



Walt Disney Company (DIS)

HOLD: \$92.68 (-7%)

Equity Research Division

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Stock Information

Last Closing Price	\$99.71
Target Price	\$92.68
+/- Potential	-7%
Bloomberg Ticker	DIS:US
GICS Sector	Communication Services
GICS Sub-Industry	Movies & Entertainment

Market Cap	\$173.15 bn
Basic Shares O/S	1,736.51 mn
52-Wk High	\$124.69
52-Wk Low	\$92.19
Fiscal Year End	27 Sept. 2025

\$ million	FY22	FY23	FY24	FY25
Revenue	82,722	88,898	91,361	94,425
EBITDA	11,933	14,361	16,904	19,158
EBIT	6,770	8,992	11,914	13,832
NI	3,553	3,390	5,773	13,431

Key Executives

Josh D'Amaro	CEO & Director
Dana Walden	President & Chief Creative Officer
Hugh F. Johnston	CFO & Senior Executive VP

Investment Thesis

The Walt Disney Company operates a vertically integrated media and entertainment ecosystem anchored by an unmatched IP portfolio spanning Marvel, Star Wars, and Pixar. Following a period of heavy streaming investment, Disney is pivoting toward profitability – EBIT margins have expanded from 5.3% in FY2021 to 14.4% in FY2025, with FCF at a decade-high of \$10.1bn. However, with the recovery largely priced in and execution risk remaining around the ESPN DTC transition and CEO succession, our blended valuation implies ~7% downside to the last closing price, supporting a HOLD view.

Valuation

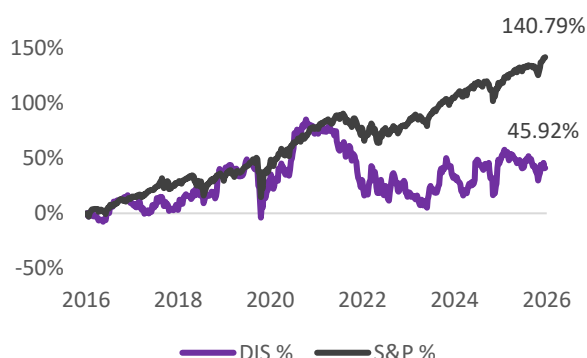
Disney is valued using an equally weighted combination of a DCF and a peer multiples approach. The DCF, discounted at a WACC of 7.02% with a 2.25% terminal growth rate, implies \$91.65 per share. The multiples valuation, applying weighted LTM and forward EV/EBITDA and EV/EBIT across seven comparables, implies \$93.70 per share. The blended methodology yields a target price of \$92.68, representing approximately 7% downside to the current market price of \$99.71.

Investment Risks

Downside risks include demand normalization in the Experiences segment, Disney's primary EBIT driver, which remains vulnerable to discretionary spending deterioration, ESPN's structural exposure to linear TV decline and uncertain DTC transition economics, and the cascading revenue impact of sustained franchise underperformance across Marvel or Star Wars into streaming, licensing, and parks.

Upside risks include an earlier-than-expected DTC profitability inflection via ad-tier monetization and ARPU expansion across Disney+, Hulu, and ESPN+, structural pricing power in Experiences supported by APAC travel growth, and a formal capital return program enabled by decade-high FCF and continued deleveraging.

10Y Cumulative Returns Based to 100



Company Overview

The Walt Disney Company is a top global entertainment and media group. It has its headquarters in Burbank, California and is listed on the New York Stock Exchange with the ticker DIS. Since its founding in 1923, Disney has become one of the most well-known and varied entertainment firms worldwide. The company operates in several industries like film, television, theme parks and consumer products.

Today Disney has three business lines: Entertainment, Sports and Experiences. The Entertainment part of Disney includes movie studios like Pixar, Marvel and Lucasfilm. It also includes television networks and streaming services like Disney+, Hulu and Star. The Sports part of Disney involves mainly ESPN and other sports media. The Experiences part of Disney is based on theme parks, resorts, cruise lines and products with Disney characters in it.

Diversified Media Ecosystem

Disney's strength lies in its diversified portfolio of content and intellectual property, combined with its integrated control over distribution channels. The company creates movies and shows then promoted on streaming services and TV. It also profits from theme parks, toys and licensing. This creates a circle where popular franchises like Star Wars and Marvel generate recurring revenue streams across multiple business lines. For instance, franchises such as Frozen and Toy Story extend beyond box office success to drive revenues through merchandising, licensing, and theme park attractions.

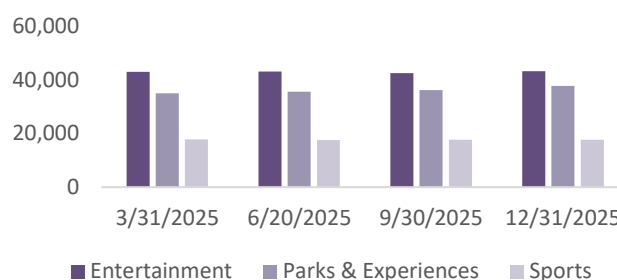
Moreover, the firm is seen as a significant entity in the global streaming business, with products including Disney+, Hulu, and ESPN+ accounting for more than 190 million users across the world. Such a move into the streaming business indicates that Disney has adopted a strategy of adjusting to consumer trends to compete with other firms like Netflix and Amazon Prime.

Revenue

For the financial year 2025, the total revenue generated by Disney stood at about \$94.4 billion, a result of sustained growth from its Experiences business segment. The Experiences business segment has been an important contributor to the bottom line, leveraging the high tourist numbers worldwide and efficient operations in this segment. Disney employees more than 200,000 people and earns significant profits through its operations in North America, Europe and Asia Pacific.

Furthermore, the revenue model of Disney continues to maintain a healthy balance among the main segments, with the Experiences segment accounting for approximately 60% of total operating income in recent fiscal years, while the Entertainment and Sports segments contribute scalable revenue sources from subscription services, advertisements, and distribution of content. Also, the company is shifting its strategy towards generating revenues from high-gross margin sources like licensing and merchandising that utilize existing intellectual property without additional cost.

