Walt Disney Company

bordier | 1844

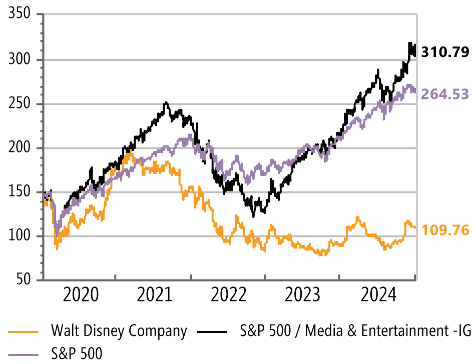
US CORE HOLDING* Recommended since 13.02.20 **09.01.2025**

Country	US	Market capitalization (bn)	USD	157,0	Perf. since reco. (%)		
Sector	Media	Free float	99,9%		Walt Disney Company	-22,1	
Factset	DIS-US	Closing price	USD	109,76	Sector	106,4	
ISIN	US2546871060	ESG Risk score*	15,1	Low risk			

**From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.*

Profile

The Walt Disney Company is an international media giant. The group operates in two distinct segments, albeit with numerous synergies between them: Disney Media and Entertainment Distribution (63% of sales at the end of Q3-FY2023); Disney Parks, Experiences and Products (37%). The US market represents the lion's share of the group's business, accounting for over 80% of sales.



Source: Factset

Market - competition - positions - barriers to entry

The group's competitive advantages and pricing power are undeniable: its content catalogue is extremely well stocked, notably following its acquisition of the Pixar, Marvel and Star Wars franchises and 21st Century Fox. Meanwhile, Disney's theme parks are virtually impossible to replicate and the launch of quality streaming platforms places the group in the foreground against the competition.

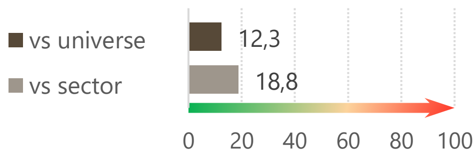
Investment case

- Disney, reorganized into three key divisions – Disney Media and Entertainment Distribution (DMED - 55% of revenue in 2024), Disney Parks, Experiences and Products (DPEP - 35% of revenue), and Disney Sports (10% of revenue) – maintains a dominant position thanks to strategic assets and synergies across content, platforms, and experiences.
- The streaming segment (DTC) remains central despite market saturation, with profitability achieved in 2024. Disney+, combined with Hulu and ESPN+, is expected to generate over 10% EBIT margins by 2026, driven by an estimated 15% CAGR in revenues. Key drivers include price increases, enhanced monetization through advertising, and efforts to combat password sharing, while optimizing churn with bundled offers.
- Theme parks and cruises continue to perform well, benefiting from the expansion of attractions based on lucrative franchises such as Star Wars and Marvel. With 70% of $60 billion in Capex over the next decade dedicated to parks and cruises, Disney aims for robust and sustainable EBIT growth in this segment, supported by increased visitor spending and premium immersive experiences.
- The Media Networks segment, including traditional cable, faces structural subscriber declines, but Disney Sports, leveraging ESPN and exclusive rights, remains competitive. The development of exclusive sports content and ESPN's pricing strategy help mitigate the negative impacts of the digital transition.
- Finally, film production and original content remain strategic pillars. With a decade of planned releases featuring Marvel, Star Wars, and animated creations, Disney continues to dominate the box office while fueling its digital platforms and merchandising. Over the next four years, planned content includes 10 Marvel productions, 10 Star Wars titles, 15 films including animated ones, season 3 of The Mandalorian, and several other animated films. Disney's ability to mobilize its franchises to strengthen all segments provides a durable competitive advantage.

