The Walt Disney Company

2012 The Walt Disney Company Annual Report

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Executive Summary

Chairman and Chief Executive Officer

Robert "Bob" A. Iger

2005-Present

Headquarters of The Walt Disney Company

Walt Disney Studios

500 S. Buena Vista Street

Burbank, California, U.S.

Ending Date of Last Fiscal Year

September 29th, 2012

The Walt Disney Company's Products and Services

The Walt Disney Company first began as Walt Disney Productions, founded by Walt and Roy Disney in 1923, and specialized in short animation films. After finding success in American homes through the creation of lovable characters, such as Mickey and Minnie Mouse, Walt Disney expanded its business ventures to television, merchandising, and even theme parks. Today, The Walt Disney Company cites five main areas where they credit their revenue coming from:

- **Media Networks:** This piece of the company is comprised of two different segments: The Disney/ABC Television Group and ESPN Inc. Revenue can from a variety of different sources within Media Networks, ranging from television to radio to broadcasting.

- **Parks and Resorts:** Perhaps the most famous segment of The Walt Disney Company is its parks and resorts, which originally began with the creation of Disneyland in 1955. Now, Disney has 11 parks, 43 resorts, and four cruise lines scattered throughout the globe which have become major tourist spots for family vacations.
- **The Walt Disney Studios:** This is the movie sector of The Walt Disney Company, which is what the company was originally founded upon. Today, the Walt Disney Studios produces a variety of family-friendly music, movies, and even theatrical events for its consumers to enjoy.
- **Disney Consumer Products:** Disney Consumer Products includes any of the merchandise that The Disney Company sells, which ranges anywhere from clothing, to furniture to toys. Disney Publishing Worldwide (publisher of children's books) and revenue generated from The Disney Store are included in this category as well.
- **Disney Interactive:** This is the digital aspect of the Walt Disney Company, which began in 2008. Disney Interactive includes Disney.com, online and media games, and "virtual worlds" for one's entertainment.

Geographic Areas of Activity

The majority of the Walt Disney Company's business is done in the United States, although it is popular internationally as well. Disney has 27 major offices located in the US, with its headquarters located in Burbank, California. Additionally, 360 Disney stores are located in many places in the United States. Stores are also located worldwide. While Disney World in Orlando, FL may be the most popular Disney vacation spot, the company also has 10 other theme parks and 43 resorts in North America, Europe, and Asia. Locations include California, Florida, Tokyo, Paris, and Hong Kong.

Independent Auditors

The Walt Disney Company's independent auditors are PriceWaterhouseCoopers LLP. In The

Walt Disney Company's 2012 Annual report, PriceWaterhouseCoopers LLP stated:

"In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, statements of comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the Company) at September 29, 2012 and October 1, 2011, and the results of their operations and their cash flows for each of the three years in the period ended September 29, 2012 in conformity with accounting principles generally accepted in the United States of America."

Price of The Walt Disney Company's Stock

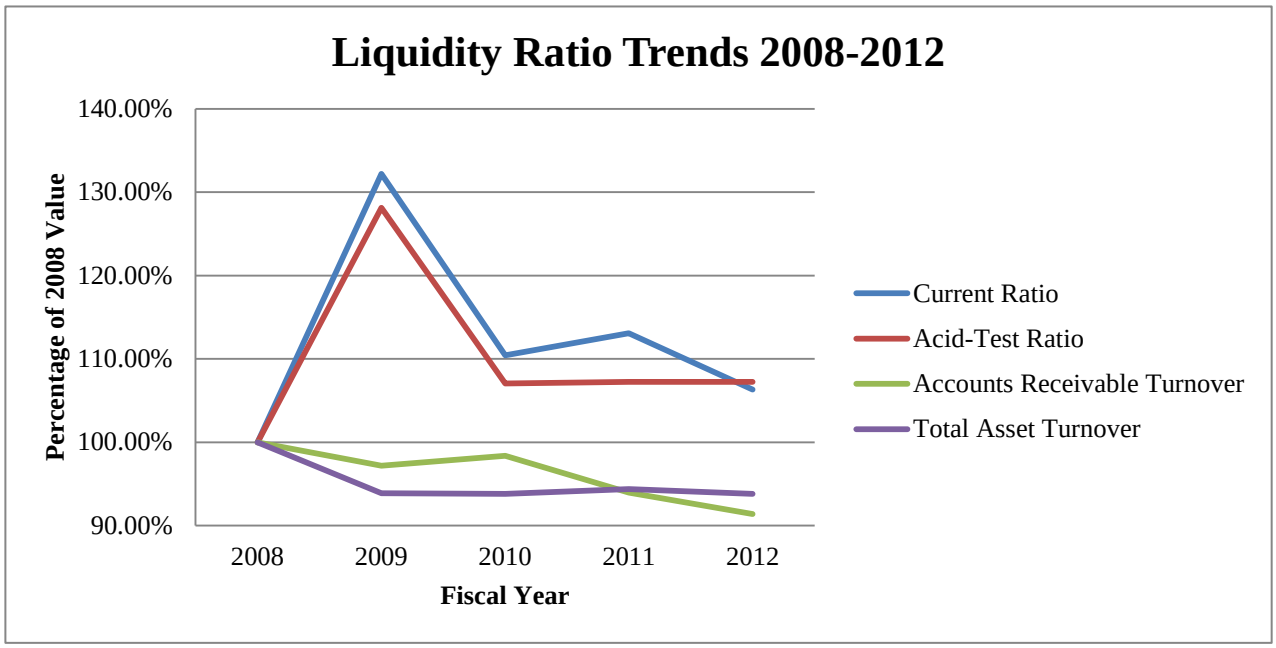
All information as of April 02, 2013

Price	$57.46
Year-to-Date % Change	+13.86%
P/E Ratio	18.54
Beta	1.09
52-Week Range	$40.88 - $57.82
Market Cap	$103.74 billion
Earnings Per Share	$3.09