Figure 1.1: Quarterly Revenue by Segment 2025 (\$ millions)



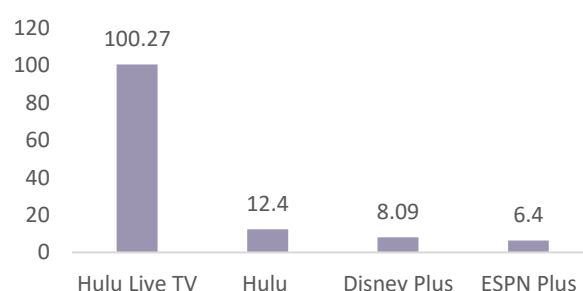
Source: Minerva Investment Management Society

Strategy

Strategic intent at Disney has further evolved following the announcement that Bob Iger will step down and be succeeded by a new CEO as part of Disney's long-term leadership transition plan, signaling the company's intention to continue focusing on profitability, operational discipline, and digital transformation. Under Iger's recent leadership, Disney shifted away from prioritizing subscriber growth at all costs and instead focused on improving margins within its direct-to-consumer segment through pricing optimization, cost rationalization, and stronger monetization strategies. Going forward, management's strategic direction remains centered on leveraging Disney's key competitive moat: its globally recognized intellectual property portfolio combined with an integrated ecosystem spanning content creation, distribution, streaming, and experiences.

Other strategic priorities include optimizing content spending, concentrating investments on high-return franchises, and expanding new growth initiatives, such as the launch of ESPN's direct-to-consumer offering and additional strategic partnerships in streaming. These developments are closely tied to Disney's efforts to increase average revenue per paying subscriber (ARPU) across its streaming platforms. Through price increases, ad-supported subscription tiers, and bundling strategies, Disney aims to maximize monetization while maintaining subscriber retention. This reflects a broader transition from prioritizing subscriber growth toward improving profitability per user, as evidenced by the increasing ARPU trend across key markets. Hulu Live TV's ARPU is significantly high because it functions as a premium live-TV bundle that includes live sports, news, broadcast channels, and bundled streaming services, allowing Disney to generate substantially more revenue per subscriber.

Figure 1.2: Average Revenue/Paying Subscriber (Jun 30, 2025)



Source: Minerva Investment Management Society

Industry Outlook

Media & Entertainment Industry

The industry is undergoing a structural transformation driven by technological innovation and shifting consumer behavior. The focus of growth has moved from traditional forms, such as physical media and print, to newer ones, including streaming, gaming, and digital advertising. On the other hand, improvements in artificial intelligence have been transforming the ways that content is created, recommended, and analyzed.

Global developments have further accelerated this transition. The COVID-19 pandemic strengthened the shift toward digital consumption, while the post-pandemic environment has reinforced engagement levels across platforms and experiences. However, rising competition, low switching costs, and increasing content substitution are contributing to higher industry fragmentation and pressure on profitability.

The global M&E market reached approximately \$2.93 trillion in 2024 and is expected to grow at a CAGR of around 3.7%, surpassing \$3.5 trillion by 2029 (PwC, Omdia). Despite moderating growth, the sector remains resilient, supported by increasing user engagement and continued expansion in digital revenue streams, particularly advertising and streaming.

Tailwinds	Headwinds
Growth of global streaming demand (Disney+, Hulu, ESPN+)	Increasing competition in streaming (Netflix, Amazon, Apple)
Multi-platform monetization due to strong IP portfolio (Marvel, Star Wars, Pixar)	Rising content production costs and “content arms race”
Increased spending on digital content and ent. experiences due to rising global middle-class income driving	Discretionary spending impacted by macroeconomic uncertainty
Post-COVID recovery in tourism boosting parks & resorts	Regulatory constraints and censorship in key & emerging markets
Technological innovation (AI, personalization, immersive content)	Decline of linear TV and pressure on traditional revenues

Tailwinds

The media and entertainment sector is impacted by several tailwinds that drive its positive prospects in terms of structural growth. Global streaming demand keeps increasing through platforms like Disney+, Hulu, and ESPN+. Meanwhile, corporations that have robust intellectual property holdings, for example, Disney with franchises like Marvel, Star Wars, and Pixar, are able to monetize their content via different channels

and create a scalable source of recurring income. Growth within the sector is also positively influenced by an increase in middle-class incomes around the world, especially emerging economies, where more money will be invested in entertainment content and theme parks. Moreover, the recovery of global tourism after the pandemic has also contributed significantly to increased park visitation and revenues. Finally, rapid technological advances such as AI and personalized content help drive industry growth.

Headwinds

However, despite these favorable trends, there are also several structural issues which could negatively affect the company’s profitability and performance. First, there is a fierce competition in the streaming industry with the leading players, such as Netflix, Amazon and Apple, investing in new content and technology, thus putting even more pressure on market shares and prices. It results in the emergence of a “content arms race” with the growing cost of productions and financial risks. Moreover, macroeconomic instability with the growth of inflation and the slowdown of the economy can limit consumers’ discretionary incomes and lower their willingness to pay for subscription services. In addition, regulations and censorship can pose barriers to entering new markets and require additional investments for complying with new laws. Finally, the decline in linear TV viewership will continue to challenge the existing sources of income and force businesses to adapt to the changing environment.

PESTEL Analysis

P – Political & Policy Environment: Government policies and cultural regulations have great bearing on the media sector, while geopolitical challenges affect its international growth. There are restrictions and demands by several nations for quota compliance in terms of content localization (such as the EU AVMSD (Audiovisual Media Services Directive)). On the other hand, there are stringent censorship laws in China and some other regions, making entry for foreign corporations – such as Disney – difficult. Investment in cultural and tourism enterprises is another driver of growth, especially for amusement parks and performances. Nevertheless, Disney’s international business operations leave it vulnerable to geopolitical challenges and trade tensions.

