subscriptions that each platform could have with this marketing campaign.

Source: Company data, ACLM Capital

# The Mr. Potato Head bundle strategy

In our second strategy, we decided to create multiple bundles to improve subscribers throughout NewCo’s ecosystem – allowing customers to build the bundle as wished – choosing from 2 to 4 streaming apps (incl. SPOT) to a possible 8 bundles.

The  
WALT Disney  
Company



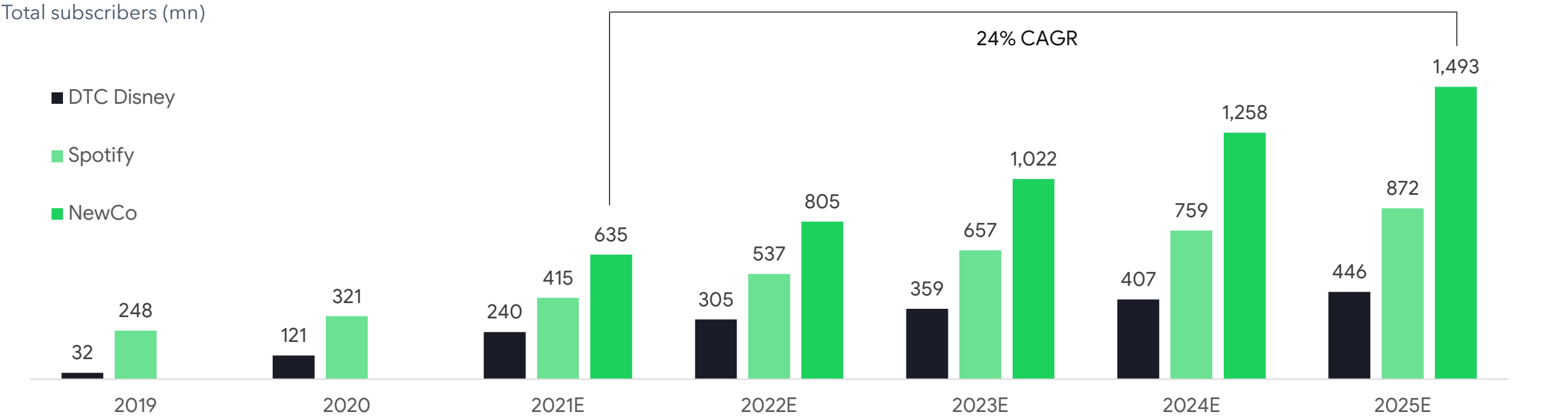
MOVIES.  
SHOWS.  
SPORTS.  
MUSIC.  
PODCASTS.  
YOU PICK.

☐ ‘WOODY AND BUZZ’ 2-SERVICE BUNDLE ~~\$17.98~~ \$12.99

☐ ‘JORDAN, PIPPEN, RODMAN’ 3-SERVICE BUNDLE ~~\$22.97~~ \$15.99

☐ ‘THE BEATLES’ 4-SERVICE BUNDLE ~~\$27.96~~ \$18.99

1 With this aggressive campaign we could boost both service subscriptions

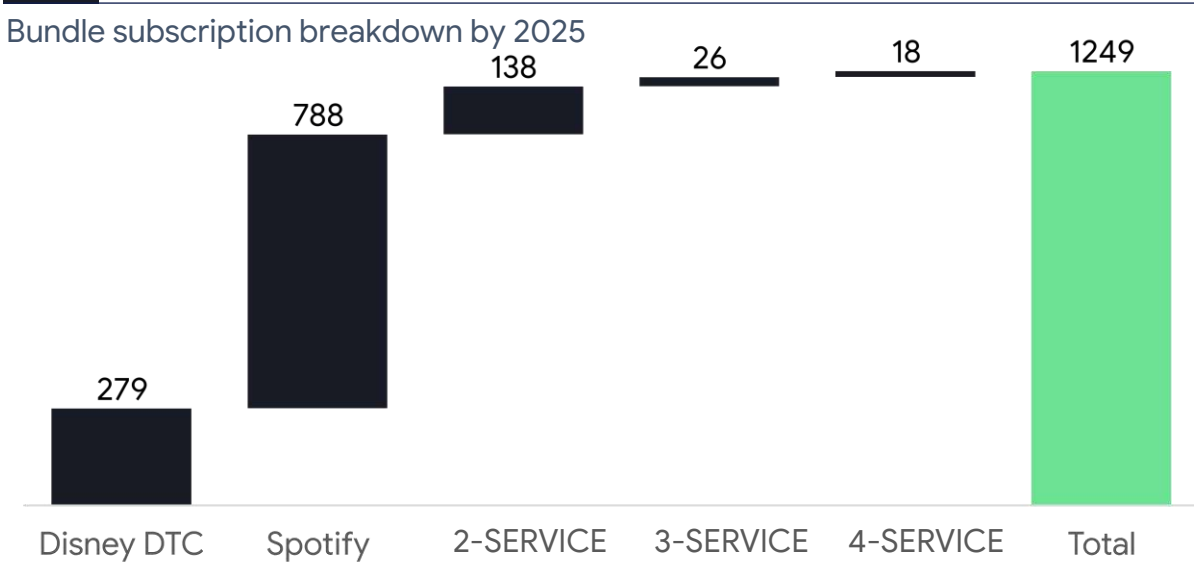


Source: Company data, ACLM Capital

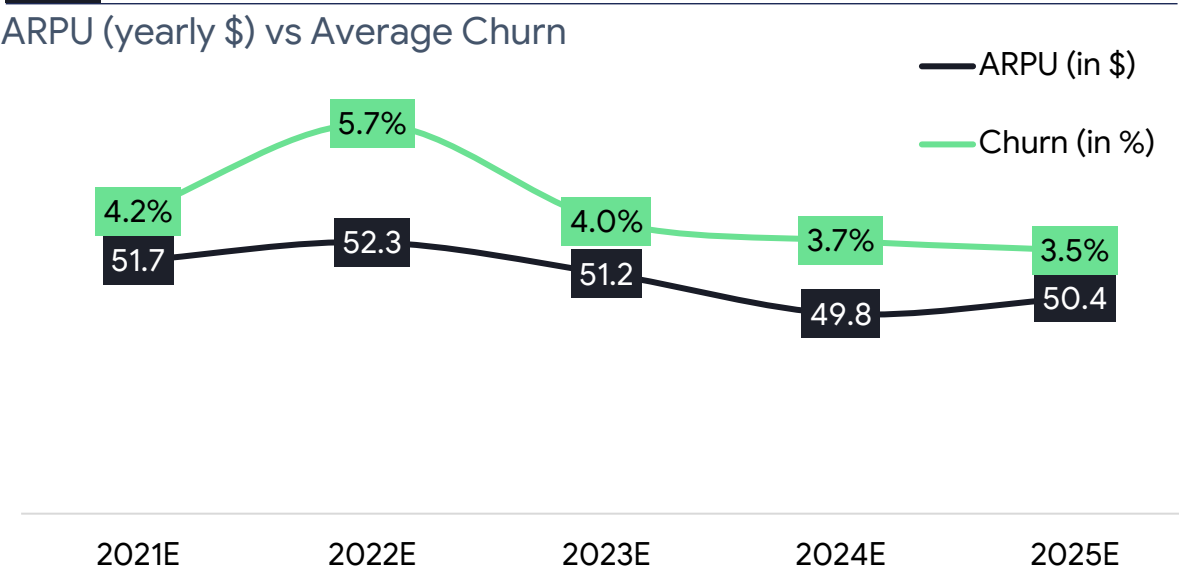
# Main metrics benefit in the long run...

The multiple bundle strategy would pressure ARPU, but churn would fall over time and - in the long run - as consumers understand the value purpose of NewCo's ecosystem, it's feasible to believe that NewCo could raise prices more easily.

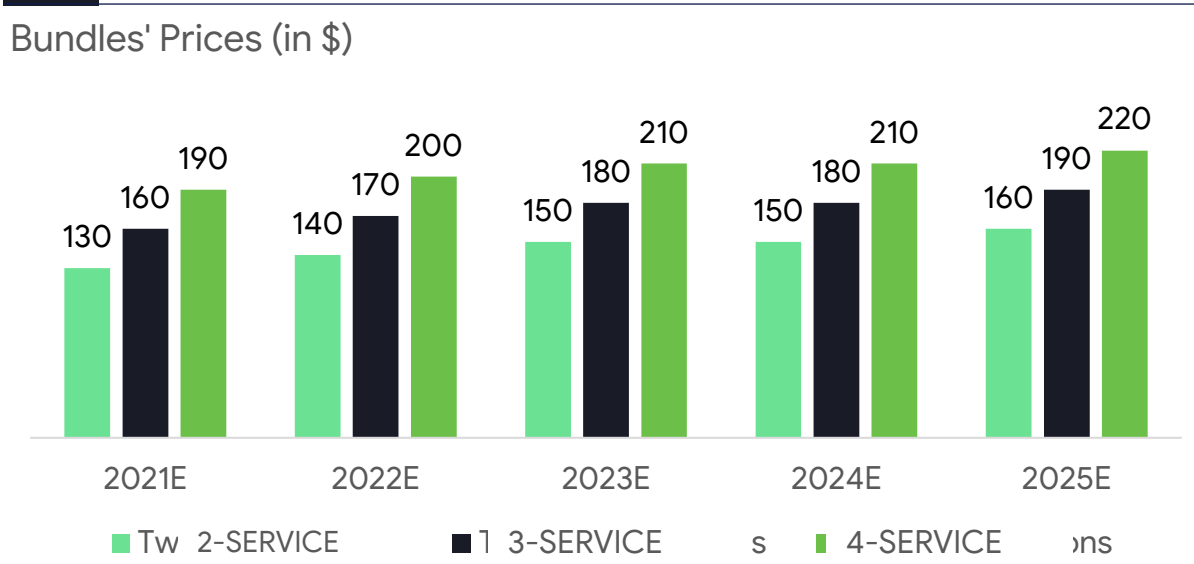
## 1 Bundle mix – one for all and all for one winner strategy



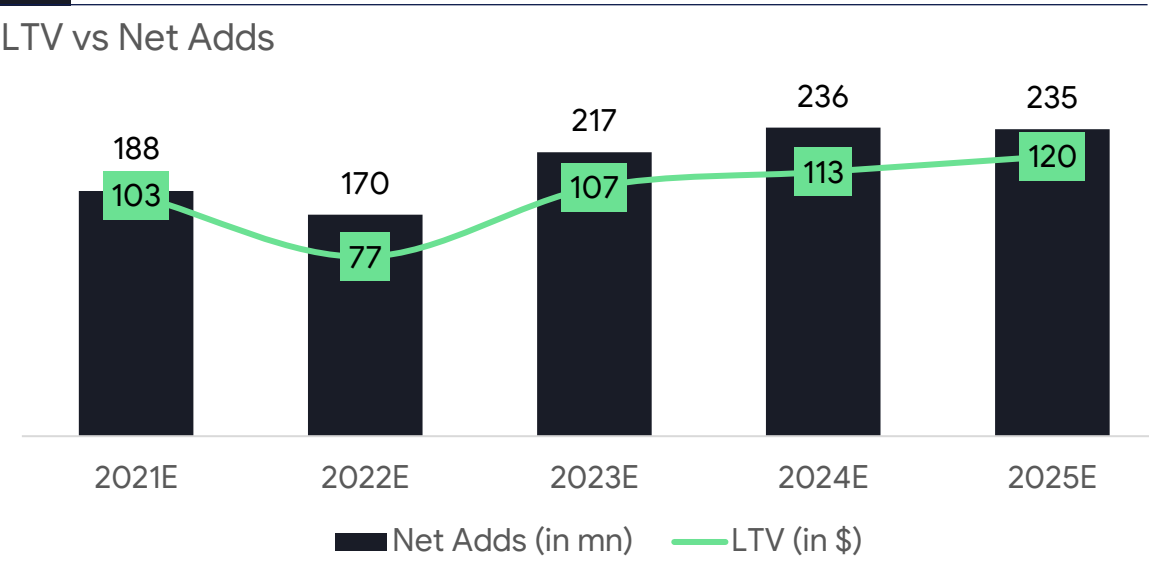
## 2 ARPU in downwards trend short term – offset by churn



## 3 Prices should rise as consumer base is established



## 4 As a consequence LTV should also increase



Source: Company data, ACLM Capital

# ... and what about expense synergies?

Marketing & Selling expenses are the main driver of costs & expenses synergies in NewCo. SPOT could benefit from DIS' TV distribuiton while DIS' DTC segment could benefit from the association with a huge brand as Spotify.

1

Both brands are well known and - with global scale of both - Marketing & Selling expenses would be diluted over time.

2

The same would happen with G&A expenses, as we expect some synergy between app development - not needing more developers to improve companies' apps.

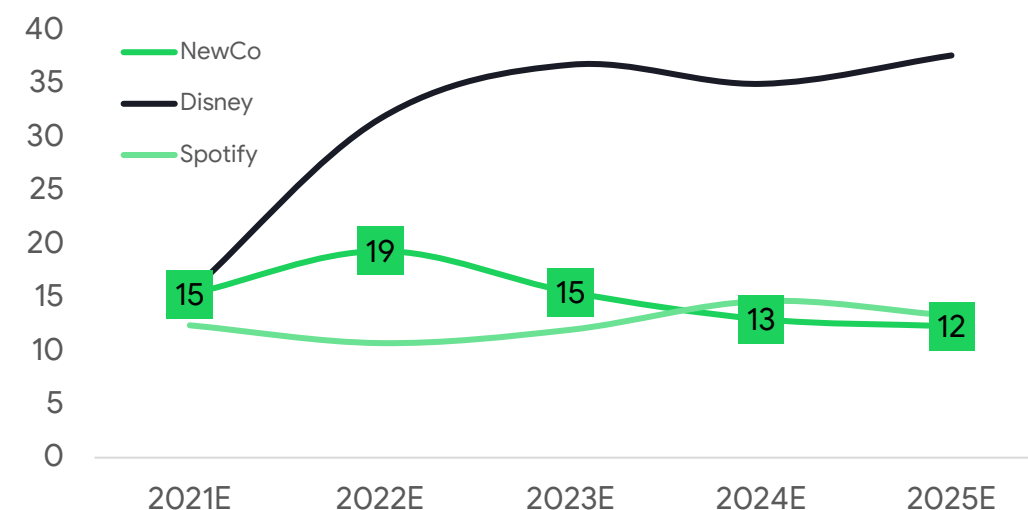
3

Costs & Expenses integration to reach \$750mn. But these expenses are not recurrent, so NewCo expenses would be increasing with time.

