US EQUITY RESEARCH

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Walt Disney

The winning formula: Cashflow generative experiences and growth from streaming

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Company Overview

The Walt Disney Company is a diversified entertainment company that operates in three segments: Entertainment, Sports and Experiences. Entertainment includes non-sports focused global film, television, and video streaming. Sports encompasses the Company's sports-focused global television and Experiences includes Parks and Experiences and Consumer Products.

Investment Overview

Magical flywheel effect continues as long as intellectual property portfolio remains robust. Disney's core strategy and business is built upon a virtuous cycle where different parts of the business are highly synergistic and complementary. Disney owns the intellectual property for its characters, movies, and shows. This then serves as a direct advertisement and is leverageable for its theme parks and resorts which are which provides an additional revenue stream. The flywheel effect describes how each the segments of Disney business work together as a whole, enhances the overall prospects of the group so long as Disney retains its strong intellectual property portfolio.

Streaming has seen the light; on path to greater profitability. Core subscribers has crossed 125m as at end FY24 since the launch of Disney plus in 2019. In the face of mounting ballooning content costs and saturation in the market, we believe that the focus has shifted from pure subscriber growth to ARPU expansion. DTC revenues will be the key driver of growth at 8% CAGR between FY24-28, with share of total revenues increasing from 22% in 2023 to 29% in 2027. The fog appears to be lifting for streaming with operating losses expected to narrow in FY24 followed by sustained profitability from FY25 onward – consensus sees DTC operating margins at 14% in FY28, up from -1% in FY24. We note that this is still substantially lower than streaming leader Netflix with operating margins at 27% in FY24. We believe long term profitability will be underpinned by periodic increases in pricing, content spend rationalisation, and subscriber additions.

Free cashflow's wind in the sail goes on; sustained by cashflow generative experiences business. Disney's experiences segment which primarily comprises parks & experiences accounts for 37% of FY24 revenue and has doubled its return on invested capital in the past five years. Disney remains focused on turbocharging growth in Experiences through strategic investments, aligned to consensus expectations of 5% CAGR at the topline between FY24-28. Experiences is expected to command a substantially higher operating margin of 29% compared to 14% for DTC and Sports in FY28. Operating margins for linear networks are presently higher at 32% as at end FY24 but would dip to 23% as changes in consumer preferences drive the pivot away from legacy TV. Taken altogether, the street expects Disney's free cashflow to grow at a CAGR of 9% between FY24-FY28.

BUY Disney with TP USD135. Our TP is based on 21x CY26 earnings, close to -0.5 SD of the historical mean as macro uncertainty still lingers. Disney's strength in parks and cruises is uniquely supported by its IP portfolio and the same content engine now drives a sustainable and profitable pivot in streaming, where subscriber growth and bundling contribute to margin expansion and long-term upside.

Risks

Severe and prolonged recessions that significantly impacts the Experiences and Entertainment segment. More cautious spending on discretionary goods and services may lead to weaker demand for theme park attractions as well as streaming subscriptions. Failure to generate appealing content in the DTC sub-segment may also lead to a decline in market share and subscriber losses.

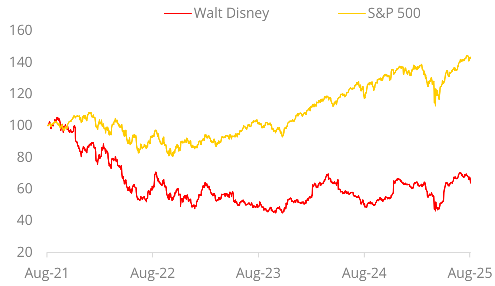
Key Financial Data

Bloomberg Ticker	DIS US
Sector	Communication Services
Share Price (USD)	112.88
DBS Rating	BUY
12-mth Target Price (USD)	135.0
Market Cap (USDbn)	203.0
Volume (mn shares)	15.5
Free float (%)	100.0
Dividend yield (%)	0.9
Net Debt to Equity (%)	41.2
Fwd. P/E (x)	19.3
P/Book (x)	1.9
ROE (%)	11.0

Closing Price as of 7 Aug 2025

Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	82,722	88,898	91,361	94,748	100,692
% y/y	*22.7*	*6.2*	*2.8*	*3.7*	*6.3*
Gross Profit	28,321	29,697	32,663	35,233	38,575
% y/y	*27.1*	*4.9*	*10.0*	*8.7*	*9.5*
EBITDA	13,590	14,800	17,175	20,658	23,182
% y/y	*44.3*	*8.9*	*16.0*	*13.3*	*12.4*
Net Profit	6,475	6,923	9,195	10,983	11,449
% y/y	*53.2*	*6.9*	*32.8*	*14.3*	*5.4*
FCF	1,059	4,897	8,559	9,561	9,172
% y/y	*(46.7)*	*362.4*	*74.8*	*11.8*	*(3.3)*
CAPEX	4,943	4,969	5,412	7,995	8,554
% y/y	*38.1*	*0.5*	*8.9*	*47.7*	*7.1*
EBITDA Margin %	16.4	16.6	18.8	21.8	23.1
Net Margin %	7.8	7.8	10.1	11.6	11.4
ROA (%)	3.2	3.4	4.6	5.4	5.8
ROE (%)	6.1	6.3	8.4	9.7	9.8
Tax Rate %	32.8	28.9	23.7	(11.8)	24.1

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	54.8	63.0	35.4	16.1	18.9
P/B (x)	1.8	1.5	1.7	1.9	1.7
Dividend Yield (%)	0	0	0.8	0.9	1.0
EV/EBITDA (x)	16.5	13.3	12.9	12.6	11.1
FCF Yield %	0.6	3.3	4.9	4.7	4.5

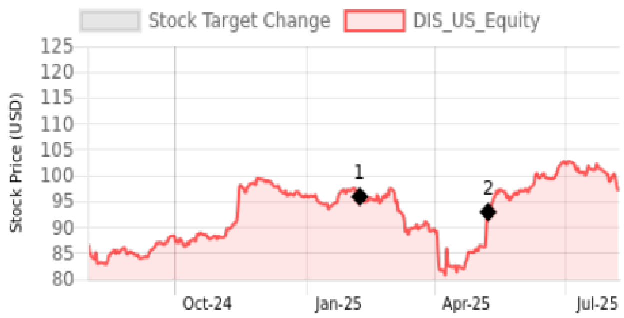
Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	44.6	41.1	43.4	36.6	32.8
Net Debt / Equity	0.4	0.3	0.4	0.3	0.3
Debt / Assets	23.8	22.6	23.3	21.2	19.5
Net Debt / Assets	0.2	0.2	0.2	0.2	0.2
EBITDA / Int Exp	8.8	7.5	8.8	10.5	11.7
ST Debt / Total Debt	0.1	0.1	0.1	0.1	0.1
Debt / EBITDA	3.6	3.1	2.7	2.0	1.9
[Cash + CFO] / ST Debt	5.7	5.6	2.9	4.0	5.1
Receivables Days	55.8	50.6	50.9	49.9	48.5
Days Payable	89.2	84.9	84.2	80.9	78.9
Inventory Days	7.7	8.1	8.1	8.2	8.1

Source: Visible Alpha

Target Price & Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	07 Feb'25	112.09	125.00	HOLD
2	08 May'25	102.09	100.00	HOLD

Source: DBS
Analysts: Amanda Tan
Sachin Mittal

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
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**Share price appreciation + dividends*

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