Financial Analysis

Liquidity Ratios						
Ratio	**Formula**	**2012**	**2011**	**2010**	**2009**	**2008**
Working Capital	Current Assets - Current Liabilities	$896 million	$1669 million	$1225 million	$2955 million	$75 million
Current Ratio	Current Assets / Current Liabilities	1.07	1.14	1.11	1.33	1.01
Acid-Test Ratio	Quick Assets/ Current Liabilities	0.77	0.77	0.77	0.93	0.72
Accounts Receivable Turnover	Net Sales / Avg Accts Receivable	6.65 times	6.83 times	7.16 times	7.07 times	7.27 times
Days' Sales Uncollected	Days in Year/ Receivable Turnover	54.92 days	53.40 days	51.01 days	51.63 days	50.18 days
Total Asset Turnover	Net Sales / Avg Total Assets	0.58 times	0.58 times	0.58 times	0.58 times	0.61 times

*Inventory Ratios were not included due to the fact that Disney's inventory makes up only 2% of its total assets and is therefore negligible compared to the other ratios.



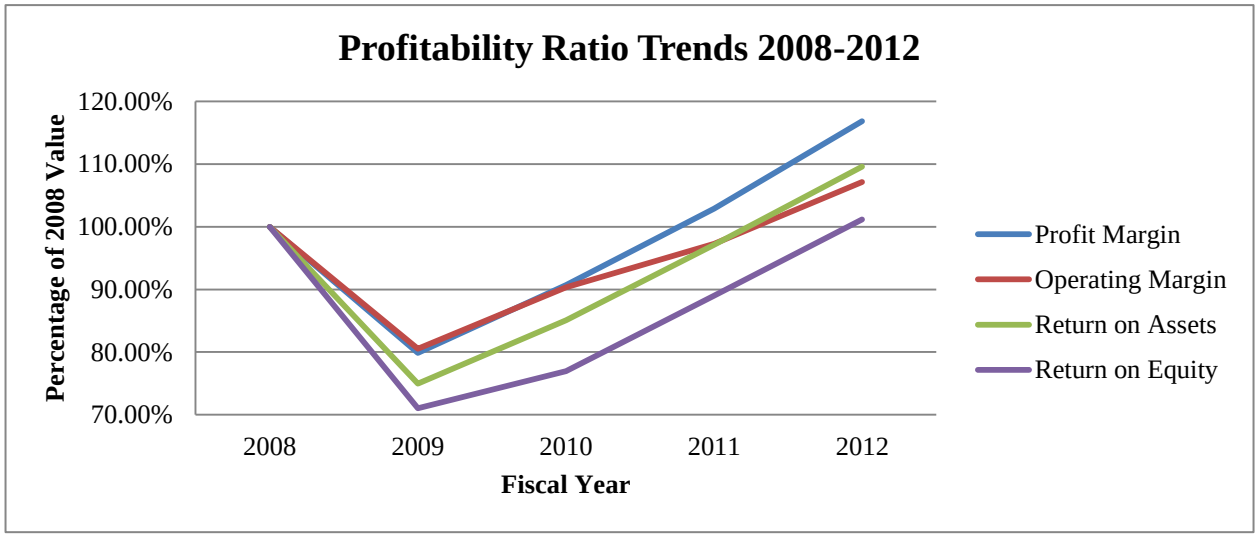
For the Fiscal Year that ended September 29, 2012, The Walt Disney Company saw a large decrease in working capital to about half of what it was the year before and also a decline in their current ratio. Now although this might appear to be a bad sign for the company, it actually isn't. The Walt Disney Company is using more of its assets by investing them towards future growth, with their main investments in 2012 being expanding The Walt Disney World Resort and constructing Shanghai Disney Resort. Although these investments are taking up assets at the moment, they will expand Disney's assets and revenues in the near future. One positive aspect is the fact that The Walt Disney Company's acid-test ratio has remained constant at .77 for the past three years. This means that although the company is investing a lot more now, they are insuring that they are not using so much of their assets that they cannot pay off their debt.

Over the past five years, The Walt Disney Company has also seen a decline in its accounts receivable turnover rate and, therefore, an increase in their days' sales uncollected number. Currently, it is taking the company about 54 days to collect payments from its

customers, and the issues of this number depend on the terms of agreement. If the payment period is 60 days, then the company is doing a good job at collecting payments, as on average the company is paid 6 days before the end of the period. Nevertheless, this decrease in accounts receivable turnover rate is not that worrisome for the company due to the fact that its receivables have made up about 8% of its total assets over the past 5 fiscal years.

The final important liquidity ratio for The Walt Disney Company is total asset turnover, which has remained about .58 times/year for the past four years. This is a very good number for the type of industries that The Walt Disney Company is in. Only a small proportion of Disney's assets are current assets (18%), while they have a lot of their assets in the form of buildings/equipment (23%) and land (28%). A lot of these assets can be attributed to the Parks and Resorts part of the company. The Walt Disney Company owns six resort areas, each with dozens of hotels and several different theme parks. All of these hotels and theme parks take a lot of land, equipment, and buildings, which is why the company has so much of its assets in these two categories. These types of assets are not going to be turned over, so they artificially bring down the company's total asset turnover rate. If you disregard just these two types of assets completely, the company's turnover rate would be more than double, so the company is actually very good at turning over the assets that it actually can.

