11 Mar 2024

CMB International Global Markets | Equity Research | Initiation

Walt Disney Co (DIS US)

Streaming and ESPN+ on the rise

Leveraging its notable IP and diversified portfolio, we expect Disney to benefit from streaming & sports industry tailwinds and cost control initiatives. After unveiling decent 1QFY24 results, Disney has shown significant narrowing of loss on streaming, improving group efficiency, and strategic expansion on promising Sports. Streaming and Park may continue to outperform, in our view. Mgmt guided EPS of US$4.6 (+22% YoY) and free cash flow (FCF) of US$8bn in FY24E, with streaming to achieve profitability by 4QFY24E. Looking ahead, we expect Disney to deliver 5%/16% revenue/earnings CAGR during FY24-26E, driven by AVODs and paid-sharing penetration, synergies from Hulu and upcoming strong content. Initiate with BUY with TP of US$142.

- **Global entertainment giant: transformation in the making.** Disney excels in notable IP brands, content ecosystem and diversified portfolio. After several strategic adjustments, Disney is now prioritizing on streaming & ESPN, with 150mn Disney+ paid subs (by 1QFY24). Coupled with effective cost reduction and operating leverage, we expect Disney to deliver 16% earnings CAGR in FY24-26E.
- **Streaming breakeven in sight, with ESPN+ to be the long-term engine.** We are positive on DTC's longer-term subs trend, backed by: 1) continued strong content edge; 2) more AVOD & paid sharing efforts; 3) better targeting and recommendation; and 4) more bundle adoption and synergies from Hulu & Disney+. We expect DTC's subs at 4% CAGR in FY24-26E, in which 2QFY24E net adds at 5.5-6mn. Given its competitive price, we view ample room for continuous price hike for content pick-up and industry wave of price increases. Mgmt guided streaming's breakeven by 4QFY24E, with double-digit OPM in the long run. For Sports segment, we are bullish on digital sports TAM, with still low streaming penetration but strong demand from sports enthusiasts. Disney's ESPN+ is well-positioned to capture industry tailwinds with multiple flagship services and strategic partners ahead, including forming a JV with Fox and Warner Brothers Discovery, offering a stand-alone option.
- **Parks as rising cash cow to support healthy FCF.** We expect revenue from US parks to accelerate in 2H24E, while international parks at resilient growth, with introduction of new attractions/events. Parks segment continues to be a cash cow that supports healthy FCF, as it contributes ~2/3 of Group OI in FY24E (> 25% OPM). We forecast Parks OI to grow at 10% CAGR in FY24-26E.
- **Initiate with BUY.** We set our SOTP-based TP at **US$142** (implying **30.7x** FY24E P/E)**,** 14%/0% below Netflix/ historical average but slightly above industry average. Key catalysts: 1) upcoming breakeven on streaming; 2) decent net adds with content pick-up, AVOD expansion and upcoming paid sharing; 3) resilient parks to continue; and 4) Sports on good progress.

Earnings Summary

(YE 30 Sep)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	83,745	88,898	91,829	97,017	101,701
YoY growth (%)	24.2	6.2	3.3	5.6	4.8
Adjusted net profit (US$ mn)	6,445.1	6,855.8	8,493.3	10,029.9	11,461.3
YoY growth (%)	53.5	6.4	23.9	18.1	14.3
Diluted EPS (US$)	3.53	3.75	4.62	5.46	6.23
YoY growth (%)	53.6	6.2	23.4	18.0	14.2
Consensus EPS (US$)	NA	NA	4.64	5.40	6.15
P/S (x)	2.5	2.3	2.2	2.1	2.0
P/E (x)	31.3	29.4	23.9	20.2	17.7
ROE (%)	3.4	2.4	7.7	8.5	8.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY

Target Price	**US$142.0**
Up/Downside	**28.7%**
Current Price	**US$110.3**

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Stock Data

Mkt Cap (US$ mn)	201,740.0
Avg 3 mths t/o (US$ mn)	1,209.6
52w High/Low (US$)	113.69/79.32
Total Issued Shares (mn)	1833.0

Source: FactSet

Shareholding Structure

Vanguard	8.3%
BlackRock	6.7%

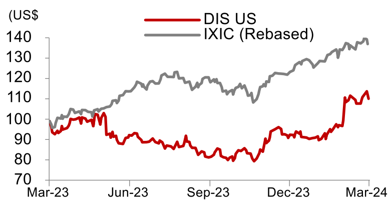
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	11.0%	9.7%
3-mth	19.2%	7.2%
6-mth	36.6%	17.8%

Source: FactSet

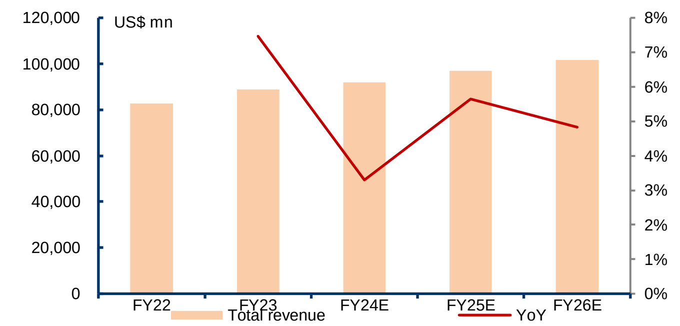
12-mth Price Performance



Source: FactSet

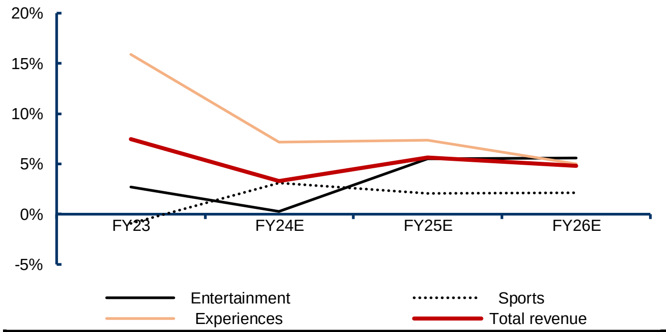
Focus Charts

Figure 1: Revenue estimates



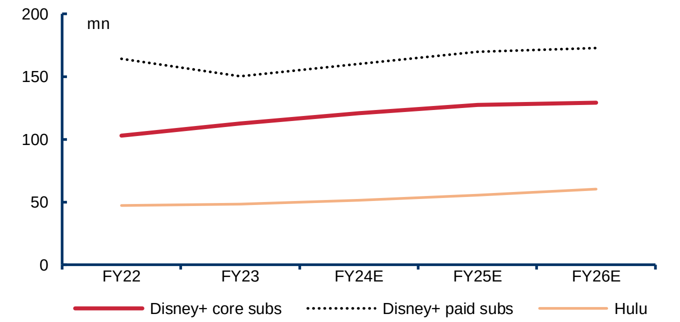
Source: Company data, CMBIGM estimates

Figure 2: Revenue growth estimates by segment



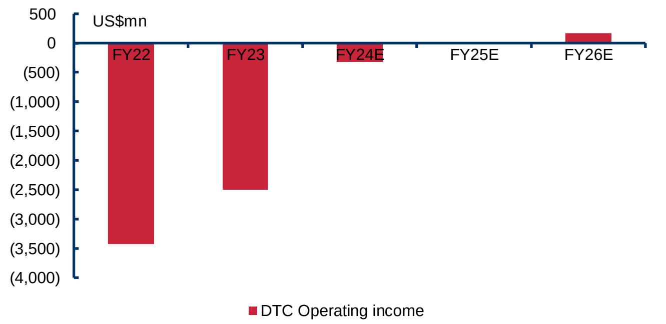
Source: Company data, CMBIGM estimates

Figure 3: DTC subs estimates



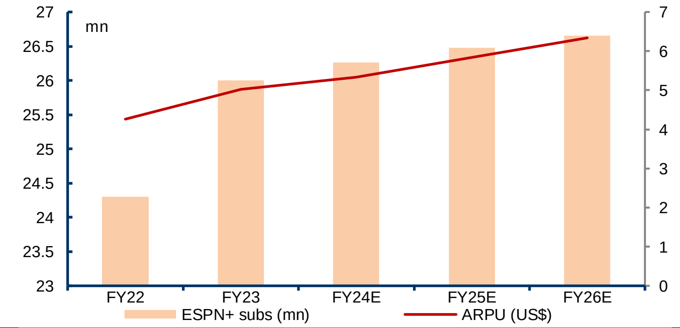
Source: Company data, CMBIGM estimates

Figure 4: DTC operating income estimates



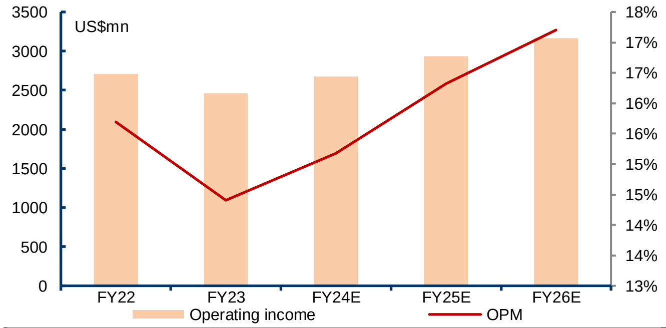
Source: Company data, CMBIGM estimates

Figure 5: ESPN+ subs and ARPU estimates



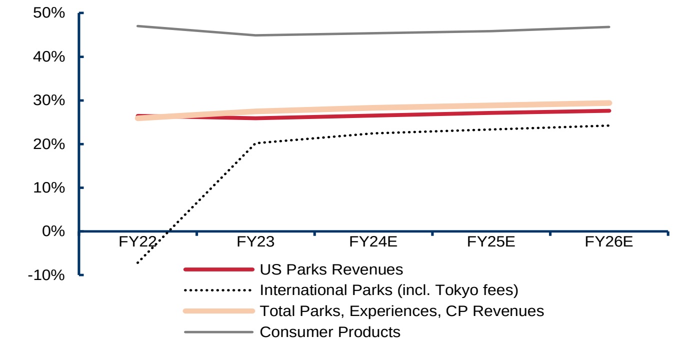
Source: Company data, CMBIGM estimates

Figure 6: Sports operating income estimates



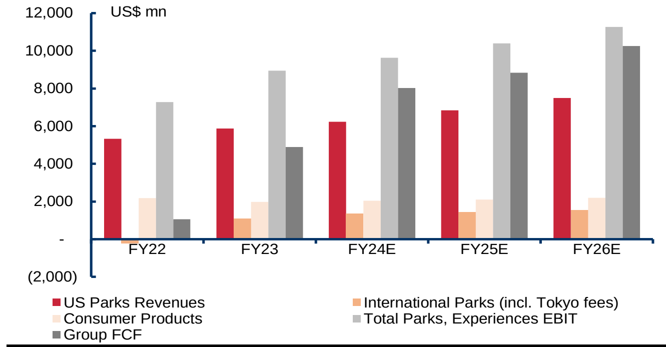
Source: Company data, CMBIGM estimates

Figure 7: Parks revenue estimates



Source: Company data, CMBIGM estimate

Figure 8: Experiences operating income estimates



Source: Company data, CMBIGM estimates

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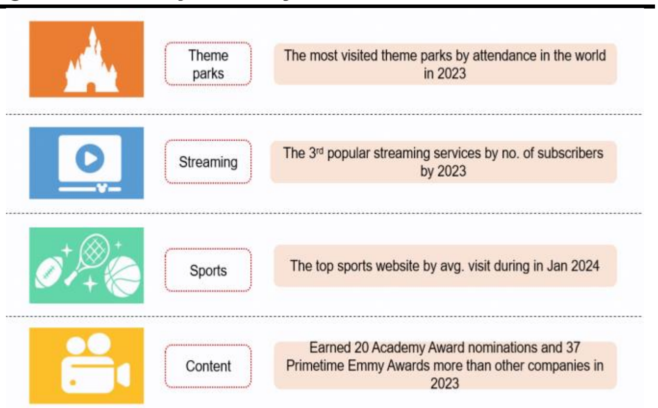
Company Overview

A global entertainment giant: Transformation in the making

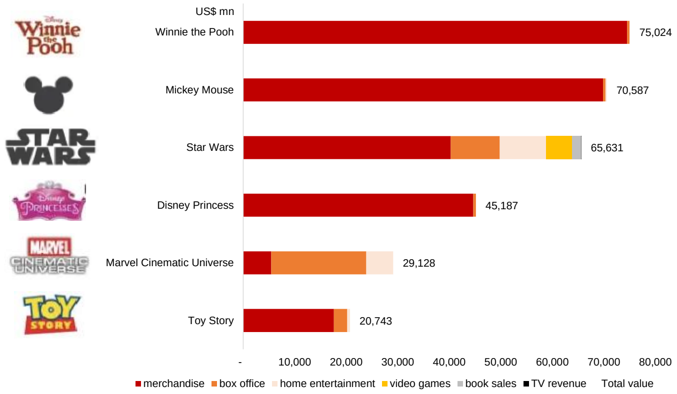
A global entertainment giant with notable IP brands and content ecosystem
Established in 1923, Disney (known as The Walt Disney Company) is a global entertainment and media conglomerate. With multiple popular IP franchises (e.g. Disney, Pixar, Marvel, Star Wars, National Geographic, etc), Disney so far has expanded its businesses into diversified areas, such as film/animation production, theme parks, linear media and streaming services, etc. After several strategic adjustments, Disney is now prioritizing on streaming & ESPN with rich product portfolios (e.g. Disney+, Hulu and ESPN), on the back of sufficient cash flow from Experiences business (e.g. theme parks and cruise line).

Figure 9: Disney's ecosystem and achievement



Source: Company data, Statista, CMBIGM

Figure 10: Disney's core IP and value



Source: TitleMax, CMBIGM

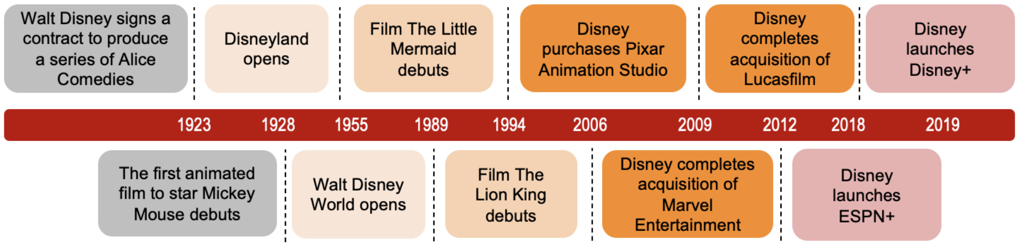
Disney has made several strategic adjustments throughout its history to maintain its leadership and adapt to changing landscapes.

Embracing television: In the 1950s, Disney expanded beyond films by embracing the television. This move diversified its offerings and provided a platform to promote its other businesses, such as the Disneyland theme park.

The Disney Renaissance: In the late 1980s and early 1990s, Disney restructured and refocused on its core strength of animation. During this period, Disney produced a series of successful animated features like The Little Mermaid and The Lion King, and also expanded into Broadway, retail, and further development of theme parks.

Strategic acquisitions: In the 21st century, Disney made major acquisitions, including Pixar (2006), Marvel (2009), Lucasfilm (2012), and 21st Century Fox (2019), expanding its content portfolio and strengthening its position in film, TV, and streaming.

Figure 11: Disney's key milestone and transformation

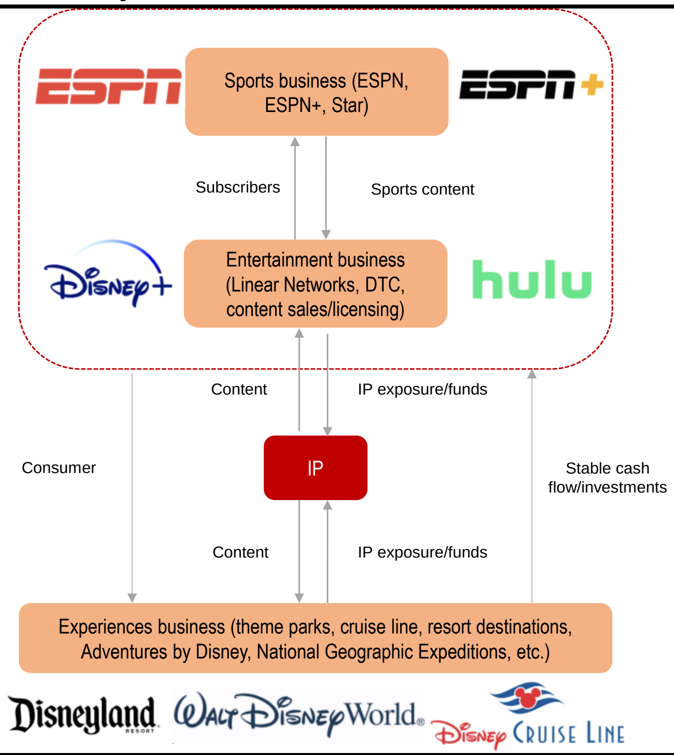


Source: Company data, CMBIGM

Streaming transformation: Since 2018, Disney has adjusted its business for three times, to give greater emphasis and resources to Direct-to-Consumer (DTC, streaming services) and Sports. Sports is playing an essential role in Disney's future growth trajectory, and streaming profitability is in sight.

- In 2018, Disney restructured its company into four segments, forming the Direct-to-Consumer & International division to focus on streaming services. This new segment is catered for the development and operation of Disney+, ESPN+, and Hulu.
- In 2020, Disney announced another reorganization to focus more on streaming services. A new Media and Entertainment Distribution Group is responsible for the distribution, operations, sales and profits for all content.
- In 2023, Disney underwent its third strategic restructure, creating a Sports business unit that includes ESPN, ESPN+, and Star (India). The restructure supports plans to launch a new streaming sports service in fall 2024, in collaboration with Fox and Warner Brothers Discovery. In addition, mgmt. expects to launch ESPN stand-alone DTC services in 2025.

