

M&A Model		
<i>In millions, except per share data</i>		
Transaction Assumptions		
General information		
Current date		9/8/2014
Acquirer		
Name		Apple
Ticker		AAPL
Latest filing date		06/28/2014
Filing type (10-K or 10-Q)		10-Q
Current share price		\$98.76
Target		
Name		Disney
Ticker		DIS
Latest filing date		06/28/14
Filing type (10-K or 10-Q)		10-Q
Current share price		\$90.40
% Offer premium		25%
Offer price per share		\$113.00
Diluted shares outstanding (MM)		1,763.4
Offer value		199,259.3
Deal structure		
% Stock		60%
% Cash		40%
Tax structure		Stock sale
Acquirer shares issued in transaction		1,210.6
<i>Nominal exchange ratio (offer price/acq share price)</i>		1.144x
<i>Actual exchange ratio (% stock x offer price/acq share price)</i>		0.687x
Other assumptions		
Deal fees as % of offer value		0.50%
Deal fees		996.3
Assumed annual pretax cost synergies		100.0
Apple calendar year ending 2014 EBITDA		61,615
Disney calendar year ending 2014 EBITDA		14,307
Acquirer tax rate		26.1%
Target tax rate		34.8%
Transaction financing		
% Cash consideration financed with debt		80%

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Sources & Uses of Funds		
<u>Sources of Funds</u>		
New borrowing to acquire target	63,763.0	
New borrowing to refinance target debt	16,136.0	
Cash used to acquire target	15,940.7	
Value of stock issued to acquire target	119,555.6	
Cash for fees	1,395.8	
Total sources	216,791.1	
<u>Uses of Funds</u>		
Stock to target	119,555.6	
Cash to target	79,703.7	
Target debt refinanced	16,136.0	
Deal fees (advisory, legal, and accounting)	996.3	
Financing fees (related to acq debt)	399.5	
Total Uses	216,791.1	
<i>Do sources equal uses?</i>	Yes	
Write-Ups and Purchase Price Allocation		
<u>Asset write-ups</u>		
<u>Tangible assets</u>		
Book value of target PP&E	23,013.0	
% Write-up	20%	
Asset write-up	4,602.6	
Useful life	20 years	
Incremental depreciation expense	230.1	
Incremental deferred tax liabilities	1,201.3	
<u>Intangible assets</u>		
Book value of target intangible assets	7,268.0	
% Write-up	150.0%	
Asset write-up	10,902	
Useful life	15 years	
Incremental amortization expense	726.8	
Incremental deferred tax liabilities	2,845.4	
<u>Purchase Price Allocation</u>		
<u>Target assets - book value</u>	83,723.0	
Plus: PP&E write ups	4,602.6	
Plus: Intangible asset write ups	10,902	

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Pro Forma Balance Sheet			
	Standalone		Adjust
	Acquirer	Target	
	AAPL	DIS	
	<i>28-Jun-14</i>	<i>28-Jun-14</i>	Increase
Cash and equivalents	164,490.0	6,948.0	
Accounts receivable	10,788.0	7,543.0	
Inventory	1,594.0	1,425.0	
Deferred tax assets (current and long term)	3,884.0	480.0	
Other current assets	13,878.0	1,667.0	
PP&E	17,585.0	23,013.0	4,602.6
Intangible assets	3,767.0	7,268.0	10,902.0
Goodwill	2,374.0	27,924.0	170,685.4
Other assets	4,160.0	7,455.0	
Total assets	222,520.0	83,723.0	
Accounts payable	20,535.0	6,379.0	
Accrued expenses & def rev. (current & non-current)	26,718.0	3,756.0	
Revolver and current debt	2,010.0	3,216.0	
Long term debt	29,030.0	12,920.0	79,899.0
Convertible debt	0.0	0.0	
Deferred tax liabilities	0.0	4,360.0	4,046.7
Other liabilities	23,287.0	4,480.0	
Preferred stock	0.0	0.0	
Noncontrolling interests	0.0	3,092.0	
Shareholders' equity	120,940.0	45,520.0	119,556
Total liabilities + shareholder equity	\$222,520.0	\$83,723.0	
<i>Balance check</i>	<i>0.0</i>	<i>0.0</i>	
<u><i>Credit statistics</i></u>	AAPL	DIS	
Total debt	31,040.0	16,136.0	
+ Noncontrolling interests	0.0	3,092.0	
+ Preferred stock	0.0	0.0	
- Cash & equivalents	<u>(164,490.0)</u>	<u>(6,948.0)</u>	
Net debt	(133,450.0)	12,280.0	
Equity value (share price x shares out.)	592,362.2	199,259.3	
Enterprise value	458,912.2	211,539.3	
EBITDA for the calendar year ending 2014	61,615.0	14,307.0	
Gross Debt / EBITDA	0.5x	1.3x	
Enterprise value / EBITDA	7.4x	14.8x	
Debt / Equity	5.2%	9.6%	