2

NewCo could benifit from operational leverage

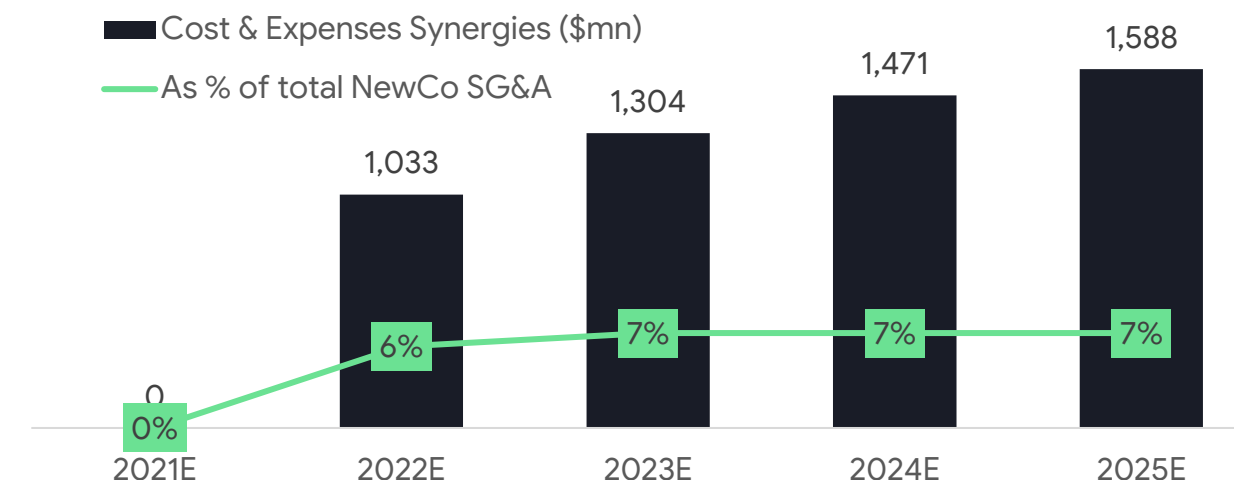
Customer Acquisition Cost (in \$)



1

We estimate costs synergies to reach almost \$500mn by 2025

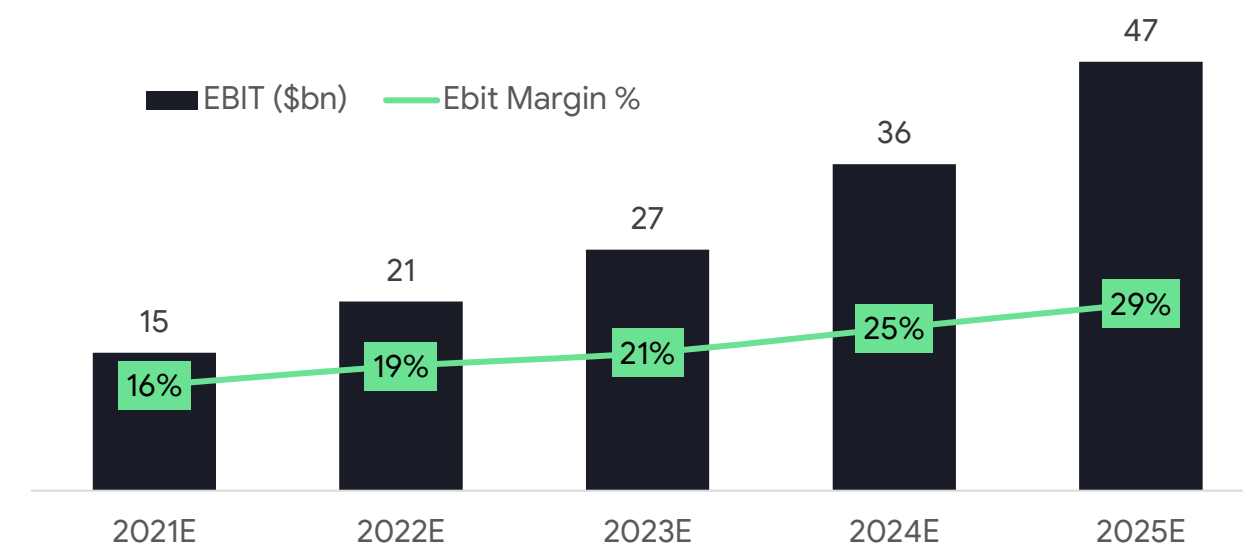
Costs & Expenses Synergies



3

With Integration expenses to pressure EBIT

EBIT vs Margin



# What else is brought to the table?

SPOT could serve as an UX and marketing model due to experience in giving top-notch recommendations through playlists and social media engagement – DIS could offer financial situation to attract creators and brand status to untap markets.

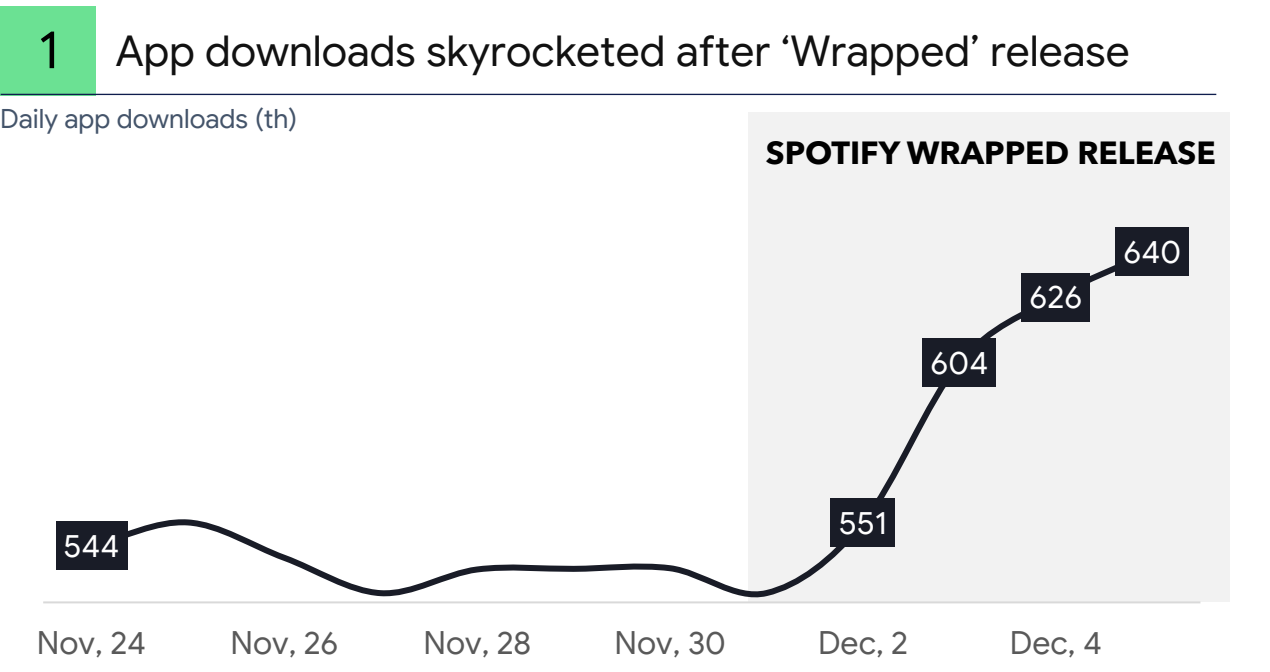
## SPOT



**Heavy AI and Big Data use to power suggestions**  
 Spotify has been successful in the use of technological features to enhance and personalize user experience – i.e. the creation of playlists based on listening history.



**Creates organic distribution channels through shareable content**  
 Shareable user statictics – mainly through Instagram stories – serve as an organic marketing campaign – incl. yearly ‘Wrapped’, ‘Dream Dinner Party’ and ‘Audio Birth Chart’



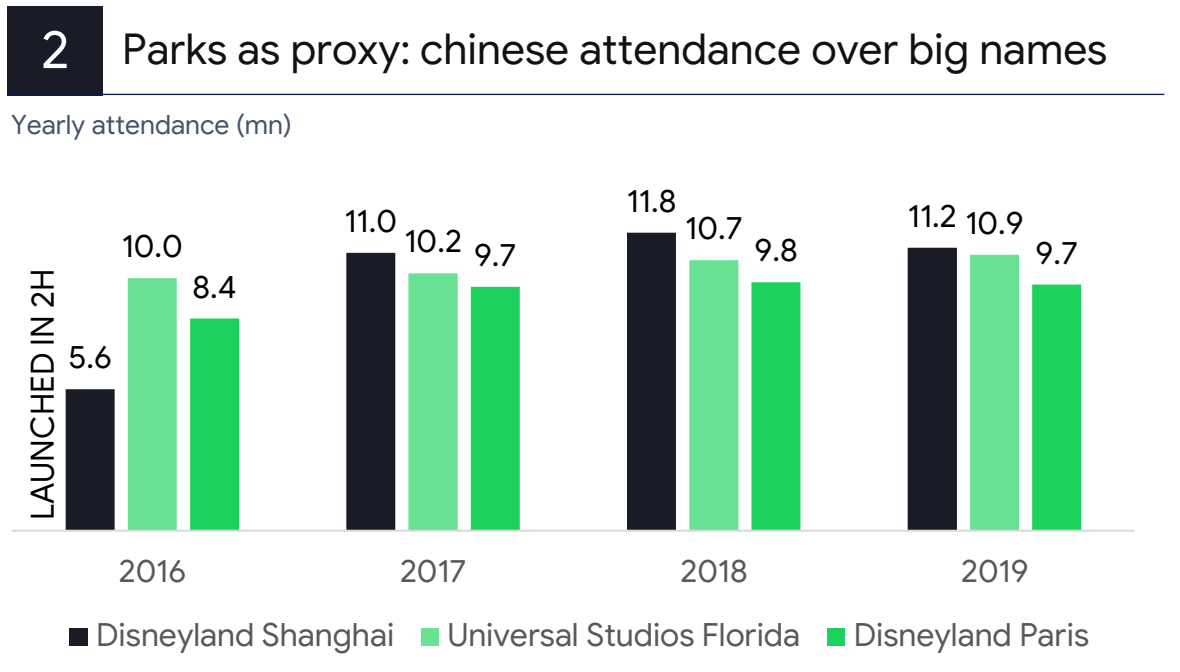
## DIS



**More established financial situation to eventually bid on creators**  
 DIS’ cash position after acquisition is at 15bn (vs SPOT’s 0.8bn) which could lead to higher bidding power in trying to reach exclusive deals with major creators.



**Well-known worldwide brand - could expand SPOT’s reach**  
 Despite having different current streaming distribution – DIS is already – through other segments – in other key markets such as China – which leaves the door open for expansion.

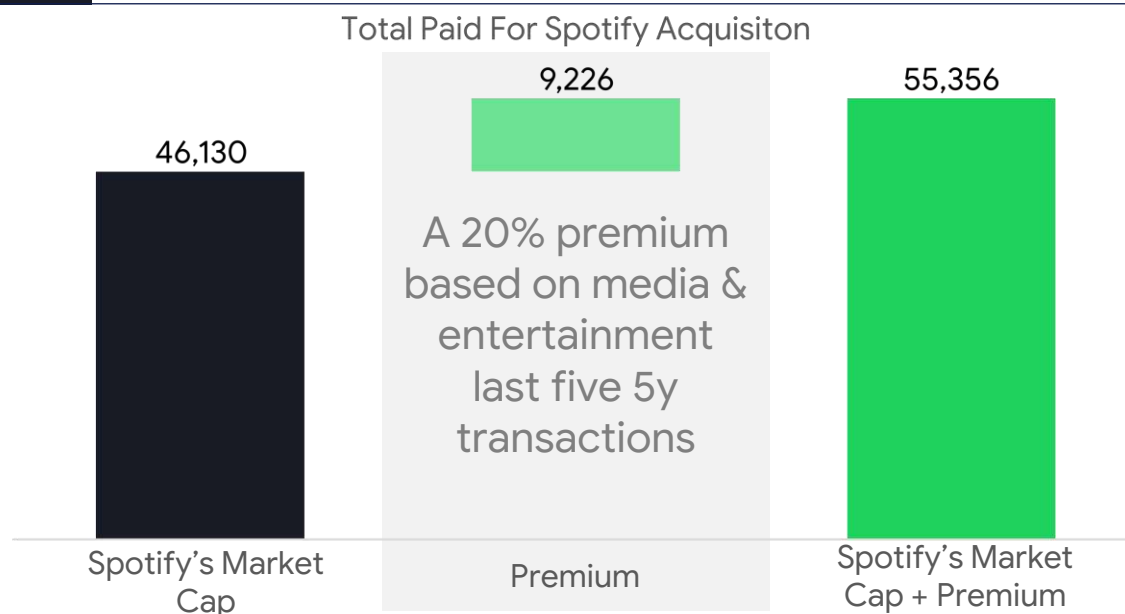


Source: Apptopia, Themed Entertainment Association (TEA)

# An all-in acquisition

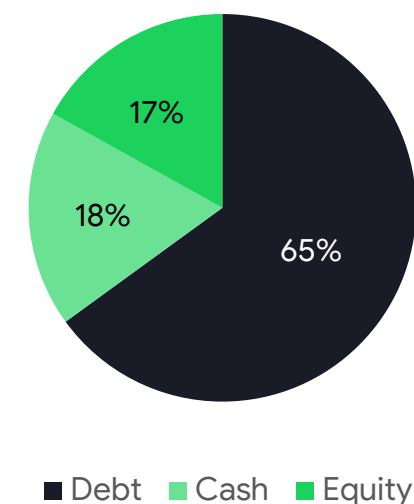
We believe Disney should acquire 100% of Spotify’s stocks with a mix of equity and cash – also considering the raise of more debt. With a 20% premium, SPOT’s total acquisition value would reach \$55bn.

1 Willing to pay a 20% premium on Spotify’s Market Cap



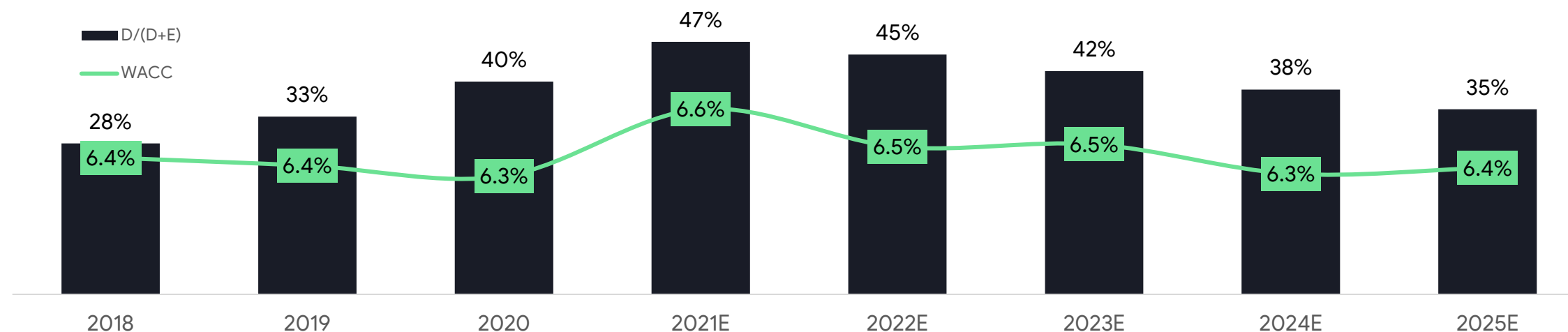
2 And most of this will be financed with debt

Breakdown of Deal Structure



3 Total levered would increase, but with controlled cost of capital

Capital Structure vs Cost of Capital



Source: Company data, ACLM Capital

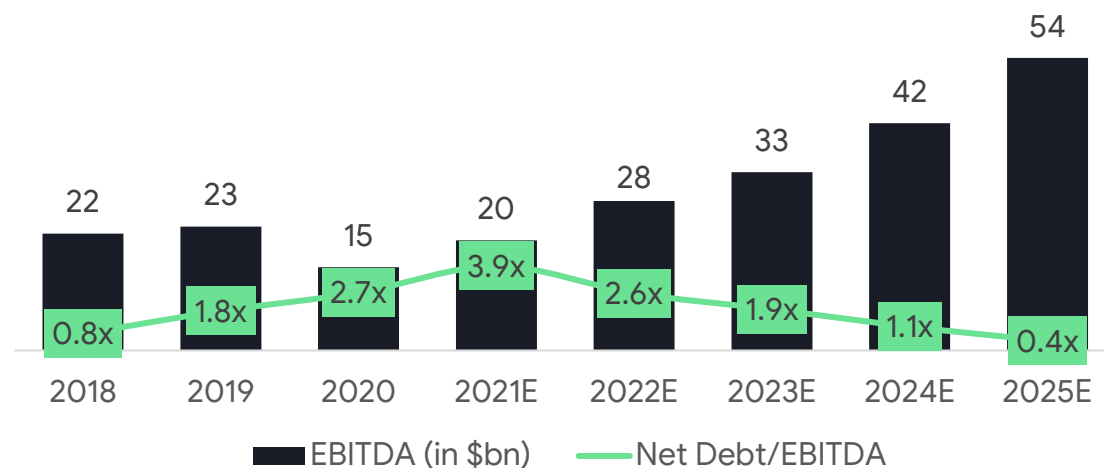


# And could DIS support that acquisition by that structure?

Even after TFCF acquisition, DIS has space in its balance sheet to support the acquisition of Spotify with a higher percentage of debt

