

## Disney

### Mixed FQ1 Expected, Though Solid Underlying Trends Maintain Attractive F2013 Outlook

FQ1 will likely be a slow start to an otherwise strong F2013 earnings and FCF outlook for Disney. We expect mixed results when the company reports Feb 5 reflecting several moving pieces related to calendar timing, programming shifts, and other unique comparisons vs. prior year. Most items have already been well communicated by the company, however, and our estimates remain unchanged at EPS of \$0.77 for the quarter while we continue to expect double-digit EPS growth for the year.

- Ratings headwinds at ESPN and ABC set up more modest results at Media Networks.** ESPN saw lower ratings across its three main sports for the quarter: NFL, NCAA Football, and NBA. Monday Night Football tracked well through most of FQ1, but suffered from weak matchups to close the season. College football faced increased competition, particularly from Fox, as well as from the NFL Network on Thursdays. NBA ratings also declined from prior year (rights fees will also shift into the quarter). Despite the softer viewership we believe ad revenues were positive in the quarter thanks to strong upfront gains and continued attraction of live sports for advertisers. Management commented in early Dec that ESPN ad revenues were pacing up low single digits, in line with our estimate. Disney XD and ABC Family, meanwhile, delivered another quarter of ratings gains that should give a boost to ad performance; we forecast 3% cable ad growth in FQ1. In Broadcasting, we expect strong political ad dollars to offset lower ABC ratings (down ~8.5% on C3) and make goods to also deliver positive ad growth.
- Expect strong Parks growth** in FQ1 driven by Cars Land, the Fantasy Ship, and re-opening of Fantasyland that should bring incremental attendance and elevated pricing. We project 10% domestic revenue growth with attendance gains of 3% (incl. a 1-2% shift into FQ2 around New Year's timing or ~\$30m in earnings) and high single digit pricing. On the cost side, these new attractions carry higher opex and the Fantasyland opening added ~\$10m in promotional spending. Expenses for the NextGen/MyMagic bracelet program will also be seen, though the system's full launch won't come until spring. We look for 50bps margin expansion in the quarter.
- Tough Studio comps despite success of *Ralph* and *Lincoln*.** While the box office outperformance of *Wreck-It Ralph* and *Lincoln* should drive nice revenue gains in the quarter, studio earnings will likely be down meaningfully from last year's highly profitable *Lion King* re-release and *Cars 2* in-home. Looking ahead, *Oz* (3/8) will be a meaningful title to gauge whether Disney Studios is back on track and early buzz has been promising. Meanwhile, Pixar and Marvel appear set for a successful year.

#### The Walt Disney Company (DIS;DIS US)

FYE Sep	2012A	2013E	2014E
Diluted EPS (Reported) (\$)			
Q1 (Dec)	0.80	0.77	-
Q2 (Mar)	0.58	0.78	-
Q3 (Jun)	1.01	1.07	-
Q4 (Sep)	0.68	0.88	-
FY	3.07	3.49	3.95
Bloomberg EPS FY (\$)	3.08	3.42	3.89

Source: Company data, Bloomberg, J.P. Morgan estimates. Note: Quarterly EPS may not add up to full-year numbers due to rounding. 'Bloomberg' above denotes Bloomberg consensus estimates.

#### See page 10 for analyst certification and important disclosures.

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## Overweight

DIS, DIS US

Price: \$50.78

Price Target: \$60.00

#### Media

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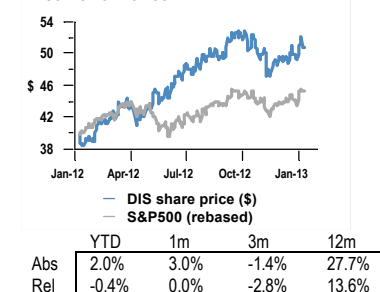
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#### Price Performance



#### Company Data

Price (\$)	50.78
Date Of Price	09 Jan 13
52-week Range (\$)	53.40 - 34.51
Mkt Cap (\$ mn)	92,013.36
Fiscal Year End	Sep
Shares O/S (mn)	1,812
Price Target (\$)	60.00
Price Target End Date	31 Dec 13

- **Affiliate/retrans renewals set up accelerated growth** ahead for the company's most profitable business. Disney renewed both Cox and Charter at year end, supplementing Cablevision earlier in the quarter and Comcast at the start of last year. With the ESPN piece of Comcast kicking in this month (ABC retrans still to come as well), we expect these deals – representing roughly 1/3rd of Disney's subs – will drive higher growth starting FQ2 in at least the high single digits. Elevated increases should continue into 2015 as DirecTV, Dish, AT&T, and NCTC all remain to be renewed over the next 2 years, while reverse-retrans will also continue to phase in for ABC.
- **Reiterate Overweight with attractive F2013/F2014 outlook, including high FCF growth.** While FQ1 looks to be a slow start to the year, we find the F2013 outlook attractive, especially once affiliate renewals kick in this quarter. We expect strong growth from Media Networks to drive nice margin expansion as ESPN's biggest rights deals don't step up until later F2014. We see Parks as the other main driver of both revenue growth and FCF generation with nearly all the key attraction initiatives of the last several years now open/drawing revenue while capex has come down meaningfully. We project FCF to increase over 50% in F2013, much of which we expect to go toward share buybacks. At 14.5x EPS we continue to find shares attractive, trading below historical levels and at a premium to the market.