E – Economic: Consumer spending and economic environment influence both media consumption and discretionary spending. Despite the uncertainty of the global economy, the entertainment industry continues to perform well, thanks to growing middle class income levels and increased digitalization. Growth trends are region-specific. For instance, while the APAC region will be the main growth engine with its higher income level and fast digital penetration (China’s media market is forecasted to grow at around 6% CAGR), the developed economies like the United States and Europe continue to enjoy lower growth rates (3-4%), although more profitable. Increased inflation and interest rates are likely to limit consumer spending on subscriptions and amusement parks. Meanwhile, costs of production continue to remain high, with all

major studios investing over \$50 billion per year in their media content.

S – Social: Consumer tastes that keep changing have an impact on how consumers are treating content. People are more inclined towards on-demand content viewing and personalized content; whereby younger people prefer digital media compared to television. There has been a growing need for diversity and inclusivity in storytelling, which will affect the strategy of creating content. Global tourism is another factor that will influence the performance of certain experiences, such as theme parks, due to the increasing need for travel.

T – Technological: Technological advancements have been rapid in the past years, bringing changes in content production and dissemination. The emergence of services like streaming, the use of cloud computing and recommendation engines powered by artificial intelligence have brought new dynamics into content distribution and monetization. According to Statista, the global market for video streaming is anticipated to experience double-digit growth, resulting in cutthroat competition between the leading firms such as Netflix, Amazon and Disney.

E – Environmental: Sustainability issues have become more pertinent than ever, especially when considering large organizations, like amusement parks and movies, because of their significant energy consumption, resource usage, and environmental footprint associated with large-scale operations and production activities. Sustainability is a major requirement from the entertainment industry, especially because of the high amount of energy use that is involved with tourism-related activities. There are several measures by which Disney plans to achieve sustainability by reducing its carbon emissions, among others, such as transitioning to renewable energy across its parks and resorts, improving energy efficiency in operations, reducing waste and single-use plastics, and implementing sustainable production practices in film and television projects.

L – Legal & Regulatory: The development of regulation regarding privacy, intellectual property, and competition is influencing the competitive environment. For example, GDPR (General Data Protection Regulation) in Europe is changing the dynamics of operations for streamers in terms of data security. However, intellectual property protection will still be an issue that must be dealt with because Disney has its own franchises which play a role in its business structure. The growing attention paid by regulators to media monopolies in the U.S. and the EU can also have an influence.

Porter's 5 Forces

Threat of New Entrants: Low to Moderate

Despite the media and entertainment industry being an attractive option with considerable growth potential, the industry is known to have high entry barriers. This is mainly because of its high capital requirements, brand loyalty, and the significance of the intellectual property that makes it difficult for new companies to gain entry into the industry. There are high costs involved in the production

of media content, and securing the rights of this intellectual property makes it even more difficult for new businesses to enter this industry. Furthermore, establishing the distribution network also involves high costs as major players spend \$10–15 billion per year on developing their platforms.

Bargaining Power of Suppliers: Moderate

Key suppliers in the industry include creative talent, production studios, and technology providers. High-profile actors, directors, and content creators are gaining increasing bargaining power, as their ability to attract audiences directly translates into revenue generation. Yet, the cost of production is still escalating as the companies compete for quality of content. Fortunately, big companies such as Disney control this situation by integrating vertically and owning important studios such as Pixar, Marvel and Lucasfilm.

Bargaining Power of Buyers: Moderate to High

There are many entertainment choices that consumers may choose from, such as streamers, games, and social media sites, giving them leverage. Switching costs are low because most services operate on subscription-based or free models, allowing users to easily cancel, switch platforms, or shift their attention without significant financial or contractual constraints. It is easier for users to switch platforms through subscription plans, making consumers less loyal to the platform. Moreover, there has been an increase in price sensitivity because of the rise in streaming services. Nevertheless, Disney has its advantages as well, namely brand loyalty and unique content.

Threat of Substitutes: High

High levels of rivalry exist in the industry through the availability of substitute products such as social media, video games, and user-created content. For instance, short form, extremely engaging content from social media applications such as TikTok, which is owned by ByteDance, competes for consumers' time, while highly interactive content from video games such as Fortnite, owned by Epic Games, provides entertainment services. Substitute products often require little money to create and usually offer extremely engaging content.

Rivalry among Existing Competitors: High

The competition is stiff, especially with streaming and content creation. Some of the major competitors include Netflix, Amazon Prime Video, Warner Bros. Discovery and Apple. These companies spend millions of dollars yearly on their content to get more subscribers and maintain those they already have. In the process, they find themselves in what is called a content war. Even though Disney is among the major players, it also needs to continue investing.

SWOT Analysis

S	• Unmatched Intellectual Property Portfolio • Vertically Integrated Business Model • Strong Brand Equity and Customer Loyalty • Diversified Revenue Streams
W	• High Content Production and Operating Costs • Transition Challenges in Streaming Profitability • Exposure to Macroeconomic Cycles • Dependence on Major Franchises and Movies
O	• Expansion in High-Growth International Markets • Growth of Direct-to-Consumer and Hybrid Monetization Models • Leveraging Intellectual Property Across New Platforms • Technological Innovation and AI Integration
T	• Intense Competition in Streaming and Content Production • Substitution from Alternative Entertainment Platforms • Regulatory and Geographical Risks • Macroeconomic Uncertainty and Cost

Strengths

Unmatched Intellectual Property Portfolio

Disney has one of the most extensive portfolios of intellectual property worldwide, encompassing franchises like Marvel, Star Wars, Pixar, and Disney Animation. The presence of these intellectual properties makes it possible for Disney to earn regular income through various means, including theatrical screenings, streaming services, licensing deals, product placement, and theme park operations. The constant monetization of content through different mediums acts as a significant strength for the firm.

Vertically Integrated Business Model

Disney enjoys a highly vertically integrated business structure, with full control of all processes involved, ranging from the production of content to its subsequent distribution and monetization. Utilizing its platforms, such as Disney+, ESPN, and parks/resorts around the world, Disney ensures that maximum value is derived from its content. This vertical integration strategy helps the firm capitalize on synergies between different divisions, improves its distribution practices, and retains control over pricing and customer data.

