NYSE · DIS GICS 50203010 · MOVIES & ENTERTAINMENT

The Walt Disney Company

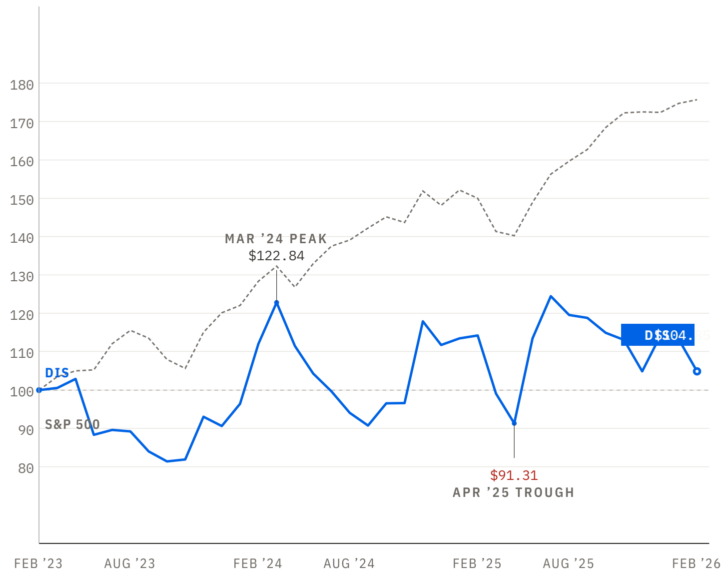
INITIATION OF COVERAGE · 5-YEAR DCF VALUATION

RATING · 12M	TARGET PRICE	CURRENT	UPSIDE · 12M
HOLD	$106.96	$106.29	▲ +0.63%
	DCF · FCFF 5-YR + TV	CLOSE · 17 APR 2026	SOTP RANGE $84 – $176

PRICE PERFORMANCE · INDEXED TO 100 AT FEB 2023

DIS -- S&P 500

Monthly close, Feb 2023 → Feb 2026 · source: NYSE, S&P



DIS +4.9% · S&P +75.7% · relative −70.8pp

MARKET DATA	I
Market cap	$193.2B
Shares outstanding	1,806M
52-week range	$86 – $121
Avg daily volume	9.8M
Beta · 5y weekly	1.43
Dividend yield	0.94%

FY25A FUNDAMENTALS	II
Revenue	$91.4B
EBITDA	$17.2B
EPS · adjusted	$5.29
Free cash flow	$8.9B
Net debt / EBITDA	2.1×

VALUATION FRAMEWORK	III
WACC	9.27%
Cost of equity · CAPM	10.68%
Terminal growth	3.00%
Country risk premium	0.23%
FY26E – FY30E CAGR	4.99%

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VALUATION BASIS

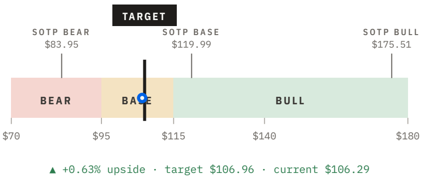
5-year explicit FCFF DCF with terminal value; cross-checked against a Sum-of-the-Parts bear / base / bull envelope.

COVERAGE

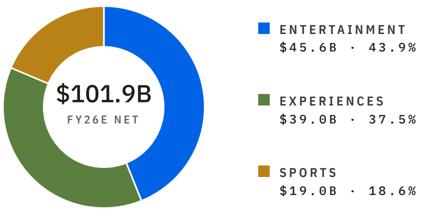
Initiated 17 April 2026
Next review · FY26 Q3 results

Independent academic research. See final page for full disclosures, analyst certifications, and methodology.

G1 RECOMMENDATION GAUGE · CURRENT VS TARGET

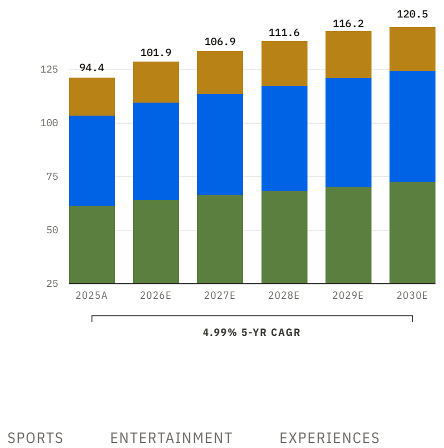


G2 FY26E REVENUE MIX · SEGMENT CONTRIBUTION



Segment revenue net of $(1.7)B inter-segment eliminations.

G3 CONSOLIDATED REVENUE · FY25A – FY30E



USD bn · gross of elims

G4 DCF TARGET SENSITIVITY · WACC × TERMINAL GROWTH

IMPLIED $/SHARE	g = 2.50%	g = 3.00%	g = 3.50%
WACC 8.77%	$107 +0.7%	$116 +9.1%	$127 +19.5%
WACC 9.27%	$99 −6.9%	$107 BASE	$116 +9.1%
WACC 9.77%	$92 −13.4%	$99 −6.9%	$107 +0.7%

Illustrative Gordon-growth shock · deltas measured vs $106.29 current close.

COVER & EXECUTIVE SUMMARY

DCF Anchors a HOLD Recommendation.

RATING	TARGET · 12M	CURRENT	UPSIDE
HOLD	$106.96	$106.29	+0.63%

We initiate **HOLD** on DIS with a 12-month target of **$106.96**, implying **+0.63%** upside to the $106.29 close on 17 April 2026. The target anchors on a 5-year FCFF projection plus terminal value, cross-checked against a SOTP bear/base/bull envelope. Disney exhibits robust theme-park pricing power and a credible pivot to streaming profitability; Linear Networks decline and execution risk on a decade-long CapEx plan cap near-term upside.

INVESTMENT THESIS — THREE SEGMENTS, THREE TRAJECTORIES

Experiences remains Disney's core cash engine: hotel available room-nights flatten after 2027, yet brand-driven per-room spend pushes hotel revenue to **$12.8B by FY30E**, while Disney Cruise Line enters a capacity-driven growth phase with revenue **+61.0% YoY in FY26** and **+22.9% in FY27**, delivering a **20.2% 5-year CAGR** on new-ship launches. **Direct-to-Consumer** crosses its profitability inflection: steady subscriber adds, ARPU expansion and ad-tier monetisation take DTC revenue from **$24.6B (FY25)** to **$34.9B (FY30E)** as scale offsets content-acquisition costs. Against these tailwinds, **Linear Networks** continues its irreversible decline from **$9.4B to $7.2B** over the same window — shrinking segment margin weighs on consolidated operating margin and caps multiple re-rating, which is the fundamental reason we initiate at HOLD rather than BUY.

VALUATION FRAMEWORK & CAPITAL ALLOCATION

Our $106.96 target is anchored on a rigorous DCF framework. The CAPM build incorporates a **0.23% Country Risk Premium**, yielding a **Cost of Equity of 10.68%** and a final **WACC of 9.27%**. We apply a **3.00% terminal growth rate** aligned with long-run nominal GDP and Disney's durable brand profile. Supported by robust free cash flow, we forecast share repurchases averaging **$7B in FY26** and **$3.5B annually thereafter**, providing a disciplined EPS floor through the multi-year transition.

KEY RISKS TO THE RECOMMENDATION

Market risks. A global economic slowdown could curtail discretionary leisure spending, pressuring theme-park attendance and cruise demand. Our sensitivity model indicates that a **5% revenue shock with costs flat** drags the target to **$71.48** — a **−33.2%** decline from the $106.96 base, and a **100 bps WACC lift** at unchanged terminal growth compresses value by **−21.5%** to $83.92.

Operational risks. Disney has committed to a **decade-long $60B capital-expenditure plan** for the Experiences segment. Project delays or cost overruns would compress ROIC; labour strikes or box-office under-performance could trigger material content-impairment charges. The combined adverse scenario (Rev −2.5%, Cost +5%) lands at **$68.04**, a **−36.4%** downside that frames the bear case.

Competitive & ESG risks. Streaming rivalry intensifies as Netflix, Amazon and Apple press on ARPU; ESPN DTC execution is critical to Sports margins. A derived but unapplied **25 bps ESG risk premium** (audit tenure, labour controversies) would compress target ~3–4% if triggered by a fresh incident.

CROSS-CHECK — SOTP ENVELOPE

Peer-multiple SOTP triangulates: **Base $119.99 (+12.9%)**, **Bear $83.95 (−21.0%)**, **Bull $175.51 (+65.1%)**. DCF sits below SOTP Base — market multiples give segment scarcity (**Experiences 71.8% of gross EV**) more credit than the explicit cash-flow build. We retain DCF as primary — its explicit treatment of the CapEx ramp and discount rate is more defensible through the multi-year transition — and use SOTP to frame the bear / bull envelope for portfolio positioning. Triggers we monitor for re-rating: a successful 2026 ESPN DTC launch, cruise-yield capture on Adventure and Destiny, and disciplined CapEx execution against the $60B plan.

INDEPENDENT EQUITY RESEARCH · DCF VALUATION & SEGMENT ANALYSIS · 17 APRIL 2026

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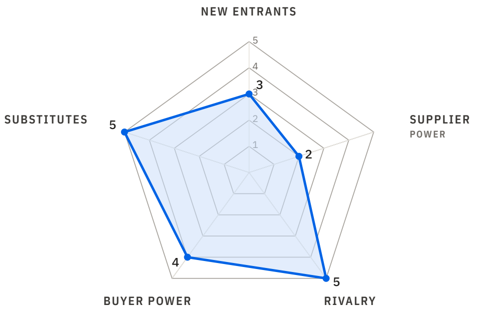
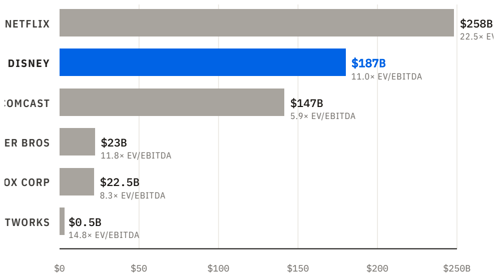
G1 **PORTER'S FIVE FORCES · COMPETITIVE PRESSURE (1–5)**

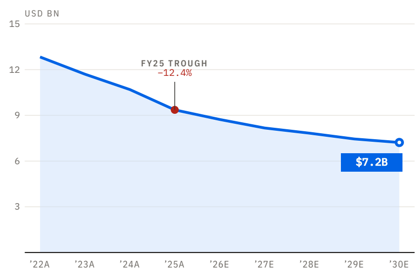


Higher score = stronger competitive pressure. Rivalry, buyer power and substitutes form the binding constraints on margin.

G2 **PEER MARKET CAPITALISATION · ENTERTAINMENT COHORT**

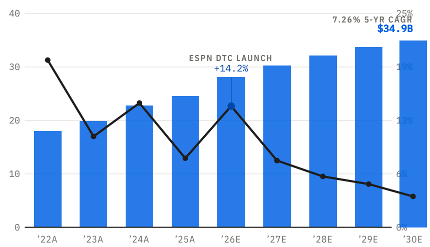


G3 **LINEAR NETWORKS REVENUE · FY22A – FY30E**



Decline decelerating — domestic rate hikes offset subscriber loss through FY30E.

G4 **DTC REVENUE & YOY GROWTH · FY22A – FY30E**



DTC REVENUE (L · $B) YOY % (R)

PART II · PORTER'S FIVE FORCES & INVESTMENT SUMMARY

Linear's Floor Holds; DTC Pivots to ARPU.

RIVALRY	BUYER POWER	SUBSTITUTES	PEER RANK · MCAP
5 / 5	4 / 5	5 / 5	#2

Three of Porter's forces press hard. **Substitutes** are strong — short-form video, gaming, social media and home-entertainment systems compete for leisure time; for parks, beaches and cruises substitute. **Buyer power** is strong — near-zero streaming switching costs, price-sensitive park tourists, advertisers with macro leverage. **Supplier power** is moderate-to-strong: top talent and sports leagues (NBA, NFL) command high fees, though procurement scale blunts leverage in parks and merchandise. Disney's moat rests on: (1) an **IP portfolio** deeper than any competitor; (2) **vertical integration** — Marvel releases drive Disney+, parks and merchandise in a flywheel; (3) **diversified revenue** across subscription, box office, admission, licensing and royalties; (4) **global scale with operational excellence**; and (5) **strategic transformation** to DTC anchored by Disney+. At **$187B market cap** and **11.0× EV/EBITDA**, Disney ranks #2 in the cohort at a premium to Linear-heavy peers.

LINEAR NETWORKS — MANAGED DECLINE

The market treats Disney's domestic linear business as though subscriber erosion accelerates indefinitely and affiliate revenue has no bottom. We disagree. Domestic Linear losses should **peak in FY2026**, the year ESPN DTC launches, as cord-cutters pull forward their cancellation decision. The remaining base is stickier than bears assume: households still subscribing by FY27 skew older, rural and sports-dependent — slow-churn demographics. Disney offsets unit declines through **effective-rate increases to MVPDs and cable operators**, putting a real floor under affiliate revenue through FY2030. Domestic advertising declines modestly, but ABC and bundled sports inventory keep CPMs above the industry's ~6.5% drag, with viewing-time erosion below sector 7–8%. International Linear deteriorates faster as content spend shifts to DTC — MVPD partners will not pay premium fees for thinning packages, and no anchor channel outside the U.S. rivals ESPN or ABC. The formulas bear this out: **(1 + Sub Growth) × (1 + Rate Hikes) − 1** for affiliate, **× (1 + Impression Growth) × (1 + CPM Growth) − 1** for advertising — domestic rate hikes are the buffer under the trajectory.

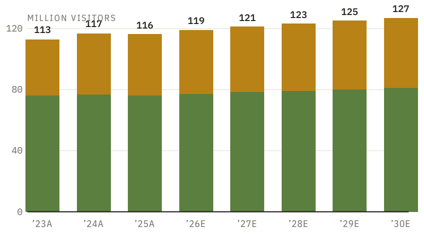
DTC — ARPU OVER SUBSCRIBER COUNT

Disney's streaming narrative is dominated by subscriber-count anxiety; the better lens is ARPU. The North American SVOD market matures toward **90–95% CTV penetration by FY2030**, with subscriptions per household rationalising from **5.8× to 4.4×**. Disney+ is no longer a growth story — it is about holding share and extracting more per user. We project domestic subscribers from **9.3M to 68–70M by FY2030** at a conservative **~2.9% CAGR**; upside lives in ARPU, not volume. AVOD monetisation rides the global OTT ad market from **$16B (2024) to $230B (2029)**, with AVOD share rising from **26% to 27%** — flowing straight into blended ARPU as the ad-supported base scales. Ad-free pricing power rests on franchise IP — Marvel, Star Wars, Pixar, Disney Animation — for which consumers pay a premium they will not for generic libraries. Bundling **Disney+, Hulu and ESPN** reduces churn and lowers acquisition cost, pushing realised ARPU above standalone levels.

