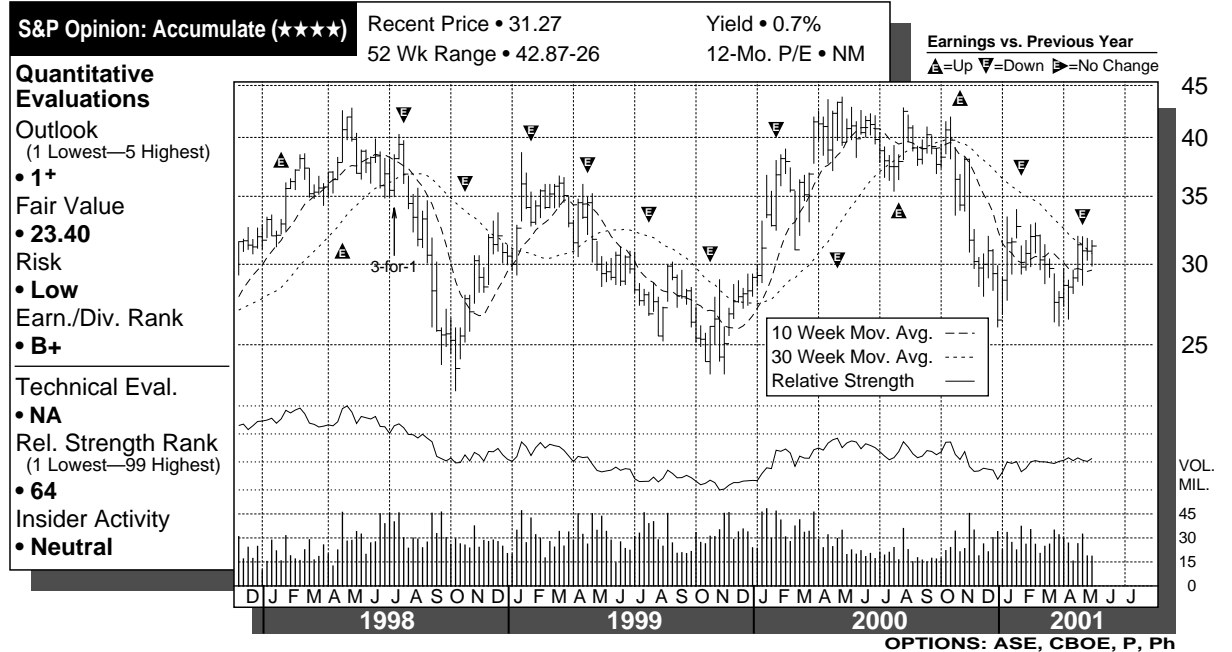


**12-MAY-01** Industry:  
Entertainment

**Summary:** This major filmed entertainment and theme park company acquired broadcaster and publisher Capital Cities/ABC in 1996.



**Overview - 29-MAR-01**

We expect FY 01 (Sep.) revenues to rise moderately from the \$25.0 billion reported for FY 00. With a relatively weak advertising environment, we look for profit from the media networks segment to decline, but for this to be more than offset by higher earnings from the theme park and creative content areas, and a smaller loss from DIS's Internet-related segment, compared to FY 00 pro forma levels. Except for some pre-opening costs related to a new California theme park that DIS opened in February 2001, year-to-year comparisons in this segment exclude one-time items. Net income for FY 02 is projected at \$1.6 billion (\$0.75 a share), compared to a pro forma \$1.4 billion (\$0.68) in FY 00. We look for FY 02 EPS of \$0.90. Excluding non-cash amortization of intangibles, we look for EPS of about \$1.10 in FY 01 and \$1.20 in FY 02.

**Valuation - 29-MAR-01**

Through late March 2001, the stock had outperformed the S&P 500 year to date, but had fallen from its January peak of \$33.38. We suspect that the shares have been restrained, in part, by concerns about the strength of the television advertising environment and the overall U.S. economy. However, we look for DIS's latest cost-cutting moves to provide a buffer against prospective weakness in the advertising market. From the current stock level, we expect the prospect of growing free cash flow and interest among small investors to more than offset various concerns, including the prospect of work stoppages by entertainment industry writers or actors, whose contracts expire soon. If there is a prolonged strike, we view DIS as being better positioned than some other broadcast TV network companies, as we would expect DIS's ABC business to be able to continue airing new episodes of its Who Wants to be a Millionaire quiz show.