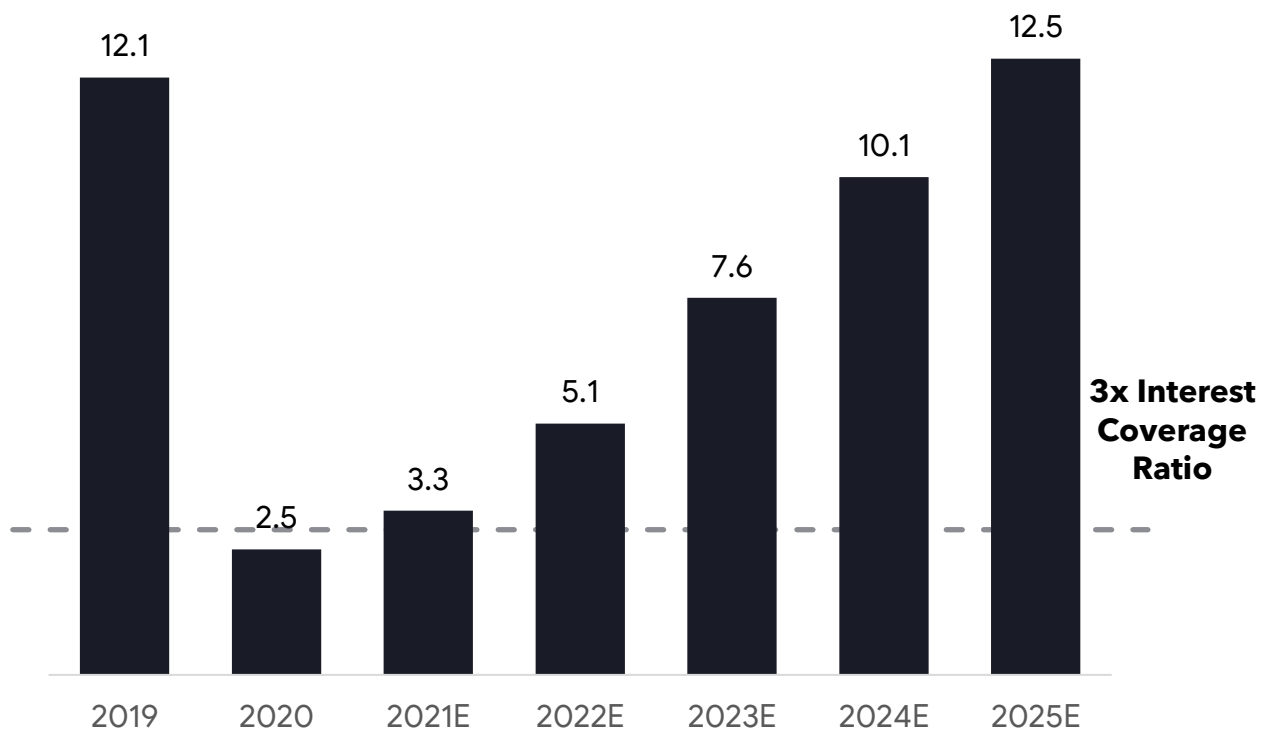
## 1 Stable Net Debt/EBITDA, DIS has space for leverage

Net Debt/EBTIDA



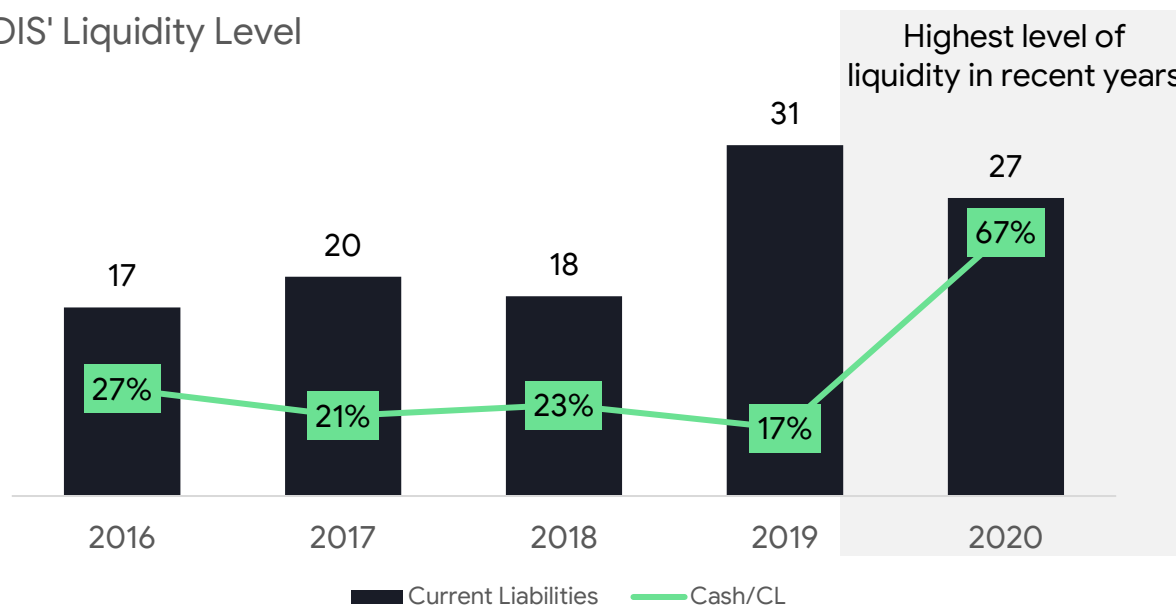
## 2 Covenants to be respect, even with higher debt

Interest Coverage Ratio



## 3 DIS increased its cash and liquidity during pandemic

DIS' Liquidity Level

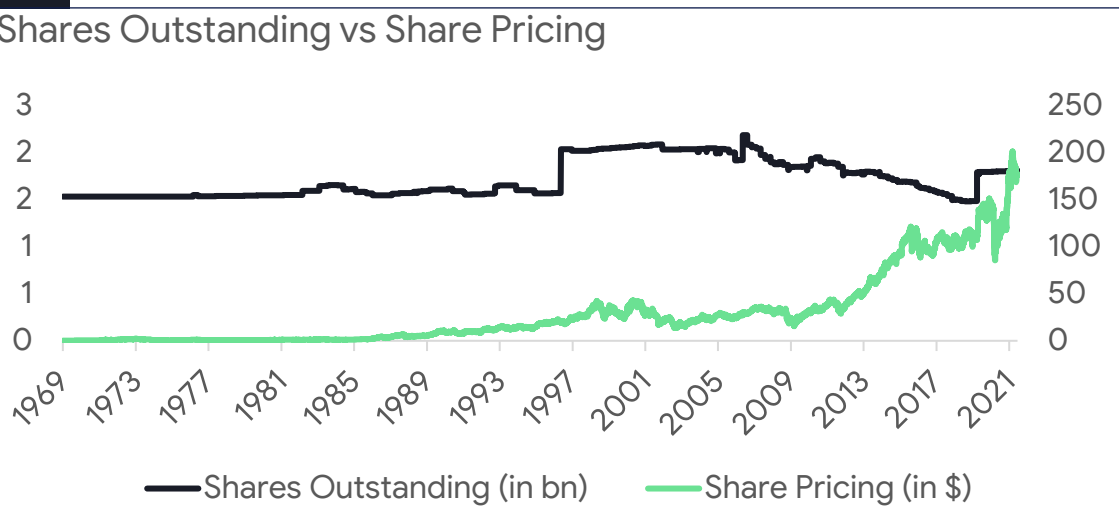


With a established EBIT by 2021, we believe DIS could respect its covenants again, and with \$36bn in debt and a increase of 5bpp in interest rate, total coverage would reach 3.3x

# Equities' portion of financing

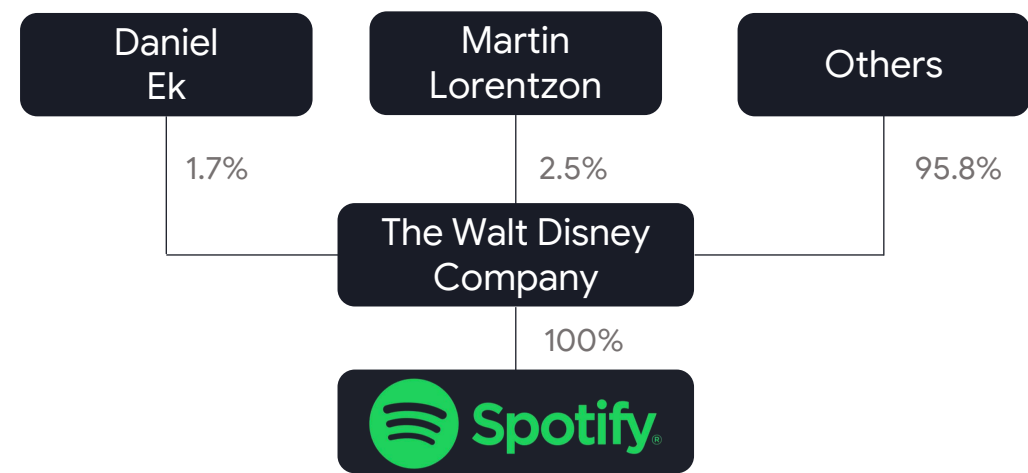
To motivate both founders and current CEO of Spotify to take part in NewCo, we believe that we should bring them to the table through a share-swap transaction.

## 1 Issuing 43.5 mn shares to buy Martin and Daniel stake



**43.5 mn** Shares issued  $\times$  **\$177** Price per share  $=$  **\$9,370 mn** Spotify's portion acquired with equity

## 3 NewCo Shareholders Sctructure

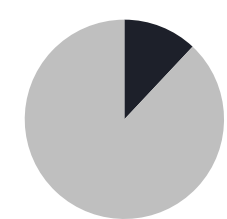


## 2 Bringing two talents to the table



**Martin Lorentzon**

Co-founder and member of board



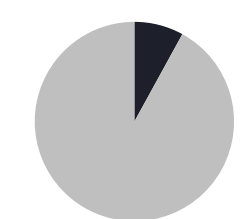
**12% stake on Spotify**

2.5% in NewCo



**Daniel Ek**

CEO (Since 2006)



**8% stake on Spotify**

1.7% in NewCo

Both with huge experience and influence in the music industry, Daniel Ek was elected “The most powerful person in the music industry” in 2017 by Billboard, for example.

# Creating value over time

Revenue to grow at a CAGR2018-25 of 15%, EBITDA Margin and Net Margin reaching 33% and 24%, respectively, by 2025. EPS reaching \$44, with accretion of \$10 versus DIS standalone.

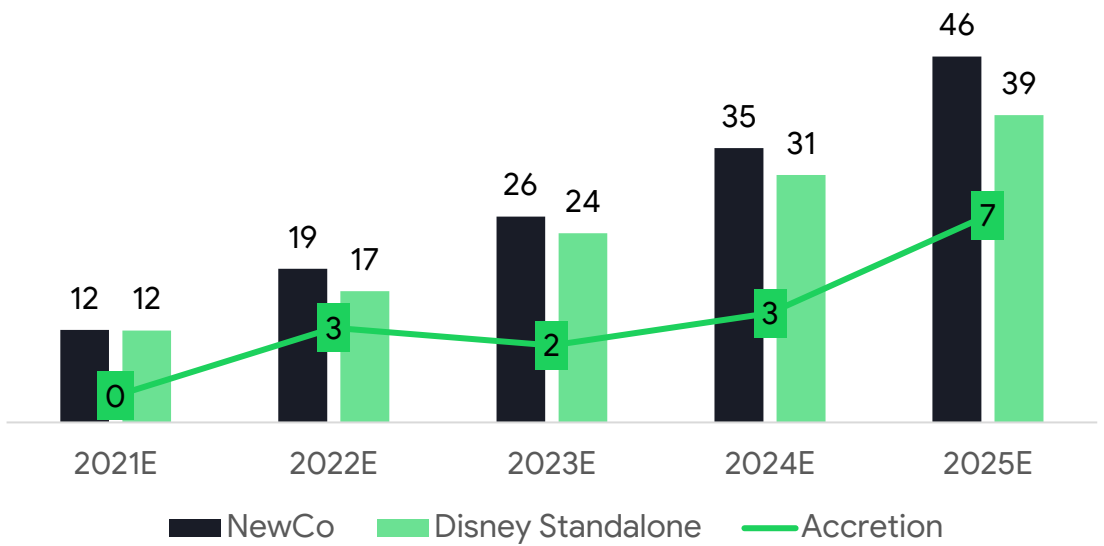
COMPANY OVERVIEW

SYNERGIES ANALYSIS

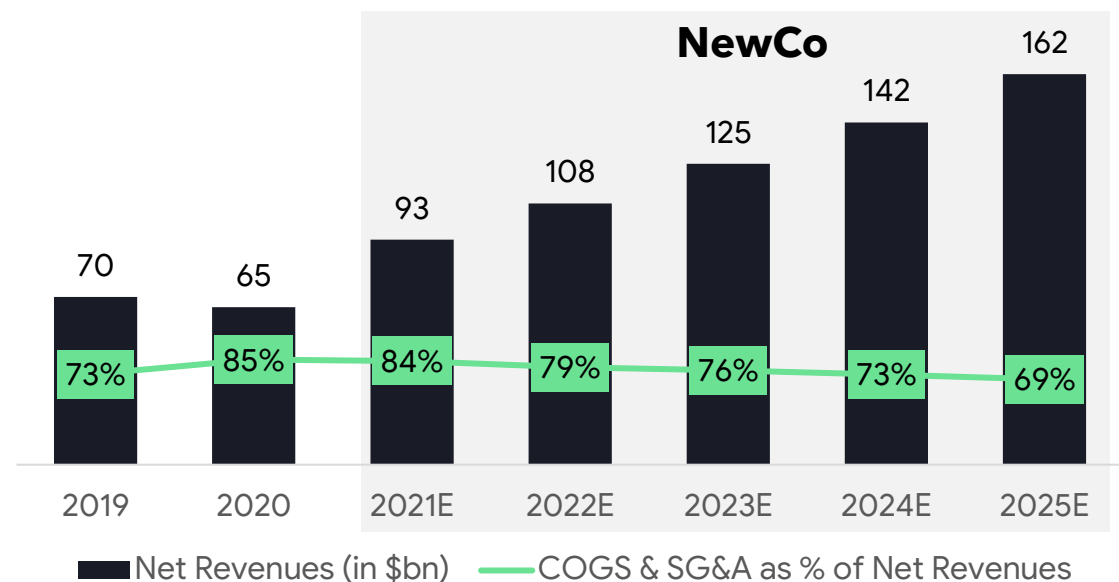
DEAL STRUCTURE

FINANCIALS & VALUATION

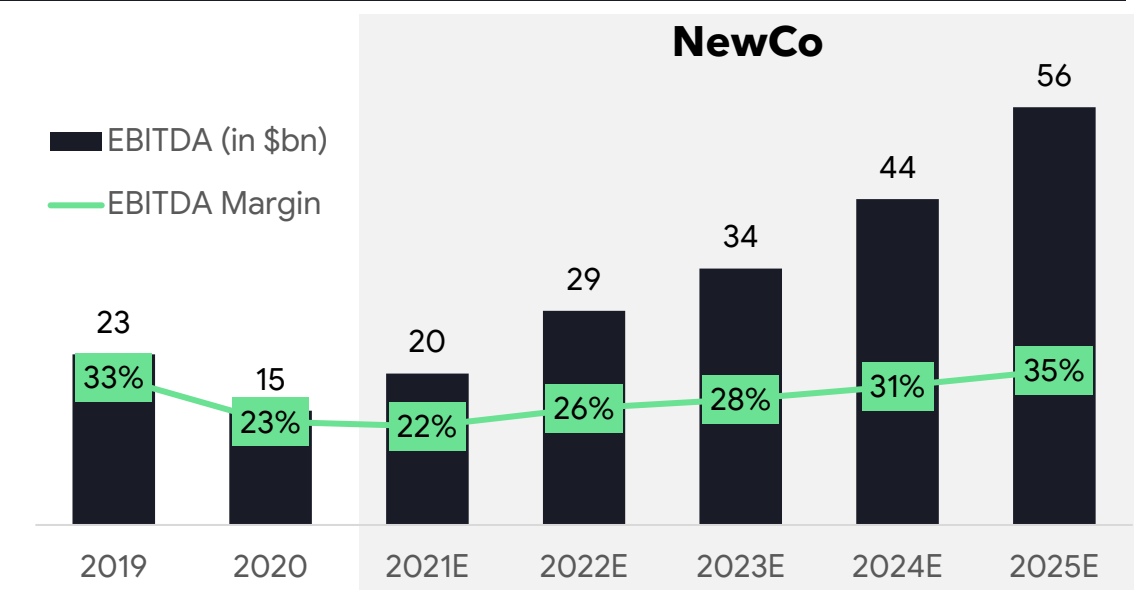
## EPS AND ACCRETION (in \$)