Strong Brand Equity and Customer Loyalty

Disney has established one of the best-known brands in the world through decades of creating exceptional content and telling great stories. The ability to connect emotionally with viewers makes for a very loyal consumer base and helps with engagement. The established brand image means that Disney enjoys pricing power, is resilient to recessions, and has the upper hand when it comes to attracting both customers and business partners in an incredibly competitive environment.

Diversified Revenue Streams

Disney is engaged in several different business lines, ranging from entertainment content production to sports broadcasting and theme parks and cruises. This diversity helps minimize reliance on any single revenue stream and increases resilience to sector-specific risks, since positive results in one area can make up for negative results elsewhere, like better performances in parks and experiences compensating for problems with media operations.

Weaknesses

High Content Production and Operating Costs

Several structural problems affect Disney, including high content production costs as well as high operating costs for its parks and resorts. With the ongoing “content arms race” in the streaming industry, more funds are being allocated to content production, impacting company performance and profits. Moreover, the operations carried out in parks and resorts are capital-intensive, with high costs associated with maintenance and innovations.

Transition Challenges in Streaming Profitability

Disney has been successful with the transition to direct-to-consumer services, but sustaining such profitability is a major problem. There is a risk associated with the transition from high-profit margins offered by the linear TV model to low-margin streaming. At the same time, there is no room left for subscriber growth as markets are already saturated, and competition continues growing.

Exposure to Macroeconomic Cycles

The majority of revenue generated by Disney from the theme parks sector is discretionary consumer spending and thus, susceptible to economic conditions such as economic downturn, inflation, and higher interest rates. Discretionary spending refers to non-essential purchases, such as travel and entertainment, which consumers tend to reduce during periods of economic uncertainty or lower purchasing power. Such economic factors may result in lower demand for travel, entertainment, and subscription services. Thus, Disney has considerable exposure to macroeconomic cycles relative to other businesses that do not depend heavily on discretionary spending.

Dependence on Major Franchises and Movies

A considerable part of the company’s success is contingent upon its ability to produce hit movies and blockbuster franchises. Failure to perform well at the box office or overexposure of particular franchises may result in declining revenues, not only in movie production but in other segments such as its subscription services and merchandising.

Opportunities

Expansion in High-Growth International Markets

Disney may benefit from expansion into emerging markets, which have considerable growth potential due to increased income levels among the middle class, higher urbanization rates, and higher digital penetration. For instance, Disney could grow significantly in rapidly developing international markets such as India and Southeast Asia, where streaming consumption and entertainment expenditure is growing at a fast pace.

Growth of Direct-to-Consumer and Hybrid Monetization Models

As streaming services continue to grow in the market, Disney should consider taking advantage of monetization opportunities in the streaming space. These include adopting a direct-to-consumer strategy and creating hybrid business models, such as those that combine subscription and advertisement. In addition, Disney could use customer data to develop optimal pricing strategies.

Leveraging Intellectual Property Across New Platforms

Through the extensive intellectual property holdings that Disney has acquired, the company can venture into new platforms for its franchises. This can include gaming, virtual reality, and augmented reality technology as new means through which the company can earn income from franchises as well as engage their audiences in a more engaging manner.

Technological Innovation and AI Integration

In recent years, developments in artificial intelligence have provided new possibilities through which content can be made more efficiently, more targeted toward consumers, and recommendations can be improved. In particular, the use of artificial intelligence will result in reduced costs in content production and increased speed. The incorporation of artificial intelligence will also allow Disney to gain valuable insights into consumer behaviour.

Threats

Intense Competition in Streaming and Content Production

In streaming and content creation space, Disney has been under intense competition by giants such as Netflix, Amazon, Apple, and Warner Bros. Discovery who continue to spend a great deal on both technology and content development. The content war raises prices for companies but at the same time makes them difficult to distinguish. In addition, the low switching cost is putting tremendous pressure on Disney's subscriber retention, pricing strategies, and profitability.

Substitution from Alternative Entertainment Platforms

The entertainment industry has been under increased competitive pressure from substitutes in terms of social media networks, games, and user-generated content applications. These substitutes are represented by ByteDance with its TikTok or Fortnite by Epic Games. Such services attract considerable consumer base, especially among younger people, and offer

extremely engaging and cheap products to consumers, leaving less time for watching TV and streaming services.

Regulatory and Geopolitical Risks

As an entity operating in the global market, Disney faces regulatory issues, such as localization mandates and data privacy regulations, which can impede expansion plans and lead to increased compliance expenses. Furthermore, geopolitical tensions and trade restrictions could have adverse implications on international expansion, content distribution, and theme park attendance abroad.

Macroeconomic Uncertainty and Cost Pressures

A recession, high inflation rate, and increased interest rates could prove detrimental for Disney's business activities. Being a company that relies highly on discretionary income, any fall in consumer confidence will have an adverse effect on demand for their streaming services, visits to their theme parks, and their travel-related products. At the same time, continuous cost challenges, such as the production and labour costs, may eat into profit margins.

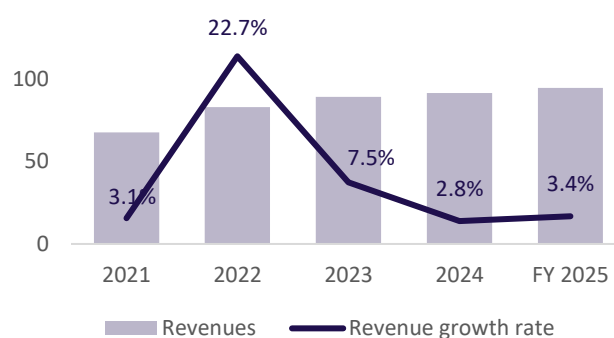
Financial Analysis (source for all graphs: Minerva IMS)

Growth

Following a substantial dip in revenue after the COVID-19 crisis in 2020, The Walt Disney Company has impressively recovered, constantly increasing its revenue from \$60.76 billion in FY2020 to \$94.18 billion in FY2025, marking a 55% increase over the period, and a YoY average revenue growth rate of around 9.7%. After the COVID-19 crisis, the company saw its second largest revenue driver (Disney Experiences business unit including parks, cruises, consumer products etc.) shut down practically entirely, which greatly affected the revenue due to the high operating costs and leverage.