Table 1: F1Q13 Media Networks Ratings Performance

Key Demo	Key Demographic				Y/Y change		
	2012		2011		TD Rating	PT Rating	
	TD Rating	PT Rating	TD Rating	PT Rating			
<b>DIS:</b>							
(ESPN)	M18-49	0.8	1.7	0.8	1.8	(6.0%)	(3.4%)
(ESPN2)	M18-49	0.2	0.2	0.2	0.3	(18.2%)	(21.4%)
(DSNY)	P2-11	2.2	3.3	2.3	3.6	(0.9%)	(9.4%)
(FAM)	P18-49	0.3	0.6	0.3	0.6	3.4%	5.3%
(DXD)	M2-11	0.5	0.7	0.5	0.6	17.8%	20.0%
<b>Broadcast:</b>							
(ABC)	P18-49		1.9		2.2		(12.6%)
	P25-54		2.4		2.7		(13.2%)
<b>A+E Networks:</b>							
(AEN)	P25-54	0.4	0.7	0.3	0.6	9.1%	6.5%
(HIST)	P25-54	0.3	0.6	0.3	0.6	6.5%	(1.6%)
(LIF)	P25-54	0.2	0.4	0.2	0.4	4.8%	11.1%

Source: Neilsen; J.P. Morgan

Table 2: F2013 Studio Release Slate

Title	Studio	Dist Only	Scheduled Release
Frankenweenie	Disney		10/5/12
Wreck-It Ralph	Dis Animation		11/2/12
Lincoln	DreamWorks	✓	11/9/12
Monsters Inc (3D re-release)	Pixar		12/19/13
Oz: The Great and Powerful	Disney		3/8/13
Iron Man 3	Marvel		5/3/13
Monsters University	Pixar		6/21/13
The Lone Ranger	Disney		7/3/13
Planes	Disney		8/9/13
The Little Mermaid (3D re-release)	Pixar		9/13/13

Source: Box Office Mojo; company reports; J.P. Morgan.

## Investment Thesis

**Reiterate Overweight.** We believe Disney's collection of premium assets and brands will continue to drive attractive, steady earnings and robust FCF growth to shareholders. At 14.5x our F2013 EPS, shares trade at a discount to historical levels and premiums to the S&P, which we see as unwarranted.

## Valuation

Our year-end 2013 price target is \$60 based on a forward P/E of ~15x applied to our 2014 EPS estimate and representing a roughly 15% premium over the S&P 500 multiple - in line with the historical average at 15-20% - which we believe is warranted given the company's robust EPS and FCF growth outlook over the next two years. We also believe Disney's strong brands, unique assets (e.g. ESPN, Walt Disney World), and high cash flows contribute to this premium valuation. This target multiple still remains at a discount to Disney's historical three, five and ten year average P/E ratios.

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### Risks to Rating and Price Target

- Weaker than expected advertising revenue, particularly at ESPN.
- Weaker than expected Parks attendance and Resorts occupancy.
- Studio business tends to be volatile and has a close tie to the Consumer Products business.
- Interactive Media investments have had mixed results and may continue to be a drag on profitability and cash flow.

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Table 3: Disney Income Statement