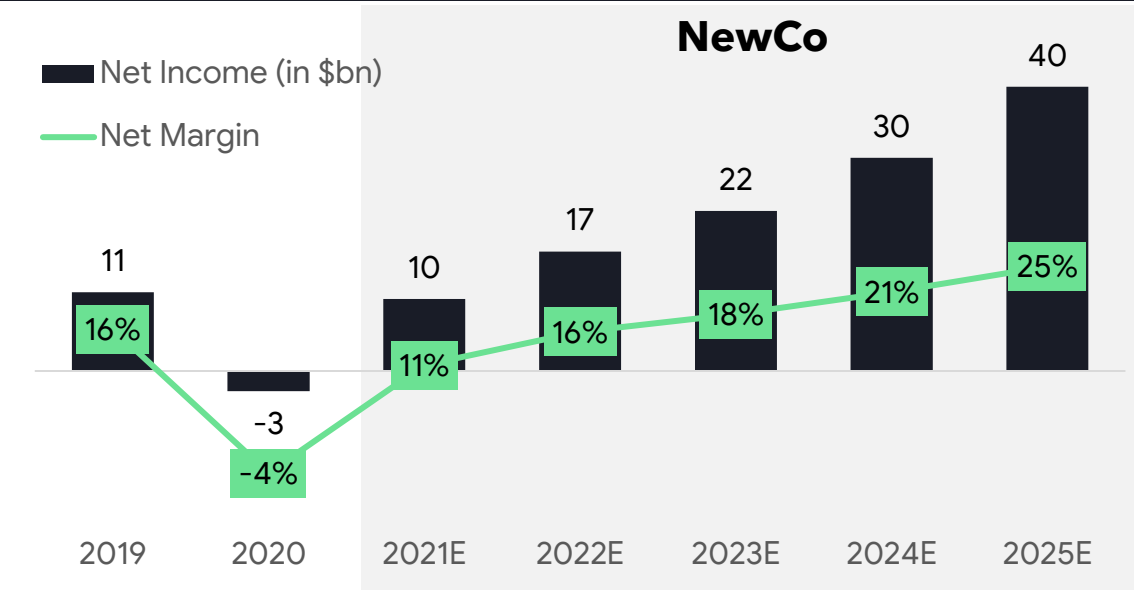
## P&L EVOLUTION



## EBITDA EVOLUTION



## NET INCOME EVOLUTION



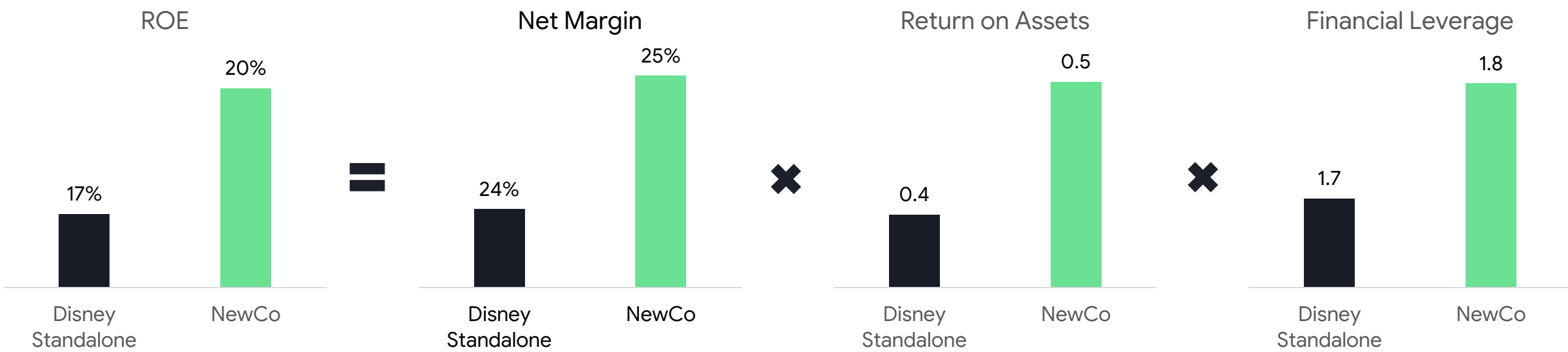
Source: Company data, Capital IQ

# Value created, higher returns

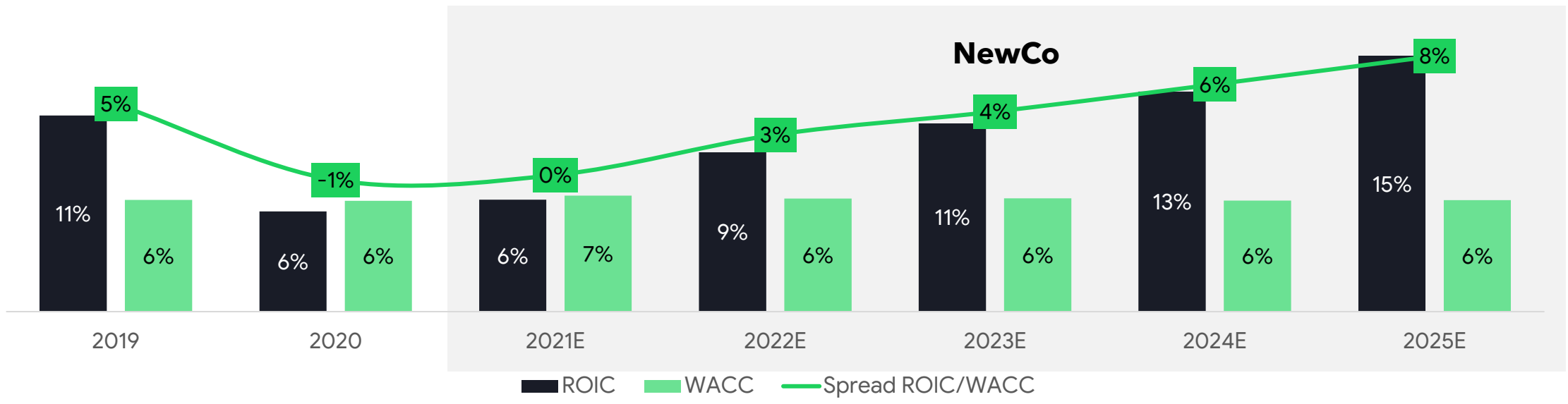
According to our estimates, the acquisition of Spotify will generate more value to our shareholders over time. Higher ROE, due to better operational metrics, and higher ROIC and EPS given lower finance by equity.

- COMPANY OVERVIEW
- SYNERGIES ANALYSIS
- DEAL STRUCTURE
- FINANCIALS & VALUATION

## ROE AND DUPONT ANALYSIS



## ROIC AND SPREAD EVOLUTION



Source: Company data, Capital IQ

# The NewCo valuation: a real opportunity

With a 6.4% discount rate, we assess an 81% upside against current price and 41% against our DIS' standalone valuation. We assume EV/EBITDA as an average of peers and adjusted DTCI and Spotify with a 20% premium.

COMPANY OVERVIEW

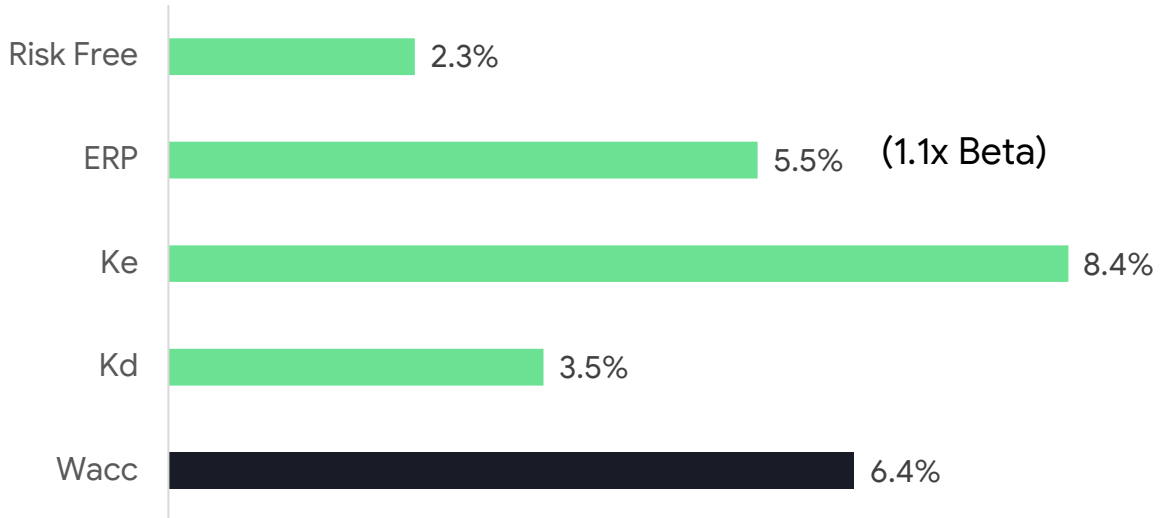
SYNERGIES ANALYSIS

DEAL STRUCTURE

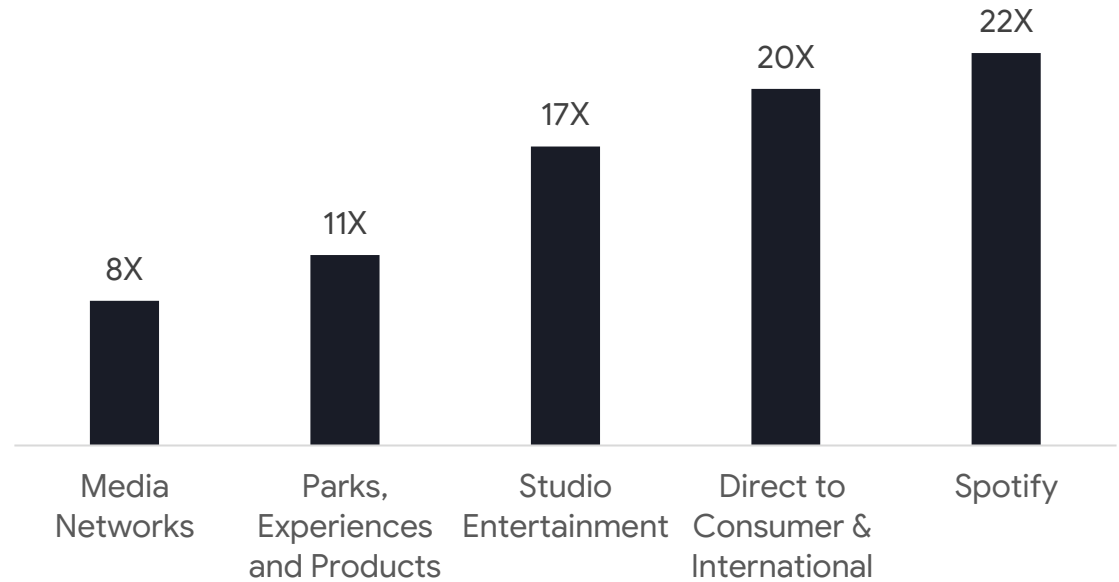
FINANCIALS & VALUATION

- 1
- 2
- 3
- 4

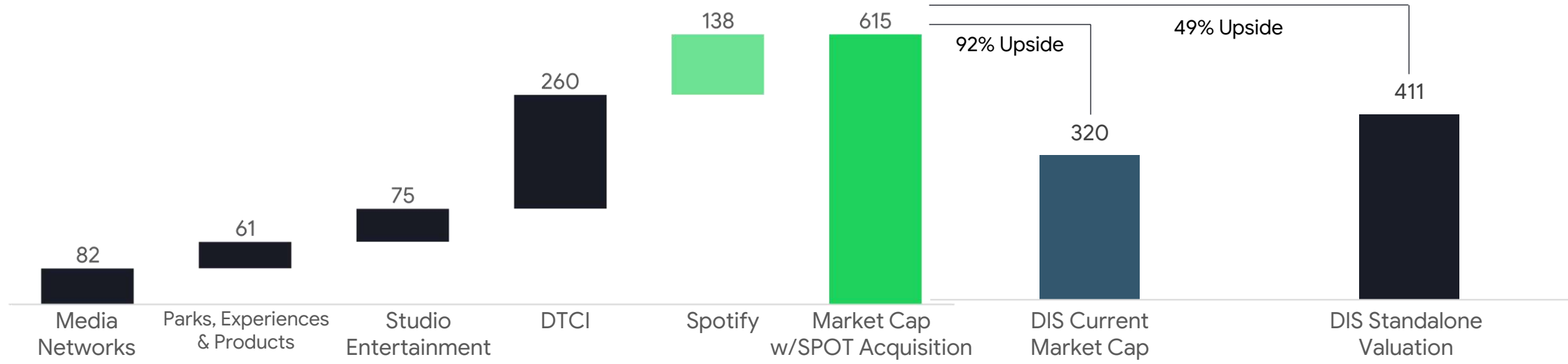
## WACC BREAKDOWN



## MULTIPLES TRADED



1 An upside acquisition as merged company's valuation is superior to DIS' valuation prior to the deal



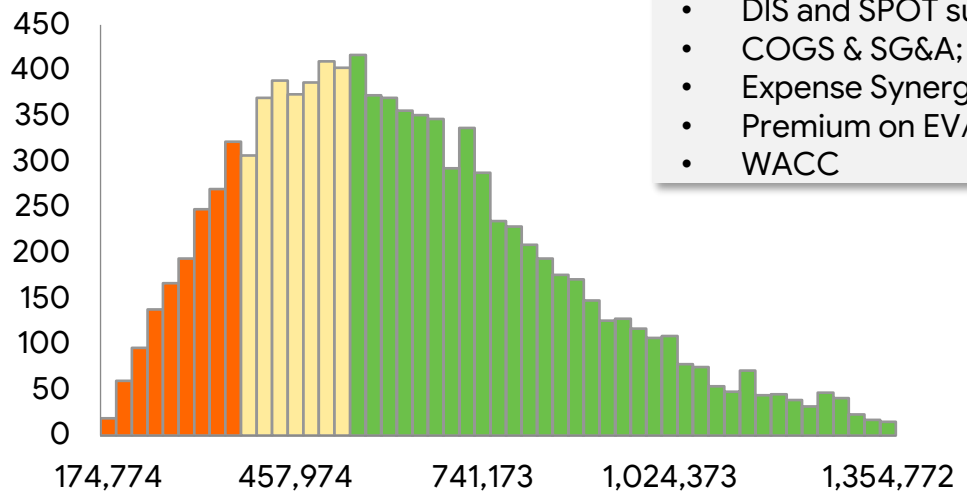
Source: Company data, Capital IQ, Damodaran, treasury.gov

# Monte Carlo shows limited downside

We assessed multiple scenarios and stressed our model to see how our valuation changes. We conclude that the acquisition has more upside potential than downside.

