The Walt Disney Company

DIS

EQUITY RESEARCH REPORT

August 12, 2026

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DIS — THE WALT DISNEY COMPANY

Report Date: 12 August 2026

Analyst: Moschovakis Capital Research

Exchange / Currency: NYSE / USD (EUR conversion at 1.1543 USD/EUR)

■■ DATA INTEGRITY NOTE (READ FIRST)

The pipeline delivered only two of the seven expected source feeds: Perplexity market expectations and EDGAR entity metadata plus a filings index. **FMP fundamentals, yfinance price/dividend history, and the pre-extracted `deep_dive_metrics` block were absent.** No forward P/E, PEG, EV/EBITDA, beta, short float, or analyst recommendation string was provided.

Consequently:

- Every quantitative figure below that is not sourced from the Perplexity feed carries an **(est.)** marker and reflects analyst reconstruction from Disney's most recent reported fiscal year, not live pipeline data.
- Section 11's forward-valuation table shows **NOT PROVIDED** where `deep_dive_metrics` fields were required. I did not substitute invented numbers.
- Confidence level on the final recommendation is **MEDIUM-LOW**. Verify the balance sheet, dividend, and FY2026 EPS inputs against a live FMP pull before allocating capital.

The one authoritative input is the live price: **$103.10 / €89.32**.

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**HOLD / WATCHLIST**
Current Price	$103.10 / €89.32
Fair Value (Base Case, 12-month)	$109 / €94.40 (est.)
Margin of Safety	5.5% (insufficient)
Target Entry Price	**$82 / €71.00** (20.5% below current)
Sell-Side Consensus Target (Perplexity)	$129.67 / €112.34

Return Profile	Value
Dividend Yield	~1.5% (est.)
Expected Dividend Growth (10Y)	~9% CAGR (est., off a low base)
Expected Price Appreciation (Base)	7.1% CAGR

Return Profile	Value
Total Expected Return (Base)	**9.0% CAGR**
Bear Case Total Return	**-3.0% CAGR**
Bull Case Total Return	13.2% CAGR
Probability-Weighted Return	**7.1% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**52 / 100**
Downside Protection Score	35 / 100
Quality Score	62 / 100
Return Adequacy Score	70 / 100
Risk Level	**MODERATE**
Probability of >50% Permanent Loss	~9% (borderline vs. 10% limit)
Recession Profile	**SENSITIVE** (near the vulnerable line in 2020)

One-Line Thesis:

Disney owns two of the best assets in consumer discretionary (the parks/cruise franchise and the character IP library) attached to a shrinking linear television business, and at 16x forward earnings the price pays you 9% in the base case while offering no protection at all in the bear case, which disqualifies it from a preservation mandate until roughly $82.

INVESTMENT THESIS

Disney fails this mandate on one specific test, and it is the test that matters most. The bear case return is negative. Run the numbers: if revenue stays flat for a decade because linear network erosion cancels out streaming and parks growth, and the multiple settles at 11x on flat earnings, you hold a $63 stock in 2036 and collect maybe 1.8% a year in dividends along the way. That is roughly -3% annually against a 4% risk-free alternative. The framework requires bear-case capital preservation before it considers upside, and Disney does not clear that bar at $103.10.

The quality of the underlying business is not the problem. Experiences generates something close to 60% of segment operating income (est.), and the domestic parks, international parks, cruise line, and consumer products together form one of the most defensible franchises in global consumer discretionary. Nobody replicates 70 years of Orlando land assembly, Shanghai and Hong Kong joint ventures, and character IP that grandparents transmit to grandchildren. Pricing power there has held through every cycle since 1971. The cruise expansion adds hulls at attractive returns on capital. The streaming turnaround worked: Disney+ and Hulu now contribute operating profit rather than consuming it, and the ESPN direct-to-consumer launch converts the last unmonetized sports asset into a subscription line.

Three things stop me from writing BUY. First, the cash cow is a melting ice cube. Linear networks still produce billions in operating income and lose subscribers every quarter. Every dollar of streaming profit Disney adds partly replaces a linear dollar it lost, which is why the last five years produced a rising stock price only from a very low base and not from compounding earnings. Second, the parks are discretionary spending in a business with enormous fixed costs and a $60bn ten-year capital plan (est.). A 2008-style consumer contraction hits per-capita spend, attendance, hotel occupancy, and cruise pricing simultaneously while the capex bill keeps arriving. Third, Disney's own history disqualifies it from the "resilient" bucket: management suspended the dividend in 2020, and an investor who bought the March 2021 high of roughly $203 is down about 49% five years later. That is not a hypothetical drawdown, it happened, and it happened without a recession.

Against a 4% HYSA, a 9% base case with a -3% bear case and a broken dividend record is not asymmetric in my favor. It is a coin flip dressed in a Mickey Mouse costume. The stock becomes interesting near $82, where the bear case turns roughly neutral, the base case runs above 12%, and I get paid for taking the cyclical and governance risk rather than paying for the privilege. **Re-review triggers if held: any dividend action other than an increase, Experiences segment operating margin falling below 20%, DTC operating income turning negative for two consecutive quarters, or an acquisition above $10bn.**

STAGE 1 — SECTOR & THEME IDENTIFICATION

Q1. Is the sector understandable?

Yes. Theme parks, cruise ships, cable networks, streaming subscriptions, film distribution, and toy licensing. Every revenue line has an obvious mechanism. Continue.

Q2. Is the sector in secular decline?

Split verdict, and this is the analytical crux. Linear television is in unambiguous secular decline: cord-cutting removes affiliate subscribers annually and advertising follows audiences to digital. Theme parks, cruise, and consumer products are not declining. Streaming is growing but the industry earns a fraction of the margins the cable bundle produced.

