

The Financial Analysis of Disney

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Abstract. Disney, as the world's biggest diverse entertainment firm, faces both possibilities and difficulties. The article will assess Disney's company state and the influence of the market environment using the 4Ps market analysis approach and the SWTO method. Apply the findings of the research to Disney's projected market development. In the last section of the essay, this part will look at Disney's financial status during the last two years, as well as other data, to determine the company's present operational situation and potential future development trends. In summary, by thoroughly evaluating Disney's data and conditions, this article aids relevant persons in understanding Disney from the standpoint of financial development.

Keywords: Strategy, competitors, Financial Statements, Revenue Projection, Cost.

1. Introduction

The Walt Disney corporations are the foremost multinational family media and entertainment conglomerate with operations in the U.S. The Walt Disney Company operates principally Disney Parks and its associated experiences and merchandise, along with Disney Media and Entertainment Distribution. The six Disneyland parks are generally located in the Americas, Asia, and Europe. In past, the Warner Disney Studios produced and distributed animated films for television. However, in recent years, Disney has created Disney+, an online media outlet that responds to market changes and features films produced by the Disney media studio, including films from the studios' animated and live-action divisions as well as the MCU. Disney Disney+ is an online media platform that was created in response to market growth.

1.1 Background

In the summer of 1923, Walt Disney created the animated series "Alice's Wonderland" in California. The success of Alice led to the creation of Walt Disney Studio in the same year, which started with a small house and two men, Disney and his brother. Dumbo and Snow White, Princess Belle, and the Princess movie series. With the success of Walt's films and television shows, he began to expand Disney's business. Walt Disney decided to open a large resort with a theme park, including a hotel, shopping village, golf course, and big rides. In 1955, the world's first Disneyland was opened [1]. The park featured both an amusement park, a resort, and Disney's original-themed characters. Disney's entertainment industry has gradually expanded around the world. The theme of Disney's development was to create a world of creative fantasy. This includes the launch of IP characters that are exclusive to Disney Parks, such as the virtual character Lina Belle, which will be launched at Shanghai Disney in 2021. Disney's film and television industry and offline Disney Parks have helped Disney become a leading global entertainment giant.

1.2 Disneyland, experience and products

Disney Parks, Experiences, and Products are bringing Disney stories, characters, and franchises into people's lives through theme parks and resorts, and the sale of Disney-derived merchandise, a variety of consumer products from toys to clothing and books. As of 2022, the Disney parks opening around the world are Disney California, Disneyland Orlando, Tokyo Disney, Disney Paris, Hong Kong Disney, and Shanghai Disney. Upon its debut, Disneyland became the most known and famous theme park in the world, and it has retained its position as the most popular theme park ever. Disney has opened both online and offline shops selling dolls of Disney characters or merchandise with Disney character logos, which have gained unanimous popularity among customers.

1.3 Disney media and entertainment distribution

Disney Media & Entertainment Distribution (DMED) combines technology, media distribution, and ad sales into a single corporate unit that develops and delivers customised entertainment experiences to clients worldwide. Disney supports animated film production as well as the distribution of associated children's books. In November 2019, Disney launched Disney+ to go live in North America. As people have travelled in the last two years influenced by Covid-19, more people have turned to the online media playback side of film and television entertainment. As a result Disney's paid subscribers have grown at a tremendous rate in these two years, surpassing 100 million paid subscribers as of 2021.

2. Disney competitors

Disney is a large company covering many aspects and has competitors from many different industries in a highly competitive market. For Disney's current subsidiaries and partners, Disney has now developed a complete business model and marketing strategy. Two primary segments contribute to the company's revenue: Parks, Experiences, and Products, and Media and Entertainment Distribution. As a result, there is currently no single company on the market that can cover the full range of Disney's products. This section will describe Disney's business divisions and their corresponding key competitors in this market.

2.1 Disneyland, experience and products

Firstly, Disney's main competitor in terms of the theme parks it operates is Universal Studios. Universal Studios operates in much the same way as Disney, with a diverse range of resorts, animated merchandise, and animation rights. Five Universal Studios theme parks are located across the world, including Universal Studios Hollywood, Universal Orlando, Universal Studios Osaka, Resorts World Universal Singapore, and Universal Theme Park Beijing. Universal Studios is a Comcast Corporation subsidiary. As a result of the continued success of the Harry Potter films and novels, Universal Studios continues to have a substantial impact. And due to the impact of Covid-19, Disney's Parks, Experiences and Products division will have total revenues of approximately \$16.55 billion in fiscal 2021 and \$17.04 billion in 2020. Total revenue is down 3% from the previous year's revenue. However, Universal Studios' revenues in 2021 will only be \$5 billion. While Universal Studios theme parks and Disney theme parks operate in roughly the same lines of business, Disney, with its greater number and wider distribution, will undoubtedly capture a greater share of the market.