However, when the pandemic's effect started slowing down and people were travelling again, the business unit began to generate increasingly more revenue. The growth slowed down in FY2024/2025 because of several factors including mainly demand-normalization and the law of large numbers (making it easier to go from \$60 billion to \$90 billion in revenue than from \$90 billion to \$120 billion).

Figure 2.1: Revenue growth analysis

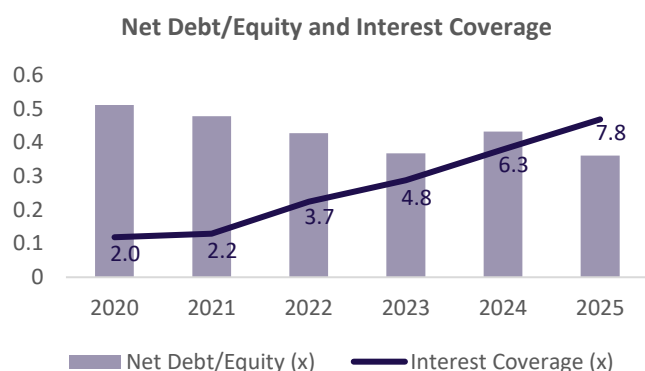


Source: Minerva Investment Management Society

Solvency & Capital Structure

Disney started with around \$61 billion in total debt in FY2020 and then kept reducing it up to \$46.64 billion in FY2025. The net debt-to-equity ratio has been constantly decreasing with the deleveraging of the company since FY2020 where it sat at 53.13%. Additionally, the interest coverage ratio has been increasing since FY2020, going from 1.98 to 7.81 in FY2025, which aligns with the decision to deleverage.

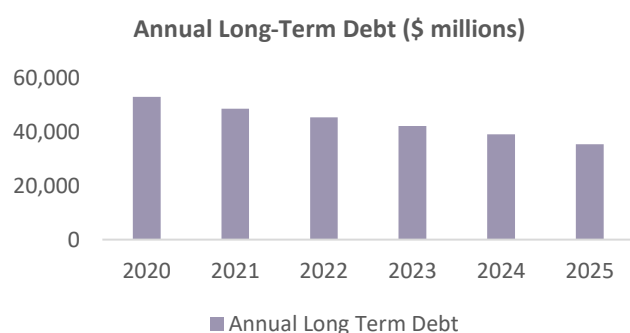
Figure 2.2: Net Debt/E and Interest Coverage



Source: Minerva Investment Management Society

This shows that to survive the crisis, the company strongly elevated its debt. However, the company has been reducing them since, seeking to strengthen its balance sheet. Over the past 5 years, it has decreased its debt on average by \$3.5 billion, which means that if it follows that trend, it will have paid off the entirety of its long-term debt by around 2035.

Figure 2.3: Debt schedule (annual long-term debt)



Source: Minerva Investment Management Society

Profitability

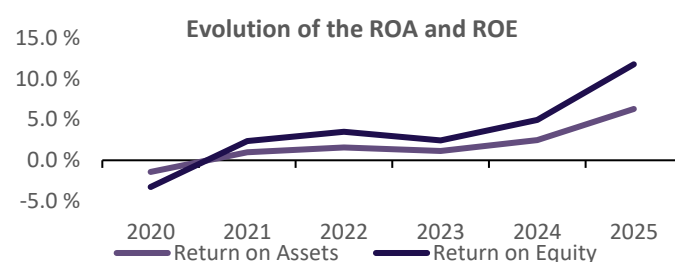
Disney's gross margins have increased since FY2020, going from 24.49% to 31.94% (FY25), which underline a remarkable expansion. The same goes for the operating margins (from 5.49% in FY20 to 14.42% in FY25), exceeding the 5Y average (10.16%). Although margins have not returned to pre-pandemic highs, the upward trajectory shows a profitable profile going forward.

The return metrics of Disney further emphasize the progress made since 2020. The ROA has steadily improved (-1.21% in

FY2020 to 6.80% in FY2025), surpassing once more the 5Y average (2.50%). This is primarily due to the parks reopening, driving a huge asset utilization jump. The ROE went from -2.77% in FY20 to 11.72% in FY25, more than doubling the 5Y average, mainly due to the net income recovery. Similarly, the ROIC also remarkably increased, more than doubling the 5Y average, with similar drivers as the ROE or ROA, but also through better capital discipline (selective investments)

These ratios show that Disney has gone from value destruction after the pandemic to efficient value creation with a better use of assets and capital, slowly reaching pre-COVID numbers.

Figure 2.4: ROA and ROE evolution

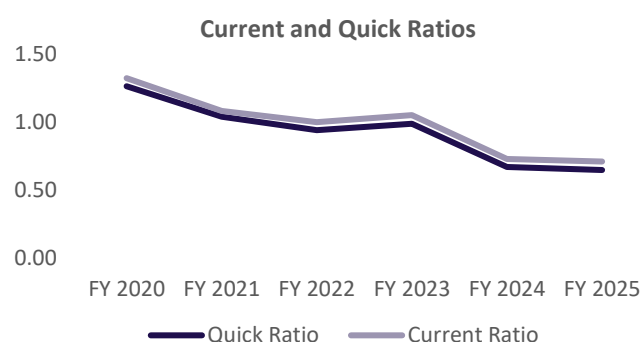


Source: Minerva Investment Management Society

Liquidity

Over the past 5Y, Disney has seen a strong liquidity pressure. Current Ratio has gone from 1.24 in FY20 to 0.65 in FY25, and the quick ratio has gone from 1.18 in FY2020 to 0.59 in FY2025, both ratios dropping below the ideal 1.0 threshold. This shows that the company doesn't fully cover current liabilities with its current assets and shows short term liquidity pressure. The cash-flow ratio going from 0.67 (FY20) to 0.17 (FY25) also shows that the company holds less immediate cash (likely reinvesting).

