The Walt Disney Company

DIS

EQUITY RESEARCH REPORT

August 05, 2026

DIS — THE WALT DISNEY COMPANY

Report Date: 2026-08-05

Analyst: Moschovakis Capital Research

Framework: Wealth Preservation Equity Research, Stages 1-7 (standard framework; no sector adaptation required)

Reporting Currency: EUR primary (portfolio base), USD shown alongside. FX applied: 1.1538 USD/EUR (derived from authoritative quote)

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** (Watchlist)
Current Price	**€85.09 / $98.18**
Fair Value (Base Case, today)	€81.47 / $94.00
Margin of Safety	**-4.3%** (price above fair value)
Target Entry Price	**€69.34 / $80.00** (-18.5% from current)

Return Profile	Value
Dividend Yield	~1% or lower (not quantified in inputs; see §3)
Expected Dividend Growth	Not verifiable from inputs
Expected Price Appreciation (Base)	6.0% CAGR
Total Expected Return (Base)	**7.3% CAGR**
Bear Case Total Return	**-1.8% CAGR**
Bull Case Total Return	+13.2% CAGR
Probability-Weighted Return	**6.5% CAGR**
Hurdle Rate (Inflation + 4%)	7.0%

Risk Assessment	Value
Wealth Preservation Score	**48 / 100**
Downside Protection Score	35 / 100
Return Adequacy Score	55 / 100
Quality Score	61 / 100

Risk Assessment	Value
Risk Level	**ELEVATED**
Probability of >50% Loss	~12%
Recession Profile	**SENSITIVE**
Beta	1.41

One-Line Thesis:

Disney owns irreplaceable IP and physical assets and has repaired its income statement, but at €85.09 you buy a 1.41-beta cyclical with a 4.2% free cash flow yield, a negligible income cushion, a proven willingness to eliminate the dividend under stress, and a 61% drawdown five years ago that the shares still have not recovered from.

INVESTMENT THESIS

The operating turnaround is real and I want to state it plainly before rejecting the position. Disney grew revenue from $65.4bn in FY2020 to $94.4bn in FY2025. Operating income tripled from $3.8bn to roughly $17.6bn over the same span. Gross margin climbed from 33.0% to 37.8% in a straight line across six years. Free cash flow stayed positive in every one of those years, including FY2020 when management shuttered the theme parks. That last fact carries more weight in a preservation mandate than any growth statistic: the business generated $6.2bn of free cash flow with its highest-margin segment physically closed. Very few consumer discretionary companies can make that claim.

The problem is what you pay for it and what protects you if it goes wrong. At €85.09 the shares trade at 14.3x FY2025 reported diluted EPS of $6.85, roughly 21-24x free cash flow, and 11.5x EV/EBITDA. The sources cite a 5-year average P/E near 41x and a 5-year average EV/EBITDA near 19x, which invites a "40% discount to history" conclusion. That conclusion is wrong. Those averages sit on a COVID-collapsed earnings denominator and a streaming-hype-era numerator. Against the peer median of 12.6x earnings and 8.1x EBITDA, Disney trades at a 31% and 56% premium. Against its own pre-2020 range of 16-18x on a higher-quality earnings mix (affiliate fees and box office rather than a still-scaling streaming business), today's multiple is fair, not cheap. My normalized earnings power sits near $6.25 per share once I strip the FY2025 net income figure, which grew 149.5% against 3% revenue growth and left a $5bn gap between reported net income of $12.4bn and free cash flow of roughly $7.5bn. Fifteen times $6.25 gives €81.47 / $94.00. You are paying above that today.

Three structural facts break the preservation case. First, capital efficiency. My normalized ROIC lands at 7.7%, and 9.5% on the most generous FY2025 reading, against an estimated WACC near 8.5%. Disney earns roughly its cost of capital because the Fox acquisition left an invested capital base near $144bn, a large share of it goodwill attached to linear networks that are shrinking 14% a year and now contribute $3bn, or 17%, of operating income. That goodwill is a live impairment vector, and impairment on a declining asset is the definition of permanent capital destruction. Second, the income cushion does not exist. Management eliminated the dividend in 2020 and the inputs supplied here do not document a current rate at a level that changes the return math. A wealth preservation position competing against a 4% savings account needs paid-in-cash return; Disney offers price appreciation and little else. Third, the drawdown record. The shares fell from roughly $203 in 2021 to roughly $79 in 2023, a 61% decline, and at $98.18 they remain more than 50% below that peak five years later. That is the exact pattern the mandate is designed to exclude: a decline over 50% not recovered within five years.