**Key Stock Statistics**

S&P EPS Est. 2001	0.77	Tang. Bk. Value/Share	2.24
P/E on S&P Est. 2001	40.6	Beta	0.86
S&P EPS Est. 2002	0.92	Shareholders	882,000
Dividend Rate/Share	0.21	Market cap. (B)	\$ 65.1
Shs. outstg. (M)	2080.3	Inst. holdings	50%
Avg. daily vol. (M)	4.792		

Value of \$10,000 invested 5 years ago: \$ 16,358

**Fiscal Year Ending Sep. 30**

	2001	2000	1999	1998	1997	1996
<b>Revenues (Million \$)</b>						
1Q	7,433	6,932	6,589	6,339	6,278	3,837
2Q	6,049	6,303	5,510	5,242	5,481	4,543
3Q	—	6,051	5,522	5,248	5,194	5,087
4Q	—	6,116	5,781	6,147	5,520	5,272
Yr.	—	25,402	23,402	22,976	22,473	18,739

**Earnings Per Share (\$)**

	2001	2000	1999	1998	1997	1996
1Q	0.16	0.17	0.30	0.37	0.36	0.31
2Q	-0.26	0.08	0.11	0.18	0.16	-0.01
3Q	—	0.21	0.18	0.20	0.23	0.20
4Q	—	0.11	0.04	0.14	0.20	0.16
Yr.	—	0.57	0.62	0.89	0.95	0.65

**Next earnings report expected: early August**

**Dividend Data** (Dividends have been paid since 1957.)

Amount (\$)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.210	Nov. 28	Dec. 06	Dec. 08	Dec. 22 '00

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**Business Summary - 29-MAR-01**

The Walt Disney Co., with operations ranging from theme parks and retail stores to movies and broadcasting, aims to combine imaginative material with masterful marketing, as it delivers popular culture worldwide.

In November 1999, DIS created a new common stock, Go.com, related to various Internet businesses and direct marketing operations. In August 2000, the Go.com business was named the Walt Disney Internet Group. However, in January 2001, DIS said it would discontinue its Go.com Internet portal and would continue to focus on other Internet sites, including ones related to entertainment, sports and news. Effective March 20, 2001, each outstanding share of Disney Internet Group stock was to be converted into 0.19353 of a share of DIS common stock.

Filmed entertainment operations include production and distribution of theatrical motion pictures, television shows and home videos. DIS also owns and operates about 10 television stations, the ABC TV network, and various radio stations. In cable television, DIS owns and operates The Disney Channel, has 80% ownership of various ESPN cable channels, and has an equity interest of 50% or less in various cable networks, including the Lifetime cable channel (50%), the E! Entertainment cable channel (39.6%), and the Arts & Entertainment cable network (37.5%). Most broadcasting and cable assets came from the 1996 acquisition of Capital Cities/

ABC (CCB). Since then, DIS has sold much of CCB's publishing operations.

Theme park and resort assets include the Walt Disney World Complex in Florida, which contains the Magic Kingdom, Epcot Center, the Disney-MGM Studio Theme Park, the Animal Kingdom, and at least 12 hotels owned by DIS. Also, DIS's operations in Anaheim, CA, include the Disneyland theme park, some hotels, and a new theme park called Disney's California Adventure, which opened in February 2001. In Japan, Tokyo Disneyland is owned and operated by Oriental Land Co., Ltd., pursuant to a licensing agreement. Oriental Land Co. is expected to open a second theme park, Tokyo DisneySea, in 2001. DIS also owns about 39% of Euro Disney S.C.A., a French company that operates the Disneyland Paris theme park business; a second DIS-related park is to open near Paris in 2002. In November 1999, planned development of a Disney-related theme park project in Hong Kong was announced. The project, in which DIS would initially have a 43% equity interest (excluding convertible subordinated shares to be owned by the Hong Kong government), would open in 2005. Much of the financing (equity and debt) would be provided by the Hong Kong government.