\$ in millions

Fiscal Year End Sep	1Q12	2Q12	3Q12	4Q12	1Q13E	2Q13E	3Q13E	4Q13E	2011	2012	2013E	2014E
<b>REVENUES</b>												
Cable Networks	\$3,309	\$3,167	\$3,610	\$3,535	\$3,489	\$3,387	\$3,903	\$4,000	\$12,877	\$13,621	\$14,780	\$15,780
% change	7.9%	12.1%	2.7%	2.0%	5.5%	7.0%	8.1%	13.1%	12.2%	5.8%	8.5%	6.8%
Broadcasting	\$1,470	\$1,525	\$1,474	\$1,346	\$1,500	\$1,569	\$1,494	\$1,328	\$5,837	\$5,815	\$5,891	\$6,087
% change	-6.8%	1.9%	2.9%	1.1%	2.0%	2.9%	1.3%	-1.3%	2.6%	-0.4%	1.3%	3.3%
Parks & Resorts	3,155	2,899	3,441	3,425	3,423	3,061	3,664	3,627	11,797	12,920	13,775	14,534
% change	10.0%	10.2%	8.5%	9.5%	8.5%	5.6%	6.5%	5.9%	9.6%	9.5%	6.6%	5.5%
Studio Entertainment	1,618.0	1,180.0	1,625.0	1,402.0	1,523.7	1,366.4	1,634.5	1,488.3	6,351.0	5,825.0	6,012.8	6,305.7
% change	-16.3%	-11.9%	0.3%	-3.9%	-5.8%	15.8%	0.6%	6.2%	-5.2%	-8.3%	3.2%	4.9%
Consumer Products	948.0	679.0	742.0	883.0	1,012.8	738.2	806.2	983.1	3,049.0	3,252.0	3,540.3	3,794.6
% change	2.8%	8.5%	8.3%	8.2%	6.8%	8.7%	8.6%	11.3%	13.9%	6.7%	8.9%	7.2%
Interactive Media	279.0	179.0	137.0	191.0	293.0	196.9	150.7	210.1	982.0	786.0	850.7	978.2
% change	-20.1%	12.6%	-45.4%	-14.3%	5.0%	10.0%	10.0%	10.0%	29.0%	-20.0%	8.2%	15.0%
<b>Total Revenue</b>	<b>\$ 10,779</b>	<b>\$ 9,629</b>	<b>\$ 11,029</b>	<b>\$ 10,782</b>	<b>\$ 11,241</b>	<b>\$ 10,318</b>	<b>\$ 11,653</b>	<b>\$ 11,636</b>	<b>\$ 40,893</b>	<b>\$ 42,219</b>	<b>\$ 44,849</b>	<b>\$ 47,480</b>
% change	0.6%	6.1%	3.3%	3.4%	4.3%	7.2%	5.7%	7.9%	7.4%	3.2%	6.2%	5.9%
<b>OPERATING INCOME</b>												
Cable Networks	967	1,500	1,858	1,379	907	1,677	2,049	1,720	5,233	5,704	6,353	6,785
% change	25.4%	10.5%	0.8%	9.4%	-6.2%	11.8%	10.3%	24.7%	17.0%	9.0%	11.4%	6.8%
segment margin	29.2%	47.4%	51.5%	39.0%	26.0%	49.5%	52.5%	43.0%	40.6%	41.9%	43.0%	43.0%
Broadcasting	226	229	268	192	270	267	269	213	913	915	1,018	1,108
% change	-23.4%	37.1%	7.2%	-4.5%	19.4%	16.5%	0.3%	10.7%	38.5%	0.2%	11.3%	8.8%
segment margin	15.4%	15.0%	18.2%	14.3%	18.0%	17.0%	18.0%	16.0%	15.6%	15.7%	17.3%	18.2%
Parks & Resorts	553	222	630	497	618	293	694	556	1,553	1,902	2,161	2,414
% change	18.2%	53.1%	21.4%	18.1%	11.7%	32.1%	10.2%	11.9%	17.8%	22.5%	13.6%	11.7%
segment margin	17.5%	7.7%	18.3%	14.5%	18.0%	9.6%	18.9%	15.3%	13.2%	14.7%	15.7%	16.6%
Studio Entertainment	413	(84)	313	80	252	137	264	90	618	722	743	719
% change	10.1%	-209.1%	538.8%	-31.6%	-38.9%	-263.0%	-15.8%	12.8%	-10.8%	16.8%	2.9%	-3.2%
segment margin	25.5%	-7.1%	19.3%	5.7%	16.6%	10.0%	16.1%	6.1%	9.7%	12.4%	12.4%	11.4%
Consumer Products	313	148	209	267	357	166	217	309	816	937	1,049	1,120