EXPERIENCES — THE PRICING-POWER ENGINE

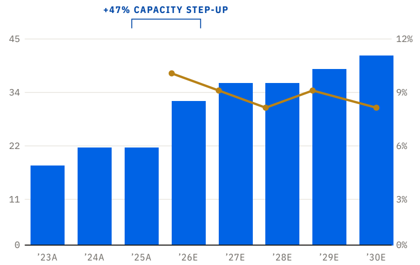
The **Experiences** segment is Disney's most defensible and most capital-intensive division. A **65% Disney Cruise Line capacity expansion** (Adventure, Destiny, plus a Wish-class vessel in FY27) pairs with theme-park attendance growth of **1.0–3.5%** on new Orlando and Shanghai openings. Per-capita admission and MFB spending track **CPI + 1.0–1.5%**, reflecting theme parks as experience goods with high brand loyalty. Combined, the segment delivers a **~5.49% revenue CAGR through FY2030**, producing **~58% of consolidated operating profit** in FY25 alone — the cash engine that funds the rest of the portfolio.

G1 **THEME PARK ATTENDANCE · FY23A – FY30E**



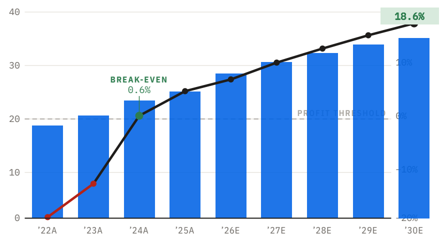
DOMESTIC INTERNATIONAL +1.0–3.5% YoY

G2 **DISNEY CRUISE LINE CAPACITY & FARE GROWTH**



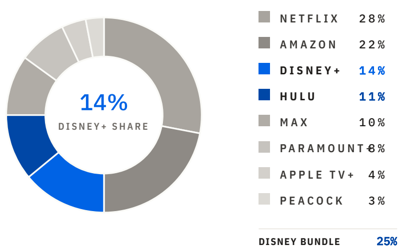
BERTHS (000S, L) FARE GROWTH (R) 20.2% rev CAGR

G3 **DTC REVENUE & OPERATING MARGIN · FY22A – FY30E**



DTC REVENUE ($B, L) OP MARGIN (R)

G4 **U.S. SVOD MARKET SHARE · HOUSEHOLD PENETRATION**



Disney+ and Hulu combined sit at 25% of U.S. SVOD households — matching Netflix on a bundled basis.

PART II · EXPERIENCES & DCF

Experiences + DCF: $106.96 Target.

EXP. CAGR	CRUISE CAPACITY	WACC	TERMINAL G
5.49%	+65%	9.27%	3.00%

We derive intrinsic value via a 5-year FCFF projection plus terminal value, discounted at **WACC 9.2727%** and terminal growth of **3.00%**. Intrinsic value is **$106.96** versus the $106.29 close on 17 April 2026 — a **+0.63% upside** supporting **HOLD**. Experiences is the portfolio's best business: the most capital-intensive and most stable segment, and domestic attendance still undervalues it.

EXPERIENCES — BEST SEGMENT, 5.49% CAGR

A **65% DCL capacity expansion** — Adventure and Destiny (FY26), Wish-class (FY27) — is the segment's biggest step-up. With attendance growth of **1.0–3.5%** on new Orlando/Shanghai openings, and per-capita admission and MFB tracking **CPI + 1.0–1.5%**, the segment delivers a **~5.49% CAGR through FY2030**. Resort & Vacations blends **84% hotel / 16% cruise**; cruise yield **3.0% net**, per RCL/Carnival FY28 guidance. Hotels: Shanghai's third property + Reflections. Licensing peaks **FY26 (Toy Story 5)** and **FY27 (Frozen 3)** with **4–5% content multiplier**. Parks Licensing (OLC royalties) grows **CPI + 1%** plus 1–2% in milestone years.

ENTERTAINMENT — AFFILIATE & ADVERTISING FORMULAS

Entertainment revenue builds bottom-up. Affiliate: **(1 + Sub Growth) × (1 + Rate Hikes) – 1**. Disney's new ESPN DTC launches in 2026; we assume domestic subscriber churn peaks that year as ESPN-bundle appeal shifts, then decelerates as remaining households stick with linear — rate hikes to MVPDs offset unit losses. International Linear is weaker — the DTC transition thins channel packages, so effective rates decline as telcos and MVPDs refuse higher fees; the Star India conversion is a one-time event. Advertising: **(1 + Impression Growth) × (1 + CPM Growth) – 1**, with Impression Growth = (1 + Sub Growth) × (1 + Usage Growth) – 1. Domestic channels beat industry averages of roughly **–3.5% viewing time** and **–6.8% CPM** because ABC and bundled sports command better inventory; international churns faster.

DTC — SUBSCRIBERS × ARPU × 12

DTC = **Subscribers × ARPU × 12**. North America has ~120M CTV households; 40.2M Disney+ subs at 5.8× per household implies ~76M penetrated (60–70%). By FY2030 we expect penetration at **90–95% (~108M households)** with subscriptions per household rationalising to **4.4×** and total subs of 480–490M. With Disney+ at **14% share**, subscribers grow from **59.3M to 68–70M at a ~2.9% CAGR** — ARPU is the upside. As paid-subscription growth slows, advertising supplements: global OTT revenues rise from **$169B (2024) to $230B (2029)**, AVOD share from **20% (2020) to 27% (2029)**. Amazon Prime India launched an AVOD entry-tier in June 2025; Netflix global ad revenues should roughly double in 2025.

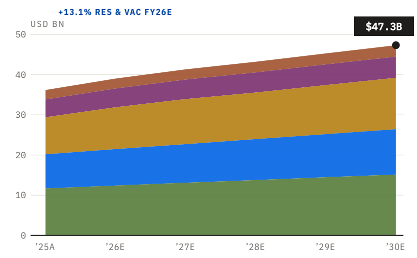
SPORTS — ESPN DTC INFLECTION YEAR

Sports revenue grows from **$17.7B (FY25) to $23.0B (FY30E)**, led by domestic affiliate and advertising plus the ESPN DTC launch in 2026. Operating margin moderates from **15.9% to 13.9%** through the investment cycle as ESPN funds DTC infrastructure. Affiliate revenue remains a stable floor — advertisers pay for live-sports scarcity regardless of viewership, and cable / satellite carriage deals are contractually locked. International sports deteriorates fastest as Star India conversions roll off, treated as one-time and excluded from forward growth.

DCF MACHINERY · 9.27% / 3.00%

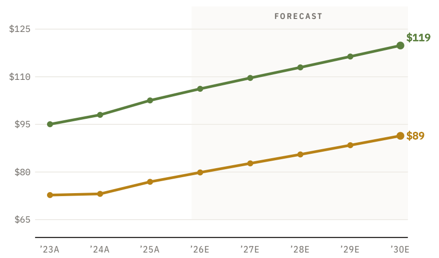
Each segment flows through the same discounting architecture. Adjusted EBIT × **(1 – 24.47% tax) = NOPAT**; add D&A, deduct CapEx and working-capital investment → FCFF. Discount at **WACC 9.2727%**; terminal value at **g = 3.00%** on FY2030 FCFF. Terminal value represents ~**78% of Enterprise Value** — typical for durable-cash-flow compounders — so the terminal growth anchor matters. The DCF yields **$106.96/share**; SOTP cross-check straddles it with a **$84 – $176 Bear/Bull envelope**.

G1 EXPERIENCES REVENUE BY SUB-SEGMENT · FY25A – FY30E



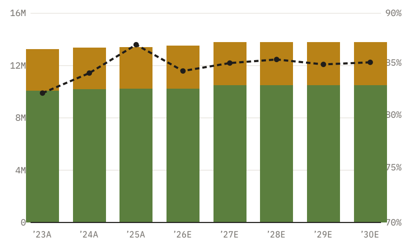
ADMISSIONS MFB RESORTS & VAC.
MERCH LIC. PARKS LIC.

G2 PER-CAPITA SPENDING · ADMISSION & F&B / MERCH



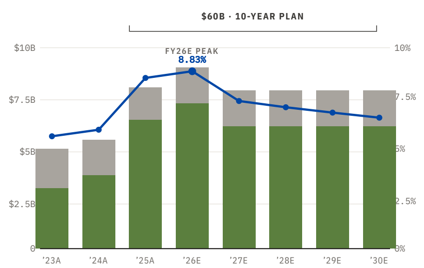
ADMISSION · 3.5% CAGR F&B / MERCH · 4.0% CAGR

G3 HOTEL ROOM-NIGHTS & BLENDED OCCUPANCY



DOMESTIC INTERNATIONAL
BLENDED OCCUPANCY

G4 CAPITAL EXPENDITURE · EXPERIENCES-LED RAMP



EXPERIENCES CAPEX OTHER SEGMENTS
CAPEX / REVENUE

PART II · PARKS, RESORTS & CAPEX

Experience Revenue Build & $60B Plan.

THEME PARK CAGR	CRUISE CAPACITY	CSE CAGR	10-YR PLAN
3.48%	+65%	3.27%	$60B

Disney's **Content Sales & Entertainment** (CSE) revenue grows from **$8.8B to $10.0B — a 3.27% CAGR** — but the mix-shift is the real story. Theatrical rises from **31% to 36%** of CSE while TVOD / Home Entertainment declines from 40% to 36%, reflecting the view that Disney's theatrical slate — not streaming home releases — is the primary growth engine. The **6.36% theatrical CAGR** (vs. **0.52% for TVOD**) embeds the thesis that cinemas recover premium pricing as Disney fills the calendar with franchise tentpoles. Experience Revenue then rests on five formula-driven sub-segments.

THEME PARKS — EXPERIENCE GOODS PRICING POWER

Admission = Attendance × Per Cap. 2023 baseline attendance: **76.0M domestic, 36.5M international** (AECOM). Ex-pandemic 2016–19 growth averaged **1.68%**; we assume domestic **1.0–1.5%** with new-project timing, international **+1–2%**. Per-capita admission grows **CPI + 1%** — parks are experience goods with brand loyalty, letting Disney pass costs through. **MFB = Attendance × F&B/Merch Per Cap**; MFB per-capita grows **CPI + 1.5%** on premiumisation and longer stay-time. Theme Park 5-yr CAGR: **3.48%.**

RESORTS & VACATIONS — 65% CRUISE CAPACITY LIFT

Resort & Vacations blends **84% Hotel / 16% Cruise**. **Hotel = (1 + Room-Nights × Occupancy) × (1 + Per-Room Spend) − 1**; **Cruise = (1 + Capacity) × (1 + Fare) − 1**. Cruise is the story: a major 2026–27 capacity jump follows **Disney Adventure (Nov 2025)**, **Disney Destiny (Dec 2025)** and a **Wish-class ship (2027)** — lifting DCL capacity **65%**. We assume stabilised **90% occupancy** and **3.0% net yield growth**, aligned with Royal Caribbean and Carnival 2028 projections. On hotels, Shanghai Disney's third property and Reflections in Orlando add inventory supporting domestic resort revenue.

LICENSING — SLATE-LINKED MERCH + OLC ROYALTIES

Merchandise Licensing = Base × (1 + CPI + Content Multiplier). Revenue surges with **Zootopia 2 (2025)**, **Toy Story 5 (2026)** and **Frozen 3 (2027)**: **4–5% growth** in peak years, inflation off-peak. **Parks Licensing = CPI + 1% + Event Premium**, mostly OLC royalties from Tokyo Disney Resort. Base growth at CPI + 1% tracks inflation; OLC turnover runs at **11.9 days** per company data. A small event premium captures milestone-year royalty expansion.

CAPITAL EXPENDITURE — $60B / 10-YR PLAN

Excluding Experiences, capital spending is consistent — we average the prior three years as the maintenance CapEx baseline. The primary driver of consolidated CapEx is Experiences, modelled on Disney's **2024 strategic announcement to invest $60B over ten years**. Annual total CapEx aggregates stable maintenance from other segments and the Experiences investment plan.

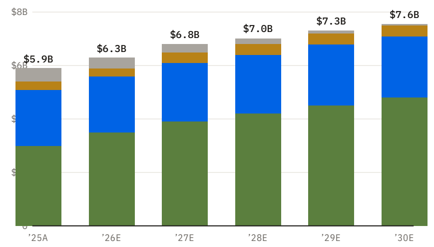
ATTENDANCE ANCHOR — 1.68% EX-PANDEMIC BASE

Per AECOM's Theme Index, domestic park attendance grew at a **1.68% average** over the 2016–2019 window (ex-pandemic). That provides the forward anchor: **+1.0–1.5% domestic** depending on whether new-project openings complete that year (Tiana's Bayou 2025, World of Frozen 2026, Tropical Americas 2027), and **+1–2% international** on top, since international visitors cluster to the Disney Park nearest them. Baseline 2023 attendance: **76.0M domestic / 36.5M international**.

PIPELINE CONVERSION — FROM CAPEX TO CASH FLOW

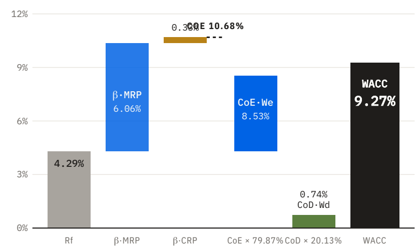
The $60B plan converts to cash-flow impact on a ~6.95% D&A / beginning net PP&E cadence. In the explicit window, Experiences D&A grows from **$2.8B (FY25) to $4.2B (FY30E)**, Total D&A from **$5.3B to $6.5B**. FCFF still expands **$9.4B → $17.4B** despite the CapEx ramp, because NOPAT growth outpaces maintenance-adjusted reinvestment. The Experience-led build is how the DCF reconciles a capital-intensive segment with rising cash returns.

G1 D&A COMPOSITION · FY25A – FY30E



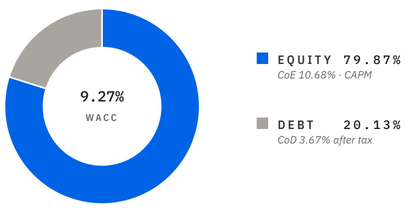
EXPERIENCES ENTERTAINMENT SPORTS
HULU / TFCF

G2 WACC BUILD · CAPM INPUTS TO 9.27%

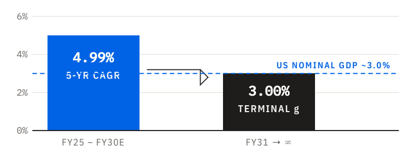


Rf 4.29% · β 1.4335 · MRP 4.23% · CRP 0.23%. After-tax CoD 3.67% (bond DIS4911247, YTM 4.86%).