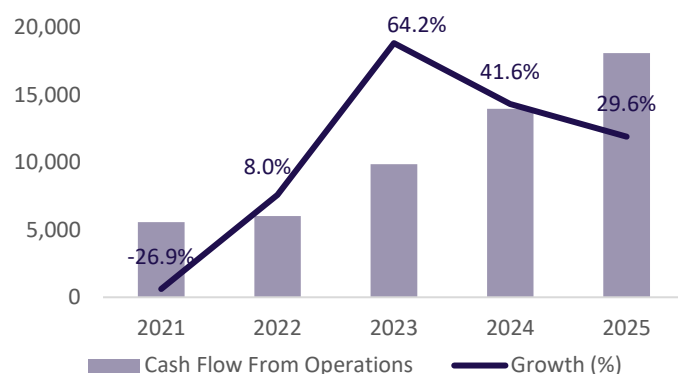
Figure 2.5: Current and Quick ratios



Source: Minerva Investment Management Society

Ultimately, the company's balance sheet liquidity is in fact weakened, but its operational liquidity remains strong. Its free cash flow is at \$10.077 billion, the highest in the past 10Y, and the CFO/Current liabilities ratio going from 17.91% in FY2021 to 52.99% in FY2025 signals high-quality liquidity via cash generation, despite a weakened balance sheet.

Figure 2.6: CFO evolution (in \$million)



Source: Minerva Investment Management Society

Valuation: Discounted Cash Flow

Cost of Equity Assumptions

We estimated the cost of equity using of the Capital Asset Pricing Model (CAPM). The risk-free rate is assumed to be the current 10-year US government bond yield (4,32%). This choice is consistent with the fact that Disney and the comparable companies analysed are listed in the U.S. market. For the equity risk premium (ERP), we follow Damodaran's assumptions for the industry and estimate it at 4,46%.

Beta

Beta is calculated starting with the adjustment of comparable companies' raw Betas using Blume formula:

$$\beta_{adjusted} = \frac{1}{3} + \frac{2}{3} \times \beta_{raw}$$

Subsequently, the adjusted Beta were delevered to eliminate differences in capital structure across firms and to compute a weighted average unlevered Beta. By applying a capital structure releverage, assuming a debt-to-equity ratio of 30% and a marginal tax rate of 25%, the resulting Beta is 0,78, in line with analysts' estimates.

The cost of equity was calculating following CAPM's formula:

$$Ke = rf + \beta_{adj} * ERP$$

Resulting in a value of 7,81%.

Cost of Equity	
Risk-free rate	4.32%
Beta	0.78

Market risk premium 4.46%

Levered cost of equity 7.81%

Cost of debt

The Cost of Debt was calculated by adding a credit spread to the risk-free rate, based on Disney's credit rating of A (S&P Global Ratings). According to Damodaran's data, we applied a 0,78% spread, leading to a Cost of Debt of 5,10%.

Weighted average cost of capital (WACC)

We finally arrived at the WACC estimate, weighting the cost of equity and the cost of debt according to the target capital structure:

$$WACC = \frac{E}{D + E} * Ke + \frac{D}{D + E} * Kd * (1 - t)$$

Based on the assumptions outlined above, Disney's WACC is estimated at 7,02%. Given that this value is the result of different assumptions, a sensitivity analysis could be performed to assess the robustness of the estimate.

Sales forecast

The aim of DCF analysis is to provide a value for the company's operating activities, based on its expected future performance. Therefore, forecasting represents a fundamental component of the valuation process. Our assumptions around revenue growth are supported by the Q2 Disney's investor relation and the company's annual report.

To improve forecast accuracy, revenues are split into Disney's three business units: entertainment, experiences and sports. This allows for a more precise representation of each segment's revenue dynamic and cost structure.

Furthermore, to better balance the weights of the terminal value (50%) and stage-one discounted cash flows (50%), we employ a 10-year forecast for cash flows.

Based on these assumptions, we estimate net sales will grow from \$ 94.4 billion in 2025 to \$ 139.2 billion in 2035, implying a CAGR of approximately 3.95% over the period.

Profitability

We estimate Disney profitability modelling margins at the segment level.

For the entertainment segment, DTC margins are expected to improve, reflecting Disney's strategic focus on streaming to align with customers preferences.

The Experiences segment is also expected to show margin expansion, driven by higher investments and capacity growth, including the addition of new cruise ships.

However, considering that Disney's ROIC is close to its WACC, we do not expect significant long term margin expansion. Therefore, the EBIT margin is assumed to remain stable and aligned with the 2025 level (approximately 18%).

Financial Assumptions

Capital Expenditures are expected to increase from \$ 8.0 billion in 2025 to \$ 8.5 billion in 2035, while declining as percentage of sales from 8,5% to 6,1%. This reflects Disney's continued investments in expanding its Experiences segment.

Depreciation and Amortization (D&A) are assumed to grow in line with Capex, gradually converging over time, reflecting a mature business profile.

Net Working Capital (NWC) is modelled by projecting its individual components, according to Bloomberg estimates. Days receivable, payable and the inventory show some fluctuations, with a modest overall increase, mainly driven by growth in accounts payable.

Free cash flow and Intrinsic Price

Free Cash Flow to the Firm (FCFF), the key measure to estimate Enterprise Value in a DCF model, is calculated as follows:

$$FCFF = EBIT * (1 - t) + D\&A - CAPEX - \Delta NWC$$

Subsequently, FCFF and the Terminal Value (TV), estimated considering a perpetual growth rate of 2.25%, are discounted using the previously calculated WACC.

This results to an EV of approximately \$ 198.8 billion. After adjusting the value according to the equity bridge, and dividing by the number of shares outstanding, we obtain an implied price of \$ 91,65, indicating a downside of approximately 11% relative to the last closing price.