Profitability Ratios						
Ratio	**Formula**	**2012**	**2011**	**2010**	**2009**	**2008**
Profit Margin (Profitability)	Net Income / Net Sales	14.60%	12.86%	11.33%	9.98%	12.50%
Operating Margin	(Net Sales - Operating Costs) / (Net Sales)	20.96%	19.03%	17.67%	15.76%	19.57%
Return on Assets	Net Income / Avg Total Assets	8.40%	7.44%	6.52%	5.75%	7.66%
Total Asset Turnover (Asset Efficiency)	Net Sales / Avg Total Assets	0.58	0.58	0.58	0.58	0.61
Financial Leverage	Avg Total Assets/Avg S/H Equity	1.81	1.79	1.77	1.85	1.96
Return on Equity	Profitability x Asset Efficiency x Financial Leverage	15.17%	13.35%	11.54%	10.65%	14.99%



By just looking at the graph above, it is obvious how The Walt Disney Company has improved with regards to profitability over the past four years. The company took a huge hit in 2009, and this can be attributed to the recession that hit towards the end of 2008 and the beginning of 2009; all four of the major profitability ratios decreased 20-30% during 2009. During the recession, less people spent money on luxury goods, which is mainly what Disney offers. Less people had the money to spend to travel to the Disney Resorts or to go to the many different theme parks belonging to Disney. The recession caused a loss in $1 billion revenue in the Parks and Resorts segment of the company from 2008 to 2009. But it was not just the Parks and Resorts segment that suffered as a result of the recession, it was every department. For example, box office sales were much lower due to the fact that people did not want to spend their money to go and see a movie in theaters during the recession. However, Disney has made a steady recovery in the profitability range, and all four of the major ratios are higher now than they were prior to the recession.

Looking at individual numbers, Disney managed to increase its profit margin and its operating margin both by about 2% this past year. These two increases are due to the company's ability to have revenue grow at a faster rate than costs, allowing the company to take more of its revenues as profits. Furthermore, if you look at the horizontal trends of these two ratios since the recession, operating margin is begin to increase at a decreasing rate, while profit margin is still growing quite quickly. This means that Disney is cutting down on its non-operating costs and is managing to turn a higher percentage of its operating margin into profit. The fact that both of these numbers are growing and profit margin is growing faster than operating margin means that the company should continue to bring in higher profit levels in the near future.

Disney's return on assets has also been growing slightly since the recession, but is still only 8.4%, meaning they get about $.08 profit for every $1 of assets that they own, which may seem low. Again, this is attributed to the fact that they own so much capital in the form of land and equipment, and this capital does not help generate revenue on its own but accounts for a large proportion of the assets, so we would suspect a low number for the return on assets ratio. A large proportion of the net income comes from the Media segment of the company, which has fewer assets and would therefore have a much higher return on assets. Therefore, Disney is good at getting returns on its non-capital assets, so it is successful for the types of industries that it is immersed in.

Finally, Disney has also seen a steady increase in return on equity since the recession. If you use a DuPont analysis to look at return on equity, it is evident that the return on equity has been driven up by the increase in profitability, as that is the only one of the three categories that had a major change in 2012. However, in a wholesome view of return on equity, the largest factor for Disney is its financial leverage. Over the past few years, Disney has had a financial leverage ratio between 1.77-1.96, meaning it has $1.77-1.96 worth of assets for every $1 of equity. This high leverage helps higher the company's return on equity.

Long-term Solvency Ratios						
Ratio	**Formula**	**2012**	**2011**	**2010**	**2009**	**2008**
Debt to Equity Ratio	Liabilities / S/H Equity	30.54%	30.64%	27.96%	25.22%	35.86%
Interest Coverage Ratio	Earnings before interest and income taxes / Interest Expense	25.09	24.45	17.20	13.14	15.13

