THE WALT DISNEY COMPANY[1]

1. INTRODUCTION

The Walt Disney Company (hereinafter, Disney) is a well-known American company dedicated mainly to communications and entertainment, which since 1923 has been expanding both its product portfolio and geographically. In this paper, we will analyze the main sources of Disney's success and how its future looks like. We will focus on both qualitative and quantitative factors and we will propose some recommendations focused on diminishing the weaknesses of the company.

2. HISTORY[2]

Disney was founded in 1923 when Walt Disney, a young boy who had made a cartoon about a little girl -called Alice's Wonderland-, signed a contract with a distributor to produce the ''Alice comedies''.

Some time later, he created a new character, Mickey Mouse, which not only increased the company's popularity, but also gave rise to character merchandising. In 1937, his first animated feature film, *Snow White and the Seven Dwarfs*, came up. It was a total success and it was followed by many other well-known films.

About two decades later, after spending some years planning the construction of an amusement park for both parents and children, Disneyland opened. In 1966, Walt Disney died but he had some plans in mind, which were carried out by his brother Roy. Among these plans was the construction of the premier vacation destination in the world, which was finished in 1971. Also in that year, Roy Disney died, so the company was led by a team trained by the two Disney brothers.

[1] Case written by Neus Linares, Anna Cardona and Mireia Carrera; and supervised by professor Oriol Amat, Universitat Pompeu Fabra. 2019.

[2] Most information is taken from the Disney Official Fan Club webpage.

The team continued making films and opening parks (Tokyo, 1983. Paris, 1992). The next step of the Company was launching a cable network, The Disney Channel, in 1983.

In 1996, Disney acquired Capital Cities/ABC and brought the country's top television network to Disney, as well as 10 TV and 21 radio stations, seven daily newspapers and ownership positions in four cable networks. Disney continued innovating and launched two luxury cruise ships and created ESPN, a U.S.-based global pay television sports channel. The company also started making films together with Pixar, an independent computer animation film studio, until May 2006, when Disney purchased Pixar Animation Studios. Three years later, Disney acquired Marvel Entertainment. In 2012, the business completed its acquisition of Lucasfilm, producer of the Indiana Jones and Star Wars movies.

Nowadays, in 2018, with Bob Iger as the CEO of the Company, Disney is expected to merge with 21st Century Fox, by the summer of 2019. To conclude, we can say that what initially was an idea originated from a kid, has developed to a unique project characterized by the authenticity and creativity, and that without any doubt has accomplished people expectations around the world.

All the aforementioned information is summed up in the following table (Figure 1).

YEAR	*FACT*
1923	Walt Disney signs a contract to produce the "Alice comedies"
1937	Emission of first animated feature film, Snow White and the Seven Dwarfs
1955	Opening of Disneyland
1966	Walt Disney dies. His brother Roy takes control of the firm
1971	Roy dies. The company is led by a team trained by the Disney brothers
1983	Launch of a cable network, The Disney Channel
1996	Acquisition of Capital Cities/ABC, which supposes 10 TV and 21 radio new stations
1998	Launch of two luxury cruise ships
1998	Creation of the pay televisions ports channel ESPN
2006	Acquisition of Pixar
2009	Acquisition of Marvel Entertainment
2012	Acquisition of Lucasfilm
2019	*Merger with 21st Century Fox (as of 2018, expected to happen)*

Figure 1. Main facts in the history of Disney

Source: Own calculations (2018)

3. ANALYSIS OF THE SECTOR AND COMPETITION

3.1 COMPETITORS

Being so diversified means that Disney competes with many different media conglomerates across its various business lines.

The company's largest competitors are:

- *Studio entertainment*: Time Warner, Sony, Viacom and Netflix.
- *Media networks*: sports channels of Sky, CBS, Eurosport and Comcast's NBCUniversal segment.
- *Theme parks*: Universal Studios, Cedar Fair, Six Flags Entertainment and Comcast.
- *Consumer Products and Interactive Media*: DC, Six Flags, Hasbro and Mattel Inc.

Please note that within the Studio Entertainment category, there is one historic competitor missing, 21st Century Fox, but, as stated before, it is expected to become part of Disney. In this industry, Disney has the second largest market share, just behind Warner Bros. However, if the acquisition of 21st Century Fox is finally completed, it will clearly be at the top of the list. Having acquired so many different studios (Pixar, Marvel, Lucasfilm…), the company is able to make films suitable for all audiences, and this fact is one of its main strengths.

3.2 SALES EVOLUTION IN THE INDUSTRY

The number of annual sales and the revenue generated are important components that allow to make comparisons between the company studied, Disney, and its competitors, on which we are going to focus in this section.

3.2.1 STUDIO ENTERTAINMENT

In Figure 2 we can see the trend of profits of the main companies of the Studio entertainment sector. Disney is not doing very good in this sector, as we can see in the graph. It has a positive evolution, but it is small compared to other firms such as Time Warner or Sony. On the other hand, Viacom worsens its performance over the years.