**1** In the 10,000 scenarios that we ran, 55% of outcomes shows that the acquisition creates value in long run.

NewCo Equity Value



**3** Bull and bear case



BEAR

BULL

Failing in integrating both brands



Succeed in integrating both Brands

Difficulty in raising price



Higher prices and consumer acceptance

Brands combine do not increase Subs



Brands combine to increase Subs

Churn maintenance in the same level



Churn reduced with bundle strategy

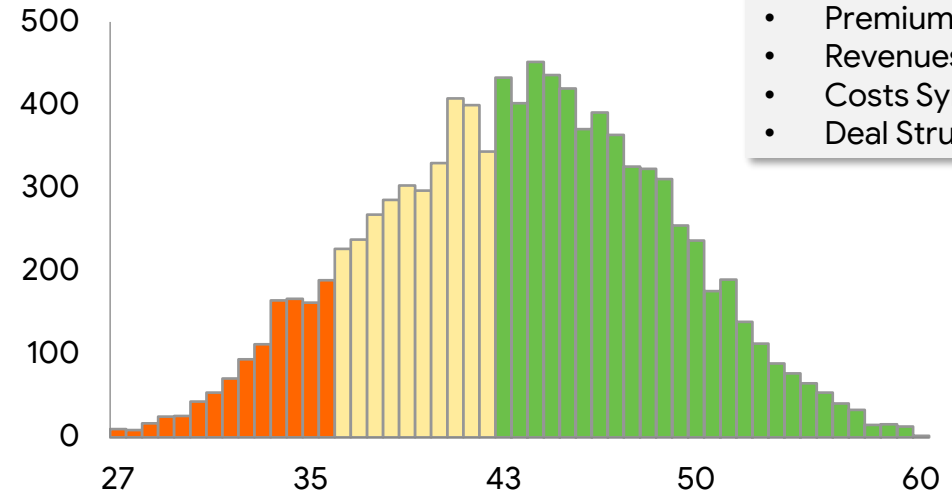
No expense synergies within acquisition



Synergies at a high level and imediate

**2** ... and with EPS' scenarios, in 50% of the scenarios, the deal is 20% more accretive than DIS standalone

EPS



Source: Company data, Capital IQ

COMPANY OVERVIEW

SYNERGIES ANALYSIS

DEAL STRUCTURE

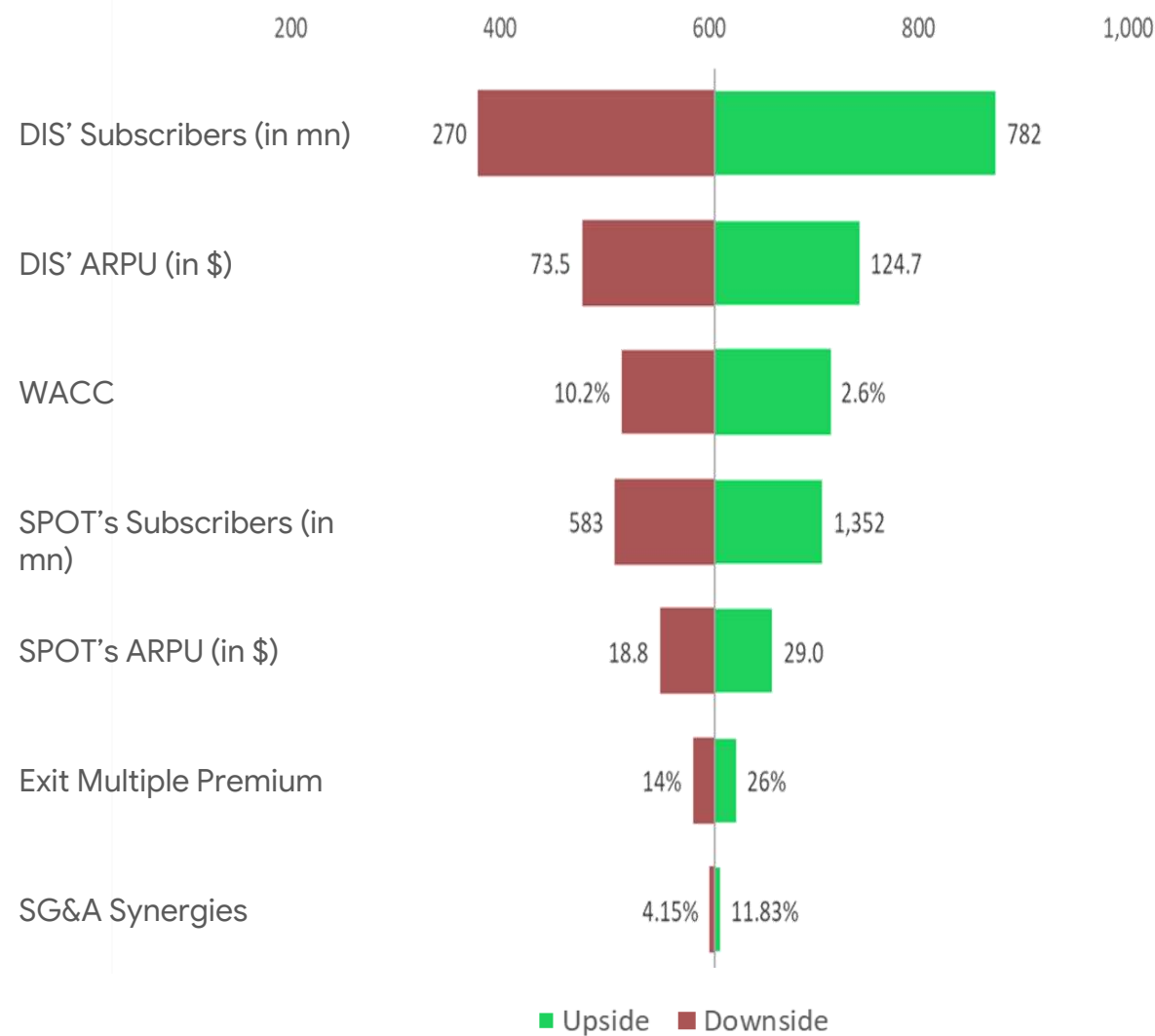
FINANCIALS & VALUATION



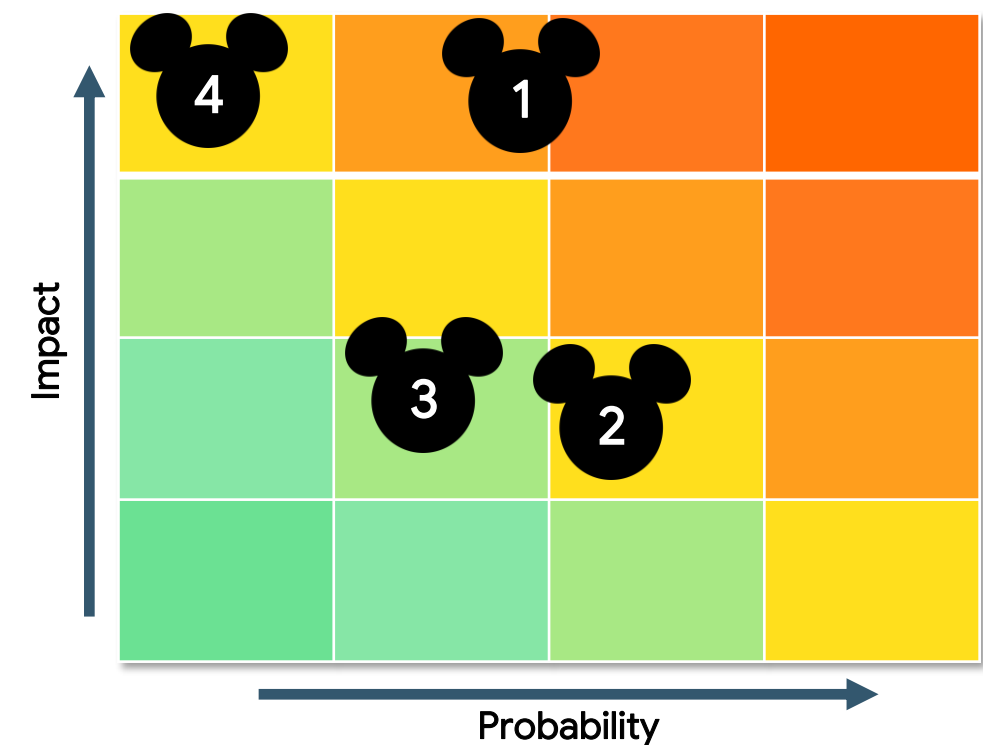
# Risks to our investment thesis

We did a Tornado Analysis to see which variables are more sensible to our model to determine the main operational risks. If ARPU and total subscribers do not reach our forecast, the acquisition could destroy value to DIS’ and SPOT’s shareholders.

1 We ran a tornado analysis to see the main risk regarding DIS’s operation



2 Main risk of the acquisition



1. DIS DTC do no grow as expected, both subscriptions and prices.

2. SPOT do no grow as expected, both subscriptions and prices.

3. Expenses synergies do not perform as expected.

4. No match between DIS and SPOT senior managment.





PLAYLIST







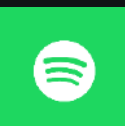









Q&A

André Cesaretti & Lucas Maeda · 20 slides, LTS Challenge



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#	TITLE	ALBUM	DATE ADDED	
1	 Appendix André Cesaretti, Lucas Maeda	LTS	June 15, 2021	23:59

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11		EPS Analysis NewCo			

# DIS Balance Sheet

Disney Balance Sheet (in \$mn)

Disney	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
<b>Assets</b>	<b>92,033</b>	<b>95,789</b>	<b>98,598</b>	<b>193,984</b>	<b>201,549</b>	<b>210,989</b>	<b>225,486</b>	<b>245,469</b>	<b>270,691</b>	<b>301,457</b>
<b>Current assets</b>	<b>16,966</b>	<b>15,889</b>	<b>16,825</b>	<b>28,124</b>	<b>35,251</b>	<b>45,015</b>	<b>51,710</b>	<b>62,316</b>	<b>78,057</b>	<b>99,275</b>
Cash and cash equivalents	4,610	4,017	4,150	5,418	17,914	24,610	28,841	36,869	49,944	68,368
Receivables	9,065	8,633	9,334	15,481	12,708	14,980	17,104	19,308	21,604	24,013
Inventories	1,390	1,373	1,392	1,649	1,583	2,240	2,437	2,661	2,876	3,097
Licensed content costs and advances	1,208	1,278	1,314	4,597	2,171	2,171	2,171	2,171	2,171	2,171
Other current assets	693	588	635	979	875	1,014	1,158	1,307	1,462	1,625
<b>Non-current assets</b>	<b>75,067</b>	<b>79,900</b>	<b>81,773</b>	<b>165,860</b>	<b>166,298</b>	<b>165,975</b>	<b>173,776</b>	<b>183,153</b>	<b>192,634</b>	<b>202,183</b>
Produced and licensed content costs	6,339	7,481	7,888	22,810	25,022	25,022	29,022	33,022	37,022	41,022
Investments	4,280	3,202	2,899	3,224	3,903	3,903	7,903	11,903	15,903	19,903
PP&E	27,349	28,406	29,540	31,603	32,078	33,285	34,363	35,688	37,110	38,593
Intangible assets, net	6,949	6,995	6,812	23,215	19,173	17,642	16,365	16,418	16,477	16,543
Goodwill	27,810	31,426	31,269	80,293	77,689	77,689	77,689	77,689	77,689	77,689
Other non-current assets	2,340	2,390	3,365	4,715	8,433	8,433	8,433	8,433	8,433	8,433
<b>Liabilities &amp; Equity</b>	<b>92,033</b>	<b>95,789</b>	<b>98,598</b>	<b>193,984</b>	<b>201,549</b>	<b>210,989</b>	<b>225,486</b>	<b>245,469</b>	<b>270,691</b>	<b>301,457</b>
<b>Liabilities</b>	<b>44,710</b>	<b>50,785</b>	<b>45,766</b>	<b>100,095</b>	<b>113,286</b>	<b>114,404</b>	<b>117,007</b>	<b>119,860</b>	<b>122,687</b>	<b>125,619</b>
<b>Current liabilities</b>	<b>16,842</b>	<b>19,595</b>	<b>17,860</b>	<b>31,341</b>	<b>26,628</b>	<b>27,913</b>	<b>29,506</b>	<b>31,311</b>	<b>33,047</b>	<b>34,834</b>
Accounts payable & other accrued liabilities	9,130	8,855	9,479	17,762	16,801	18,086	19,679	21,484	23,220	25,007
CT Debt	3,687	6,172	3,790	8,857	5,711	5,711	5,711	5,711	5,711	5,711
Deferred revenue and other	4,025	4,568	4,591	4,722	4,116	4,116	4,116	4,116	4,116	4,116
<b>Non-current liabilities</b>	<b>27,868</b>	<b>31,190</b>	<b>27,906</b>	<b>68,754</b>	<b>86,658</b>	<b>86,491</b>	<b>87,501</b>	<b>88,549</b>	<b>89,640</b>	<b>90,786</b>
Borrowings	16,483	19,119	17,084	38,129	52,917	52,917	52,917	52,917	52,917	52,917
Deferred income taxes	3,679	4,480	3,109	7,902	7,288	7,121	8,131	9,179	10,270	11,416
Other long-term liabilities	7,706	6,443	6,590	13,760	17,204	17,204	17,204	17,204	17,204	17,204
Redeemable noncontrolling interests	0	1,148	1,123	8,963	9,249	9,249	9,249	9,249	9,249	9,249
<b>Equity</b>	<b>47,323</b>	<b>45,004</b>	<b>52,832</b>	<b>93,889</b>	<b>88,263</b>	<b>96,585</b>	<b>108,479</b>	<b>125,609</b>	<b>148,004</b>	<b>175,838</b>
Preferred stock	0	0	0	0	0	0	0	0	0	0
Common stock	35,859	36,248	36,779	53,907	54,497	54,497	54,497	54,497	54,497	54,497
Retained earnings	66,088	72,606	82,679	42,494	38,315	46,637	58,531	75,661	98,056	125,890
Accumulated other comprehensive loss	-3,979	-3,528	-3,097	-6,617	-8,322	-8,322	-8,322	-8,322	-8,322	-8,322
Treasury stock	-54,703	-64,011	-67,588	-907	-907	-907	-907	-907	-907	-907
Non controlling interests	4,058	3,689	4,059	5,012	4,680	4,680	4,680	4,680	4,680	4,680

# DIS Income Statement

Disney Income Statement (in \$mn)

INCOME STATEMENT	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
<b>Revenue</b>	<b>55,632</b>	<b>55,137</b>	<b>59,434</b>	<b>69,607</b>	<b>65,388</b>	<b>83,844</b>	<b>95,732</b>	<b>108,071</b>	<b>120,919</b>	<b>134,404</b>
(-) Cost of Revenue	-29,993	-30,306	-32,726	-42,061	-43,880	-53,464	-58,173	-63,510	-68,642	-73,922
<b>Gross Profit</b>	<b>25,639</b>	<b>24,831</b>	<b>26,708</b>	<b>27,546</b>	<b>21,508</b>	<b>30,379</b>	<b>37,559</b>	<b>44,561</b>	<b>52,277</b>	<b>60,482</b>
(-) Operating costs and OPEX (incl. COGS)	-8,754	-41,264	-44,597	-57,777	-61,594	-72,552	-79,593	-84,829	-90,532	-96,637
(-) General and administrative	-8,754	-8,176	-8,860	-11,549	-12,369	-14,067	-15,933	-16,905	-17,028	-17,423
(-) Depreciation and amortization	-2,527	-2,782	-3,011	-4,167	-5,345	-5,021	-5,488	-4,414	-4,863	-5,292
<b>Operating profit (loss)</b>	<b>14,358</b>	<b>13,873</b>	<b>14,837</b>	<b>11,830</b>	<b>3,794</b>	<b>11,292</b>	<b>16,139</b>	<b>23,242</b>	<b>30,386</b>	<b>37,767</b>
<b>Earnings (losses) before taxes</b>	<b>14,868</b>	<b>13,788</b>	<b>14,729</b>	<b>13,923</b>	<b>-1,743</b>	<b>11,292</b>	<b>16,139</b>	<b>23,242</b>	<b>30,386</b>	<b>37,767</b>
EBT margin	0	0	0	0	0	0	0	0	0	0
<b>Tax expenses/benefit</b>	<b>-5,078</b>	<b>-4,422</b>	<b>-1,663</b>	<b>-3,026</b>	<b>-699</b>	<b>-1,750</b>	<b>-2,501</b>	<b>-3,603</b>	<b>-4,710</b>	<b>-5,854</b>
Effective Tax Rate		0	0	0	0	0	0	0	0	0
Income (loss) from discontinued operations	0	0	0	687	-32	0	0	0	0	0
Net income from continuing...	0	-386	-468	-472	-390	0	0	0	0	0
Net income from discontinued operations...	-399	0	0	-58	0	0	0	0	0	0
<b>Net income (losses)</b>	<b>9,391</b>	<b>8,980</b>	<b>12,598</b>	<b>11,054</b>	<b>-2,864</b>	<b>9,541</b>	<b>13,637</b>	<b>19,640</b>	<b>25,676</b>	<b>31,913</b>

# SPOT Balance Sheet

Spotify Balance Sheet (in €mn)