Other operations or assets include merchandise licensing, a chain of more than 600 Disney retail stores, ownership interests in two California professional sports teams, and the Disney Cruise Line.

**Per Share Data (\$)**

(Year Ended Sep. 30)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Tangible Bk. Val.	2.24	2.59	1.75	0.63	NM	4.23	3.31	2.89	2.75	2.27
Cash Flow	1.48	2.22	2.70	3.36	2.78	2.03	1.66	1.04	0.98	0.90
Earnings	0.57	0.62	0.89	0.95	0.65	0.87	0.68	0.41	0.51	0.40
Dividends	0.21	0.21	0.19	0.16	0.13	0.11	0.09	0.08	0.06	0.05
Payout Ratio	37%	34%	21%	17%	20%	13%	13%	19%	13%	13%
Prices - High	43.87	38.68	42.79	33.41	25.75	21.41	16.20	16.25	15.08	10.83
- Low	26.00	23.37	22.50	22.12	17.75	15.00	12.58	12.00	9.50	7.79
P/E Ratio - High	77	62	48	35	39	25	24	40	39	27
- Low	46	38	25	23	27	17	19	29	19	20

**Income Statement Analysis (Million \$)**

Revs.	25,402	23,402	22,976	22,473	18,739	12,112	10,055	8,529	7,504	6,182
Oper. Inc.	5,043	7,010	7,533	8,903	6,968	4,115	3,412	2,589	2,047	1,799
Depr.	2,195	3,323	3,754	4,958	3,944	1,853	1,608	1,028	760	795
Int. Exp.	558	717	685	741	545	236	172	184	152	142
Pretax Inc.	2,633	2,314	3,157	3,387	2,061	2,117	1,703	1,074	1,302	1,019
Eff. Tax Rate	61%	44%	41%	42%	41%	35%	35%	38%	37%	38%
Net Inc.	920	1,300	1,850	1,966	1,214	1,380	1,110	671	817	637

**Balance Sheet & Other Fin. Data (Million \$)**

Cash	842	414	127	317	732	1,943	187	363	765	886
Curr. Assets	10,007	10,200	9,375	NA	NA	NA	NA	NA	NA	NA
Total Assets	45,027	43,679	41,378	37,776	37,777	14,606	12,826	11,751	10,862	9,429
Curr. Liab.	8,402	7,707	7,525	NA	NA	NA	NA	NA	NA	NA
LT Debt	6,959	9,278	9,562	11,068	12,342	2,984	2,107	1,131	1,608	1,818
Common Eqty.	24,100	20,975	19,388	17,285	16,086	6,651	5,508	5,030	4,705	3,871
Total Cap.	34,248	32,913	31,438	30,032	29,172	10,702	8,554	6,834	7,201	6,443
Cap. Exp.	2,013	2,134	2,314	1,922	1,745	897	1,026	814	599	954
Cash Flow	3,115	4,623	5,604	6,924	5,158	3,233	2,719	1,700	1,576	1,431
Curr. Ratio	1.2	1.3	1.2	NA	NA	NA	NA	NA	NA	NA
% LT Debt of Cap.	20.3	28.2	30.4	36.9	42.3	27.9	24.6	16.5	22.3	28.2
% Net Inc. of Revs.	3.6	5.6	8.1	8.7	6.5	11.4	11.0	7.9	10.9	10.3
% Ret. on Assets	2.1	3.1	4.7	5.2	4.7	10.1	9.1	5.9	8.0	7.3
% Ret. on Equity	4.1	6.4	10.1	11.8	10.7	22.7	21.3	13.7	19.0	17.4

Data as orig. reptd.; bef. results of disc. ops. and/or spec. items. Per share data adj. for stk. divs. as of ex-div. date. Bold denotes diluted EPS (FASB 128). E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