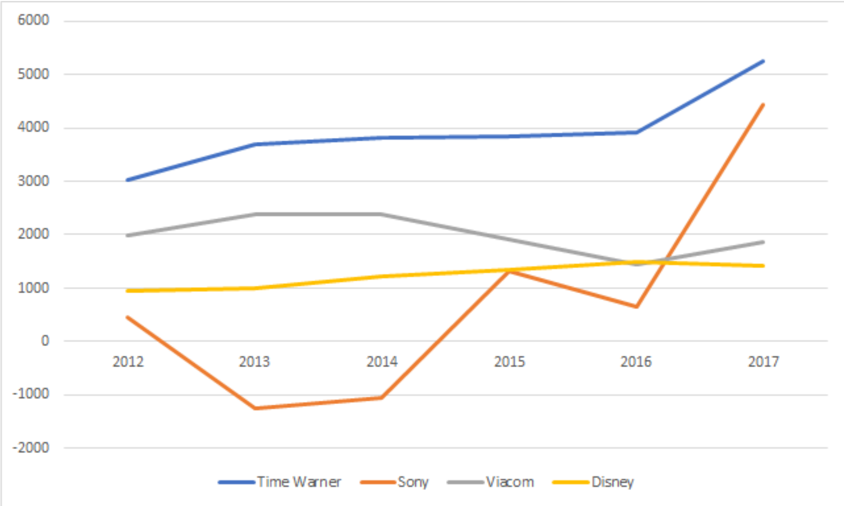

Figure 2. Profits evolution of Disney and its main competitors in the entertainment sector
Source: Own calculations (2018)

3.2.2 MEDIA NETWORKS

In figure 3 we have computed the profits evolution of Disney and the main competitors in the sector of media networks. Disney is above its competitors by a significant difference until the most recent years. Over the years, it has had mainly an increasing trend except from 2016 to 2017 where it decreases a bit. Concerning the other companies, NBCUniversal is the one closer to the profits of Disney and it even surpasses Disney from 2016 on.

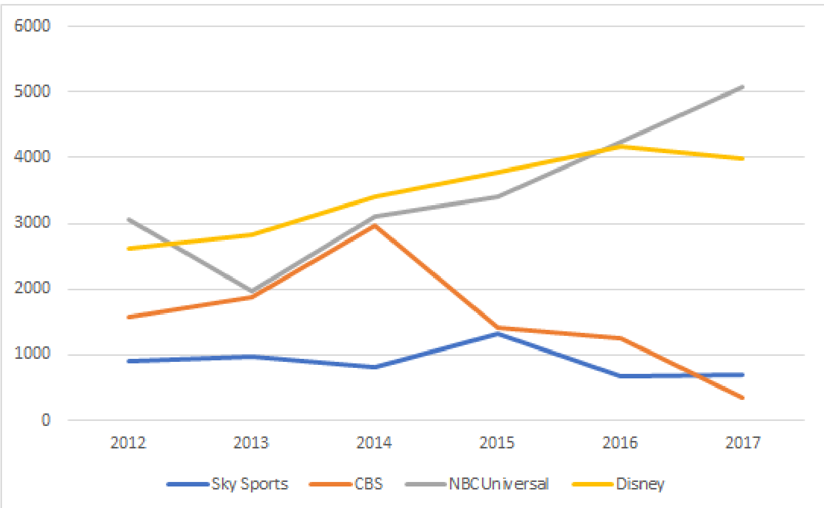

Figure 3. Profits evolution of Disney and its main competitors in the media network sector
Source: Own calculations (2018)

3.2.3 THEME PARKS

Disney is again the leading company in this sector, with more than 16 billion US dollars in revenue from its amusements parks. It is followed by OCT Parks China which is the second largest company, although it only generates around 4 billion US dollars annually.

This difference in revenue it is in part because the Disney parks are actually also the most visited in the world, and all their different resorts and parks are in the list of the 25 most visited worldwide.

In Figure 4 we see that Disney Parks and Resorts had the highest revenue in 2015 by far.

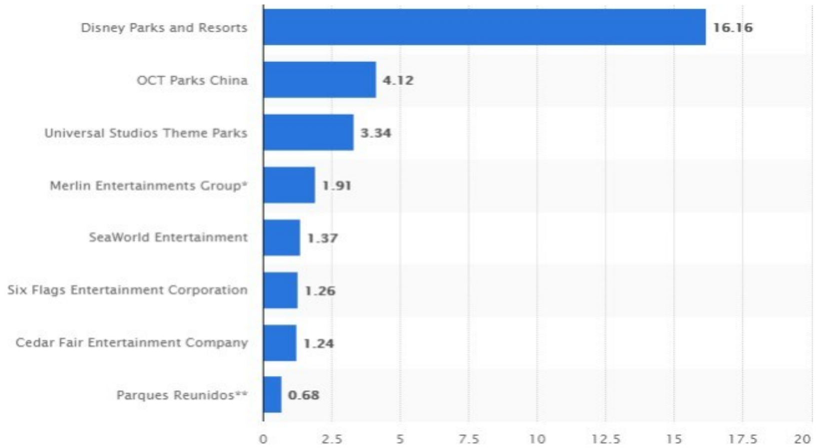

Figure 4. Leading amusement and theme parks companies worldwide in 2015, by revenue (in billion US$). **Source:** Statista (2016).