2.2 Disney media and entertainment distribution

DMED consists of the company's international business segments and direct-to-consumer streaming services, including Disney+ and Hulu. Disney blends technology, media distribution, and advertising sales into a single corporate organisation that generates and distributes customised entertainment experiences to consumers around the globe. In its 2021 financial results, revealed in November 2021, the firm recorded yearly sales of \$67.14 billion, compared to \$65.39 billion in 2020[3]. Disney's media properties are another major source of revenue for the corporation. The company's total revenue in 2021 is approximately \$1.75 billion more than in 2020 due to the growth in subscribers to its streaming service, which represents a 3% increase in the company's total revenue during the epidemic. At the same time, Disney produces a range of Disney-exclusive designed spin-offs that have become a substantial source of profit for Disney. For the media side of Disney, the main competitors are Comcast and Netflix, both of which are large conglomerates with global reach. Both groups have essentially the same number of employees, market capitalization, and product offerings. Netflix, on the other hand, was founded in 1997 and is a more recent firm with fewer items than the preceding two. In 2021, Netflix will generate \$29.7 billion in gross revenue and \$5.1 billion in net revenue. Netflix will compete with Disney in the future, as Netflix's product selection is more diverse than Disney's, which is mostly focused on animation.

3. Analysis of Disney

3.1 Disney's Marketing Tools 4PS

1) Products

The main products that Disney launched, in the beginning, were movies and TV shows. However, Disney has now become a global business and its products now include two main components, Disneyland and Disney Media. Disney Parks primarily operates parks and resorts and relies on customers to order tickets, theme hotels, and purchase spin-off products. Disney also operates related animated magazines, games, and merchandise with Disney elements. Disney Media primarily produces Disney animation-related films, stage productions, and related online television programs.

2) Price

Disney uses a market-driven pricing strategy and a value-based pricing strategy for its products. The prices of products and services are in line with normal market demand and there is no malicious competition or monopolization of the market.

3) Place

The Disney Company has places to sell both online and in the real world, with Disney shops and cinemas offline, and online with Disney's official website and mobile app as well as a number of licensed TV service channels.

4) Promotion

Disney chooses to use a combination of different strategies depending on the Disney audience and the different products. Disney's main strategies for promoting its products are mainly direct sales in shops, promoting popular products produced from films and TV productions in the media whenever possible, and using social media to promote the latest Disney products and discount promotions.

5) Strategy

Disney's marketing performance has resulted in increased market share. These marketing strategies include Disney's selection of excellent narrative themes, expansion of its marketing audience, and consistency in exhibiting its corporate culture. The popularity of Disney's films and television programmes is inextricably linked to the propensity for using positive narratives in their development. For instance, Disney's themes frequently feature phrases such as valour, liberty, and generosity, which do not render the animated goods juvenile and dull. Not only will youngsters learn from the events and stories, but adults will also find them quite engaging. As a consequence, there are no age or cultural constraints on the audience for Disney's animation or entertainment, which has considerably enlarged Disney's acceptability and consumer base.

Disney has consistently reinvented its business strategy, goods, and services, which have resulted in enormous revenues. Disney firms have built a strong brand intellectual property on the market, according to research on marketing strategy: a case study of Disney. [4] The success of Disney's distinct marketing may be attributed to its superior manufacturing and unique products in comparison to its competitors.

3.2 Analysis of Disney using SWTO

3.2.1 Strengths

1) The product is well made, informative, and offers quality service. The brand makes a strong impression.

2) Disney's business is diversified and rich in content. Disney is constantly innovating and introducing new products or new characters and scenes to attract more customers.

3) The content is interconnected, attracting hires to understand other parts and broadening the relevance between products.

4) A strong brand culture and a clear product theme are the main aspects that differentiate the brand from other competitors. It increases brand awareness and attracts a broad consumer base.

3.2.2 Weaknesses

1) Most of the properties as well as subsidiaries are opened in the US, and localization of operations seriously affects the growth of the business.

2) Disney has become a very large company in entertainment and film and is unlikely to acquire or merge with a competitor. Therefore, Disney's future development has been affected.

3.2.3 Opportunities

1) People are relying more and more on online film and television.