G3 CAPITAL STRUCTURE · 79.87 % EQUITY / 20.13 % DEBT



G4 TERMINAL GROWTH ANCHOR · 5-YR CAGR → 3.00 % G



Terminal g set below explicit 5-yr CAGR — conservative anchor, keeps terminal value from dominating.

PART II · D&A, EBIT & WACC

WACC 9.27 %; Terminal Growth 3.00 %.

WACC	COST OF EQUITY	AFTER-TAX COD	TERMINAL G
9.27%	10.68%	3.67%	3.00%

The DCF machinery sits on four pillars below the revenue build: depreciation & amortisation, consolidated EBIT, weighted-average cost of capital, and terminal growth. Each input is calibrated to balance current-period reality with durable long-run assumptions.

D&A — EXPERIENCES RAMPS, OTHERS STABLE

The D&A forecast is divided into the Experiences segment and other operating segments. For non-Experience segments (Entertainment and Sports), D&A has remained at a stable level, so we use a **3-year historical average** to project these values over the next five years. For **Undedicated TFCF and Hulu Intangible Assets**, Disney provides the schedule of amortisation of finite-lived intangibles, which we apply directly to compute amortisation over the forecast window. Historically, the Experiences segment's D&A has fluctuated between **6.5% and 7.3% of Net PP&E**. Our model assumes Experiences D&A grows at a steady **6.95% of Beginning Net PP&E** — the 3-year historical average — ensuring we record D&A costs as soon as new projects are completed and opened as Disney deploys the $60B Experiences plan.

CONSOLIDATED EBIT — BRIDGE FROM SEGMENTS

Consolidated EBIT is derived by taking the sum of operating income from the three reporting segments and deducting **Corporate & Unallocated expenses**, **Eliminations**, and **Hulu Intangible Amortization**. Since these corporate-level expenses include D&A components that are only accounted for in the consolidated D&A figure, we must subtract the total overhead from the segment sum to reach a proper Consolidated EBIT. This methodology ensures that when we add back the total D&A to calculate FCFF, we avoid double-counting the non-cash portion of these unallocated costs.

WACC — 9.27%, BETA 1.4335, COE 10.68%

β = 1.4335 from 5-yr monthly regression vs S&P (R^2 0.43, n = 60). **CoE:** 10.68% = Rf 4.29% + β × (MRP 4.23% + CRP 0.231% + ESG 0.00%); the 25 bps ESG premium is derived (Appendix 9) but *not applied*. **CoD:** 3.67% after-tax (pre-tax YTM 4.86% on DIS4911247, maturity Dec 2035). **Capital structure:** 79.87% equity / 20.13% debt. **WACC:** 9.27%.

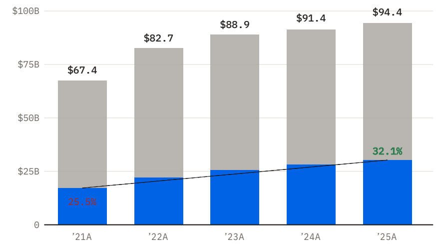
TERMINAL GROWTH — 3.00%, GDP-ALIGNED

The terminal growth rate is set at **3.00%**, aligned with long-term U.S. nominal GDP growth and Disney's durable brand and cash-flow profile. This reflects sustainable growth including both inflationary price adjustments and modest real-volume expansion from the Experiences segment — a deliberately conservative anchor below the 5-year explicit CAGR of ~5.0%, which keeps the terminal value from dominating the DCF. Even at g = 3.00%, terminal value still represents **~78% of Enterprise Value** — the typical profile for a durable-cash-flow compounder.

SENSITIVITY TO WACC & G

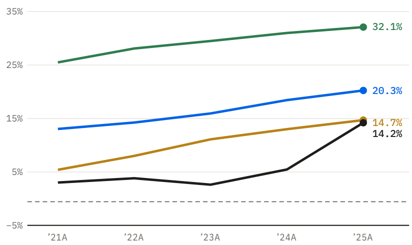
The DCF is most sensitive to WACC and terminal g (see Page 13). A **100 bps WACC lift from 9.43% to 10.43%** at base g = 2.83% trims intrinsic value to **$83.92 (–21.5%)**; a **100 bps drop** lifts it to **$124.13 (+23.0%)**. Terminal growth is similarly asymmetric: **+100 bps g** at base WACC lifts value to **$119.12 (+11.4%)**; –100 bps drops it to **$87.58 (–13.2%)**. We anchor to the base case given the quality of inputs: Rf from the 10-yr Treasury, β regressed over 60 monthly observations, MRP from Damodaran, CoD from a traded corporate bond YTM. Each input is independently defensible; the composite WACC sits close to the implied cost of capital priced into DIS today.

G1 REVENUE & GROSS PROFIT · FY21A – FY25A



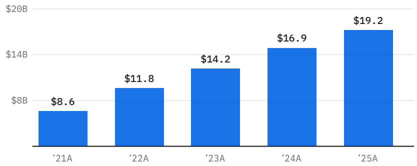
REVENUE ($B) GROSS PROFIT ($B)

G2 MARGIN LADDER · FY21A → FY25A



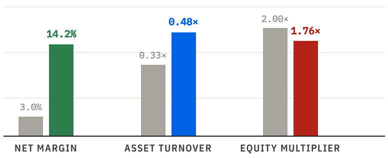
GROSS EBITDA OPERATING NET

G3 EBITDA · $8.6B → $19.2B (21.5% CAGR)



Margin 13.1% → 20.3% · +720 bps over four years.

G4 DUPONT DECOMPOSITION · ROE 2.35% → 11.76%



ROE improvement driven by margin + turnover — leverage fell (deleveraging while returns rose).

PART III · FINANCIAL STATEMENT ANALYSIS

Revenue +18.6%; Gross Margin +660 bps.

REVENUE FY25	GROSS MARGIN	EBITDA MARGIN	ROE
$94.4B	32.1%	20.3%	11.8%

Revenue grew **18.6%** over five years even as headcount rose from **190,000 to 231,000**, with gains most pronounced in media and streaming — inherently more scalable than labour-intensive parks. Tailwinds from here: nine new park lands at Walt Disney World and Disneyland, further Disney+/Hulu monetisation, ESPN's global streaming launch, and sports-betting partnerships. Headwinds: secular cord-cutting and the maturation of pay-TV affiliate economics that management is trying to outrun via streaming-first.

COST DISCIPLINE — GROSS MARGIN +660 BPS

FY25 COGS **$64.1B**, up just **1.4% YoY** vs **3.4%** revenue growth — pushing gross profit to **$30.3B**. Gross margin expanded **660 bps (25.5% → 32.1%)**: part mix-shift (high-margin parks displacing linear TV), part cost discipline. Ex D&A ($5.3B), cash COGS rose **30.2%** vs revenue **+40.1%** — unit economics moving the right way. SG&A **17.5% of revenue** in FY25, down **260 bps** from 20.1% in FY21 — real operating leverage despite ad spend rising **$5.5B → $6.5B**.

EBITDA +117.7%; OPERATING MARGIN +930 BPS

EBITDA more than doubled — from **$8.6B to $19.2B**, a **21.5% CAGR** — with margins going from **13.1% to 20.3%**. Operating profit rose from **$3.7B (5.4%) to $13.8B (14.7%)**, a **930 bps expansion**. Three things drove it: (1) Experiences captured extraordinary post-COVID pricing power and capacity optimisation; (2) streaming losses shrank as Disney+ and Hulu reached scale to cover content costs; (3) the FY23 restructuring programme took out real costs. Intangible amortisation eased from **$2.0B to $1.5B** as Fox-era intangibles rolled off.

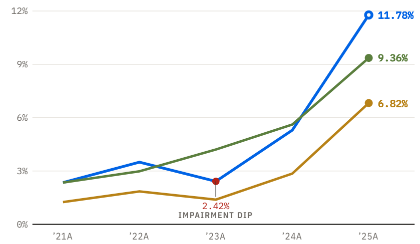
NET INCOME — PATH BUMPY, EXIT STRONG

Net income to common reached **$12.4B (14.2% margin)** in FY25 versus **$2.0B (3.0%)** in FY21 — a path that ran through **$3.1B (FY22)**, dropped to **$2.4B (FY23)** on heavy impairments, and clawed back to **$5.0B (FY24)**. FY25 was helped by a favourable tax provision of **−$1.4B (−11.9% effective rate)**, likely tied to deferred-tax resolution and international planning; stripping the tailwind, the underlying earnings power is strong but not quite as dramatic. Non-recurring charges were a manageable **$0.9B** in FY25, versus **$8.4B in FY23**.

DUPONT — QUALITY OF THE ROE IMPROVEMENT

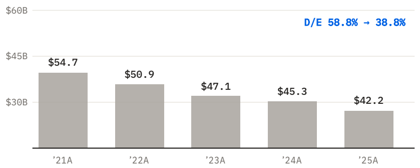
ROE rose from **2.35% to 11.76%**. The decomposition tells a quality story: asset turnover improved from **0.33× to 0.48×** (generating more revenue per dollar of assets) while the equity multiplier **fell from 2.00× to 1.76×**. Disney improved returns while **simultaneously deleveraging** — a strong signal that improvement is coming from operations, not financial engineering.

G1 RETURN METRICS · ROE / ROA / ROIC · FY21A–FY25A

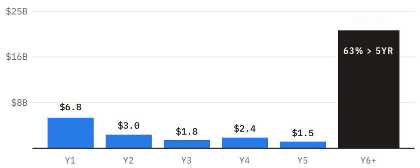


ROE ROIC ROA

G2 TOTAL DEBT · –$12.5B DELEVERAGING SINCE FY21

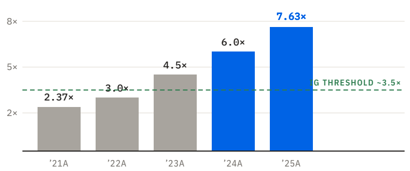


G3 DEBT MATURITY PROFILE · $41.3B LT DEBT



Sensibly laddered — limited refinancing pressure with 63% due beyond five years.

G4 INTEREST COVERAGE · EBIT / NET INTEREST



PART III · CAPITAL EFFICIENCY & CREDIT

ROE 2.35% → 11.8%; Debt –$12.5B.

ROE	ROIC	TOTAL DEBT	INT. COVERAGE
11.8%	9.36%	$42.2B	7.63×

Clear turnaround. **ROE 2.35% → 11.78%**, **ROA 1.25% → 6.82%**, **ROIC 2.35% → 9.36%**. ROE dipped to **2.42% in FY23** on impairments but the direction is unmistakable, with sharp acceleration in FY25. Disney crosses from value destruction to creation — FY21 ROIC sat below cost of capital; FY25's 9.36% finally clears it.

CAPITAL PRODUCTIVITY — MORE REVENUE PER ASSET

Asset turnover improved from **0.33× to 0.48×** against a broadly stable total asset base (around **$197B**). This is genuinely about wringing more revenue from the same assets, not shrinking the denominator. Composition shifted meaningfully: PP&E grew from **$36.9B to $44.6B** as Disney invested in physical infrastructure, while intangibles declined from **$124.7B to $113.7B** as Fox-era content rights and trade names amortised down. Net income per employee nearly quintupled — from **$12,906 to $57,692** — a staggering productivity improvement.

DELEVERAGING — $54.7B → $42.2B

Disney entered the period carrying a substantial debt load — **$54.7B** at FY21-end, legacy of the Fox acquisition. Management has chipped away steadily: FY25 total debt of **$42.2B**, a **$12.5B reduction (–22.9%)**. The paydown came through scheduled maturities and deliberate early retirement — **$3.7B of long-term debt repaid in FY25** alone, following **$3.8B in FY24**. Every leverage ratio moved the right way: **D/Assets 26.9% → 21.4%**, **D/Equity 58.8% → 38.8%**, **D/Capital 34.9% → 26.9%**. The equity multiplier declined from **2.24× to 1.76×**, driven by both debt reduction and equity accretion — common equity rose from **$88.6B to $109.9B**.

CREDIT QUALITY — COVERAGE AT 7.63×

Interest coverage improved from a thin **2.37× in FY21** to a comfortable **7.63× in FY25**, well above investment-grade thresholds — the dual benefit of higher operating profit and deleveraging. Net interest expense was **$1.57B in FY25** vs **$1.41B in FY21** despite the lower debt balance, the culprit being higher rates on floating-rate exposures. Gross interest before capitalisation was **$2.13B**, with **$323M capitalised into PP&E** — a sign of significant ongoing construction. Total debt service (principal + interest) was **58.7% of normalised operating income** in FY25 versus **227.8% in FY21**, when earnings couldn't even cover it.

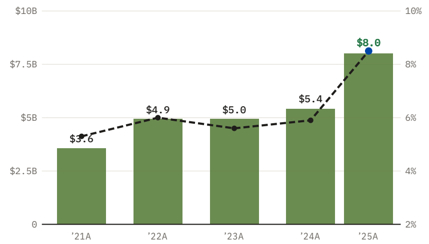
MATURITY PROFILE — SENSIBLY LADDERED

Of **$41.3B** in long-term debt, **$6.8B** comes due within a year, **$3.0B** in Y2, **$1.8B** in Y3, **$2.4B** in Y4, **$1.5B** in Y5, and a chunky **$25.9B beyond Y5**. Nearly **63% maturing after five years** limits refinancing pressure and gives management flexibility. The current ratio of **0.71×** (down from 1.06× in FY21) looks optically low, but for a company generating **$18.1B** in operating cash flow, liquidity is not a binding constraint. Investment-grade ratings across the three agencies keep the cost of new issuance tight — the last DIS corporate bond (DIS4911247, maturity Dec 2035) trades at a **4.86% YTM**, only 57 bps above the 10-year Treasury.

READ-THROUGH — QUALITY OF RETURNS

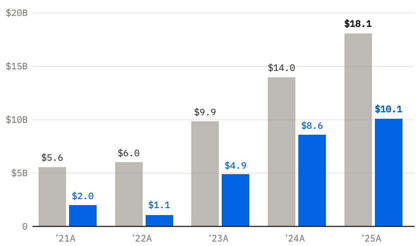
Taken together, the returns story is unusually clean. Rising ROE with falling leverage is the tell: the improvement is coming from **operating margin expansion and asset-turnover gains**, not financial engineering. Cash-flow coverage of fixed charges has moved from thin to comfortable; the CapEx ramp is being funded from internal cash generation rather than incremental borrowing; and investment-grade credit ratings plus the cash-generation profile ensure ongoing access to capital markets at competitive rates. The composition of the balance sheet is shifting in quality terms — PP&E up, intangibles down, retained earnings compounding — which is what a durable turnaround looks like in the numbers.