Disney is therefore a growing business bolted to a shrinking one. The mandate says pass on secular decline with no exceptions, but that applies to companies whose entire earnings base erodes. Roughly 60% of Disney's segment profit sits in Experiences (est.), which faces no secular threat. I continue with the declining-asset drag treated as a permanent headwind to the growth rate rather than a solvency issue.

Q3. Defensive or cyclical?

Moderately-to-highly cyclical. Park tickets, hotel nights, cruise cabins, and merchandise are pure discretionary spending. Advertising is cyclical. Only subscription streaming shows defensive characteristics, and churn rises in downturns. This designation requires heightened balance sheet scrutiny plus a valuation discount, and it is why the current price fails.

Q4. Sector tailwinds.

1. Global experiential spending continues shifting from goods toward travel and live entertainment. Real, durable, benefits Experiences directly.

2. Streaming industry consolidation and price discipline. Fewer subscale competitors, less content overspend, better industry margins. Benefits Disney as a scale survivor.

3. Sports rights migrating to direct-to-consumer distribution. ESPN's DTC pivot addresses this, though it also removes the affiliate-fee subsidy that made ESPN so profitable.

Partially priced in. The Perplexity feed shows sell-side models already assuming operating margins near 19-20% and mid-single-digit revenue growth, which means the tailwinds sit inside consensus.

Q5. Sector valuation vs. history.

Media multiples remain compressed against the pre-2020 decade, reflecting the market's correct judgment that the cable bundle was a better business than streaming. Consumer discretionary experiential names trade near or slightly above historical averages. Disney sits inside a fairly valued band, not a discounted one.

STAGE 1 VERDICT: CONTINUE with cyclicality flag and a required valuation discount.

STAGE 2 — FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

All figures reconstructed from Disney's most recent reported fiscal year. **Not pipeline-sourced.**

Metric	Estimate	Threshold	Pass?
Total borrowings	~$45bn (est.)	—	—
Cash & equivalents	~$6bn (est.)	—	—
Shareholders' equity	~$110bn (est.)	—	—
Debt-to-Equity	~0.41x (est.)	<1.0x, ideally <0.5x	**PASS**
Interest Coverage (EBIT/Interest)	~9x (est.)	>5x min, >8x preferred	**PASS**
Current Ratio	~0.75x (est.)	>1.5x	**FAIL** (see note)
FCF positive 4 of last 5 years	5 of 5 (est., FY2021-FY2025)	4 of 5	**PASS**
Debt maturity concentration	No cliff >30% in any 2-year window (est.)	—	**PASS**
Cash as % of total debt	~13% (est.)	>20% preferred	Monitor

Current ratio note. Disney has run a current ratio below 1.0x for most of the past two decades. The reason is structural, not distress: unearned revenue from annual passes, cruise deposits, and affiliate prepayments sits in current liabilities while the matching assets are theme parks in non-current PP&E. Applying the 1.5x screen mechanically would reject every deferred-revenue business. I override the failure and rely on interest coverage plus committed credit facilities as the liquidity test.

Stress test: revenue down 30% for two years.

- *Remains solvent?* Yes. Interest expense of roughly $1.2bn against even halved EBITDA leaves coverage above 4x. Disney demonstrated capital-markets access in 2020 by raising roughly $11bn of debt inside a shutdown.
- *Maintains dividend?* Probably yes at current payout (~23% of EPS, est.), but management's 2020 behaviour tells you what they do when cash gets tight. They suspend first and apologise later.

- *Avoids dilutive equity raise?* Yes. Disney has never needed equity in a downturn.

Solvency Assessment: ADEQUATE. Not FORTRESS. The goodwill-inflated equity base flatters D/E, cash coverage of debt is thin, and the $60bn Experiences capital plan (est.) is a large fixed commitment that constrains flexibility if attendance falls.

2.2 Earnings Quality

Test	Assessment
Operating cash flow >80% of net income	Yes, comfortably. Amortisation of produced content and park depreciation
Receivables growing faster than revenue	No evidence of divergence in the most recent reported year (est.).
Inventory vs. COGS	Immaterial. Merchandise inventory is small relative to the whole.
Unusual one-time gains inflating earnings	The gap between GAAP and adjusted EPS has been persistent and large
Restatements in past 5 years	None identified.

The recurring-nonrecurring-charge pattern is the real issue. When a company reports "one-time" content impairments every year for five years, the charges are an operating cost of the content business. I model on GAAP-adjusted-downward earnings rather than management's adjusted figure, which is why my fair value ($109) sits well below the $129.67 consensus.

Earnings Quality: ACCEPTABLE.

2.3 Dilution Check

Period	Shares Outstanding (est.)
FY2021	~1.82bn
FY2023	~1.83bn
Current	~1.79bn

Annualised change over five years: roughly -0.3% (net shrinkage). Stock-based compensation of approximately $1.4bn per year (est.) has been more than offset by buybacks that resumed in FY2024 and expanded to roughly $7bn authorised for FY2026 (est.).

Management compensation. CEO total compensation has run in the $30-40m range, roughly 0.4-0.5% of net income, inside the 3% flag. Insider ownership is low in percentage terms, which is normal for a company of this size and weak on the alignment test. Iger's pay packages drew shareholder dissent in prior proxy votes.

Dilution Assessment: EXCELLENT on the arithmetic. Note separately that Disney destroyed shareholder value through the $71bn Fox acquisition rather than through share count, which the dilution screen does not capture. See Section 7.

2.4 Dividend Sustainability

Disney eliminated its dividend in 2020, reinstated it at a token level in late 2023, and has raised it aggressively since (est. annualised rate now ~$1.50).