Figure 12: IP-based ecosystem after restructure in 2023



Source: Company data, CMBIGM

…backed by diversified portfolios and enhanced monetization

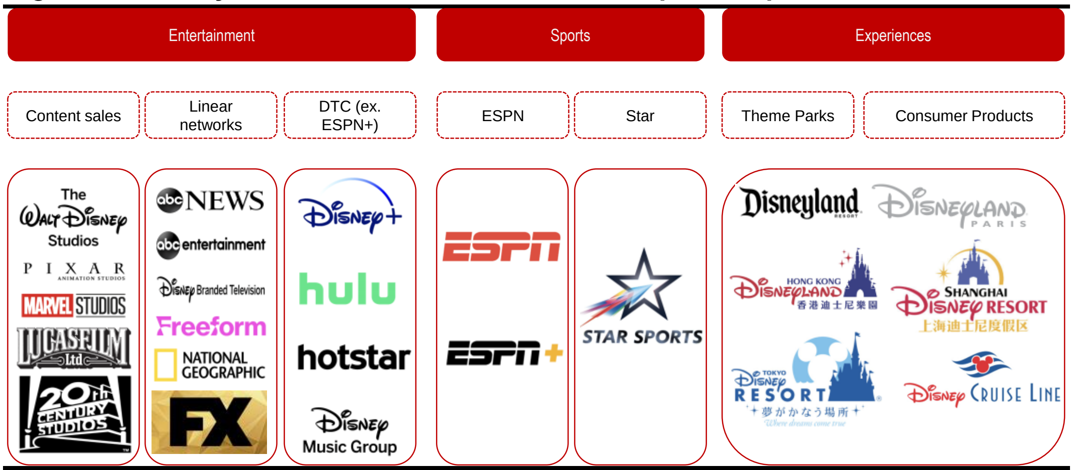
In Feb 2023, Disney reorganized into three collaborative business segments (incl. Entertainment, Sports and Experiences).

- **Entertainment:** mainly consists of Linear Networks, DTC (ex. ESPN) and content Sales/Licensing and Other. As Linear Networks is shrinking, DTC (streaming) business remains the top priority, backed by a world-class streaming portfolio (incl. Disney+, Hulu and HotStar).
- **Sports:** includes ESPN channels (linear networks) and ESPN+ (streaming services). As Disney's next growth engine, Sports business aims to fulfill audience's diversified demand, improve user retention rate and capture ads monetization with sports content.
- **Experiences:** cash cow with high margin, encompasses award-winning theme parks, cruise line resort destinations, Adventures by Disney, National Geographic Expeditions and so forth.

Under the new structure, Disney has made significant improvement in efficiency, and is on track to exceed its goal of US$7.5bn (vs. prior target of US$5.5bn) in saving by the end of FY24E, and to achieve profitability for streaming by 4QFY24E.

In addition, Disney further expands business into video games through partnership with Epic Games. They are building an immersive gaming and entertainment universe that leverage Disney's storytelling and Epic's Fortnite, allowing users to engage in play, content creation and commerce for both physical and digital goods.

Figure 13: Disney's current business divisions and product portfolio



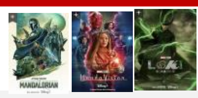
Source: Company data, CMBIGM

Restructuing with streaming and ESPN+ as new engines

Disney shifts its strategic focus towards DTC and Sports (three key platforms: Disney+, Hulu and ESPN+), with rising demand from streaming content and Sports events.

- **Disney+** is the flagship streaming service launched in Nov 2019, offering family and children with vast library content, including films and television series from notable IPs. Moreover, Disney+ provides original content (e.g. The Mandalorian, Wanda Vision, and Loki) and exclusive offerings. Disney+ has expanded globally, with plans to access new markets.
- **Hulu**, which Disney gained control of after the acquisition of 21st Century Fox and a deal with Comcast, offers a broad range of television series, movies, and original content (e.g. The Handmaid's Tale). Hulu also provides live TV services (Hulu + Live TV), offering streaming of live channels. Unlike Disney+, Hulu targets more on adults, and monetizes primarily on AVOD (similar to Youtube).
- **ESPN+** is Disney's sports streaming platform, offering diverse sports content, including live events, original studio shows, and in-depth sports analysis. ESPN+ complements Disney's other streaming services by providing exclusive sports programming, including UFC, MLB, NHL, MLS, college sports, etc.

Figure 14: Comparison across Disney's three streaming platforms

Streaming service	Ownership	Launch date	Position	The no. of Subscribers	ARPPU	Monthly fee		Popular content(s)
Disney+	Disney wholly owns the platform.	2019	It serves as the home for a vast array of Disney's library content, including films and television series from Disney, Pixar, Marvel, Star Wars, National Geographic, etc. Moreover, Disney+ focuses on original content. The service has expanded globally.	111.3mn	US$6.84	Basic (with ads): US$7.99; Premium (no ads): US$13.99	Bundle: from US$9.99 to US$24.99	
hulu	Disney has controlled on Hulu with 67% shares since 2019, and announced to acquire the remaining 33% from comcast in 2023.	2008	It offers a broad range of television series, movies, and original content. Unlike Disney+, Hulu targets a more adult demographic and offers a wide variety of content, including third-party network shows and movies.	49.7mn	SOVD Only: US$12.29; Live TV: US$ 93.61	Basic (with ads): US$7.99; Premium (no ads): US$17.99		
ESPN+	Disney has owned operational control with 80% shares since 1996.	2018	It offers a range of sports content, including live events, original studio shows, and in-depth sports analysis. With a focus on sports fans, ESPN+ complements Disney's other streaming services by providing exclusive sports programming.	25.2mn	US$6.09	Basic (with ads): US$9.99		UFC, MLB, NHL, MLS

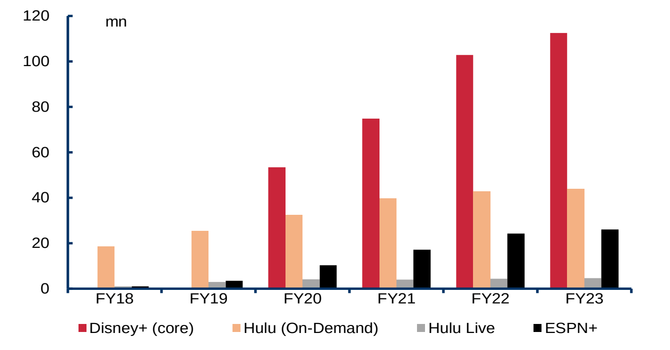
Source: Company data, CMBIGM
Note: Number of subscribers and ARPPU as of 1Q24

By 1Q24, subs in Disney+/Hulu/Hulu live/ESPN+ reached 111.3mn/45.1mn/4.6mn/25.2mn, +7%/4%/2%/1% YoY. Since its launch in the US in 2019, Disney+ has grown internationally by localizing content and leveraging partnerships, with competitive pricing strategies. As of 2023, international subs surpassed its US counterpart with 66.1mn, ~ 59% of the total. Ad-supported tiers, introduced in Dec 2022, made up 5% of subs in FY23. We expect AVOD to rise when Disney implements a password sharing crackdown in 2024 summer, potentially converting some non-paying users to AVOD. Mgmt. suggests ~18mn/~45mn US/global sharers in Disney.

Hulu currently is a US-only platform with 49.7mn subs. But the growth potential may be unlocked once further consolidated into Disney+, after Disney acquires Hulu's remaining 33% stake from Comcast.

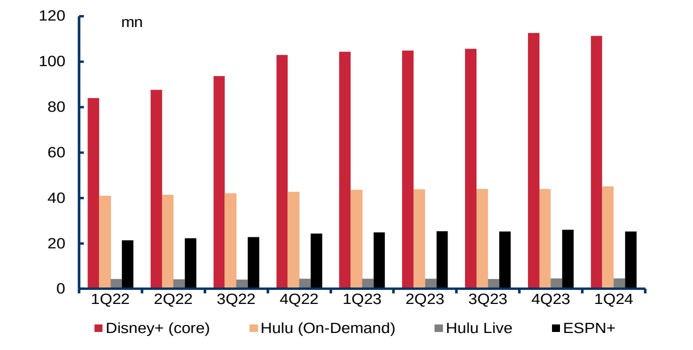
ESPN+ had 26mn subs by FY23, with 5mn directly subscribed to ESPN+ and approximately 20mn through the Disney bundle. We expect its ESPN+ to benefit from two strategic initiatives: 1) the launch of a new streaming sports service in fall 2024, in collaboration with Fox and Warner Brothers Discovery, and 2) the introduction of ESPN as a standalone streaming option with unique digital features in 2025, positioning it as a comprehensive sports destination with marquee content.

Figure 15: No. of subs across streamers (annually)



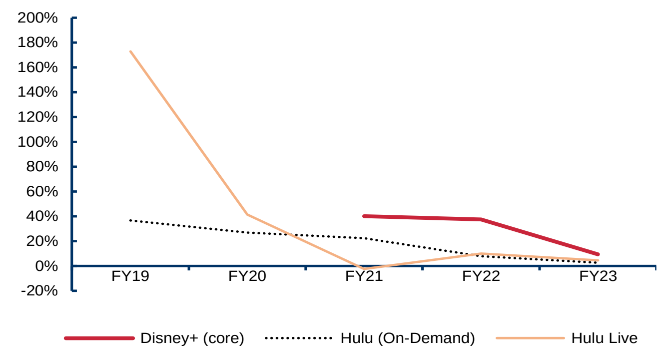
Source: Company data, CMBIGM

Figure 16: No. of subs across streamers (quarterly)



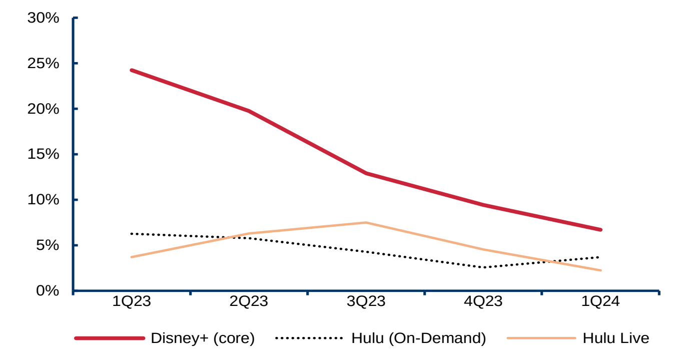
Source: Company data, CMBIGM

Figure 17: Subs growth across streamers (annually)



Source: Company data, CMBIGM

Figure 18: Subs growth across streamers (quarterly)

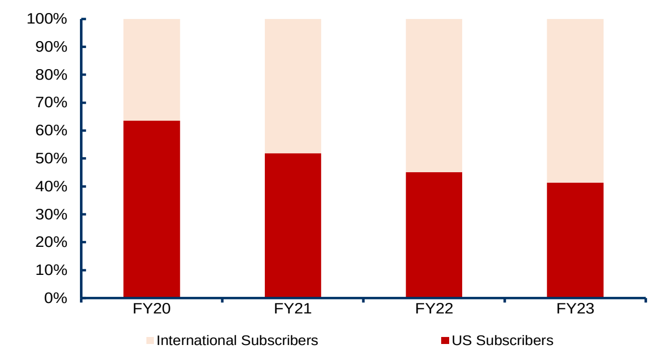


Source: Company data, CMBIGM

Figure 19: No. of Disney+ subs by region

Source: Company data, CMBIGM estimates

Figure 20: Subs mix of Disney+ by region



Source: Company data, CMBIGM estimates

Figure 21: No. of Disney+ subs by service

Source: Company data, CMBIGM estimates

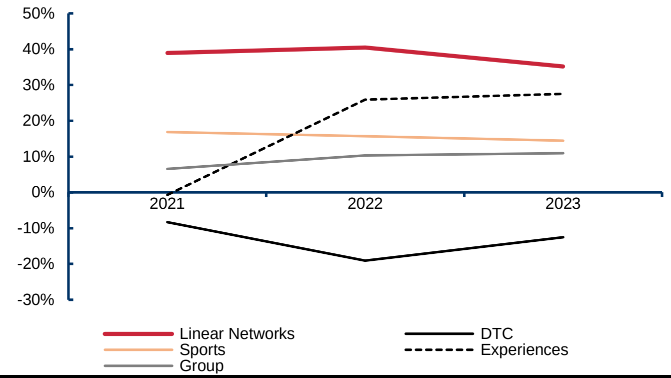
Figure 22: Subs mix of Disney+ by service

Source: Company data, CMBIGM estimates

Priority on margin enhancement with cost reduction and operating leverage

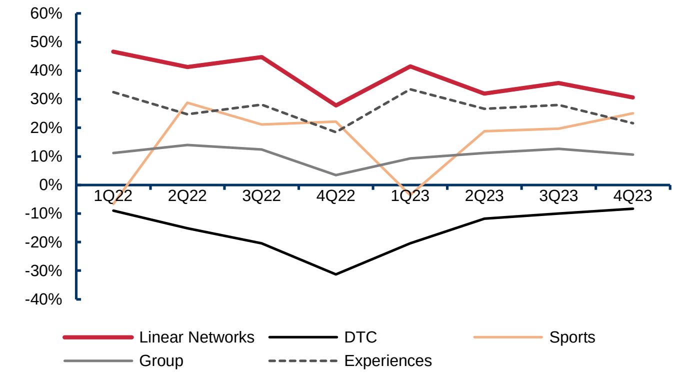
With Bob Iger's appointment as CEO in 2022, Disney prioritized on margin improvement and has provided stronger guidance of EPS and FCF for FY24E. Mgmt aims to achieve cost saving of US$7.5bn by FY24E, involving US$4.5bn cut in cash content spending and US$3bn reduction in opex, in which US$2bn of reduction was already accomplished in FY23. Coupled with revenue growth, Disney expects to generate US$4.6 EPS (+22% YoY) and US$8bn FCF in FY24E (significant YoY growth and near pre-pandemic levels). Additionally, Disney anticipates its DTC segment to reach profitability by the end of FY24E and expects double-digit OPM in the long term.

Figure 23: EBIT margin by segment (annually)



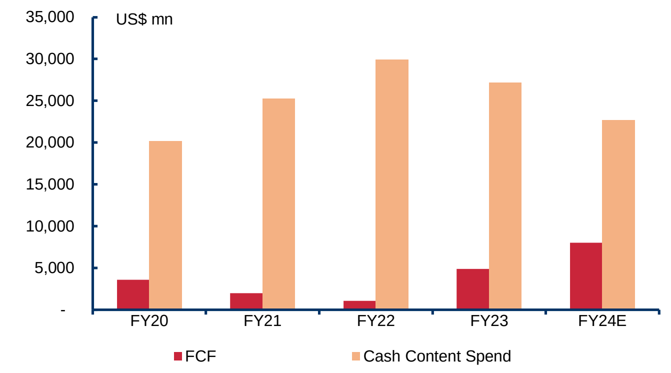
Source: Company data, CMBIGM

Figure 24: EBIT margin by segment (quarterly)



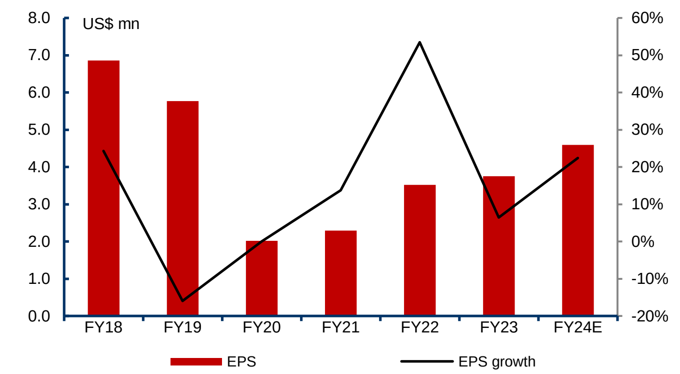
Source: Company data, CMBIGM

Figure 25: FCF and cash content spending



Source: Company data, CMBIGM

Figure 26:EPS and annual growth



Source: Company data, CMBIGM

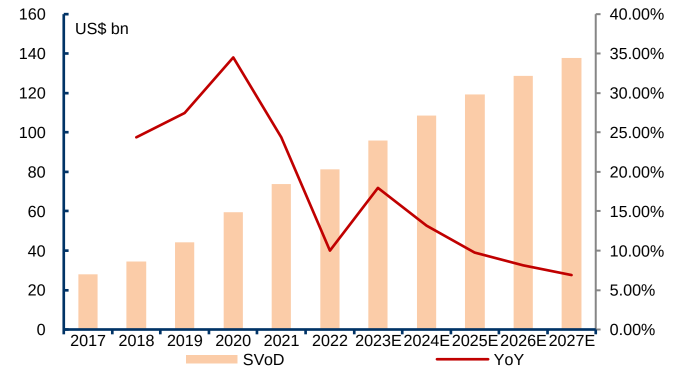
Investment Summary

Streaming: profitability in sight with clear subs growth trajectory

Riding on the growing streaming tailwinds

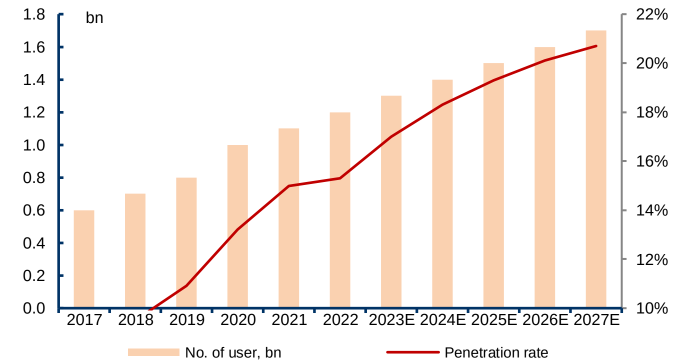
We are positive on growth potential of streaming, backed by: 1) ramp-up of non-pay TV viewers; 2) competition among LFVs (long-form video platforms) to normalize; and 3) time spent on SFVs (short-form video platforms) to stay stable. According to Statista, the global Video Streaming (SVoD) market size is projected at US$95.9bn in 2023, and to expand to US$137.7bn in 2027 (9.5% CAGR in 2023-27). By 2027, number of users could climb to 1.6bn, with user penetration at 20.7% (vs. 17% in 2023).