% change	0.3%	4.2%	34.8%	29.0%	14.2%	11.9%	3.8%	15.6%	20.5%	14.8%	11.9%	6.8%
segment margin	33.0%	21.8%	28.2%	30.2%	35.3%	22.4%	26.9%	31.4%	26.8%	28.8%	29.6%	29.5%
Interactive Media	(28)	(70)	(42)	(76)	(10)	(30)	(20)	(20)	(308)	(216)	(80)	20
Corporate (expense)	(107)	(120)	(107)	(140)	(110)	(124)	(110)	(140)	(459)	(474)	(484)	(501)
% change	-4.5%	-1.6%	5.9%	12.9%	3.0%	3.0%	3.0%	0.0%	9.3%	3.3%	2.1%	3.5%
Restructuring Charges	(6)	(38)	(7)	(49)	-	-	-	-	(55)	(100)	-	-
<b>Total Operating Income</b>	<b>\$ 2,331</b>	<b>\$ 1,787</b>	<b>\$ 3,122</b>	<b>\$ 2,150</b>	<b>\$ 2,284</b>	<b>\$ 2,386</b>	<b>\$ 3,363</b>	<b>\$ 2,728</b>	<b>\$ 8,311</b>	<b>\$ 9,390</b>	<b>\$ 10,760</b>	<b>\$ 11,665</b>
% change	11.9%	8.2%	20.3%	8.6%	-2.0%	33.5%	7.7%	26.9%	20.5%	13.0%	14.6%	8.4%
% of revenue	21.6%	18.6%	28.3%	19.9%	20.3%	23.1%	28.9%	23.4%	20.3%	22.2%	24.0%	24.6%
<b>Income Before Tax</b>	<b>\$2,241</b>	<b>\$1,876</b>	<b>\$3,029</b>	<b>\$2,114</b>	<b>\$2,190</b>	<b>\$2,289</b>	<b>\$3,266</b>	<b>\$2,631</b>	<b>\$8,043</b>	<b>\$9,260</b>	<b>\$10,375</b>	<b>\$11,280</b>
Income Taxes	(720)	(650)	(993)	(724)	(745)	(778)	(1,110)	(894)	(2,785)	(3,087)	(3,528)	(3,835)
Tax rate	32.1%	34.6%	32.8%	34.2%	34.0%	34.0%	34.0%	34.0%	34.6%	33.3%	34.0%	34.0%
Minority Interest	(57)	(83)	(205)	(146)	(60)	(87)	(215)	(153)	(451)	(491)	(516)	(541)
<b>Net Income</b>	<b>\$1,464</b>	<b>\$1,143</b>	<b>\$1,831</b>	<b>\$1,244</b>	<b>\$1,386</b>	<b>\$1,423</b>	<b>\$1,940</b>	<b>\$1,583</b>	<b>\$4,807</b>	<b>\$5,682</b>	<b>\$6,332</b>	<b>\$6,903</b>
% change	12.4%	21.3%	24.1%	14.4%	-5.3%	24.5%	6.0%	27.2%	21.3%	18.2%	11.4%	9.0%
Avg Diluted Shares	1,824	1,818	1,812	1,817	1,804	1,831	1,812	1,802	1,909	1,818	1,812	1,746
GAAP Diluted EPS	\$0.80	\$0.63	\$1.01	\$0.68	\$0.77	\$0.78	\$1.07	\$0.88	\$2.52	\$3.13	\$3.49	\$3.95
% change	18.8%	29.1%	30.9%	17.4%	-4.3%	23.6%	6.0%	28.3%	23.8%	24.1%	11.8%	13.2%
<b>Operating EPS, recurring</b>	<b>\$0.80</b>	<b>\$0.58</b>	<b>\$1.01</b>	<b>\$0.68</b>	<b>\$0.77</b>	<b>\$0.78</b>	<b>\$1.07</b>	<b>\$0.88</b>	<b>\$2.51</b>	<b>\$3.07</b>	<b>\$3.49</b>	<b>\$3.95</b>
% change	20.0%	18.8%	30.9%	16.8%	-4.3%	34.3%	6.0%	29.0%	23.4%	22.3%	13.7%	13.2%
D&A	485	488	522	492	527	553	571	557	1,841	1,987	2,208	2,298
<b>EBITDA</b>	<b>2,816</b>	<b>2,275</b>	<b>3,644</b>	<b>2,642</b>	<b>2,812</b>	<b>2,938</b>	<b>3,933</b>	<b>3,285</b>	<b>10,152</b>	<b>11,377</b>	<b>12,968</b>	<b>13,963</b>
% change	11.3%	8.0%	18.6%	8.2%	-0.1%	29.2%	7.9%	24.3%	17.9%	12.1%	14.0%	7.7%
% of revenue	26.1%	23.6%	33.0%	24.5%	25.0%	28.5%	33.8%	28.2%	24.8%	26.9%	28.9%	29.4%

Source: Company reports and J.P. Morgan estimates.