And in Figure 5 we can see that almost all the most visited parks in 2017 belong to the Disney company.

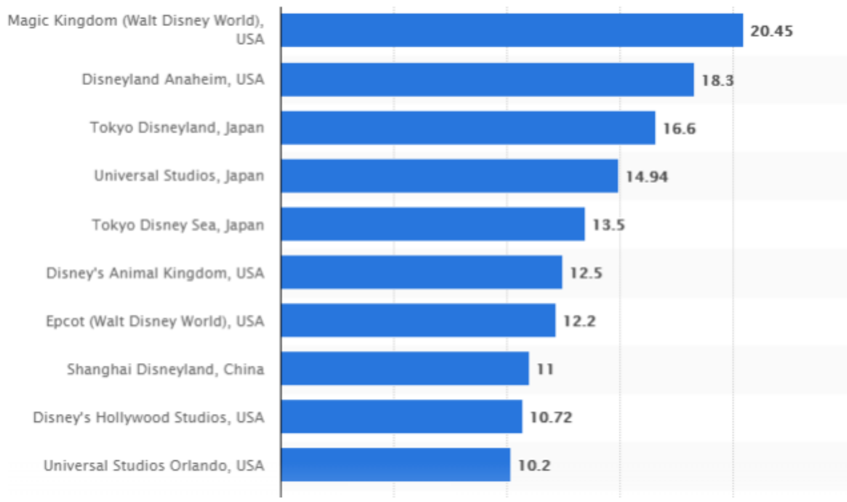

Figure 5. Attendance at amusement and theme parks worldwide in 2017
Source: Statista (2018)

3.2.4 CONSUMER PRODUCTS AND INTERACTIVE MEDIA

Finally, in Figure 6 we can see the profits in the consumer products and interactive media. Disney is the company that increases more of the three and again, it has an increasing trend that only decreases a bit from 2016 to 2017. The other two competitors are far below; we can see that Mattel has had some troubles and is even getting losses.

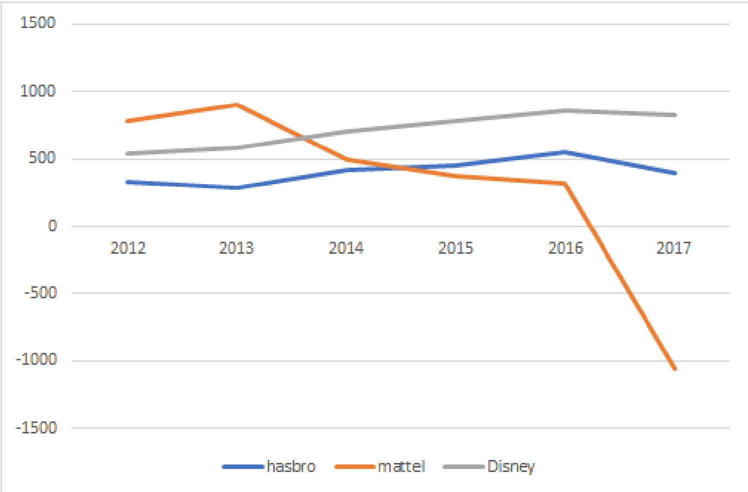

Figure 6. Profits evolution of Disney and its main competitors in the media network sector
Source: own calculations (2018)

3.3 OPPORTUNITIES AND THREATS OF THE INDUSTRY

As happens in the Media networks industry, where Disney has proven to be the market leader with the largest market-share by revenue of all competitors (report of 2016), there are several risks in the media industry.

To stay competitive in these industries and increase the customer base, companies must adapt to the consumers' tastes continually.

One of the main threats of the last years is consumers switching from Cable TV to streaming services, and from conventional films -and going to the cinema- to films produced by streaming media providers such as Netflix or HBO, which are directly posted on these sites. These changes are due to technological innovations in online product delivery businesses and mean a loss of consumers for companies like Disney, which have to look for new ways to distribute and expand their channels, aiming to innovative online trends.

Also, digital content piracy, present since the early 2000s, reduces the industry potential revenues. Disney has actually suffered losses of subscriptions for its ESPN networks. Nevertheless, they have already made investments and partnerships to find a solution to that: they have teamed up with BAMTech, AT&T/DirecTV, Hulu, PlayStation Vue and Sling TV, which are actively addressing this

concern and redirecting the company towards streaming distribution.
Other risks in the sector include a decline in economic conditions, the preservation of intellectual property rights and increased competition.