ESG - risks and key points

- While Disney is a leader in inclusive content, the company often finds itself in the spotlight due to political and social tensions surrounding its public stances, which can lead to media controversies and potentially impact its reputation.
- Disney's business model heavily relies on major franchises, but increasing pressure on content rights (particularly in sports through ESPN) could heighten financial and strategic risks amid growing competition in this sector.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in USD

Current price	Value Bordier Scenario
110	**122**

Our scenario assumes US 10-year yields of 3.50%. We expect a "high single digit" growth in FY2024-2027 and margin expansion in 2024-2026 (reduction of streaming losses and discipline in cost management).

***) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.*

Research Department - **Mendon Qestaj**

Bordier & Cie SCmA | Banquiers Privés depuis 1844 | Rue Rath 16 | case postale | CH-1211 Genève 3 | t +41 58 258 00 00 | bordier.com

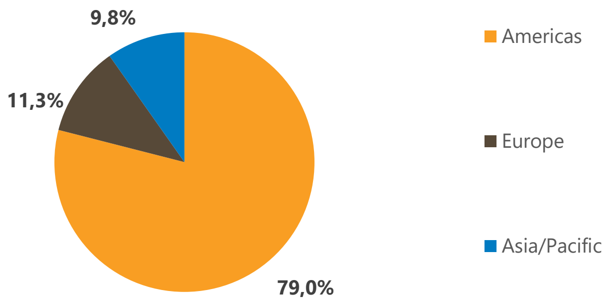
Walt Disney Company - US CORE HOLDING* 09.01.2025

"Bordier Core Holding" indicators

In millions of USD	2022	2023	2024e	2025e	2026e
Sales revenue	**82 722**	**88 898**	**94 232**	**99 886**	**106 878**
Sales growth %	**22,7%**	**7,5%**	**6,0%**	**6,0%**	**7,0%**
o/w organic	*24,2%*	*9,0%*	*6,0%*	*6,0%*	*7,0%*
EBIT adjusted	**5 866**	**12 884**	**10 725**	**12 180**	**13 898**
% of sales	**7,1%**	**14,5%**	**11,4%**	**12,2%**	**13,0%**
Net income	**3 553**	**3 390**	**8 246**	**9 250**	**10 704**
Adjusted EPS	**1,78**	**1,29**	**3,95**	**4,50**	**5,30**
Adjusted EPS growth	27,1%	-27,3%	206,3%	13,9%	17,7%
Capex/Sales	**5,3%**	**5,1%**	**6,4%**	**5,5%**	**4,6%**
Free cash-flow	3 855	5 355	6 023	7 627	9 721
FCF/Sales	**4,7%**	**6,0%**	**6,4%**	**7,6%**	**9,1%**
Dividend per share	1,78	0,00	1,82	1,82	1,82
Dividend yield	**2,0%**	**0,0%**	**1,7%**	**1,7%**	**1,7%**
ROCE - WACC	**-5,7%**	**-0,9%**	**-2,3%**	**-1,5%**	**-0,4%**
ROE (%)	**3,4%**	**6,3%**	**6,8%**	**7,2%**	**7,8%**
Net debt/Ebitda	**333,2%**	**223,2%**	**164,7%**	**106,4%**	**46,2%**

Source: Factset, Bordier estimates

Sales breakdown - 09/2024



Ratios

	Walt Disney Company	S&P 500 Sector	Market
PE (x)***)		Media & Entertainment	S&P 500
2023	70,0	25,8	23,5
2024e	27,8	25,4	24,9
2025e	24,4	21,6	21,7
P/B (x)***)			
2023	1,6	5,0	4,8
2024e	1,9	5,8	5,1
2025e	1,7	4,9	4,6
		Beta (2Y, daily) vs market:	1,40

****) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.*

Governance and ownership structure

Since February 2020, CEO Bob Chapek (previously head of Parks).

Agenda

05.02.2025: Earnings Q1-2025 - 07.05.2025: Earnings Q2-2025
06.08.2025: Earnings Q3-2025

Key shareholders (if any):

The Vanguard Group, Inc. 7.6% / BlackRock, Inc. 6.3% / State Street Corp. 4.1% / Rober A. Iger (ex-CEO) 0.06%.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements

-

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.