G1 NET CAPEX · $3.6B → $8.0B (INTENSITY 5.3% → 8.5%)



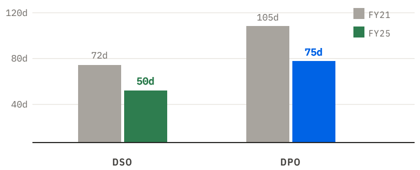
NET CAPEX ($B) CAPEX / REVENUE

G2 OPERATING CASH FLOW & FREE CASH FLOW · FY21A–FY25A



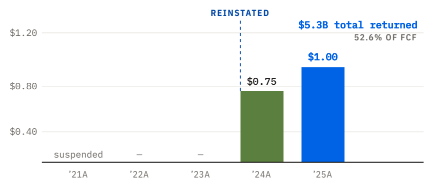
OPERATING CASH FLOW FREE CASH FLOW

G3 WORKING CAPITAL CYCLE · DAYS OUTSTANDING



Collecting faster and managing payables — structurally negative working capital of –$8.7B.

G4 DIVIDEND · REINSTATED FY24, $0.75 → $1.00 IN FY25



PART III · CAPEX, CASH FLOW & CAPITAL RETURN

CapEx +49%; Operating Cash 3× to $18B.

CAPEX FY25	OP. CASH FLOW	FREE CASH FLOW	FCF MARGIN
$8.0B	$18.1B	$10.1B	10.7%

Real step-change in FY25. Net CapEx **$8.0B**, up **49.3%** from $5.4B and **double** FY21's $3.6B — the **$60B Experiences plan** showing up. New park lands, resort expansions and cruise ships in the pipeline. CapEx/revenue jumped **5.3% → 8.5%** — a deliberate shift to capital-intensive growth.

ASSET BASE — PHYSICAL BUILD, INTANGIBLE AMORTISE

Net PP&E was **$44.6B** at FY25 year-end (gross **$93.5B**, accumulated depreciation **$48.9B**). Construction in progress rose to **$6.8B from $4.5B** — a window into the scale of capacity additions underway. Intangibles remain the largest single balance-sheet item at **$113.7B** (goodwill $73.3B, other intangibles $40.6B), with periodic impairments nibbling at the edges (FY23 $0.7B; FY24 $1.3B). Investments in associates and JVs jumped to **$8.3B from $2.3B**, likely reflecting ESPN-related strategic investments. Tangible book value, for what it's worth, is still negative at **–$4.0B** — but that's a massive improvement from **–$38.2B in FY21**.

OPERATING CASH FLOW — 3× IN FOUR YEARS

Operating cash flow went from **$5.6B in FY21 to $18.1B in FY25** — more than tripling for a **34.3% four-year CAGR**. Major non-cash reconciliation items: **$5.3B D&A**, **$0.9B impairments**, **$1.4B SBC**, and **$2.7B deferred tax benefit**. Cash interest was **$2.05B** (below the $2.6B expensed) and cash tax just **$1.2B**. Free cash flow reached **$10.1B (10.7% margin)**, up from **$2.0B (2.9%)** in FY21. Impressively, FCF still expanded **+177% YoY** despite the **49% surge in CapEx** — operating cash growth was simply that strong. Cash conversion (OCF / net income) was **1.35× in FY25**, down from 2.19× in FY21 as the gap between cash and accrual earnings narrows.

WORKING CAPITAL — STRUCTURALLY NEGATIVE

Disney runs with structurally negative working capital — **–$8.7B in FY25** — typical for a business that collects cash upfront (theme-park bookings, annual passes, subscriptions) while paying suppliers on extended terms. Receivable turnover improved from **5.07× (72d) to 7.28× (50d)** — collecting faster. Payables turnover went from **3.48× (105d) to 4.85× (75d)**. Inventories minimal at **$2.1B (68× turnover)**, reflecting the asset-light nature of most Disney businesses outside consumer products. The deferred-revenue base acts as a significant source of interest-free financing.

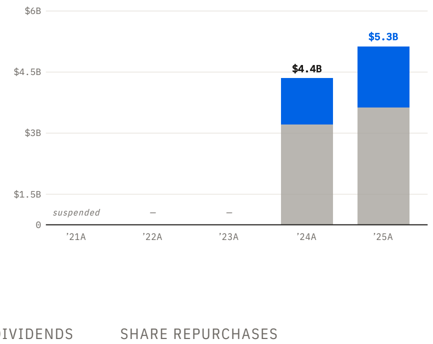
CAPITAL RETURN — DIVIDEND REINSTATED, BUYBACKS BACK

Management suspended the dividend during COVID and didn't reinstate it until FY24 at **$0.75/sh**. FY25 stepped up to **$1.00/sh** — a signal that management is confident the earnings recovery has legs. Yield **0.98%**, payout ratio just **14.7%,** both well below pre-pandemic (25–30%). Total dividends paid **$1.8B**; combined with buybacks total capital return was **$5.3B (52.6% of FCF)**. Peak CapEx years of **$5.6–7.8B through FY27** will pressure FCF near-term but leave plenty of room for debt paydown, buybacks and strategic investments. The **85% earnings-retention rate × 11.76% ROE** implies a ~10.4% reinvestment rate — Disney can grow book equity roughly that much annually just by redeploying retained earnings.

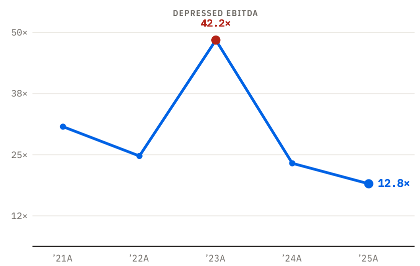
IMPLICATIONS — CASH FLOW AS STRATEGIC LEVER

The broader read is that Disney's cash-flow engine has re-rated. Four years ago OCF / net income was **2.19×** with negative tangible book value of **–$38B**; in FY25 the ratio normalises to **1.35×** and TBV improves to **–$4B**. Even through a doubling of CapEx intensity, **~$10B of free cash** after dividends leaves meaningful optionality — debt paydown, opportunistic buybacks, or strategic M&A. For a multi-year thesis, the durability of this cash conversion is the single most important signal; if FY26–27 prints consistent with the trajectory here, the market's persistent multiple discount vs. streaming-native peers should begin to compress.

G1 CAPITAL RETURNED · BUYBACKS REINSTATED IN FY24

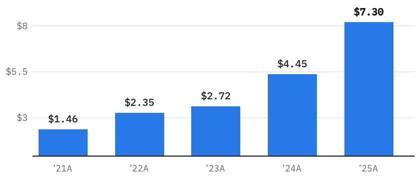


G2 TRAILING EV / EBITDA · 42× (FY23) → 12.8× (FY25)

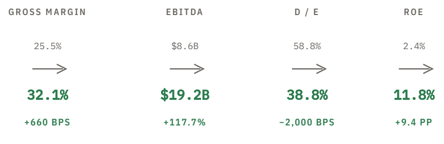


FY23 peak reflects depressed EBITDA, not stretched valuation — current multiples are normalised.

G3 NORMALISED EPS · $1.46 → $7.30 (5.0× IN 4 YEARS)



G4 FIVE-YEAR TRANSFORMATION · AT A GLANCE



FY21A → FY25A · a genuine financial turnaround

PART III · VALUATION CONTEXT & CONCLUSION

EV/EBITDA 12.8×; FCF Yield 4.9%.

MARKET CAP	EV / EBITDA	P / E (DILUTED)	FCF YIELD
$204B	12.8×	19.5×	4.9%

FY25 market cap **$204B** (~**$112/sh** on 1.82B shares). EV = market cap + **$42.2B debt** + **$4.7B minority** − **$5.7B cash** = **$245B → 12.8× trailing EBITDA** ($19.2B), **19.5× P/E** on $6.85 EPS. Much lower than FY23's **42.2× EV/EBITDA** and **160×+ P/E** — a reflection of how depressed FY23 earnings were, not how cheap DIS is now.

BOOK VALUE & INTANGIBLE PREMIUM

Book value per share comes in at about **$60.33** ($109.9B common equity / 1.82B shares), putting **P/B at 1.86×**. Tangible book value per share is negative at roughly **−$2.21**, a reminder that Disney's balance sheet is dominated by goodwill and intangibles from the Fox deal. The market is effectively placing a premium on Disney's intangible franchise value — the content library, the brand, the park IP and the sports rights — which is entirely reasonable given the quality and durability of those assets. With **$10.1B** in annual FCF and management guiding toward higher Experiences CapEx, the valuation framework increasingly centres on **FCF yield (~4.9%)** and the long-term optionality in streaming. The minority interest balance fell from **$13.7B to $4.7B** as the Hulu stake consolidation in FY24 simplified the equity structure.

CAPITAL ALLOCATION — BUYBACKS & RETENTION

Buybacks have been the bigger story. Disney repurchased **$3.5B of stock in FY25** and **$3.0B in FY24**, having done **zero buybacks FY21–FY23** while focused on paying down Fox-related debt. Combined with dividends, total capital returned was **$5.3B in FY25**, or **52.6% of FCF**. Share count dynamics are a bit noisy: outstanding shares moved from **1,781M to 1,821M** (new issuances for compensation offset partially by 79M treasury), while diluted shares for EPS purposes slipped from **1,828M to 1,811M**. The **85% earnings retention rate × 11.76% ROE** gives a reinvestment rate of **~10.4%** — Disney can grow book equity at roughly 10% annually from retained earnings alone.

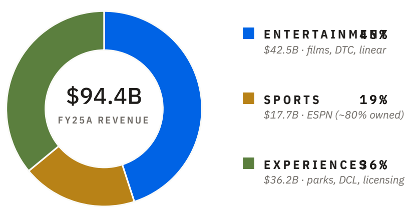
CONCLUSION — STRONGER EXIT, REAL RISKS REMAIN

Disney's financial trajectory from FY21 to FY25 is, by any measure, a remarkable turnaround. **Gross margins expanded 660 bps. EBITDA nearly doubled. D/E was cut from 58.8% to 38.8%. Shareholder returns were restored after years of suspension.** The company came through one of the toughest periods in its century-long history in significantly stronger shape than it entered. That said, real risks remain. The **CapEx ramp ($8.0B heading higher)** is the price of competing in Experiences — aggressive spending must translate into sufficient returns, or the payoff period stretches uncomfortably. The **FY25 tax benefit is unlikely to repeat**, pressuring near-term net income. **Streaming competition is intensifying**, and the structural decline in linear TV is accelerating. Still, normalised EPS from **$1.46 to $7.30** — a five-fold increase — is perhaps the single best measure of how far this business has come.

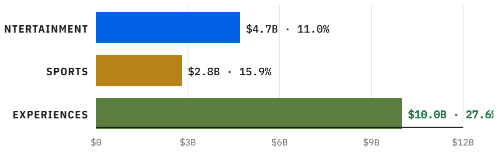
WHAT CLOSES THE GAP TO TARGET

The bridge from **$106.29 (close) to $106.96 (target)** is thin at 0.63%, and our HOLD rating reflects that the current price already reflects most of the good news. Three catalysts could close a wider gap: (1) ESPN DTC execution — a successful 2026 launch with ARPU premiums could reset Sports into a secular grower rather than a mature segment; (2) cruise yield on the Adventure + Destiny step-up — if Disney prices into the **65% capacity jump** without material discounting, operating margin in Experiences could expand beyond our **31.3% FY30E** estimate; (3) content-slate conversion to merchandise / licensing — Toy Story 5 (FY26) and Frozen 3 (FY27) peak years provide a natural test. Absent these, mean-reversion on streaming competition and linear erosion keeps the thesis range-bound.

G1 FY25A SEGMENT REVENUE MIX · $94.4B

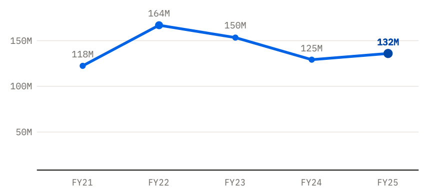


G2 FY25A OPERATING PROFIT · EXPERIENCES LEADS



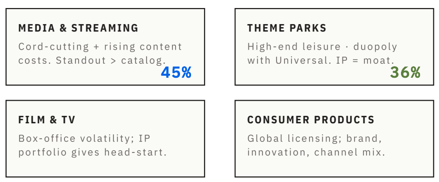
*Experiences contributes **~58%** of company operating profit — the profit engine that funds the portfolio.*

G3 DISNEY+ SUBSCRIBERS · 132M AS OF SEPT 2025



Post-Netflix peak; subscribers now stabilising as ARPU becomes the key lever.

G4 INDUSTRY FOOTPRINT · FOUR COMPETITIVE THEATRES



PART IV · BUSINESS DESCRIPTION & INDUSTRY

Three Segments; Experiences Does the Work.

REVENUE FY25	SEGMENTS	DISNEY+ SUBS	EXP. OP SHARE
$94.4B	3	132M	~58%

Disney entertains, informs and inspires through storytelling — reflecting iconic brands and innovative technology to be the world's leading entertainment company. Three core segments, each distinct in economics, capital intensity and competitive dynamics.

DISNEY ENTERTAINMENT — STUDIOS, LINEAR & DTC

Global film/TV content development, distribution and streaming — studios + networks + DTC. Revenue grew **$40.64B (FY23) → $42.47B (FY25)**; operating margin rose **3.6% → 11.0%** on reduced streaming losses and improved monetisation. Disney+ had **~132M paying subs** as of late September 2025.

SPORTS · ESPN — STABLE PROFIT ENGINE

Disney owns **~80% of ESPN** — a multi-platform brand across TV, app, web and audio. Revenue **$17.11B (FY23) → $17.67B (FY25)**; operating income locked **$2.4–2.9B** at **13.7–16.3% margin**. Stability comes from advertisers wanting live-sports audiences + affiliate fees paid regardless of viewership.

DISNEY EXPERIENCES — THE CASH ENGINE

This is where the stories stop being something you just watch. Theme parks and resorts let you walk into them. Cruise and vacation packages let you live inside them for a while. Consumer products — toys, clothes, books, video games — let you carry a piece of them home. The numbers here are hard to ignore: **operating profit hit $9.995B in FY25**, more than half of everything the entire company posts operating-profit-wise. It is the engine that funds new projects and dividends — drawing on park admissions, resorts, cruise, merchandise and OLC royalties rather than Hollywood tentpoles.

INDUSTRY & COMPETITIVE LANDSCAPE

Disney operates in several industries at once — media and streaming (old cable fading, competition intensifying, differentiation the key), experiential theme parks (high-end leisure requiring constant reinvention and brand trust), film and television production (cost inflation, volatile box office, IP-as-moat), and consumer products & licensing (brutally competitive; reliant on brand, innovation and channel management). **Rivalry** is strong: media peers Netflix, Warner Bros., Paramount+ fight for share; theme parks present a duopoly with Comcast's Universal competing on IP rather than price; in sports, ESPN faces Fox Sports and CBS Sports. **Entrant threat is moderate**: streaming barriers are high (**$30B+ annual content spend**, scale, complexity) but Apple and Amazon remain credible threats; theme-park entry is near-impossible given capital, land, cycle time and IP requirements.