Spotify	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Assets	2,099	3,107	4,336	5,122	6,326	6,562	7,326	8,485	10,035	12,342
<b>Current Assets</b>	<b>1,909</b>	<b>1,898</b>	<b>2,246</b>	<b>2,231</b>	<b>2,366</b>	<b>2,142</b>	<b>2,312</b>	<b>2,725</b>	<b>3,409</b>	<b>4,698</b>
Cash and cash equivalents	755	477	891	1,065	1,151	796	784	976	1,459	2,491
Short term investments	830	1,032	915	692	596	596	596	596	596	596
Income tax receivables	6	0	2	4	4	4	4	4	4	4
Trade receivables	300	360	400	402	464	562	700	866	1,019	1,212
Other current assets	18	29	38	68	151	183	228	282	332	395
<b>Non-currents assets</b>	<b>191</b>	<b>1,209</b>	<b>2,090</b>	<b>2,891</b>	<b>3,960</b>	<b>4,421</b>	<b>5,014</b>	<b>5,760</b>	<b>6,627</b>	<b>7,644</b>
Long-term investments		910	1,646	1,497	2,277	2,277	2,277	2,277	2,277	2,277
PP&E	85	73	197	291	313	365	450	565	698	850
Deferred tax assets	3	9	8	9	15	15	15	15	15	15
Restricted cash and other non-current as	21	54	65	69	78	88	98	110	123	138
Lease rights-of-use assets				489	444	444	444	444	444	444
Goodwill and intangible assets	80	162	174	536	833	1,231	1,730	2,349	3,069	3,920
Investment in associate	0	1	0	0	0	0	0	0	0	0
Other non-current assets	2	0	0	0	0	0	0	0	0	0
<b>Liabilities &amp; Equity</b>	<b>2,099</b>	<b>3,107</b>	<b>4,336</b>	<b>5,122</b>	<b>6,326</b>	<b>6,562</b>	<b>7,326</b>	<b>8,485</b>	<b>10,035</b>	<b>12,342</b>
<b>Liabilities</b>	<b>2,342</b>	<b>2,869</b>	<b>2,242</b>	<b>3,085</b>	<b>3,521</b>	<b>3,879</b>	<b>4,475</b>	<b>5,065</b>	<b>5,559</b>	<b>6,148</b>
<b>Current liabilities</b>	<b>1,222</b>	<b>1,860</b>	<b>2,147</b>	<b>2,439</b>	<b>2,900</b>	<b>3,258</b>	<b>3,854</b>	<b>4,444</b>	<b>4,938</b>	<b>5,527</b>
Trade payables	201	341	427	549	638	765	942	1,153	1,340	1,576
Income tax payable	6	9	5	9	9	9	9	9	9	9
Deferred revenue	151	216	258	319	380	474	587	716	841	1,007
Accrued expenses and other liabilities	673	881	1,076	1,438	1,748	1,885	2,191	2,441	2,622	2,810
Provisions	57	59	42	13	20	20	20	20	20	20
Derivative liabilities	134	354	339	111	105	105	105	105	105	105
<b>Non-current liabilities</b>	<b>1,120</b>	<b>1,009</b>	<b>95</b>	<b>646</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>
Lease liabilities				622	577	577	577	577	577	577
Accrued expenses and other liabilities	10	56	85	20	42	42	42	42	42	42
Provisions	4	6	8	2	2	2	2	2	2	2
Deferred tax liabilities	0	3	2	2	0	0	0	0	0	0
Convertible notes	1,106	944	0	0	0	0	0	0	0	0
<b>Equity</b>	<b>-242</b>	<b>238</b>	<b>2,094</b>	<b>2,037</b>	<b>2,805</b>	<b>2,683</b>	<b>2,851</b>	<b>3,419</b>	<b>4,477</b>	<b>6,194</b>
Share Capital	0	0	0	0	0	0	0	0	0	0
Other paid in capital	830	2,488	3,801	4,192	4,583	4,583	4,583	4,583	4,583	4,583
Treasury shares		0	-77	-370	-175	-175	-175	-175	-175	-175
Other reserves	122	177	875	924	1,687	1,687	1,687	1,687	1,687	1,687
Accumulated profit (deficit)	-1,194	-2,427	-2,505	-2,709	-3,290	-3,412	-3,244	-2,676	-1,618	99



# SPOT Income Statement

Spotify Balance Sheet (in €mn)

INCOME STATEMENT										
Revenue	2,952	4,090	5,259	6,764	7,880	9,551	11,887	14,712	17,300	20,588
Cost of Revenue	(2,551)	(3,241)	(3,906)	(5,042)	(5,865)	(7,036)	(8,662)	(10,601)	(12,321)	(14,485)
Gross Profit	401	849	1,353	1,722	2,015	2,516	3,225	4,111	4,979	6,103
Gross Margin	14%	21%	26%	25%	26%	26%	27%	28%	29%	30%
Operating expenses	(750)	(1,227)	(1,396)	(1,795)	(2,308)	(2,427)	(2,815)	(3,167)	(3,383)	(3,627)
Sales and Marketing	(368)	(567)	(620)	(826)	(1,029)	(955)	(1,070)	(1,177)	(1,211)	(1,235)
General and administrative	(175)	(264)	(283)	(354)	(442)	(546)	(675)	(813)	(961)	(1,157)
Operating profit (loss)	(349)	(378)	(43)	(73)	(293)	88	410	944	1,596	2,476
Operating margin	-12%	-9%	-1%	-1%	-4%	1%	3%	6%	9%	12%
Net financial income (loss)	(186)	(855)	(130)	(58)	(416)	(186)	(186)	(186)	(186)	(186)
Earnings (losses) before taxes	(535)	(1,233)	(173)	(131)	(709)	(98)	224	758	1,410	2,290
EBT margin	-18%	-30%	-3%	-2%	-9%	-1%	2%	5%	8%	11%
Tax expenses/benefit	(4)	(2)	95	(55)	128	(24)	(56)	(190)	(353)	(572)
Net income (losses)	(539)	(1,235)	(78)	(186)	(581)	(122)	168	569	1,058	1,717
Net margin	-18%	-30%	-1%	-3%	-7%	-1%	1%	4%	6%	8%
Depreciation and amortization	38	54	32	87	111	188	210	249	302	372
EBITDA	(311)	(324)	(11)	14	(182)	276	620	1,193	1,898	2,848
EBITDA margin	-11%	-8%	0%	0%	-2%	3%	5%	8%	10%	12%

# DIS Revenue Build-Up

Disney Revenue Build-Up (in \$mn)

Revenue	55,632	55,137	59,434	69,607	65,388	83,844	95,732	108,071	120,919	134,404
Revenue prior to eliminations			60,102	71,565	71,498	85,488	97,609	110,191	123,290	137,040
y-o-y		-1%	8%	17%	-6%	28%	14%	13%	12%	11%
<b>Media Networks</b>	<b>23,689</b>	<b>21,299</b>	<b>21,922</b>	<b>24,827</b>	<b>28,393</b>	<b>31,283</b>	<b>34,312</b>	<b>37,461</b>	<b>40,833</b>	<b>44,508</b>
as % of total revenues	43%	39%	37%	36%	43%	37.3%	35.8%	34.7%	33.8%	33.1%
y-o-y		-10%	3%	13%	14%	10.2%	9.7%	9.2%	9.0%	9.0%
<b>Parks, Experiences and Products</b>	<b>22,502</b>	<b>23,024</b>	<b>24,701</b>	<b>26,225</b>	<b>16,502</b>	<b>19,802</b>	<b>21,024</b>	<b>22,321</b>	<b>23,698</b>	<b>25,161</b>
as % of total revenues	40%	42%	42%	38%	25%	23.6%	22.0%	20.7%	19.6%	18.7%
y-o-y		2%	7%	6%	-37%	20.0%	6.2%	6.2%	6.2%	6.2%
<b>Studio Entertainment</b>	<b>9,441</b>	<b>8,352</b>	<b>10,065</b>	<b>11,127</b>	<b>9,636</b>	<b>11,133</b>	<b>12,862</b>	<b>14,859</b>	<b>17,167</b>	<b>19,833</b>
as % of total revenues		15%	17%	16%	15%	13.3%	13.4%	13.7%	14.2%	14.8%
y-o-y		-12%	21%	11%	-13%	15.5%	15.5%	15.5%	15.5%	15.5%
<b>Direct to Consumer &amp; International</b>		<b>3,075</b>	<b>3,414</b>	<b>9,386</b>	<b>16,967</b>	<b>23,270.04</b>	<b>29,411.99</b>	<b>35,549.09</b>	<b>41,592.14</b>	<b>47,538.98</b>
as % of total revenues		6%	6%	13%	26%	26.0%	30.7%	32.9%	34.4%	35.4%
y-o-y			11%	175%	81%	37%	26%	21%	17%	14%
<b>Eliminations</b>			<b>(668)</b>	<b>(1,958)</b>	<b>(6,110)</b>	<b>(1,645)</b>	<b>(1,878)</b>	<b>(2,120)</b>	<b>(2,372)</b>	<b>(2,636)</b>
as % of revenues before eliminations			-1%	-3%	-9%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%



# SPOT Revenue Build-Up

Spotify Revenue Build-Up (in €mn)

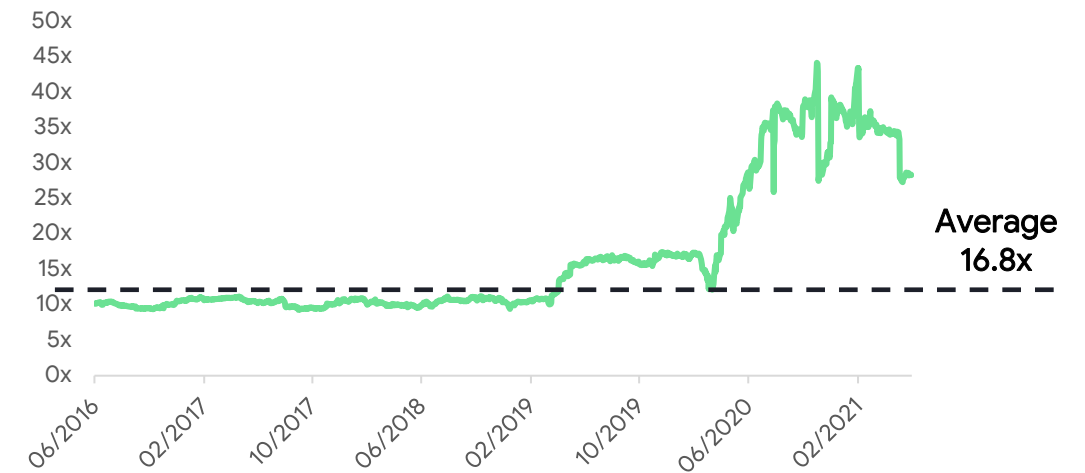
(\$ in Millions, unless stated otherwise)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUE BUILD-UP										
Revenue	2,952	4,089	5,259	6,764	7,880	9,551	11,887	14,712	17,300	20,588
Premium	2,657	3,673	4,717	6,086	7,135	8,598	10,678	13,217	15,539	18,516
Ad-Supported	295	416	542	678	745	953	1,209	1,495	1,761	2,072
Users EOP (yearly average on FY)	109	148	192	248	321	415	537	657	759	872
y-o-y		36%	30%	29%	30%	29%	29%	22%	15%	15%
Premium Subscribers	48	61	85	111	142	181.222	234	290	334	383
% of Users	44%	41%	44%	45%	44%	44%	44%	44%	44%	44%
y-o-y		28%	40%	30%	27%	28%	29%	24%	15%	15%
q-o-q										
Ad-Supported MAUs	61	87	107	137	179	234	303	367	424	489
% of Users	56%	59%	56%	55%	56%	56%	56%	56%	56%	56%
y-o-y		42%	23%	28%	31%	31%	29%	21%	15%	15%
q-o-q										
ARPU - yealy	27.08	27.58	27.36	27.30	24.55	23.00	22.13	22.38	22.81	23.60
Premium	55.86	60.21	55.33	54.71	50.34	47.44	45.55	45.55	46.46	48.32
Ad-Supported	4.80	4.77	5.07	4.97	4.16	4.07	3.99	4.07	4.15	4.24

# DIS segments multiple analysis

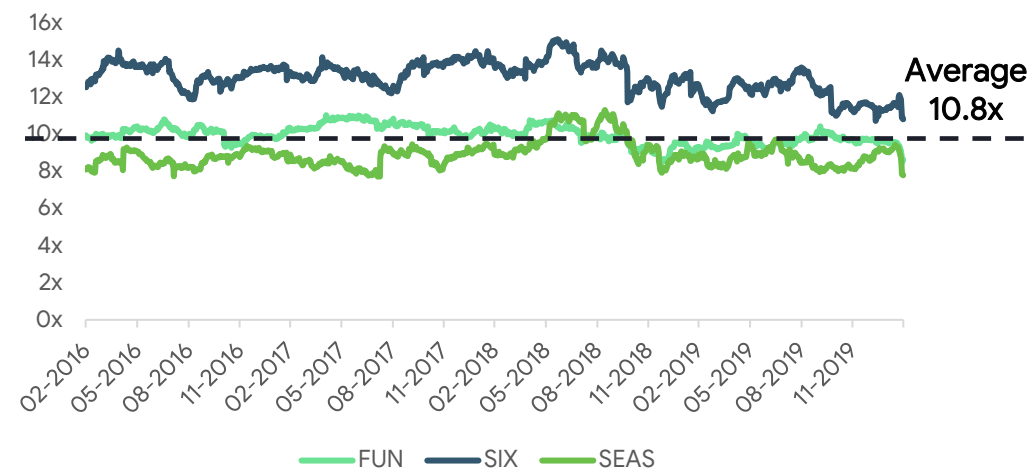
EV/EBITDA Media Networks



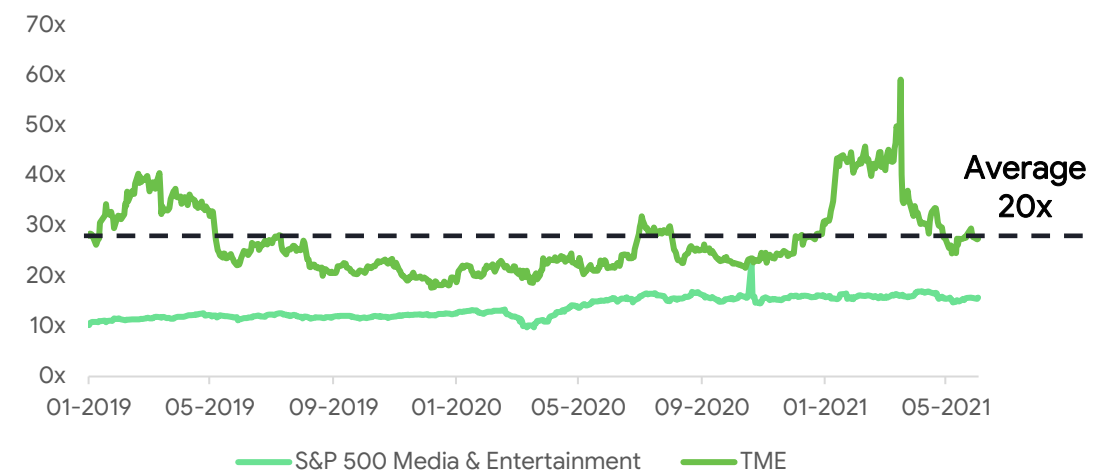
EV/EBITDA DIS



EV/EBITDA Parks, Experiences & Parks



EV/EBITDA

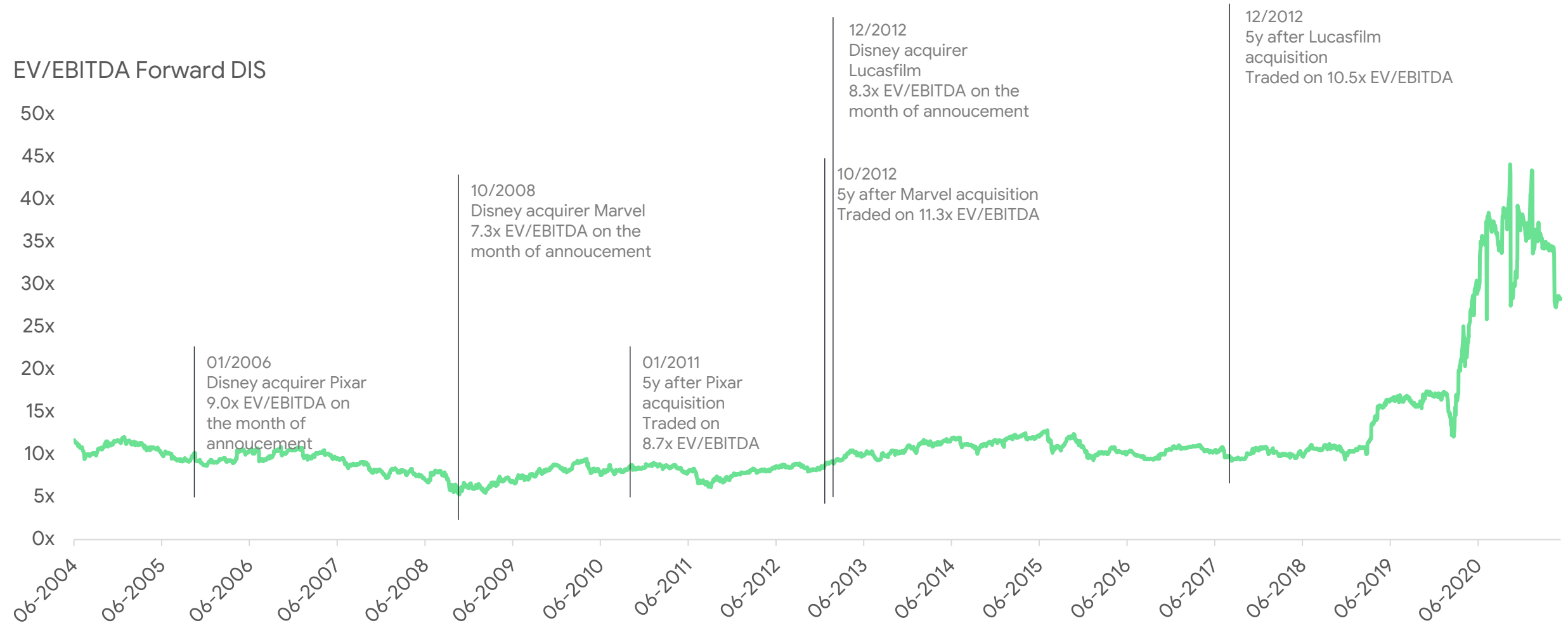


\*Pre-covid

# Premium analysis

## Multiple Analysis II

We estimate a 20% premium on DTCL and Spotify multiple, based on the last 3 main Disney's acquisition. We calculated the multiple on the month of announcement and 5y later – hence the 20% premium