2) Expansion of theme parks to more countries.

3.2.4 Threats

1) Many companies are now developing the online film and television industry. Disney is facing more competitors and competitive pressure.

2) The impact of Covid-19 has seen Disney's theme park visitor numbers drop significantly in recent years.

3.3 Financial Analysis of Disney

3.3.1 Business

Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences, and Products are the two primary divisions of The Walt Disney Company (DPEP). The majority of money for Disney's media division comes from box office earnings and online streaming. Due to copyright issues, people watch most of Disney's film and television productions on Disney+, a subsidiary of Disney. In recent years, people have become more inclined to buy online media memberships to watch films and TV productions. The launch of the DMED section was a huge success, with Disney + attracting 50 million subscribers within just five months of its release according to the BBC[5]. This number has continued to grow almost continuously since then as more and more people go online and get stuck at home due to the impact of the virus. Disney's theme parks earn their profits through park admissions and services such as hotel catering at resorts. Disney attracts more customers by selling spin-offs of animated or Disneyland-created characters. It has been observed that Disney characters are becoming more popular among people. The high IP has allowed a huge gap between the number of Disney shop products sold and other toy manufacturers.

3.3.2 Acquisitions

Acquisitions are one of the main tools of growth for The Disney Company, bringing additional technology and talent to the company as well as a wide range of products owned by other companies. Disney's acquisitions include the media company ABC, Pixar Animation Studios, and Marvel Entertainment Industries. The acquisition of other companies in the last two years has had many positive effects on Disney's DMED properties. Disney acquired Fox for \$71 billion back in 2019[6]. This acquisition had a huge impact on Disney's growth in the entertainment industry as it successfully expanded its entertainment business as well as acquired Fox's film and online TV studios and most of its intellectual property. It was in the same year that Disney began the formation of Disney+, which meant that Disney began to set up its own online mainstream media.

3.3.3 affect the value of our assets

According to the FISCAL YEAR 2021 ANNUAL FINANCIAL REPORT, it is mentioned that Disney's turnover in the last two years has been greatly affected by Covid-19. [7] Since the start of the 2019 Covid-19 pandemic, the DPEP component has been the most severely impacted, with the shutdown of Disney's theme parks and resorts as well as the suspension of cruise ship sailings and guided excursions. Due to the forced shutdown of movie theatres, DMED broadcasts have been routinely delayed, resulting in a substantial loss of viewership. This will impair the company's operations and the profitability of certain of its companies in no little manner. And Covid-19 also increases the risk of the company's development. Some of the new businesses and the launch and

sales of new products have been subject to various degrees of delay and cancellation. However, as Covid-19 is gradually brought under control, the economy is beginning to improve. There is a small increase in revenue between 2020 and 2021.

3.4 Financial data analysis

3.4.1 Revenue and Cost

As the market segment of DPEP was the most affected part of Covid-19, the company's overall revenues and profits were also affected. In the following tables, an analysis of the changes in assets and profits of the company's overall and business units over the last few years is presented, and the results are used to forecast the future development of the company.

Table1. Management's Discussion and Analysis of Financial Condition and Results of Operations
(in millions, except per share data)

	2021	2020	% Change Better (Worse)
Revenues:			
Services	\$ 61,768	\$ 59,265	4%
Products	5,650	6,123	(8) %
Total revenues	67,418	65,388	3 %
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization)	(41,129)	(39,406)	(4) %
Cost of products (exclusive of depreciation and amortization)	(4,002)	(4,474)	11 %
Selling, general, administrative and other	(13,517)	(12,369)	(9) %
Depreciation and amortization	(5,111)	(5,345)	4 %
Total costs and expenses	(63,759)	(61,594)	(4) %
Restructuring and impairment charges	(654)	(5,735)	89 %
Other income, net	201	1,038	(81) %
Interest expense, net	(1,406)	(1,491)	6 %
Equity in the income of investees, net	761	651	17 %
Income (loss) from continuing operations before income taxes	2,561	(1,743)	nm
Income taxes from continuing operations	(25)	(699)	96 %
Net income (loss) from continuing operations	2,536	(2,442)	nm
Loss from discontinued operations, net of income tax benefit of \$9 and \$10, respectively	(29)	(32)	9 %
Net income (loss)	2,507	(2,474)	nm
Net income from continuing operations attributable to noncontrolling and redeemable noncontrolling interests	(512)	(390)	(31) %
Net income (loss) attributable to Disney	\$ 1,995	\$ (2,864)	nm
Earnings (loss) per share attributable to Disney: Diluted	\$ 1.11	\$ (1.57)	nm
Continuing operations			
Discontinued operations	(0.02)	(0.02)	— %
	\$ 1.09	\$ (1.58)	nm
Basic Continuing operations	\$ 1.11	\$ (1.57)	nm
Discontinued operations	(0.02)	(0.02)	— %
	\$ 1.10	\$ (1.58)	nm
Weighted average number of common and common equivalent shares outstanding:			
Diluted	1,828	1,808	
Basic	1,816	1,808	