MOAT ARCHITECTURE — WHY SEGMENTS REINFORCE EACH OTHER

Disney's flywheel operates across segments in a way that competitors cannot replicate. A Marvel theatrical release drives Disney+ subscriber adds and retention, extends park attendance on Avengers Campus in Anaheim and Paris, lifts merchandise licensing, and provides ESPN adjacencies on college-football weekends. A Frozen 3 release in FY27 feeds into park attractions, cruise-ship programming, and a licensing bump with CPI + 4–5% content multiplier. This cross-subsidisation is the structural advantage over pure-play streamers (Netflix lacks parks), pure-play parks (Universal lacks the IP depth), and pure-play sports (ESPN plus a studio slate is unique among majors).

POSITIONING VS PEERS

At **$187B market cap** and **~11× EV/EBITDA**, Disney sits #2 in the peer cohort behind Netflix ($258B, 22.5×) and ahead of Comcast ($147B, 5.9×), Warner Bros. Discovery ($23B, 11.8×), Fox ($22.5B, 8.3×) and AMC Networks ($0.5B, 14.8×). The multiple premium to linear-heavy peers reflects the segment mix — **~58% of operating profit from Experiences** earns Disney a growth-asset multiple that pure linear operators cannot touch.

G1 VALUE / SHARE · WACC × LONG-TERM GROWTH

	g 0.83%	g 1.83%	g 2.83%	g 3.83%	g 4.83%
WACC 7.43%	109.82	129.37	157.41	201.03	278.20
WACC 8.43%	91.41	105.29	124.13	151.15	193.18
WACC 9.43%	77.31	87.58	100.96	119.12	145.16
WACC 10.43%	66.18	74.02	83.92	96.82	114.32
WACC 11.43%	57.17	63.30	70.86	80.41	92.86

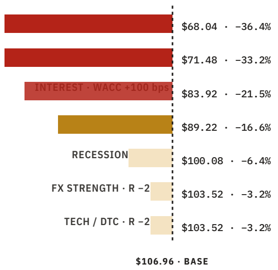
*Base case WACC 9.43%, g 2.83% → $100.96/share (inner cell). 100 bps WACC lift at base g trims value to **$83.92 (−21.5%)**.*

G2 VALUE / SHARE · REVENUE SHOCK × COST SHOCK

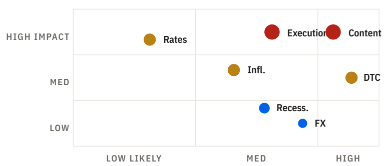
	Cost +5%	Cost +2.5%	Cost 0	Cost −2.5%	Cost −5%
Rev −5%	64.60	82.34	100.08	117.83	135.57
Rev −2.5%	68.04	85.78	103.52	121.27	139.01
Rev 0	71.48	89.22	106.96	124.71	142.45
Rev +2.5%	74.92	92.66	110.40	128.15	145.89
Rev +5%	78.36	96.10	113.84	131.59	149.33

*Base cell $106.96 (highlighted). Combined adverse shock (Rev −5%, Cost +5%) lands at **$64.60 (−39.6%)**.*

G3 RISK SCENARIOS · DOWNSIDE FROM $106.96 BASE



G4 RISK MATRIX · LIKELIHOOD × IMPACT



PART V · INVESTMENT RISK

Execution & Content the Binding Tails.

BASE VALUE	WORST CASE	WACC Δ (100 BPS)	EXEC STRESS
$106.96	−39.6%	−21.5%	−33.2%

INTEREST RATE & INFLATION

Persistently high rates raise Disney's cost of capital and squeeze margins simultaneously. A **100 bps WACC lift from 9.43% to 10.43%** at base g = 2.83% drops target price to **$83.92 (−21.5%)**. Separately, a **2.5% cost rise with revenue flat** drives value to **$89.22 (−16.6%)**. If both materialise, the compound hit is far worse. *Mitigation:* fixed-rate long-term debt and interest-rate swaps limit pass-through; Disney's brand strength enables dynamic pricing that offsets input inflation.

FX & TECH TRANSITION

A persistently strong USD directly threatens international theme parks and overseas streaming revenues — a **2.5% structural revenue drop** (costs flat) trims value to **$103.52 (−3.2%)**. The same magnitude emerges if streaming transition disappoints: intense competition and churn leaving DTC unable to offset Linear declines. *Mitigation:* forward contracts and cross-currency swaps hedge FX; advertising-system investment offsets structural linear ad/affiliate erosion.

MACRO · RECESSION SENSITIVITY

A global recession would force sharp cutbacks in leisure and travel spending, hitting parks and cruises with high fixed-cost operating leverage. A **5% drop in consolidated revenue** (costs unchanged) drives value to **$100.08 (−6.4%)**. *Mitigation:* bundle strategy — Disney+/Hulu/ESPN packaging — raises perceived value and lowers churn through weak consumer periods.

EXECUTION & CONTENT — THE BINDING TAILS

Real downside lives here. Large projects (cruise ships, park expansions) risk delays and cost overruns. Poor execution pushing **costs +5%** drops value to **$71.48 (−33.2%)**. Labour strikes or box-office flops trigger content impairments: **Rev −2.5%, Cost +5%** lands at **$68.04 (−36.4%)**. *Mitigation:* phased programmes, strict cost controls; **~$10B FCF** means liquidity isn't binding. Content risk tempered by franchise IP (Marvel, Star Wars, Pixar) — higher audience predictability than unproven IP.

READ ON COMBINED STRESS

The heatmaps make the compounding effect explicit. The **worst co-occurrence** in the revenue × cost grid (Rev −5%, Cost +5%) lands at **$64.60 (−39.6%)**; the worst cell in the WACC × g grid (WACC 11.43% / g 0.83%) hits **$57.17 (−46.5%)**. These are high-conviction tail scenarios — used to calibrate the **HOLD** recommendation rather than serve as base-case forecasts.

WHAT WE MONITOR TO RE-RISK

The base case assumes (a) WACC remains anchored by the current Rf / β / MRP stack; (b) revenue stays within ±2.5% of forecast through FY27; (c) CapEx rolls as announced. Triggers to revise: a persistent **Fed-Funds backup of 100+ bps** (lifts Rf and CoE), a **box-office miss exceeding 20%** on tentpole slate (content impairment risk), a **cruise-yield disappointment** post-Adventure launch (breaks the capacity thesis), or a **DTC churn spike >15%** as ESPN DTC launches (ARPU dilution). Any two of these co-occurring would materially shift the recommendation.

RISK VS REWARD SUMMARY

Upside from the $106.96 base is modest in the DCF (+0.63%) but stretches to **+12.9%** under SOTP Base, **+65.1%** under SOTP Bull. Downside concentrates in execution and content risk — **−33% to −36%** under plausible stress — with macro scenarios (interest rate, recession) clustering in the **−6% to −22%** range. The asymmetry skews risk-off, which is why we hold rather than buy despite the durable-franchise thesis.

PART VI · ESG · ENVIRONMENTAL & SOCIAL

25 bps ESG Premium · Considered, Not Applied.

SCOPE 1+2 FY24	E-SCORE REFINITIV	FEB-26 SETTLEMENTS	ESG PREMIUM
1.49 Mt	51 (B–)	$276M	25 bps

A **25 bps ESG risk premium** was derived in our bottom-up decomposition (Appendix 9) to reflect governance and social risks. That premium is **considered but not applied** in the working Cost of Equity used in this DCF — the CoE of 10.68% uses a 0-bps ESG loading. The qualitative analysis below still informs our risk framing even when the numerical premium is held out of the base stack.

ENVIRONMENTAL — EXECUTION LAGGING AMBITION

Rating agencies diverge on Disney's environmental profile. Refinitiv allocates **12.6%** weight to environmental factors vs MSCI's **5% materiality model** — an industry-wide belief that social and governance issues dominate financial outcomes for media. Yet Disney's heavy physical asset base (parks, resorts, cruises) makes environmental stewardship a core pillar of long-term resilience. Refinitiv's environmental score slid from **58 (FY22) → 52 (FY23) → 51 (FY24, B–)** — indicating that while a climate strategy exists, consistent execution remains a bottleneck against post-pandemic operational recovery.

DIRECT OPERATIONS — TARGETS & PROGRESS

Target: **net-zero direct operations by 2030**, cutting **Scope 1+2 by 46.2%** vs 2019 (SBTi-validated). Scope 1+2 fell **−13% YoY in FY24 to 1.49 MtCO$_2$e**. Levers: **two 75 MW solar facilities** at Orlando; DCL pivoting to LNG; **58% waste diversion (57k+ tons)**; reclaimed water at **80% of Florida irrigation**. Disney expanded the business while cutting direct emissions.

SCOPE 3 — THE STRUCTURAL CHALLENGE

Despite steady progress on direct emissions, the larger issue is the **value-chain footprint (Scope 3)**. Historical data shows Scope 3 topped **20 MtCO$_2$e in 2019** and persisted above **12 MtCO$_2$e through FY22–23** — overshadowing direct emissions (sub-2 Mt) by nearly **tenfold**. Disney has begun pushing climate accountability upstream, mandating that core suppliers establish SBTi-aligned reduction targets by 2027. The ability to curb these indirect emissions will be pivotal to mitigating environmental risk across the operational ecosystem.

SOCIAL — PROGRESS, BUT LABOUR CONTROVERSIES

The social dimension carries significant weight — **62% in MSCI, 49.7% in LSEG**. In FY23 women made up **51.2% of the global workforce**, with **POC at 46.1%** of the U.S. workforce. On-screen diversity has strengthened: **PoC anchor 52%** of series regular/lead roles (+2.8 pp YoY), **45% of directors** (+3.2 pp) and women comprise **46.3% of writers**. But controversies remain material — two California class-action settlements in **February 2026 totalling $276M** ($233M wage underpayment, $43M gender pay disparity) yielded a **4.4/10 MSCI labour rating**. Mid-level diversity dilution (PoC falling from 45% workforce to 30% management to 25% board) and board-gender regression from **45.5% to 36.4%** indicate worsening diversity at the highest level. Supply-chain exposure to coercive state-sponsored labour-transfer programmes adds reputational overhang and ESG-index-exclusion risk.

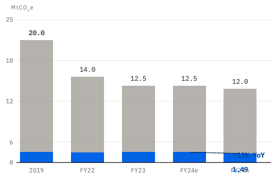
PRODUCT SAFETY & CUSTOMER RESPONSIBILITY

As a heavy-asset operator, Disney's score for Product Safety & Quality stands at a marginal **2.5**, well behind global peers. This low rating reflects insufficient transparency in public safety-risk management and a history of controversies involving guest injuries at theme parks. For a business model where **safety and trust are core to the brand's premium pricing**, persistent safety-management deficiencies could lead to higher insurance premiums, increased legal maintenance costs, and erosion of long-term guest room rates. The premium proposition depends on the operational promise holding up at scale across 12 parks globally.

REPORTING FRAMEWORK — TCFD, SASB, SBTI

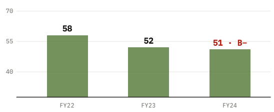
Disney adheres to **TCFD and SASB** frameworks with **Apex independent verification** of greenhouse-gas emissions. Scope 1+2 targets are **SBTi-validated**. The disclosure rigour is a positive outlier in the sector, yet the Refinitiv controversies score has languished at **D– for five consecutive years** — a compliance paradox in which transparency reveals structural issues without necessarily resolving them. The gap between disclosure quality and operational outcomes is what keeps MSCI's social and governance ratings at average despite the paperwork strength.

G1 EMISSIONS · SCOPE 1+2 VS SCOPE 3 (MTCO$_2$E)



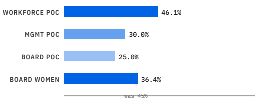
SCOPE 3 (VALUE CHAIN)
SCOPE 1+2 (DIRECT)

G2 REFINITIV E-SCORE · 58 → 51 (B–) OVER THREE YEARS



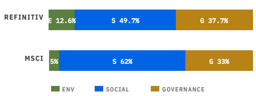
Slide reflects post-pandemic operational recovery outpacing decarbonisation progress.

G3 REPRESENTATION · WORKFORCE, MANAGEMENT, BOARD

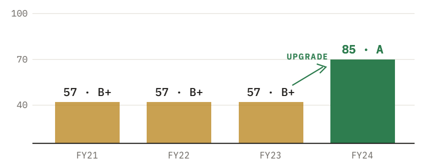


Mid-level diversity dilution + boardroom regression — MSCI flags as material risks.

G4 PILLAR WEIGHTS · REFINITIV VS MSCI FRAMEWORK

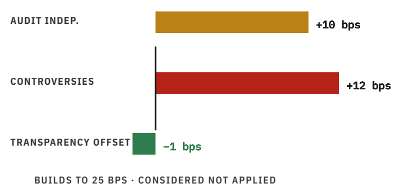


G1 GOVERNANCE SCORE · B+ → A (57 → 85)

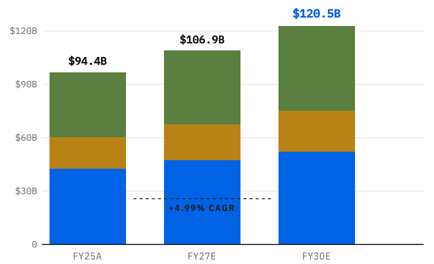


Re-rating on end of C-suite churn · MSCI holds 5.0 (average) on persistent audit-independence flags.

G2 ESG RISK PREMIUM · 25 BPS · THREE DRIVERS

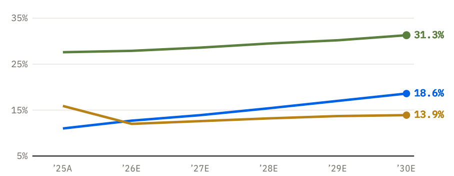


G3 REVENUE BUILD · FY25A → FY30E (4.99% CAGR)



ENTERTAINMENT SPORTS EXPERIENCES

G4 SEGMENT OPERATING MARGIN · FY25A → FY30E



PART VI · ESG GOVERNANCE + APPENDIX 1 / 2

Governance A-Rated; Revenue 4.99% CAGR.

GOV. SCORE FY24	MSCI RATING	REV. CAGR	REV FY30E
85 · A	5.0 avg	4.99%	$120.5B

GOVERNANCE — RE-RATED ON END OF C-SUITE CHURN

The FY24 ESG upgrade was catalysed by a re-rating in Governance (**37.7% weight**), from **B+ (FY21–23) to A in FY24** (**57 → 85**) — the end of management-departure churn. MSCI still holds **5.0 (average)**: impaired audit independence and restricted shareholder rights block a premium. Board female representation slipped from **45.5% to 36.4%**. External auditor PwC has served since **1938 (80+ years)** — MSCI flags institutional-inertia risk.