Metric	Estimate	Threshold	Assessment
Dividend Yield	~1.5%	1.5-5% sweet spot	Bottom edge
Payout Ratio (Div/EPS)	~23%	<75% mature	Excellent cushion
FCF Payout Ratio	~18%	<70%	Excellent cushion
Dividend Growth (5Y CAGR)	Negative/undefined (suspension)	>3%	**FAIL**
Consecutive Years of Dividend	3	>10 preferred	**FAIL**
Dividend Coverage (FCF/Div)	~5.5x	>1.3x	Excellent

Stress test: earnings drop 40%. Dividend remains covered roughly 3x by FCF. The payment survives a severe recession on arithmetic.

The problem is not coverage, it is character. A 1.5% yield contributes almost nothing to total return, and a company that suspended within the last six years has no claim on the "reliable income" part of a preservation portfolio. Compare with a utility or staples name paying 3.5% with a 25-year record: same coverage cushion, four times the income, and a management team that has proven it will cut capex before it cuts the dividend.

Dividend Sustainability: SUSTAINABLE (coverage) but **UNPROVEN** (record).

2.5 Capital Efficiency

Metric	Estimate
NOPAT	~$9.5bn
Invested Capital (incl. ~$77bn goodwill, ~$14bn intangibles)	~$145bn
ROIC	**~6.5%**
ROIC ex-goodwill/intangibles	~13%
WACC (Perplexity source)	**9.41%**
5-Year Trend	Improving off the FY2022-23 trough

This is the single most damaging number in the report. On a total invested capital basis Disney earns roughly 6.5% against a 9.41% cost of capital, which means the enterprise as currently capitalised destroys value. The gap exists almost entirely because Disney paid $71bn for Fox assets that never earned their cost of capital. Strip goodwill and the operating businesses earn a respectable 13%, which tells you the assets are good and the price paid for one of them was not.

For a preservation investor the distinction matters less than it sounds. You cannot un-spend the Fox money. The capital is deployed and the return on it is what it is.

ROIC: ~6.5% (est.) | vs. WACC 9.41% | Trend: Improving | Verdict: VALUE DESTROYING on total capital, VALUE CREATING on operating capital.

2.6 Valuation Screening

Metric	Current (est.)	5Y Avg	10Y Avg	vs. History	Assessment
Forward P/E	~16.1x ($6.40 FY26E EPS)	Distorted by COVID losses	~18-19x	Below 10Y	Modestly cheap
P/S	~1.95x ($184bn cap / $94.5bn rev)	~2.2x	~2.8x	Below	Cheap
EV/EBITDA	~11.5x	~13x	~13.5x	Below	Modestly cheap
P/FCF	~19-21x	Volatile	~20x	In line	Fair
Dividend Yield	~1.5%	n/a (suspended)	~1.4%	In line	No signal

Margin of safety calculation.

Normalised earnings: apply the five-year average operating margin to current revenue, tax at 25%, and I reach roughly $6.20-6.50 per share of normalised EPS (est.). At a 17x multiple, which I judge fair for a mid-single-digit grower with a declining segment and a cyclical profit centre, fair value is **$109 / €94.40**.

Margin of Safety = ($109 - $103.10) / $103.10 = 5.5%.

The framework requires 10% minimum. Disney misses.

Valuation: FAIR | Margin of Safety: 5.5% (insufficient)

STAGE 3 — PEER COMPARISON & QUALITY RANKING

3.1 Competitive Cohort

Cohort: Comcast (CMCSA), Netflix (NFLX), Warner Bros. Discovery successor entities (WBD), Royal Caribbean (RCL) as the pure experiential comparator. All peer figures are analyst estimates; the pipeline supplied no peer data.

Dimension	DIS (est.)	CMCSA (est.)	NFLX (est.)	WBD (est.)	RCL (est.)	Best for Preserv
Debt/Equity	0.41x	~1.1x	~0.6x	~1.0x+	~2.5x	**DIS**
Interest Coverage	~9x	~6x	~20x+	~2-3x	~5x	NFLX
Dividend Yield	1.5%	~3.5%	0%	~0%	~1.2%	CMCSA
Payout Ratio	~23%	~30%	n/a	n/a	~20%	**DIS**
FCF Margin	~9%	~11%	~25%	~8%	~10%	NFLX
ROIC	~6.5%	~8%	~22%	~3%	~11%	NFLX
5Y Dilution	-0.3%	-2.5% (shrink)	-1%	positive	flat	CMCSA
P/E vs. own history	~15% below	~40% below	~in line	n/a	~in line	CMCSA
Dividend Growth Record	Broken 2020	Unbroken 15+ yrs	n/a	Broken	Broken 2020	CMCSA

Reading the table. Disney has the best balance sheet in media and the second-worst ROIC. Comcast is statistically cheaper with a real dividend record but owns an even larger declining cable asset. Netflix is the highest-quality business and prices like it. Royal Caribbean is the cleanest read on experiential demand and carries leverage a preservation mandate cannot accept.

Disney's genuine advantage over every peer here is asset irreplaceability. Nobody can build Walt Disney World. That advantage does not show up in any ratio.

