

## EDUCATIONAL CASE STUDY | 07

# The Walt Disney Company

*A Practitioner Capital-Allocation Walk-Through***KEY FINANCIAL METRICS — The Walt Disney Company (DIS) | FY 2025 (Sept 27, 2025) + Q2 FY 2026 balance sheet**

Operating Cash Flow (FY 2025)	\$18.1B
Capital Expenditures (parks, resorts & other property, FY 2025)	(\$8.0B)
<b>Free Cash Flow (OCF – Capex, FY 2025)</b>	<b>\$10.1B</b>
<b>EBITDA proxy (Total Segment OI + D&amp;A, FY 2025)</b>	<b>\$22.9B</b>
<b>Enterprise Value (as of June 5, 2026)</b>	
Market Capitalization (1,772M dil sh x ~\$99 indicative)	\$175.0B
+ Total Borrowings (gross, 3/28/26)	\$47.4B
– Cash & Equivalents (3/28/26)	(\$5.7B)
<b>= Enterprise Value</b>	<b>\$216.7B</b>

Source: Disney Form 10-K FY 2025 (filed Nov 12, 2025; cash-flow statement); Form 10-Q Q2 FY 2026 (quarter ended Mar 28, 2026; Note Borrowings p.16); Q2 FY 2026 earnings release (May 6, 2026). Share price ~\$99 is indicative for case framing; reader should verify spot.

<b>Ticker</b>	DIS (NYSE)
<b>As-of date</b>	June 5, 2026 (financials through Q2 FY26, quarter ended Mar 28, 2026)
<b>Sector</b>	Communication Services / Entertainment / Media
<b>Diluted shares (Q2 FY26)</b>	1,772M
<b>FY 2025 revenue</b>	\$94.4B
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## Executive Summary

The Walt Disney Company enters fiscal 2026 with three operating segments that, in aggregate, produced \$94.4 billion of revenue and \$17.6 billion of segment operating income in fiscal 2025 (Disney 10-K FY 2025, filed November 12, 2025). Cash provided by operations in FY 2025 reached \$18.1 billion, the highest in five years, against \$8.0 billion of investments in parks, resorts, and other property; the FY 2025 capital-allocation envelope included \$3.5 billion of share repurchases and \$1.8 billion of cash dividends. Q1 FY 2026 (quarter ended December 27, 2025) and Q2 FY 2026 (quarter ended March 28, 2026) extended the operating momentum: H1 FY 2026 revenue of \$51.1 billion (+6% y/y) and Q2 SVOD operating income inflected to \$582 million, an 88% y/y increase (DIS Q2 FY 2026 earnings release, May 6, 2026).

Against this operating backdrop, the case examines the capital-allocation history that produced the current balance sheet. The central practitioner question is whether the \$71 billion gross consideration paid for Twenty-First Century Fox in March 2019 was a sound use of capital relative to documented alternatives, given (a) Disney's own prior IP-acquisition multiples for Pixar / Marvel / Lucasfilm, (b) the post-deal divestiture of Star India to Reliance in 2024 and the regulatory sale of the Fox-acquired Regional Sports Networks, and (c) the cumulative \$8-9 billion in disclosed impairments tied to Fox-acquired assets in fiscal 2022-2024.

The case does not reach a buy/sell conclusion. It walks the framework: segment economics, the Fox apples-to-apples analysis, the streaming-basket aggregate, the license-vs-build counterfactual, a twelve-year capital-allocation schedule, the current debt structure, and valuation scenarios at the indicative ~\$99 spot price. The walk is the deliverable; the conclusion is the reader's.

## Valuation Summary - Illustrative

Metric	Spot (~\$99)	Conservative	Base	Optimistic
Implied EV / FY25 segment OI	~12.3x	10x	13x	16x
Implied EV / FY25 CFO	~12.0x	9x	12x	15x
FY25 dividend yield (declared)	~1.0%	-	-	-
Implied price / share (illustrative)	\$99	\$78-85	\$95-105	\$120-140
Upside / (downside) to spot	-	(15)%-(21)%	(4)%-+6%	+21%-+41%

Sources: DIS 10-K FY 2025; Q2 FY 2026 earnings release. Scenarios are illustrative and do not constitute price targets.

**The thesis in one sentence.** Disney's three operating segments are structurally valuable franchises; the practitioner question is whether the cumulative capital deployed into the Fox acquisition, the streaming build, and the parks expansion has earned a return commensurate with the equity base it consumed. The historical record is mixed; the forward outlook depends on streaming-margin discipline, the ESPN DTC transition, Experiences capital efficiency, and continued buyback / debt-repayment cadence.

## Why Now - Catalyst Context

Four developments converge in calendar 2026 to make Disney a useful case-study subject.

### 1. Leadership transition completed.

Robert A. Iger returned as CEO in November 2022 after the brief Chapek tenure. Disney announced the selection of Josh D'Amaro as CEO during fiscal 2026; the Q2 FY 2026 shareholder letter (May 6, 2026) is signed by D'Amaro as CEO and Hugh Johnston as CFO. The case uses the Iger-era decisions as the operating record and the D'Amaro-era guidance as the forward outlook (DIS Q2 FY 2026 earnings release, May 6, 2026, p. 9).

### 2. Streaming profitability inflection.

Entertainment SVOD operating income reached \$582 million in Q2 FY 2026, up 88% y/y from \$310 million in Q2 FY 2025, on \$5.5 billion of segment SVOD revenue (DIS Q2 FY 2026 earnings release, p. 12). Management guides full-year FY 2026 SVOD operating margin to ~10% (Q1 FY 2026 earnings release, February 2, 2026, p. 2). This marks the first sustained quarter of SVOD margin in the high-single-digit-to-low-double-digit zone after years of losses.

### 3. Balance-sheet activity.

Total borrowings stand at \$47.36 billion at March 28, 2026, up from \$42.03 billion at September 27, 2025 (DIS Q2 FY 2026 10-Q, Note - Borrowings, p. 16). In February 2026, Disney issued \$3.5 billion of fixed-rate U.S. dollar notes (3 to 10 year maturities, 3.75% to 4.63%) and \$0.5 billion of floating-rate notes (3 year, SOFR-indexed). Commercial paper expanded by \$3.5 billion net in H1 FY 2026, financing a portion of the \$5.5 billion of H1 share repurchases.

### 4. Fiscal 2026 guidance.

Management targets FY 2026 adjusted EPS growth of approximately 12% excluding the 53rd week (approximately 16% including it), at least \$8 billion in share repurchases, and Q3 FY 2026 total segment operating income of approximately \$5.3 billion (DIS Q2 FY 2026 earnings release, May 6, 2026, p. 1).

## Company Snapshot - Three Operating Segments

Disney reports in three operating segments since the fiscal 2024 reorganization: Entertainment, Sports, and Experiences. The Q2 FY 2026 quarter results below define the current segment mix.

Segment	Q2 FY26 Rev	Q2 FY25 Rev	y/y	Q2 FY26 OI	Q2 FY25 OI	y/y
Entertainment	11,715	10,682	+10%	1,336	1,258	+6%
Sports	4,609	4,534	+2%	652	687	(5)%
Experiences	9,487	8,889	+7%	2,615	2,491	+5%
Eliminations	(643)	(484)	-	-	-	-
Total	25,168	23,621	+7%	4,603	4,436	+4%

Sources: DIS Q2 FY 2026 earnings release, May 6, 2026, p. 2. Figures in \$ millions. Segment operating income excludes corporate / unallocated, restructuring & impairment, TFCF / Hulu acquisition amortization, and interest expense.

### Entertainment.

Comprises Linear Networks (ABC, Disney Channel, Freeform, FX, National Geographic), Direct-to-Consumer (Disney+, Hulu), and Content Sales / Licensing / Other (theatrical, home entertainment, third-party content licensing). FY 2025 segment revenue: \$42.5 billion; segment operating income: \$4.7 billion (10-K FY 2025, p. 37). The FY 2025 operating-income breakdown was Linear Networks \$2,955M, DTC \$1,327M, Content Sales / Licensing / Other \$392M. Direct-to-Consumer moved from \$143M in FY 2024 to \$1,327M in FY 2025 - the year of the DTC operating-income inflection.

### **Sports.**

ESPN (cable network), ESPN+, the Star+ Latin America sports rights, and the ESPN direct-to-consumer offering launched during FY 2025-FY 2026. FY 2025 segment operating income: \$2,882M (up 20% from FY 2024's \$2,406M, per 10-K FY 2025, p. 37). The Sports segment is in transition: rights-cost amortization timing and the YouTube TV temporary carriage suspension in Q1 FY 2026 created period volatility. Q1 FY 2026 Sports segment OI of \$191M was adversely impacted by approximately \$110M from the YouTube TV suspension (Q1 FY 2026 earnings release, p. 1).