Figure 27: SVoD global market size (by revenue)



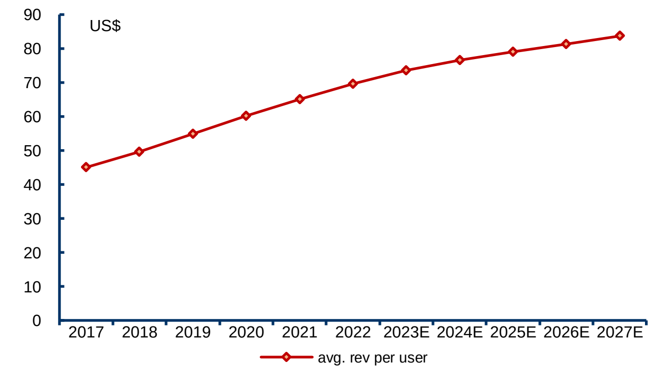
Source: Statista, CMBIGM

Figure 28: SVoD users and penetration rate



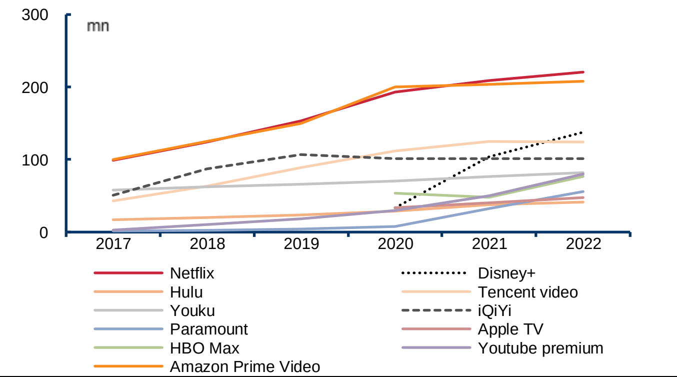
Source: Statista, CMBIGM

Figure 29: ARPU of SVoD



Source: Statista, CMBIGM

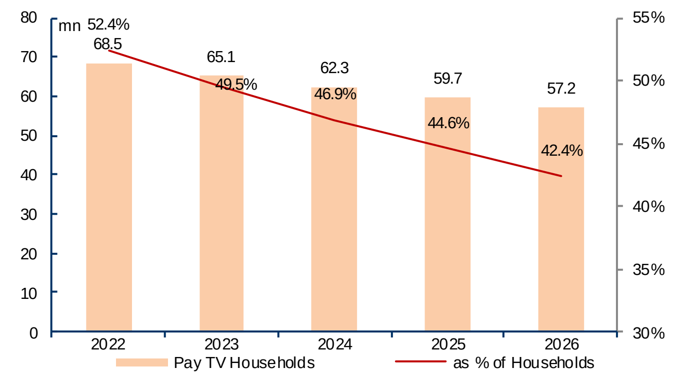
Figure 30: Subs by platforms



Source: Statista, CMBIGM

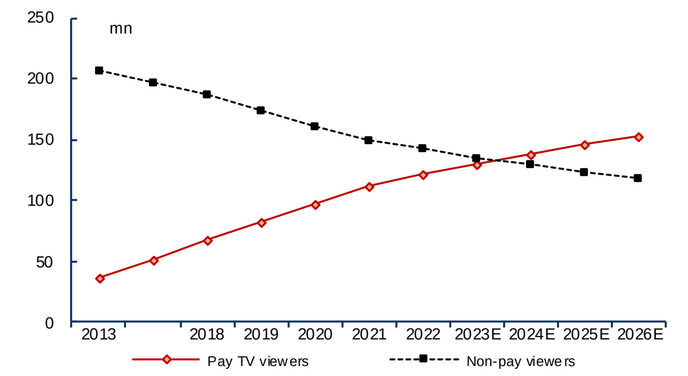
Number of non-pay TV viewers to ramp up. Significant changes in the television landscape are taking place, primarily driven by rising non-pay TV viewers, amid the emergence of alternative platforms (mainly streaming platforms). According to eMarketer, the number of US non-pay TV viewers (138.1mn) will surpass that of pay TV viewers (129.3mn) for the first time by 2024, along with declining pay-TV households.

Figure 31: US pay TV households



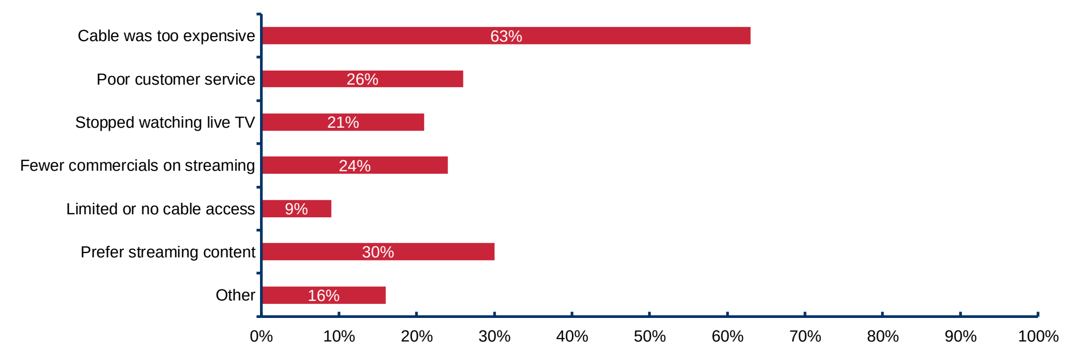
Source: eMarketer, CMBIGM

Figure 32: US pay TV vs. non-pay TV viewers



Source: eMarketer, CMBIGM

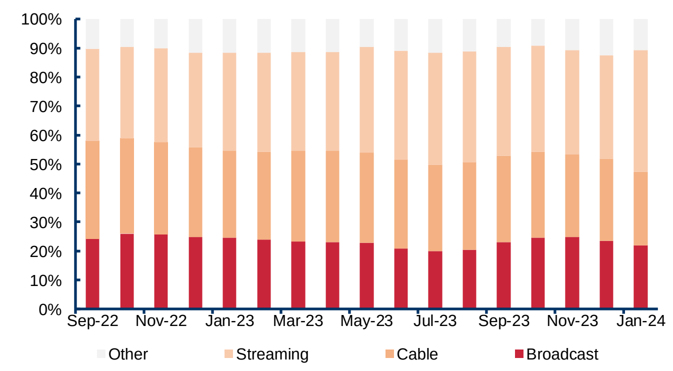
Figure 33: Reasons for non-pay TV viewers by demographics (US adults)



Source: eMarketer, CMBIGM estimate

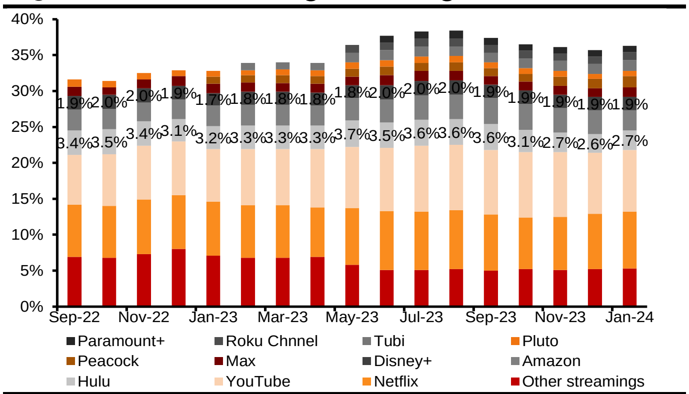
Robust streaming viewing in Jan 2024. According to Nielsen, total TV viewership increased 3.7% YoY in Jan 2024 on cold weather and NFL playoffs. Streaming views remained robust (+4.7% YoY), and benefit from the return of new scripted programming. Disney+'s ***Bluey*** ranked TOP2 in the streaming charts, with 5.5bn minutes. In Jan 2024, Disney+ and Hulu maintained its market share with 2.7% and 1.9%, respectively. Looking ahead, streaming and sports momentum tends to continue, with upcoming new content and Super Bowl.

Figure 34: Share changes among TV platforms



Source: Nielsen, CMBIGM

Figure 35: Share changes among streamers



Source: Nielsen, CMBIGM

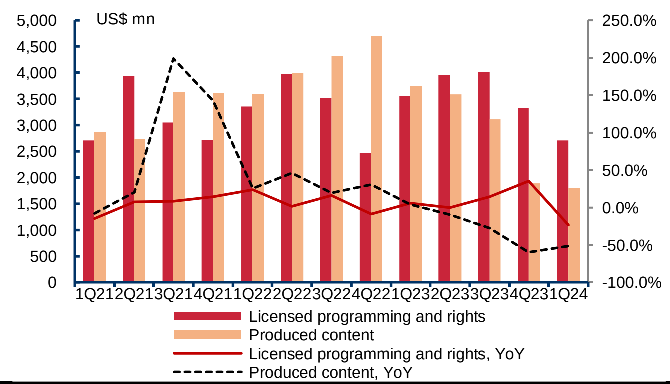
Distinguishing itself with valuable IP chain and content ecosystem

With streaming share gain and traditional channels challenges, Disney rolled out streaming services in 2019, and its core subs climbed to 111.3mn by 1QFY24. Leveraging its most recognizable entertainment brands, Disney's streaming business excels itself with: 1) an enormous collection of unique valuables IP reserve, including Marvel, Star Wars, Pixar, etc; 2) synergies from diversified content ecosystem, e.g. film & TV production, theme parks, sports, merchandise; 3) platform portfolio (with Disney+, Hulu, ESPN) to cater to all kinds of audience needs; and 4) differential high-quality content library.

Disney has successfully released notable content, including Up (飞屋环游记), Frozen (冰雪奇缘), Tory story (玩具总动员), etc. It earned 20 Academy Award nominations, 37 Primetime Emmy Awards (highest among peers), and 27 Golden Globe nominations and multiple wins. Looking into 2024E, we expect Disney's strong originals and diversified content pipeline to bring further upside, including: 1) Disney+: Agatha from Marvel Studios, Skeleton Crew and The Acolyte from Lucasfilm, Win or Lose from Pixar; 2) Hulu: *Shōgun, Grey's Anatomy;* and 3) Films: *Kingdom of the Planet of the Apes*, *Inside Out 2, Deadpool 3, Alien:Romulus,* and *Mufasa: The Lion King.* On top of that, 2025 theatrical slate will include: *Captain America: Brave New World, Fantastic Four,* Pixar's *Elio, Zootopia 2,* and *Avatar 3.*

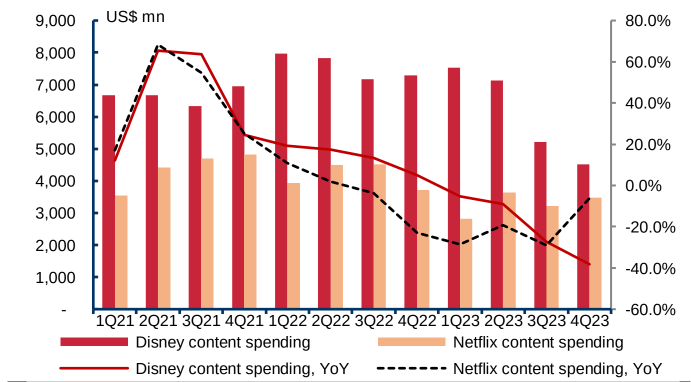
Disney differentiates itself with creator-oriented mechanism and candor environment. It build "Braintrust" system (故事智慧囊), a group of colleagues and experts with empathy to review film development (e.g. story, characters, design, filming, etc.), to foster creativity through candor. As Braintrust Group could provide direct, clear and constructive advice but has no authority, this mechanism supports filmmakers to create freely with diverse feedbacks.

Figure 36: Disney content spending trend



Source: Company data, CMBIGM

Figure 37: Content spending of Disney vs. Netflix



Source: Company data, CMBIGM

Figure 38: Content pipeline in FY24-25E

Platform	Pipeline (partial)	Launch Date
Disney+	Mobbius	Mar-24
	Queens (all episodes streaming)	Mar-24
	Kiff (S1, 4 episodes)	Mar-24
	Life Below Zero (S7, 10 episodes)	Mar-24
	Star Wars: The Bad Batch (Season3) Episode 305 The Return	Mar-24
	Cinderella (2015)	Mar-24
	NHL Big City Greens Classic Livestream	Mar-24
	Morphle (Shorts) (S1, 14 episodes)	Mar-24
	Star Wars: The Bad Batch (Season3) Episode 306 Extraction	Mar-24
	Taylor Swift: The Eras Tour (Taylor's Version)	Mar-24
	Photographer (all episodes streaming)	Mar-24

	Life Below Zore (S22, 9 episodes)	Mar-24
	Morphle and the Magic Pets (S1, 18 episodes)	Mar-24
	X-Men '97 (premiere)	Mar-24
	Star Wars: The Bad Batch (Season 3) Episode 308 Bad Territory	Mar-24
	Life Below Zero: Next Generation (S7, 7 episodes)	Mar-24
	Random Rings (Shorts) (S3, 6 episodes)	Mar-24
	X-Men '97 (new episode)	Mar-24
	Star Wars: The Bad Batch (Season 3) Episode 309 The Harbinger	Mar-24
	Madu (Premiere)	Mar-24
	Renegade Nell (Premiere, All Episodes Streaming)	Mar-24
	Agatha	**2024**
	Skeleton Crew	**2024**
	The Acolyte	**2024**
	Win or Loss	**2024**
ESPN+	College summer league baseball games	2024
	College basketball tournaments	2024
	Cricket	2024
	Futbol Americas games	2024
	NCAA football games	2024
	MLB games	2024
	Rugby games	2024
	Golf tournaments	2024
Film	Kingdom of the planet of the Apes	2024
	Inside Out 2	2024
	Deadpool 3	2024
	Alien: Romulus	2024
	Mufasa: The Lion King	2024
	Captain America: Brave New World	2025
	Fantastic Four	2025
	Pixar's Elio	2025
	Zootopia 2	2025
	Avatar 3	2025

Source: Company data

Figure 39: Content pipeline in FY24-25E

Platform	Pipeline (partial)	Launch Date
Hulu	Yu-Gi-Oh! VRAINS: Complete Seasons 1-3 (Dubbed)	Mar-24
	Dark Side of the 90s: Complete Season 2	Mar-24
	Dark Side of the 2000s: Complete Season 1	Mar-24
	Catfish: The TV Show: Complete Season 8H	Mar-24
	Queens: Docuseries Premiere	Mar-24
	MasterChef Junior: Season 9 Premiere	Mar-24
	So You Think You Can Dance: Season 18 Premiere	Mar-24
	Extraordinary: Complete Season 2	Mar-24
	Alert: Missing Persons Unit: Season 2 Premiere	Mar-24
	The Cleaning Lady: Season 3 Premiere	Mar-24
	Port Protection Alaska: Complete Season 7	Mar-24
	The Masked Singer: Season 11 Premiere	Mar-24
	Animal Control: Season 2 Premiere	Mar-24
	30 Something Grandma: Complete Season 1	Mar-24
	Alone: Complete Season 10	Mar-24
	Hoarders: Complete Season 14	Mar-24
	My Strange Arrest: Complete Season 1	Mar-24
	Yu-Gi-Oh! VRAINS: Complete Seasons 1-3 (Dubbed)	Mar-24
	The First 48: Complete Season 23	Mar-24
	Grey's Anatomy: Season 20 Premiere	**Mar-24**
	Station 19: Season 7 Premiere	Mar-24
	9-1-1: Season 7 Premiere	Mar-24
	St. Patrick's Day Parade: Livestream	Mar-24
	Photographer: Season 1 Premiere	Mar-24
	Life Below Zero: Complete Season 22	Mar-24
	Freaknik: The Wildest Party Never Told: Documentary Premiere	Mar-24
	Ancient Aliens: Complete Season 19B	Mar-24
	I Survived a Crime: Complete Season 2	Mar-24
	The Mega-Brands That Built America: Complete Season 1	Mar-24

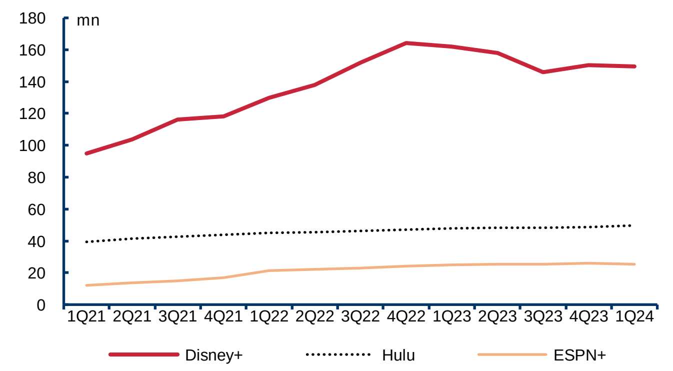
	Pawn Stars: Complete Season 21	Mar-24
	Davey & Jonesie's Locker: Complete Season 1	Mar-24
	My Hero Academia: Two Heroes (Dubbed, Subbed)	Mar-24
	Jujutsu Kaisen: Complete Season 1 (Dubbed, Subbed)	Mar-24
	Life Below Zero: Next Generation: Complete Season 7	Mar-24
	The Rising of the Shield Hero: Complete Season 3 (Dubbed)	Mar-24
	We Were The Lucky Ones: Complete Season 1	Mar-24
	Spy X Family: Complete Season 2 (Dubbed)	Mar-24
	Beyond the Headlines: The Series: Complete Season 1	Mar-24
	Cultureshock: Complete Season 1	Mar-24
	Cult Justice: Complete Season 1	Mar-24
	Secrets of Penthouse: Complete Season 1	Mar-24
	To Kill a Stepfather, 2023	Mar-24
	$100 Makeover: Complete Season 1	Mar-24
	24 Hour Flip: Complete Season 1	Mar-24
	Fright Krewe: Complete Season 2	Mar-24
	Dragon Ball Super: Broly (Dubbed, Subbed)	Mar-24
	FX's SPERMWORLD: Documentary Premiere	Mar-24
	Black Clover: Complete Seasons 3 and 4 (Dubbed, Subbed)	Mar-24
	Blue Lock: Complete Season 1 (Dubbed, Subbed)	Mar-24
	Dr. Stone: Complete Season 2 (Dubbed, Subbed)	Mar-24
	Mob Psycho 100: Complete Season 2 (Dubbed, Subbed)	Mar-24
	The Rising of the Shield Hero: Complete Season 1 (Dubbed, Subbed)	Mar-24
	Tokyo Revengers: Complete Season 1 (Dubbed, Subbed)	Mar-24
	Welcome to Demon School! Iruma-kun: Complete Season 2 (Dubbed, Subbed)	Mar-24
	saga Shōgun	**2024**

Source: Company data

Subs to resume growth on AVOD penetration, paid sharing and international expansion

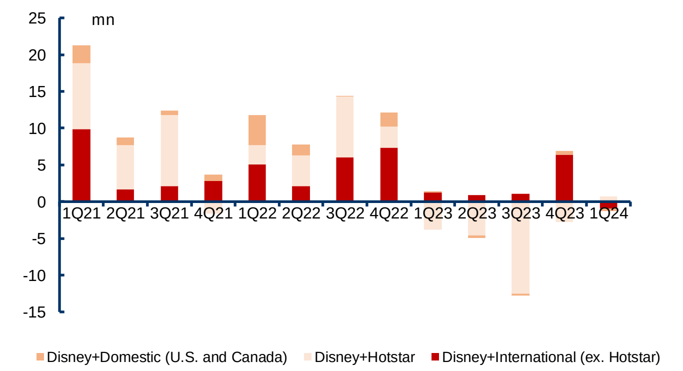
We are positive on DTC's longer-term subs trend, backed by: 1) continued strong content edge; 2) more paid sharing efforts; 3) technology advances to improve targeting and recommendation; 4) more adoption of bundle subs and synergies from Hulu & Disney+, and 5) continued use of tiering. We forecast Disney+ subs at 4% CAGR in FY24-26E, with net adds of 13mn. In 1QFY24, Hulu subs grew 1.2mn sequentially, and Disney core subs decreased 1.3mn sequentially on recent US price increases and the end of global summer promotion (in line), partially offset by strong AVOD. Looking into 2QFY24E, mgmt. guided 5.5mn-6mn net adds, with domestic net adds in the 7.5mn range.