3.2 Wealth Preservation Quality Score

Balance Sheet Fortress (40 points possible)

Component	Result	Points
D/E <0.5x	0.41x (est.)	**15**
Interest coverage >8x	~9x (est.)	**15**
FCF positive 5 consecutive years	Yes (est.)	**10**
Subtotal		**40 / 40**

Income Reliability (30 points possible)

Component	Result	Points
Yield 2-4% with <60% payout	1.5% yield, fails yield band	**0**
Dividend growth >5% CAGR	5Y CAGR broken by suspension	**3**
Dividend history >15 years	3 years since reinstatement	**0**
Subtotal		**3 / 30**

Capital Efficiency (15 points possible)

Component	Result	Points
ROIC	~6.5% (6-10% band)	**4**
ROIC trend	Improving	**5**
Subtotal		**9 / 15**

Valuation (15 points possible)

Component	Result	Points
Position in 5Y range	~$79 to ~$124 range, $103.10 ≈ 46th percentile	**10**
Subtotal		**10 / 15**

QUALITY SCORE: 62 / 100

Decision rule places Disney in the **60-75 band: secondary candidate, compare carefully.** The score is entirely carried by the balance sheet. Income reliability at 3 out of 30 is the worst sub-score I have assigned to a mega-cap this year, and it reflects a real defect for this mandate rather than a scoring artefact.

STAGE 4 — QUALITATIVE ASSESSMENT

4.1 Competitive Moat

Moat Component	Type	Durability	Preservation Value
Walt Disney World / Disneyland land bank and permitting	Irreplaceable physical asset	**Very High**	**Excellent**
Character IP library (Disney, Pixar, Marvel, Star Wars)	Brand power, multi-generational	High	Excellent
Cruise fleet with captive brand demand	Cost advantage plus brand	High	Good
Consumer products licensing network	Scale plus brand	Medium-High	Good
ESPN sports rights portfolio	Contractual, time-limited	**Medium, eroding**	Monitor
Linear affiliate-fee relationships	Legacy, contracting	**Low and falling**	Negative
Disney+ / Hulu subscriber base	Switching costs (weak in streaming)	Medium	Fair

Primary Moat: Irreplaceable experiential assets tied to multi-generational character IP. Rated Very High durability.

Can the competitive position materially erode over ten years?

The parks position cannot. Universal's Epic Universe takes share of Orlando visitor days without touching Disney's pricing power over its own installed base, because a family visiting Orlando for a week goes to both. The IP position erodes only through creative failure, and Disney's franchise-heavy slate has produced enough misses in the last five years to prove the risk is real rather than theoretical.

The media position will erode. Linear networks shrink by contract every year. ESPN's transition from a $9-per-month tax on 70 million cable households to a $30-per-month subscription for a self-selecting audience is a smaller business at better optics.

Threat Assessment: MODERATE (concentrated in media, absent in Experiences)

Moat Preservation Confidence: HIGH for the parks, **MEDIUM** for the company as a whole.

4.2 Management Quality & Capital Allocation

CEO situation. Bob Iger returned in November 2022 and the board has signalled a successor transition completing around the end of calendar 2026. The pipeline supplied no confirmation of the outcome and I will not assert one. What I can assert: Disney has now run two failed CEO successions in five years, which is a governance defect, not bad luck. Whoever takes the chair inherits a $60bn capital plan, a shrinking linear asset, and a founder-figure predecessor who has twice found reasons to stay.

Capital allocation record, past decade:

Action	Assessment
Fox acquisition ($71bn, 2019)	**Value destroyed.** Subsequent impairments and the persistent ROIC-W
Hulu buy-in from Comcast	Necessary cleanup of a structure Disney created. Fair price, no value add
Streaming build-out (2019-2023)	Tens of billions of content spend to reach modest profitability. Defensive r

Action	Assessment
Dividend suspension (2020) then reinstatement (2023)	Understandable in a shutdown, but it broke the record permanently.
Buybacks resumed FY2024, expanding	Accretive at current prices, correctly sequenced after deleveraging.
Experiences capex (~$60bn plan)	The best use of Disney's capital. Park and ship returns have historically b

Red flags present:

- One transformational acquisition that destroyed value at scale.
- Dividend suspension in a non-recession year (2020 was a shutdown, but Disney suspended before the parks reopened economics were known).
- Repeated executive succession failure and high senior turnover.
- Adjusted-earnings presentation that has excluded the same category of charge for five consecutive years.

Red flags absent: no related-party transactions, no aggressive revenue recognition, no buybacks at peak valuations (Disney was not buying at $200).

Management Quality: ADEQUATE

Capital Allocation Track Record: POOR on M&A, ACCEPTABLE on organic investment and current-period returns

4.3 Recession Performance History

2008-2009

Measure	Result
Revenue decline (FY2009)	-4.3%
EPS decline	~-25%
Dividend action	Maintained (small annual payment)
Peak-to-trough share price	~-56% (Oct 2007 to Mar 2009)
Recovery to prior peak	~24 months from trough
Capital raise needed	No

2020

Measure	Result
Revenue decline (FY2020)	-6% total, but Parks segment ~-37%
EPS	Negative (GAAP net loss)
Dividend action	**Suspended**
Peak-to-trough share price	~-41% (Feb to Mar 2020)
Capital raise	~$11bn of debt issued, no equity

2021-2023 (non-recessionary drawdown)

Measure	Result
Peak-to-trough share price	**~-61%** ($203 Mar-2021 to $79 Oct-2023)
Recovery to prior peak	**Not achieved.** Five years on, a March 2021 buyer sits ~49% below cos

That last row is the most important data point in this report. Disney produced a greater-than-50% decline that remains unrecovered after five years, and it did so during an economic expansion. The framework's permanent-loss definition (>50% decline not recovered within five years) was literally satisfied in the recent past, for shareholders who bought at the top of the streaming enthusiasm cycle. Any probability estimate I assign to future permanent loss has to respect that precedent.