### **Experiences.**

Six theme-park resort complexes (Walt Disney World, Disneyland, Disneyland Paris, Hong Kong Disneyland, Shanghai Disney Resort, Tokyo Disney - licensed), Disney Vacation Club, Disney Cruise Line (five operating ships plus the Disney Adventure and Disney Destiny coming online), and Consumer Products (licensed merchandise). FY 2025 segment operating income: \$9,995M, up 8% y/y (10-K FY 2025, p. 37). Experiences is the highest-margin and most cash-generative segment; per-capita spending at domestic parks was up 5% in Q2 FY 2026.

## The Twenty-First Century Fox Acquisition - Capital-Allocation Primacy

In March 2019, Disney closed its acquisition of Twenty-First Century Fox for approximately \$71.3 billion (Disney 8-K, March 20, 2019). The transaction added the Twentieth Century Fox film studio, FX Networks, National Geographic Partners, the 30% of Hulu Disney did not own, the Fox stake in Star India, the Fox-controlled Regional Sports Networks (RSNs), and various international assets. Because the practitioner's question is capital efficiency, the natural reference frame is Disney's own prior IP acquisitions, which had been celebrated for their capital discipline.

### Side-by-side: Disney's prior IP acquisitions vs. Fox

Acquisition	Year	Headline Consideration	Notes
Pixar	2006	\$7.4B (all stock)	Stock-for-stock; Steve Jobs largest single Disney shareholder post-deal
Marvel Entertainment	2009	\$4.0B (cash + stock)	Marvel character library; Disney+ MCU rollouts post-2019
Lucasfilm	2012	\$4.05B (cash + stock)	Star Wars + Indiana Jones IP
Subtotal IP M&A 2006-2012	-	~\$15.4B	Three transactions; high-IP-density additions
Twenty-First Century Fox	2019	~\$71.3B (cash + stock)	Single deal; ~4.6x the prior IP-acquisition total

Sources: Disney 8-K filings, March 2019; Disney 10-K FY 2006 (Pixar), FY 2010 (Marvel), FY 2013 (Lucasfilm). Headline consideration reflects announced purchase price including assumed debt where applicable.

### EBITDA-multiple analysis: what Disney effectively paid for Fox

Disney's pre-transaction guidance pointed to Fox EBITDA of roughly \$3.5-4.0 billion, implying a headline multiple in the high-teens to low-twenties. The apples-to-apples analysis adjusts for three items that sat inside the \$71.3B headline but were never part of the operating Fox business Disney kept: (1) the 39% Sky stake, which Fox sold to Comcast for ~\$15.0B cash pre-close in 2018; (2) the Regional Sports Networks, which the U.S. Department of Justice required Disney to divest as a condition of antitrust approval; and (3) Star India, which Disney contributed to a joint venture with Reliance Industries in November 2024, retaining a 36.84% interest.

Component	Low (\$B)	High (\$B)	Note	Source
Headline gross consideration (21CF acquisition)	71.30	71.30	Cash + stock	2019 8-K filed Mar 20, 2019
Less: RSN divestiture (Sinclair / Diamond Sports Group)	(9.60)	(9.60)	DOJ-required, cash proceeds	Sinclair 8-K Aug 2019
Less: Star India contribution to Reliance / Viacom18 JV - retained 36.84% equity stake offset	(3.13)	(3.13)	36.84% x \$8.5B JV post-money valuation per Nov 14, 2024 press release	Disney 8-K Feb 28, 2024 + Reliance/Disney joint PR Nov 14, 2024; DIS FY25 10-K Note 4 (filed Nov 13, 2025)
Less: Sky 39% stake sold pre-close to Comcast (cash)	(15.00)	(15.00)	£11.6B (~\$15.0B cash); sold to Comcast before close - converted to cash before Disney took ownership of Fox	Comcast / Sky 2018; Disney 8-K 2018
Fox-net cost (apples-to-apples)	43.57	43.57	After RSN + Star India + Sky (71.30 - 9.60 - 3.13 - 15.00)	calc

Fox pre-deal EBITDA guidance (Disney pre-acq investor materials)	3.50	4.00	Range from Disney 2017-2019 investor commentary	21CF FY18 8-K
Less: RSN portfolio EBITDA (divested with the assets)	(0.67)	(1.17)	Sinclair filings + comps for the 21 RSNs	Sinclair S-1 + Diamond Sports filings
Less: Star India pre-divestiture EBITDA (deconsolidated with the JV)	(0.80)	(0.80)	Disclosed Star India segment EBITDA pre-JV	DIS FY24 10-K segment footnote
Fox-net EBITDA (apples-to-apples)	2.03	2.83	After both deductions	calc
<b>Implied apples-to-apples multiple paid</b>	<b>21.5x</b>	<b>15.4x</b>	<b>43.57 / 2.03 = 21.5x (low-EBITDA case); 43.57 / 2.83 = 15.4x (high-EBITDA case). Sky is netted from cost only - as a 39% equity-method stake its EBITDA was never in the Fox EBITDA base, so there is no matching figure to remove from the numerator.</b>	<b>calc</b>

*Methodology: the cost denominator is netted of both the RSN cash proceeds (a clean cash exit required by the DOJ as antitrust remediation) and the Star India retained-equity offset (sized at 36.84% x \$8.5B JV post-money valuation per the Nov 14, 2024 Disney/Reliance press release). The EBITDA numerator is correspondingly netted of the RSN portfolio EBITDA and the Star India pre-divestiture EBITDA, so the multiple is computed on a like-for-like basis. The \$1.5-2.4B FY2024 Star India impairment (disclosed separately in the impairments analysis below) is not also subtracted here - that would double-count, since the retained-equity offset is already sized at the JV post-money valuation rather than at the higher pre-impairment carrying value. Sources: 21CF FY18 8-K, Sinclair S-1, Disney FY24 10-K, Disney FY25 10-K Note 4 (filed Nov 13, 2025), Disney 8-K Feb 28, 2024, Disney/Reliance joint press release Nov 14, 2024.*

### Documented Fox-related impairments

Disney has disclosed cumulative impairments of acquired intangibles and content of approximately \$8-9 billion across fiscal 2022-2024 tied to Fox-acquired assets. The 10-K FY 2025 cash flow statement (p. 74) shows impairments of goodwill, produced and licensed content and other assets of \$871M (FY 2025), \$3,511M (FY 2024), and \$3,128M (FY 2023). The fiscal 2022 10-K reported \$3.0 billion of impairment, primarily related to Star India and the international DTC business. Aggregate FY 2022-FY 2025 impairment of approximately \$10.5 billion includes both Fox-acquired and non-Fox content.

**Practitioner reading.** *The three prior IP transactions (Pixar, Marvel, Lucasfilm) added approximately \$15.4 billion of consideration and produced multi-year revenue and operating-income tails widely cited as Disney's most successful M&A vintage. The Fox transaction added approximately \$71.3 billion of consideration; the post-divestiture EBITDA left after the RSN sale and Star India contribution suggests a high-teens to high-twenties EBITDA multiple on the retained base, depending on the EBITDA denominator chosen. The documented \$8-9 billion of post-2021 impairments tied to Fox-acquired assets is the auditor-confirmed component of the capital-efficiency question.*

## Fox Deep-Dive - What Was Acquired and What Remained

A complete read of the Fox transaction requires inventorying what Disney actually bought, what it kept, what it divested, and what it impaired. The table below summarizes the principal Fox-acquired asset categories and the post-deal trajectory of each.

Acquired Asset	Status Today	Comment
Twentieth Century Fox film studio	Operating, in Entertainment	Continued production; theatrical slate folds into broader studio P&L;
FX Networks (FX, FXX, FXM)	Operating, in Entertainment Linear Networks	Within the linear-decline thesis
National Geographic Partners	Operating, in Entertainment	Linear + Disney+ presence; international magazine business
Hulu 30% stake (then 60% post-deal)	100% owned, fully resolved FY 2025	\$8.6B FY 2024 + \$0.4B FY 2025 appraisal = \$9.0B aggregate
Star India (~\$10-15B carrying value)	Contributed to JV with Reliance, Nov 2024	36.84% retained equity (rounded to 37% in FY25 10-K)
Regional Sports Networks (RSNs)	Sold to Sinclair, 2019 (~\$10.6B)	DOJ-required divestiture
Endemol Shine Group stake (50%)	Sold 2020	Banijay merger consideration
Sky stake (39%)	Sold to Comcast, 2018 (~\$15B proceeds)	Pre-close divestiture; recovered cash

*Sources: Disney 8-K filings 2018-2024; Sinclair Broadcast Group 8-K Aug 2019; Comcast / Sky 2018 transaction filings; Disney 10-K FY 2024 (Hulu); Disney 10-K FY 2025 (Star India JV). Carrying values where shown are approximate per Disney filings.*

The picture that emerges is of a \$71.3B headline transaction from which Disney recovered approximately \$25.6B in identifiable divestiture proceeds (Sky pre-close, RSNs sale, Endemol Shine stake) plus the retained 36.84% equity in the India JV. The retained operating businesses are the Twentieth Century Fox studio, FX Networks, National Geographic, the additional 30% of Hulu (later 100%), and various international tail assets. Whether those retained operations alone justify the net-of-divestiture consideration is the structural question the case puts to the reader.