**Office**—500 S. Buena Vista St., Burbank, CA 91521. **Tel**—(818) 560-1000. **Website**—www.disney.com/investors **Chrmn & CEO**—M. D. Eisner. **Pres & COO**—R. A. Iger. **SEVP & CFO**—T. O. Staggs. **Secy**—M. L. Reed. **SVP & Investor Contact**—W. M. Webb. **Dir**—R. F. Bowers, J. E. Bryson, R. E. Disney, M. D. Eisner, J. Estrin, S. P. Gold, R. A. Iger, M. C. Lozano, G. J. Mitchell, T. S. Murphy, L. J. O'Donovan, S. Poitier, R. A. M. Stern, A. L. Van de Kamp, R. L. Watson, G. L. Wilson. **Transfer Agent & Registrar**—Co.'s office. **Incorporated**—in California in 1938; reincorporated in Delaware in 1987. **Empl**—120,000. **S&P Analyst**—Tom Graves, CFA

NEWS HEADLINES

■ **04/25/01** UP 0.77 to 29.35... Posts \$0.19 vs. \$0.14 2Q (pro forma) despite 4% revenue decline... S&P maintains accumulate...

■ **04/25/01** NEW YORK (Standard & Poor's)--Apr 24, 2001, Disney (Walt Co. (The)), announced 2Q loss per share of \$0.26 vs. EPS \$0.08 and 6 mos. loss of \$0.10 vs. EPS \$0.25. Results for 2000 are restated. Results for 2001 include charges of \$996M for the 3 mos. & \$1,190M for the 6 mos. related to restructuring & impairment charges. Results for the 6 mos. 2001 exclude loss of \$0.13 related to accounting change.

■ **04/24/01** 7:45 pm.. STILL ACCUMULATE DISNEY (DIS 29\*\*\*\*)...

Before charges and cumulative effect of accounting changes, March-Q EPS \$0.17 vs. \$0.08, above Street estimates... On pro forma basis, EPS \$0.19 vs. \$0.14... Studio entertainment particular bright spot, with profit more than tripling... Expectation of further strength there helps to offset concern about prospective weakness in theme park & TV advertising segments... Excluding some one-time items, adjusting FY 01 (Sep.) EPS estimate to \$0.76 from \$0.75, FY 02's to \$0.92 from \$0.90... If non-cash goodwill excluded, would be more like \$1.10 FY 01, \$1.20 FY 02. /T.Graves-CFA

■ **04/24/01** Posts \$0.19 vs. \$0.14 2Q (pro forma) despite 4% revenue decline... S&P maintains accumulate...

■ **03/28/01** 3:50 pm... UPGRADING DISNEY (DIS 28\*\*\*\*) TO ACCUMULATE, FROM HOLD... Look for latest cost-cutting moves to provide buffer against prospective weakness in advertising market... Excluding some one-time items, but with expected Internet-related operating loss, estimate FY 01 (Sep.) EPS at \$0.75. FY 02's at \$0.90... If non-cash goodwill excluded, would be more like \$1.10 in FY 01, \$1.20 in FY 02... At current price, look

for prospect of growing DIS free cash flow and interest among small investors to more than offset concerns about economic and TV-advertising environments, possible Hollywood strikes. /T.Graves-CFA

■ **02/06/01** 3:00 pm... CONTINUE TO HOLD DISNEY (DIS 32\*\*\*\*)... Excluding loss from Disney Internet Group, FY Q1 EPS \$0.28 vs. pro forma \$0.23, better than expected.. Big improvement from Studio Entertainment segment helped by home video... Excluding Internet group, keeping our FY 01 (Sep.) EPS est. at \$1.00... With group, on pro forma, pre-charge basis, look for \$0.78... \$1.06 if amortization of intangibles excluded... Near-term, expect concern about California economy and TV advertising environment to offset stock support from prospect of growing DIS free cash flow, and interest among small investors. / T.Graves-CFA

■ **02/06/01** NEW YORK (Standard & Poor's)--Feb 6, 2001, Disney (Walt Co. (The)), announced 1Q EPS \$0.16 vs. \$0.17 . Results for 2000 excludes loss of \$0.13 related to accounting change. Results for 1999 includes gain of \$243M related to sale of Fairchild Publications.