Recession Profile: SENSITIVE. Revenue declines have stayed inside the 15-30% band at the consolidated level, but the dividend was eliminated and recovery took over two years. The 2020 episode sat close to the VULNERABLE definition and only stayed out of it because streaming subscription revenue and licensing masked the parks collapse in the consolidated line.

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact on Thesis	Risk to Downside
Continued dividend increases off low base	Annual, Nov/Dec	High	Modest positive. Raises income floor toward 2%+	None
Buyback execution at ~$7bn/yr (est.)	FY2026 ongoing	High	~3.5% of shares annually at current cap. Meaningful EPS su	None
DTC segment margin expansion toward double digits	2026-2028	Medium-High	Core of the bull case. Would justify multiple re-rating	Low
New cruise ships entering service	2026-2031	High	High-return capacity additions	Capex timing risk
CEO succession resolved cleanly	Late 2026	Medium	Removes overhang	**High if botched**
ESPN DTC subscriber traction	2026-2027	Medium	Determines whether sports transition is value-neutral or valu	Moderate
Consumer discretionary slowdown hitting parks	Unknown	Medium	The main bear trigger	**High**

The catalyst mix is dominated by low-risk mechanical items (buybacks, dividend raises) plus two genuine binary events (succession, ESPN DTC). Nothing here changes the fundamental arithmetic that you are paying a fair price for a mid-single-digit grower.

STAGE 5 — VALUATION & SCENARIO ANALYSIS

5.1 Total Return Model (10-Year Horizon)

Starting inputs (est.):

- Price: $103.10
- FY2026E adjusted EPS: $6.40, discounted for the recurring-charge pattern to ~$6.20 of true earning power
- Forward P/E on my adjusted figure: ~16.6x
- Annualised dividend: ~$1.50, yield 1.5%
- Shares: ~1.79bn, shrinking ~3% annually at current buyback pace (est.)

Return decomposition, base case:

Component	Contribution
Dividend yield (average over holding period)	+1.9%
Organic EPS growth (revenue ~4.5%, modest margin gain)	+4.5%
Buyback accretion (net of SBC)	+3.0%
Multiple change (17x fair to 15.5x terminal, mean reversion down)	-0.4%
Total Expected Return (Base)	**~9.0% CAGR**

The buyback line does the heavy lifting. Strip out share repurchase and Disney is a 6% total-return stock, which sits below the hurdle. Your return depends on management continuing to retire stock at roughly the current pace, which in turn depends on FCF holding up against the Experiences capital plan.

5.2 Scenario Analysis

BEAR CASE (25% weight)

Assumptions: US consumer recession in the window compresses park attendance and per-capita spend. Linear network decline accelerates and outpaces DTC gains. Content spend rises faster than streaming revenue. Operating margin compresses toward the low-teens historical trough. Buybacks pause for two years to protect the capital plan. Multiple contracts to the trough of 11x.

- Revenue CAGR: 0%
- FY2036 EPS: ~$5.75 (below today's level)
- Terminal multiple: 11x
- Dividend: maintained but frozen (payout cushion allows it, management behaviour argues for a freeze)
- **10-Year Price Target: $63 / €54.60**
- **Total Return CAGR: -3.0%** (price -4.8%, dividends +1.8%)

Is the bear case return positive? No. This is the disqualifying finding.

BASE CASE (50% weight)

Assumptions: Trend GDP growth. Experiences grows mid-single digits on price plus new capacity. DTC margin reaches low double digits. Linear decline continues but the segment shrinks to immateriality by the late 2020s. Operating margin settles near 18%. Buybacks continue at roughly 3% of shares annually.

- Revenue CAGR: 4.5%
- FY2036 EPS: ~$13.20
- Terminal multiple: 15.5x
- Dividend grows ~9% annually off the low base
- **10-Year Price Target: $204 / €176.70**
- **Total Return CAGR: 9.0%**

BULL CASE (25% weight)

Assumptions: Streaming becomes a genuine profit engine at scale with 20%+ segment margins. ESPN DTC exceeds expectations. Experiences delivers above-plan returns on the cruise and park expansions. Operating margin reaches the ~19.9% level embedded in the bullish sell-side model cited in the Perplexity feed. Market grants a growth multiple again.

- Revenue CAGR: 6%
- FY2036 EPS: ~$16.60
- Terminal multiple: 18x
- **10-Year Price Target: $299 / €259.00**
- **Total Return CAGR: 13.2%**

Scenario Summary

Scenario	10Y Price Target	Total CAGR	Weight	Contribution
Bear	$63 / €54.60	-3.0%	25%	-0.75%
Base	$204 / €176.70	+9.0%	50%	+4.50%
Bull	$299 / €259.00	+13.2%	25%	+3.30%
Probability-Weighted		**+7.1%**		**7.1%**

A 7.1% probability-weighted return sits exactly on the inflation-plus-4% hurdle. You are being paid the minimum acceptable rate to accept a negative bear case. That is the wrong trade.

5.3 Downside Protection Analysis

Measure	Value
Historical max drawdown (10 years)	**-61%** (2021-2023)
Bear case price decline from $103.10	-39% to terminal, with a deeper interim trough likely
Dividend impact under stress	Frozen not cut; ~-0.1% annual return impact
Interim trough estimate in a 2026-27 recession	$70-78 (11-12x trough EPS of ~$6.00-6.50)

Capital at Risk: €100 position × 25% bear probability × 39% decline = **€9.75 of expected capital loss** from the bear branch alone, before considering the interim volatility path.

Probability of permanent capital loss (>50% decline not recovered within five years): ~9%.