### The crown jewels that aren't on the balance sheet

There is a second reason Disney's book value understates the company so badly, and it is pure accounting. Under **ASC 350**, a company cannot capitalize *internally generated* intangibles - the brands, characters and franchises it creates itself. Only *acquired* intangibles are recorded, at the price paid. The result at Disney is an almost comic asymmetry. **Jar Jar Binks sits on Disney's balance sheet** - he arrived inside the \$4.05B Lucasfilm purchase, so a slice of that price is carried as an intangible asset. **Mickey Mouse does not.** Neither do Donald, Goofy, Pluto, Snow White, Simba, Ariel, the Genie, Elsa and the Frozen franchise, Moana, or Lilo & Stitch - every one created in-house, so GAAP assigns them a carrying value of essentially **zero**. Bart Simpson and the Simpsons franchise *are* on the balance sheet - because they came in with the \$71.3B Fox acquisition.

That asymmetry matters twice for this case. **First, it widens the sum-of-the-parts gap:** the most valuable IP Disney owns - the home-grown Animation canon that drives parks attendance, merchandise and streaming - contributes almost nothing to book value, so the distance between accounting net worth and intrinsic value is enormous. **Second, it frames the impairment record:** the assets that appear on the balance sheet, and therefore the only assets that can be written *down*, are the acquired ones - Fox, the international networks, Star India. The internally generated crown jewels cannot be impaired because they were never booked. Disney's own financial statements thus spotlight the weaker, acquired assets while the stronger, home-grown ones stay invisible.

On the balance sheet (acquired - capitalized at cost)	Off the balance sheet (internally generated - ~\$0 book value)
Pixar IP (2006); Marvel characters (2009); Star Wars / Lucasfilm incl. Jar Jar Binks (2012); the Fox library and <b>The Simpsons / Bart Simpson</b> (2019); Winnie the Pooh (acquired rights).	<b>Mickey Mouse</b> , Minnie, Donald Duck, Goofy, Pluto, Snow White, Cinderella, Simba and <i>The Lion King</i> , Ariel, the Genie, Elsa and <i>Frozen</i> , Moana, Lilo & Stitch - the internally generated Disney Animation canon.

*Treatment per ASC 350: internally generated intangible assets are not capitalized; acquired intangibles are recognized at fair value at acquisition. Character and franchise names are the property of The Walt Disney Company, shown for identification and educational purposes under fair comment.*

### Synergy realization vs. promise

At deal announcement Disney guided to \$2.0 billion of run-rate synergies. Subsequent communications increased that figure to \$2.5 billion. The synergies were largely realized through cost reduction (combined-distribution efficiencies, eliminated duplicate corporate functions, content amortization step-up). The synergy outcome is not the practitioner issue; the synergy program ran broadly as guided. The capital-efficiency issue is the EBITDA multiple paid on the retained, post-divestiture, post-impairment asset base.

## The Streaming Basket - Aggregate Capital Deployed

Beyond Fox, the streaming build itself absorbed a separable, sizable capital envelope. The basket below aggregates the major identifiable streaming-related outlays from 2017 through the close of fiscal 2024. Figures are headline transaction values from SEC filings where available; content-spend totals are taken from 10-K disclosures of content cash spend or the parallel net change in produced and licensed content costs.

Component	Period	Approximate	Source
BAMTech acquisition (initial 33%)	2016	\$1.0B	10-K FY 2016 / 8-K Aug 2016
BAMTech control acquisition (to 75%)	2017	\$1.58B	10-K FY 2018; Disney 8-K Sept 2017
Fox - Hulu 30% stake acquired in deal	2019	Implicit in Fox total	10-K FY 2019
Hulu - Comcast NBCUniversal put / call	2024-2025	\$8.6B initial + \$0.4B FY25 appraisal adjustment = \$9.0B (resolved FY25)	10-K FY 2024 / FY 2025 Note 4
Fox acquisition (allocated to DTC/streaming)	2019	~\$25-30B (illustrative allocation)	10-K FY 2019 purchase accounting
Cumulative content cash spend - Entertainment SVOD	FY 2020-FY 2024	\$50B+ cumulative	10-K disclosures (annualized)
Approximate aggregate streaming-related deployment	-	\$85-100B+	Practitioner aggregate; see notes

Sources: Disney 10-K filings FY 2016-FY 2024; Disney 8-K filings related to BAMTech, Fox, and Hulu transactions. The Hulu put-payment to Comcast settled at \$8.6B per FY 2024 cash-flow disclosure ('Acquisition of redeemable noncontrolling interests'). The Fox allocation to streaming-economic assets is the author's illustrative split; Disney's purchase-price allocation does not publish a 'streaming' line.

The contrast that emerges in any practitioner write-up is between Disney's pre-2018 model - licensing content to third parties (notably Netflix, where Disney content was the single most-watched library on the platform circa 2017-18) - and the post-2018 model of building a vertically integrated SVOD network. The licensing-fee revenue stream was a high-margin contributor to the Studio Entertainment segment. The pivot to owned-and-operated DTC eliminated that revenue line and required the build-out of BAMTech, Hulu, and Disney+ infrastructure simultaneously.

## The License-vs-Build Counterfactual

A useful exercise is to compare two counterfactual portfolios for Disney from 2018 forward: (A) the as-executed strategy (acquire Fox, build Disney+, pull content back from third parties), and (B) a hypothetical license-the-IP strategy (continue licensing to Netflix and other platforms, skip the Fox acquisition, do not commit incremental capex to BAMTech / Hulu / Disney+ infrastructure). The point is not that strategy B was achievable in regulatory or competitive reality - it likely was not, given Netflix's own pivot to originals and the structural pressure on linear TV - but to size the capital efficiency delta.

Lens	Strategy A (As-Executed)	Strategy B (License Counterfactual)
Capital deployed 2017-2024	~\$85-100B (Fox + Hulu + DTC content + BAMTech)	Lower; estimated <\$15B incremental
Licensing-fee revenue retained	Eliminated by FY 2020	Sustained at ~\$2-3B / year pre-2018 levels
Subscriber count owned	Disney+ + Hulu = 120M+ paid	Zero (DTC outsourced)

Brand control over distribution	Full vertical	Lower; bundled into 3rd-party libraries
Streaming margin economics	Low (Disney+ ~breakeven through FY 24)	Implicit (licensee retains the build cost)
Impairment exposure	\$8-9B post-2021 disclosed	Limited to film slate

Sources: Author's illustrative reconstruction from Disney 10-K filings; Netflix 10-K filings for licensing-fee context. The counterfactual is analytical, not predictive.

### Disney+ / Hulu subscriber economics

Disney does not report a quarterly subscriber count in the press release any longer (the company stopped publishing core Disney+ subscriber counts as a key metric in early 2024, consistent with Netflix's similar decision). The SVOD operating income table below tracks the disclosed Entertainment SVOD operating income, which combines Disney+, Hulu SVOD, and the Disney+ Hotstar International tail through the Star India deconsolidation:

Period	SVOD Revenue	SVOD Op Income	SVOD Op Margin
Q1 FY 2025	\$4,929	\$261	5.3%
Q2 FY 2025	\$4,862	\$310	6.4%
Q3 FY 2025	~\$5,100	~\$380	~7.5%
Q4 FY 2025	~\$5,300	~\$400	~7.5%
Q1 FY 2026	~\$5,400	\$450	8.4%
Q2 FY 2026	\$5,486	\$582	10.6%

Sources: DIS Q1 FY 2026 earnings release p. 4; DIS Q2 FY 2026 earnings release p. 12; mid-FY 2025 quarters interpolated. Dollar units in millions. Operating margin computed from disclosed figures.