But luckily, this is not a high risk for Disney, as it has a big control over its unique and innovative intellectual property; they offer through ESPN, ABC and Disney Channel original content that cannot be licensed or distributed by other media networks.
They also connect many of its businesses units together through the same characters, so consumers engage with them through television, film, consumer products, parks and video games (as we have mentioned, their recognition is one of its strongest assets).
Regarding theme parks, it is an industry that Disney also dominates, generating almost four times that of its closest competitor, OCT Parks China. Although amusement parks already existed, the construction of Disneyland in 1955 set the basis for the construction of other parks, due mainly to its innovation. Recently, the opening of The Wizarding World of Harry Potter at Universal Orlando Resort theme park has been very successful and present in the news, but Disney probably downplays this fact, since it is still not a direct threat against its popularity.
Last but not least, regarding Consumer Products and Interactive Media, Disney's market share is very similar to the market leader Mattel Inc. Although it is the original business unit of Disney, it has to be very aware of the fact that physical toys are progressively losing popularity. Nonetheless, interactive online games are what kids nowadays demand, and what they get. So, Disney must adapt to technological changes if it does not want to fall behind its competitors. At least as we know it, it is a sure industry, because children will always want to entertain themselves and will always receive presents for special occasions.
On the other hand, the threat of new companies entering the sector of entertainment is quite low; the industry has created barriers to enter: the already established companies have a very significant presence, making it harder for newcomers to find their place; and also high sunk costs and high capital requirements to produce make it hard. The concern with this fact is that new producers feel that they are not capable of introducing their new and innovative products into the market, although this is becoming less of a problem thanks to internet distribution (and for the disgrace of Disney).
Moreover, industry sales are strongly affected by economic cycles, as these types of companies do not provide essential items, but goods and services people buy or experience once the basic needs are satisfied. We can, in this case, highlight theme parks and products. So, in periods of crisis or economic recession, sales may go down. However, we must make emphasis on Disney diversification, geographically and by product, because if one business line enters a bad phase, losses incurred in comparison to other years can be compensated by the other sectors. And this advantage

happens in a considerable number of the company competitors due to its expansion.

In the following Figure 7, we can see the aforementioned factors classified into opportunities or threats.

OPPORTUNITIES	**THREATS**
Increasing demand of interactive online games	Adapt continuously to consumers' taste
Hard for new companies to enter	Increase of streaming media platforms
	Digital content piracy
	Preservation of intellectual property rights
	More prone to be affected by economic cycles

Figure 7. Qualitative analysis of the industry
Source: Own data (2018)

4. PRESENT SITUATION OF THE COMPANY

4.1 MISSION AND VISION OF THE COMPANY

- Mission: "*To be one of the world's leading producers and providers of entertainment. Using the portfolio of brands and different businesses to differentiate the content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences in the world*"
- Vision: "*To generate best creative content possible; foster innovation, utilize the latest technology; and expand into new markets around the world*"

4.2 COMPOSITION OF THE COMPANY

Disney is a big corporation which owns around 200 companies, including subsidiaries such as ESPN (with an 80% participation), and joint ventures such as A+E Networks (50% of Disney and 50% to Hearst Corporation) or Hulu (30% ownership), which use the Equity method to consolidate the financial statements.

Disney operates four primary business units:

1. Studio Entertainment (films, musical recordings and theater performances; distributed under the Walt Disney Pictures, Pixar, Marvel, Lucasfilm, Touchstone).

2. Media Networks (includes ESPN and the Disney/ABC Television Group; company's broadcast, cable, radio and digital businesses), which is the largest segment.

3. Consumer Products and Interactive Media, which sometimes are treated as two different divisions. Disney's global consumer products operations include the world's leading licensing business across toys, apparel, home goods, and digital games and apps; Disney store locations around the world; and the shop Disney e-commerce platform.

4. Parks & Resorts (theme parks, cruise lines…).

As we can see in Figure 8 below, Disney has a cooperative multidivisional (M-form) organizational structure that focuses on business type (Studio Entertainment and Media Networks are both included in Walt Disney Studios). This structural organization helps to focus on each specific business industry. Moreover, the strategic management control is centralized, ensuring the election of strategies that benefit the company as a whole. There also divisions regarding geography (United States and Canada, Europe, Asia Pacific, and Latin America and Other).