This estimate is uncomfortable to defend at 9% given that the exact event occurred to 2021 buyers. I justify the number on the grounds that the 2021 entry point embedded a streaming-growth multiple near 40x forward earnings, whereas today's 16x already discounts disappointment. A repeat requires both an earnings collapse and a further multiple compression from an already-modest starting point. The estimate sits directly against the framework's 10% ceiling, and I flag it as the second reason this cannot be a BUY.

STAGE 6 — INVESTMENT DECISION FRAMEWORK

6.1 Wealth Preservation Scoring

Input 1: Downside Protection Score

Adjustment	Applies?	Points
Base 50	—	50
+15 bear case total return positive	No (-3.0%)	0
+10 D/E <0.5x	Yes (0.41x est.)	**+10**
+10 dividend maintained through 2008 and 2020	No (suspended 2020)	0
+10 max historical drawdown <40%	No (-61%)	0
+5 current yield >3%	No (1.5%)	0
-15 bear case shows >20% price decline	Yes (-39%)	**-15**
-10 D/E >1.0x	No	0
-10 FCF negative in any of last 5 years	No	0
-10 dividend cut in past 10 years	Yes (2020)	**-10**
-5 payout ratio >75%	No (~23%)	0
Downside Protection Score		**35 / 100**

Input 2: Return Adequacy Score

Base case total return 9.0% CAGR → falls in the 8-10% band → **70 / 100**

Input 3: Quality Score (Stage 3) → **62 / 100**

Composite:

WP Score = (35 × 0.45) + (70 × 0.30) + (62 × 0.25)

= 15.75 + 21.00 + 15.50

= **52.25** → **52 / 100**

Interpretation: 45-55 band. Marginal. Better alternatives likely exist.

6.2 Absolute Requirements Test

Requirement	Result	Pass?
Bear case total return ≥ 0%	-3.0%	**FAIL**
Base case total return ≥ 7%	9.0%	PASS
Solvency FORTRESS or ADEQUATE	ADEQUATE	PASS
Dividend sustainability ROCK SOLID or SUSTAINABLE	SUSTAINABLE (coverage)	PASS
Probability of >50% permanent loss <10%	~9%	PASS (borderline)

One absolute requirement fails. Under the framework, failure of any absolute requirement means the position cannot be bought at the current price regardless of upside. Disney does not, however, trip any of the Stage 7.3

AVOID triggers: the bear case is above -10%, the base case clears the hurdle, solvency is adequate, and the dividend is covered. The correct output is HOLD/WATCHLIST with a defined entry.

6.3 Position Sizing

WP Score	Expected CAGR	Bear Case	Recommended Size
52 (DIS today)	**7.1% weighted**	**-3.0%**	**€0 (watchlist)**
At $82 entry: ~62 est.	~12.5% base	~0%	€50-75

At $82 the bear terminal value of $63 represents a -2.6% price CAGR offset by a ~2.3% starting yield, which brings the bear branch to roughly breakeven, and the base case rises to about 12.5%. That is the price at which the arithmetic works.

STAGE 7 — FINAL INVESTMENT DECISION

7.1 BUY Criteria Test

Quantitative

- [ ] WP Score ≥ 65 → **52. FAIL**
- [x] Base case total return ≥ 8% CAGR → 9.0%. Pass
- [ ] Bear case total return ≥ 0% → -3.0%. **FAIL**
- [x] Dividend yield + expected growth ≥ 5% → 1.5% + 9% = 10.5%. Pass
- [ ] Margin of safety ≥ 10% → 5.5%. **FAIL**

Qualitative

- [x] Understandable business with durable moat → Pass
- [ ] Management track record GOOD or better → ADEQUATE. **FAIL**
- [x] Recession profile RESILIENT or SENSITIVE → SENSITIVE. Pass

Four of eight BUY criteria fail. Not a BUY.

7.2 HOLD Criteria Test

Disney meets the quality standards (adequate solvency, understandable business, durable primary moat, covered dividend) but offers only a 5.5% margin of safety and a negative bear case at $103.10. Better risk-adjusted alternatives exist inside the same return band, specifically defensive dividend payers with unbroken payment records offering 3.5% yields plus 4-5% growth for the same 8-9% total return and a materially shallower bear case.

RECOMMENDATION: HOLD / WATCHLIST

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8. PEER COMPARISON (Consolidated)

Disney ranks first among the media cohort on balance sheet strength and last but one on ROIC. Against the wider preservation universe it ranks poorly on income reliability and drawdown history. The honest framing: Disney is the highest-quality asset base in a structurally challenged sector, priced as if the sector challenge is half solved. Comcast is cheaper with a better dividend and a worse asset base. Netflix is better with no valuation cushion. Royal Caribbean gives you the experiential exposure with unacceptable leverage. None of the four clears this mandate at current prices.

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9. KEY METRICS SUMMARY

Metric	Value	Source
Price	$103.10 / €89.32	**Live (authoritative)**
Market Cap	~$184bn (est.)	Analyst est.
Enterprise Value	~$225bn (est.)	Analyst est.
FY2026E Adjusted EPS	~$6.40 (est.)	Analyst est.
Forward P/E	~16.1x (est.)	Analyst est.
Dividend / Yield	~$1.50 / ~1.5% (est.)	Analyst est.
Payout Ratio (EPS / FCF)	~23% / ~18% (est.)	Analyst est.
Debt/Equity	~0.41x (est.)	Analyst est.
Interest Coverage	~9x (est.)	Analyst est.
Current Ratio	~0.75x (est., structural)	Analyst est.
ROIC / WACC	~6.5% / 9.41%	Est. / Perplexity
Consensus Target	$129.67 / €112.34	Perplexity
Implied Growth at Current Price	~8.8% p.a. (5yr)	Perplexity
CIK / SIC	0001744489 / 7990	EDGAR
Fiscal Year End	Late September/early October	EDGAR (1003)
Filer Status	Large accelerated filer, DE incorporated	EDGAR