## Quarterly Cash Flow Rollforward - FY 2024 through Q2 FY 2026

Quarterly cash from operations and free cash flow give the cleanest read on Disney's operating cash generation and the cadence of capital deployment. H1 FY 2026 CFO is down \$2.3B y/y, primarily on higher cash tax payments and content-spend timing; capex of \$5.0B in H1 FY 2026 is up \$0.7B y/y on cruise-ship and parks attractions.

Period	Cash from Ops	Capex	FCF	Debt Repay (net iss.)	Buybacks	Dividends	Total Debt (EOQ)
H1 FY 2024	~6.6B	~2.5B	~4.1B	(0.9B)	0	0	47.20B
H2 FY 2024	~7.4B	~2.9B	~4.5B	(0.9B)	(3.0B)	(1.4B)	45.82B
FY 2024 (full year)	13.97B	5.41B	8.56B	(1.8B)	(3.0B)	(1.4B)	45.82B
Q1 FY 2025	3.21B	2.47B	0.74B	(0.30B)	(1.00B)	0	45.30B
Q2 FY 2025	6.75B	1.86B	4.89B	(1.50B)	(1.00B)	(0.91B)	45.60B
Q3 FY 2025	3.67B	2.05B	1.62B	(1.00B)	(0.50B)	0	45.20B
Q4 FY 2025	4.50B	1.90B	2.60B	(0.50B)	(1.00B)	(0.90B)	42.03B
FY 2025 (full year)	18.10B	8.02B	10.08B	(3.3B)	(3.5B)	(1.8B)	42.03B
Q1 FY 2026	0.74B	3.01B	(2.28B)	+4.18B	(2.03B)	0	46.64B
Q2 FY 2026	6.91B	1.97B	4.94B	+0.81B	(3.47B)	(1.34B)	47.36B
H1 FY 2026	7.65B	4.99B	2.66B	+4.99B	(5.50B)	(1.34B)	47.36B
9-quarter total (Q1'24-Q1'26)	37.57B	17.38B	20.19B	+0.39B	(11.00B)	(4.81B)	-

Sources: DIS 10-K FY 2025 (full-year FY 2024 and FY 2025 figures); DIS Q1 FY 2026 and Q2 FY 2026 earnings releases (quarterly cash-flow figures). Quarterly figures within FY 2025 are the author's reconstruction from sequential cumulative disclosures and may differ from what Disney would publish if it disclosed standalone-quarter cash flow. Dollar units in billions.

## Quarterly Segment Operating Income Rollforward - FY 2024 through Q2 FY 2026

Period	Entertainment	Sports	Experiences	Total Seg OI
Q1 FY 2025	1,703	247	3,110	5,060
Q2 FY 2025	1,258	687	2,491	4,436
Q3 FY 2025	~1,200	~1,000	~2,200	~4,400
Q4 FY 2025	~513	948	~2,194	~3,655
FY 2025 (full year)	4,674	2,882	9,995	17,551
Q1 FY 2026	1,100	191	3,309	4,600
Q2 FY 2026	1,336	652	2,615	4,603
H1 FY 2026	2,436	843	5,924	9,203

Sources: DIS 10-K FY 2025, p. 37 (annual segment results); DIS Q1 FY 2026 and Q2 FY 2026 earnings releases (quarterly segment results). Mid-year FY 2025 quarterly splits are the author's interpolation from sequential cumulative disclosures. Dollar units in millions.

## Twelve Years of Capital Allocation - FY 2014 through FY 2025

The schedule below reconstructs Disney's annual capital deployment from fiscal 2014 forward, with each line tied to the cash flow from financing activities of the corresponding 10-K. Four patterns emerge: (1) the FY 2019 Fox acquisition shows up as the major investing-activity anomaly, with FY 2019 cash used in investing reaching ~\$15.1B as Disney paid cash consideration and assumed Fox debt; (2) dividends were suspended in May 2020 as a COVID response and remained suspended through FY 2022; resumed at a reduced rate FY 2023; (3) share repurchases were also suspended FY 2020-FY 2023 and resumed in FY 2024 at \$2.99B; (4) the FY 2024-FY 2025 repurchase plus dividend resumption coincides with the streaming-margin inflection and the post-Iger-return capital-return restart.

FY	Buybacks	Dividends	Debt Iss.	Debt Repaid	YE Borrowings	YE Cash
2014	(6.5B)	(1.5B)	1.0B	(2.1B)	~14.0B	3.4B
2015	(6.1B)	(2.6B)	0.6B	(0.5B)	~16.0B	4.3B
2016	(7.5B)	(2.3B)	5.0B	(2.7B)	~19.1B	4.6B
2017	(9.4B)	(2.4B)	4.5B	(2.4B)	~25.3B	4.0B
2018	(3.6B)	(2.5B)	0.9B	(3.6B)	~20.9B	4.2B
2019	(1.6B)	(2.9B)	39.9B	(9.0B)	~46.0B	5.4B
2020	(0.0B)	(1.6B)	13.5B	(8.0B)	~58.7B	17.9B
2021	(0.0B)	(0.0B)	1.2B	(5.7B)	~54.4B	16.0B
2022	(0.0B)	(0.0B)	0.3B	(4.0B)	~48.4B	11.6B
2023	(0.0B)	(0.0B)	0.1B	(1.7B)	~46.0B	14.2B
2024	(3.0B)	(1.4B)	0.1B	(3.1B)	~42.5B	6.1B
2025	(3.5B)	(1.8B)	1.1B	(3.7B)	42.03B	5.7B
H1 FY26	(5.5B)	(1.34B)	5.0B	(0.06B)	47.36B	5.7B

Sources: Disney 10-K cash flow statements FY 2014-FY 2025; DIS Q2 FY 2026 10-Q (H1 FY 2026 figures and March 28, 2026 borrowings balance). Year-end borrowings prior to FY 2025 are approximate, drawn from the historical balance sheet maturity disclosures. The FY 2019 borrowings spike reflects debt assumed in the Fox close. The FY 2019-FY 2024 cadence (net ~\$15B reduction in gross borrowings over the five fiscal years) was a sustained deleveraging phase; the more recent nine-quarter window (Q1 FY 2024 through Q1 FY 2026) reverses that posture and shows net debt issuance of approximately +\$0.4B, driven by Q1 FY 2026 commercial-paper draws and the February 2026 \$3.5B note issuance.

**Borrow-for-buybacks read.** The FY 2014-FY 2018 pre-Fox period shows annual share repurchases of \$3.6B-\$9.4B alongside flat-to-rising gross debt - the textbook 'borrow-for-buybacks' pattern. From FY 2014-FY 2018 cumulative buybacks were approximately \$33.1B against approximately \$6.9B of net debt issuance, meaning the buyback program was funded approximately 21% from incremental debt and 79% from operating cash. After the Fox acquisition (FY 2019-FY 2023) Disney's capital-return engine was effectively dormant. The resumption in FY 2024-FY 2025 has been funded by operating cash, with H1 FY 2026 buybacks of \$5.5B funded substantively by approximately \$5.0B of net new debt issuance (Q1 FY 2026 +\$4.18B and Q2 FY 2026 +\$0.81B, inclusive of commercial-paper draws and the February 2026 \$3.5B note issuance).

### Companion schedule - share repurchase prices vs. share-count trajectory

The dollar table above measures what was spent. The companion table below measures what was bought - share count repurchased, implied average price per share, and the resulting year-end diluted share trajectory. Three structural inflections frame the read: (1) the FY 2014-FY 2018 Iger-era buyback program reduced diluted shares

from approximately 1,813M (FY 2013 YE) to approximately 1,507M (FY 2018 YE) - a 17% reduction at a dollar-weighted average price of roughly \$108/share; (2) the FY 2019 Fox close issued approximately 307M new Disney shares to Fox holders, undoing essentially the entire pre-Fox repurchase reduction in a single transaction and raising the year-end diluted count to approximately 1,798M; (3) the FY 2024-FY 2025 post-Iger-return restart of the buyback program plus the H1 FY 2026 acceleration has retired approximately 111M shares (net of issuance) at a dollar-weighted average of roughly \$107/share, bringing the March 28, 2026 issued-net-of-treasury count to 1,745M.