■ **02/05/01** UP 1.02 to 31.45... Posts \$0.28 vs. \$0.23 (pro forma) 1Q EPS on 7% revenue rise... Current Q excl. retained interest in Internet Group.

■ **01/29/01** 6:45 pm... STILL HOLD DISNEY (DIS 31\*\*\*\*)... News that DIS will discontinue its Go.com Internet portal is encouraging... Sends new message that co. willing to cut costs... Expect DIS will still have major Internet presence via specialty branded sites... Excluding Internet-related and direct-marketing operations, trimming our FY 01 (Sep.) EPS estimate to \$1.00, from \$1.03... \$1.21 if amortization of intangibles excluded... Near term, expect concern about California economy

and TV advertising environment to offset support stock gets from prospect of growing DIS free cash flow and from interest among small investors. / T.Graves-CFA

■ **01/22/01** DOWN 2 1/8 to 30 1/2... WSJ reports co.'s new theme park in Calif. faces slowing economy, high gas prices, Calif power crisis... Bear Stearns thinks stock could be sloppy near term...

■ **01/22/01** DOWN 2 to 30 5/8... WSJ reports co.'s new theme park in Calif. faces slowing economy, high gas prices, Calif power crisis... Bear Stearns thinks stock could be sloppy near term...

■ **01/22/01** DOWN 1 3/4 to 30 7/8... WSJ reports co.'s new theme park in Calif. faces slowing economy, high gas prices, Calif power crisis... Bear Stearns thinks stock could be sloppy near term...

■ **01/22/01** DOWN 1 5/8 to 31... WSJ reports co.'s new theme park in Calif. faces slowing economy, high gas prices, Calif power crisis... Bear Stearns thinks stock could be sloppy near term...

■ **01/22/01** 11:59 am... WALT DISNEY (DIS 30-1/2) DOWN 2-1/8, BEAR STEARNS THINKS STOCK COULD TRADE SLOPPY NEAR TERM... Analyst Raymond Lee Katz tells salesforce his primary concern is high correlation between park attendance, consumer confidence numbers, with latter declining 11% in past few weeks... Notes some sources hinted DIS seeing some softening in consumer demand, although it still too early to discern how much of this economically notwithstanding... Maintains overall DIS estimates despite sources suggesting weaker-than-expected t.v. spot market in 2Q... Believes t.v. stations' spot market may be down somewhat more than 10% in 2Q... Maintains attractive./ B.Brodie

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## INDUSTRY OUTLOOK

Our near-term investment outlook for the S&P Entertainment Index is moderately bullish. However, our opinion varies on different stocks. In May 2001, we were pleased to see tentative approval of a new contract between Hollywood producers and writers, and we expect a new pact with actors to be reached this summer. Although we are not especially enthused about near-term prospects for television advertising revenues, we see appeal to a number of entertainment-related stocks, including some that are not in the S&P Entertainment Index. Year to date, through May 4, 2001, the S&P Entertainment Index was up 27.4%, compared with a 3.6% decline for the S&P 1500. In all of 2000, the industry index was down 15.1%, versus an 8.0% decline for the S&P 1500.

Our longer-term outlook is generally favorable. In part, this is because we expect the companies that own and create sizable amounts of filmed entertainment will benefit further from the development of new mediums for delivering sights and sounds to consumers. However, investors should keep in mind that some of the large entertainment companies receive significant portions of their revenue and cash flow from advertiser-supported businesses,

which are likely to be affected by macroeconomic conditions.