Accretion / Dilution Analysis			
EPS Accounting:	Cash EPS		FY 2014
			9/28/2014
Acquirer			
Net income			38,973.0
Cash EPS			6.31
Diluted shares outstanding (weighted avg.)			6,176.4
Target			
Net income			7,530.0
Cash EPS			4.27
Diluted shares outstanding (weighted avg.)			1,763.5
Transaction related expenses/income ⁽¹⁾			
Less: Interest expense from new deal debt			(2,510.7)
Less: Interest income on cash forgone			(173.4)
Plus: Synergies			100.0
Less: Incremental D&A expense			0.0
Less: Financing fee amortization			0.0
Taxes (assumed at acquirer's rate)			674.4
Total after tax transaction related income/ (expenses)			(1,909.6)
Pro forma Cash EPS			44,593.4
Pro Forma Shares Outstanding			7,387.0
Pro forma Cash EPS			\$6.04
Acquirer standalone EPS			\$6.31
Accretion / (Dilution) per share			(\$0.27)
Accretion / Dilution %			(4.3%)
Additional pretax synergies required to breakeven			2,731.1
⁽¹⁾ One-time charges are excluded from both cash and GAAP EPS calculations in this model			
Sensitivity Analysis			
Accretion Dilution - Year 1			
Relevant assumptions	% Stock	Offer	
Current offer price	(\$0.27)	\$95.00	\$105.00
\$113.00	100%	(0.39)	(0.53)
Current % stock	75%	(0.20)	(0.32)
60.0%	50%	0.02	(0.09)
% Cash consideration financed with debt	25%	0.27	0.17
80.0%	0%	0.55	0.48
Accretion Dilution - Year 2			
Relevant assumptions	% Stock	Offer	

<u>Current offer price</u>	(\$0.33)	\$95.00	\$105.00
\$113.00	100%	(0.50)	(0.65)
<u>Current % stock</u>	75%	(0.26)	(0.40)
40.0%	50%	0.01	(0.12)
<u>% Cash consideration financed with debt</u>	25%	0.31	0.20
20.0%	0%	0.65	0.58
Accretion Dilution - Year 3			
Relevant assumptions	% Stock	Offer	
<u>Current offer price</u>	(\$0.33)	\$95.00	\$105.00
\$113.00	100%	(0.54)	(0.71)
<u>Current % stock</u>	75%	(0.26)	(0.42)
60.0%	50%	0.06	(0.08)
<u>% Cash consideration financed with debt</u>	25%	0.43	0.31
80.0%	0%	0.85	0.77
Accretion Dilution - Year 1			
Relevant assumptions	% Stock	% Cash consideration	
<u>Current offer price</u>	(\$0.27)	0%	25%
\$113.00	100%	(0.63)	(0.63)
<u>Current % stock</u>	75%	(0.30)	(0.34)
60.0%	50%	0.07	(0.01)
<u>% Cash consideration financed with debt</u>	25%	0.50	0.37
80.0%	0%	0.99	0.81
Debt / LTM EBITDA multiple			
Relevant assumptions	% Stock	Offer	
<u>Current offer price</u>	1.489x	\$95.00	\$105.00
\$113.00	100%	0.662x	0.662x
<u>Current % stock</u>	75%	1.103x	1.150x
60.0%	50%	1.544x	1.637x
<u>% Cash consideration financed with debt</u>	25%	1.984x	2.125x
80.0%	0%	2.425x	2.612x

				Do not change	
				10-K	Stock sale
ments	Pro Forma			10-Q	Asset sale
(Decrease)					
(17,336.5)	154,101.5				
	18,331.0				
	3,019.0				
(480.0)	3,884.0				
	15,545.0				
	45,200.6				
	21,937.0				
(27,924.0)	173,059.4				
	11,615.0				
	306,243.0				
	26,914.0				
	30,474.0				
(3,216.0)	2,010.0				
(13,916.3)	107,932.7				
0.0	0.0				
	8,406.7				
	27,767.0				
	0.0				
	3,092.0				
(46,516.3)	239,499.3				
	306,243.0				
	0.0				
	Pro Forma				
	109,942.7				
	3,092.0				
	0.0				
	<u>(154,101.5)</u>				
	(41,066.8)				
	711,917.8				
	670,851.0				
	75,922.0				
	1.5x				
	8.8x				
	15.9%			Do not change	
				GAAP EPS	

				Cash EPS	
FY 2015	FY 2016				
9/30/2015	9/30/2016				
				Do not change	
41,465.0	43,889.0			Assumed	
7.00	7.70			Refinanced	
5,923.6	5,699.9				
8,013.0	8,958.0				
4.70	5.42				
1,704.9	1,652.8				
(2,510.7)	(2,510.7)				
(173.4)	(173.4)				
100.0	100.0				
0.0	0.0				
0.0	0.0				
674.4	674.4				
(1,909.6)	(1,909.6)				
47,568.4	50,937.4				
7,134.1	6,910.4				
\$6.67	\$7.37				
\$7.00	\$7.70				
(\$0.33)	(\$0.33)				
(4.7%)	(4.3%)				
3,207.8	3,075.7				
price					
\$115.00	\$125.00				
(0.65)	(0.77)				
(0.44)	(0.56)				
(0.20)	(0.31)				
0.08	(0.01)				
0.40	0.33				
price					

\$115.00	\$125.00				
(0.79)	(0.93)				
(0.53)	(0.66)				
(0.24)	(0.34)				
0.10	0.00				
0.50	0.43				
price					
\$115.00	\$125.00				
(0.88)	(1.03)				
(0.57)	(0.71)				
(0.21)	(0.34)				
0.20	0.09				
0.69	0.61				
n financed with debt					
50%	100%				
(0.63)	(0.63)				
(0.37)	(0.45)				
(0.09)	(0.24)				
0.25	0.00				
0.63	0.27				
price					
\$115.00	\$125.00				
0.662x	0.662x				
1.196x	1.243x				
1.731x	1.824x				
2.265x	2.405x				
2.799x	2.986x				