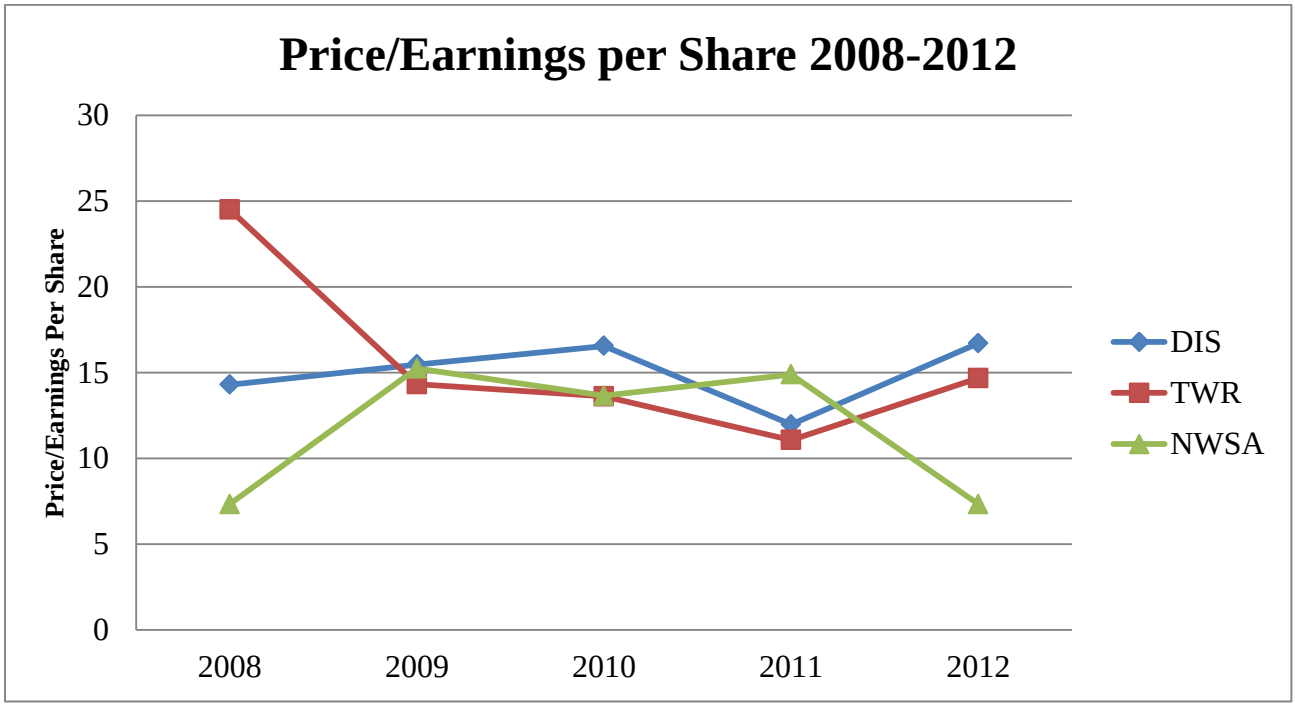
The Walt Disney Company's long-term solvency shows a positive trend since the recession, which took place in the 2009 fiscal year. The debt to equity ratio took a 10% dip in 2009 due to the recession, but has increased roughly 5 percentage points since 2009. The 5% growth in the past 4 years is a positive trend since it means that The Walt Disney Company is getting more financial leverage and has a higher percentage of equity. Therefore the Walt Disney Company is very safe in the debt to equity category. Similarly, the Interest Coverage ratio dipped in 2009 due to the recession, but has nearly doubled since 2009. Currently, Disney has the income to pay off 25 times the amount of interest expense that it incurred this past financial year. This is an excellent sign that the Walt Disney Company has no problems regarding interest payments.

Cash Flow Adequacy						
Year	**Formula**	**2012**	**2011**	**2010**	**2009**	**2008**
Cash Flow Yield	Net Cash Flow From Operating Activities/ Net Income	129.05%	133.02%	152.52%	147.38%	114.15%
Cash Flows to Sales	Net Cash Flow From Operating Activities/ Net Sales	18.84%	17.10%	17.28%	14.71%	14.39%
Cash Flows to Assets	Net Cash Flows From Operating Activites/ Avg Total Assets	10.84%	9.90%	6.53%	8.47%	8.82%
Free Cash Flow	Net Cash Flows From Operating Activities- Dividends- Net Capital Expenditures	$4,166 million	$3,425 million	$4,459 million	$3,559 million	$4,116 million

In the last 5 years, the cash flow adequacy numbers for The Walt Disney Company have been on a generally upward trend over the past 5 years. For the most part, free cash flow, cash flows to assets, and cash flows to sales have steadily grown in the last 5 years, and have all now surpassed their pre-recession levels. While the cash flow yield has decreased slightly over the last three years, this is not data to worry about. Most of the decline is attributable to Disney paying off a large amount of the costs associated with building more theme parks and paying off payments on new cruise ships. Furthermore, the cash flow yield ratio has remained well above

100%, meaning that the company is generating a lot of income through their operating processes. The cash flow yield is very important for Disney since most of its revenues and income are brought in through the operation of its many resorts and theme parks. The increases of cash flow to sales and cash flows to assets further back up this positive trend, as Disney's cash flows are totaling to more and more of its revenues and total assets, meaning the company is using its cash at a fast rate to help generate revenues and profits.

Market Strength Ratios						
Year	Formula	2012	2011	2010	2009	2008
Price / earnings per share	Market Price Per Share/ Earnings Per Share	16.70	11.97	16.54	15.46	14.29
Dividends Yield	Dividends Per Share/ Market Price Per Share	1.15	1.33	1.04	1.29	1.07