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Table 4: Disney Media Networks

\$ in millions

Fiscal Calendar	1Q12 Dec-11	2Q12 Mar-12	3Q12 Jun-12	4Q12 Sep-12	1Q13E Dec-12	2Q13E Mar-13	3Q13E Jun-13	4Q13E Sep-13	2011 Sep-11	2012 Sep-12	2013E Sep-13	2014E Sep-14
<b>Revenues</b>												
Affiliate Fees	2,060	2,150	2,565	2,585	2,200	2,354	2,809	2,831	8,790	9,360	10,194	11,111
% change	11.4%	10.1%	0.0%	6.7%	6.8%	9.5%	9.5%	9.5%	8.8%	6.5%	8.9%	9.0%
% of segment revenue	43.1%	45.8%	50.5%	53.0%	44.1%	47.5%	52.0%	53.1%	47.0%	48.2%	49.3%	50.8%
% of cable revenue	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	68.3%	68.7%	69.0%	70.4%
Advertising	2,207	1,852	2,020	1,620	2,251	1,895	2,090	1,720	7,598	7,699	7,956	8,235
% change	-2.4%	7.2%	5.6%	-4.5%	2.0%	2.3%	3.4%	6.2%	8.1%	1.3%	3.3%	3.5%
% of segment revenue	46.2%	39.5%	39.7%	33.2%	45.1%	38.2%	38.7%	32.3%	40.6%	39.6%	38.5%	37.7%
% of company revenue	20.5%	19.2%	18.3%	15.0%	20.0%	18.4%	17.9%	14.8%	18.6%	18.2%	17.7%	17.3%
Cable Networks advertising	1,115	850	974	846	1,148	893	1,023	931	3,522	3,785	3,994	4,194
% change	1.8%	13.2%	13.4%	3.5%	3.0%	5.0%	5.0%	10.0%	15.4%	7.5%	5.5%	5.0%
% of cable revenue	33.7%	26.8%	27.0%	23.9%	32.9%	26.3%	26.2%	23.3%	27.4%	27.8%	27.0%	26.6%
Broadcasting advertising	1,092	1,002	1,046	774	1,103	1,002	1,067	789	4,076	3,914	3,961	4,041
% change	-6.3%	2.6%	-0.8%	-11.9%	1.0%	0.0%	2.0%	2.0%	2.5%	-4.0%	1.2%	2.0%
% of broadcast revenue	74.3%	65.7%	71.0%	57.5%	73.5%	63.9%	71.4%	59.4%	69.8%	67.3%	67.2%	66.4%
Other	512	690	499	676	538	707	499	777	2,326	2,377	2,521	2,584
% change	-4.1%	7.5%	6.2%	-0.6%	5.0%	2.5%	0.0%	15.0%	13.4%	2.2%	6.1%	2.5%
% of total revenue	10.7%	14.7%	9.8%	13.8%	10.8%	14.3%	9.2%	14.6%	12.4%	12.2%	12.2%	11.8%
Total Media Networks revenue	4,779	4,692	5,084	4,881	4,989	4,956	5,397	5,328	18,714	19,436	20,670	21,867
% change	2.9%	8.6%	2.7%	1.7%	4.4%	5.6%	6.2%	9.2%	9.0%	3.9%	6.4%	5.8%
<b>Cable Networks revenue</b>	<b>3,309</b>	<b>3,167</b>	<b>3,610</b>	<b>3,535</b>	<b>3,489</b>	<b>3,387</b>	<b>3,903</b>	<b>4,000</b>	<b>12,877</b>	<b>13,621</b>	<b>14,780</b>	<b>15,780</b>
% change	7.9%	12.1%	2.7%	2.0%	5.5%	7.0%	8.1%	13.1%	12.2%	5.8%	8.5%	6.8%
% of total revenue	69.2%	67.5%	71.0%	72.4%	69.9%	68.3%	72.3%	75.1%	68.8%	70.1%	71.5%	72.2%
<b>Broadcasting revenue</b>	<b>1,470</b>	<b>1,525</b>	<b>1,474</b>	<b>1,346</b>	<b>1,500</b>	<b>1,569</b>	<b>1,494</b>	<b>1,328</b>	<b>5,837</b>	<b>5,815</b>	<b>5,891</b>	<b>6,087</b>
% change	-6.8%	1.9%	2.9%	1.1%	2.0%	2.9%	1.3%	-1.3%	2.6%	-0.4%	1.3%	3.3%
% of total revenue	30.8%	32.5%	29.0%	27.6%	30.1%	31.7%	27.7%	24.9%	31.2%	29.9%	28.5%	27.8%
Cable expenses	2,342.0	1,667.0	1,752.0	2,156.0	2,582.2	1,710.5	1,854.2	2,279.8	7,644.0	7,917.0	8,426.7	8,994.6
% change	2.0%	13.5%	4.8%	-2.3%	10.3%	2.6%	5.8%	5.7%	9.2%	3.6%	6.4%	6.7%
% of cable revenue	70.8%	52.6%	48.5%	61.0%	74.0%	50.5%	47.5%	57.0%	59.4%	58.1%	57.0%	57.0%
Broadcasting expenses	1,244.0	1,296.0	1,206.0	1,154.0	1,229.6	1,302.1	1,224.9	1,115.9	4,924.0	4,900.0	4,872.6	4,978.9
% change	-3.0%	-2.5%	1.9%	2.1%	-1.2%	0.5%	1.6%	-3.3%	-2.1%	-0.5%	-0.6%	2.2%
% of b'casting revenue	84.6%	85.0%	81.8%	85.7%	82.0%	83.0%	82.0%	84.0%	84.4%	84.3%	82.7%	81.8%
<b>Cable Networks operating income</b>	<b>967</b>	<b>1,500</b>	<b>1,858</b>	<b>1,379</b>	<b>907</b>	<b>1,677</b>	<b>2,049</b>	<b>1,720</b>	<b>5,233</b>	<b>5,704</b>	<b>6,353</b>	<b>6,785</b>
% change	25.4%	10.5%	0.8%	9.4%	-6.2%	11.8%	10.3%	24.7%	17.0%	9.0%	11.4%	6.8%
Cable Margin	29.2%	47.4%	51.5%	39.0%	26.0%	49.5%	52.5%	43.0%	40.6%	41.9%	43.0%	43.0%
<b>Broadcasting operating income</b>	<b>226</b>	<b>229</b>	<b>268</b>	<b>192</b>	<b>270</b>	<b>267</b>	<b>269</b>	<b>213</b>	<b>913</b>	<b>915</b>	<b>1,018</b>	<b>1,108</b>
% change	-23.4%	37.1%	7.2%	-4.5%	19.4%	16.5%	0.3%	10.7%	38.5%	0.2%	11.3%	8.8%
B'cast Margin	15.4%	15.0%	18.2%	14.3%	18.0%	17.0%	18.0%	16.0%	15.6%	15.7%	17.3%	18.2%
<b>Operating Income</b>	<b>1,193</b>	<b>1,729</b>	<b>2,126</b>	<b>1,571</b>	<b>1,177</b>	<b>1,943</b>	<b>2,318</b>	<b>1,932</b>	<b>6,146</b>	<b>6,619</b>	<b>7,371</b>	<b>7,893</b>
% change	11.9%	13.5%	1.5%	7.5%	-1.3%	12.4%	9.0%	23.0%	19.8%	7.7%	11.4%	7.1%
% of segment revenue	25.0%	36.8%	41.8%	32.2%	23.6%	39.2%	43.0%	36.3%	32.8%	34.1%	35.7%	36.1%