Valuation: Multiples

To deepen our valuation, the DCF model is supplemented by the market multiples valuation, based on a set of seven different comparable companies, listed on the American stock market and active in at least one of the business units of Disney. Finding enough companies that presented the three business units simultaneously was not doable; for this reason, we decided to consider companies that presented at least one of the core activities Disney provides with a similar business model.

Our valuation focuses on the EV/EBITDA and EV/EBIT multiples, considering both last-twelve-months (LTM) and one-year forward (FY1) time horizon. We decided to weigh more FY1 multiples (0.8) to obtain a better picture of the investors' expectations about the company and its performance in the

market. Furthermore, LTM multiples (0.2) are significantly below the current stock price because they reflect the considerable investments Disney has made to strengthen its streaming services and to reinvent its business model, with the aim of following current trends.

Across the peer set, the median LTM EV/EBITDA is 5.8x and its mean is 7.1x, while the median and mean of comparables' LTM EV/EBIT are 9.8x and 15.2x respectively. For which concerns FY1 data, the EV/EBITDA peers' median is 6.7x, whereas its mean is 8.9x, reflecting higher values than the trailing multiples analysis. Quite similar pattern can be observed analysing EV/EBIT forward multiples.

Implied equity values are calculated considering a weighted average between the mean of LTM multiples (considering both EV/EBITDA and EV/EBIT means and medians) and NTM multiples mean which takes into account the same measures as LTM analysis. The choice of considering both EV/EBITDA and EV/EBIT reflects the heterogeneous nature of the selected peer group, which includes companies operating across the three segments of Disney's business model. These activities are characterised by different degrees of capital intensity, leading to various depreciation profiles. While EV/EBITDA allows a neutralisation of the differences in D&A policies, EV/EBIT provides a better picture of capital-intensive businesses. The combination of the two therefore, leads to a more balanced valuation.

Based on this analysis, the implied value per share from the multiples' valuation is equal to 93,7\$.

Final Valuation Methodology

In valuing Disney, we combined an intrinsic DCF valuation with a relative valuation based on market multiples, to capture both the company's expected cash-flow generation and how comparable companies are valued by the market.

The DCF valuation was built through a detailed segment forecast, reflecting the different dynamics of Disney's businesses: the gradual decline of Linear Networks, the improvement in Direct-to-Consumer profitability, the continued strength of Experiences.

We then complemented the DCF with a multiples-based valuation using selected comparable companies and applying both LTM and forward EV/EBITDA and EV/EBIT multiples. However, greater weight was assigned to forward multiples, as they better reflect Disney's expected earnings and future profitability. The LTM multiples were still included, but with a lower weight, to provide a reference point based on Disney's most recent reported performance while avoiding an excessive reliance on figures that may not fully capture the company's expected operational improvement.

Finally, we assigned equal weight to the DCF valuation and the multiples valuation to obtain our final target price. This combined methodology provides a more comprehensive view of Disney's fair value, as it incorporates both the fundamental value of its future cash flows and the relative valuation indicated by comparable companies. Based on our final computation, the resulting target price suggests that Disney is slightly undervalued compared with its current market price. This outcome reflects Disney's position as a mature company, whose future value is likely to depend less on high growth and more on its ability to protect margins, and sustain the profitability of its strongest segments.

DCF Valuation	\$ 91.65
Multiples Valuation	\$ 93.7
Final Valuation	\$ 92.68

Investment Risks

Downside Risk Factors

Experiences Segment Cyclical and Demand Normalization:

This is the single most acute near-term risk. The Experiences segment is currently the primary EBIT driver and the valuation's implicit backbone. A macro deterioration or consumer confidence shock hitting discretionary travel and park spending would impair the segment that the entire earnings recovery thesis rests on.

ESPN / Linear TV Secular Decline and DTC Execution Risk: The cord-cutting trend is structurally irreversible, and ESPN's affiliate fee revenue is eroding accordingly. The DTC transition introduces dual-sided risk: revenue cannibalization on the way out of the linear model and uncertain subscriber economics on the way in. A mispriced launch or slower-than-expected conversion directly undermines the Sports segment valuation.

Franchise Fatigue and Box Office Concentration: Disney's downstream revenue architecture – streaming catalog depth, merchandise, park IP, licensing – is built on continuous blockbuster output from a narrow franchise set. Sustained Marvel or Star Wars underperformance creates negative second-order effects far beyond theatrical revenue alone, cascading into ARPU, park attendance, and consumer products simultaneously.

Upside Risk Factors

DTC Profitability Inflection Ahead of Consensus: The report's LTM multiples are deliberately discounted to reflect prior streaming investment drag. Any demonstrated acceleration in Disney+/Hulu ARPU or margin improvement – driven by ad-tier monetization, bundling, or pricing discipline – would trigger a disproportionate re-rating, as the market is currently pricing in a slower path to DTC profitability.

Experiences Structural Pricing Power and APAC Expansion: The same segment that represents the key downside risk is also the primary upside lever under a benign macro scenario. Disney

parks have demonstrated pricing inelasticity, and APAC middle-class travel growth is a structural multi-decade tailwind. New capacity additions and cruise line expansion provide identifiable near-term catalysts not fully reflected in current estimates.

Balance Sheet Deleveraging as a Capital Return Catalyst: With debt declining ~\$3.5bn annually, interest coverage at 7.81x, and FCF at a decade-high \$10.1bn, Disney is approaching the inflection point at which meaningful capital returns become feasible. A formal dividend reinstatement or buyback program would serve as a hard catalyst, particularly compelling given the stock currently trades at a ~21% discount to the derived target price.