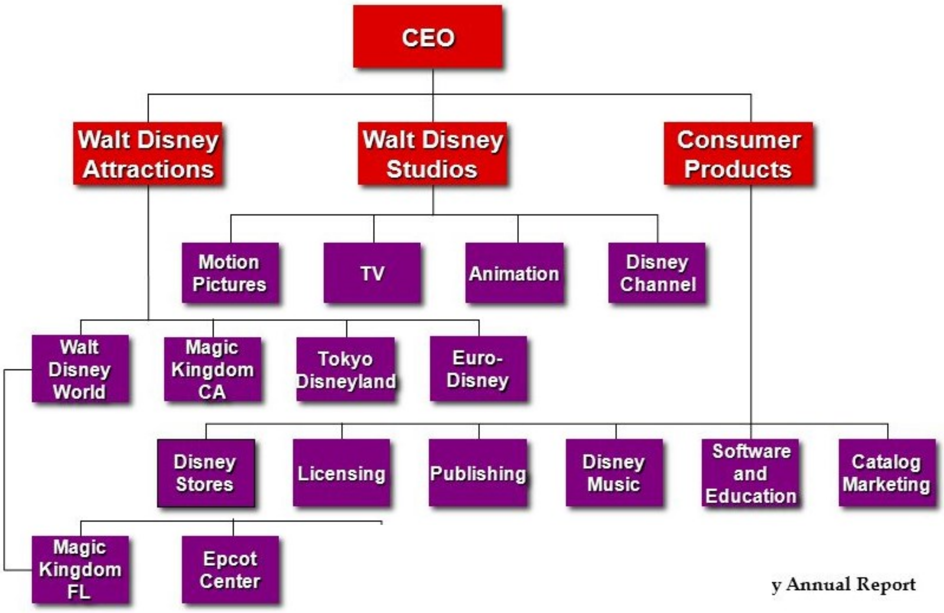

Figure 8. Organizational structure of Disney
Source: The Walt Disney Company Annual Report

In figure 9 we can observe the revenue generated by Disney different business lines in 2017, noticing that media networks and parks and resorts are situated first, and studio entertainment with consumer products & interactive media are latter.

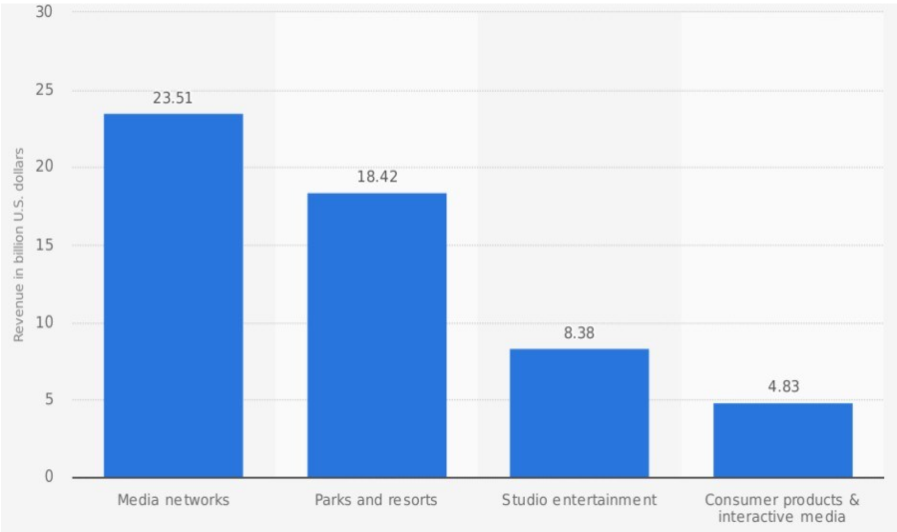

Figure 9. Revenue of the Disney Company in 2017, by operating segment (in billion US$)
Source: Statista (2018)

4.3 KEY SUCCESS FACTORS

4.3.1. DIVERSIFICATION

Regarding Figure 7, we have seen that Disney is a much diversified company. The business' generic competitive advantage is based on making its products different from those of competitors. On the other hand, the corporation's intensive strategies for growth are focused on developing new products that suit global market trends and preferences. This is useful in order to be able to provide different products to different segment groups (e.g., adults or children). Moreover, offering so many different products (compare a theme park with a football match) allows them to reach a higher customer base which provides them higher revenues. So, we can say that the company grows through innovation and creativity, which enable it to compete against large firms and be positioned as one of the bests worldwide regarding the sectors involved.

4.3.2. HIGH-QUALITY CREATIONS

When it comes to create, Disney is one of the most powerful companies around the world. For instance, regarding its films, they are transmitted across generations and remembered over the years with joy and nostalgia. They tend to be emotional and mark the lives of the watchers. This fact is a business opportunity because remakes of old classics attract the old customers, as well as new ones. For this to happen, products need to be of high-quality, one of the main concerns of the leaders of the company. In fact, since 1932, Disney has won 84 Oscar Awards in categories such as Best Animated Feature, Best Original Song or Best Visual Effects.

This policy is followed in all the business segments, trying to offer high-quality experiences and products.

4.3.3 ACQUISITIONS

Some years ago, Disney changed its strategy from using their own creativity to buying the creativity of others. With the acquisition of firms such as Pixar, Marvel or Lucasfilm, Disney takes advantage of the intellectual capital of these firms and it gets to distribute innovative and more diverse products without having to invest much in R+D, for example.

