



# The Walt Disney Company

## The Happiest Stock on Earth

Despite Disney's low number of visitors in their amusement parks caused by high costs and consumers tightening their pockets, Disney has found good success this year, as they are up 19.77% in the past year. This can be attributed to their strong investment in their theme parks. With a positive outlook on their resilient parks and experiences, cost discipline, and capital allocation are putting them in the driver's seat to further their success. We initiate DIS with a BUY rating and a one-year price target of \$146.

**Thesis Point 1** Strong Amusement Parks: One thing that nobody can deny is that Disney has world-class amusement parks that millions of people visit each year. Disney has been acting on their \$60 billion investment that covers their entire experience segment. Approximately 50% (~\$30 billion) was put directly towards their parks and resorts, 30% (~\$18 billion) toward technology and maintenance, and 20% (~\$12 billion) for cruise and "other" experiences. Disney noted that 70% of the investment is aimed at capacity-expanding investments like new lands, new attractions, and expanding its footprint. Disney has over 1,000 acres of land available across their resorts in North America, Europe & Asia that it will be using for expansion. In 2026, at their Paris Disney Resort, Disney is building a Frozen-themed land using the available land and money from their \$60 billion investment. Along with expansion, Disney has now adopted a Lightning Lane system, which ultimately increases customer satisfaction at the park as the new system lets Disney control when guests show up at rides, reducing giant clusters in standby lines. Disney is continuing the legacy of its strong and resilient parks by taking these steps, making it a main reason to invest now.

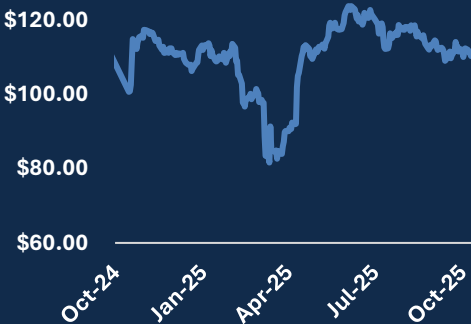
**Thesis Point 2** Disney's Business Diversity: Disney's strength lies in the breadth and depth of its brand portfolio. From Pixar, Marvel, Lucasfilm, and 20th Century Studios on the content creation side, to ABC, FX, National Geographic, ESPN, Hulu, and Disney+ in distribution, Disney touches nearly every aspect of global entertainment. This vast portfolio means that when consumer preferences shift from cable to streaming, from in-person experiences to digital consumption. Disney doesn't lose the audience; it follows them. For example, while linear networks like ABC face industry-wide declines, ESPN's digital pivot and Hulu's integration into Disney+ allow the company to recapture those same viewers through different mediums.

**Company Overview** Disney was founded on October 16, 1923, by Walt Disney, who had the vision of creating immersive entertainment that transported guests to other worlds through theme parks, films, television, and innovative projects. Disney has now expanded to a diversified global entertainment and media conglomerate, known for its world-class content, iconic characters, and powerful storytelling. They have four main sectors such as entertainment, direct to consumers, sports, and experiences. Almost every entertainment service is controlled by Disney: ABC, Marvel, Star Wars, Hulu, and Pixar. They have cruise lines, countless movies and shows, multiple streaming devices, sports sports-branded TV networks. Disney has a worldwide reach in all four of their segments and has a total of 12 parks in three different continents: North America, Asia, and Europe. Disney separates itself from other companies because of the loyalty and bonds their consumers have to it, their vertical integration with physical experiences, and their intellectual property portfolios. They have expanded worldwide and touched millions of people's hearts with the work they do.

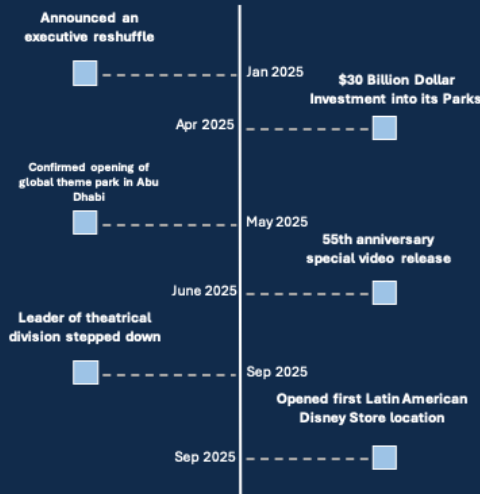


TICKER:	\$DIS
RATING:	BUY
PRICE:	\$111.54
PRICE TARGET:	\$145.70
MARKET CAP:	\$201.1bn
52-W RANGE:	\$80.01 - \$124.69
P/E:	17.56x
IMPLIED UPSIDE:	30.28%