What would change my mind is arithmetic, not narrative. The base case delivers 7.3% total return, which clears the 7% hurdle by 30 basis points and misses the 8% BUY threshold. The bear case delivers -1.8%, which fails the absolute requirement that capital be preserved in the downside scenario. At €69.34 / $80.00 the bear case turns positive, the base case clears 8%, and I get the 15% margin of safety the framework demands. Until then a 4% deposit dominates this position on a risk-adjusted basis. Re-review triggers appear in §10.

STAGE 1 — SECTOR & THEME IDENTIFICATION

Q1. Is the sector understandable?

Yes. Disney operates three reportable segments: Entertainment (studios, Disney+, Hulu, linear entertainment networks), ESPN/Sports, and Experiences (parks, resorts, cruise, consumer products). Revenue lines are identifiable: subscription and affiliate fees, advertising, content licensing, ticketing and hospitality, and royalties. **Continue.**

Q2. Is the sector in secular decline?

Mixed, and this requires a split answer. Linear cable networks excluding ESPN produced $3bn of operating income in fiscal 2025, 17% of the total, and declined 14% year over year. That sub-segment is in secular decline. The consolidated business is not: Experiences and streaming both grow. **Continue, with the linear runoff treated as a known quantified drag rather than a surprise.**

Q3. Defensive or cyclical?

Moderately-to-highly cyclical. Parks, cruises, resorts, box office and advertising all sit in discretionary spending. Beta of 1.41 and realized volatility of 26-30% over 240-day to 5-year windows confirm the market prices it as cyclical. Per framework rules this triggers heightened balance sheet scrutiny and requires either exceptional balance sheet strength or a valuation discount to proceed. Disney has the former (see §2.1) and lacks the latter. **Continue to Stage 2 under heightened scrutiny.**

Q4. Sector tailwinds

Three drivers I can identify from the inputs:

1. Experiential consumer spending shifting from goods to travel and destinations, which supports Experiences pricing.

2. Industry-wide pivot from streaming subscriber growth to ARPU and advertising monetization, which structurally lifts streaming margins.

3. Migration of live sports to direct-to-consumer distribution, giving ESPN a path around affiliate erosion.

Priced in? Partly. Drivers 2 and 3 sit inside consensus. Driver 1 faces an active counter-signal in the inputs: declining international visitor attendance at domestic parks and a free cash flow decline exceeding $2bn attributed to parks headwinds.

Q5. Sector valuation vs history

Media and entertainment multiples sit below their 10-year averages after the 2022-2023 de-rating. Peer median P/E of 12.6x and EV/EBITDA of 8.1x indicate a de-rated sector, not an inflated one. Favorable at the sector level.

STAGE 1 VERDICT: CONTINUE. Understandable, not in aggregate decline, cyclical enough to demand fortress-grade balance sheet evidence.

STAGE 2 — FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

The inputs do not supply balance sheet line items. I derive the following and label the derivation. Where I cannot derive, I mark the gap rather than fill it.

Metric	Threshold	Disney (derived)	Assessment
Debt / Equity	<1.0x, ideally <0.5x	~0.43x (derived: market cap $178bn ÷ P/B 1.7x = book equity ~$105bn; g	**PASS**
Interest Coverage (EBIT/Int)	>5.0x min, >8.0x preferred	>10x (EBIT ~$17.6bn; net interest ~$1.0-1.2bn)	**PASS**
Current Ratio	>1.5x	**NOT IN INPUTS.** Disney has historically operated below 1.0x on large	**MONITOR**
Free Cash Flow	Positive 4 of last 5 years	Positive 6 of 6: $6.22bn, $7.39bn, $5.53bn, $5.72bn, $7.64bn, ~$7.5-8.5b	**PASS**
Debt Maturity Schedule	No cliff >30% in any 2-year window	**NOT IN INPUTS.** Feb 2026 424B2 and 424B5 filings indicate capital m	

IMPORTANT DISCLOSURES

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