Figure 40: Disney streaming subs trend



Source: Company data, CMBIGM

Figure 41: Disney+ subs net adds breakdown

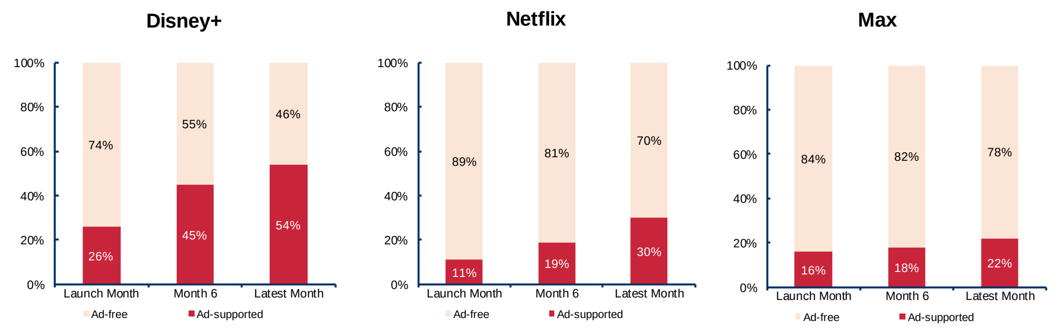


Source: Company data, CMBIGM

AVOD expansion: Disney has more than doubled its AVOD sign-ups in the US to 54% in Oct 2023, after its AVOD launch in 4Q22 (Canada/Europe in Nov 2023), according to Antenna. It attracts more incremental net adds from AVOD initiatives than peers. For Hulu, as a pioneer in AVOD mode, it captured AVOD with 55% share, based on Antenna.

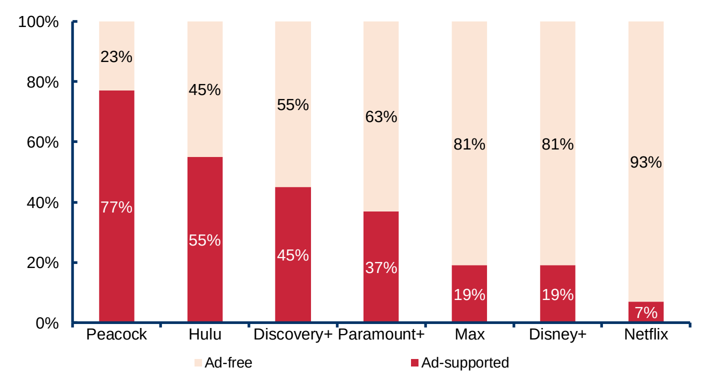
According to Digital TV Research, the global AVOD market would grow up to US$69bn by 2029, from US$39bn in 2023 (vs. SVOD at US$96bn), suggesting a 9.5% CAGR. Ad-supported subs in the US have already surpassed 100mn (based on Ampere data), and we estimate TAM of ad-supported subs at 380mn worldwide. Among that, we expect Disney AVOD subs to increase to 37mn in FY26E (28% of the core subs mix, from ~17% in FY24E), with 33% CAGR in FY24-26E. For upcoming 2QFY24E, we expect AVOD net adds would increase sequentially for Charter subs.

Figure 42: Share of sign-ups by plan tier



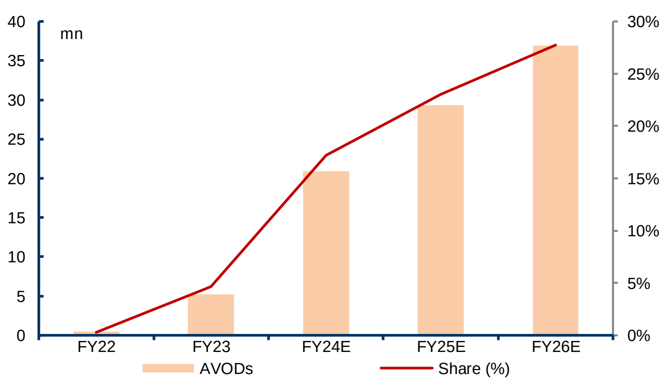
Source: Antenna (Oct 2023), CMBIGM

Figure 43: Share of subs by plan tier



Source: Antenna (Oct 2023), CMBIGM

Figure 44: Disney's AVOD growth estimates



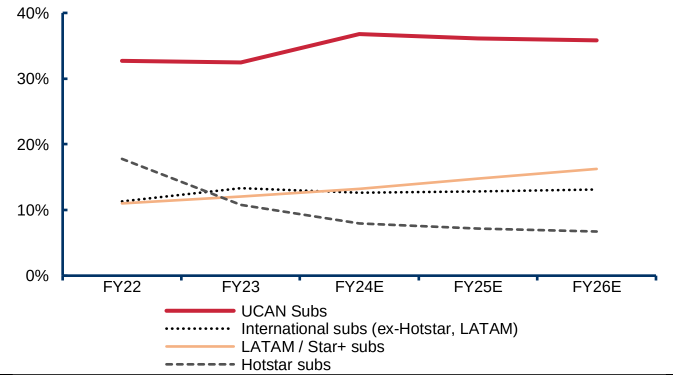
Source: CMBIGM estimates

Paid sharing: Disney will launch paid sharing in summer 2024, and mgmt. does not expect notable benefits from paid sharing initiatives until the back half of calendar 2024. Given Netflix's paid sharing effect, we are positive on its upcoming rollout, to further extend its subs TAM.

International expansion: After acquisition of Hotstar of India, Disney accelerates its international expansion path. By 1QFY24, international subs reached 65.2mn, accounting for 58.6% of Disney+ subs. Disney+ international subs decreased 0.9mn QoQ while Disney+ Hotstar resumed growth with net adds of 0.7mn. Mgmt expects international core subs to see short-term modest decrease in 2QFY24E, for price increases and certain wholesale deals change. After that, we expect international market to contribute 3mn-5mn net adds per year, and Hotstar to contribute 4mn-5mn of net adds per year in the long run, with rising penetration. Domestic subs reached 46.1mn in 1QFY24 (vs. 80.1mn for Netflix), suggesting still ample room to expand in the future. Domestic subs -0.4mn QoQ in 1QFY24 for price hike, but will see 7.5mn of net adds in 2QFY24E, per mgmt. guidance, driven by Charter entitlements.

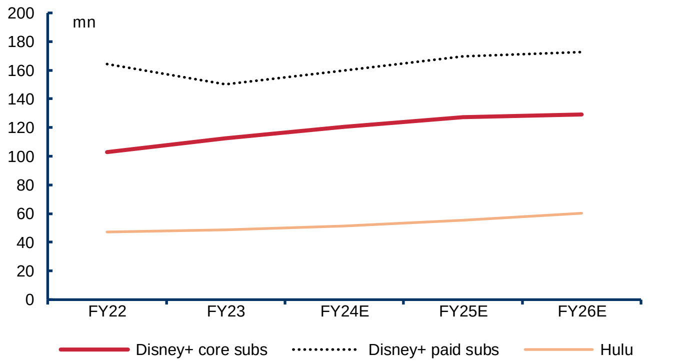
Hulu's synergies: Disney has operated Hulu since 2019, and stepped into full cooperation after its 33% acquisition in Nov 2023. We expect Hulu to bring continuous benefits, including: 1) capturing larger subs base with diversified content; 2) positive to streaming segment's profitability for its decent margin; and 3) bundled offering at a discounted rate to tap into larger users (achieved net adds in 1QFY24). Hulu total subs +1.2mn QoQ at 49.7mn in 1QFY24, and we expect this uptrend to continue. We expect Hulu to see ~5mn net adds per year, with 8% CAGR in FY24-26E.

Figure 45: Disney+'s addressable broadband homes penetration



Source: Statista, Company data, CMBIGM estimates

Figure 46: Subs estimates



Source: Company data, CMBIGM estimates

Ample room for ARPU expansion with continuous price increase

Competitive price and bundle package to attract more users. Disney+ charged ad-supported subs (Disney+ basic) at US$7.99/month, lower than Amazon Prime, HBO Max while slightly higher than Netflix. For premium plan, Disney+ offers the lowest price at US$13.99/month among key platforms. Additionally, Disney differentiates itself with multiple bundle plans ranging from US$9.99-US$24.99/month, covering content in Disney+, Hulu, ESPN+. We expect such competitive pricing and bundle offerings could help it to tap into larger user base.

Figure 47: Disney's subs plan

Disney+ Plans	Features	Price (US$)
Disney+ Basic	Disney+ (with ads) Supports up to 5.1 audio Experience video quality in up to 4K UHD & HDR Stream on multiple devices at a time	Monthly: $7.99
Disney+ Premium	Disney+ (no ads) Immersive sound with up to Dolby Atmos audio Experience video quality in up to 4K UHD & HDR Stream on multiple devices at a time Downloads on up to 10 devices	Monthly: $13.99 Annual: $139.99
Disney Bundle Plans	**Services**	**Price**
Disney Bundle Duo Basic	Disney+ (with ads) including Disney+ basic features Hulu (With Ads)	Monthly: $9.99
Disney Bundle Duo Premium	Disney+ (no ads) including Disney+ premium features Hulu (No Ads)	Monthly: $19.99
Disney Bundle Trio Basic	Disney+ (with ads) including Disney+ basic features Hulu (with ads) ESPN+ (with ads)	Monthly: $14.99
Disney Bundle Trio Premium	Disney+ (No Ads) including Disney+ premium features Hulu (No Ads) ESPN+ (with ads)	Monthly: $24.99
Legacy Disney Bundle*	Disney+ (No Ads) including Disney+ premium features Hulu (with ads) ESPN+ (with ads)	Monthly: $18.99

Source: Company data

Note: *this plan is no longer available to purchase or switch into on Disney+. Existing subscribers will be able to keep their plan so long as they do not cancel or change it.

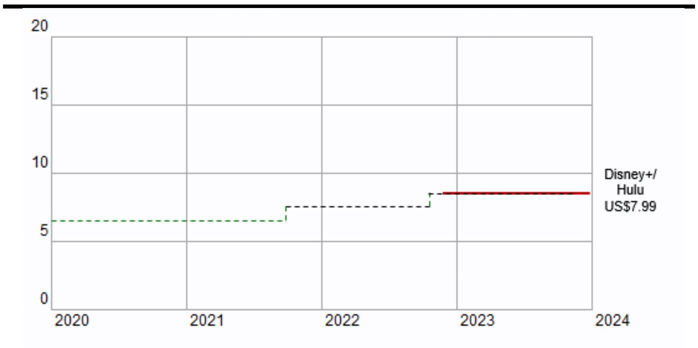
Figure 48: Plans comparison on five major streaming platforms

		Disney+	Netflix	Amazon Prime	HBO Max	Apple TV
Plans (US$/month)	Ad-supported	**7.99**	6.99	8.99	9.99	-
	Basic	**-**	-	-	-	9.99
	Standard	**-**	15.49	14.99	15.99	-
	Premium	**13.99**	22.99	-	19.99	-
Supported device(s)		**4**	2~4	6	2~4	6
Max definition		**4K**	4K	4K	4K	4K

Source: Company data

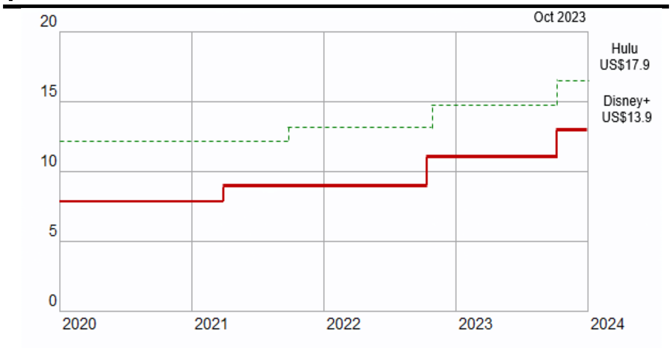
Still ample room for price hikes for content pick-up and industry's wave of price increases. Disney+ raised its price in Mar 2021 for the first time, and has raised three times YTD, but still below the average price industrywide. Hulu also increased its basic & premium plan price for multiple times by 1QFY24. Compared to Netflix's seven times' price hike and premium pricing, we see high visibility for Disney to continuously raise price with manageable churn rate. Moreover, in 2023, the streaming industry has seen a price hike wave (+7%-27% across streamers) for creeping inflation and rising costs (especially after Hollywood strikes). We expect this trend to continue, supporting Disney+'s blended ARPU to grow at 2% CAGR in FY24-26E, in our estimate. In 1QFY24, Disney+ Core ARPU increased by 14 cents QoQ and by US$1.07 YoY, primarily on price increases. Mgmt guided ARPU at continuous sequential growth in 2QFY24E, despite partially dilution from adding Charter's Spectrum TV Select subs to Disney+ ad tier.

Figure 49: Disney+/Hulu basic plan (no ads) price increases



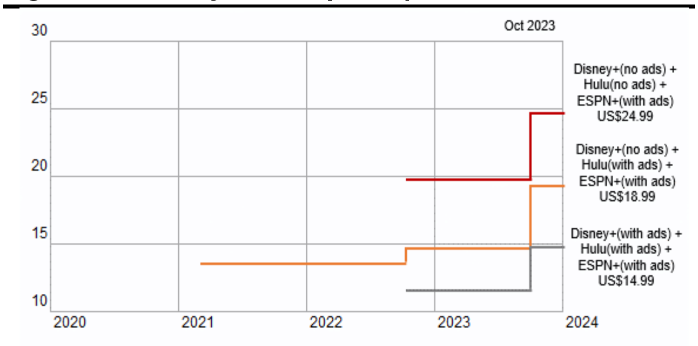
Source: Company data, CMBIGM

Figure 50: Disney+/Hulu premium plan (with ads) price increases



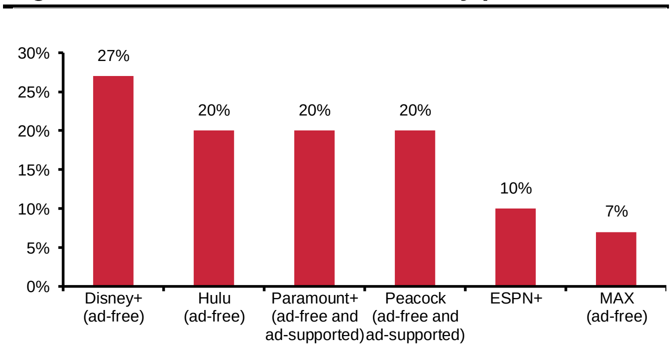
Source: Company data, CMBIGM

Figure 51: Disney bundle plans price increases



Source: Company data, CMBIGM

Figure 52: Price increases in 2023 by platforms

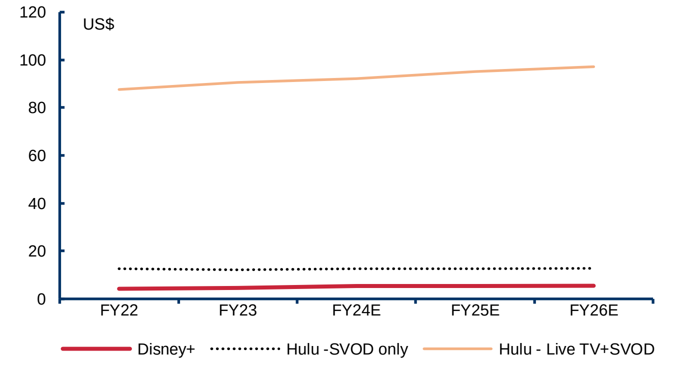


Source: Company data, CMBIGM

Short-term ARM dilution by overseas expansion and promotional offerings. In 1QFY24, Disney+ International ARPU reached US$5.91 (vs. domestic US$8.15), -0.9mn QoQ for higher mix of subs with promotion offerings. With continuous overseas expansion, Disney blended ARPU might be slightly diluted, but the impact is manageable. Greater bundling level may lead to modestly lower ARPU, in our view. For paid-sharing initiatives, we think it may depend on the conversion rate. As the paid-sharing plan is still at an early stage (beginning summer 2024), we expect limited impact on ARM.

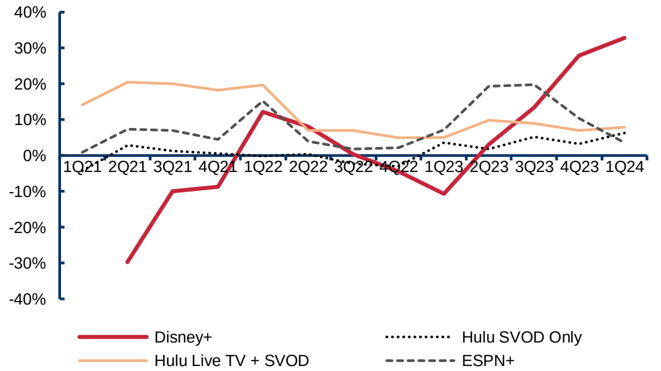
Combining rising subs and ARPU, we expect Disney streaming revenue +11% YoY in FY24E, with 8% CAGR in FY24-26E.