FY	Buybacks (\$M)	Shares Repurch. (M)	Avg Repurch. Price (\$/sh)	YE Diluted Shares Out. (M)
2014	(6,526)	60.6	\$77.55	1,759
2015	(6,095)	59.4	\$100.94	1,709
2016	(7,499)	78.5	\$93.39	1,647
2017	(9,368)	89.5	\$104.66	1,578
2018	(3,577)	33.9	\$111.12	1,507
2019	(1,628)	14.3	\$113.74	1,798
2020	0	0.0	n/a	1,816
2021	0	0.0	n/a	1,828
2022	0	0.0	n/a	1,828
2023	0	0.0	n/a	1,830
2024	(2,992)	28.0	\$106.86	1,831
2025	(3,500)	32.0	\$109.38	1,811
H1'26	(5,500)	51.0	\$107.84	1,782
<b>Cum.</b>	<b>(46,685)</b>	<b>447.2</b>	<b>\$104.40 wtd.</b>	

Reference price. DIS closed at approximately **\$99 / share** on the indicative price date used throughout this case (June 2026). Convention. "Buybacks \$M" ties to the "Repurchases of common stock" line on each 10-K Consolidated Statement of Cash Flows. "Shares Repurch." ties to the "Common stock repurchases" line on the Consolidated Statement of Shareholders' Equity. "Avg Repurch. Price" is computed as Buybacks \$M ÷ Shares Repurch. M. "YE Diluted Shares Out." is the fiscal-year weighted-average diluted share count from the EPS reconciliation footnote. The FY 2019 share count step-up reflects the approximately 307M shares Disney issued to Fox shareholders at the March 20, 2019 close of the Twenty-First Century Fox acquisition. Cumulative weighted-average price = \$46,685M ÷ 447.2M = \$104.40. Sources: Disney 10-K Consolidated Statements of Shareholders' Equity and EPS footnote for FY 2014-FY 2025 (FY 2025 10-K Note 3 p. 89 confirms FY 2023-FY 2025 diluted share counts of 1,830 / 1,831 / 1,811 million); DIS Q2 FY 2026 10-Q Condensed Consolidated Statement of Equity p. 8 (H1 FY 2026 buybacks of \$5,500M against 51M shares retired); DIS Q2 FY 2026 10-Q income statement p. 3 (H1 FY 2026 weighted-average diluted shares of 1,782M).

**Read-across to today.** Of the ~\$46.7B cumulative buyback spend across the twelve-year window, essentially all of it was deployed at average prices materially above the ~\$99 reference price - the entire FY 2014-FY 2018 program cleared \$77-\$111 (dollar-weighted ~\$99 in FY 2014 falling to \$111 in FY 2018), the FY 2019 residual cleared \$114, and the FY 2024-FY 2026 H1 restart cleared \$107-\$109. The teaching point for the practitioner: the FY 2014-FY 2018 program retired ~322M shares and was widely cited at the time as a constructive capital-return episode - but the FY 2019 Fox issuance of ~307M shares mechanically reversed essentially the entire share-count reduction in a single transaction, leaving the post-Fox per-share economics roughly back at the FY 2013 starting point. The FY 2024-FY 2025 restart at ~\$107-\$109 and the H1 FY 2026 acceleration at ~\$108 sit roughly 8-10% above today's reference price, raising the per-share-arithmetic question of whether the buyback should be sized against the dollar envelope or the share-count envelope.

## Operational Deep-Dive - Experiences as the Cash Engine

Experiences contributes 57% of Disney's FY 2025 segment operating income on 37% of segment revenue. The segment's operating-margin advantage (~29%) reflects pricing power at the theme-park gate, captive on-property hotel and food & beverage yield, and the IP-locked nature of the parks themselves. The capital intensity of the segment is, however, materially higher than the company average: FY 2025 capex of \$8.0 billion is concentrated in Experiences cruise-fleet, parks-attraction, and infrastructure spend.

Experiences sub-component	Status	Forward capex / item
Walt Disney World (Florida)	Mature; capex on attractions / IP refresh	Ongoing
Disneyland (California)	Mature; capex on attractions / hotels	Ongoing
Disney Cruise Line - Disney Wish (operating)	Operating	Operating
Disney Cruise Line - Disney Treasure (Nov 2024)	Operating	Operating
Disney Cruise Line - Disney Destiny (Oct 2025)	Operating; \$1.1B financed at 3.74%	12-yr semi-annual
Disney Cruise Line - Disney Adventure (FY 26)	Pre-opening costs in Q2 FY 26 OI	Capital-light JV with Japan operator
Disneyland Paris - World of Frozen	Pre-opening costs in Q2 FY 26 OI	Opening 2026
Abu Dhabi theme park (announced)	Capital-light, local-operator model	Multi-year build
Consumer Products (licensing + retail)	Operating	Working-capital only

Sources: DIS Q2 FY 2026 earnings release p. 8; DIS Q2 FY 2026 10-Q (cruise ship financing details); DIS 10-K FY 2025.

**Experiences capital intensity read.** The capital-light international expansion model (Japan, Abu Dhabi via local operators) is a strategic shift. Historically Disney owned and operated its international parks (Paris, Hong Kong, Shanghai) with mixed minority-partner structures; the Abu Dhabi and Japan-cruise structures push the incremental capex onto third-party operators in exchange for licensing economics. This is the textbook Marriott-vs-Hyatt model applied to theme parks: trade incremental NPV for capital efficiency and faster international footprint expansion.

## Operational Deep-Dive - Entertainment Linear Decline vs DTC Build

The Entertainment segment is the most disclosure-transparent test of the streaming-pivot thesis. Linear Networks (ABC, Disney Channel, FX, National Geographic) revenue declined from \$10.7B in FY 2024 to \$9.4B in FY 2025 (-12%), per the 10-K FY 2025 p. 37. Operating income from Linear Networks fell from \$3.45B to \$2.96B (-14%). At the same time, Direct-to-Consumer (Disney+ + Hulu) revenue grew from \$22.8B to \$24.6B (+8%) and operating income moved from \$143M to \$1,327M.

Entertainment sub-segment	FY 24 Rev	FY 25 Rev	FY 24 OI	FY 25 OI
Linear Networks	\$10.7B	\$9.4B	\$3.45B	\$2.96B
Direct-to-Consumer	\$22.8B	\$24.6B	\$143M	\$1,327M
Content Sales / Licensing / Other	\$7.7B	\$8.5B	\$328M	\$392M
Entertainment segment total	\$41.2B	\$42.5B	\$3,923M	\$4,674M

Source: DIS 10-K FY 2025, p. 37.

**Inflection read.** The DTC margin walk from \$143M in FY 2024 to \$1,327M in FY 2025 is the structural shift: incremental subscribers, advertising scale, and content amortization optimization moved the segment from

breakeven to a 5%+ operating-margin level on the year. The Q2 FY 2026 SVOD 10.6% operating margin print suggests that the segment is sustaining the inflection through fiscal 2026.

## **Operational Deep-Dive - Sports / ESPN at the DTC Crossover**

The Sports segment generated FY 2025 operating income of \$2,882M (up 20% y/y), driven by domestic and international advertising rate growth and the digestion of the rights-fee step-up cycle that compressed FY 2023-FY 2024 margins. Q2 FY 2026 Sports OI was \$652M against \$687M in Q2 FY 2025 (-5%) as the rights-fee cycle pulled forward into the current quarter.

The strategic open question is the ESPN direct-to-consumer launch and pricing. Management communicated the launch and the multi-year ESPN DTC business plan during fiscal 2025 and the FY 2026 letter signals that Super Bowl LXI (Feb 2027) is the marquee monetization event of the ESPN DTC offering. The Sports DTC pricing model has to (a) clear the rights-fee base without the cable-bundle cross-subsidy, (b) avoid cannibalizing cable affiliate fees too aggressively, and (c) reach a subscriber base large enough that advertising and subscription revenue together cover the segment cost base. The math is not settled and is the central forward variable in any DCF on the Sports segment.

## Capital Efficiency Read - ROIC by Segment (Illustrative)

Disney does not disclose return on invested capital by reporting segment. The illustrative table below is the author's reconstruction, allocating consolidated goodwill (74.7B as of March 28, 2026) and intangibles (\$10.1B) by reporting unit per Disney's annual goodwill impairment testing disclosures, and approximating segment invested capital from the balance-sheet detail.

Segment	Approx. Invested Capital	FY 25 OI	Approx. Pre-tax ROIC
Entertainment	~\$70-80B	\$4.7B	~6-7%
Sports	~\$15-20B	\$2.9B	~15-20%
Experiences	~\$55-65B	\$10.0B	~16-18%
Consolidated (incl. corporate)	~\$155-180B	\$17.6B	~10-11%

Sources: Author's reconstruction from DIS 10-K FY 2025 and Q2 FY 2026 10-Q. Invested capital allocations are illustrative; Disney has not published segment ROIC. Pre-tax ROIC = segment OI / invested capital.

**ROIC read.** Experiences and Sports earn returns well above Disney's weighted-average cost of capital (typically estimated in the 7-9% range for diversified media companies). Entertainment, weighed down by the Fox-acquired carrying value, earns returns at or modestly above WACC. The capital-allocation implication is that incremental capital deployment is best directed at Experiences and Sports, with Entertainment's capital-return profile improving primarily through amortization of carrying value rather than incremental capex.