Based on Table 1 [8], it can be seen that in 2021 DMED's revenue increases by 4% and DPEP's revenue decreases by 8%. Overall, the company's overall revenue in 2021 is 3% higher than in 2020. In terms of expenses, service 2021 is up by 1723 million or 4% compared to 2020. cost of product in

2021 is down by 11% compared to the previous year. The overall cost has increased by 4% compared to the previous year. It can be concluded that DPEP has had a very poor development process in the last two years, with the growth trend of DMED outstripping the promotion of the DPEP side of the product. This could allow companies to be more innovative and operational in the future in terms of media and online services. Some sectors offering services online are still growing, and some offline physical industries are not operating very well. The company's overall income had a slight increase over the two-year period, indicating that the company has some ability to maintain its operations during the period of risk. The growth in net income from DPEP has operations was mainly generated from the revenues of Shanghai Disney Resort and Hong Kong Disney Resort. Disney's future trend in the Chinese market is still a positive growth position, which may be related to the large number of people in the Chinese market. Disney has done a very good job of marketing itself in the Chinese market. Firstly Disney is well known. Secondly, the diverse products, experiences, and quality service are sought after, or example, the highly popular IPs such as Star Dew and Lina Belle have a wide audience and receive popularity from all age groups. The last is that due to the large population, the number of visitors is somewhat higher compared to parks such as the US. In the course of future development, Disney could shift its theme park development focus to the Chinese market.

3.4.2 Media revenue

Table 2. The following table presents the number of paid subscribers (in millions) for Disney+, ESPN+ and Hulu as of

	Oct2,2021	Oct3,2020	%Change Better (Worse)
Disney+	118.1	73.7	60%
ESPN+	17.1	10.3	66%
Hulu			
SVOD Only	39.7	32.5	22%
Live TV+SVOD	4.0	4.1	(2) %
Total Hulu	43.8	36.6	20%

Table 3. The following table presents the average monthly revenue per paid subscriber for the fiscal year ended

	2021	2020	%Change Better (Worse)
Dsiney+	\$ 4.08	\$ 4.80	(15) %
ESPN+	\$ 4.57	\$ 4.35	5%
Hulu			
SVOD Only	\$ 12.86	\$ 12.24	5%
Live TV+SVOD	\$ 81.35	\$ 67.24	21%

According to the data in table 2[9], Disney media have an increase trend than the last year. The increase in ESPN+ costs was mainly due to the cost of new sports programming and technology and sales costs. Disney administration and other costs increased by \$1,309 million, from \$3,126 million to \$4,435 million. This was due to high marketing and administrative costs associated with the growth of Disney's media industry.

3.4.3 Discounted Cash Flow

Table 4. Disney's discounted cash flow analysis

Disney (Mil)	2022	2023	2024	2025	2026
Free Cash Flows	7177	7895	8685	9554	10509
WACC=8.67% (Guru Focus)			g=2%		
Disney (Mil)	2022	2023	2024	2025	2026

Discounted free cash flow	6645	6769	6894	7022	7152
DCF(\$)156<203.6(2021)					

Disney Although its theme park and cruise business has been hit by the flu pandemic, the entertainment giant has continued to enjoy success through its streaming services. the average annual growth rate S&P500 for Disney is 14%. [10] Disney's earnings per share improved as DPEP gradually grew to start in 2020, but still not to pre-pandemic Covid-19 levels. Strong revenue and earnings growth over the next two years will drive the share price further up as investors' attention shifts to 2021 and 2022.

4. Conclusion

In general, Disney is an existing entertainment giant in the global market. This article only discusses from the aspects of marketing and finance, mainly discussing the media and theme park industries under Disney. This paper analyzes and evaluates the operation status of Disney Company and its development trend in the future market. These findings show that Disney's market in covid-19's images has remained relatively stable on the whole, and the media industry has developed well, but the theme park industry has been negatively affected by the virus. In the future, Disney should still shift its focus to innovative industries. Importantly, the Chinese market still has great potential.

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