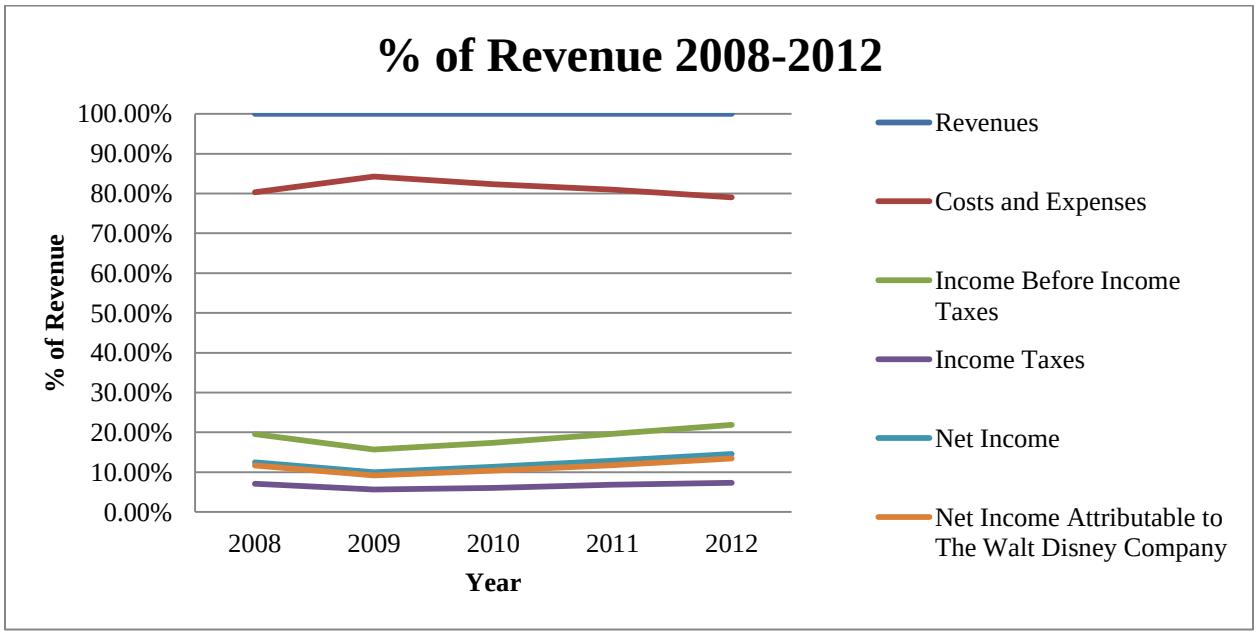


a) The data point for the News Corporation in 2009 is adjusted for non-cash impairments. The unadjusted value was -8.73
b) The date point for the Time Warner Corporation in 2008 is adjusted for non-cash impairments. The actual value for 2008 was -5.522

Of the two ratios, the price/earnings per share ratio is the more definitive measure of The Walt Disney Company's stock compared to its competitors. The dividend yield ratio has remained relatively constant but took a large hit in 2011. It then increased by 5 points, up to its 2010 level, this past year. Its current price per earnings per share ratio is 16.70, which is in the fair value range for this ratio. This level is considered a fair value, meaning that we can predict that the company will have similar trends in the near future. Furthermore, the trend for Disney matches that of their most direct competitors in the same time span, meaning Disney is doing a good job at keeping up with its competitors. This would lead to the logical conclusion that The Walt Disney Company is maintaining market average for its dividend yields. However, as seen in the graph above, the Price/Earnings per share ratio is slightly different for The Walt Disney Company than its closest competitors. The Walt Disney Company has maintained the most consistent growth of the three main competitors. Time Warner suffered non cash impairments due to the necessity to use higher discount rates for customers, which accounted for roughly 2/3 from of the decline in the fair value of their cable franchising rights. News Corporation experienced a similar impairment in 2009 of $113 (the vast majority) million of which was attributed to the company's "ability to hold its investment until recover and the investment's financial strength and specific prospects." All things considered, The Walt Disney Company maintains the industry standard with regards to the Price/Earnings ratio with a more consistent and predictable growth, with decreases in the Price/Earnings ratios coming only from 2010-2011. Overall, The Walt Disney Company the safest investment of the three.

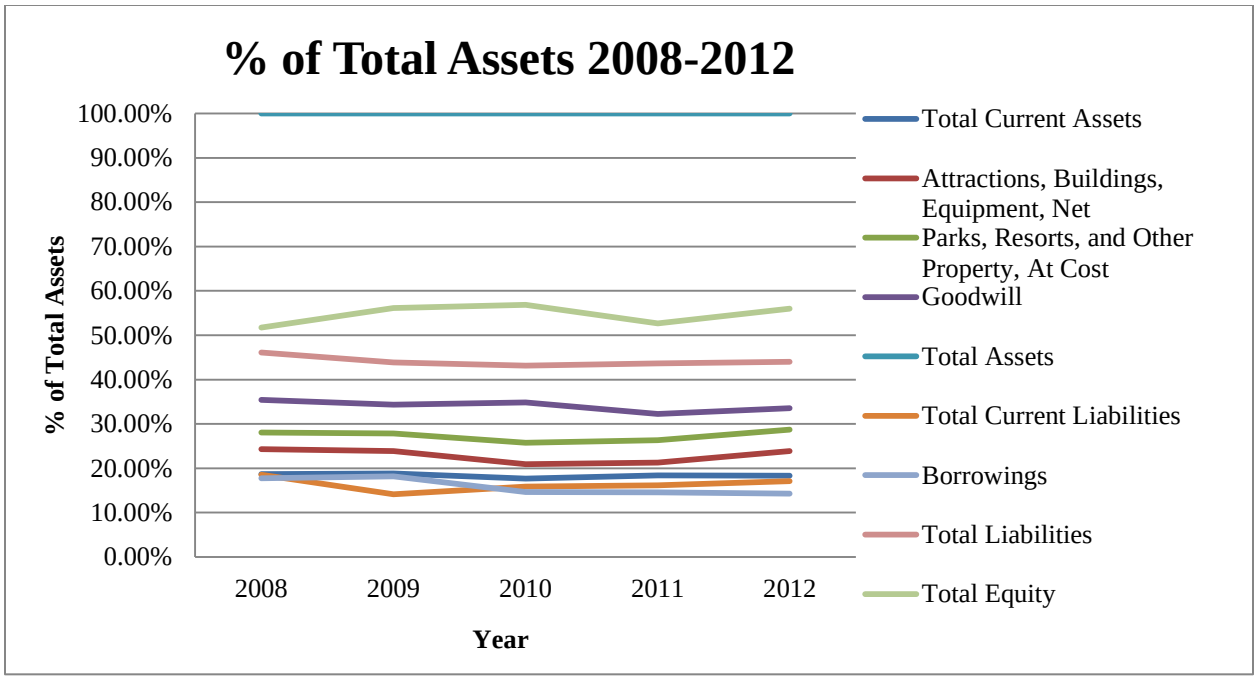
Vertical Analysis

Income Statement					
	2012	2011	2010	2009	2008
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Costs and Expenses	79.04%	80.97%	82.33%	84.24%	80.33%
Income Before Income Taxes	21.90%	19.67%	17.41%	15.65%	19.56%
Income Taxes	7.30%	6.81%	6.08%	5.67%	7.06%
Net Income	14.60%	12.86%	11.33%	9.98%	12.50%
Net Income Attributable to The Walt Disney Company	13.44%	11.76%	10.41%	9.15%	11.70%