Figure 53: ARPU estimates



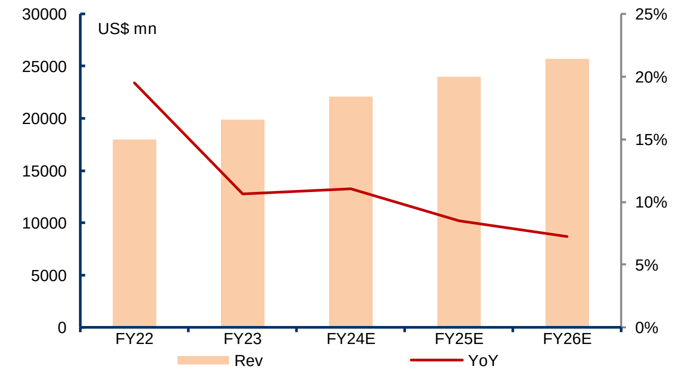
Source: Company data, CMBIGM estimates

Figure 54: Quarterly ARPU trend



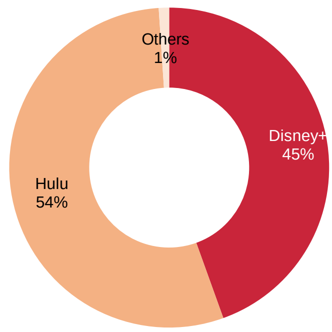
Source: Company data

Figure 55: DTC revenue estimates



Source: Company data, CMBIGM estimates

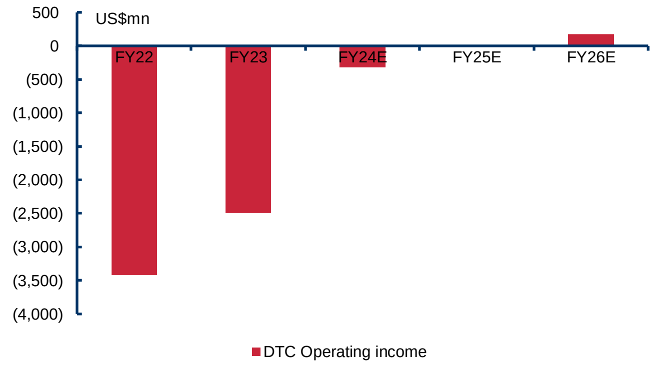
Figure 56: DTC revenue breakdown in FY24E



Source: Company data, CMBIGM estimates

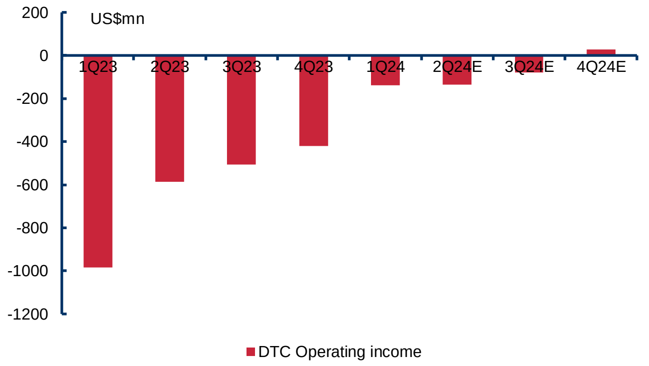
Targeting breakeven in 4QFY24E with disciplined content cost and price increase. In 1QFY24, streaming net loss continued to narrow (with OP at -US$138mn, vs. -US$420mn in 4QFY23). Mgmt guided similar losses in 2QFY24E, and reiterated previous target of breakeven in 4QFY24E. We are bullish on streaming business's margin enhancement trend, backed by better topline with subs & ARPU growth, disciplined production & programming costs, and competition to pull back. In FY24E, we expect streaming OP at -US$324mn (breakeven in 4QFY24E), and streaming business may achieve double-digit OPM in the long run (vs. Netflix guided 24% OPM in FY24E).

Figure 57: DTC operating income estimates



Source: Company data, CMBIGM estimates

Figure 58: Quarterly streaming OP trend



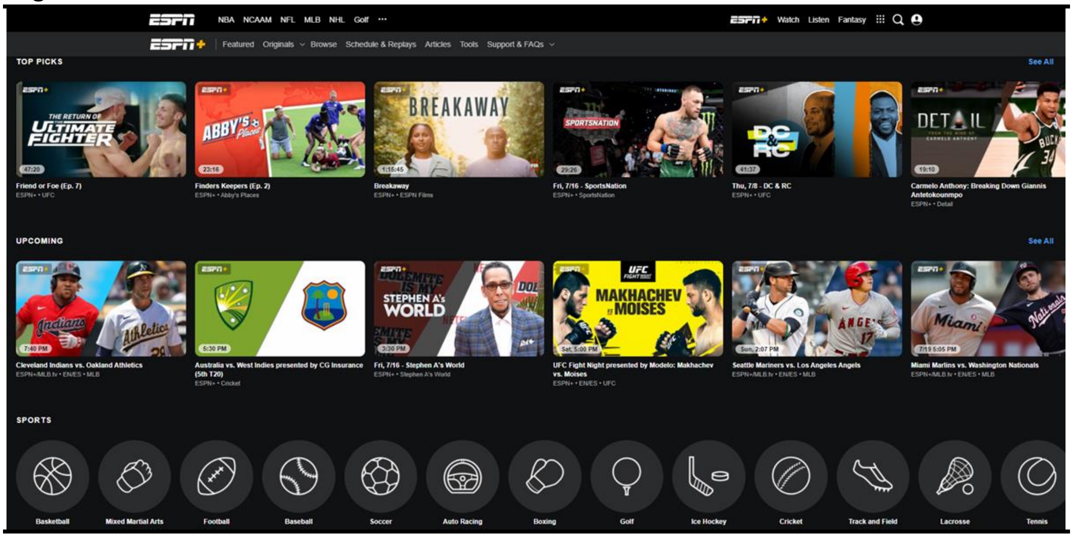
Source: Company data, CMBIGM estimates

Sports: next engine with promising TAM

Stepping-up investments in promising Sports front

As the dominant US sports TV channel, Disney's ESPN faced challenges in subs churn since audience switched away from cable TV. ESPN's subs decreased to <74mn in 2022, from 98mn in 2013, based on estimates from S&P Global Market Intelligence. To tackle with such downtrend, Disney has integrated ESPN+ services (streaming offerings with richer content) into traditional ESPN business since Apr 2018. ESPN+ attracted 25.2mn subs by 1QFY24, with user-friendly channels, diversified content, and flexible package.

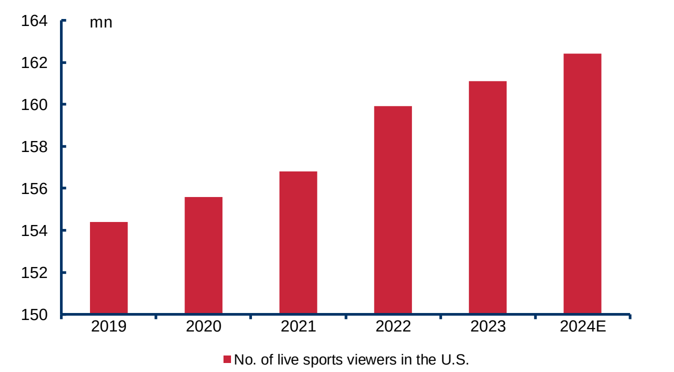
Figure 59: ESPN+ content



Source: Company data, CMBIGM

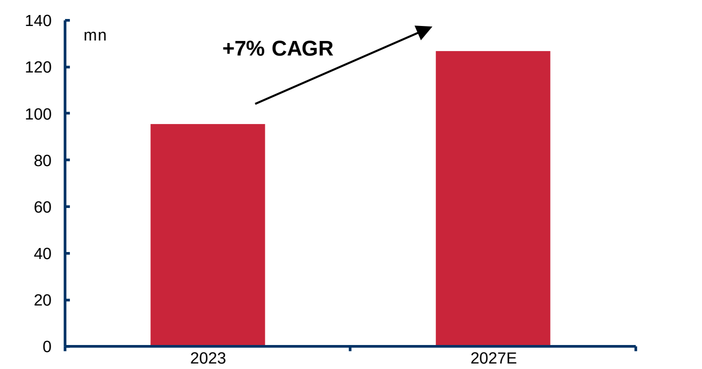
We are bullish on the long-term potential of sports, with still low streaming penetration but strong demand from sports enthusiasts. According to eMarketer, US digital live sports viewers will reach 126.8mn by 2027, from 95.5mn in 2023, with 7% CAGR. Live sports streaming accounts for ~30% of all CTV streaming based on Magnite data. We expect sports streaming penetration to climb continuously, backed by: 1) cord-cutting trend especially for younger generation (65% of viewers ages 18-34 watch sports outside linear TV, based on Magnite); and 2) more content and copyright engaged in streaming platforms.

Figure 60: US live sports viewers



Source: eMarketer, CMBIGM

Figure 61: US digital sports live viewers



Source: eMarketer, CMBIGM estimates

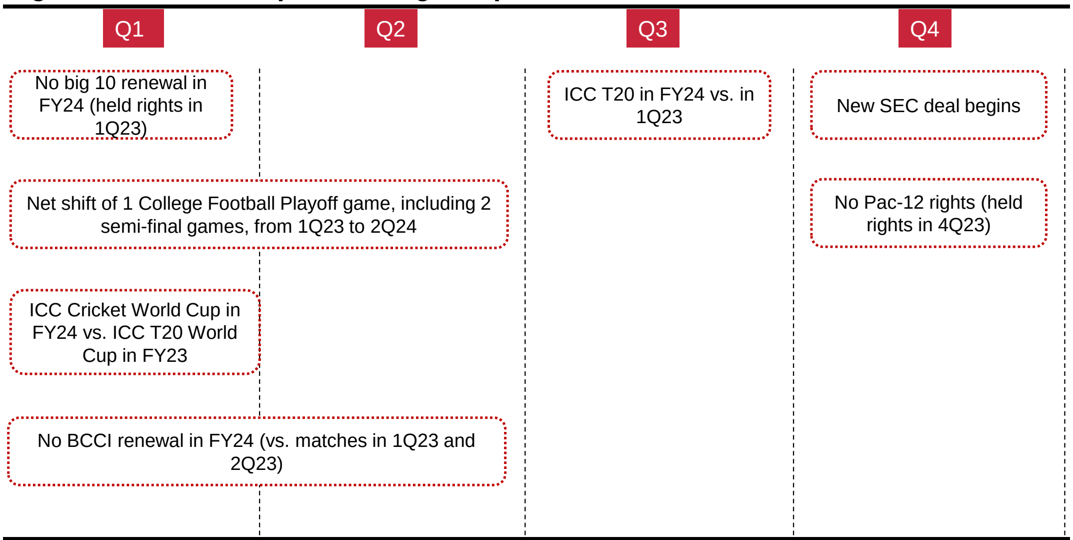
We believe Disney's ESPN+ is well-positioned to capture sports' tailwinds, leveraging its advantage in sizable users, rich content, unique in-depth discussion & analysis, and exclusive copyrights. ESPN+ introduced diverse differentiated content (not on CTV), including exclusive originals, unmatched on-demand library and more live sports (e.g. Boxing, Golf, MMA, soccer). ESPN+ has multiple exclusive copyrights, including: 1) UFC in the US (by 2025); 2) > 1,000 NHL events by 2028; 3) MLB series by 2028; and 4) Spanish LALIGA football by 2028-2029, etc. We expect such unique content library could help it to transform into the preeminent digital sports platform.

Well-positioned to capture Sports opportunity with multiple flagship service and strategic partners

Disney has plans to form a JV with Fox and Warner Brothers Discovery to create a new streaming sports service (launching this fall). In 2025 fall, Disney will offer ESPN as a stand-alone streaming option with innovative digital features. Moreover, it engaged in productive conversions with potential content and marketing partners for ESPN. With multichannel ecosystem and upcoming app launch, we expect these strategies to help Disney tap into larger audience size with more affordable price.

In 1QFY24, ESPN domestic revenue was flat YoY, in which the 6% increase from higher contractual rates was offset by subs churn. With shrinking programing & production costs, domestic OP improved YoY. ESPN International and Star operating loss slightly widened, due to higher programming & production costs on new soccer rights and airing of ICC Cricket World Cup, despite higher ads revenue. We are positive on ESPN ads momentum ahead, driven by healthy advising demand. Second quarter to date, domestic ESPN cash ad sales has trended at double-digit YoY growth, per mgmt.

Figure 62: Selected Sports timing comparison in FY24E

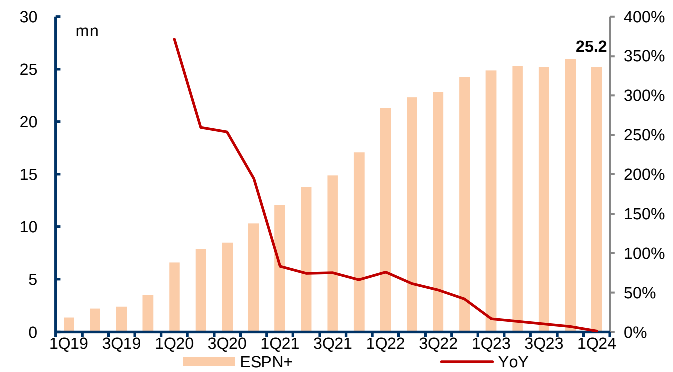


Source: Company data, CMBIGM
Notes: As of 7 Feb; items are not exclusive; subject to change

Expecting stable topline and growing OI despite short-term margin dilution

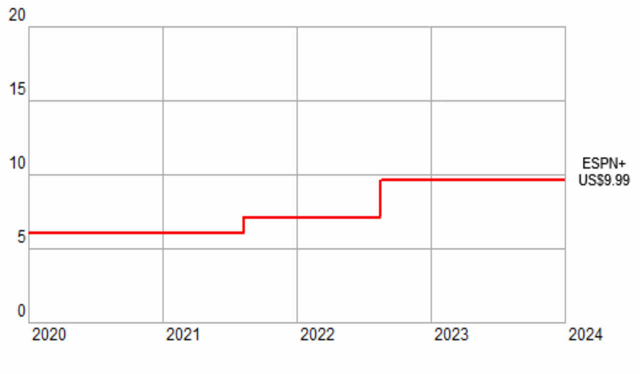
We expect Sports topline at 2% CAGR in FY24-26E, driven by more sports events ahead, strategic partners cooperation and continuous investment. ESPN subs would grow at 1% CAGR, while ESPN+ price still has potential to increase (forecasting 9% ARPU CAGR in FY24-26E). On the margin side, we expect operating income may continue to be on growth trajectory, despite slight growth in operating expenses YoY (per mgmt).

Figure 63: ESPN+ subs trend



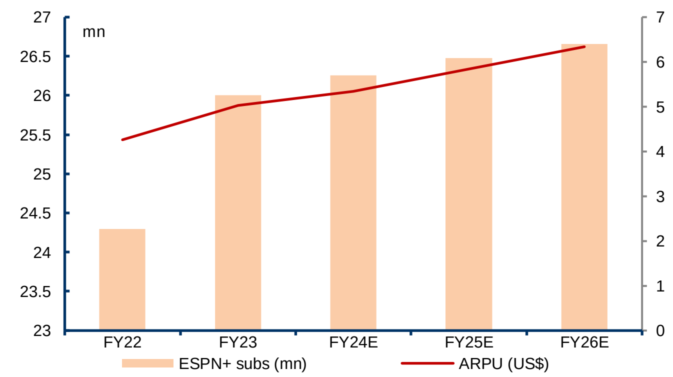
Source: Company data, CMBIGM

Figure 64: ESPN+ price increase trend



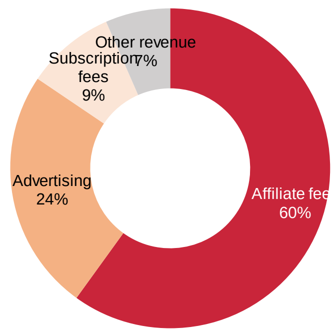
Source: Company data, CMBIGM estimates

Figure 65: ESPN+ subs and ARPU estimates



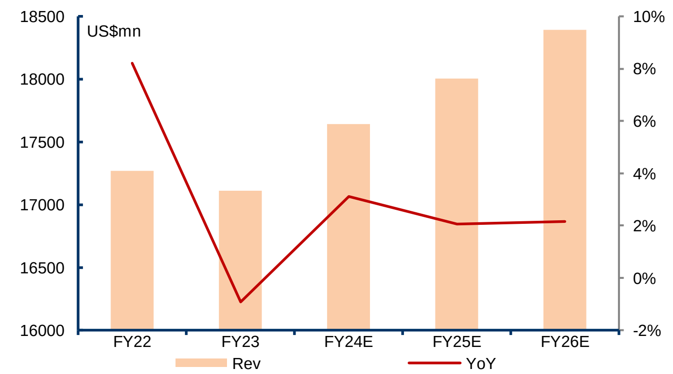
Source: Company data, CMBIGM estimates

Figure 66: Sports revenue breakdown in FY24E



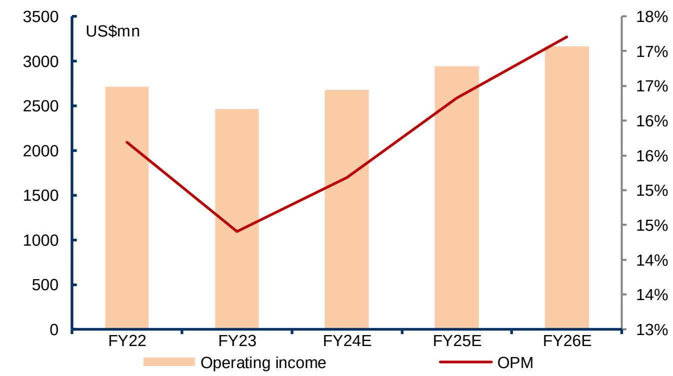
Source: Company data, CMBIGM estimates

Figure 67: Sports revenue estimates



Source: Company data, CMBIGM

Figure 68: Sports OP and OPM estimates



Source: Company data, CMBIGM estimates

Parks and Experiences: rising cash cow to support healthy FCF

International parks at solid growth with price increase and low base in Asia.
With pent-up travel demand post pandemic and China's reopening, international parks experienced rapid growth, +77%/66%/35% YoY in FY22/23/1QFY24. Looking into FY24E, international parks growth may normalize, but may maintain resilient growth at 15% YoY, in our estimates. Key drivers may derive from: 1) new attractions openings at Asian parks including Zootopia Land (opened in Dec 2023) at Shanghai Disneyland, and Fantasy Springs Land (to be opened in Jun 2024) at Tokyo Disneyland, and 2) new attractions, New Star Tours at Paris Disneyland, to be launched in 2024.

