

Disney:

The Return to the Buyback Machine and the beginning of a Platform Company

- The successful business model transition from a wholesale business to a DTC, vertically-integrated business will produce substantial free-cash-flow (FCF) which will be deployed into additional investments, de-leverage, and share buybacks.
- Our modeling of \$28B in FCF for '26 compares to our estimates for 2026 FCF at the following:
 - Apple: \$98B
 - Alphabet: \$96B
 - Amazon: \$87B
 - Verizon: \$30B
 - Walmart: \$23B
 - Comcast: \$20B
- The first three on the list above are technology-platform companies. The gap in FCF between the leading technology-platform companies and the leading companies is over \$50B. Some say that Disney is already a well-established platform company with its economics fully developed. That is true, but it is a business-platform company; here we are saying that it will become a technology-platform company as well. We have not spent time imagining or analyzing what Disney+ as a technology-platform would look like and what incremental consumer value that it could deliver. However, we are highly confident that Disney will be working diligently to discover what it can do in preparation for a platform of hundreds of millions. Additionally, that's what we also concluded from reading Bob Iger's "The Ride of a Lifetime."
- We have not ascribed value to DIS for the platform opportunity. FCF of \$50B x 25X is \$1.3T in market cap, or value creation. **\$1.3T is why we are confident that they will pursue it.**

(millions)	2022e	2023e	2024e	2025e	2026e
Total Segment EBIT	\$25,757	\$29,956	\$32,952	\$35,116	\$38,740
YoY \$ Ch	\$5,041	\$4,198	\$2,996	\$2,164	\$3,624
Pre-Tax	\$24,269	\$28,539	\$31,519	\$33,667	\$37,274
Net Income	\$18,431	\$21,832	\$24,200	\$25,899	\$28,700
Diluted Shares	1,640	1,595	1,547	1,505	1,466
EPS-PF ex. PPA	\$11.24	\$13.69	\$15.64	\$17.21	\$19.58
YoY % Change	31%	22%	14%	10%	14%
D&A	\$3,640	\$4,004	\$4,404	\$4,845	\$5,329
% of Cap Ex	64%	68%	71%	74%	78%
EBITDA	\$28,678	\$33,312	\$36,692	\$39,280	\$43,372
CFO	\$22,853	\$26,463	\$29,127	\$31,200	\$34,426
% of EBITDA	80%	79%	79%	79%	79%
Cap Ex	\$5,645	\$5,927	\$6,223	\$6,534	\$6,861
% of Rev	5.5%	5.3%	5.3%		
Cash Flow from Investing	-\$5,645	-\$5,927	-\$6,223	-\$6,534	-\$6,861
Change in Debt	-\$6,000				
Dividends	-\$3,853	-\$4,239	-\$4,662	-\$5,129	-\$5,642
Buyback	-\$11,000	-\$17,500	-\$17,500	-\$19,500	-\$22,000
Cash Flow from Financing	-\$20,853	-\$21,739	-\$22,162	-\$24,629	-\$27,642
Change In Cash	-\$3,645	-\$1,203	\$742	\$37	-\$77
Cash & Equivalents	\$5,662	\$4,459	\$5,201	\$5,238	\$5,162
Free Cash Flow	\$17,209	\$20,536	\$22,904	\$24,666	\$27,565
Gross Debt	\$28,986	\$28,986	\$28,986	\$28,986	\$28,986
Net Debt	\$23,324	\$24,527	\$23,785	\$23,748	\$23,824
Net Debt / EBITDA	0.8 x	0.7 x	0.6 x	0.6 x	0.5 x