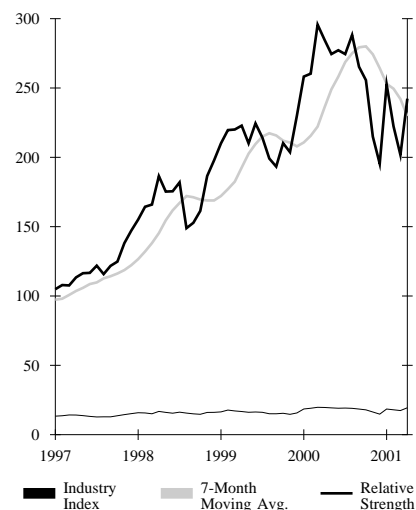
For movies, theatrical performance accounts for a much smaller portion of a film's overall revenues than it did in the past. For recent films, TV and home video demand is influenced by how well a movie does in theaters. We expect industry revenues to be helped by a new format called digital video disk (DVD). Also, with increasingly sophisticated cable television systems, the addition of more channels and improved pay-per-view capabilities are expected to boost future revenues for program suppliers. Use of the Internet to deliver music and video is likely to bring both opportunities and threats to entertainment companies.

Meanwhile, in December 2000, French company Vivendi acquired Seagram Co., whose businesses included music and filmed entertainment, and in January 2001, a merger of Internet company America Online (AOL) and Time Warner was completed. We look for the AOL-Time Warner and Vivendi-Seagram mergers to accelerate the increased availability of entertainment content through newer electronic mediums or appliances.

### Industry Stock Performance Related S&P 1500 Industry Index

#### Entertainment

#### Month-end Price Performance As of 04/30/01



## INDUSTRY: ENTERTAINMENT

### \*PEER GROUP: ENTERTAINMENT CONTENT PROVIDERS - LARGER

Peer Group	Stock Symbol	Recent Stock Price	P/E Ratio	12-mth. Trail. EPS	30-day Price Chg %	1-year Price Chg. %	Beta	Yield %	Quality Ranking	Stk. Mkt. Cap. (mil. \$)	Ret. on Equity %	Pretax Margin %	LTD to Cap. %
Disney (Walt)	DIS	31.27	NM	0.22	9%	-24%	0.86	0.7	B+	65,051	4.1	10.4	20.3
Alliance Atlantis Communic'B'	AACB	12.20	11	1.10	-4%	19%	0.71	Nil	NR	328	7.9	7.5	41.9
Fox Entertainment Group	FOX	24.05	NM	0.07	15%	-11%	NA	Nil	NR	4,246	1.9	3.1	Nil
Grupo Televisa	TV	40.33	NM	NA	10%	-27%	1.77	Nil	NR	1,782	5.7	12.1	34.8
Metro-Goldwyn-Mayer Inc.	MGM	19.80	NM	0.13	12%	-27%	NA	Nil	NR	4,103	2.3	5.2	23.5
News Corp.	NWS	38.18	54	0.71	18%	-19%	0.92	0.2	NR	19,443	4.0	7.1	36.0
Pixar	PIXR	36.00	30	1.20	20%	2%	1.33	Nil	NR	1,712	16.9	67.8	Nil
Rank Group	RANKY	5.65	NM	-0.47	15%	22%	0.33	6.2	NR	2,185	4.0	5.3	48.8
Viacom Inc Cl'A'	VIA	54.60	NM	-0.30	16%	2%	NA	Nil	B-	7,505	NM	2.2	18.5
Viacom Inc.	VIA.B	54.55	NM	-0.30	17%	5%	1.24	Nil	B-	89,718	NM	2.2	18.5

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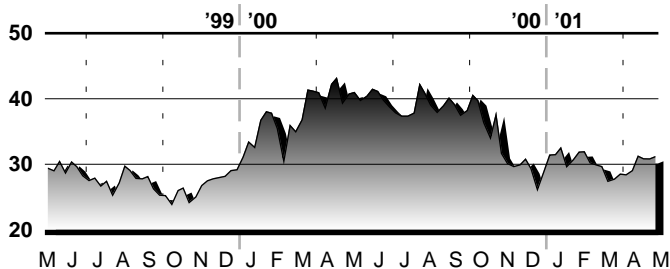
**Disney (Walt) Co**

