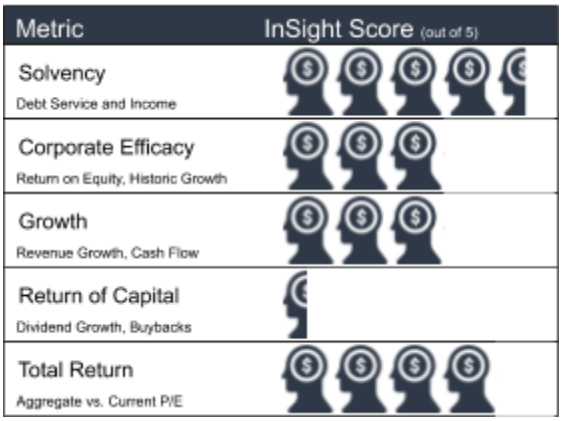
Report Date: January, 25, 2021
Research Analyst: Kevin T. Taylor, CIMA®, AIF®

Div %	Div $	Current Price	Current Multiple	Market Cap	Beta
NA	NA	$171.98	-	$310.6B	1.2

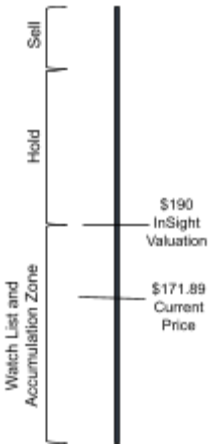


Analyst Report: Disney

TICKER: DIS

EXECUTIVE SUMMARY

The Walt Disney Company, formerly TWDC Holdco 613 Corp, is a worldwide entertainment company. The Company operates in four business segments: Media Networks, Parks Experiences and Products, Studio Entertainment, and Direct-To-Consumer and International. The media networks segment includes cable and broadcast television networks, television production and distribution operations, domestic television stations, and radio networks and stations. The Company's Walt Disney Imagineering unit designs and develops new theme park concepts and attractions, as well as resort properties. The studio entertainment segment produces and acquires live-action and animated motion pictures, direct-to-video content, musical recordings and live stage plays. The Company also develops and publishes games, primarily for mobile platforms, books, magazines and comic books.



COMPANY HIGHLIGHTS

Disney is the epitome of a bifurcated business right now. The Disney+ business is the future of this company and falls into a revenue model we prefer. The parks and resorts business is part of the groups we think might have near term impairments. While we think the studio's production schedule and distribution will be a long term hits to revenue. Distribution partners face an existential stretch in 2021. But we think there is promise in the direct to consumer new releases. We will need to see a test of that thesis with an anticipated blockbuster level release. Unlike consumables, we think that the demand in the parks business will coil until the lockdowns end and travel returns - this revenue we think is pent up rather than lost. Like other parts of the travel and tourism business we think we will see encouraging numbers in the summer and a return to business as usual by late fall.

- Disney reported a loss in 2020 of $1.57 per share, the first in recent memory. Q3 was particularly hard as the company ramped up for opening, and was halted and limited by CA and FL. We think this is the lower limit to Disney's risk.
- InSight expects +$70 billion in revenue in 2021 and a margin of +15% this is a 4.3% contraction from 2020 and the result of continued lockdown fallout.
- We anticipate a 2021 earnings of $2.50-$2.60, If lockdown measures accelerate, we think a responsive return to profitability in the theme parks and the studio businesses will take the company back to +$4 earnings range.
- Media is still promising and has seen continued support from direct-to-consumer subscriptions and further competitiveness in streaming platforms (Disney+, ESPN+, Hulu), we project revenue growth of nearly 20% in FY 22. The return of sports and entertainment will only extend this addoption.
- The dividend is still suspended, we need to see this returned and raised to $.92 or higher.

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SECTOR OVERVIEW

Netflix is in the Entertainment subcategory in the Communication Services Index. Disney is just shy of 5% of this index right now. So inclusion of the stock outright is a slight advantage to the secort play. It is also a digital content and experience play with a unique exposure it has in the space. While other participants in the communication sector like Facebook and Netflix saw no revenue contraction as a result of COVID, Disney did. On the whole we think that subscription and paid-for content space is a permanent shift in consumer habits, and a revenue model that provides Disney better insight into content creating and commercialization. Its exposure to live sports and fantasy sports still sets is a part in the sector.

IMPACT INSIGHT (ESG)

+A Rating (Mitigator, Exemplar, Responsive)

Environmentally - Dinsey was a moderate polluter at the beginning of the century. The parks have a massive exposure to waste, water usage, and the fleet was entirely debelntant on fossil fuels. The commitment to transition the parks and cruise line fleet to more fossil resistant has done an appropriate effort to minimize its footprint. In 2019 the FL park switched on its solar power facility to power 50+ megawatts to the park. The parks meet their 2019 water conservation and reappropriation targets in 2018. These efforts are returning the company to neutrality, which is good. But neutrality is simply not enough, InSight would like to see more investment into achieve neutrality in all it efforts, and select one, energy, water and waste conservation where they can become stewards of change.

Socially - The wage policies and labor practices at Disney came under attack in 2020, and a continuation of its supply chain issues is still a major concern at Disney. In 1992 Disney was citicized by the NLC for having violated child labor and wage standards, on 2002 the issue arose agian, the supply chain of Disney toys seems systematically prone to risk. The company has rolled out the Supply Chain Investment Program in 2012 to review the employment and labor standards worldwide. Since that inception there has not been a major filling against Disney proper. The product supply chain will always be the greatest risk for Disney.

Disney has several employee awareness and giveback programs, it supports women in technology initiatives and education programs across the country. Disney is a major supporter of Make-a-Wish.

Governance - There is little identified risk in Diney's corporate governance. Disney follows all GAAP and standard reporting practices.