Strategic pricing will also underpin monetization potential. Over the past 30 years, annual ticket price grew modestly with ~4% CAGR (in our estimates). While higher prices typically suppress attendance, the inverse correlation has been observed. Rising prices have not deterred customers, suggesting premium on Disney experience that outweighs cost considerations. Moreover, higher ticket price may enhance customer experience with less crowds, potentially increasing per capita spending on merchandise and food & beverage. We expect price increase to continue, with 3% CAGR in FY24-26E, backed by enhanced experience, inflation and growing per capital income.

Figure 69: Upcoming parks and experiences openings and events

Date	Attraction/Event	Location
6-Jun-24	Fantasy Springs	Tokyo Disney Resort
Jun-24	Disney Lookout Cay at Lighthouse Point	Disney Cruise Line
1-Jul-24	Disney Vacation Club Cabins at Fort Wilderness Resort	Walt Disney World Resort
1-Dec-24	Disney Treasure (Maiden Voyage)	Disney Cruise Line
Late 2024	Disney Vacation Club at Polynesian Resort	Walt Disney World Resort
2024	Tiana's Bayou Adventure	Disneyland Resort and Walt Disney World Resort
2024	New Star Tours Characters and Stories	Disneyland Resort, Walt Disney World Resort, and Disneyland Paris
2024	EPCOT CommuniCore Hall and Plaza	Walt Disney World Resort
2025	Storyliving by Disney - Cotino Welcomes First Residents	Storyliving by Disney - Cotino
FY25	Disney Adventure (will operate in Southeast Asia)	Disney Cruise Line
FY26	Third Wish-class ship	Disney Cruise Line

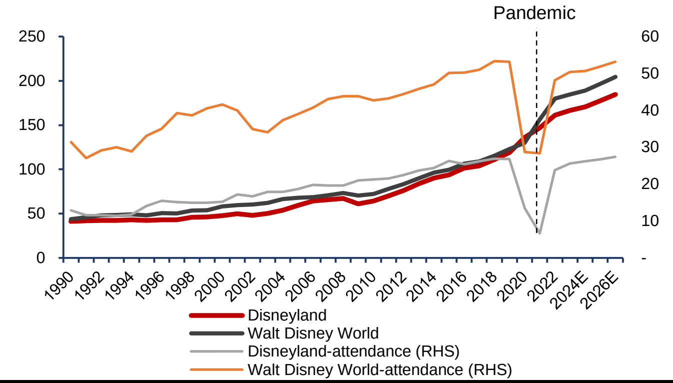
Source: Company data, CMBIGM

US parks to accelerate in FY2H24
US parks (mainly Walt Disney World) may experience tough comps in 2QFY24, due to its highly successful 50th anniversary celebration in 2023. After that, we expect the US parks to accelerate in FY2H24E and achieve robust YoY growth at 3.3% in FY24E. The rebound is attributable to easy comps and introduction of new attractions/events, including Disney Vacation Club Cabins at Fort Wilderness Resort in Jul 2024, Disney Vacation Club at Polynesian Resort in late 2024, as well as Tiana's Bayou Adventure and New Star Tours Characters and Stories in 2024 respective. These strategic developments are expected to revitalize customer interests and bolster park attendance and revenue.

Capex investments support the LT growth trajectory
Mgmt. outlined strategic deployment of ~70% of US$60bn capex towards global capacity expansion over the next 10 years. We anticipate these capex would be allocated into 1) cruise ships, and 2) new theme parks within Disneyland. Disney's current fleet consists of five cruise ships mostly in service for over 10 years. We anticipate the addition of three cruise ships to commence operations within the next two to three years, refreshing and enhancing maritime offerings. In addition, expansion of theme park portfolio would be a pivotal driver of midterm growth. Disneyland would have the potential to expand theme

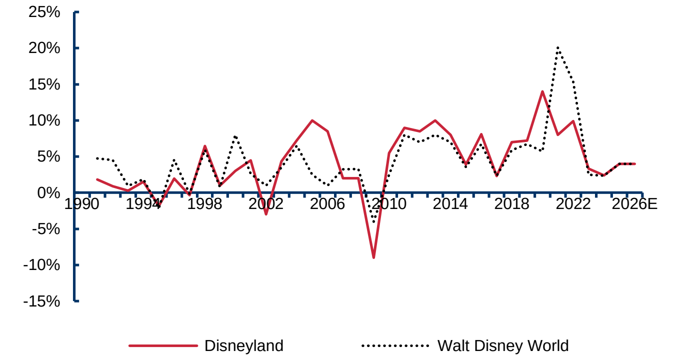
parks, as Disneyland (US)/Tokyo/Paris/Hong Kong/Shanghai have 2/2/2/1/1 parks respectively, while Walt Disney World boasts four.

Figure 70: Ticket price & attendance since 1990



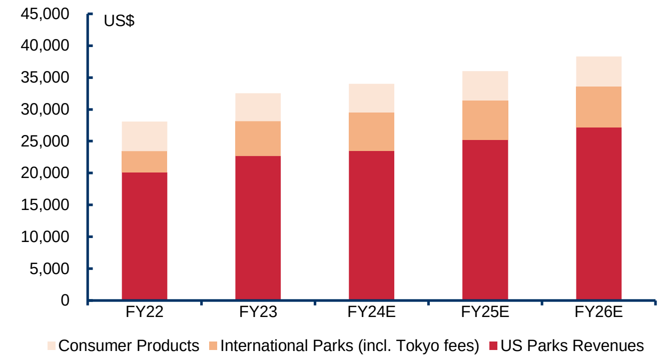
Source: Company data, CMBIGM estimates

Figure 71: YoY growth of ticket price since 1990



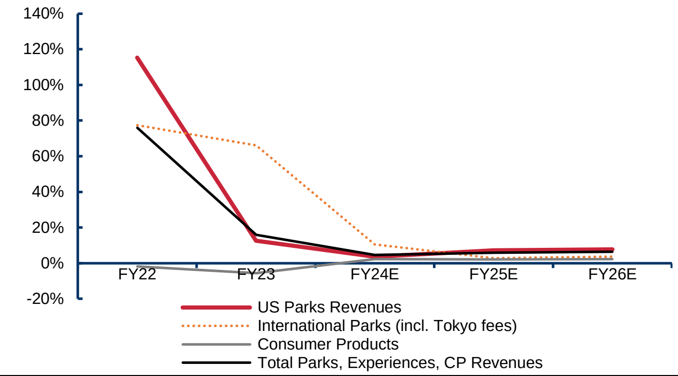
Source: Company data, CMBIGM estimates

Figure 72: Segment revenue breakdown



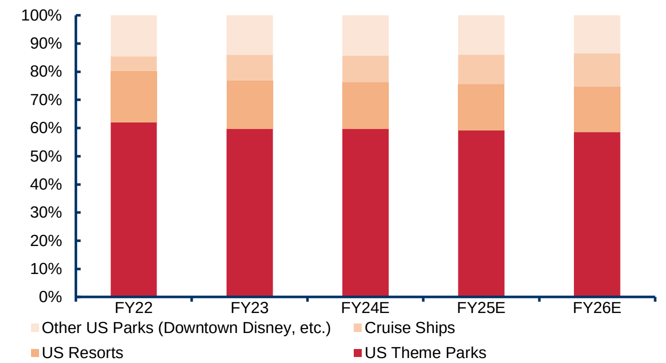
Source: Company data, CMBIGM estimates

Figure 73: Segment revenue annual growth



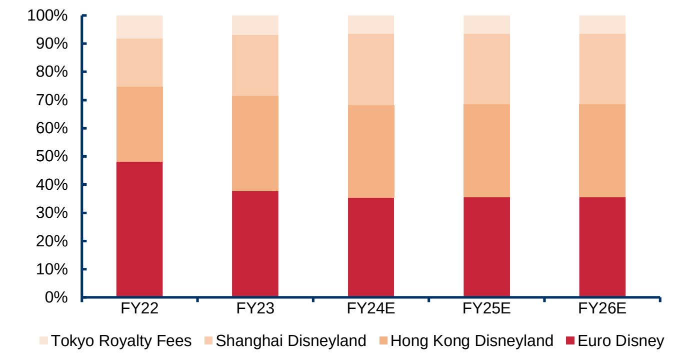
Source: Company data, CMBIGM estimates

Figure 74: Revenue mix of US parks



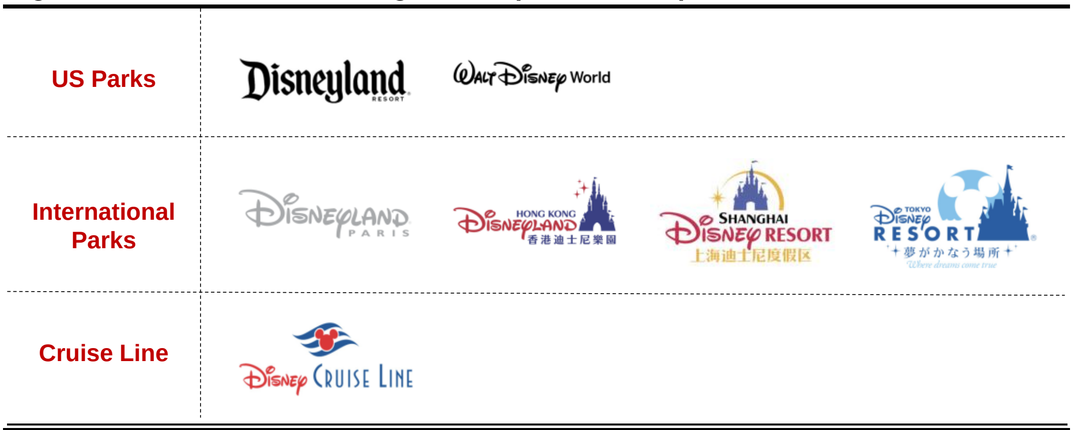
Source: Company data, CMBIGM estimates

Figure 75:Revenue mix of international parks



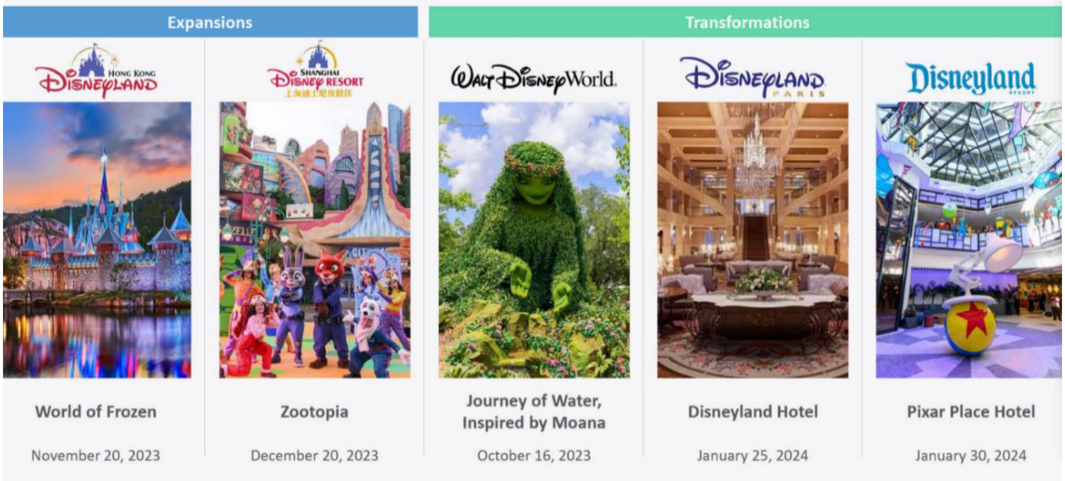
Source: Company data, CMBIGM estimates

Figure 76: Main service offerings within parks and experiences



Source: Company data, CMBIGM

Figure 77: Disney's experience business expansions and transformations plan

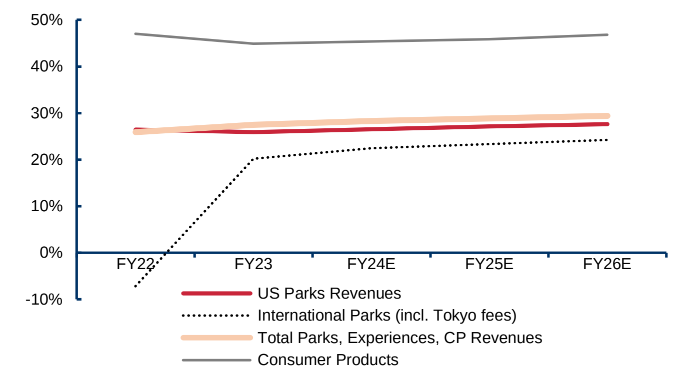


Source: Company data, CMBIGM

Unique valuable assets and cash cow business to support healthy FCF

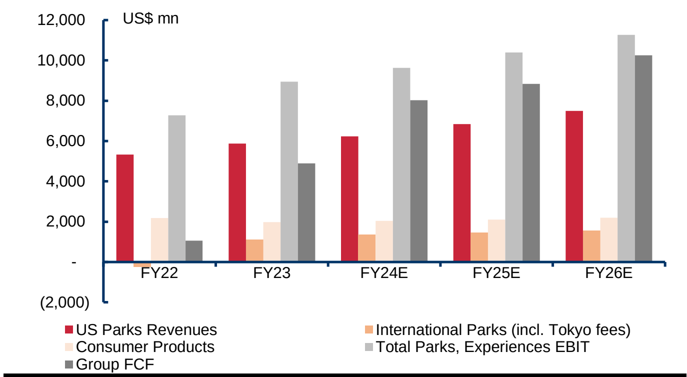
The Parks and Experiences segment continues to be the cash cow that supports healthy FCF and strategic investments, backed by 1) a steady ~5.6% CAGR from FY16-23 (excl. COVID-19 impact); and 2) > 25% OPM on average (contributing ~2/3 of Group's operating income in FY24E). Coupled with revenue reacceleration and cost control across the group, this segment's solid EBIT remains a key driver for rising FCF.

Figure 78: OPM of parks and experiences segment



Source: Company data, CMBIGM estimates

Figure 79: Segment EBIT and Group FCF



Source: Company data, CMBIGM estimates

Financial Analysis

Revenue Breakdown

We forecast Disney's revenue to grow 3.3%/5.6%/4.8% YoY in FY24/25/26E, in which Entertainment (esp. DTC) and Experiences will be the main contributors (44%/37% of total revenue in FY24E). We anticipate 5.2% CAGR of total revenue, in which Entertainment/Sports/Experiences with 5.5%/2.1%/6.2% CAGR during FY24-26E.

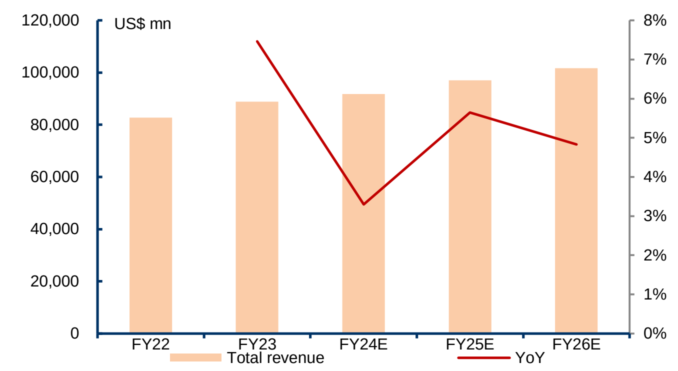
Key topline drivers come from:

- **Entertainment:** We forecast 5.5% revenue CAGR in FY24-26E, mainly propelled by ramp-up of DTC, while linear networks were relatively stable. We see high visibility for DTC to benefit from: 1) successful execution of AOVD and deeper penetration, 2) rollout of paid sharing initiatives in 2024 summer (potentially converting some non-paying users to ad-supported tier), 3) more synergies from Hulu; 4) potential of continuous price increase; and 5) content to pick up after strikes.

- **Sports:** We expect 2.2% revenue CAGR in FY24-26E. Further upside would be unlocked with: 1) the collaborative launch of a new streaming sports service by Fox and Warner Brothers Discovery in fall 2024, and 2) the debut of ESPN as a standalone streaming service in 2025. The ESPN app is expected to captivate sports enthusiasts who have strong engagement & retention rates and high monetization potential for advertisers.

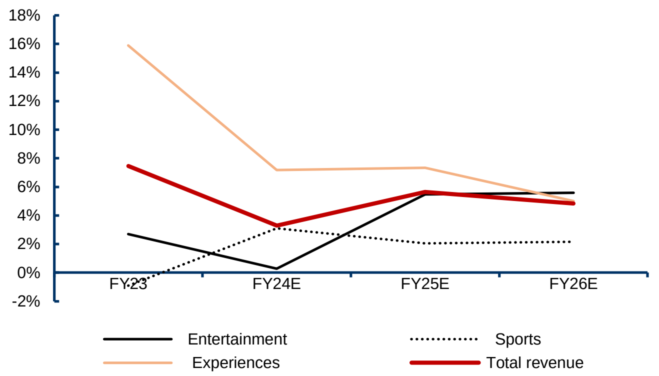
- **Experiences:** We expect a 6.2% CAGR in FY24-26E, primarily attributable to: 1) annual price increases of ~ 3%, 2) more business expansion and transformation, e.g. the launch of new attractions at Hong Kong and Tokyo Disneyland in FY24E, and 3) a substantial capital expenditure of US$60bn aimed at global capacity expansion to fuel long-term growth.