## Risk Register

Risk	Channel	Magnitude
Macro consumer slowdown affecting parks	Experiences revenue / per-cap	High; ~\$10B segment OI at risk
ESPN linear cord-cutting accelerates	Sports affiliate fees decline	Medium-high; partly offset by DTC
Streaming churn / pricing power limits	DTC ARPU growth slows	Medium; offset by ad-supported tier
Additional Fox-asset impairment	Non-cash but balance-sheet eroding	Medium; \$8-9B disclosed to date
Sports rights cost inflation outpaces subs	Sports segment margin compression	Medium; secular industry trend
FX / geopolitical (China, Europe)	International parks + streaming	Medium; concentrated in Asia/EU parks
AI-driven IP/labor cost pressure	Production economics shift	Low-medium near-term; long-term uncertain
Refinancing risk - \$6.7B maturing FY 26	Interest expense up if rates stay high	Low; rates absorbed in current model
Regulatory - DOJ / FCC / EU media oversight	M&A optionality constrained	Low; structural / strategic
Theme-park weather / pandemic shock	Discrete revenue hit	Low / discrete

Author's risk inventory; not company-disclosed risk factors. For Disney's company-stated risk factors see DIS 10-K FY 2025 Item 1A.

## What This Case Teaches - Cross-Reference to Institute Library

Disney is the rare publicly-traded company that lets a reader walk eighteen operational disciplines from one ticker. The Business Operator's Blueprint and the Baratelli Institute library are designed to teach each of those disciplines in depth; this case is the Disney-specific illustration. The crosswalk below names the relevant guides:

Discipline	Disney Operations Lens	Institute Reference
HR at scale (231,000 employees, Disney University)	Cast-member training, service-quality reproducibility	BOP Ch 11 (HR at Scale)
Hospitality (50+ resort hotels)	Captive on-property guest yield, IP-locked rooms	BOP Ch 13 (Hospitality)
Maritime (Disney Cruise Line, 5+ ships)	Newbuild capital justification, NPV / IRR per hull	BOP Ch 14 (Maritime)
Venue / Attraction operations (11 parks)	Attendance / per-cap / throughput optimization	BOP Ch 16 (Venue / Attraction)
Consumer Products / Licensing	Trademark licensing economics; counterfeit enforcement	BOP Ch 20 (Consumer Products & Licensing)
Project-based production (Pixar, Marvel, Lucas)	Multi-year, IP-anchored production cycles	BOP Ch 21 (Project-Based Production)
Always-on platform (Disney+, Hulu)	DTC infrastructure, identity, billing, streaming	BOP Ch 22 (Always-On Platform)
Broadcast (ESPN, ABC)	Linear network economics, rights-fee cycle	BOP Ch 23 (Broadcast)
M&A integration (Pixar vs Fox)	Integration playbook, synergy realization	BOP Ch 28 (M&A Integration)
Throughput & capital allocation	Cross-segment subsidy, ROIC discipline	BOP Ch 32 (Throughput & CapAlloc)
M&A capital efficiency / EBITDA multiples	Fox apples-to-apples analysis	PE Decoded (M&A multiples chapters)
Goodwill / intangible impairment (ASC 350/805)	Fox-related \$8-9B impairments	CFO Guide (ASC 350 / 805)
Capital structure / debt refinancing	Feb 2026 \$3.5B issuance, bank facilities	CFO Guide (debt refinancing)
Capital allocation primacy	Buybacks vs M&A vs capex vs dividends	First Principles

*The full Library Crosswalk document accompanying this case provides page-level cross-reference to the Institute reference works.*

## Historical Capital Allocation - Narrative Summary by Vintage

### Vintage 1: FY 2014-FY 2018 - The Buyback Era.

Disney under Iger's first run executed the largest concentrated share-repurchase program in the company's history. Cumulative buybacks FY 2014-FY 2018 totaled approximately \$33.1 billion, against approximately \$6.9B of net debt issuance. The program reduced diluted shares outstanding from approximately 1,813M (FY 2013) to approximately 1,507M (FY 2018), a 17% reduction. Per-share metrics benefited materially; the buyback program is widely cited as a constructive capital-return episode. Earnings power per share in the segment-OI line grew faster than absolute segment OI as a result.

### Vintage 2: FY 2019 - The Fox Acquisition.

FY 2019 marks the discontinuity. Cash used in investing reached approximately \$15.1B as Disney paid the cash portion of the Fox consideration. Total borrowings spiked from approximately \$20.9B (FY 2018 YE) to approximately \$46.0B (FY 2019 YE) reflecting assumed Fox debt and new issuance. Diluted shares stepped up to approximately 1,798M as Disney issued stock to Fox shareholders, undoing roughly half of the FY 2014-FY 2018 buyback's share-count reduction. Share-count rose despite a non-trivial residual buyback in the year of approximately \$1.6B.

### Vintage 3: FY 2020-FY 2023 - The Pandemic and Streaming Build.

March 2020 brought the COVID-19 shutdown of the theme parks. Disney suspended the dividend in May 2020 and suspended the buyback program. The four-year capital-return pause coincided with the heaviest content-investment cycle in Disney+ history and the eventual Hulu put-payment to Comcast (initial \$8.6B settled FY 2024, plus \$0.4B FY 2025 appraisal adjustment, aggregate \$9.0B closed in FY 2025). Net debt repayment during the period was substantial - approximately \$19.5B of cumulative debt reduction across FY 2020-FY 2023 - but the parks-recovery cash flow was largely consumed by the streaming build and the Hulu acquisition.

### Vintage 4: FY 2024-FY 2025 - The Capital-Return Restart.

Buybacks resumed in FY 2024 at \$2.99B and grew to \$3.5B in FY 2025. The dividend was restored at a reduced rate beginning fiscal Q4 2023 and grew to \$1.8B paid in FY 2025. The capital-return restart coincides with the SVOD operating-income inflection and appears to be funded primarily from operating cash, not new debt. Net debt declined from approximately \$40.4B (FY 2023 YE) to approximately \$36.3B (FY 2025 YE).

### Vintage 5: H1 FY 2026 - The Acceleration.

Through the first half of FY 2026, Disney has repurchased \$5.5B of stock - 157% of the FY 2025 full-year pace on an annualized basis. Management has guided to at least \$8B of FY 2026 share repurchases. The H1 buyback exceeded H1 free cash flow of \$2.66B (H1 FY 26 FCF), implying that the incremental buyback was funded by net new debt issuance, commercial-paper draw, and balance-sheet cash. Total borrowings rose from \$42.03B (FY 25 YE) to \$47.36B (March 28, 2026).

***Vintage-by-vintage read.** The buyback engine has been turned back on at a scale consistent with the pre-Fox era. The key forward question is whether the operating cash flow scales fast enough to fund the \$8B+ annual buyback target plus the dividend (\$1.0/share x 1.77B diluted shares = \$1.8B+/year) plus the \$7-8B capex envelope without incremental debt build. At the H1 FY 2026 free-cash-flow run-rate, the answer is no; at the FY 2025 full-year free-cash-flow run-rate of \$10.1B, the answer is borderline.*

## Current Debt Structure - March 28, 2026

Disney's gross borrowings at March 28, 2026 total \$47.36 billion across the categories below (DIS Q2 FY 2026 10-Q, p. 16). Net debt at the same date is \$41.7 billion against \$5.7B cash. Net debt / FY 2025 cash provided by operations is 2.3x.

Component	Sept 27, 2025	March 28, 2026	Change
Commercial paper <3mo maturity	1,963	1,777	(186)
Commercial paper >3mo maturity	99	3,803	+3,704
U.S. dollar denominated borrowings	38,658	40,441	+1,783
Asia Theme Parks borrowings	1,075	1,094	+19
Foreign currency denominated borrowings	231	243	+12
Total borrowings	42,026	47,358	+5,332

Source: DIS Q2 FY 2026 10-Q, Note - Borrowings, p. 16. Dollar units in millions.

**Maturity profile.** Per the FY 2025 10-K (p. 97), scheduled fiscal-year maturities for the U.S. dollar fixed-rate notes plus Asia Theme Parks borrowings are: FY 2026 \$6.75B; FY 2027 \$2.99B; FY 2028 \$1.75B; FY 2029 \$2.39B; FY 2030 ~\$1.5B; thereafter ~\$23.5B. The fixed-rate U.S. dollar notes carry stated interest rates from 1.75% to 8.45% with weighted maturity well above 10 years. The February 2026 \$3.5B issuance priced at 3.75%-4.63% across 3-10 year tenors, a refinancing rate consistent with the prevailing rate environment.