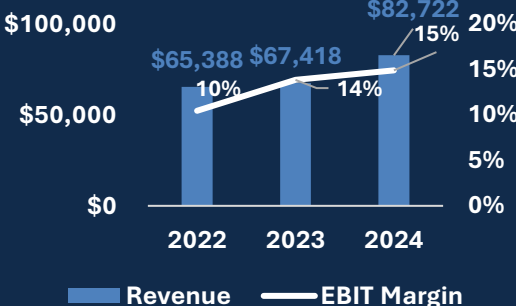
### \$140.00 1 Year Price History



### Recent Events Timeline



### EBIT Margin with Annual Revenue



**Risk 1** Disney faces intense competition across all its business segments, which poses a risk to future growth and market share. In streaming, rivals like Netflix, Amazon Prime Video, and Apple TV+ continue to outspend Disney on content and global expansion, pressuring subscriber growth and margins. Meanwhile, in live sports and entertainment, increasing competition from Warner Bros. Discovery, NBCUniversal, and new digital entrants threatens Disney’s dominance in advertising and sports broadcasting through ESPN.

**Risk 2** Disney’s heavy reliance on its major franchises and intellectual properties presents a concentration risk if audience fatigue or underperformance occurs. A string of weaker box office results or declining engagement in core brands like Marvel, Star Wars, or Pixar could significantly impact both studio revenue and related consumer product sales. As competition for audience attention intensifies, Disney’s ability to consistently refresh and monetize its franchises will be critical to sustaining long-term growth.

**Catalysts** A key catalyst for Disney is the ongoing expansion and repurposing of its Parks & Experiences segment, which is expected to drive long-term revenue growth and enhance global brand engagement. The development of new resort facilities in Hawaii and the construction of the Shanghai Disney Resort through a joint venture will strengthen Disney’s international presence and diversify its park revenue base. These projects not only expand Disney’s physical footprint but also create new opportunities for cross-brand integration, merchandise sales, and sustained tourism-driven cash flow.

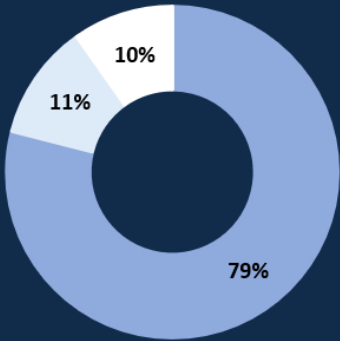
Valuation

DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	88,898	93,900	97,050	100,642	104,729	109,372	114,644
Revenue Growth	7%	6%	3%	4%	4%	4%	5%
America	72,162	73,400	74,648	76,066	77,663	79,450	81,436
Europe	10,279	11,000	11,990	13,120	14,412	15,893	17,594
Asia Pacific	8,920	9,500	10,412	11,456	12,653	14,029	15,614
EBIT	14,274	18,000	20,380	21,386	22,517	23,788	25,222
EBIT Margin	16%	19%	21%	21%	22%	22%	22%
Tax Expense	(1,646)	4,000	4,484	4,705	4,954	5,233	5,549
Effective Tax Rate	-12%	22%	22%	22%	22%	22%	22%
NOPAT	15,920.00	14,000.00	15,896.76	16,681.41	17,563.02	18,554.95	19,672.92
D&A	3,434	3,750	3,882	4,126	4,399	4,703	5,044
Capex	5,412	7,550	6,696	7,221	7,802	8,449	9,172
Changes in NWC	(290)	(100)	(107)	43	204	380	573
UFCF	14,232	10,300	13,189	13,544	13,955	14,429	14,973
PV of FCF		10,234	12,433	11,642	10,938	10,312	9,757

Our base case valuation assumes a 12.0x multiple, reflecting steady growth as consumer pockets begin to open to their new products. This aligns with Disney's expansion in their core assets; their parks, as they are expanding and improving their parks in three different continents. We project roughly an expansion of 3% in EBIT Margin, which reflects Disney’s ability to manage its costs and convert revenue into profit from its strong parks. Reference our appendix for our downside and upside case assumptions.

**Conclusion** We rate Disney as a BUY, as we view their recent investments into expanding and strengthening their parks. They continue to rely on their diversified portfolio and will find success in the future by sticking to what they do best and which is pleasing their guests and users of their services. Our \$146 price target implies approximately 32% upside from current levels.