EXECUTIVE REMUNERATION & IMPLEMENTATION GAP

Disney's Short-Term Incentive Plan explicitly incorporates **decarbonisation (5%)** and **workplace / operational safety (10%)** alongside **Underlying Profit Before Tax (50%)**. Refinitiv recognises this framework as institutionalised accountability, but MSCI's cautious rating highlights a significant implementation gap: the **$276M legal settlements** in February 2026 — addressing wage underpayment and gender pay disparity — suggest current incentives have not yet effectively mitigated structural labour-compliance risk. That sum represents a marginal **~0.3% of market cap**, so financially manageable; the overhang is primarily reputational.

INCORPORATING ESG INTO VALUATION — 25 BPS, HELD

The bottom-up 25 bps ESG premium reflects factors that, while not currently materialising into significant financial distress, represent a persistent risk buffer. In the working Cost of Equity the premium is **held at 0 bps — considered but not applied**. Operating CAPM stack: **rE = Rf 4.29% + β 1.4335 × (MRP 4.23% + CRP 0.231%) = 10.6847%.** Should the risk picture deteriorate — fresh supply-chain or labour incidents, or a widening of the Refinitiv D– controversies floor — we would apply the full 25 bps; at current inputs that would lift WACC **~20 bps** and trim target price commensurately.

REVENUE FORECAST — SEGMENT MIX SHIFT

Total revenues grow **$94.4B → $120.5B** at a **4.99% CAGR** through FY2030. Entertainment rises from **$42.5B to $52.2B** as Linear Networks decline is more than offset by DTC scale-up (**DTC $24.6B → $34.9B**). Sports grows from **$17.7B to $23.0B** on domestic affiliate and advertising, plus ESPN DTC monetisation. Experiences is the biggest contributor in absolute dollars — **$36.2B → $47.3B** — driven by theme-park admissions, resorts/cruise capacity and licensing. On operating margin, Experiences expands from **27.6% to 31.3%**, Entertainment from **11.0% to 18.6%** (DTC profitability inflection), while Sports moderates from **15.9% to 13.9%** on ESPN DTC investment.

ADJUSTED EBIT BUILD — PATH TO $24B BY FY30E

Segment-level EBIT rolls from **$17.5B (FY25A) to $27.7B (FY30E)**. After deducting Corporate & Unallocated TFCF / Hulu intangible amortisation (declining from **$1.92B to $1.50B** as intangibles amortise) and eliminations (**~$1.7–2.0B/yr**), **Adjusted EBIT** scales from **$14.1B to $24.2B** — a **~11.4% CAGR**, well above the 4.99% revenue CAGR because of operating-margin expansion. This operating-leverage effect is the fundamental reason the DCF clears the current price: revenue growth alone would not support the target; mix-shift and margin discipline carry the rest.

GOVERNANCE MONITORING LOOP

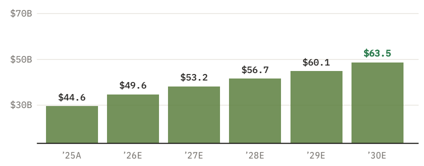
Governance triggers we monitor: (1) PwC audit-relationship change or restatement risk; (2) widening of Refinitiv's **D– controversies floor**; (3) any fresh labour or supply-chain incident above **$100M**; (4) material board-composition regression below **30% female** representation. Each would push us to apply the held 25 bps ESG premium to the working CoE — adding **~20 bps to WACC** and trimming target **~3–4%**.

PART VII · APPENDICES 3–4 · D&A, CAPEX & FCFF

DCF Machinery — $106.96 / Share.

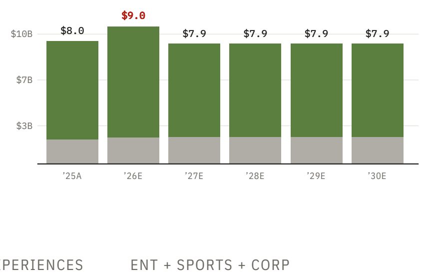
WACC	TERMINAL G	ENTERPRISE VALUE	VALUE / SHARE
9.27%	3.00%	$234B	$106.96

G1 NET PP&E · $44.6B → $63.5B BY FY30E

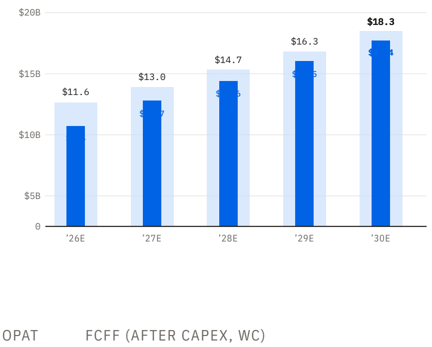


*Experiences D&A pegged at **6.95%** of beginning Net PP&E — captures the $60B investment plan as it rolls through depreciation.*

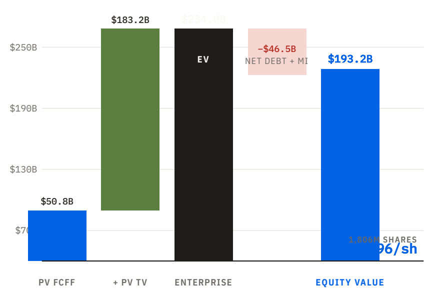
G2 CAPEX ROLL · EXPERIENCES VS OTHERS



G3 FCFF PROGRESSION · $9.4B → $17.4B (FY30E)



G4 EV → EQUITY VALUE PER SHARE · $106.96



*TV drives **78%** of EV — terminal sensitivity matters; g = 3.00% anchored below GDP.*

PP&E & D&A SCHEDULE

Gross PP&E rolls from **$93.5B (FY25A) to $134.0B (FY30E)**, lifting net PP&E to **$63.5B** as the $60B Experiences plan deploys. Experiences D&A is modelled at a steady **6.95% of beginning net PP&E** — the three-year historical average — and grows from **$2.8B to $4.2B**. Entertainment + Sports D&A uses the three-year historical average at **~$2.5B declining to $2.3B** as Fox-era intangibles roll off. TFCF and Hulu intangible amortisation follows Disney's disclosed schedule: **$1,467M FY25 → $510M FY30**. Total D&A: **$5.3B → $6.5B**.

CAPEX SCHEDULE

Total CapEx peaks in **FY26E at $9.0B**, then settles at **$7.86B/yr through FY30E**. Experiences represents the bulk: **$6.4B (FY25A) → $7.2B (FY26E) → $6.1B (FY27E+)**. For segments excluding Experiences, we average the past three years as the baseline for maintenance CapEx — **$1.76B/yr**. Annual total CapEx is the aggregate of stable maintenance from other segments and the specific multi-year Experiences investment plan.

FCFF CALCULATION & DISCOUNTING

Adjusted EBIT rolls **$15.3B (FY26E) → $24.2B (FY30E)** — segment EBIT less eliminations and Corporate/TFCF/Hulu intangibles. At **24.47% tax**, NOPAT compounds **$11.6B → $18.3B**. Adding D&A and deducting CapEx and WC yields **FCFF $9.4B → $17.4B**. Discounting at **WACC 9.2727%**, explicit PVs sum to **$50.8B**. Terminal value **$285.4B** at g = 3.00% discounts to **$183.2B — ~78% of EV**, typical for durable compounders.

EQUITY VALUE BRIDGE

Enterprise Value: **$234.0B**. Less total debt ($46.6B) plus cash ($5.7B) yields **Net Debt of $40.9B**; less minority interest ($5.5B); no preferred stock. **Equity Value: $193.2B**. Divided by **1,806M shares outstanding**, intrinsic value lands at **$106.96/sh** versus the **$106.29 close on 17 April 2026** — a slight **+0.63% upside**, supporting the **HOLD** recommendation.

KEY ASSUMPTIONS RECAP

WACC 9.2727% — Rf 4.29% + β 1.4335 × (MRP 4.23% + CRP 0.231%) = 10.68% CoE, 3.67% after-tax CoD, weighted 79.87% / 20.13%.

Terminal g 3.00% — aligned with long-term U.S. nominal GDP; deliberately below 4.99% explicit CAGR to prevent terminal dominance.

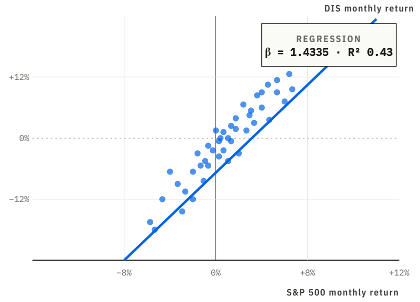
Tax rate 24.47% — mid-cycle normalisation; FY25 actual negative rate treated as non-recurring.

Shares 1,806M — post treasury; reflects FY25 buyback cadence normalising.

SENSITIVITY & MARGIN OF ERROR

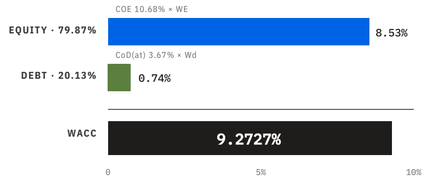
The DCF is most sensitive to WACC and terminal g. A **100 bps WACC lift** at base g trims target to **$83.92 (–21.5%)**; **+100 bps on g** lifts it to **$119.12 (+11.4%)**. The model is less sensitive to explicit-window revenue shocks than to the terminal stack: a **2.5% revenue miss** with costs flat drives value to **$103.52 (–3.2%)**. This asymmetry — far greater downside from discount-rate moves than revenue misses — is why the WACC build (Page 07 / 17) is the single most important input in the report. We triangulate via SOTP (Page 21) to bound multiple risk.

G1 B REGRESSION · DIS VS S&P (60 OBS, R^2 = 0.43)

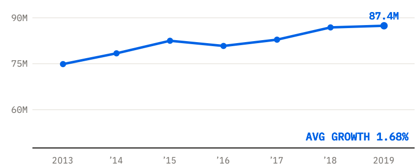


5-year monthly regression, 60 observations. February 2026 partial month excluded.

G2 WACC RECONCILIATION · 8.53 + 0.74 = 9.27%

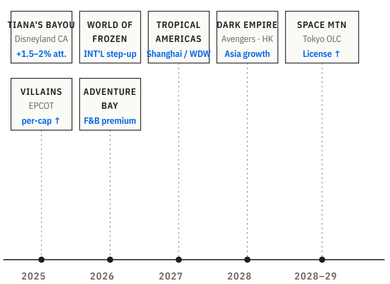


G3 DOMESTIC PARK ATTENDANCE · 2013 → 2019 (M)



*Ex-pandemic 2016–2019 average: **1.68%** YoY — anchor for forward attendance assumptions.*

G4 PARK LAUNCH PIPELINE · NEXT 5 YEARS



PART VII · APPENDICES 5 – 7 · COE / COD / EXPERIENCE

CAPM: Rf 4.29 + β 1.4335 × MRP 4.23.

COST OF EQUITY	AFTER-TAX COD	TAX (3-YR AVG)	WACC
10.68%	3.67%	24.47%	9.27%

APPENDIX 5 — COST OF EQUITY VIA CAPM

Rf = **10-yr Treasury 4.29%**. Beta from 5-yr monthly regression vs S&P — **β = 1.4335, R² 0.430, n = 60**. Damodaran Implied ERP **4.23%** + **0.231% CRP**. **25 bps ESG premium** held at zero (Appendix 9). CoE: **4.29% + 1.4335 × (4.23% + 0.231%) = 10.6847%**.

APPENDIX 6 — COST OF DEBT VIA CORPORATE BOND YTM

Pre-tax CoD equals YTM on representative long-dated Disney bond **DIS4911247 (maturity 15 December 2035)** — last traded **2 February 2026** at a YTM of **4.86%**. Its maturity aligns with the 10-year Treasury horizon and approximates Disney's current marginal issue cost. Applying the **3-year average effective tax rate of 24.4667%** (federal 21.00% + state 2.40% FY25 / 2.20% FY24 / 5.80% FY23 net) gives after-tax CoD of **3.67%**. *Source: FINRA bond data for DIS4911247.*

WACC RECONCILIATION

Capital structure weights: **Equity 79.87% / Debt 20.13%**. Contribution: Equity 79.87% × 10.6847% = **8.5346%**; Debt 20.13% × 3.6709% = **0.7390%**. **WACC = 9.2727%** — used as the single forecast discount rate across the explicit 5-year window and for terminal-value discounting.

APPENDIX 7 — ATTENDANCE BASELINE

Per AECOM's Theme Index, 2019 domestic attendance totalled **87.4M** across the six domestic parks — Magic Kingdom **21.0M**, Epcot **12.4M**, Hollywood Studios **11.5M**, Animal Kingdom **13.9M**, Disneyland **18.7M**, CA Adventure **9.9M**. Ex-pandemic 2016–2019 growth averaged **1.68%** — our anchor for forward attendance modelling (domestic **+1.0–1.5%**, international **+1–2%**). The pipeline supports this trajectory: Tiana's Bayou & Villains (2025), World of Frozen + Adventure Bay (2026), Tropical Americas at Shanghai/WDW (2027), Dark Empire at HKDL (2028) and a new Space Mountain at Tokyo DR (2028–29).

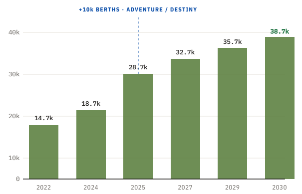
WHY WE HOLD ESG AT 0 BPS IN THE WORKING CAPM

A bottom-up **25 bps ESG risk premium** is derived in Appendix 9 but held at zero in the working CAPM — the **CoE of 10.6847%** uses 0 bps ESG loading. The rationale: applying a premium that the market may already reflect (via DIS's 12.8× EV/EBITDA vs peer 18.5× average) risks double-counting. Market data doesn't show a material ESG discount priced into DIS today, so the premium functions as a monitored overlay rather than a live discount. If any of the trigger signals materialise (fresh labour settlement, supply-chain flag, audit change, controversies-floor widening), we would apply the 25 bps — lifting WACC to **~9.47%** and trimming target by **~3–4%** to **~$103.3**.

CLOSING — INPUTS ARE MARKET-OBSERVABLE

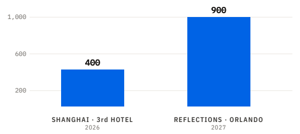
The strength of the WACC build here is that every input is independently observable: Rf from FRED DGS10, β from a 60-observation regression, MRP from Damodaran's published Implied ERP, CoD from a traded DIS corporate bond. The composite **9.2727%** sits close to the cost of capital embedded in DIS's trading multiple, so the DCF result should not be viewed as aggressive relative to the market's implied view.

G1 DISNEY CRUISE LINE CAPACITY · +65% BY FY30E

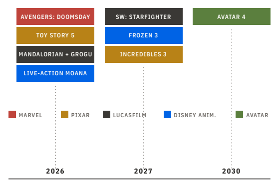


Step-ups in 2025 (Destiny Nov + Adventure Dec) + Wish-class ship 2027 drive the headline +65%.