**Bank facilities.** \$12.25B undrawn committed capacity across three facilities expiring February 2027, March 2029, and February 2031 (DIS Q2 FY 2026 10-Q, p. 16). The facilities carry a single financial covenant - interest coverage of at least 3x EBITDA - which the company met by a significant margin at March 28, 2026.

## Goodwill, Intangibles, and Impairment Sensitivity

Disney's March 28, 2026 balance sheet carries \$74.7B of goodwill and \$10.1B of intangible assets (Q2 FY 2026 10-Q balance sheet). For context, total stockholders' equity is \$108.7B; goodwill alone is approximately 69% of book equity. The goodwill balance is largely attributable to the FY 2019 Fox acquisition; smaller residual goodwill from Pixar, Marvel, Lucasfilm, and Cap Cities / ABC.

Item	Sept 27, 2025	March 28, 2026	Note
Goodwill	\$73,294	\$74,682	Up \$1.4B from Fubo acquisition
Intangible assets, net	\$9,272	\$10,062	Up \$0.8B from Fubo acquisition
Produced & licensed content costs	\$31,327	\$30,360	Down \$1.0B - amortization > capitalization
Total goodwill + intangibles + content	\$113,893	\$115,104	~56% of total assets

Source: DIS Q2 FY 2026 10-Q balance sheet. Dollar units in millions.

**Impairment-sensitivity read.** A 10% impairment of goodwill (\$7.5B) would reduce book equity by approximately 7% and have no cash impact. A 25% impairment (\$18.7B) would reduce book equity by approximately 17%. Per-share book value (post 25% goodwill impairment) would fall from approximately \$61/share to approximately \$51/share. The key forward question is whether ESPN cord-cutting accelerates beyond modeled levels and triggers a reporting-unit-level impairment test on the Linear Networks reporting unit,

which would be the next likely impairment candidate given the secular decline in affiliate-fee revenue.

## Current Valuation - Multiple Scenarios

At an indicative ~\$99 share price and 1,772 million diluted shares, Disney's equity market capitalization is approximately \$175 billion. With \$47.36 billion gross debt and \$5.7 billion cash, enterprise value is approximately \$217 billion before noncontrolling interests of \$6.6 billion (Q2 FY 2026 10-Q balance sheet). The implied multiples on FY 2025 operating metrics are:

Multiple	Value	Note
EV / FY 2025 revenue (\$94.4B)	~2.3x	Headline multiple
EV / FY 2025 total segment OI (\$17.6B)	~12.3x	Segment OI pre-corporate / impairment
EV / FY 2025 cash from ops (\$18.1B)	~12.0x	Cash-yield read
EV / FY 2025 EBITDA (~\$22.9B)	~9.5x	Segment OI + D&A \$5.3B
P / E on FY 2025 adjusted EPS (\$5.74)	~17.2x	Adjusted EPS, ex Acq amortization etc.
P / E on FY 2026E adjusted EPS (~\$6.43)	~15.4x	Mgmt guides +12% ex 53rd-week
FY 2025 declared dividend yield	~1.0%	Dividend \$1.00 / sh on \$99 price

Sources: DIS 10-K FY 2025; DIS Q2 FY 2026 earnings release (FY 2026 EPS guidance). FY 2025 EBITDA approximated as segment operating income plus depreciation and amortization from the consolidated cash flow statement.

**Scenario framing.** The table is descriptive, not prescriptive. A conservative reader applies a 9-10x EV / EBITDA multiple to FY 2026E EBITDA in the \$23-24B range and arrives at an EV in the \$207-240B range, equity value \$165-200B, per-share \$93-113. An optimistic reader applies 12x EV / EBITDA on FY 2027E EBITDA at ~\$26B and arrives at EV \$312B / equity \$270B / per-share \$152. The midpoint of conventional sell-side multiples puts fair value near the current trading range, with the dispersion driven by streaming-margin assumptions and the path of Sports rights amortization.

## Valuation Walk - DCF Sketch

A practitioner DCF on Disney requires assumptions on (a) consolidated free cash flow trajectory FY 2026E-FY 2030E, (b) terminal-year growth rate, and (c) weighted-average cost of capital. The illustrative DCF below assumes mid-case operating-cash-flow growth consistent with management's stated FY 2026 guidance (\$19B CFO target per Q1 FY 2026 release) and mid-single-digit growth thereafter, capex at \$7-8B annually (versus FY 2025 \$8.0B) as cruise-ship and parks-attraction capex moderates post-Disney Destiny, and a WACC of 8.0% with a terminal growth rate of 2.5%.

Year	CFO	Capex	FCF	Discount factor
FY 2026E	\$19.0B	\$8.0B	\$11.0B	0.926
FY 2027E	\$20.5B	\$7.5B	\$13.0B	0.857
FY 2028E	\$22.0B	\$7.0B	\$15.0B	0.794
FY 2029E	\$23.5B	\$7.0B	\$16.5B	0.735
FY 2030E	\$25.0B	\$7.0B	\$18.0B	0.681
Terminal value (gx 2.5%, FY 30 base)	-	-	\$335B	0.681

NPV summary	-	-	~\$278B EV	-
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*Illustrative DCF. WACC 8.0%, terminal growth 2.5%. NPV of FCF stream 2026E-2030E plus discounted terminal value yields enterprise value approximately \$278B. Less \$42B net debt = equity value ~\$236B = approximately \$133/share on 1,772M diluted shares. The result is sensitive to terminal growth and WACC; a +1% WACC reduces fair value to ~\$110, a -1% terminal-growth assumption reduces to ~\$120.*

## Valuation Walk - SOTP

An alternative sum-of-the-parts approach values each segment at a peer-group multiple and aggregates. The table below illustrates one such approach.

Segment	FY 25 OI	Peer Multiple	Implied EV
Experiences (parks / cruise / consumer products)	\$10.0B	13x	\$130B
Sports (ESPN / DTC / linear)	\$2.9B	11x	\$32B
Entertainment (Studios / Networks / DTC)	\$4.7B	10x	\$47B
Less: Corporate / unallocated	(\$1.6B)	10x	(\$16B)
Less: TFCF Hulu acquisition amortization	(\$1.6B)	n/a (non-cash)	0
Implied total EV	\$14.4B (net)	-	~\$193B
Less: Net debt (Q2 FY 26)	-	-	(\$42B)
Implied equity value	-	-	~\$151B
Implied per-share (1,772M dil)	-	-	~\$85

*Illustrative SOTP. Multiples are reference values typical of theme-park (Six Flags, Cedar Fair historic), sports-media (Liberty Media, Warner Bros. Discovery sports), and diversified-media (Comcast, Paramount, Sony Pictures) comparables. The result \$85/share is below the indicative spot of \$99 and reflects the absence of strategic-acquirer premium and the conservative entertainment multiple.*

## Bull Case and Bear Case

### Bull case.

Streaming margin inflection sustains: SVOD operating margin tracks management's 10% FY 2026 guide and expands to mid-teens by FY 2028 as content amortization optimization continues. Sports DTC launch monetizes the audience adjacent to the ESPN cable bundle without cannibalizing affiliate fees in a material way.

Experiences capex on the Disney Adventure, Disney Destiny, World of Frozen, and the Abu Dhabi capital-light agreement compounds at ROIC consistent with historical parks performance. Capital-return engine continues at \$7-8B+ annual buybacks plus growing dividend. Adjusted EPS compounds at low-double-digit CAGR through FY 2028. Fair value reaches \$125-145.

### Bear case.

Linear Networks decline accelerates faster than DTC margin expansion absorbs. ESPN cable-bundle attrition (cord-cutting) outpaces ESPN DTC subscriber economics. Parks face a consumer-spending slowdown in fiscal 2027 as the macroeconomic uncertainty management flagged in the May 6, 2026 letter (p. 1) materializes; per-capita spending growth decelerates from the +5% Q2 FY 2026 print. Content amortization steps up as the Fox-acquired library reaches end of useful life and additional impairment is taken. The incremental commercial-paper draw funding share repurchases (per H1 FY 2026) becomes unsustainable if SOFR rises. Adjusted EPS growth stalls in low-single-digits; multiple compression takes fair value to \$75-85.

## Practitioner Read - Capital Allocation as the Central Question

Disney is a collection of highly recognizable franchises - Theme Parks, Pixar, Marvel, Lucasfilm, ESPN, the Disney brand itself - that on a segment basis generate strong operating income and substantial cash flow. The practitioner question is not whether the operating businesses work; the FY 2025 Experiences segment OI of \$10.0 billion and the Q2 FY 2026 SVOD margin inflection settle that. The practitioner question is whether the capital deployed across the 2017-2024 window earned a return commensurate with the equity base it consumed.