Appendix

Exhibit 1: Restated Balance Sheet (\$ bn)

Balance Sheet	2021	2022	2023	2024	2025
Inventories	1.3	1.7	2.0	2.0	2.1
Current trade & tax receivables	13.4	12.7	12.3	12.7	13.2
Other current receivables	3.0	3.1	4.3	4.5	3.2
Other non-current receivables	38.2	45.0	44.7	45.4	41.3
Trade & tax payables (current)	(20.9)	(20.2)	(20.7)	(21.2)	(21.2)
Net deferred tax liabilities	(7.2)	(8.4)	(7.3)	(6.3)	(3.5)
NET OPERATING WORKING CAPITAL	27.8	33.9	35.3	37.3	35.2
Intangible assets	95.1	92.7	90.1	84.1	82.6
PP&E	32.6	33.6	34.9	37.0	41.3
TOTAL NET FIXED ASSETS	127.8	126.3	125.1	121.1	123.8
Investments	3.9	3.2	3.1	4.5	8.1
Other long-term provisions	(14.5)	(12.5)	(12.1)	(10.9)	(9.9)
Current portion of other long-term provisions	(4.3)	(5.8)	(6.1)	(6.7)	(6.2)
OTHER NON-CURRENT ASSETS/ LIABILITIES	(14.9)	(15.1)	(15.1)	(13.1)	(8.1)
NET INVESTED CAPITAL	140.7	145.1	145.3	145.3	150.9
Share capital & reserves attributable to owners	88.6	95.0	99.3	100.7	109.9
Share capital & reserves attributable to non-controlling interests	4.5	3.9	4.7	4.8	4.7
TOTAL EQUITY	93.0	98.9	104.0	105.5	114.6
Financial liabilities (current)	5.9	3.1	4.3	6.8	6.7
Financial liabilities (non-current)	48.5	45.3	42.1	39.0	35.3
Redeemable non-controlling interest	9.2	9.5	9.1	-	-
Cash & cash equivalents	(15.6)	(11.6)	(14.2)	(6.0)	(5.7)
NET FINANCIAL POSITION	47.4	46.3	41.3	39.8	36.3
TOTAL NFP + EQUITY	140.7	145.1	145.3	145.3	150.9

Exhibit 2: Restated Income Statement (\$ bn)

Income Statement	2021	2022	2023	2024	2025
Revenues	67.4	82.7	88.9	91.4	94.4
Gross Profit	22.3	28.3	29.7	32.7	30.6
Gross margin	33.1%	34.2%	33.4%	35.8%	32.5%
EBITDA	8.6	12.0	14.7	17.3	19.2
EBITDA Margin	12.8%	14.5%	16.5%	18.9%	20.3%
EBIT	3.5	6.8	9.3	12.3	13.8
EBIT Margin	5.3%	8.3%	10.5%	13.5%	14.6%
Net income	2.0	3.1	2.4	5.0	13.4
Net margin	3.0%	3.8%	2.6%	5.4%	14.2%

Exhibit 3: DCF Model – Summary (\$ mn)

	2025	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034E	2035E
Sales	94,425	102,496	107,015	111,719	116,044	120,458	124,697	128,512	132,021	135,499	139,155
% growth	3.4%	8.5%	4.4%	4.4%	3.9%	3.8%	3.5%	3.1%	2.7%	2.6%	2.7%
COGS&Opex	76,874	85,616	89,749	92,734	95,833	99,640	102,749	105,580	108,534	110,576	113,602
% sales	81.4%	83.5%	83.9%	83.0%	82.6%	82.7%	82.4%	82.2%	82.2%	81.6%	81.6%
EBIT	17,551	16,880	17,265	18,985	20,211	20,818	21,949	22,932	23,488	24,923	25,553
EBIT Margin	19%	16%	16%	17%	17%	17%	18%	18%	18%	18%	18%
Taxes	4,212	4,051	4,144	4,556	4,851	4,996	5,268	5,504	5,637	5,982	6,133
%Taxes	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
EBIT*(1-Tax rate)	13,339	12,829	13,122	14,429	15,361	15,822	16,681	17,428	17,851	18,942	19,420
Change in WC	(430)	(36)	166	(186)	184	(267)	353	281	469	323	232
CapEx	8,024	9,090	9,231	9,328	9,368	9,412	9,162	8,925	8,767	8,618	8,539
	48%	13%	2%	1%	0%	0%	-3%	-3%	-2%	-2%	-1%
D&A	5,326	5,992	6,256	6,531	6,784	7,042	7,290	7,513	7,718	7,921	8,135
	5.64%	5.85%	5.85%	5.85%	5.85%	5.85%	5.85%	5.85%	5.85%	5.85%	5.85%
FCFF	11,071	9,767	9,981	11,817	12,591	13,717	14,456	15,736	16,332	17,922	18,785

Exhibit 4: Multiple Analysis

Company	Valuation LTM			
	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
Walt Disney Co	2.3x	11.2x	15.6x	14.5x
Netflix Inc	9.7x	14.6x	33.0x	39.6x
Warner Bros Discovery Inc	2.6x	5.1x	-	-
Paramount Skydance Corp	0.8x	7.4x	10.0x	-
Comcast Corp	1.5x	5.1x	9.0x	5.0x
Charter communications INC	2.3x	5.8x	9.6x	6.4x
Six Flags Entertainment Corporation	2.3x	9.1x	24.4x	-
Versant Media Group	1.0x	2.9x	5.2x	6.1x
High	9.7x	14.6x	33.0x	39.6x
75th Percentile	2.5x	8.2x	20.8x	14.7x
Average	2.9x	7.1x	15.2x	14.3x
Median	2.3x	5.8x	9.8x	6.3x
25th Percentile	1.3x	5.1x	9.1x	5.9x
Low	0.8x	2.9x	5.2x	5.0x

Exhibit 5: Multiple Valuation

Walt Disney Co	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
Implied Enterprise Value	217,083,312,039	137,134,146,779	210,170,434,801	177,112,791,850
Net Debt	36,493,000,000	36,493,000,000	36,493,000,000	36,493,000,000
Implied Market Value	180,590,312,039	100,641,146,779	173,677,434,801	140,619,791,850
Shares Outstanding	1,736,511,424	1,736,511,424	1,736,511,424	1,736,511,424
Implied Value Per Share (\$)	104.00	57.96	100.02	80.98

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