Figure 80: Revenue estimates



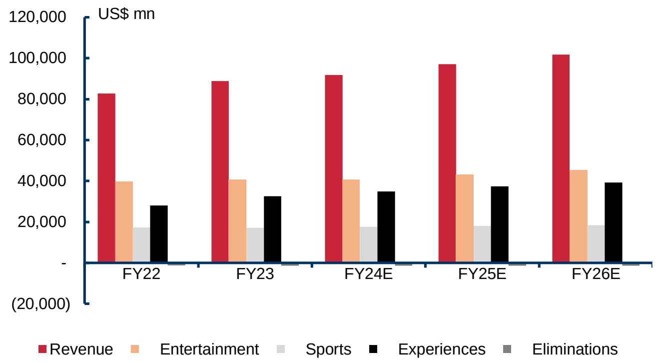
Source: Company data, CMBIGM estimates

Figure 81: Revenue and segment growth



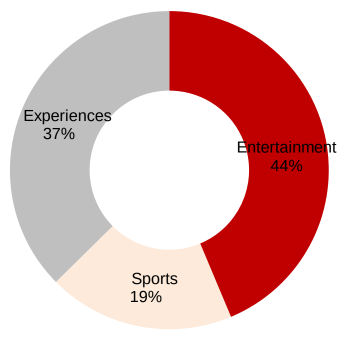
Source: Company data, CMBIGM estimates

Figure 82: Revenue mix by segment



Source: Company data, CMBIGM estimates

Figure 83: Revenue mix by segment in FY24E



Source: Company data, CMBIGM estimates

Figure 84: Streaming & Sports revenue driver estimates

Sep-YE	FY22	FY23	FY24E	FY25E	FY26E
Paid Subs, mn					
Disney+					
Core Disney+	102.9	112.6	120.6	127.2	129.2
Disney+ Hotstar	61.3	37.6	39.4	42.7	43.6
Disney+ (incl. Hotstar)	164.2	150.2	160.0	169.9	172.7
Hulu					
SOVD Only	42.8	43.9	46.5	50.3	54.8
Live TV + SOVD	4.4	4.6	4.9	5.3	5.4
ESPN+	24.3	26.0	26.3	26.5	26.7
ARPPU, US$					
Disney+					
Domestic (U.S. and Canada)	6.3	7.0	7.8	7.8	8.0
International (excl. Disney+ Hotstar)	6.1	5.9	6.0	6.2	6.3
Disney+ Core	6.2	6.4	6.8	6.9	7.1
Disney+ Hotstar	0.9	0.7	0.8	0.8	0.9
Hulu					
SOVD Only	12.7	12.2	12.5	12.7	12.8
Live TV + SOVD	87.6	90.5	92.3	95.3	97.2
ESPN+	4.3	5.0	5.3	5.8	6.3

Source: Company data, CMBIGM estimates

Income Statement

Solid revenue with cost savings to support margin expansion

Disney's adj. NPM showed an uptick from 6% in FY21 to 8% in FY23, mainly on Experiences recovery post pandemic and profitability improvement in DTC, along with cost-saving efforts. Looking ahead, we expect adj. NPM to rise to 9%/10/11% in FY24/25/26E, thanks to efficiency improvement and ongoing cost-reduction efforts.

Experiences (with higher margin) is expected to show robust profit growth in FY24E, backed by strong momentum on International Parks and Disney Cruise line. We estimate Experiences would contribute stable margin ahead, supported by turbo-charge growth over the next 10 years with US$60bn investment plan. In addition, mgmt. expects DTC to be a vital earning growth driver in the long run, after its profitability by the end of FY24E.

In the near term, Disney aims to achieve cost saving of US$7.5bn by FY24E, involving a US$4.5bn cut in cash content spending and a US$3bn reduction in opex, with US$2bn of the reduction already accomplished in FY23. We forecast its bottom line to grow at a 16% CAGR in FY24-26E, in which adj. net profit +24% YoY in FY24E.

Figure 85: Income statement

US$ mn, Sep-YE	FY22	FY23	FY24E	FY25E	FY26E	24-26E CAGR
Revenue	**83,745**	**88,898**	**91,829**	**97,017**	**101,701**	**5.2%**
Entertainment	39,569	40,635	40,747	42,981	45,384	5.5%
Sports	17,270	17,111	17,642	18,003	18,392	2.1%
Experiences	28,085	32,549	34,889	37,453	39,325	6.2%
Eliminations	(1,179)	(1,397)	(1,449)	(1,420)	(1,400)	-1.7%
COGS	54,401	59,201	59,071	61,951	64,577	
Gross profit	**29,344**	**29,697**	**32,759**	**35,065**	**37,124**	**6.5%**
Selling, General and administrative	16,388	15,336	15,414	15,606	15,848	
Depreciation and amortization	5,163	5,369	5,197	5,272	5,272	
Other items	(4,328)	(3,871)	(3,311)	(3,502)	(3,559)	
Operating profit	**12,121**	**12,863**	**15,459**	**17,689**	**19,562**	**12.5%**
Corporate and unallocated shared expenses	(1,159)	(1,147)	(1,215)	(1,275)	(1,327)	
Other income (expense), ne	(667)	96	150	200	200	
Interest expense, net	(1,397)	(1,209)	(1,275)	(1,406)	(1,378)	
TFCF and Hulu acquisition amortization	(2,353)	(1,998)	(1,747)	(1,728)	(1,728)	
EBT	**6,308**	**4,769**	**11,372**	**13,480**	**15,330**	
Taxes	1,732	1,379	2,868	3,775	4,292	
Net income	**4,168**	**2,354**	**7,863**	**9,330**	**10,661**	
Adj. net profit	**6,445**	**6,856**	**8,493**	**10,030**	**11,461**	**16.2%**
Adj. EPS	**4.09**	**3.75**	**4.62**	**5.46**	**6.23**	**16.1%**
Adj. EBITDA	**13,933**	**15,504**	**18,267**	**20,332**	**22,191**	**10.2%**
Margin Analysis						
Gross margin	35%	33%	36%	36%	37%	
Operating margin	14%	14%	17%	18%	19%	
Net margin	8%	8%	9%	10%	11%	
Adj. EBITDA margin	17%	17%	20%	21%	22%	
Growth Analysis						
Revenue	24%	6%	3%	6%	5%	
Gross profit	32%	1%	10%	7%	6%	
Operating profit	56%	6%	20%	14%	11%	
Adj. Net profit	53%	6%	24%	18%	14%	
Adj. EBITDA	49%	11%	18%	11%	9%	

Source: Company data, CMBIGM estimates

Figure 86: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ mn, Dec-YE	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	91,829	97,017	101,701	91,864	96,722	101,256	0.0%	0.3%	0.4%
Gross profit	32,759	35,065	37,124	32,053	34,759	36,418	2.2%	0.9%	1.9%
Operating profit	15,459	17,689	19,562	14,630	16,523	18,350	5.7%	7.1%	6.6%
Adj. net profit	8,493	10,030	11,461	8,445	9,854	10,872	0.6%	1.8%	5.4%
EPS (US$)	4.62	5.46	6.23	4.64	5.40	6.15	-0.4%	1.0%	1.4%
Gross margin	35.7%	36.1%	36.5%	34.9%	35.9%	36.0%	+0.8ppts	+0.2ppts	+0.5ppts
Operating margin	16.8%	18.2%	19.2%	15.9%	17.1%	18.1%	+0.9ppts	+1.2ppts	+1.1ppts
Net margin	9.2%	10.3%	11.3%	9.2%	10.2%	10.7%	+0.1ppts	+0.1ppts	+0.5ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 87: Quarterly financial forecast

US$ mn, Dec-YE	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	QoQ	YoY	Consensus	Diff %
Revenue	21,504	20,150	23,512	21,815	22,330	21,241	23,549	22,244	-5.5%	2.0%	22,164	0%
Gross profit	7,822	6,592	7,126	7,199	7,859	7,513	7,962	7,739	-2.8%	7.5%	7,792	-1%
Operating Profit	2,432	542	1,993	2,275	2,641	2,083	2,936	2,836	-3.4%	24.7%	3,447	-18%
Adj. net profit	1,993	545	1,791	1,692	1,881	1,510	2,241	1,935	-13.7%	14.4%	1,930	0%
Adj. EPS (US$)	1.09	0.30	0.98	0.92	1.03	0.82	1.22	1.05	-13.8%	14.0%	1.05	0%
Margin (%)												
Gross margin	36.4%	32.7%	30.3%	33.0%	35.2%	35.4%	33.8%	34.8%			35.2%	
Operating margin	11.3%	2.7%	8.5%	10.4%	11.8%	9.8%	12.5%	12.8%			15.6%	
Adj. net margin	9.3%	2.7%	7.6%	7.8%	8.4%	7.1%	9.5%	8.7%			8.7%	
Growth (%)												
Revenue (YoY)	*NA*	*NA*	*7.8%*	*13.3%*	*3.8%*	*5.4%*	*7.9%*	*2.0%*			*1.6%*	
Revenue (QoQ)	*11.7%*	*-6.3%*	*16.7%*	*-7.2%*	*2.4%*	*-4.9%*	*10.9%*	*-5.5%*			*-5.9%*	
Operating Profit	*NA*	*NA*	*-9.2%*	*42.2%*	*8.6%*	*284.3%*	*29.1%*	*24.7%*			*51.5%*	
Adj. net profit	*NA*	*NA*	*-6.7%*	*-14.1%*	*-5.6%*	*176.9%*	*25.2%*	*14.4%*			*14.1%*	

Source: Company data, Bloomberg, CMBIGM estimates

Balance Sheet

Healthy cash position to support shareholder return and LT investment

Disney is expected to sustain a robust cash position due to its increasing profitability. According to our estimates, Disney will have solid cash flow to support investment in Experiences and enable return to shareholder over the next three years. We forecast Disney's cash positions to be at US$4.5bn/5.2bn/11.4bn in FY24/25/26E.

Figure 88: Balance sheet

US$ mn, Sep-YE	FY22	FY23	FY24E	FY25E	FY26E
Non-current assets	**174,533**	**172,816**	**184,119**	**193,261**	**198,287**
Production and programming assets	35,777	33,591	42,827	49,742	53,936
Parks, resorts and other property	33,596	34,941	37,379	39,323	40,147
Intangible assets, net	14,837	13,061	12,627	12,411	11,915
Goodwill	77,897	77,067	77,066	77,066	77,066
Other assets	9,165	11,023	10,913	10,913	10,913
Current assets	**29,098**	**32,763**	**21,975**	**23,511**	**30,456**
Cash and Cash Equivalents	11,615	14,182	4,501	5,203	11,395
Receivables	12,652	12,330	12,737	13,456	14,106
Inventories	1,742	1,963	2,028	2,142	2,246
Production and programming assets	1,890	3,002	1,409	1,409	1,409
Other current assets	1,196	1,286	1,301	1,301	1,301
Current liabilities	**29,073**	**31,139**	**33,710**	**34,916**	**36,005**
Accounts payable and other accrued liabilities	20,213	20,671	21,353	22,559	23,648
Current portion of borrowings	3,070	4,330	6,087	6,087	6,087
Unearned royalties and other advances	5,790	6,138	6,270	6,270	6,270
Non-current liabilities	**75,679**	**70,483**	**61,410**	**61,680**	**61,986**
Borrowings	45,299	42,101	41,603	41,603	41,603
Deferred income taxes	8,363	7,258	7,211	7,481	7,787
Other long-term liabilities	12,518	12,069	12,596	12,596	12,596
Redeemable noncontrolling interest	9,499	9,055	0	0	0
Total equity	**95,008**	**99,277**	**105,912**	**114,739**	**124,938**
Common stock	56,398	57,383	58,255	59,128	60,043
Retained earnings	43,636	46,093	52,066	60,020	69,304
Accumulated other comprehensive loss	(4,119)	(3,292)	(3,502)	(3,502)	(3,502)
Treasury stock, at cost	(907)	(907)	(907)	(907)	(907)
Debt Analysis					
Total Debt	48,369	46,431	47,690	47,690	47,690
Total Equity	95,008	99,277	105,912	114,739	124,938
D/E ratio	50.9%	46.8%	45.0%	41.6%	38.2%
D/A ratio	23.8%	22.6%	23.1%	22.0%	20.8%
Current ratio (x)	1.0	1.1	0.7	0.7	0.8
Gearing ratio	Net debt	Net debt	Net debt	Net debt	Net debt

Source: Company data, CMBIGM estimates

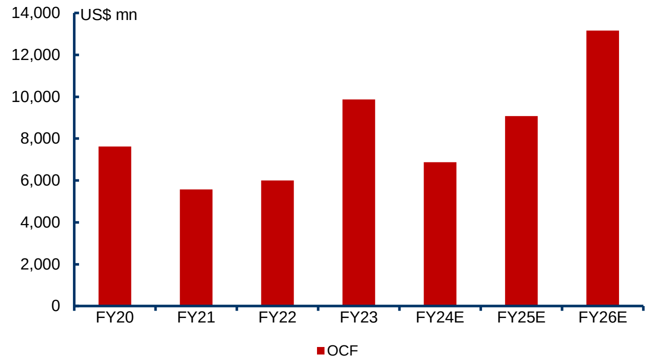
Cash Flow and Working Capital

Growing cash flow along with continued share buybacks

With margin expansion and solid topline growth, Disney is poised to deliver OCF approaching pre-pandemic levels. We expect OCF to reach US$6.8bn/9.1bn/13.2bn in FY24E/25E/26E, suggesting healthy cash flow on upward trajectory.

As of 1Q24, backed by strong balance sheet and robust free cash flow, mgmt. announced to increase dividend by 50%, and US$3bn of buybacks for FY24E, translating to a 2.4% yield. The board expects to see ample room to further increase shareholder returns as earnings and free cash flow enhanced.

Figure 89: Operating cash flow projections



Source: Company data, CMBIGM estimates

Figure 90: Cash flow and working capital analysis

US$ mn, Sep-YE	FY22	FY23	FY24E	FY25E	FY26E
Cash Flow					
Net income	3,553	3,390	8,385	9,706	11,037
Depreciation and amortization	5,163	5,369	5,197	5,272	5,272
Net change in film and television costs and advances	(6,271)	(1,908)	(7,460)	(6,915)	(4,194)
Change in working capital	488	177	(35)	372	336
Operating cash flow	**6,002**	**9,866**	**6,869**	**9,079**	**13,169**
CAPEX	(4,943)	(4,969)	(7,299)	(7,000)	(5,600)
Others	(65)	(130)	53	0	0
Investing cash flow	**(5,008)**	**(4,641)**	**(7,246)**	**(7,000)**	**(5,600)**
Commercial paper borrowings, net	(334)	(191)	1,046	0	0
Borrowings	333	83	0	0	0
Reduction of borrowings	(4,016)	(1,675)	(309)	0	0
Dividends	0	0	(1,376)	(1,376)	(1,377)
Proceeds from exercise of stock options	127	52	0	0	0
Contributions from noncontrolling interests	0	735	0	0	0
Acquisition of noncontrolling and redeemable noncontrolling interests	0	(900)	(8,610)	0	0
Financing cash flow	**(4,729)**	**(2,724)**	**(9,382)**	**(1,376)**	**(1,377)**
Net Change in Cash Balance	**(4,342)**	**2,574**	**(9,679)**	**702**	**6,192**
Beginning Cash Balance	16,003	11,661	14,235	4,556	5,258
Ending Cash Balance	**11,661**	**14,235**	**4,556**	**5,258**	**11,450**
Working Capital Turnover					
Inventory days	24	19	20	21	23
Trade receivables days	57	51	50	49	49
Trade payables days	138	126	130	129	131
Cash conversion cycle	**(57)**	**(55)**	**(60)**	**(59)**	**(59)**

Source: Company data, CMBIGM estimates

Valuation

Investment Thesis

We initiate BUY with a SOTP-based TP of US$142, implying 30.7x FY24E P/E. After its decent 1QFY24 results, we think Disney has showed its faster path on streaming margin enhancement, improving group efficiency, and strategic expansion in promising Sports. In our view, Disney's positive price drivers and catalysts may come from: 1) upcoming streaming breakeven; 2) subs upside from content pipeline to pick up, upcoming paid sharing initiatives and industry tailwinds; 3) more synergies from Hulu; 4) Sports strategic plans on progress; and 5) potential continuous outperformance in Parks.

SOTP valuation and peers comparison

Given Disney's diversified business mode, we adopted SOTP valuation as our primary valuation method. For entertainment business, we applied 3.0x/1.0x EV/Sales (in line with industry average) for its DTC and content sales business, while 8x EV/EBIT multiple (in line with industry average) for its linear network segment. To better value DTC's long-term profitability, we also use forward discounted valuation (P/E multiple) for crosscheck. We assume its longer-term adj. NPM at 12% (below Netflix of 20% in FY24E), and assign 25x FY24E P/E to FY24E net profit with stabilized margin, yielding value of US$66.3bn (close to P/S methodology). For Sports and Experiences, we adopt 20x/15x EV/EBIT multiple, yielding TP of **US$142**. Our SOTP valuation suggests **30.7x/26x FY24/25E P/E,** largely in line with historical average multiple.

Figure 91: SOTP valuation

Business (US$ bn)	Methodology	'24E Rev	OP Margin	'24E EBIT	Multiple	Value
Entertainment	**EV/EBIT**	**40,747**	**7.2%**	**2,927**	**35.0x**	**102,570**
Linear Networks	EV/EBIT	11,014	32.5%	3,583	8.0x	28,667
DTC	EV/Sales	22,085	-1.5%	(324)	3.0x	66,256
Content Sales and Licensing	EV/Sales	7,647	-4.4%	(333)	1.0x	7,647
Sports	**EV/EBIT**	**17,642**	**15.2%**	**2,678**	**20.0x**	**53,569**
Experiences	**EV/EBIT**	**34,889**	**28.2%**	**9,854**	**15.0x**	**147,804**
Enterprise Value						**303,944**
(+) Net Cash						(43,189)
Equity Value						**260,754**
Diluted Shares Outstanding (mn)						1,835
Price Target (US$)						**142**

Source: CMBIGM estimates

We select six groups of peers for comparison, including global TMT giants, entertainment & content, media & streaming, China video entertainment and park & experience segments. Entertainment/ media/China comps/ experience trade at 22x/17x/15x/21x FY24E P/E. The industry multiple is 21.4x FY24E P/E, above our TP-implied multiple of 30.7x FY24E P/E.

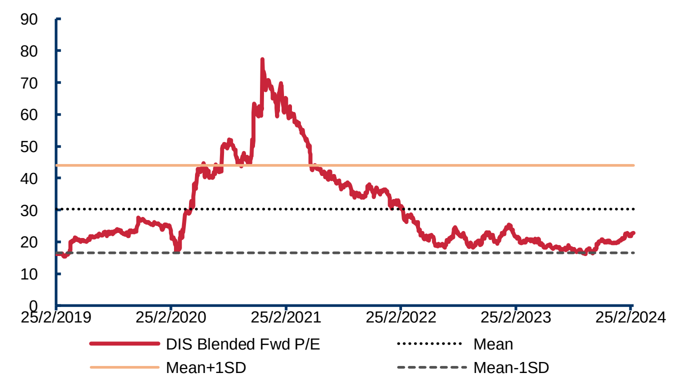
For global peers, we see Netflix, Paramount Global and Comcast as the most comparable ones for the streaming & park business involved. Currently, Netflix and Paramount Global's FY24E P/E is 35.5x/10.3x. Netflix is a clear streaming leader in the global market and derives 100% of its revenue from streaming (vs. Paramount/Disney with streaming revenue contribution at 15%~25%). With upcoming breakeven of streaming business, we expect the multiple GAP between Disney and Netflix may narrow. Market debate may lie on recent content modest performance of DIS (vs. strong originals of Netflix). However, we think Disney differentiates itself with valuable IP, and will gradually unlock growth potential for both subs and ARPU, after the upcoming breakeven of streaming. Comcast has diversified business covering connectivity, streaming, theme park, etc, but with lower potential for topline growth and margin enhancement (10% earnings CAGR in FY24-26E, based on BBG consensus). Compared to Comcast, we think Disney is better-positioned to capture streaming tailwinds, with more diversified product portfolios and sizable engaged subs. Comcast is trading at 10x FY24E P/E, and we think Disney should deserve a premium multiple, backed by higher earnings growth potential, solid margin outlook, effective transformation and clear drivers from streaming & Sports.