Source: Company reports and J.P. Morgan estimates.

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09 January 2013

J.P.Morgan

Table 5: Disney Parks & Resorts

\$ in millions

Fiscal Calendar	Q1-12 Dec-11	Q2-12 Mar-12	Q3-12 Jun-12	Q4-12 Sep-12	Q3-13E Dec-12	Q4-13E Mar-13	Q3-13E Jun-13	Q4-13E Sep-13	2011 Sep-11	2012 Sep-12	2013E Sep-13	2014E Sep-14
<b>Domestic Parks &amp; Resorts Revenue</b>	<b>2,503</b>	<b>2,395</b>	<b>2,789</b>	<b>2,652</b>	<b>2,762</b>	<b>2,553</b>	<b>3,001</b>	<b>2,832</b>	<b>9,302</b>	<b>10,339</b>	<b>11,148</b>	<b>11,776</b>
Y/Y Change	11.3%	11.0%	10.2%	12.2%	10.3%	6.6%	7.6%	6.8%	10.7%	11.1%	7.8%	5.6%
% of total	79.3%	82.6%	81.1%	77.4%	80.7%	83.4%	81.9%	78.1%	78.9%	80.0%	80.9%	81.0%
<b>US Parks</b>												
US Attendance, M	18.1	17.7	18.5	17.9	18.7	17.7	19.0	18.1	69.9	72.3	73.5	74.3
y/y Change	3.0%	7.0%	1.0%	3.0%	3.0%	0.0%	3.0%	1.0%	1.3%	3.4%	1.8%	1.0%
US Per Capita Guest Spending, \$	\$72.7	\$75.0	\$75.6	\$76.8	\$77.7	\$78.7	\$79.4	\$80.6	\$70.1	\$75.0	\$79.1	\$83.1
y/y Change	8.0%	5.0%	8.0%	7.0%	7.0%	5.0%	5.0%	5.0%	7.7%	7.0%	5.5%	5.0%
US Parks Revenue	1,317	1,328	1,397	1,378	1,451	1,395	1,511	1,461	4,897	5,420	5,818	6,170
y/y Change	11.2%	12.4%	9.1%	10.2%	10.2%	5.0%	8.1%	6.1%	9.1%	10.7%	7.3%	6.1%
									52.6%	52.4%	52.2%	52.4%
<b>US Hotels (incl Vacation Club rentals, excludes cruise ships)</b>												
US Occupancy Rate	85%	82%	79%	78%	86%	82%	81%	81%	82%	81%	82%	82%
US Available Room Nights (in thousands)	2,405	2,449	2,455	2,541	2,434	2,473	2,455	2,541	9,625	9,850	9,903	10,002
y/y Change	1.0%	1.2%	2.0%	5.1%	1.2%	1.0%	0.0%	0.0%	0.0%	2.3%	0.5%	1.0%
US Per Room Guest Spending (dollars)	\$ 256	\$ 250	\$ 279	\$ 246	\$ 271	\$ 265	\$ 296	\$ 261	\$ 241	\$ 258	\$ 273	\$ 287
y/y Change	5.8%	7.3%	6.5%	8.0%	6.0%	6.0%	6.0%	6.0%	7.7%	6.8%	6.0%	5.0%
US Hotels Revenue	523	502	541	488	568	537	588	537	1,903	2,054	2,230	2,351
y/y Change	6.8%	10.0%	5.9%	9.3%	8.5%	7.1%	8.7%	10.1%	8.8%	7.9%	8.6%	5.4%
<b>Other (Cruise Line, Vac Club, Othe Fla O</b>	<b>663</b>	<b>564</b>	<b>851</b>	<b>787</b>	<b>742</b>	<b>621</b>	<b>902</b>	<b>834</b>	<b>2,502</b>	<b>2,865</b>	<b>3,099</b>	<b>3,254</b>
y/y Change	15.2%	9.0%	14.9%	17.8%	12.0%	10.0%	6.0%	6.0%	15.5%	14.5%	8.2%	5.0%
% of US P&R revenue	26.5%	23.6%	30.5%	29.7%	26.9%	24.3%	30.1%	29.4%	26.9%	27.7%	27.8%	27.6%
<b>Int'l Parks &amp; Resorts Revenue</b>	<b>652</b>	<b>504</b>	<b>652</b>	<b>773</b>	<b>661</b>	<b>508</b>	<b>664</b>	<b>795</b>	<b>2,495</b>	<b>2,581</b>	<b>2,627</b>	<b>2,759</b>
Y/Y Change	5.3%	6.6%	2.2%	1.0%	1.4%	0.7%	1.8%	2.9%	5.9%	3.4%	1.8%	5.0%
% of total	20.7%	17.4%	18.9%	22.6%	19.3%	16.6%	18.1%	21.9%	21.1%	20.0%	19.1%	19.0%
Euro Disney, Hong Kong	561	432	588	692	561	443	603	709	2,278	2,273	2,316	2,432
y/y Change	4.3%	-0.7%	-3.3%	-0.7%	0.0%	2.5%	2.5%	2.5%	7.8%	-0.2%	1.9%	5.0%
% of Intl	86.0%	85.7%	90.2%	89.5%	84.9%	87.2%	90.8%	89.2%	91.3%	88.1%	88.1%	88.1%
% of total segment	17.8%	14.9%	17.1%	20.2%	16.4%	14.5%	16.4%	19.6%	19.3%	17.6%	16.8%	16.7%
Tokyo Disney royalties	91	72	64	81	100	65	61	86	217	308	312	327
y/y Change	12.3%	89.5%	113.3%	19.1%	10.0%	-10.0%	-5.0%	6.0%	-10.7%	41.9%	1.2%	5.0%
% of Intl	14.0%	14.3%	9.8%	10.5%	15.1%	12.8%	9.2%	10.8%	8.7%	11.9%	11.9%	11.9%
% of total segment	2.9%	2.5%	1.9%	2.4%	2.9%	2.1%	1.7%	2.4%	1.8%	2.4%	2.3%	2.3%
<b>Total Parks &amp; Resorts Revenue</b>	<b>\$ 3,155</b>	<b>\$ 2,899</b>	<b>\$ 3,441</b>	<b>\$ 3,425</b>	<b>\$ 3,423</b>	<b>\$ 3,061</b>	<b>\$ 3,664</b>	<b>\$ 3,627</b>	<b>\$ 11,797</b>	<b>\$ 12,920</b>	<b>\$ 13,775</b>	<b>\$ 14,534</b>
Y/Y Change	10.0%	10.2%	8.5%	9.5%	8.5%	5.6%	6.5%	5.9%	9.6%	9.5%	6.6%	5.5%
<b>Domestic Operating Income (est)</b>	<b>440</b>	<b>226</b>	<b>502</b>	<b>248</b>	<b>483</b>	<b>294</b>	<b>570</b>	<b>311</b>	<b>1,188</b>	<b>1,416</b>	<b>1,659</b>	<b>1,884</b>
y/y change	21.7%	26.2%	15.1%	17.3%	10.0%	30.0%	13.5%	25.6%	20.1%	19.2%	40.5%	90.4%
% of domestic revenue	17.6%	9.4%	18.0%	9.4%	17.5%	11.5%	19.0%	11.0%	12.8%	13.7%	14.9%	16.0%
<b>Euro/HK/Shanghai Operating Income</b>	<b>27</b>	<b>(74)</b>	<b>56</b>	<b>170</b>	<b>39</b>	<b>(62)</b>	<b>66</b>	<b>163</b>	<b>159</b>	<b>179</b>	<b>207</b>	<b>219</b>
y/y change	-10.0%	5.7%	3.7%	17.2%	45.4%	-16.2%	18.4%	-4.0%	44.5%	12.6%	15.5%	5.9%
% of intl revenue	4.8%	-17.1%	9.5%	24.6%	7.0%	-14.0%	11.0%	23.0%	7.0%	7.9%	8.9%	9.0%
<b>Tokyo Operating Income (est)</b>	<b>86</b>	<b>70</b>	<b>72</b>	<b>79</b>	<b>95</b>	<b>62</b>	<b>58</b>	<b>82</b>	<b>206</b>	<b>307</b>	<b>296</b>	<b>311</b>
y/y change	12.3%	94.5%	151.5%	22.3%	10.0%	-12.3%	-19.4%	3.3%	-5.7%	49.1%	50.2%	42.1%
% of Tokyo revenue	95.0%	97.5%	112.0%	97.5%	95.0%	95.0%	95.0%	95.0%	95.0%	99.8%	95.0%	95.0%
<b>Total Operating Income</b>	<b>\$ 553</b>	<b>\$ 222</b>	<b>\$ 630</b>	<b>\$ 497</b>	<b>\$ 618</b>	<b>\$ 293</b>	<b>\$ 694</b>	<b>\$ 556</b>	<b>\$ 1,553</b>	<b>\$ 1,902</b>	<b>\$ 2,161</b>	<b>\$ 2,414</b>
y/y change	18.2%	53.1%	21.4%	18.1%	11.7%	32.1%	10.2%	11.9%	17.8%	22.5%	13.6%	11.7%
Operating Margin	17.5%	7.7%	18.3%	14.5%	18.0%	9.6%	18.9%	15.3%	13.2%	14.7%	15.7%	16.6%

Source: Company reports and J.P. Morgan estimates.