# M&E transactions

## Transactions

The 20% is justify by the transactions the occurred in the last decade on Media & Entertainment Industry

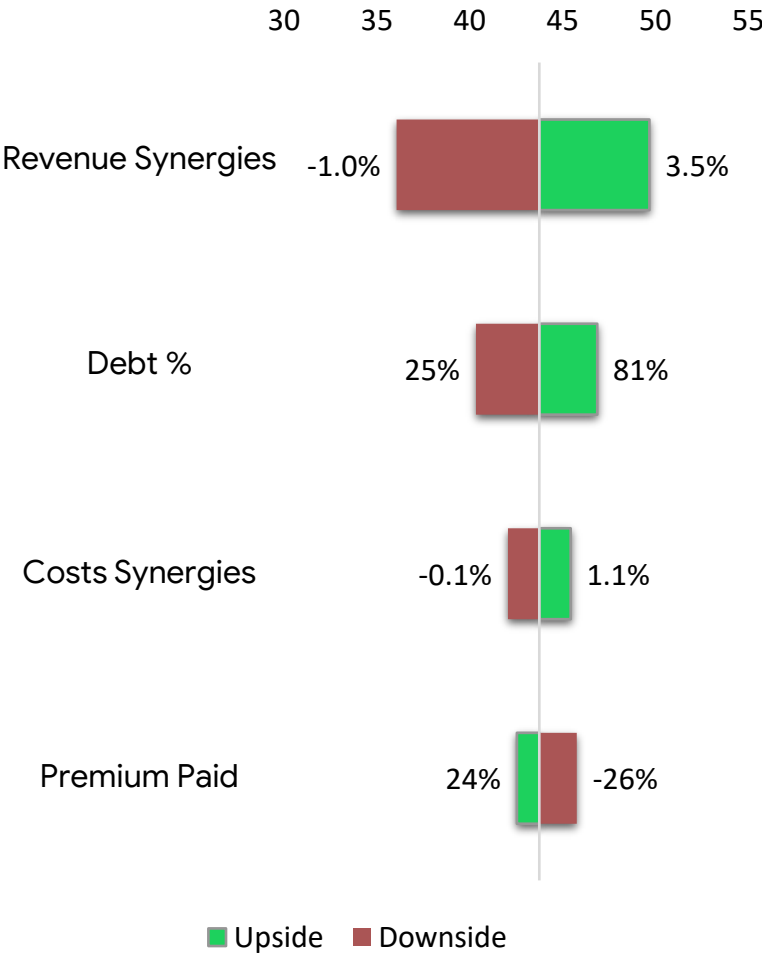
Target	Date	Total Transaction Value	Premium	EV/EBITDA	Buyer
Advanced Inflight Alliance AG	13/12/2013	14.97	26.32	9x	Global Eagle Entertainment GmbH
Advanced Inflight Alliance AG	08/11/2012	132.64	41.60	7x	Global Eagle Acquisition Corp.
Advanced Inflight Alliance AG	01/02/2013	6.15	1.56	8x	Global Eagle Entertainment Inc.
Advanced Inflight Alliance AG	07/08/2012	49.10	0.23	5x	PAR Investment Partners L.P.; Par Capital Management, Inc.
Aspiro AB	12/01/2012	16.87	33.06	NM	Schibsted ASA (OB:SCHA)
Avesco group plc	17/11/2016	150.33	124.91	4x	NEP Group, Inc.
Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf /	14/03/2018	8.27	0.49	5x	Arca Capital Bohemia, a.s.
Carmike Cinemas, Inc.	03/03/2016	1,219.70	6.24	9x	AMC Entertainment Holdings, Inc. (NYSE:AMC)
Constantin Medien AG	27/11/2017	124.37	10.74	10x	Highlight Communications AG (XTRA:HLG); Studhalter Investment AG
Constantin Medien AG	20/06/2019	34.58	15.58	36x	Highlight Communications AG (XTRA:HLG)
DreamWorks Animation SKG, Inc.	28/04/2016	4,170.08	27.33	41x	NBCUniversal Media, LLC
Entertainment One Ltd.	22/08/2019	3,515.99	27.80	15x	Hasbro, Inc. (NASDAQGS:HAS)
FFI Holdings PLC	02/07/2019	15.01	28.15	3x	Lumiere Acquisitions Company LLC
Lions Gate Entertainment Corp.	03/10/2019	22.05	2.68	8x	MHR Fund Management LLC
Lions Gate Entertainment Corp.	10/11/2015	396.96	1.88	16x	Discovery, Inc. (NASDAQGS:DISC.A); Liberty Global plc
Mediawan SA	22/06/2020	624.72	42.35	13x	KKR & Co. Inc. (NYSE:KKR); MUTUELLE D'ASSURANCES DU CORPS...
Outerwall Inc.	25/07/2016	1,526.63	10.85	4x	Apollo Global Management, Inc. (NYSE:APO)
Perform Group plc	01/09/2014	593.03	27.58	13x	Access Industries (uk) Ltd
Pinewood Shepperton plc	08/04/2011	132.99	20.57	10x	Peel Holdings (Management) Limited
RealD Inc.	09/11/2015	485.12	4.07	9x	Rizvi Traverse Management LLC; Rizvi Opportunistic Equity Fund III, L.P.
Regal Entertainment Group	05/12/2017	5,845.96	10.95	9x	Cineworld Group plc (LSE:CINE)
Rentrak Corporation	29/09/2015	669.38	13.24	19x	comScore, Inc. (NASDAQGS:SCOR)
Rentrak Corporation	01/12/2014	128.40	10.06	57x	WPP Luxembourg Gamma Three S.À R.L.
SeaWorld Entertainment, Inc.	24/03/2017	448.55	32.87	10x	Sun Wise (UK) Co., Ltd
Time Warner Inc.	22/10/2016	99,368.02	29.53	10x	AT&T Inc. (NYSE:T)
TiVo Inc.	29/04/2016	788.97	13.59	5x	TiVo Corporation
Twenty-First Century Fox, Inc.	14/12/2017	69,766.50	15.35	9x	The Walt Disney Company (NYSE:DIS)
Viacom Inc.	13/08/2019	18,290.14	0.40	6x	ViacomCBS Inc. (NASDAQGS:VIAC)
	Max	99,368	125%	83x	
	Average	7,448	20.7%	15x	
	Min	6	0.2%	1x	



# EPS Analysis

## 1 EPS' Tornado Analysis

EPS



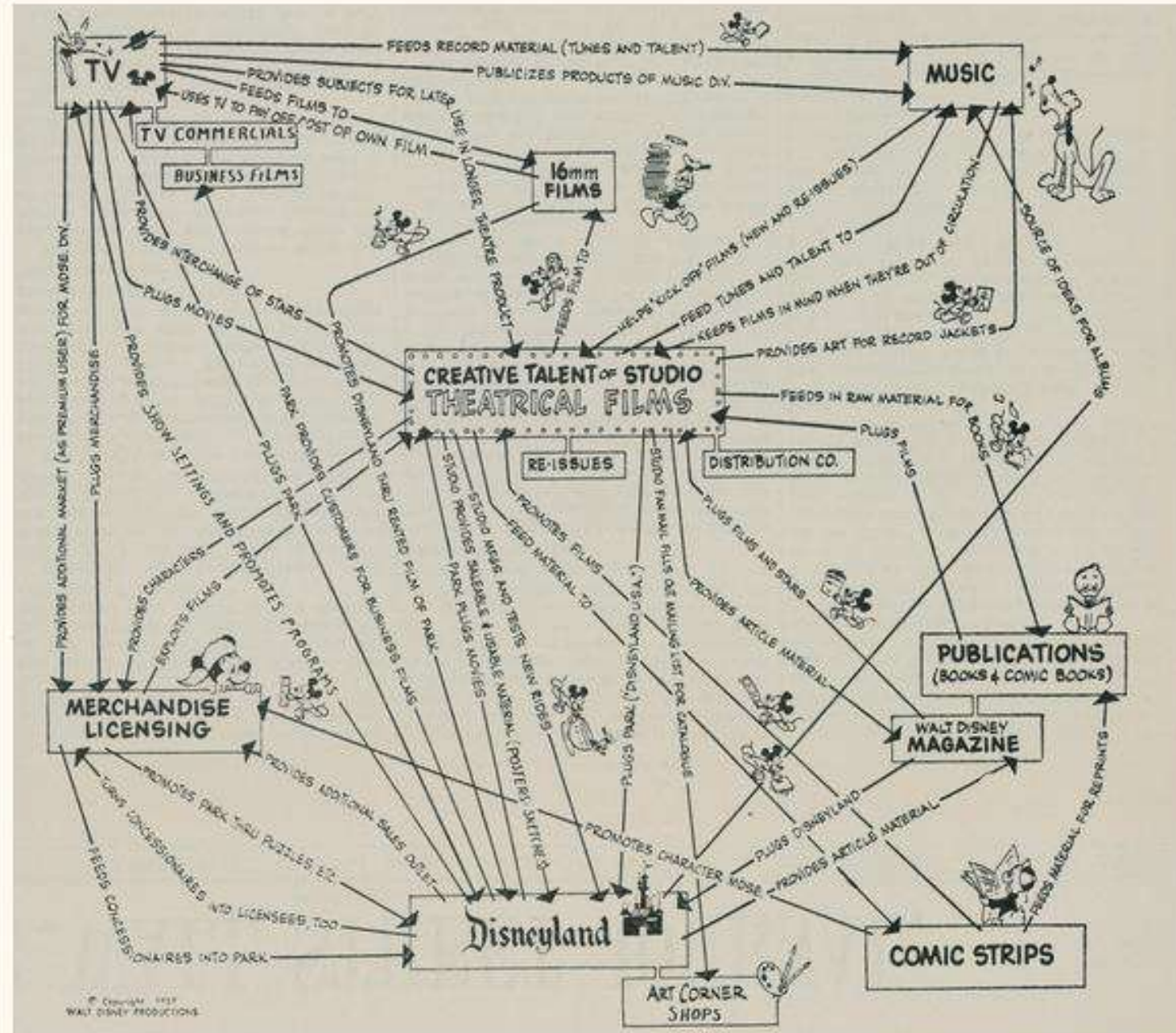
## 1 EPS' Sensitize Analysis

		Debt in the deal								
		0%	15%	25%	45%	65%	75%	85%	95%	100%
Premium Paid	45.8									
	5%	40	41	42	44	47	48	50	51	52
	10%	39	41	42	44	46	48	49	51	52
	15%	39	40	41	43	46	48	49	51	52
	20%	38	40	41	43	46	47	49	51	52
	25%	38	39	40	43	46	47	49	51	52
	30%	37	39	40	42	45	47	49	50	51
	35%	37	38	40	42	45	47	48	50	51

	2019	2020	2021E	2022E	2023E	2024E	2025E
EBIT (in mn)	18,686	9,959	15,267	23,198	29,936	38,797	50,639
Yoy		-47%	53%	52%	29%	30%	31%
Tax	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%
NOPAT (in mn)	15,790	8,415	12,901	19,602	25,296	32,783	42,790
Invested Capital (in mn)	140,875	146,891	201,784	215,421	235,061	260,737	292,651
yoy		4%	37%	7%	9%	11%	12%
ROIC	11%	6%	6%	9%	11%	13%	15%

# The Big Dream

The rock park to complete the whole Magic in Disney's World



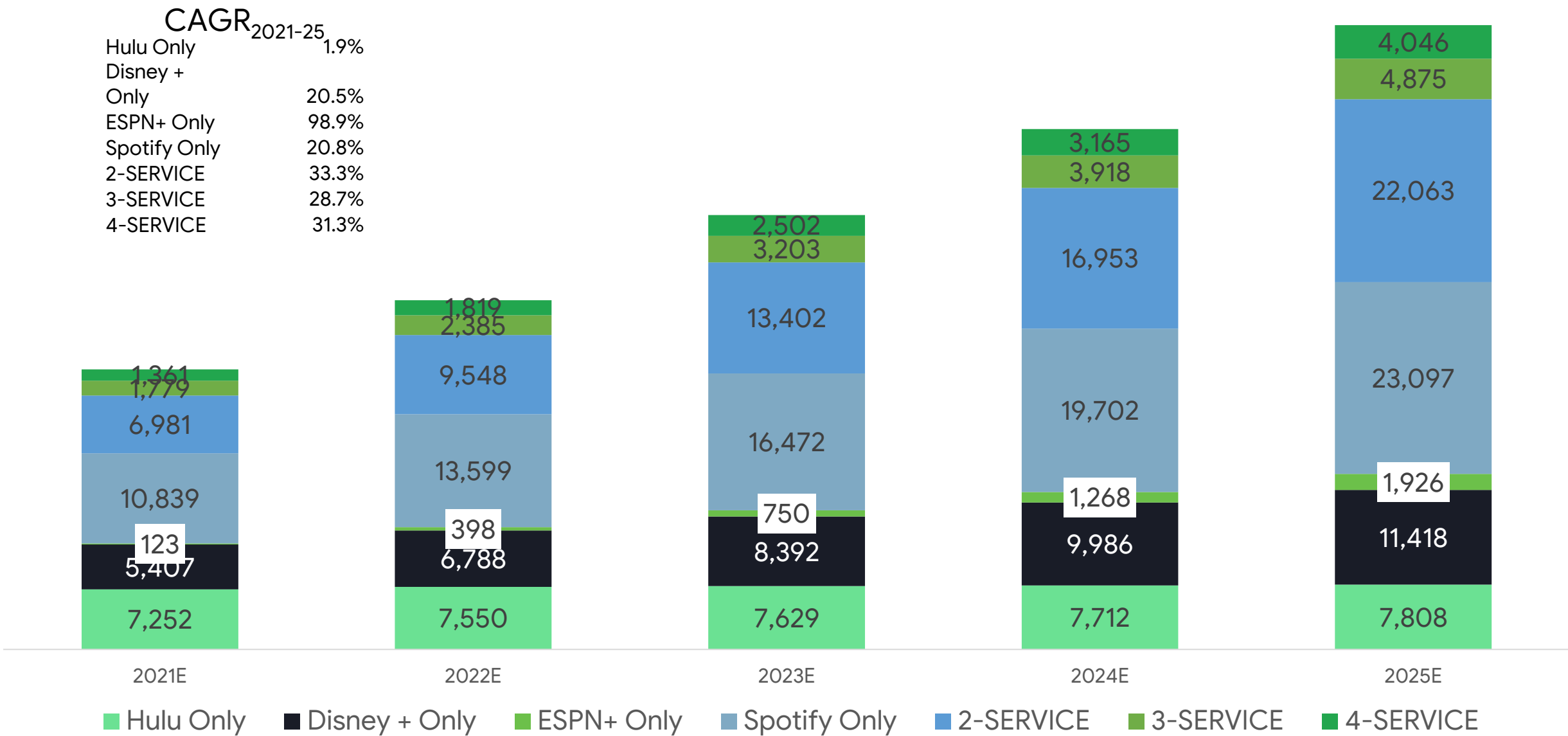
How this acquisition ends up in Disneyland?

- A Rock/Music Park;
- An way to distribute the bundles;
- Integration of Disneyland bundles with streaming.