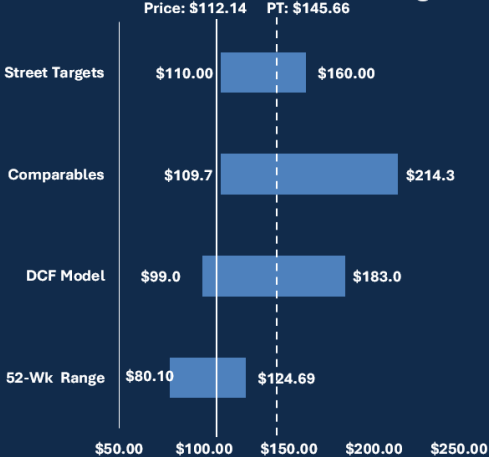
Revenue Segments



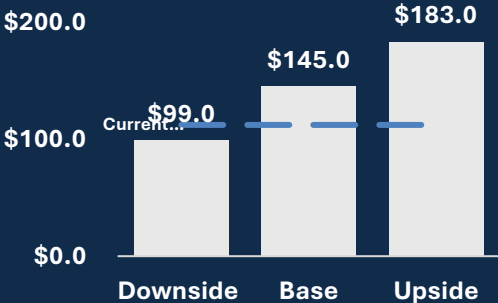
America Europe Asia Pacific

Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$30,266
EV/EBITDA Exit Multiple	12.0x
Terminal Value	\$363,192
PV of Terminal Value	\$236,689
PV of Projection Period	\$65,316
PV of Terminal Value	\$236,689
Implied TEV	\$302,005
(-) Debt	\$42,263
(+) Cash	\$5,367
Implied Equity Value	\$265,109
Diluted Shares Outstanding	1,798
Implied Share Price	\$147.45
Upside/Downside	31.6%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	88,898	93,900	97,050	100,642	104,729	4.2%
EBITDA	17,708	21,750	24,262	25,513	26,915	11.0%
EBIT	14,274	18,000	20,380	21,386	22,517	12.1%
NOPAT	15,920	14,000	15,897	16,681	17,563	2.5%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	19.9%	23.2%	25.0%	25.4%	25.7%	23.8%
EBIT Margin	16.1%	19.2%	21.0%	21.3%	21.5%	19.8%
Revenue Growth	7.5%	5.6%	3.4%	3.7%	4.1%	4.8%
EBIT Growth	15.9%	26.1%	13.2%	4.9%	5.3%	13.1%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	14.1x	19.4x	15.2x	14.8x	14.3x	15.6x
EV/Sales	2.6x	2.5x	2.4x	2.4x	2.3x	2.4x
EV/EBITDA	13.4x	10.9x	9.8x	9.3x	8.8x	10.4x
FCF Yield	7.1%	5.1%	6.6%	6.8%	7.0%	6.5%

#### Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Netflix, Inc. (NasdaqGS:NFLX)	\$468,481	\$476,240	46.0x	\$43,379	\$12,970
Warner Bros. Discovery, Inc. (NasdaqGS:WBI)	\$51,967	\$82,979	68.8x	\$38,441	\$7,972
Paramount Skydance Corporation (NasdaqGS:PSK)	\$17,769	\$30,943	529.3x	\$28,756	\$2,576
Universal Display Corporation (NasdaqGS:OLV)	\$7,047	\$6,544	29.2x	\$662	\$302
<b>Disney</b>	<b>\$200,739</b>	<b>\$242,246</b>	<b>17.3x</b>	<b>\$94,535</b>	<b>\$19,491</b>

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth	Rate of Change
Netflix, Inc. (NasdaqGS:NFLX)	36.7x	48.1%	29.9%	29.1%		15.4%
Warner Bros. Discovery, Inc. (NasdaqGS:WBI)	10.4x	44.3%	20.7%	4.1%		(3.7%)
Paramount Skydance Corporation (NasdaqGS:PSK)	12.0x	31.8%	9.0%	7.7%		(1.8%)
Universal Display Corporation (NasdaqGS:OLV)	21.7x	75.9%	45.6%	38.9%		6.2%
<b>Disney</b>	<b>12.4x</b>	<b>37.6%</b>	<b>20.6%</b>	<b>15.1%</b>		<b>5.0%</b>

High	36.72x	75.9%	45.6%	38.9%	15.4%
75th Percentile	21.66x	48.1%	29.9%	29.1%	6.2%
Average	18.65x	47.5%	25.2%	19.0%	4.2%
Median	12.43x	44.3%	0.0%	15.1%	5.0%
25th Percentile	12.01x	37.6%	20.6%	7.7%	-1.8%
Low	10.41x	31.8%	9.0%	4.1%	-3.7%

#### Disney

Implied Enterprise Value (25th Percentile)	\$	234,124
<b>Implied Enterprise Value (Median)</b>	<b>\$</b>	<b>242,246</b>
Implied Enterprise Value (75th Percentile)	\$	422,208

Implied Share Price (25th Percentile)	\$	109.70
<b>Implied Share Price (Median)</b>	<b>\$</b>	<b>114.21</b>
Implied Share Price (75th Percentile)	\$	214.31

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.12
Risk Free Rate	4.39%
<b>Cost of Equity</b>	<b>8.63%</b>
Weighted Average Cost of Debt	4.50%
Tax Rate	30.00%
<b>Cost of Debt</b>	<b>0.22%</b>
Total Equity	\$23,197
Total Debt	\$382
Equity/Total Capitalization	93.15%
Debt/Total Capitalization	6.85%
<b>WACC</b>	<b>8.84%</b>

**Downside Case:** Our downside case applies a 9x multiple, assuming customers' pockets tighten and the expansion of parks fails. Revenue growth slows to 4% by 2030; this scenario yields a \$99 price target.

**Upside Case:** Our upside case applies a 14x multiple, assuming the expanding parks generate positives for Disney. Revenue grows to ~6% by 2030, supporting a \$180 price target.

**Disclosures and Ratings:** Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.