4.3.4 DISTRIBUTION CHANNELS

A distribution channel is a chain of intermediaries through which a good or service passes until it reaches the end consumer. Therefore, the better this chain of businesses, the quicker the customers get the products they demand. In the case of Disney, they have the most extensive distribution channel in the entertainment industry. Disney's products reach their customers through retail stores, films, TV channels, Internet, advertisement, and many other forms of retailing.

4.3.5 ECONOMIES OF SCALE AND SCOPE

Because of the aforementioned business diversification, Disney is able to take advantage of both economies of scale and scope. Regarding the former, the company works in industries with high fixed costs (movie studios, theme parks…) and thus, having a high level of production allows them to reduce the cost per unit produced. As regards to the latter, the existing synergies between the company's different divisions provide cost advantages because resources from one segment can be used in other segments as well (e.g., Disney Channel can have advertisements of new Disney's films or consumer products).

4.4. STRATEGIC ORGANIZATION

In March of 2018, Disney announced a strategic reorganization. The organization is based on four segments:

- Direct-to-consumer and international.
- Combined parks, experiences and consumer products.
- Media networks.
- Studio entertainment.

Robert A. Iger, Chairman and Chief Executive Officer of the Walt Disney Company, has claimed that they are positioning the business for the future, creating a more effective, global framework to serve consumers worldwide, increase growth, and maximize shareholder value.

With the Studio and Media Networks serving as content engines for the business, they are combining the management of the direct-to-consumer distribution platforms, technology and international operations to deliver the entertainment and sports content consumers around the world want most, with more choice, personalization and convenience than ever before.
The change is intended to capitalize on today's rapidly changing media world and more closely align with the company's priorities for future growth, including creating high quality content, technological innovation, global expansion and directness on distribution regarding consumers.

4.4.1 DIRECT-TO-CONSUMER AND INTERNATIONAL

The newly created Direct-to-Consumer and International segment will serve as a global, multiplatform media, technology and distribution organization for world-class content created by Disney's Studio Entertainment and Media Networks groups. The new segment will be comprised of Disney's international media businesses and the company's direct-to-consumer businesses globally.
The Disney-branded direct-to-consumer streaming service will be the exclusive home for subscription video-on-demand viewing of the newest live-action and animated movies in the Pay TV window from Disney, Pixar, Marvel and Lucasfilm. The new organization will provide the company not only with increased quality and efficiencies, but also greater consumer insights that will allow for more personalization and substantially improved user experiences.
All in all, Disney is trying to face the new digital characteristics of the industry while maintaining its mass production essence. By being innovative and applying the aforementioned new structure, the company is expected to grow, generate high profits and still impress the consumers worldwide.

4.4.2 PARKS, EXPERIENCES AND CONSUMER PRODUCTS

The new Parks, Experiences and Consumer Products segment will become the hub where Disney's stories, characters and franchises come to life. Disney's worldwide consumer products business will be merged with Walt Disney Parks and Resorts under Mr. Chapek. By uniting Disney's consumer products business and Disney Parks' robust retail and e-commerce operations, the Company will be able to produce even more compelling products and retail experiences that only Disney can create.

4.4.3 MEDIA NETWORKS

The Media Networks segment will remain virtually the same, apart from the international Disney Channel operations that are moving to the Direct-to-Consumer and International business segment along with management of global advertising sales/technology.

4.4.4 STUDIO ENTERTAINMENT

The Studio Entertainment business segment remains the same too, except for the management of program sales moving to the Direct-to-Consumer and International business segment.

5. QUESTIONS

You are asked to prepare the following:

1. Prepare a qualitative analysis of Disney including the main strengths and weaknesses.
2. Identify the main financial strengths and weaknesses of Disney.
3. Assess the company's opinion as a shareholder and as a banker.
4. Prepare a Cause & Effect Diagram.
5. State recommendations to Disney so as to improve their future performance.
6. Demonstrate quantitatively the effectiveness of the recommendations.