G2 HOTEL COMPLETION · +1,300 ROOMS (2026 – 2027)

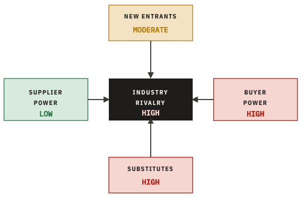


G3 DISNEY FILM PIPELINE · NEXT 5 YEARS



*Peak slate years: **FY26 (Toy Story 5)** and **FY27 (Frozen 3)** — 4–5% merchandise licensing multiplier.*

G4 PORTER'S FIVE FORCES · SUMMARY DIAGRAM



PART VII · APPENDICES 7 & 8 · EXPERIENCE + FORCES

Capacity Steps Drive FY26–FY27 Inflection.

CRUISE CAPACITY Δ	NEW HOTEL ROOMS	TENTPOLE SLATE	PORTER SCORE
+65%	+1,300	8 titles	Mixed

CRUISE LINE — THE CAPACITY STORY

DCL expanded from two 2,700-berth ships (Magic/Wonder, 1998–99) to four 4,000-berth ships through 2022 (Dream, Fantasy, Wish). **Treasure launched 2024**; major FY26 step-up with **Destiny (Nov 2025, 4,000 berths) + Adventure (Dec 2025, 6,000 berths, Global class)**. Pipeline adds an unnamed Wish-class ship (2027) and two 3,000-berth ships (2029, 2030) — total DCL capacity **~14.7k berths (2022) → ~38.7k (2030)**, with **+65%** in FY26–27.

HOTEL COMPLETION — INVENTORY FOR LENGTH-OF-STAY

Two hotel projects complete during the forecast window: **Shanghai Disney's third hotel (400 rooms, 2026)** supporting international resort revenue, and **Reflections in Orlando (900 rooms, 2027)** anchoring domestic hotel growth. Combined **1,300 rooms** add material inventory supporting the Resorts & Vacations revenue build at 3.0% net yield growth.

FILM PIPELINE — PEAK YEARS FY26, FY27

FY2026: Avengers: Doomsday (Marvel), Toy Story 5 (Pixar), The Mandalorian & Grogu (Lucasfilm), live-action Moana (Disney). **FY2027**: Star Wars: Starfighter, Frozen 3, Incredibles 3. **FY2030**: Avatar 4. These peak content years drive the **4–5% merchandise licensing multiplier**, with Toy Story 5 anchoring FY26 and Frozen 3 anchoring FY27. Off-peak years default to CPI-linked licensing growth.

APPENDIX 8 — PORTER'S FIVE FORCES SUMMARY

Disney operates in a **highly competitive, low-switching-cost environment with significant threats from substitutes**. The Five Forces net out as: **Threat of New Entrants — Moderate** (huge content and park capex barriers, but credible threat from Apple / Amazon in streaming); **Industry Rivalry — High** (Netflix, Warner Bros., Paramount+, Universal, Fox Sports); **Supplier Power — Low** (Disney's procurement scale dominates, even if top talent and sports leagues retain some leverage); **Buyer Power — High** (near-zero streaming switching costs, price-sensitive park tourists, advertisers with leverage in weak macros); **Threat of Substitutes — High** (short-form video, gaming, home-entertainment systems, beaches, cruises). Disney's moat rests on its **unmatched IP portfolio, vertical integration, and brand strength.** While rivalry and buyer power pressure margins, the ability to monetise content across theatrical, streaming and parks mitigates these forces and supports long-term value creation.

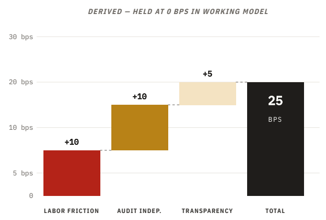
CROSS-REFERENCE — PIPELINE TO MODEL LINKAGE

Each pipeline item flows directly into a line item in the forecast. **Cruise Adventure (Dec 2025)** and **Destiny (Nov 2025)** drive the **Resort & Vacations FY26 step-up (+61% YoY)** in the cruise component. The **Wish-class ship (2027)** drives the second inflection in FY27. **Shanghai's third hotel (2026)** and **Reflections Orlando (2027)** add room inventory underpinning hotel RevPAR. **Toy Story 5 (2026)** and **Frozen 3 (2027)** are the peak-year merchandise licensing multipliers at **4–5%**. Each linkage is explicit in the revenue-build spreadsheet.

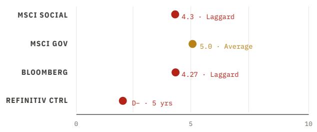
READ-THROUGH — WHY THE PIPELINE MATTERS

This is the single cleanest planning window Disney has had in a decade. Almost every segment has named, calendared catalysts that hit between FY26 and FY28. If the model's operating assumptions hold against this pipeline, the **5.49% Experiences CAGR** becomes the floor not the ceiling — and the DCF clears its target with margin to spare. The execution risk (Page 13) is real, but the strategic scaffolding is unusually concrete for a company this size.

G1 BOTTOM-UP BUILD · 25 BPS RESIDUAL PREMIUM

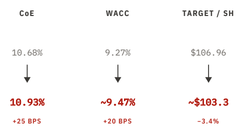


G2 AGENCY SIGNALS · MSCI / REFINITIV / BLOOMBERG

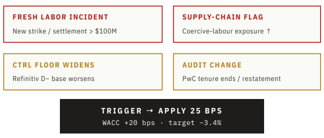


Agencies agree on weakness in social + controversies; governance straddles mid-range.

G3 IF APPLIED · WACC RISES ~20 BPS, TARGET −3.4%



G4 RE-APPLY TRIGGERS · MONITORED SIGNALS



PART VII · APPENDIX 9 · ESG RISK PREMIUM DECOMPOSITION

25 bps Derived — Considered, Not Applied.

LABOR FRICTION	AUDIT INDEPENDENCE	TRANSPARENCY	TOTAL (HELD)
10 bps	10 bps	5 bps	25 bps

The 25 bps premium is **derived but not applied**. CoE in Appendix 5 uses 0-bps ESG loading; this 25 bps remains a supervisory flag, re-introduced if governance or controversies deteriorate. The decomposition below explains what the 25 bps represents.

LABOR FRICTION RISK — 10 BPS

The **$276M California settlement** (February 2026) for wage underpayment and gender pay disparity represents approximately **0.3% of market cap (~$90B)**. As a resolved non-recurring event, it warrants only a modest **10 bps buffer** for residual reputational risk. The supporting evidence is weak on social metrics: **MSCI Social 4.3**, **Bloomberg Social 2.33** — both flag laggard status, persistent enough that investors could demand a structural hedge even after the cash settlement closes.

AUDIT INDEPENDENCE RISK — 10 BPS

PwC's **80-year auditor tenure (since 1938)** is a governance outlier. While the risk of immediate oversight failure is mitigated by strong formal policies (Refinitiv: A rating on governance), **10 bps reflects a conservative premium for long-term independence erosion**. MSCI holds governance at **5.0 (average)** with Refinitiv flagging high governance friction — the combination justifies a symmetrical premium to the labour category.

TRANSPARENCY CALIBRATION — 5 BPS

Industry-leading disclosure per Bloomberg metrics (average score 4.27) significantly **reduces the uncertainty discount** typically associated with information asymmetry. The **5 bps adjustment** accounts for latent execution gaps confirmed by the **D– controversies score** that has persisted for five years — a compliance paradox where transparent reporting reveals structural issues without necessarily resolving them. The calibration acknowledges identified vulnerabilities without over-penalising the firm's superior reporting standards.

IMPACT IF APPLIED — TARGET COMPRESSES 3–4%

Applying the full 25 bps raises Cost of Equity from **10.6847% to 10.9347%**; WACC rises from **9.2727% to approximately 9.47%** (**~20 bps**). At constant other inputs this compresses the per-share target by **roughly 3–4%** — from **$106.96 to approximately $103.3**. We elect to leave the premium out of the working DCF until one of the trigger signals materialises: a fresh labour settlement, supply-chain flag, widening of the Refinitiv D– floor, or a change in audit relationship. Until then, the premium functions as a monitored supervisory overlay rather than a priced-in discount.

WHY HOLD AT ZERO

Applying a premium that might turn out to be "already in the price" — particularly when market data (DIS trades at 12.8× EV/EBITDA, P/B 1.86×) suggests the market has not materially discounted Disney for ESG — would risk double-counting. The working DCF uses observable inputs (Rf, β, MRP, CRP) that the market already reflects; ESG stays outside the base stack until triggered.

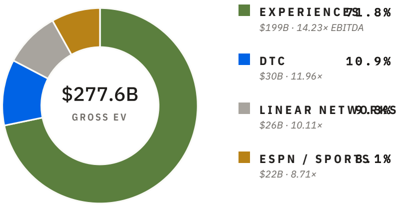
DISCLOSURE PARADOX

Disney's **industry-leading reporting** under TCFD / SASB / SBTi creates an unusual pattern — the very transparency that MSCI and Refinitiv praise simultaneously reveals structural issues that keep the controversies score at **D– for five years running**. In practice this means the premium represents reputational risk from documented-but-unresolved issues rather than from hidden or emerging risks. The **$276M February 2026 settlement** is the clearest example: fully disclosed, booked, resolved — yet still a persistent drag on social ratings. We view this as a durable state, hence the hold rather than full application.

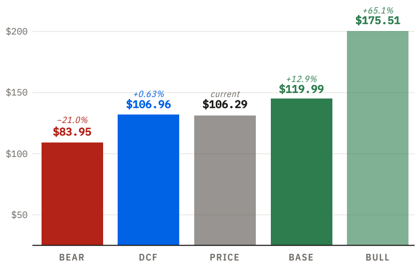
READ-THROUGH — WHEN WE'D APPLY THE FULL 25 BPS

Four clear triggers: (1) a fresh labour settlement above **$100M**; (2) a formal ESG-index exclusion from MSCI or FTSE4Good; (3) a downgrade in governance rating at Refinitiv from **A to B+ or below**; (4) any restatement of prior-period financials tied to audit independence. Any one of these would flip the premium from documented to applied. Absent these, the 25 bps is kept as a watch-list item with quarterly review alongside the regular DCF refresh.

G1 GROSS SEGMENT EV · $277.6B (NTM FY26E)

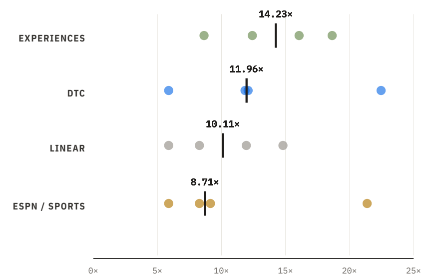


G2 SOTP SCENARIOS · BEAR / BASE / BULL PER SHARE



SOTP Base ($119.99) sits above DCF ($106.96) — market multiples give segment-level scarcity credit the explicit CF build does not fully capitalise.

G3 PEER EV/EBITDA BY SEGMENT · MEDIAN ANCHORS



Dots = peers; vertical tick = median used in Base case. Wide DTC/ESPN ranges drive scenario width.

G4 SOTP SENSITIVITY · DTC × EXPERIENCES MULT.

	Exp 10×	12×	14×	16×	18×	20×
DTC 18×	94.2	109.7	125.2	140.7	156.2	171.7
20×	97.5	113.0	128.5	144.0	159.5	175.0
22×	100.8	116.3	131.8	147.3	162.8	178.3
25×	105.8	121.3	136.8	152.3	167.8	183.3
28×	110.7	126.2	141.7	157.2	172.7	188.2
32×	117.3	132.8	148.3	163.8	179.3	194.8
35×	122.3	137.8	153.3	168.8	184.3	199.8

Linear fixed 5.0×, ESPN 9.0×. Colour legend: red < $85 · amber $85–110 · green > $110.

PART VIII · APPENDIX 10 · SOTP CROSS-CHECK

SOTP Base $119.99 — Above DCF.

DCF (PRIMARY)	SOTP BEAR	SOTP BASE	SOTP BULL
$106.96	$83.95	$119.99	$175.51

Cross-check on the **FCFF target of $106.96** via Sum-of-the-Parts (SOTP) — peer-median EV/EBITDA multiples applied segment-by-segment on **NTM FY2026E earnings**. SOTP triangulates the DCF by stress-testing relative-multiple sensitivity.

METHODOLOGY — SEGMENT-BY-SEGMENT BUILD

Segment EBIT (FY26E) from Appendix 2; D&A from Appendix 3; sum → Segment EBITDA. Each segment × peer-median EV/EBITDA → Gross Segment EV. Corporate overhead EBIT capitalised at **8×** and deducted. Net Debt **$40,962M** + Minority **$5,532M** netted; /**1,806M shares** → implied price.

SEGMENT EV BUILD — EXPERIENCES DOMINATES

Experiences: **EBIT $10.9B + D&A $3.1B = EBITDA $14.0B × 14.23× = EV $199.2B** (**71.8%** of Gross Segment EV). DTC Streaming: **EBITDA $2.5B × 11.96× = EV $30.3B (10.9%)**. Linear Networks: **EBITDA $2.5B × 10.11× = EV $25.7B (9.3%)**. ESPN / Sports: **EBITDA $2.6B × 8.71× = EV $22.4B (8.1%)**. **Gross Segment EV: $277.6B**.

BEAR / BASE / BULL BRIDGE

Scenario multiples: Experiences **10× / 14.23× / 18×** (Six Flags low end / peer-median / Marriott-equivalent); DTC **18× / 11.96× / 32×** (base peer-median, bull = Netflix on profitability inflection); Linear **3.5× / 10.11× / 6.5×** (Bear = accelerated cord-cut, Bull = orderly runoff); ESPN **7× / 8.71× / 11×** (Bull = live-sports scarcity premium). After Corporate overhead EV deduction (**$14.4B**) and equity-bridge netting: **Bear $83.95 (−21.0%) / Base $119.99 (+12.9%) / Bull $175.51 (+65.1%)**.

TRIANGULATION — DCF VS SOTP

The **DCF result ($106.96)** sits below the **SOTP Base ($119.99)** — meaning the market-multiple view gives Disney credit for segment-level scarcity (particularly Experiences at 71.8% of Gross EV) that the explicit cash-flow build does not fully capitalise. We retain the DCF as the **primary valuation method** — its explicit treatment of the CapEx ramp, terminal growth and WACC is more defensible through the multi-year investment cycle — and use SOTP to frame the upside / downside envelope on a relative-value basis. The SOTP sensitivity grid (DTC × Experiences) makes the asymmetry explicit: DTC multiple expansion of 6× (from 22× to 28× at Exp 14×) adds about **$10/sh**, while Experiences +4× (from 14× to 18× at DTC 22×) adds **~$31/sh** — Experiences is still the dominant swing factor.