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09 January 2013

J.P.Morgan

Table 6: Disney Studio

\$ in millions

Fiscal Calendar	1Q12 Dec-11	2Q12 Mar-12	3Q12 Jun-12	4Q12 Sep-12	1Q13E Dec-12	2Q13E Mar-13	3Q13E Jun-13	4Q13E Sep-13	2011 Sep-11	2012 Sep-12	2013E Oct-12	2014E Oct-12
<b>Revenues</b>												
Theatrical distribution	139	220	834	277	209	297	751	360	1,733	1,470	1,616	1,681
% change	-57.8%	-25.7%	24.5%	-36.8%	50.0%	35.0%	-10.0%	30.0%	-15.5%	-15.2%	9.9%	4.0%
% of segment revenue												
Home entertainment	1,004	426	239	552	828	469	263	469	2,435	2,221	2,029	2,080
% change	-3.7%	-20.5%	-44.5%	29.9%	-17.5%	10.0%	10.0%	-15.0%	-8.7%	-8.8%	-8.6%	2.5%
% of segment revenue												
TV distribution, other	475	534	552	573	487	601	621	659	2,183	2,134	2,368	2,545
% change	-15.2%	5.1%	6.4%	-3.9%	2.5%	12.5%	12.5%	15.0%	10.0%	-2.2%	10.9%	7.5%
<b>Total Studio Entertainment Revenue</b>	<b>1,618</b>	<b>1,180</b>	<b>1,625</b>	<b>1,402</b>	<b>1,524</b>	<b>1,366</b>	<b>1,635</b>	<b>1,488</b>	<b>6,351</b>	<b>5,825</b>	<b>6,013</b>	<b>6,306</b>
% change	-16.3%	-11.9%	0.3%	-3.9%	-5.8%	15.8%	0.6%	6.2%	-5.2%	-8.3%	3.2%	4.9%
<b>Operating Expenses</b>	<b>695</b>	<b>732</b>	<b>746</b>	<b>735</b>	<b>747</b>	<b>658</b>	<b>768</b>	<b>772</b>	<b>3,136</b>	<b>2,908</b>	<b>2,945</b>	<b>3,133</b>
% change	-22.7%	11.1%	-14.7%	4.6%	7.5%	-10.1%	2.9%	5.0%	-9.6%	-7.3%	1.3%	6.4%
% of segment revenue	43.0%	62.0%	45.9%	52.4%	49.0%	48.1%	47.0%	51.9%	49.4%	49.9%	49.0%	49.7%
SG&A and Other	473	505	516	559	487	530	542	587	2,465	2,053	2,146	2,253
% change	-25.0%	-11.4%	-21.7%	-7.6%	3.0%	5.0%	5.0%	5.0%	0.6%	-16.7%	4.5%	5.0%
% of segment revenue	29.2%	42.8%	31.8%	39.9%	32.0%	38.8%	33.1%	39.4%	38.8%	35.2%	35.7%	35.7%
<b>EBITDA</b>	<b>450</b>	<b>(57)</b>	<b>363</b>	<b>108</b>	<b>289</b>	<b>178</b>	<b>325</b>	<b>130</b>	<b>750</b>	<b>864</b>	<b>922</b>	<b>919</b>
% change	11.9%	-151.4%	322.1%	-28.5%	-35.7%	-412.7%	-10.5%	20.0%	-4.1%	15.2%	6.7%	-0.3%
% of segment revenue	27.8%	-4.8%	22.3%	7.7%	19.0%	13.0%	19.9%	8.7%	11.8%	14.8%	15.3%	14.6%
D&A	37	27	50	28	37	41	61	39	132	142	179	200
<b>Operating Income</b>	<b>413</b>	<b>(84)</b>	<b>313</b>	<b>80</b>	<b>252</b>	<b>137</b>	<b>264</b>	<b>90</b>	<b>618</b>	<b>722</b>	<b>743</b>	<b>719</b>
% change	10.1%	-209.1%	538.8%	-31.6%	-38.9%	-263.0%	-15.8%	12.8%	-10.8%	16.8%	2.9%	-3.2%
% of segment revenue	25.5%	-7.1%	19.3%	5.7%	16.6%	10.0%	16.1%	6.1%	9.7%	12.4%	12.4%	11.4%

Source: Company reports and J.P. Morgan estimates.

Table 7: Disney Consumer Products

\$ in millions

Fiscal Calendar	1Q12 Dec-11	2Q12 Mar-12	3Q12 Jun-12	4Q12 Sep-12	1Q13E Dec-12	2Q13E Mar-13	3Q13E Jun-13	4Q13E Sep-13	2011 Sep-11	2012 Sep-12	2013E Sep-13	2014E Sep-14
<b>Revenues</b>												
Licensing and publishing	527	436	501	592	567	471	541	663	1,933	2,056	2,242	2,398
% change	1.9%	9.8%	9.2%	5.7%	7.5%	8.0%	8.0%	12.0%	12.1%	6.4%	9.0%	7.0%
% of segment revenue	55.6%	64.2%	67.5%	67.0%	55.9%	63.8%	67.1%	67.4%	63%	63%	63%	63%
Retail and other	421	243	241	291	446	267	265	320	1,116	1,196	1,299	1,396
% change	4.0%	6.1%	6.6%	13.7%	6.0%	10.0%	10.0%	10.0%	17.1%	7.2%	8.6%	7.5%
% of segment revenue	44.4%	35.8%	32.5%	33.0%	44.1%	36.2%	32.9%	32.6%	37%	37%	37%	37%
<b>Total Consumer Products Revenue</b>	<b>948</b>	<b>679</b>	<b>742</b>	<b>883</b>	<b>1,013</b>	<b>738</b>	<b>806</b>	<b>983</b>	<b>3,049</b>	<b>3,252</b>	<b>3,540</b>	<b>3,795</b>
% change	2.8%	8.5%	8.3%	8.2%	6.8%	8.7%	8.6%	11.3%	13.9%	6.7%	8.9%	7.2%
<b>Operating Expenses</b>	<b>408</b>	<b>294</b>	<b>307</b>	<b>375</b>	<b>422</b>	<b>318</b>	<b>333</b>	<b>402</b>	<b>1,334</b>	<b>1,384</b>	<b>1,475</b>	<b>1,583</b>
% change	1.5%	3.9%	1.0%	8.7%	3.5%	8.1%	8.6%	7.1%	7.9%	3.7%	6.6%	7.3%
% of segment revenue	43.0%	43.3%	41.4%	42.5%	41.7%	43.1%	41.4%	40.9%	43.8%	42.6%	41.7%	41.7%
SG&A and Other	199	208	197	212	204	220	222	239	794	816	885	955
% change	9.3%	19.5%	-1.5%	-10.9%	2.5%	6.0%	12.5%	12.5%	15.6%	2.8%	8.4%	8.0%
% of segment revenue	21.0%	30.6%	26.5%	24.0%	20.1%	29.9%	27.5%	24.3%	26.0%	25.1%	25.0%	25.2%
<b>EBITDA</b>	<b>341</b>	<b>177</b>	<b>238</b>	<b>296</b>	<b>386</b>	<b>200</b>	<b>251</b>	<b>343</b>	<b>921</b>	<b>1,052</b>	<b>1,180</b>	<b>1,257</b>
% change	0.9%	4.7%	31.5%	27.0%	13.3%	12.9%	5.5%	15.9%	22.0%	14.2%	12.2%	6.4%
% of segment revenue	36.0%	26.1%	32.1%	33.5%	38.2%	27.1%	31.2%	34.9%	30.2%	32.3%	33.3%	33.1%
D&A	28	29	29	29	29	34	34	34	105	115	132	137
<b>Operating Income</b>	<b>313</b>	<b>148</b>	<b>209</b>	<b>267</b>	<b>357</b>	<b>166</b>	<b>217</b>	<b>309</b>	<b>816</b>	<b>937</b>	<b>1,049</b>	<b>1,120</b>
% change	0.3%	4.2%	34.8%	29.0%	14.2%	11.9%	3.8%	15.6%	20.5%	14.8%	11.9%	6.8%
% of segment revenue	33.0%	21.8%	28.2%	30.2%	35.3%	22.4%	26.9%	31.4%	26.8%	28.8%	29.6%	29.5%

Source: Company reports and J.P. Morgan estimates.