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10. MONITORING CHECKLIST

Item	Frequency	Trigger Level	Action
Price vs. entry target	Weekly	≤ $82 / €71.00	Initiate €50-75 position after re-verifying f
Experiences segment operating margin	Quarterly	<20% for two quarters	Downgrade to AVOID
Domestic parks attendance and per-capita spend	Quarterly	Both negative YoY	Reduce entry target to $72

Item	Frequency	Trigger Level	Action
DTC (Entertainment + Sports) operating income	Quarterly	Negative for two consecutive quarters	Downgrade to AVOID
Linear networks operating income decline rate	Quarterly	Worse than -15% YoY	Cut terminal multiple assumption by 1.0x
Free cash flow vs. Experiences capex	Quarterly	FCF below capex for a full year	Downgrade to AVOID
Buyback pace	Quarterly	Pause or reduction below $4bn annualised	Cut base case return by 150bp
Dividend action	Annual (Nov/Dec)	Any freeze or cut	Downgrade to AVOID immediately
CEO succession outcome	Event-driven	External hire or another delay	Widen required margin of safety to 25%
Interest coverage	Quarterly	<6x	Downgrade solvency to MARGINAL
ESPN DTC subscriber disclosure	Quarterly	Sequential decline post-launch year	Reduce Sports terminal value
Consumer discretionary conditions	Monthly (see Section 13)	Proxy trackers turning down together	Delay entry, widen target to $75

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11. MARKET EXPECTATIONS & CONSENSUS

What the current price implies about growth.

The Perplexity feed reports a reverse-DCF estimate requiring roughly **8.8% annual per-share growth over five years** to justify $103.10, using a WACC near **9.41%** and 3.0% terminal growth. A second model in the same source produces **18.8% implied FCF growth**, which the source itself flags as assumption-driven and not a consensus figure. I treat 8.8% as the working number. My base case of 9.0% total return on 4.5% revenue growth plus buyback accretion sits close to that implied rate, which is another way of saying the stock is fairly priced rather than cheap.

Consensus bull case. Streaming sustains profitability after the turnaround, parks stay resilient, and margins expand enough to lift earnings and cash flow. One bullish model cited in the feed reaches a **$145 target** on 4.9% revenue growth, 19.9% operating margins, and a 17.2x exit multiple. A second reaches **$116** on 5.3% growth, 19.4% margins, and 13.3x. The spread between those two, identical growth and margins but a 4x difference in exit multiple, tells you the debate is about the multiple, not the business.

Consensus bear case. Growth stays modest, margins stall, and the market declines to grant a premium multiple. In that outcome the current price already discounts a fair amount of improvement and leaves little upside for merely average execution.

Short interest and days to cover. NOT PROVIDED. The Perplexity source explicitly could not locate reliable figures and `deep_dive_metrics` was absent from the pipeline. I will not estimate.

Analyst consensus. Rating mix described as "generally bullish," average target **$129.67 / €112.34** (25.8% above the current price).

What would validate consensus: streaming operating income compounding without renewed content-spend escalation; revenue growth holding in the mid single digits; operating margins expanding toward or holding near 19-20%; Experiences cash generation staying durable through a soft consumer patch; buybacks continuing without balance sheet strain.

What would disappoint: streaming profitability stalling or reversing; content spend outrunning revenue; parks softening enough to offset media gains; margins flatlining; or the multiple compressing because investors decide the turnaround was already in the price.

Forward Valuation Table

Metric	Value	vs. Sector Avg	Assessment
Fwd P/E	**NOT PROVIDED** (analyst est. ~16.1x)	Below media average	Modest discount
PEG	**NOT PROVIDED**	—	Cannot assess
EV/EBITDA	**NOT PROVIDED** (analyst est. ~11.5x)	Below 10Y own average	Modest discount
Beta	**NOT PROVIDED** (historically ~1.3-1.5)	Above 1.0	Factor exposure: **cyclical consumer disc

The missing beta matters for this mandate. Disney has historically carried a beta above 1.2, meaning it amplifies market declines rather than cushioning them. Verify before sizing.

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12. KEY BUSINESS DRIVERS

Driver 1: Experiences segment operating margin

Why it matters: Experiences produces roughly 60% of segment operating income (est.), so this single line determines the majority of Disney's earnings power and the entire bear/base divide.

Current level: low-to-mid 20s percent (est., unverified)

Bull threshold: sustained above 24% while adding new capacity

Bear threshold: below 20% for two consecutive quarters

Next data point: FY2026 Q4 earnings, expected November 2026

Driver 2: Direct-to-consumer operating income (Disney+ / Hulu / ESPN combined)

Why it matters: the entire re-rating case rests on streaming becoming a durable profit engine rather than a break-even utility. Consensus models assume 19-20% company operating margins, which require this line to keep expanding.

Current level: modestly profitable and improving (est.)

Bull threshold: DTC margin reaching low double digits with rising ARPU

Bear threshold: two consecutive quarters of negative or declining operating income

Next data point: FY2026 Q4 earnings

Driver 3: Linear networks operating income decline rate

Why it matters: this is the melting ice cube. If it melts faster than streaming and parks grow, consolidated earnings stagnate and the bear case activates.

Current level: declining at a double-digit annual rate (est.)

Bull threshold: decline moderating to single digits, or the segment shrinking to under 10% of operating income without earnings disruption

Bear threshold: decline steeper than -15% annually

Next data point: FY2026 Q4 earnings

Driver 4: Free cash flow versus Experiences capital expenditure

Why it matters: the ~$60bn ten-year Experiences plan (est.) is a fixed commitment. If FCF cannot fund it plus the dividend plus buybacks, one of the three gives way, and history says the dividend goes first.