PEER MULTIPLES — WHERE EACH COMPARABLE SITS

The peer anchors deserve a closer look. **Experiences median 14.24×** reflects RCL (12.41×), Marriott (18.64×), Six Flags (8.64×), Oriental Land (16.06×) — a wide range because the segment straddles asset-light licensing and capital-heavy cruise. **DTC median 11.96×** spans Netflix (22.46×), Amazon (12.08×), WBD (11.84×), Comcast (5.88×) — the Netflix premium reflects profitability, the Comcast low reflects linear drag inside the conglomerate. **Linear median 10.11×** averages AMC Networks (14.80×), WBD (11.94×), Fox (8.28×), Comcast (5.88×). **ESPN median 8.71×** comes from Formula One (21.37×), Liberty Media (9.14×), Fox (8.28×), Comcast (5.88×) — the live-sports scarcity is embedded in F1's premium but Disney lacks a directly comparable standalone sports vehicle.

READ ON THE ENVELOPE

The **Bear $83.95 / Base $119.99 / Bull $175.51** envelope is deliberately wide because DTC and Experiences multiples are the primary swing factors. Under Bear assumptions, Linear Networks get a **3.5× multiple** reflecting accelerated cord-cutting — a scenario consistent with faster-than-expected channel-package thinning. Under Bull, DTC hits **32×** on Netflix-comparable profitability, and Experiences **18×** on Marriott-peer margin. Both extremes are defensible given observable peer data. Our **HOLD** recommendation anchors on DCF rather than SOTP Base — that 13% SOTP premium needs execution on the FY26–28 pipeline before we'd upgrade.

I DISCOUNTED CASH FLOW · FY26E–FY30E + TV

USD M · Source: DisneyFCFF.xlsx

LINE ITEM	FY26E	FY27E	FY28E	FY29E	FY30E	TERMINAL
Adjusted EBIT	15,318.35	17,253.63	19,410.77	21,644.36	24,190.27	–
× (1 – Tax 24.47%)			*applied uniformly*			–
NOPAT	**11,570.46**	**13,032.25**	**14,661.60**	**16,348.71**	**18,271.72**	–
Add: Depreciation & Amortisation	5,843.56	6,126.85	6,327.24	6,523.02	6,500.51	–
Gross Cash Flow	**17,414.02**	**19,159.10**	**20,988.84**	**22,871.72**	**24,772.22**	–
Less: Investment in working capital	(963.00)	(441.00)	(447.00)	(452.00)	(468.00)	–
Less: Capital expenditure	9,000.00	7,860.57	7,860.57	7,860.57	7,860.57	–
Total investments	8,037.00	7,419.57	7,413.57	7,408.57	7,392.57	–
Free Cash Flow to the Firm (FCFF)	**9,377.02**	**11,739.53**	**13,575.27**	**15,463.15**	**17,379.65**	**17,901.04**
Discount factor @ WACC 9.2727%	0.9151	0.8375	0.7664	0.7014	0.6419	0.6419
Present Value of FCFF	**8,581.30**	**9,831.67**	**10,404.31**	**10,845.54**	**11,155.33**	**183,174.09**

II WACC BUILD · 9.2727%

App 5 + 6

COST OF EQUITY · CAPM	
Risk-free rate · Rf (10-yr UST)	4.2900%
Beta · 5-yr monthly regression vs S&P	1.4335
Market Risk Premium (Damodaran)	4.2300%
Country Risk Premium	0.2310%
ESG premium (held at 0 bps)	*0.0000%*
Cost of Equity	**10.6847%**
COST OF DEBT · BOND YTM	
Pre-tax CoD · DIS4911247 YTM	4.8600%
Effective tax rate · 3-yr avg	24.4667%
After-tax Cost of Debt	**3.6709%**
WEIGHTED AVERAGE	
Equity weight	79.87%
× CoE 10.6847% = contribution	*8.5346%*
Debt weight	20.13%
× CoD(at) 3.6709% = contribution	*0.7390%*
WACC	**9.2727%**

rE = Rf + β × (MRP + CRP + ESG)
= 4.29% + 1.4335 × (4.23% + 0.231%) = 10.6847%

WACC = wE·rE + wD·rD(1−t)
= 79.87% × 10.6847% + 20.13% × 3.6709% = 9.2727%

Bond last trade 2 Feb 2026 · maturity 15 Dec 2035

III TERMINAL VALUE → EQUITY VALUE / SHARE

App 4

TERMINAL VALUE BUILD	
Terminal growth rate (g)	3.0000%
FCFF · FY2030E	17,379.65
× (1 + g) ÷ (r − g)	× 16.421
Terminal Value (undiscounted)	285,379.46
× Discount factor @ FY2030	× 0.6419
Present Value of Terminal Value	183,174.09
ENTERPRISE VALUE	
PV of FCFF · explicit period	50,818.14
PV of Terminal Value	183,174.09
Enterprise Value	233,992.23
EQUITY BRIDGE	
Less: Total Debt	(46,640)
Add: Cash & equivalents	5,678
= Net Debt	(40,962)
Less: Minority Interest	(5,532)
Less: Preferred Stock	0
Equity Value	193,176.23
÷ Shares outstanding (M)	1,806
Intrinsic Value / Share	**$106.96**
Current price (17 Apr 2026 close)	$106.29
Upside / (Downside) · Recommendation	**+0.63% · HOLD**

TV = $FCFF_{FY31}$ / (WACC − g) = 17,901 / (9.27% − 3.00%) = 285,379

Equity = EV − Net Debt − Minority = 193,176 →

I BEAR / BASE / BULL PER-SHARE BRIDGE · NTM FY26E

USD M · Source: Disney_SOTP_Model.xlsx

LINE ITEM	BEAR	BASE	BULL	SEGMENT EBITDA	MULT. (BASE)
Experiences (Parks, Cruise, Resorts)	139,960	199,163	251,928	13,996	14.23×
DTC Streaming (Disney+, Hulu)	45,627	30,316	81,114	2,534.81	11.96×
Linear Networks (ABC, Disney Ch, Intl)	8,894	25,692	16,518	2,541.22	10.11×
ESPN / Sports	17,990	22,385	28,270	2,570	8.71×
Gross Segment Enterprise Value	**212,471**	**277,556**	**377,830**	**21,642**	**–**
Corporate overhead EBIT	1,796	1,796	1,796	–	8×
Less: Corp overhead EV deduction	(14,368)	(14,368)	(14,368)	–	–
Total Enterprise Value	**198,103**	**263,188**	**363,462**	**–**	**–**
Less: Net Debt	(40,962)	(40,962)	(40,962)	–	–
Less: Minority Interest	(5,532)	(5,532)	(5,532)	–	–
Equity Value	**151,609**	**216,694**	**316,968**	**–**	**–**
÷ Shares outstanding (M)	1,806	1,806	1,806	–	–
Implied Price / Share	**$83.95**	**$119.99**	**$175.51**	–	–

II PEER EV / EBITDA BY SEGMENT

Base anchors

EXPERIENCES	MEDIAN 14.24×
Marriott	18.64×
Oriental Land	16.06×
Royal Caribbean (RCL)	**12.41×**
Six Flags	8.64×

DTC STREAMING	MEDIAN 11.96×
Netflix	22.46×
Amazon	**12.08×**
Warner Bros. Discovery	11.84×
Comcast	5.88×

LINEAR NETWORKS	MEDIAN 10.11×
AMC Networks	14.80×
Warner Bros. Discovery	**11.94×**
Fox Corp	8.28×
Comcast	5.88×

ESPN / SPORTS	MEDIAN 8.71×
Formula One Group	21.37×
Liberty Media	**9.14×**
Fox Corp	8.28×
Comcast	5.88×

III TRIANGULATION & SENSITIVITY

vs $106.29 close

METHOD	IMPLIED PRICE	Δ VS CURRENT
DCF / FCFF (primary)	**$106.96**	**+0.63%**
SOTP Base	$119.99	+12.89%
SOTP Bear	$83.95	−21.02%
SOTP Bull	$175.51	+65.13%

SOTP SENSITIVITY · DTC × EXPERIENCES MULT.

LINEAR 5.0× · ESPN 9.0×

DTC ↓ \ Exp	10×	12×	14×	16×	18×	20×
18.0×	94.20	109.70	125.20	140.70	156.20	171.70
20.0×	97.50	113.00	128.50	144.00	159.50	175.00
22.0×	100.81	116.31	131.80	147.30	162.80	178.30
25.0×	105.76	121.26	136.76	152.26	167.76	183.25
28.0×	110.71	126.21	141.71	157.21	172.71	188.21
32.0×	117.31	132.81	148.31	163.81	179.31	194.81
35.0×	122.26	137.76	153.26	168.76	184.26	199.76

Colour: < $85 · $85–110 · $110–150 · > $150 . DCF result $106.96 triangulates within the Base / Bear envelope; SOTP Base premium (+12.9%) reflects segment-scarcity credit.

I WACC × TERMINAL GROWTH

Implied $/sh

DCF BASE · WACC 9.27% / G 3.00% **$106.96**

WACC ↓ \ g →	0.83%	1.83%	2.83%	3.83%	4.83%
7.43%	109.82	129.37	157.41	201.03	278.20
8.43%	91.41	105.29	124.13	151.15	193.18
9.43%	77.31	87.58	100.96	119.12	145.16
10.43%	66.18	74.02	83.92	96.82	114.32
11.43%	57.17	63.30	70.86	80.41	92.86

Dashed cell (**$100.96**) is nearest grid point to the DCF base — actual base falls between rows. **+100 bps WACC → $83.92 (−21.5%)**; **−100 bps → $124.13 (+16.1%)**.

II REVENUE × COST SHOCK

Implied $/sh

DCF BASE · REV 0 / COST 0 **$106.96**

Rev ↓ \ Cost →	+5%	+2.5%	0	−2.5%	−5%
−5%	64.60	82.34	100.08	117.83	135.57
−2.5%	68.04	85.78	103.52	121.27	139.01
0	71.48	89.22	106.96	124.71	142.45
+2.5%	74.92	92.66	110.40	128.15	145.89
+5%	78.36	96.10	113.84	131.59	149.33

Outlined cell = DCF base. Worst co-occurrence (Rev −5%, Cost +5%) → **$64.60 (−39.6%)**. Colour bands
<$85 **$85 $85–110 $110–130** >$130 .

III DCF RISK SCENARIOS

Ranked · High → Low

MEASURED VS DCF TARGET **$106.96**

RISK	SCENARIO	PRICE	Δ VS BASE
T1 **Content Failure**	Rev −2.5% & Cost +5%	$68.04	**−36.4%**
T1 **Execution / CapEx Overrun**	Cost +5% (Rev flat)	$71.48	**−33.2%**
T2 **Interest-Rate Shock**	WACC +100 bps	$83.92	**−21.5%**
T2 **Cost Inflation**	Cost +2.5% (Rev flat)	$89.22	**−16.6%**
T3 **Global Recession**	Rev −5% (Cost flat)	$100.08	**−6.4%**
T3 **USD Strength**	Rev −2.5% (Cost flat)	$103.52	**−3.2%**
T3 **DTC / Tech Transition**	Rev −2.5% (Cost flat)	$103.52	**−3.2%**

T1 · Tail (content, execution) drives the binding downside. **T2 · Macro** (rates, inflation) is material but hedged. **T3 · Demand** (macro / FX / DTC) produces modest single-digit moves.

IV RELATIVE VALUATION RISK

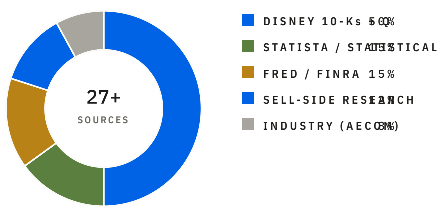
Segment multiple shocks

MEASURED VS SOTP BASE **$119.99**

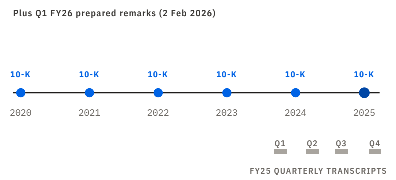
RISK	SCENARIO	PRICE	Δ VS BASE
T1 **Full Bear Re-Rating**	All-segment compression	$83.95	**−30.0%**
T1 **Experiences Peer Floor**	Exp 14.23× → 10× (Six Flags)	$87.20	**−27.3%**
T2 **DTC Peer Compression**	DTC 11.96× → 5× (Comcast)	$110.22	**−8.1%**
T2 **Linear Cord-Cut Accel.**	Linear 10.11× → 3.5×	$110.68	**−7.8%**
T3 **ESPN Scarcity Fades**	Sports 8.71× → 7× (Fox eq.)	$117.55	**−2.0%**
UP **DTC Profit Inflection**	DTC 11.96× → 32× (Netflix)	$148.11	**+23.4%**
UP **Full Bull Re-Rating**	Netflix + Marriott peers	$175.51	**+46.3%**

Experiences (72% of gross EV) dominates downside — peer-floor compression alone drives a −27% move. **DTC** is symmetric: Netflix profitability unlocks +23%; Comcast-style compression matches on the downside.

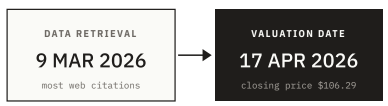
G1 SOURCE MIX · BY CATEGORY



G2 DISNEY 10-K / 10-Q COVERAGE · FY20 → Q1 FY26



G3 DATA CUT-OFF · 9 MARCH 2026 (VALUATION DATE 17 APR)



Bond YTM fixed at 2 Feb 2026 last-trade quote.

G4 SOURCE HIERARCHY · PRIMARY → TERTIARY

Primary sources drive the financial model; third-party data informs industry assumptions only.

PART VII · APPENDIX 14 · SOURCES

Independent Academic Research.

Citations follow APA 7th. Disney 10-K / 10-Q / earnings commentaries are primary for financial figures; FRED for Rf; FINRA for bond YTM; Statista for pay-TV households and viewing time; AECOM for park attendance; JPM and Bloomberg Intelligence for directional views.

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METHODOLOGY NOTES

All citations reflect the state of source material as of the **9 March 2026** retrieval date. Valuation figures throughout the report are anchored to the **17 April 2026 closing price of $106.29**, with closing data sourced from NYSE end-of-day feeds. The DCF horizon runs FY26E–FY30E explicit + terminal; all segment forecasts tie back to the workbook `DisneyFCFF.xlsx`, with the SOTP cross-check running off `Disney_SOTP_Model.xlsx`. Peer-multiple data points use FY26E-equivalent EBITDA to maintain comparability.

ANALYST CERTIFICATIONS

The views expressed in this research accurately reflect the personal views of the analysts about any and all of the subject securities. Madhvendra Singh Palawat and Mohammad Faiq Qasim prepared this report as part of an academic exercise; it is not a recommendation from a regulated investment adviser and should not be used for live investment decisions. No part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed.