Introduction

- Chief Executive Officer: Robert A. Iger
- Location of home office: Burbank, Ca
- Ending date of latest fiscal year-Fiscal Year: September 29, 2012
- The Walt Disney Company is one of the largest media and entertainment corporations in the world. The company’s principal products and services encompass media networks, parks and resorts, studio entertainment, interactive media, and consumer products.
- Main geographic areas of activity: North America, Europe, and Asia
Audit Report

- Independent Auditors: PricewaterhouseCoopers

- The auditors stated that the Walt Disney company maintained effective internal controls and prepared their information fairly.
Stock Market Information

- Most recent price of the company’s stock: $63.08
- Twelve month trading range of the company’s stock: $44.14 - $67.89
- Dividend per share: $0.75. yield (1.20%)
- Date of the above information: May 31, 2013 as of 4:01 pm
- I would rate it A hold due to recent run up in stock value. the company is improving return on equity and has growing profit margins.
## Income Statement

- **Multistep format**

<table>
<thead>
<tr>
<th>Walt Disney Company</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>8,863,000</td>
<td>7,781,000</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>9,002,000</td>
<td>7,801,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>5,682,000</td>
<td>4,807,000</td>
</tr>
</tbody>
</table>

- From 2011 to 2012, gross profit, income from operations and net income all have increased.
## Balance Sheet

- From 2011 to 2012, assets, liabilities and shareholders’ equity all increased.
- Liabilities increased the most by 4.03%.
- Shareholders’ equity increased by 3.67% while assets grew by 3.84%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>72,124,000</td>
<td>34,739,000</td>
<td>37,385,000</td>
</tr>
<tr>
<td>2012</td>
<td>74,898,000</td>
<td>35,139,000</td>
<td>39,759,000</td>
</tr>
</tbody>
</table>
The cash flows from operations are more than net income over the past two years.

The company is growing through investing activities by expansions in current Disney parks and resorts overseas, specifically Shanghai. Additionally, the company is investing in new equipment for parks.

The company’s primary source of financing is funding from stock sales.

Overall, cash has increased over the past two years.
Accounting Policies

the significant accounting policies:

- Revenue Recognition
  - recognize revenues from advance theme park ticket sales when the tickets are used
  - non-expiring, multi-day tickets, revenues are recognized over a five-year time period based on estimated usage
  - Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited
  - Television advertising revenues are recognized when commercials are aired

- Advertising expenses
  - Advertising costs are expensed as incurred

- Inventories
  - Inventory primarily includes vacation timeshare units, merchandise, materials, and supplies

- Parks, resorts, and other property
  - Parks, resorts, and other property are carried at historical cost. Depreciation is computed on the straight-line method
Accounting Policies

Topics of notes to the financial statement:
- Film and television Revenues and costs
- Revenue Recognition
- Pension and Postretirement Medical Plan
- Goodwill, Intangible Assets, Long-lived Assets and Investments
- Allowance for doubtful accounts
- Contingencies and litigations
- Income Tax audits
Financial Analysis
Liquidity Ratios

From 2011 to 2012 the following decrease:
- Working capital
- Current ratio
- Receivable turnover

Increase:
- Average days’ sales uncollected

<table>
<thead>
<tr>
<th></th>
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<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital</td>
<td>13,709,000 - 12,813,000 = 896,000</td>
<td>13,757,000 - 12,088,000 = 1,669,000</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>13,709,000/12,8 = 1,06</td>
<td>13,757,000/12,0 = 1,14</td>
</tr>
<tr>
<td>Receivable Turnover</td>
<td>42278000/(654000+6182000/2) = 6.64</td>
<td>40893000/(6182000+5784000/2) = 6.83</td>
</tr>
<tr>
<td>Average days’ sales uncollected</td>
<td>365/6.64 = 54.96</td>
<td>365/6.83 = 53.44</td>
</tr>
</tbody>
</table>
Financial Analysis
Liquidity Ratios

➢ Current liabilities increased in 2012 thus working capital and current ratio decreased.

➢ Disney has a high receivable turnover thus they are efficiently receiving collecting their cash collections
Financial Analysis
Liquidity Ratios

From 2011 to 2012 the following decrease:
- Inventory Turnover
- Operating cycle
- Payables turnover

Increase:
- Average days’ inventory on hand
- Operating Cycle
- Average days’ payable

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<tr>
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<th>2012</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventory Turnover</strong></td>
<td>$33294000/(1537000+1595000/2) = 21.26</td>
<td>$33066000/(1595000+1442000/2) = 21.78</td>
</tr>
<tr>
<td><strong>Average Days’ Inventory on hand</strong></td>
<td>$365 / 21.26 = 17.17</td>
<td>$365 / 21.78 = 16.76</td>
</tr>
<tr>
<td><strong>Operating Cycle</strong></td>
<td>$17.17 + 54.96 = 72.13</td>
<td>$16.76 + 53.44 = 70.20</td>
</tr>
<tr>
<td><strong>Payables Turnover</strong></td>
<td>$33294000/(6393000+6362000/2) = 5.22</td>
<td>$33066000/(6362000+6109000/2) = 5.30</td>
</tr>
<tr>
<td><strong>Average days’ payable</strong></td>
<td>$365 / 5.22 = 69.92</td>
<td>$365 / 5.30 = 68.87</td>
</tr>
</tbody>
</table>
Financial Analysis
Liquidity Ratios

- The high inventory turnover demonstrates strong sales.
- The operating cycle is about 17 days meaning the company’s ability to receive cash collections and pay their suppliers.
# Financial Analysis

## Profitability Ratios

<table>
<thead>
<tr>
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<th>2012</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit Margin</strong></td>
<td>$6,173,000 / $42,278,000 = 14.60%</td>
<td>$5,258,000 / $40,930,000 = 12.86%</td>
</tr>
<tr>
<td><strong>Asset Turnover</strong></td>
<td>$42,278,000 / ($74,898,000 + $72,124,000 / 2) = 0.57</td>
<td>$40,893,000 / ($72,124,000 + $69,206,000 / 2) = 0.58</td>
</tr>
<tr>
<td><strong>Return on assets</strong></td>
<td>0.146 x 0.57 = 8.32%</td>
<td>0.1286 x 0.58 = 7.46%</td>
</tr>
<tr>
<td><strong>Return on equity</strong></td>
<td>0.146 x $42,278,000 / ($39,759,000 + $37,850,000 / 2) = 28.35%</td>
<td>0.1286 x $40,893,000 / ($37,850,000 + $37,519,000 / 2) = 25.46%</td>
</tr>
</tbody>
</table>
Financial Analysis
Profitability Ratios

From 2011 to 2012, the Walt Disney Company is a growing company with increases in profit margin, return on assets, and return on equity.

Return on assets increasing means Disney is earning more money on less investments.

Return on equity increases thus the money shareholders invested in is generating more profit.
## Financial Analysis

### Market Strength Ratios

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
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</tr>
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<tbody>
<tr>
<td>Price/earnings per share</td>
<td>49.79/3.13 = 15.91</td>
<td>37.50/2.52 = 14.88</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.56%</td>
<td>1.15%</td>
</tr>
</tbody>
</table>

Price/earnings per share and dividend yield both increase.

Investors are anticipating higher growth in the future.
Financial Analysis
Solvency Ratio

From 2011 to 2012, the debt to equity ratio decreased indicating less risk

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</thead>
<tbody>
<tr>
<td>Debt to equity</td>
<td>351390000 / 41958000 = 0.84</td>
<td>347390000 / 39453000 = 0.88</td>
</tr>
<tr>
<td>Financing gap</td>
<td>72.13 – 69.92 = 2.21</td>
<td>70.20 – 68.87 = 1.33</td>
</tr>
</tbody>
</table>
Industry Situation & Company Plans

The Walt Disney Company operates within the diversified entertainment and media industry. The outlook the company has toward this industry is unwavering, positive and prominent. Disney plans to expand to a new park and resort in Shanghai, China. Additionally, the company is releasing new movies such as: OZ: The Great & Powerful, The Lone Ranger, Planes, Lincoln, Iron Man 3, Monsters University, Frozen, New Installments of the Star Wars Series, Remake of Saving Mr. Banks. Walt Disney Corporation recently bought Luscafilms from Owner/Founder George Luca for $4.05 billion.

Reference 1
Reference 2
Executive Summary

The Walt Disney Company is one of the world’s leading diversified media and entertainment corporations in the world. Disney is able to create sustainable profits due to its heterogeneity, individuality, and effective strategies. Over the last seven years Disney focused on three key strategic priorities which lead to success: creating high-quality content for families, making that content more engaging and accessible through the innovative use of technology, and growing our brands and businesses around the world. The Walt Disney Company is a promising company continuing to grow and well worth investing. Disney plans to expand and will continue bring a new level of success into the industry.