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Walt Disney Co. (NYSE: DIS: BUY)
Target Price: $129
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Results

- Missed consensus EPS by $0.04.
    - Disney does not provide forward guidance.
    - The quarter was negatively impacted by year-over-year timing differences between quarters which affected both the Media Networks and Parks divisions.
    - Disney is down 5% in pre-market trading

- Consolidated results were actually fine with 11% EPS growth off of 4% revenue growth in the quarter.

- Media Networks operating income was up 9% year over year as segment margin expanded by 350 basis points.

- Parks and Resorts operating income was up 10% year over year as domestic-segment margin expanded by 300 basis points; foreign margin was negatively impacted by Shanghai Disney Resort opening costs.

- The Studio division was a standout again with operating income up 27% as margin expanded 90 basis points.

- Disney closed down its Infinity videogame business and took a $147 million charge in the quarter.

Outlook

- While the market is concerned about ESPN losing value in new "skinny bundles," Disney is in talks with a number of over-the-top distributors about inclusion in their bundles. Disney provided some color that Dish's Sling service actually had an uptick in subscriber acquisition after the inclusion of ESPN. Disney and Verizon also settled their dispute over Verizon's new channel package.

- Parks and Resorts will open Shanghai Disney resort in June and is planning to build two more cruise liners. Near term, domestic bookings are up 5% but the June quarter segment operating income will be $90 million softer due to the move of the Easter holiday into the March quarter this year.

- The Disney Studio is far ahead of the industry with 29% domestic theatrical box office share so far in 2016 and Disney's first summer blockbuster hit "Captain America: Civil War" was only just released last weekend.

Recommendation

- We have a BUY on Disney to a target price of $129.

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