Current level: FCF comfortably above capex plus distributions (est.)

Bull threshold: FCF growth outpacing capex growth, buyback pace maintained above $6bn annually

Bear threshold: FCF falling below capex for a full fiscal year

Next data point: FY2026 Q4 cash flow statement

Driver 5: Domestic parks per-capita guest spending

Why it matters: this is the earliest read on whether the American consumer is trading down. Attendance holds up longer than spending because families book in advance, so per-capita spend turns first.

Current level: growing modestly (est.)

Bull threshold: positive YoY growth alongside flat or rising attendance

Bear threshold: negative YoY for two consecutive quarters

Next data point: FY2026 Q4 earnings

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13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker	Relationship	Signal
Royal Caribbean	RCL	**Leads.** Cruise bookings sit fu	Bullish if RCL
Comcast	CMCSA	**Correlates.** Universal Orland	Bullish if Universal
Netflix	NFLX	**Leads on multiple.** Streaming	Bullish if NFLX
Consumer Discretionary Select SPDR	XLY	**Leads.** Broad discretionary s	Bullish if XLY

Monitoring rule: If RCL and XLY both break below their 200-day moving averages within the same month, treat it as an early recession signal for Experiences, delay any entry, and widen the target entry price from $82 to $75.

FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Current Price: $103.10 / €89.32

Fair Value (Base): $109 / €94.40

Margin of Safety: 5.5% (framework requires 10%)

Target Entry Price: $82 / €71.00 (20.5% below current)

Position Size Today: €0

Position Size at Target Entry: €50-75 (reduced to standard, contingent on re-verified fundamentals)

Why HOLD rather than BUY: the bear case delivers -3.0% annually over ten years, which violates the mandate's capital-preservation requirement. The WP Score of 52 sits in the marginal band. Margin of safety at 5.5% is half the required minimum. The dividend yield of 1.5% provides no meaningful income cushion, and the payment record broke in 2020.

Why HOLD rather than AVOID: the balance sheet is genuinely strong (D/E 0.41x, interest coverage ~9x, five straight years of positive FCF). The primary moat, irreplaceable experiential assets tied to multi-generational IP, is among the most durable in the market. The base case clears the hurdle at 9.0%. Buybacks and dividend growth provide mechanical return support. Nothing here is broken; the price is simply wrong for this mandate.

Triggers that upgrade to BUY:

1. Price reaching $82 / €71.00 with fundamentals unchanged

2. Experiences operating margin sustained above 24% while DTC margin reaches double digits, which would lift my fair value to roughly $125 and create a 10%+ margin of safety at current prices

3. Dividend raised to a level producing a 2.5%+ yield on cost combined with an unbroken five-year forward record

4. CEO succession resolved with an internal candidate plus a stated commitment to the current capital-return framework

Triggers that downgrade to AVOID:

1. Any dividend freeze or reduction

2. Experiences operating margin below 20% for two consecutive quarters

3. DTC operating income negative for two consecutive quarters

4. FCF falling below Experiences capex for a full fiscal year

5. Interest coverage below 6x

6. An acquisition above $10bn

ANALYST NOTES

Key Assumptions

1. FY2026 adjusted EPS near $6.40, discounted to ~$6.20 of true earning power to account for the recurring content-impairment pattern.

2. Experiences contributes roughly 60% of segment operating income and remains the primary earnings driver.

3. Annualised dividend near $1.50 with a payout ratio around 23% of EPS.

4. Buybacks continue at roughly 3% of shares annually. Removing this assumption cuts the base case to ~6%, below the hurdle.

5. Fair terminal multiple of 15.5x base / 11x bear / 18x bull, reflecting mid-single-digit growth with a cyclical profit centre and a declining legacy segment.

6. WACC of 9.41% and 3.0% terminal growth, taken from the Perplexity source.

7. Linear networks shrink to immateriality by the late 2020s without triggering an impairment large enough to affect solvency.

Limitations

1. **The pipeline supplied no FMP or yfinance data.** Balance sheet, cash flow, dividend history, share count, and every valuation multiple in this report are analyst reconstructions from the most recent reported fiscal year, not verified live figures. Confirm all of them before acting.

2. `deep_dive_metrics` was entirely absent. Forward P/E, PEG, EV/EBITDA, beta, short float, and the analyst recommendation string are marked NOT PROVIDED. Beta matters for position sizing and remains unverified.

3. Short interest and days-to-cover are unavailable from both sources.

4. The EDGAR payload delivered entity metadata and a filings index only. No 10-K risk factors, no segment footnotes, no legal proceedings, no debt maturity schedule. My solvency conclusion rests on ratio estimates rather than the maturity ladder the framework requires.

5. No Tavily feed, so recent news, the latest quarter's actuals, and any developments in the last thirty days are absent. Something material may have happened that this report does not reflect.

6. The CEO succession outcome is unresolved in the available data. I have not asserted a name or a date.

7. Peer figures in Stage 3 are analyst estimates. No peer data reached the pipeline.

8. Segment splits are approximations. Verify against the FY2025 10-K.

Confidence Level: MEDIUM-LOW

The directional conclusion is robust to the data gaps: Disney trades at a fair price with a negative bear case, a 1.5% yield, a broken dividend record, a 61% drawdown in living memory, and a ROIC below its cost of capital. No plausible correction to my estimated inputs turns that into a preservation-grade BUY at $103.10. The precise entry target of $82 is less reliable and should be recalculated once verified balance sheet and EPS data arrive.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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