Looking at the vertical analysis for the income statement, a few notable trends stick out. The first trend deals with costs and expenses. The Walt Disney Company's costs rose in 2009, due to the recession, and have steadily been declining in relative size in the past three years. This decline in the relative size of costs and expenses is reflected in the growth of income before income taxes. Income tax levels have grown in the past 3 years, but this just means that The Walt Disney Company is making more money, so more money is being taxed, which is not necessarily bad for the company. Furthermore, the company's net income and net income attributable to The Walt Disney Company have both been increasing at about the same rate, meaning Disney is able to keep most of its net income and is making more money each year. All of these trends show that Disney is on a strong path towards making increased profits in the upcoming years.

Balance Sheet					
	2012	2011	2010	2009	2008
Total Current Assets	18.30%	18.37%	17.66%	18.84%	18.67%
Attractions, Buildings, Equipment, Net	23.89%	21.29%	20.95%	23.89%	24.29%
Parks, Resorts, and Other Property, At Cost	28.72%	26.30%	25.73%	27.88%	28.05%
Goodwill	33.53%	32.24%	34.82%	34.35%	35.44%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Total Current Liabilities	17.11%	16.14%	15.89%	14.15%	18.55%
Borrowings	14.28%	14.58%	14.64%	18.21%	17.78%
Total Liabilities	43.98%	43.62%	43.15%	43.87%	46.13%
Total Equity	56.02%	52.68%	56.85%	56.14%	51.72%



Looking at the vertical analysis of the balance sheet verifies some of the points made earlier. In the past year, attractions, buildings, equipment, net and parks, resorts, and other property, at cost, have increased due to the company's expansions of The Walt Disney World Resort and the construction of the Shanghai Disney Resort. However, an interesting part of this analysis is the fact that Disney's total liabilities have remained pretty constant over the past four years. This goes to show that Disney is very good at both paying off its debtors and not running up credit levels for the company, both which are good signs for the company in the long-term. Disney knows how to properly manage its money, so it should not encounter any issues with debt in the upcoming years. Furthermore, the company's borrowings have actually decreased over the same four year period despite the fact that it has invested heavily in the timeframe. Therefore, Disney has been very effective at using its own profits to invest in the company for future profits and only borrows when it has to. Again, this fact shows that Disney knows how to handle its finances and should not encounter any financial issues due to debt in the near future.

Industry and Comparative Analysis

Media Conglomerates

The Walt Disney Company is an example of a media conglomerate. Media conglomerates are companies that control a significant number of subsidiary companies in the television, movies, internet, and radio categories. Disney's mass media assets include ESPN, ABC, Marvel Entertainment, Pixar, Playdom, Tapulous, and most recently its acquisition of Lucasfilm. Disney holds a commanding presence in the theme parks and resorts industry, with assets including The Walt Disney World Resort, Disneyland Park, the Disney Cruise Line, and Disneyland Paris. Disney is currently constructing the Shanghai Disney Resort in China in continuation of its efforts to expand to foreign markets.

Since Disney does not have any direct competitors to account for the entirety of its asset ownership, a comparative analysis for Disney can be carried out between Disney and other media conglomerates which hold a large presence in the mass media. Other media conglomerates comparable to Disney include the News Corporation and Time Warner Inc. News Corporation owns subsidiaries including the Fox Entertainment Group and The Wall Street Journal. On the other hand, Time Warner owns subsidiaries including TNT, TBS, HBO, and Warner Brothers Entertainment Inc. The media conglomerate industry is a viable basis of comparison for The Walt Disney Company because these media conglomerates have overlapping markets in their broadcasting and cable industries for which to compare.

Comparative Analysis

Direct Competitor Comparison	DIS	PVT1	NWS	TWX	Industry
Market Cap:	102.24B	N/A	71.13B	53.20B	101.48B
Employees:	166,000	N/A	48,000	34,000	166.00K
Qtrly Rev Growth (yoy):	0.05	N/A	0.05	-0.00	0.04
Revenue (ttm):	42.84B	19.20B[1]	34.33B	28.73B	42.84B
Gross Margin (ttm):	0.21	N/A	0.38	0.45	0.21
EBITDA (ttm):	10.90B	N/A	6.86B	7.28B	10.90B
Operating Margin (ttm):	0.21	N/A	0.17	0.22	0.18
Net Income (ttm):	5.60B	N/A	4.00B	3.00B	N/A
EPS (ttm):	3.10	N/A	1.67	3.09	3.10
P/E (ttm):	18.27	N/A	18.34	18.42	18.13
PEG (5 yr expected):	1.31	N/A	N/A	1.25	1.31
P/S (ttm):	2.37	N/A	2.06	1.84	2.37

- **Market Cap:**

  Disney's market capitalization is only slightly greater than the industry average, but significantly higher than those of its primary competitors, News Corp. and Time Warner. This can partially be explained by Disney's higher-than-News Corp. stock price, but given Time Warner's higher stock price yet much lower market capitalization, it is clear that there are a lot more Disney shares in the market than there are from these other companies.

- **Price to Earnings:**

  Disney's price-to-earnings ratio falls right in line with the rest of the industry. Only slightly above the industry average, Disney's P/E of 18.27 indicates that investors are not expecting a lot of growth from Disney in the near future. That the P/E ratios of Time Warner and News Corp. are very similar to Disney's indicates that this rather vanilla forecast may be due more to projections of the industry than judgments of Disney specifically.