6. APPENDIX: FINANCIAL STATEMENTS[4]

	Average sector	Average sector with profits	2017	%	2016	%	2015	%
Non-current assets	48614	66945	79900	83,41%	75067	81,57%	71424	81,00%
Film and television costs	5635	7878	7481	7,81%	6339	6,89%	6183	7,01%
Long term Investments	2506	3563	3202	3,34%	4280	4,65%	2643	3,00%
Parks, resorts and other property: Attractions, buildings and equipment	19770	28375	54043	56,42%	50270	54,62%	42745	48,47%
Accumulated depreciation	-	-	(29037)	-30,31%	(26849)	-29,17%	(24844)	-28,17%
Projects in progress	-	-	2145	2,24%	2684	2,92%	6028	6,84%
Land	-	-	1255	1,31%	1244	1,35%	1250	1,42%
Intangible assets, net	5752	7293	6995	7,30%	6949	7,55%	7172	8,13%
Goodwill	21473	29601	31426	32,81%	27810	30,22%	27826	31,56%
Other assets	2312,5	3053,5	2390	2,50%	2340	2,54%	2421	2,75%
Current Assets	11834	15554	15889	16,59%	16966	18,43%	16758	19,00%
Cash and cash equivalents	2890,5	3319	4017	4,19%	4610	5,01%	4269	4,84%
Receivables	6548,5	9017	8633	9,01%	9065	9,85%	8019	9,09%
Inventories	1383	1887	1373	1,43%	1390	1,51%	1571	1,78%
Television costs and advances	-	-	1278	1,33%	1208	1,31%	1170	1,33%
Deferred income taxes	-	-	-	-	-	-	767	0,87%
Other current assets	585	692	588	0,61%	693	0,75%	962	1,09%
Total Assets	60448	82499	95789	100%	92033	100%	88182	100%
Net Equity	27952	36690	45004	46,98%	47323	51,42%	48655	55,18%
Common stock, $.01 par value Authorized – 4.6 billion shares, issued 2.8 billion shares	64556,5	90671	36248	37,84%	35859	38,96%	35122	39,83%
Retained earnings	-	-	72606	75,80%	66088	71,81%	59028	66,94%
Accumulated other comprehensive loss	(1946)	(2482,5)	(3528)	-3,68%	(3979)	-4,32%	(2421)	-2,75%
Treasury stock, at cost, 1.0 billion shares	(37749)	(55542,5)	(64011)	-66,83%	(54703)	-59,44%	(47204)	-53,53%
Total Disney Shareholders' equity	26327	34845	41315	43,13%	43265	47,01%	44525	50,49%
Non-controlling interests	1625	1845	3689	3,85%	4058	4,41%	4130	4,68%
Non-current Liabilities	20179	28973	31190	32,56%	27868	30,28%	23193	26,30%
Borrowings	8994,5	12747	19119	19,96%	16483	17,91%	12773	14,48%
Deferred income taxes	2151	3032	4480	4,68%	3679	4,00%	4051	4,59%
Other long-term liabilities	8389	12368,5	6443	6,73%	7706	8,37%	6369	7,22%
Redeemable non-controlling interests	476	591,5	1148	1,20%	-		-	
Current Liabilities	12322	16836	19595	20,46%	16842	18,30%	16334	18,52%
Accounts payable and other accrued liabilities	3135	8385,5	8855	9,24%	9130	9,92%	7844	8,90%
Current portion of borrowings	4028	5811	6172	6,44%	3687	4,01%	4563	5,17%
Unearned royalties and other advances	1931,5	2639,5	4568	4,77%	4025	4,37%	3927	4,45%
Total Equity and Liabilities	60448	82499	95789	100%	92033	100%	88182	100%

Figure 10. Disney's Consolidated Balance Sheet in US GAAP (2015-2017) (in millions of $).
Source: Annual reports of the company (2017)

[4] To compute the average sector we used Disney, Time Warner and News Corporation. To compute the average sector with profits we used Disney and Time Warner

	Average sector	Average sector with profits	2017	%	2016	%	2015	%
Revenues	31535,00	43204	55137	100	55632	100	52465	100
Cost of services and products	-9054	-11316	-4986	-9,04	-5340	-9,60	-5173	-9,86
Gross margin	22461,00	31888	50151	90,96	50292	90,40	47292	90,14
Selling, general, administrative and other	-5446,00	-6807	-8098	-14,69	-8754	-15,74	-8523	-16,25
Other operating expenses	-8440,00	-12660	-25320	-45,92	-24653	-44,31	-23191	-44,20
Depreciation of fixed assets and amortization	-1142	-1489	-2782	-5,05	-2527	-4,54	-2354	-4,49
Impairment of assets	-347,00	-57	-98	-0,18	-156	-0,28	-53	-0,10
OPERATING RESULT (EBIT)	7086	10875	13853	25,12	14202	25,53	13171	25,10
Financial income	333,00	414	320	0,58	926	1,66	814	1,55
Financial expenses	-1054,00	-1434	-385	-0,70	-260	-0,47	-117	-0,22
Financial result	-721,00	-1020	-65	-0,12	666	1,20	697	1,33
EARNINGS BEFORE TAXES (EBT)	6372,00	9866	13788	25,01	14868	26,73	13868	26,43
Income Tax	-1717,00	-2561	-4422	-8,02	-5078	-9,13	-5016	-9,56
NET INCOME	4655	7305	9366	16,99	9790	17,60	8852	16,87

Figure 11. Disney's Consolidated Income Statement in US GAAP (2015-2017) (in millions of $)
Source: Annual reports of the company (2017)