The 2006-2012 IP M&A vintage (Pixar, Marvel, Lucasfilm) is widely regarded as one of the most capital-efficient strategic-acquirer programs in modern media. Three transactions, approximately \$15 billion total consideration, multi-decade returns. The 2019 Fox transaction deployed approximately \$71 billion - more than 4x the prior IP-M&A total in a single deal - and the post-2021 impairment record (\$8-9 billion of Fox-related impairment, plus additional content and goodwill writedowns) is the auditor-confirmed signal that the original purchase-price expectations were not met on a meaningful portion of the acquired asset base.

A separate and reinforcing capital-deployment question concerns the streaming build. The pre-2018 license-out model produced high-margin fee revenue from third-party platforms; the post-2018 build-own model substituted that revenue with owned-and-operated DTC, which required incremental BAMTech / Hulu / Disney+ infrastructure and content commitments and operated at a loss through fiscal 2023. The cumulative cash absorbed by the streaming build in that window approximates \$20+ billion in incremental content spend net of pre-2018-equivalent revenue, plus the Hulu put-payment to Comcast (approximately \$8.6 billion settled in fiscal 2024) and the BAMTech control acquisition.

*The post-2023 operating picture - the FY 2025 segment OI uplift, the SVOD margin inflection, the resumption of buybacks and dividends, and the disciplined H1 FY 2026 guidance - is consistent with a capital allocator pivoting from deploy-mode to return-mode. Whether the eventual multi-year capital return offsets the cumulative excess paid for Fox and absorbed in the streaming build is the central practitioner question this case puts to the reader.*



## Appendix A - Quarterly Income Statement Walk

The condensed income statement walk below shows Disney's GAAP P/L progression from Q1 FY 2025 through Q2 FY 2026. The y/y comparisons in Q2 FY 2026 are flattered on operating-income lines (segment OI up 4%) but compressed on the GAAP earnings line (diluted EPS down 30%) because of the one-time tax benefit in Q2 FY 2025 (a \$314M negative tax provision became a \$902M positive provision in Q2 FY 2026) and the \$115M non-cash tax charge from the NFL transaction.

Line	Q1 FY 26	Q2 FY 26	H1 FY 26	H1 FY 25	y/y H1
Revenues	25,981	25,168	51,149	48,311	+6%
Costs and expenses	(22,106)	(21,379)	(43,485)	(40,727)	+7%
Restructuring & impairment	(-)	(239)	(239)	(252)	(5)%
Interest expense, net	(275)	(240)	(515)	(713)	(28)%
Equity in income of investees	93	57	150	128	+17%
Income before income taxes	3,693	3,367	7,060	6,747	+5%
Income taxes	(1,209)	(902)	(2,111)	(702)	>100%
Net income	2,484	2,465	4,949	6,045	(18)%
NCI	(82)	(218)	(300)	(216)	+39%
Net income to Disney	2,402	2,247	4,649	5,829	(20)%
Diluted EPS	\$1.34	\$1.27	\$2.61	\$3.21	(19)%
Adjusted diluted EPS	\$1.63	\$1.57	\$3.20	\$3.22	(1)%

Sources: DIS Q1 FY 2026 earnings release; DIS Q2 FY 2026 earnings release. Dollar units in millions except per-share. The Q1 line items are derived from the Q1 release in conjunction with the H1 cumulative figures in the Q2 release.

## Appendix B - Balance Sheet Walk (Sept 27, 2025 to March 28, 2026)

Line	Sept 27, 2025	March 28, 2026	Change
Cash and equivalents	5,695	5,682	(13)
Total current assets	24,267	24,599	+332
Produced and licensed content costs	31,327	30,360	(967)
Parks, resorts and other property, net	41,255	44,255	+3,000
Intangible assets, net	9,272	10,062	+790
Goodwill	73,294	74,682	+1,388
Other assets	10,002	12,862	+2,860
Total assets	197,514	205,217	+7,703
Current portion of borrowings	6,711	8,887	+2,176
Total current liabilities	34,162	36,223	+2,061
Long-term borrowings	35,315	38,471	+3,156

Total Disney shareholders' equity	109,869	108,708	(1,161)
Noncontrolling interests	4,743	6,604	+1,861
Total equity	114,612	115,312	+700
Total liabilities and equity	197,514	205,217	+7,703

Source: DIS Q2 FY 2026 earnings release p. 18. Dollar units in millions. The increase in noncontrolling interests includes consolidation of Fubo (70% Disney; 30% minority) from October 29, 2025 forward. Parks, resorts and other property net rose \$3.0B as new asset additions (\$4.2B) exceeded depreciation.

## Appendix C - The Fubo Transaction (Q1 FY 2026)

On October 29, 2025, Disney combined certain Hulu Live TV assets with FuboTV Inc. (the Fubo Transaction). Disney now holds a 70% interest in the combined entity on a fully diluted basis. Effective from October 29, 2025, Fubo's results are consolidated in Disney's financial results (DIS Q1 FY 2026 earnings release, p. 3).

The Fubo Transaction contributes approximately 4% of the Entertainment segment revenue and operating-cost growth in Q2 FY 2026 (per DIS Q2 FY 2026 earnings release, p. 11). It is the primary explanation for the y/y rise in noncontrolling interests on the balance sheet, and the primary explanation for the increase in current and long-term goodwill/intangibles (the \$1.4B goodwill addition and \$0.8B intangible addition in H1 FY 2026 are largely Fubo-related).

From a capital-allocation lens, the Fubo Transaction is a low-cash-deployment, high-consolidation maneuver: Disney contributed Hulu Live TV assets in exchange for a controlling stake in the combined entity, without writing a large check. It is a useful contrast with the Fox-era big-check M&A pattern - the same strategic objective (distribution consolidation) executed at materially lower upfront capital deployment.

## Appendix D - The Star India / Reliance Joint Venture

On November 14, 2024, Disney and Reliance Industries Limited (RIL) formed a joint venture that combined Disney's Star-branded and other general entertainment and sports television channels and Disney+ Hotstar streaming service in India (Star India) with certain RIL-controlled media and entertainment businesses (DIS 10-K FY 2025, p. 14; Q1 FY 2026 earnings release, p. 3). Disney owns 37% of the joint venture and recognizes its share of the JV's results in equity-in-investees. Star India was deconsolidated from Disney's reported financials effective November 14, 2024.

The Star India transaction has two practitioner consequences. First, it reduces the Fox-acquired asset base that Disney still consolidates - a useful clean-up of a perennially underperforming international DTC business. Second, the deconsolidation materially altered y/y revenue comparisons in the Entertainment segment in FY 2025 and early FY 2026; segment OI tables and per-share metrics flatter on a clean-comp basis but lower on a reported basis. Disney has separately disclosed the y/y impact (e.g., Q1 FY 2026 release noted the 1 ppt adverse SVOD revenue impact of the inclusion of Star India in the prior-year quarter).

Disney recorded an equity-in-loss of \$202M from the India JV in FY 2025 (10-K FY 2025, p. 37). The JV's early operating performance has been a headwind to Disney's consolidated GAAP earnings; the upside is the strategic optionality of a 37% stake in the consolidated Indian-media champion.

## Sources and Citations

#	Document	Filing date / period
1	DIS 10-K FY 2025	Filed Nov 13, 2025 (FY end Sep 27, 2025)
2	DIS Q1 FY 2026 10-Q	Filed Feb 2, 2026 (quarter end Dec 27, 2025)
3	DIS Q2 FY 2026 10-Q	Filed May 6, 2026 (quarter end Mar 28, 2026)
4	DIS Q1 FY 2026 earnings release	Issued Feb 2, 2026
5	DIS Q2 FY 2026 earnings release	Issued May 6, 2026
6	DIS 8-K, March 20, 2019 (Fox close)	Filed Mar 20, 2019
7	DIS 8-K, Sept 25, 2017 (BAMTech control)	Filed Sep 25, 2017

8	Sinclair Broadcast Group 8-K (RSN purchase)	Filed Aug 8, 2019
9	DIS 10-K FY 2024 (acquisition of NCI - Hulu put)	Filed Nov 13, 2024
10	DIS 10-K FY 2022 (Fox impairments)	Filed Nov 22, 2022
11	DIS 10-K filings FY 2014-FY 2018 (historical cash flow)	Filed Nov of each year

All filings publicly available via SEC EDGAR at [sec.gov/cgi-bin/browse-edgar](http://sec.gov/cgi-bin/browse-edgar). Disney's EDGAR CIK is 0001744489 (filings since 2019 reorganization); historical filings under predecessor CIK 0001001039.

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