- **Revenue Growth:**

  Disney's quarterly revenue growth is also undistinguished in the industry. Its 5% quarterly rate is near the industry 4% average and the same as News Corp.'s, albeit a boost over Time Warner's stagnant growth. This shows that Disney is expanding its revenue in line with the rest of the industry and not substantially outperforming its competitors.

Profit Margin - Comparative Analysis				
Company	2012	2011	2010	2009
Disney	14.60%	12.86%	11.33%	9.98%
News Corporation	4.17%	9.42%	8.07%	-10.88%
Time Warner	10.79%	10.19%	9.78%	8.44%

Disney's profit margin has increased at a rate greater than its media conglomerate competition. Disney has consistently experienced a positive profit margin, showing a steady growth in profitability over the time period. In contrast to Disney and Time Warner, the News Corporation had experienced a negative profit margin in 2009 due to a net loss of $3.31 billion during the year. The News Corporation has shown more volatility in its profit margin than Disney and Time Warner, even though it had experienced more profitability since its net loss in 2009. Both Disney and Time Warner have been experiencing increasing profit margins in consecutive years from 2009 until 2012. From 2009 to 2012, Time Warner's overall profit margin increased by 2.35%. In comparison, from 2009 to 2012, Disney's overall profit margin increased by 4.62%. Disney has shown the strongest growth in profit margin, indicating the greatest amount of overall growth of its relative net income to its net sales.

Operating Margin - Comparative Analysis				
Company	2012	2011	2010	2009
Disney	20.96%	19.03%	17.67%	15.76%
News Corporation	6.56%	12.50%	10.14%	-18.21%
Time Warner	21.17%	20.53%	20.66%	18.11%

The operating margins for Disney and Time Warner are greater than the operating margins for the News Corporation from 2009 to 2012. Although Disney's operating margin had been slightly lower than Time Warner's over the horizontal analysis, both companies experienced similar operating margins at about 21% in 2012. In contrast to Disney and Time Warner, the News Corporation experienced a negative operating margin in 2009, and has since recovered with positive operating margins from 2010 to 2012. The News Corporation has shown a less steady trend in terms of its operating margin than Disney and Time Warner, with a decrease in its operating margin from 12.50% during 2011 to 6.56% during 2012. Overall, Disney and Time Warner have shown a greater strength of their relative operating income growth trends to their net sales.

Return on Assets - Comparative Analysis				
Company	2012	2011	2010	2009
Disney	8.40%	7.44%	6.52%	5.75%
News Corporation	2.37%	5.41%	4.92%	-5.74%
Time Warner	6.14%	6.13%	5.74%	4.55%

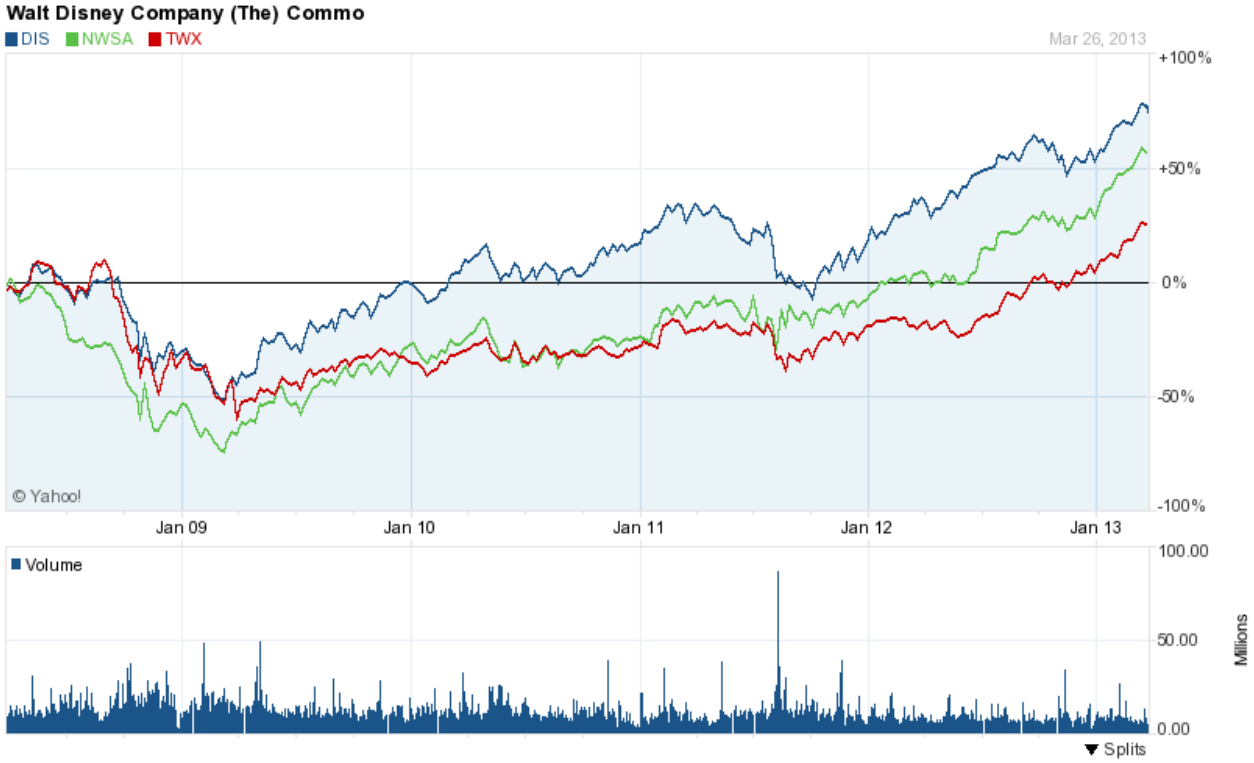
Disney's return on assets has been stronger than its media conglomerate competitors over the past four years. Disney's return on assets increased from 5.75% during 2009 up to 8.40% during 2012, which is the highest relative increase as compared with the News Corporation and Time Warner. Time Warner's return on assets increased each year from 2009 to 2012, but its increases had been at a rate that was relatively slower than Disney's. For example, Time Warner's increase in return of assets from 2011 to 2012 was only a .01% change. The News

Corporation has shown an inconsistent trend in its return in assets over the horizontal analysis, starting with a negative return during 2009, and later experiencing both increases and decreases in its relative return on assets from 2010 to 2012.