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## Disney: Summary of Financials

<b>Income Statement - Annual</b>	<b>FY12A</b>	<b>FY13E</b>	<b>FY14E</b>	<b>FY15E</b>	<b>Income Statement - Quarterly</b>	<b>1Q13E</b>	<b>2Q13E</b>	<b>3Q13E</b>	<b>4Q13E</b>
Revenues	42,219	44,849	-	-	Revenues	-	-	-	-
Operating Income	9,964	11,244	-	-	Operating Income	-	-	-	-
D&A	1,987	2,208	-	-	D&A	-	-	-	-
EBITDA	11,377	12,968	-	-	EBITDA	-	-	-	-
Net interest income / (expense)	(369)	(395)	-	-	Net interest income / (expense)	-	-	-	-
Other income / (expense)	239	0	-	-	Other income / (expense)	-	-	-	-
Pretax income	9,260	10,365	-	-	Pretax income	-	-	-	-
Income taxes	(3,087)	(3,524)	-	-	Income taxes	-	-	-	-
Net income	5,682	6,326	-	-	Net income	-	-	-	-
Weighted average diluted shares	1,818	1,812	-	-	Weighted average diluted shares	-	-	-	-
EPS - GAAP	3.07	3.49	3.95	-	EPS - GAAP	0.77	0.78	1.07	0.88
<b>Balance Sheet and Cash Flow Data</b>	<b>FY12A</b>	<b>FY13E</b>	<b>FY14E</b>	<b>FY15E</b>	<b>Ratio Analysis</b>	<b>FY12A</b>	<b>FY13E</b>	<b>FY14E</b>	<b>FY15E</b>
Cash and cash equivalents	3,387	3,919	-	-	Sales growth	3.2%	6.2%	-	-
Accounts receivable	6,540	7,040	-	-	EBITDA growth	12.1%	14.0%	-	-
Other current assets	3,782	4,048	-	-	EPS growth	24.1%	11.7%	-	-
Current assets	13,709	15,007	-	-					
PP&E	21,512	19,087	-	-	EBITDA margin	-	-	-	-
Total assets	74,898	74,118	-	-	Net margin	-	-	-	-
Total debt	10,697	11,947	-	-	Debt / EBITDA	-	-	-	-
Total liabilities	32,940	34,224	-	-					
Shareholders' equity	41,958	39,894	-	-	Return on assets (ROA)	-	-	-	-
					Return on equity (ROE)	-	-	-	-
Net Income (including charges)	6,173	6,841	-	-					
D&A	1,987	2,208	-	-	FV / EBITDA	-	-	-	-
Change in working capital	(1,091)	(248)	-	-	FV / Unlevered free cash flow	-	-	-	-
Other					P/E	16.5	14.5	12.9	-
Cash flow from operations	7,966	9,423	-	-					
Capex	(3,784)	(2,968)	-	-					
Levered free cash flow	4,182	6,456	-	-					
Cash flow from investing activities	(4,759)	(6,968)	-	-					
Cash flow from financing activities	(2,985)	(1,923)	-	-					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Sep

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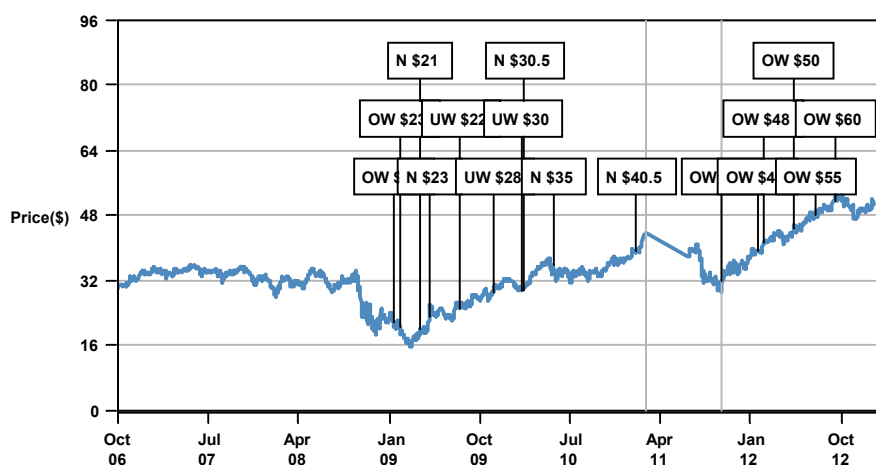
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Disney (DIS, DIS US) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
16-Jan-09	OW	21.46	28.00
04-Feb-09	OW	20.62	23.00
03-Apr-09	N	20.21	21.00
06-May-09	N	23.15	23.00
31-Jul-09	UW	25.12	22.00
13-Nov-09	UW	29.05	28.00
08-Feb-10	UW	29.48	30.00
10-Feb-10	N	29.48	30.50
12-May-10	N	35.76	35.00
18-Jan-11	N	39.39	40.50
07-Oct-11	OW	32.03	42.00
19-Jan-12	OW	39.44	45.00
08-Feb-12	OW	41.27	48.00
09-May-12	OW	45.02	50.00
13-Jul-12	OW	48.19	55.00
11-Sep-12	OW	51.56	60.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jan 16, 2009.

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