**WALL STREET CONSENSUS**

**11-MAY-01**

**Analysts' Recommendations**

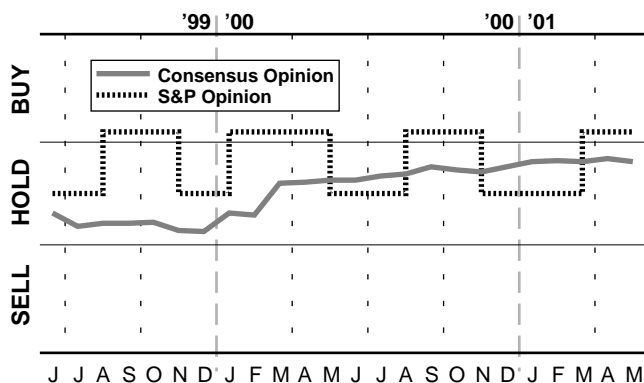
**Stock Prices**



**Analysts' Opinion**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior	Nat'l	Reg'l	Non-broker
Buy	8	31	9	9	4	2	1
Buy/hold	11	42	11	10	6	2	1
Hold	6	23	5	5	3	3	0
Weak Hold	0	0	0	0	0	0	0
Sell	0	0	0	0	0	0	0
No Opinion	1	4	2	2	0	0	1
<b>Total</b>	<b>26</b>	<b>100</b>	<b>27</b>	<b>26</b>	<b>13</b>	<b>7</b>	<b>3</b>

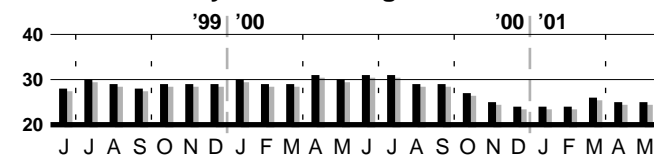
**Analysts' Opinions**



**Analysts' Consensus Opinion**

The consensus opinion reflects the average buy/hold/sell recommendation of Wall Street analysts. It is well-known, however, that analysts tend to be overly bullish. To make the consensus opinion more meaningful, it has been adjusted to reduce this positive bias. First, a stock's average recommendation is computed. Then it is compared to the recommendations on all other stocks. Only companies that score high relative to all other companies merit a consensus opinion of "Buy" in the graph at left. The graph is also important because research has shown that a rising consensus opinion is a favorable indicator of near-term stock performance; a declining trend is a negative signal.

**Number of Analysts Following Stock**



**Standard & Poor's STARS**

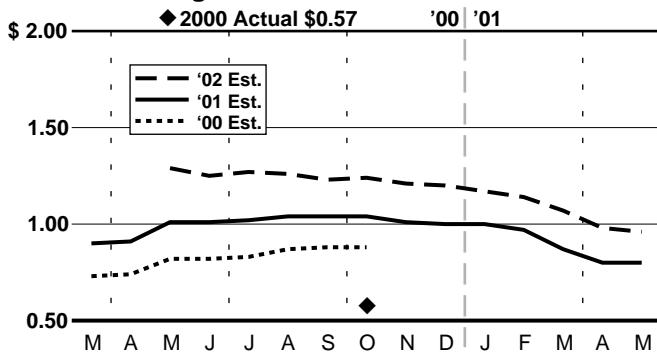


(Stock Appreciation Ranking System)

★★★★★	Buy	Standard & Poor's STARS ranking is our own analyst's evaluation of the short-term (six to 12 month) appreciation potential of a stock. Five-Star stocks are expected to appreciate in price and outperform the market.
★★★★	Accumulate	
★★★	Hold	
★★	Avoid	
★	Sell	

**Analysts' Earnings Estimate**

**Annual Earnings Per Share**



**Current Analysts' Consensus Estimates**

Fiscal years	Avg.	High	Low	S&P Est.	No. of Est.	Estimated P-E Ratio	Estimated S&P 500 P-E Ratio
2001	0.80	0.99	0.71	—	17	39.1	23.2
2002	0.96	1.20	0.82	0.92	17	32.6	19.2
3Q'01	0.24	0.31	0.20		12		
3Q'00	0.21 Actual						

A company's earnings outlook plays a major part in any investment decision. S&P organizes the earnings estimates of over 2,300 Wall Street analysts, and provides you with their consensus of earnings over the next two years. The graph to the left shows you how these estimates have trended over the past 15 months.

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