Figure 92: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Raiting	CMBI TP	PE			PS			FY24-26 EPS CAGR
							FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	
Disney	**DIS US**	**208,542**	**USD**	**110**	**BUY**	**142**	**23.8**	**20.2**	**17.7**	**2.2**	**2.1**	**2.0**	**16%**
Global TMT Giants													
Netflix	NFLX US	266,506	USD	616	BUY	613	35.5	29.4	25.2	6.9	6.2	5.6	21%
Apple	AAPL US	2,703,873	USD	175	NA	NA	26.8	25.1	23.7	6.9	6.5	6.3	9%
NVDIA	NVDA US	2,130,925	USD	852	NA	NA	35.1	29.8	29.0	19.5	16.4	14.7	14%
Oracle	ORCL US	313,542	USD	114	NA	NA	20.0	18.0	15.9	5.9	5.4	4.9	13%
AMD	AMD US	331,818	USD	205	NA	NA	58.3	37.9	29.0	12.9	10.3	8.4	40%
Average							29.2	26.4	22.8	6.3	5.7	5.2	15%
Digital entertainment & content													
Snap	SNAP US	18,206	USD	11	NA	NA	NA	41.7	20.5	3.5	3.0	2.7	76%
Spotify	SPOT US	53,229	USD	270	NA	NA	73.0	46.5	33.7	3.2	2.8	2.5	45%
Pinterest	Pins US	24,715	USD	36	NA	NA	29.8	22.8	17.2	6.9	5.9	5.1	26%
Match Group	MTCH US	9,396	USD	35	NA	NA	15.1	13.2	11.6	2.6	2.4	2.3	13%
Average							22.0	18.3	16.5	5.0	4.4	3.9	17%
Media & Streaming													
Paramount Global	PARA US	7,119	USD	10	NA	NA	10.3	8.2	6.2	0.2	0.2	0.2	33%
Warner Bros Disco	WBD US	19,786	USD	8	NA	NA	NA	80.4	29.2	0.5	0.5	0.5	NA
Fox Corporation	FOXA US	13,209	USD	29	NA	NA	8.6	7.9	8.2	0.9	0.9	0.9	8%
Roku	ROKU US	9,045	USD	63	NA	NA	NA	NA	NA	2.3	2.0	1.8	NA
New York Times	NYT US	6,992	USD	43	NA	NA	25.2	22.5	19.8	2.7	2.6	2.4	13%
Average							17.2	14.9	13.4	1.5	1.4	1.3	18%
Parks and experience													
Comcast	CMCSA US	166,222	USD	42	NA	NA	10.2	9.9	9.4	1.3	1.3	1.3	10%
Shenzhen overseas	000069 CH	3,328	CNY	3	NA	NA	NA	18.7	16.4	0.3	0.3	0.3	NA
Songcheng perform	300144 CH	3,965	CNY	11	NA	NA	31.0	3.0	2.5	13.8	1.4	1.2	33%
Haichang Ocean Pa	2255 HK	726	HKD	1	NA	NA	83.4	16.0	10.7	2.2	1.6	1.2	145%
Average							20.6	11.9	9.8	1.3	1.2	1.0	21%
Cruise													
Norwegian Cruise	NCLH US	8,266	USD	19	NA	NA	13.6	9.9	7.1	0.9	0.8	0.8	36%
Royal Caribbean C	RCL US	32,158	USD	125	NA	NA	11.6	9.9	8.7	2.0	1.9	1.7	16%
Average							12.6	9.9	7.9	1.4	1.3	1.2	26%
China entertainment													
IQIYI	IQ US	3,481	USD	4	BUY	9	7.9	6.5	5.6	0.7	0.7	0.6	19%
Mango	300413 CH	6,494	CNY	25	NA	NA	20.9	19.3	17.0	3.3	2.9	2.6	8%
Kuaishou	1024 HK	24,682	HKD	44	BUY	97	19.4	12.1	8.2	1.6	1.4	1.2	57%
China Literature	772 HK	3,198	HKD	25	NA	NA	20.7	16.8	15.1	3.3	3.0	2.8	15%
Average							15.4	12.6	10.8	2.2	2.0	1.8	13%
Average							**21.4**	**18.0**	**15.4**	**3.4**	**3.3**	**3.0**	**16%**

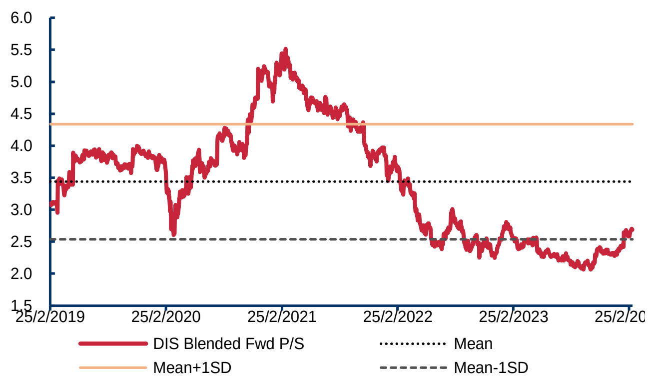
Source: Bloomberg, CMBIGM estimates
Note: Data as of 5 Mar 2024

Figure 93: Disney historical P/E band



Source: Bloomberg, company data, CMBIGM

Figure 94: Disney historical P/S band



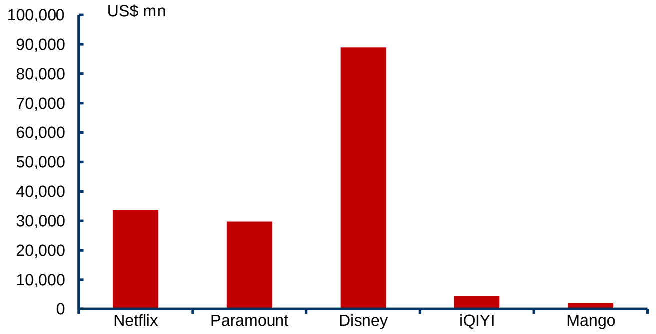
Source: Bloomberg, company data, CMBIGM

Figure 95: Financial metrics of Disney and peers in FY23

US$mn	Disney	Netflix	Paramount	iQIYI	Mango
Ticker	DIS US	NFLX US	PARA US	IQ US	300413 CH
Revenue	88,898	33,723	29,652	4,501	1,997
Gross profit	29,697	14,008	9,635	1,218	644
GPM	33%	42%	32%	27%	32%
Adj.NP	6,856	5,547	400	331	311
Adj. NPM	8%	16%	1%	9%	16%

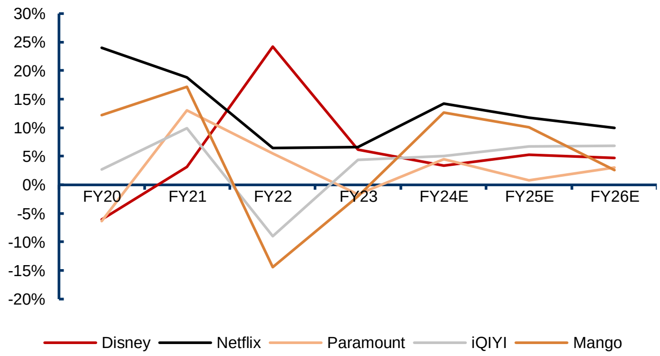
Source: Bloomberg, company data, CMBIGM

Figure 96: FY23 revenue comparison



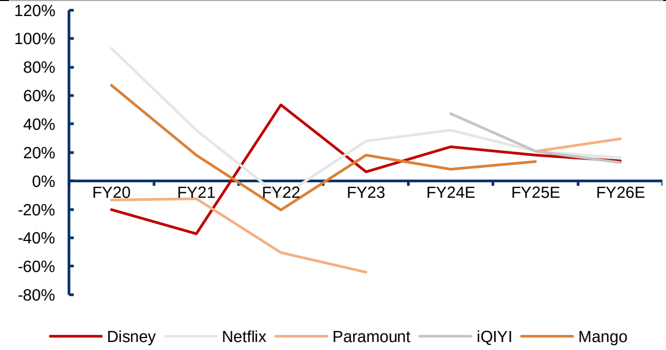
Source: Bloomberg, company data, CMBIGM

Figure 97: Revenue growth comparison



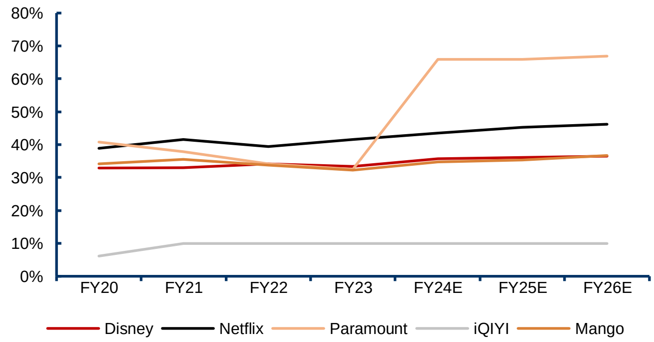
Source: Bloomberg, company data, CMBIGM estimates

Figure 98: Earnings growth comparison



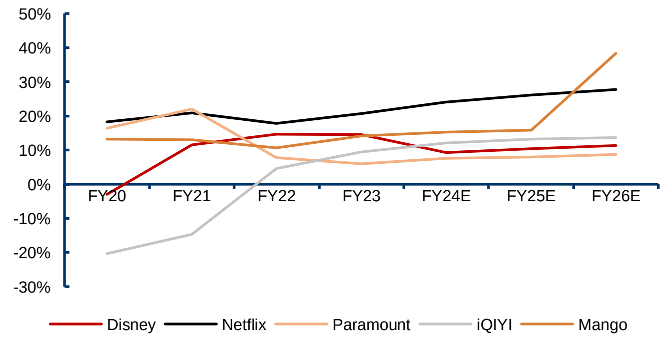
Source: Bloomberg, company data, CMBIGM estimates

Figure 99: GPM comparison



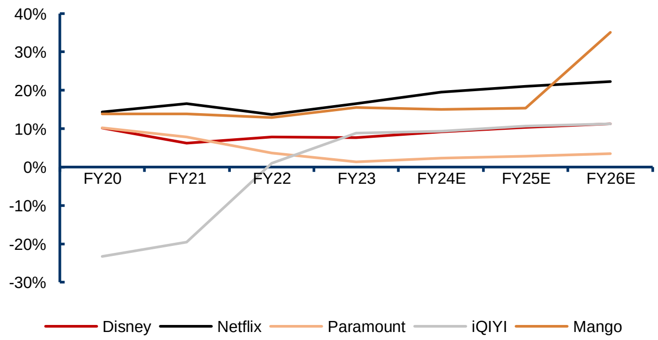
Source: Bloomberg, company data, CMBIGM estimates

Figure 100: OPM comparison



Source: Bloomberg, company data, CMBIGM estimates

Figure 101: Adj. NPM comparison



Source: Bloomberg, company data, CMBIGM estimates

Key Investment Risks

Key investment risks: 1) global macro uncertainty; 2) subs churning due to price hikes; 3) higher content investment on intensified competition; 4) growth slowdown in ESPN as cord cutting accelerates; 5) soft content performance; 6) higher-than-expected sports margin dilution; and 7) lower-than-expected parks attendance due to soft macro.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 30 Sep (US$ mn)						
Revenue	**67,418**	**83,745**	**88,898**	**91,829**	**97,017**	**101,701**
Cost of goods sold	45,131	54,401	59,201	59,071	61,951	64,577
Gross profit	**22,287**	**29,344**	**29,697**	**32,759**	**35,065**	**37,124**
Operating expenses	**14,521**	**17,223**	**16,834**	**17,300**	**17,376**	**17,562**
SG&A expense	13,517	16,388	15,336	15,414	15,606	15,848
Others	1,004	835	1,498	1,886	1,770	1,713
Operating profit	**7,766**	**12,121**	**12,863**	**15,459**	**17,689**	**19,562**
Other income	201	(667)	96	150	200	200
Other expense	(1,406)	(1,397)	(1,209)	(1,275)	(1,406)	(1,378)
Other gains/(losses)	(2,418)	(2,353)	(1,998)	(1,747)	(1,728)	(1,728)
Adjusted EBITDA	**9,370**	**13,933**	**15,504**	**18,267**	**20,332**	**22,191**
Net profit	**1,995**	**3,145**	**2,354**	**7,863**	**9,330**	**10,661**
Adjusted net profit	**4,199**	**6,445**	**6,856**	**8,493**	**10,030**	**11,461**

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 30 Sep (US$ mn)						
Current assets	**33,657**	**29,098**	**32,763**	**21,975**	**23,511**	**30,456**
Cash & equivalents	15,959	11,615	14,182	4,501	5,203	11,395
Restricted cash	3	3	0	0	0	0
Account receivables	13,367	12,652	12,330	12,737	13,456	14,106
Inventories	1,331	1,742	1,963	2,028	2,142	2,246
Other current assets	2,997	3,086	4,288	2,710	2,710	2,710
Non-current assets	**169,952**	**174,533**	**172,816**	**184,119**	**193,261**	**198,287**
PP&E	29,549	35,777	33,591	42,827	49,742	53,936
Investment in JVs & assos	3,935	3,218	3,080	3,252	3,751	4,255
Intangibles	17,115	14,837	13,061	12,627	12,411	11,915
Goodwill	78,071	77,897	77,067	77,066	77,066	77,066
Other non-current assets	41,282	42,804	46,017	48,347	50,291	51,115
Total assets	**203,609**	**203,631**	**205,579**	**206,093**	**216,772**	**228,744**
Current liabilities	**31,077**	**29,073**	**31,139**	**33,710**	**34,916**	**36,005**
Short-term borrowings	5,866	3,070	4,330	6,087	6,087	6,087
Account payables	20,894	20,213	20,671	21,353	22,559	23,648
Other current liabilities	4,317	5,790	6,138	6,270	6,270	6,270
Non-current liabilities	**79,521**	**75,679**	**70,483**	**61,410**	**61,680**	**61,986**
Long-term borrowings	48,540	45,299	42,101	41,603	41,603	41,603
Deferred income	7,246	8,363	7,258	7,211	7,481	7,787
Other non-current liabilities	23,735	22,017	21,124	12,596	12,596	12,596
Total liabilities	**110,598**	**104,752**	**101,622**	**95,120**	**96,595**	**97,991**
Share capital	55,471	56,398	57,383	58,255	59,128	60,043
Retained earnings	40,429	43,636	46,093	52,066	60,020	69,304
Other reserves	(6,440)	(4,119)	(3,292)	(3,502)	(3,502)	(3,502)
Total shareholders equity	**88,553**	**95,008**	**99,277**	**105,912**	**114,739**	**124,938**
Minority interest	3,871	3,871	4,680	5,062	5,438	5,814
Total equity and liabilities	**203,022**	**203,631**	**205,579**	**206,093**	**216,772**	**228,744**

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 30 Sep (US$ mn)						
Operating						
Depreciation & amortization	5,111	5,163	5,369	5,197	5,272	5,272
Change in working capital	2,194	488	177	(35)	372	336
Others	(1,739)	351	4,320	1,707	3,434	7,561
Net cash from operations	**5,566**	**6,002**	**9,866**	**6,869**	**9,079**	**13,169**
Investing						
Capital expenditure	(3,578)	(4,943)	(4,969)	(7,299)	(7,000)	(5,600)
Others	407	(65)	(130)	53	0	0
Net cash from investing	**(3,171)**	**(5,008)**	**(4,641)**	**(7,246)**	**(7,000)**	**(5,600)**
Financing						
Dividend paid	(3,737)	(4,016)	(1,675)	(1,685)	(1,376)	(1,377)
Net borrowings	(26)	(334)	(191)	1,046	0	0
Proceeds from share issues	435	127	52	0	0	0
Others	(1,057)	(506)	(910)	(8,743)	0	0
Net cash from financing	**(4,385)**	**(4,729)**	**(2,724)**	**(9,382)**	**(1,376)**	**(1,377)**
Net change in cash						
Cash at the beginning of the year	17,954	16,003	11,661	14,235	4,556	5,258
Exchange difference	(1,951)	(4,342)	2,574	(9,679)	702	6,192
Cash at the end of the year	**16,003**	**11,661**	**14,235**	**4,556**	**5,258**	**11,450**
GROWTH	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 30 Sep						
Revenue	na	24.2%	6.2%	3.3%	5.6%	4.8%
Gross profit	na	31.7%	1.2%	10.3%	7.0%	5.9%
Operating profit	na	56.1%	6.1%	20.2%	14.4%	10.6%
Net profit	na	57.6%	(25.2%)	234.0%	18.7%	14.3%
Adj. net profit	na	53.5%	6.4%	23.9%	18.1%	14.3%
PROFITABILITY	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 30 Sep						
Gross profit margin	33.1%	35.0%	33.4%	35.7%	36.1%	36.5%
Operating margin	11.5%	14.5%	14.5%	16.8%	18.2%	19.2%
Adj. net profit margin	6.2%	7.7%	7.7%	9.2%	10.3%	11.3%
Return on equity (ROE)	na	3.4%	2.4%	7.7%	8.5%	8.9%
GEARING/LIQUIDITY/ACTIVITIES	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 30 Sep						
Net debt to equity (x)	0.4	0.4	0.3	0.4	0.4	0.3
Current ratio (x)	1.1	1.0	1.1	0.7	0.7	0.8
Receivable turnover days	72.4	56.7	51.3	49.8	49.3	49.5
Inventory turnover days	31.8	24.0	19.4	19.6	20.6	22.6
Payable turnover days	169.0	137.9	126.0	129.8	129.4	130.6
VALUATION	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 30 Sep						
P/E	48.6	31.3	29.4	23.9	20.2	17.7
P/S	3.0	2.5	2.3	2.2	2.1	2.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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