	2017	2016	2015
A) CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME			
Depreciation and amortization	2782	2527	2354
Gains on acquisitions and sales of investments	-289	-26	-91
Deferred income taxes	334	1,214	-102
Equity in the income of investees	-320	-926	-814
Cash distributions received from equity investees	788	799	752
Net change in film and television costs and advances	-1,075	-101	-922
Equity-based compensation	364	393	410
Other	503	674	628
Changes in operations assets and liabilities:			
Receivables	107	-393	-211
Inventories	-5	186	1
Other assets	-52	-443	223
Accounts payable and other accrued liabilities	-368	40	-49
Income taxes	208	-598	354
Cash flows from operating activities	12343	13136	11385
B) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in parks, resorts and other property	-3623	-4773	-4265
Acquisitions	-417	-850	N/A
Other	-71	-135	354
Cash flows from investing activities	-4111	-5758	-4245
C) CASH FLOW FROM FINANCING ACTIVITIES			
Commercial paper borrowings/(repayments), net	1247	-920	2376
Borrowings	4820	6065	2550
Reduction of borrowings	-2364	-2205	-2221
Dividends	-2445	-2313	-3063
Repurchases of common stock	-9368	-7499	-6095
Proceeds from exercise of stock options	276	259	329
Contributions from noncontrolling interest holders	17	N/A	1012
Other	-1142	-607	-689
Cash flows from financing activities	-8959	-7220	-5801
E) INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
Impact of exchange rates on cash, cash equivalents and restricted cash	31	-123	-302
Changes in cash, cash equivalents and restricted cash	-696	35	-1037
Cash, cash equivalents and restricted cash at the beginning of the year	4760	4725	3688
Total cash, cash equivalents and restricted cash	4064	4760	4725
F) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	466	395	314

Figure 12. Disney's Consolidated Cash Flow Statement in US GAAP (2015-2017) (in millions of $). **Source:** Annual reports of the company (2017)

RATIO		Average of the sector	Average of the sector with profits	2017	2016	2015
CAPITALIZATION	Capitalization (E (without minority shareholders)/A)	-	-	0,431	0,47	0,505
	Weight of equity without minority shareholders (E(w/h minority shareholders)/E)	-	-	0,918	0,914	0,915
LIQUIDITY	Current Ratio (CA/CL)	0,96	0,92	0,811	1,007	1,026
	Liquidity ((CA-Stocks)/CL)	0,766	0,732	0,646	0,812	0,752
	Acid test (Cash/CL)	0,234	0,197	0,205	0,274	0,261
	Real working capital (CA-CL)	-488	-1282	-3706	124	424
	Working capital needed (OCA-OCL)	1921	2136	-670	-229	214
	Working capital deficit	-2409	-3418	-3036	353	210
	Z score	1,45	1,53	1,638	2,21	2,305
DEBT	Debt (L/A)	0,537	0,55	0,53	0,486	0,448
	Quality of debt (CL/TL)	0,38	0,37	0,368	0,377	0,413
	Cost of debt (Financial expenses/Loans)	0,08	0,07	0,015	0,013	0,007
	Repayment capacity (Cash flow/Loans)	0,275	0,256	0,480	0,611	0,646
	1/Repayment capacity	3,637	3,9	2,082	1,638	1,547
	Financial expenses (Financial expenses/sales)	0,03	0,03	0,007	0,005	0,002
ASSET MANAGEMENT	CA Turnover (Sales/CA)	2,66	2,77	3,47	3,279	3,131
	NCA Turnover (Sales/NCA)	0,65	0,64	0,69	0,741	0,735
SALES	Sales growth	0,014	0,017	-0,009	0,06	0,075
TERMS	Days receivable (Clients/Daily sales)	75,79	76,18	57	59	56
	Days payable (Suppliers/Daily purchases)	126,38	270,46	648	624	553
	Inventory days (Stocks/Daily costs)	55,75	60,86	100	95	111
PROFITABILITY, SELF-FINANCING AND GROWTH	Financial leverage ((A/E)*(EBT/EBIT))	1,945	2,04	2,118	2,036	1,908
	Fiscal tax effect (Net profit/EBT)	0,73	0,74	0,679	0,658	0,638
	Margin (EBIT/Sales)	0,225	0,25	0,251	0,255	0,251
	Turnover (Sales/Assets)	0,520	0,52	0,576	0,604	0,595
	(Cash flow-Dividends)/Sales	0,073	0,067	0,176	0,180	0,155
	(Cash flow-Dividends)/A	0,034	0,035	0,101	0,109	0,092
	ROI (EBIT/A)	0,120	0,130	0,145	0,154	0,149
	ROE (Net profits/Equity)	0,160	0,20	0,208	0,207	0,182
	ROE without minority shareholders (net profit attributable to Disney/Equity (without minority shareholders))	-	-	0,217	0,217	0,188
	Pay-out (Dividends/Net profit)	0,280	0,250	0,3	0,2	0,3
	Dividend Profitability (Dividends/E)	0,050	0,050	0,0543	0,0489	0,063

Figure 13. Disney's Ratios from 2015 to 2017
Source: Own calculations (2018). Information from the annual reports.

7. SOURCES

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