Return on Equity - Comparative Analysis				
Company	2012	2011	2010	2009
Disney	15.17%	13.35%	11.54%	10.65%
News Corporation	5.04%	11.21%	10.75%	12.67%
Time Warner	10.03%	8.76%	7.72%	5.95%

The Walt Disney Company has experienced increases in its return on equity by about 1% to 2% each year, showing a consistent increase in the company's profitability during the horizontal analysis period. Disney has been more consistent in increasing its returns of equity than the News Corporation. The News Corporation experienced a negative return on equity in 2009, and has since experienced returns on equity at about 5% to 11% since 2010 to 2012. Time Warner has experienced increases in profitability and in returns of equity similar to Disney; however its increases have been at a slower rate. The four year change for Time Warner in its return on equity was a 4.08% percentage increase, whereas the Disney Company had a percentage increase of 4.52% in its return on equity.

Stock Price (Five Year Graph):



Disney's stock price has usually increased over the past five years, unusual when compared to its competitors. While the 2008 recession hit all of the media conglomerates hard, Disney rebounded well in advance of its competitors, whose stocks have only recently begun to rebound, and its stock price continues to grow at an industry-leading rate. Stock price, of course, is not only a measure of a company's current worth but also a projection of future success, and in this way investors are showing more confidence in Disney than in similar companies.

Overall Analysis

Based on The Walt Disney Company's performance over the past four years, we feel as though Disney's economic success has been positive and is consistently growing. Although the company took a hit in 2009, many, if not all corporations did, due to the major recession. Since then, though, many of Disney's numbers have grown to points larger than ones recorded even before the major economic downturn hit. Therefore, we would recommend for people to buy stock in The Walt Disney Company, because we can only expect for their success to continue to grow.

One of the reasons why Disney is such an advantageous company to invest in is because of how widespread its many focuses are. The Walt Disney Company is involved, and is considered a leader, in so many different industries which range from television, to radio, to filmmaking, to tourism, and many more. Not only is Walt Disney a well-known name in the United States, but the company is also incredibly popular around the world. Scattered throughout the globe are eleven theme parks, 43 luxury resorts, and four cruise lines. The international success of Disney, which will continue to grow in the future is extremely unique, and is just one of the reasons why The Walt Disney Company is so prosperous in what it does.

Another reason why The Walt Disney Company is so successful is due to the simple fact that there just is not another organization like it. Although Disney may have competitors in different fields, such as Time Warner and News Corporation (as discussed above), there is no other company that is involved in all the different business industries that Disney is. This shows just how large Disney actually is and how many areas the company covers. The vast

expansiveness of the company is an advantage due to the fact that if Disney is struggling a little bit in one area, its numbers won't drastically drop. It can easily make up the loss in another industry that it is involved in.

When looking at specifics, Disney's numbers have consistently grown over the past few years. The Walt Disney Company's current ratio and working capital are relatively low, but we must take into account recent investments made. It was just announced that new parks will be opened in Hong Kong and Shanghai, as Disney begins to shift its focus to expanding in Asia. Additionally, a major purchase took place on October 30, 2012, when Disney acquired Lucas Films, which is not included in the 2012 10K. As Star Wars' movies are produced by the Walt Disney Company from this purchase, this will most definitely bring in more revenue and sales. During the fiscal year of 2008-2009, The Walt Disney Company's stock prices matched the economic crisis of the time. However, as the economy began to recover, so did Disney's stock. Because of recent investments made, we can confidently predict that the prices of Walt Disney stock will continue to grow. The fact that current stock prices now are higher than they were in 2007 proves that the numbers are on the right track to increase in the future.

The Walt Disney Company's profitability also dropped in 2008 due to the major recession, but since then, it has consistently grown. Now the profit numbers are higher than they were before the economic crisis (in fact, 2.1% better than 2007) and the company's operating margin has also improved over the last five years. Disney's profit is increasing at a faster rate than the operating margin, though, due to the fact that they have cut back on costs. However, at the same time, they are increasing the amount of money that they are making by constantly investing in new opportunities. Another positive of The Walt Disney Company is the fact that

they are not borrowing large amounts of money. Since 2009, liabilities have been below 46%. Disney makes sure to invest what they are earning to avoid getting into trouble later on.

In relation to their competitors and specifically stock, such as Time Warner and News Corporation, The Walt Disney company has both higher stock prices and a higher profit margin. The share per earning numbers related to other major companies are pretty much equivalent; Disney may even be slightly better. The company seems to be right at industry average, and therefore, they are on the right track to continue to grow.

For all the reasons listed above, we believe that shareholders should hold onto their Disney stock, and people who do not own it should invest. The Walt Disney Company is incredibly unique, and it controls significant portions of many different industries. Our numbers show that as the economy continues to grow, so will Disney's success. Additionally, a number of large investments should help increase Disney's already high statistics, such as profit margin, making it the clear leader when associated with competitors. Therefore, a purchase now would definitely be a smart investment.

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