# Bundles

DTC Revenue Breakdown



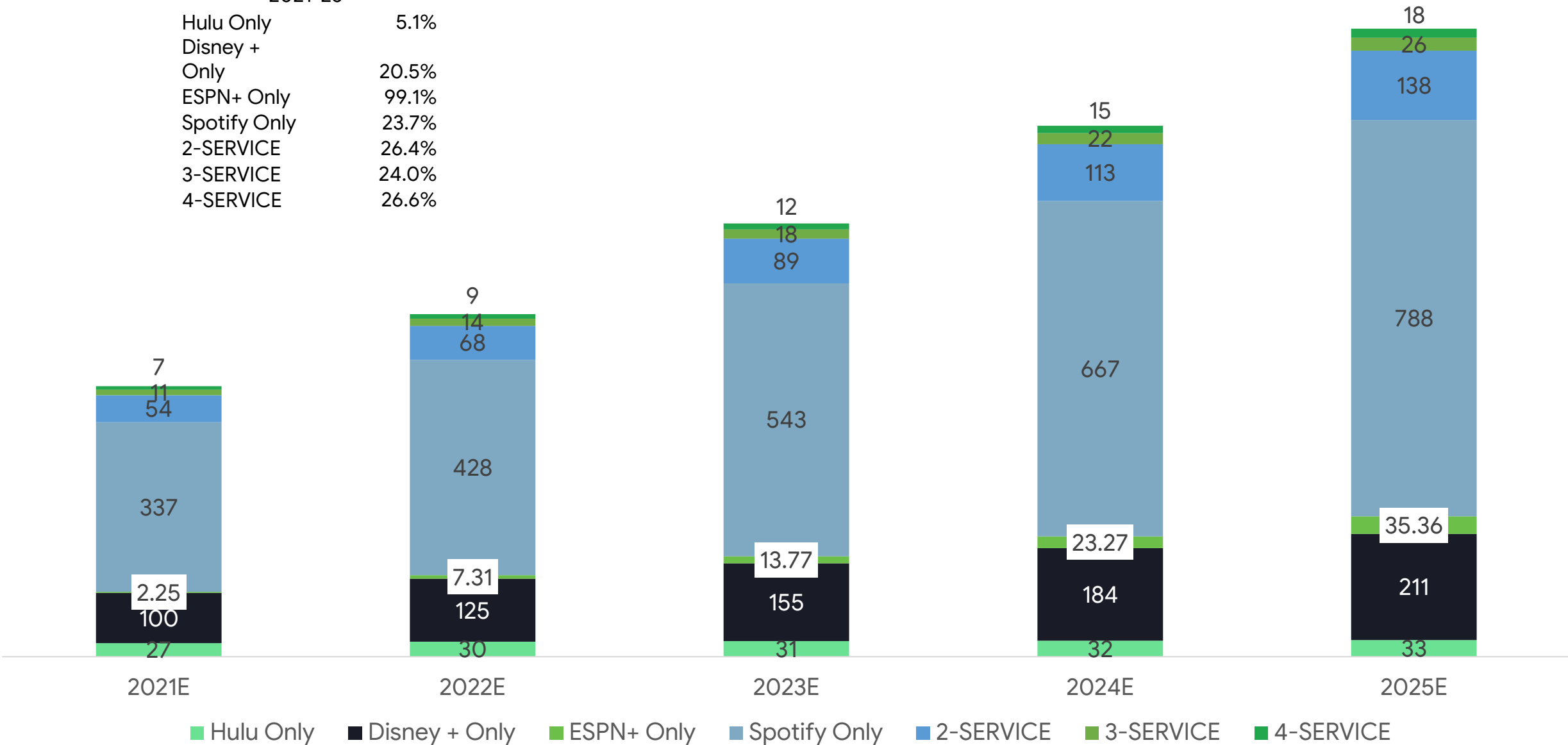
Source: Company data, ACLM Capital

# Subscribers

Subscribers Breakdown

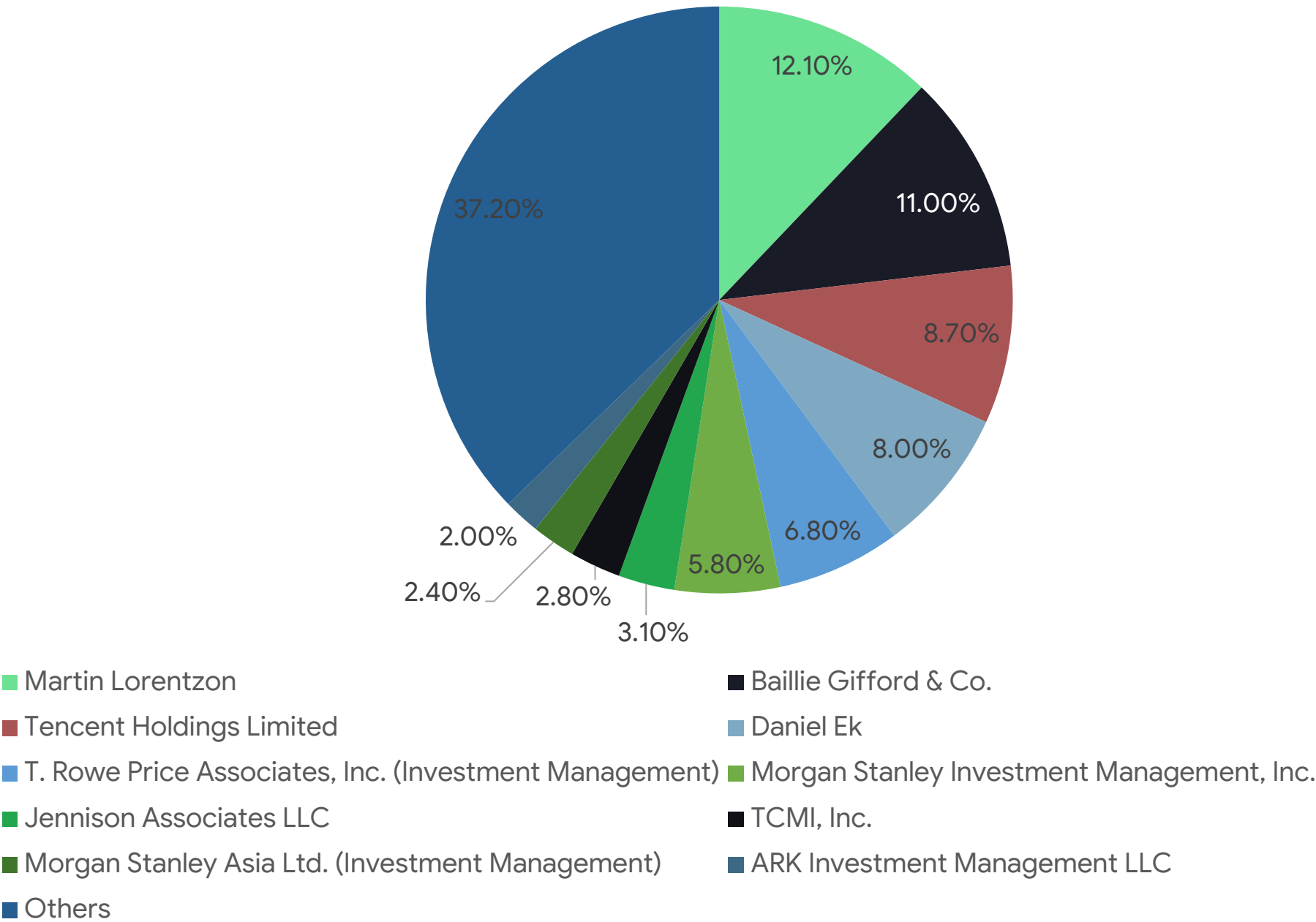
CAGR<sub>2021-25</sub>

Hulu Only	5.1%
Disney + Only	20.5%
ESPN+ Only	99.1%
Spotify Only	23.7%
2-SERVICE	26.4%
3-SERVICE	24.0%
4-SERVICE	26.6%



# SPOT Shareholder Structure

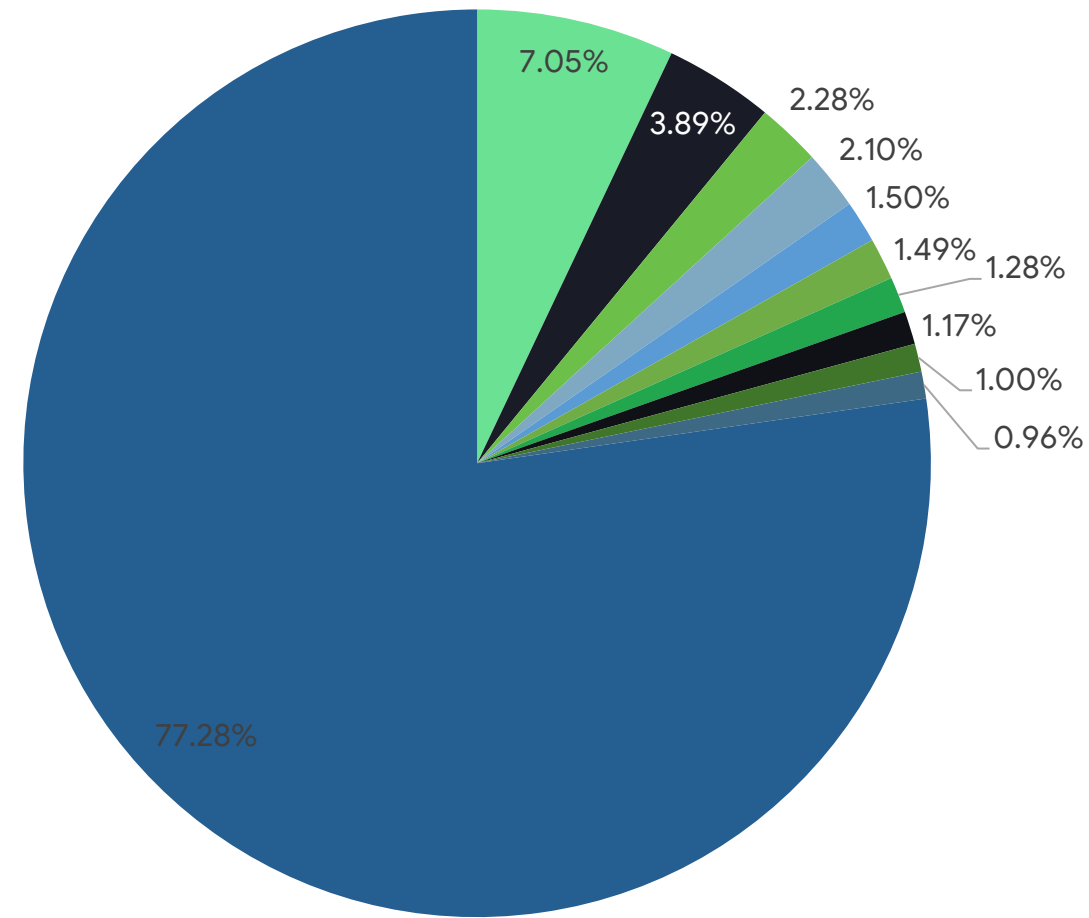
SPOT Shareholders structure





# DIS Shareholder Structure

DIS Shareholders' Structure



- |   |   |
|---|---|
| ■ The Vanguard Group, Inc.                                | ■ SSgA Funds Management, Inc.                             |
| ■ BlackRock Fund Advisors                                 | ■ State Farm Investment Management Corp.                  |
| ■ Fidelity Management & Research Co. LLC                  | ■ Geode Capital Management LLC                            |
| ■ Northern Trust Investments, Inc.(Investment Management) | ■ T. Rowe Price Associates, Inc. (Investment Management)  |
| ■ Southeastern Asset Management, Inc.                     | ■ Morgan Stanley Smith Barney LLC (Investment Management) |
| ■ Others  |   |

# NewCo Income Statement

Revenues (Income Statement)	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Total Revenues	59,434	69,607	65,388	93,395	108,407	124,871	142,031	162,097
(-) COGS	-32,726	-42,061	-43,880	-62,048	-68,741	-76,443	-83,673	-91,593
Gross Profit	26,708	27,546	21,508	31,347	39,666	48,428	58,358	70,504
(-) SG&A	-8176	-8860	-11549	-15,330	-16,468	-18,492	-19,561	-19,865
Integration E xpenses				-750	0	0	0	0
EBIT	18,532	18,686	9,959	15,267	23,198	29,936	38,797	50,639
Interest E xpenses				-3,311	-3,311	-3,311	-3,311	-3,311
E BT				11,955	19,887	26,624	35,486	47,328
Tax E xpenses				-1,853	-3,082	-4,127	-5,500	-7,336
Net Income	12,598	11,054	-2,864	10,102	16,804	22,498	29,986	39,992
<i>Net Margin</i>	21.20%	15.90%	-4.40%	10.80%	15.50%	18.00%	21.10%	24.70%
EPS		13.4	-3.47	11.63	19.34	25.9	34.52	46.03
D&A	3,011	4,167	5,345	5,021	5,488	4,414	4,863	5,292
EBITDA	21,543	22,853	15,304	20,288	28,686	34,350	43,660	55,931
<i>EBITDA Margin</i>	36%	33%	23%	22%	26%	28%	31%	34.50%

# NewCo Balance Sheet

BALANCE SHEET	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
<b>Assets</b>	<b>98,598</b>	<b>193,984</b>	<b>201,549</b>	<b>257,561</b>	<b>273,800</b>	<b>296,293</b>	<b>324,797</b>	<b>359,642</b>
<b>Current assets</b>	<b>16,825</b>	<b>28,124</b>	<b>35,251</b>	<b>36,230</b>	<b>44,669</b>	<b>57,785</b>	<b>76,807</b>	<b>102,104</b>
Cash and cash equivalents	4,150	5,418	17,914	15,825	21,799	32,338	48,694	71,197
Receivables	9,334	15,481	12,708	14,980	17,104	19,308	21,604	24,013
Inventories	1,392	1,649	1,583	2,240	2,437	2,661	2,876	3,097
Licensed content costs and	1,314	4,597	2,171	2,171	2,171	2,171	2,171	2,171
Other current assets	635	979	875	1,014	1,158	1,307	1,462	1,625
<b>Non-current assets</b>	<b>81,773</b>	<b>165,860</b>	<b>166,298</b>	<b>221,331</b>	<b>229,132</b>	<b>238,509</b>	<b>247,990</b>	<b>257,539</b>
Produced and licensed cor	7,888	22,810	25,022	25,022	29,022	33,022	37,022	41,022
Investments	2,899	3,224	3,903	3,903	7,903	11,903	15,903	19,903
PP&E	29,540	31,603	32,078	33,285	34,363	35,688	37,110	38,593
Intangible assets, net	6,812	23,215	19,173	17,642	16,365	16,418	16,477	16,543
Goodwill	31,269	80,293	77,689	133,045	133,045	133,045	133,045	133,045
Other non-current assets	3,365	4,715	8,433	8,433	8,433	8,433	8,433	8,433
<b>Liabilities &amp; Equity</b>	<b>98,598</b>	<b>193,984</b>	<b>201,549</b>	<b>257,561</b>	<b>273,800</b>	<b>296,293</b>	<b>324,797</b>	<b>359,642</b>
<b>Liabilities</b>	<b>45,766</b>	<b>100,095</b>	<b>113,286</b>	<b>150,386</b>	<b>152,988</b>	<b>155,842</b>	<b>158,669</b>	<b>161,601</b>
<b>Current liabilities</b>	<b>17,860</b>	<b>31,341</b>	<b>26,628</b>	<b>27,913</b>	<b>29,506</b>	<b>31,311</b>	<b>33,047</b>	<b>34,834</b>
Accounts payable & other a	9,479	17,762	16,801	18,086	19,679	21,484	23,220	25,007
CT Debt	3,790	8,857	5,711	5,711	5,711	5,711	5,711	5,711
Deferred revenue and other	4,591	4,722	4,116	4,116	4,116	4,116	4,116	4,116
<b>Non-current liabilities</b>	<b>27,906</b>	<b>68,754</b>	<b>86,658</b>	<b>122,473</b>	<b>123,482</b>	<b>124,530</b>	<b>125,622</b>	<b>126,767</b>
Borrowings	17,084	38,129	52,917	88,898	88,898	88,898	88,898	88,898
Deferred income taxes	3,109	7,902	7,288	7,121	8,131	9,179	10,270	11,416
Other long-term liabilities	6,590	13,760	17,204	17,204	17,204	17,204	17,204	17,204
Redeemable noncontrolling	1,123	8,963	9,249	9,249	9,249	9,249	9,249	9,249
<b>Equity</b>	<b>52,832</b>	<b>93,889</b>	<b>88,263</b>	<b>107,175</b>	<b>120,812</b>	<b>140,452</b>	<b>166,128</b>	<b>198,042</b>
Preferred stock	0	0	0	0	0	0	0	0
Common stock	36,779	53,907	54,497	63,867	63,867	63,867	63,867	63,867
Retained earnings	82,679	42,494	38,315	47,856	61,493	81,133	106,810	138,723
Accumulated other compre	-3,097	-6,617	-8,322	-8,322	-8,322	-8,322	-8,322	-8,322
Treasury stock	-67,588	-907	-907	-907	-907	-907	-907	-907
Non controlling interests	4,059	5,012	4,680	4,680	4,680	4,680	4,680	4,680