HILLIARD LYONS

Entertainment & Leisure
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COMPANY UPDATE / ESTIMATE CHANGE / PRICE TARGET CHANGE

Key Metrics

DIS - NYSE 8/8/17 closing price		$106.98
Intra-day Price, 8/9/17		$102.75
2 Year Price Target		$130.00
52-Week Range		$90.32 - $116.10
Shares Outstanding (mil.) (basic)		1,562
Market Cap. ($ mil.)		$167,103
3-Mo. Average Daily Volume		7,120,000
Institutional Ownership		63%
Total Debt/(Total Debt + S.Equity) (6/17)		33%
ROE (TTM ended 6/17)		19%
Book Value/Share (6/17)		$29.48
Price/Book Value		3.6x
Annual Dividend & Yield	$1.56	1.46%
EBITDA Margin (TTM ended 6/17)		30%

EPS FY 9/30 (excludes nonrecurring items)

	2016	Prior 2017E	Curr. 2017E		Prior 2018E	Curr. 2018E
1Q	$1.63		$1.55	A		$1.73
2Q	$1.36		$1.50	A		$1.60
3Q	$1.62		$1.58	A		$1.82
4Q	$1.10	$1.27	$1.24			$1.50
Year	$5.72	$5.95	$5.87		$6.70	$6.65
P/E	18.0x		17.5x			15.5x

Note: Quarterly EPS figures may not add to annual figure due to rounding.
Note: P/E multiples based on 8/9/17 intra-day price shown above.

Revenue ($mm)

	2016	Prior 2017E	Curr. 2017E		Prior 2018E	Curr. 2018E
1Q	$15,244		$14,784	A		$15,800
2Q	$12,969		$13,336	A		$14,100
3Q	$14,277		$14,238	A		$15,500
4Q	$13,142	$14,130	$13,842			$14,600
Year	$55,632	$57,000	$56,200		$60,300	$60,000

Company Description: *The Walt Disney Company is a worldwide entertainment company engaged in animated and live-action film and television production, character merchandise licensing, consumer products retailing, book, magazine, and music publishing, television and radio broadcasting, cable television programming, and the operation of theme parks and resorts. Past acquisitions include ABC/ESPN (1995), Pixar (2006), Marvel Entertainment (2009) and Lucasfilm, Ltd (2012).*

The Walt Disney Company

DIS — NYSE — Long-term Buy-1

3Q EPS Decline Overshadowed By Major Changes to Content Distribution Strategy

Investment Highlights

- **Fiscal 3Q results were down from a year ago.** Total revenues declined 0.3% to $14.238 billion, about $200 million below recent street consensus. Operating margin dropped 304 basis points, leading to a 10.0% decline in operating income. Diluted EPS excluding nonrecurring items were $1.58, down 2.9% from a year ago. The street consensus EPS estimate was $1.55 and our estimate was $1.63.
- **There were pros and cons to the quarter, in our view.** Media Networks—impacted by higher programming costs, lower ad revenues, and subscriber losses at ESPN—produced a 22.3% drop in operating income. The Parks & Resorts segment did well, with gains in revenues, operating income, and operating margin. Studio Entertainment was challenged by a tough comparison to robust results a year ago, while Consumer Products grew profits despite a revenue decline.
- **New strategic initiatives overshadowed 3Q results, in our view.** The company agreed to acquire majority ownership of BAMTech, LLC (a direct-to-consumer content streaming company) and announced related plans to launch two video streaming services. These include an ESPN-branded service in 2018 and a Disney-branded service in 2019. This strategy allows Disney to take advantage of its strong portfolio of brands, BAMTech's technological prowess, and changes in consumer preferences related to content consumption.
- **We are bullish on Disney's long-term outlook and maintain our LT Buy rating.** We have updated our financial estimates—not yet reflective of the future streaming services since many variables are unknown at this time, but reflective of 3Q results, expected dilution from the BAMTech purchase, and the business outlook. As a result, our price target is lowered by $5 to $130 per share. This represents a future valuation slightly above the current level. Our Suitability rating remains 1.

Note Important Disclosures on Pages 8-9.
Note Analyst Certification on Page 8.

Exhibit 1
Consolidated Statements of Income (figures in millions except percentages and per share data)

	Quarter Ended			Nine Months Ended		
	7/1/17	7/2/16	% chg.	7/1/17	7/2/16	% chg.
Revenues:						
Cable Networks	$4,086	$4,200	(2.7%)	$12,576	$12,676	(0.8%)
Broadcasting	1,780	1,706	4.3%	5,469	5,355	2.1%
Media Networks	5,866	5,906	(0.7%)	18,045	18,031	0.1%
Parks & Resorts	4,894	4,379	11.8%	13,748	12,588	9.2%
Studio Entertainment	2,393	2,847	(15.9%)	6,947	7,630	(9.0%)
Consumer Prod. & I'active Media	1,085	1,145	(5.2%)	3,618	4,241	(14.7%)
	14,238	14,277	(0.3%)	42,358	42,490	(0.3%)
Operating Income:						
Cable Networks	1,462	1,893	(22.8%)	4,117	4,714	(12.7%)
Broadcasting	253	325	(22.2%)	976	922	5.9%
Equity in Income of Investees	127	154	(17.5%)	334	447	(25.3%)
Media Networks	1,842	2,372	(22.3%)	5,427	6,083	(10.8%)
Parks & Resorts	1,168	994	17.5%	3,028	2,599	16.5%
Studio Entertainment	639	766	(16.6%)	2,137	2,322	(8.0%)
Consumer Prod. & I'active Media	362	324	11.7%	1,371	1,541	(11.0%)
	4,011	4,456	(10.0%)	11,963	12,545	(4.6%)
Income Before Taxes and Noncontrol. Interests	3,618	4,183	(13.5%)	11,094	11,987	(7.4%)
Less: Taxes	1,144	1,471	(22.2%)	3,593	4,089	(12.1%)
Net Income	2,474	2,712	(8.8%)	7,501	7,898	(5.0%)
Less: N.I. Attrib. to Noncontrol. Int.	(108)	(115)	(6.1%)	(268)	(278)	(3.6%)
N.I. Attrib. to Walt Disney Co.	$2,366	$2,597	(8.9%)	$7,233	$7,620	(5.1%)
Diluted EPS, as reported	$1.51	$1.59	(5.5%)	$4.55	$4.63	(1.6%)
Adjustments:						
Restructuring/Impairment	$0.00	$0.03		$0.00	$0.05	
Other Expense (Income)	$0.07	$0.00		$0.07	($0.07)	
Diluted EPS Excluding Items	**$1.58**	**$1.62**	**(2.9%)**	**$4.63**	**$4.61**	**0.5%**
Avg. Diluted Shares Outst.	1,572	1,631	(3.6%)	1,588	1,647	(3.6%)
Operating Margins:			bp chg.			bp chg.
Cable Networks	35.78%	45.07%	(929)	32.74%	37.19%	(445)
Broadcasting	14.21%	19.05%	(484)	17.85%	17.22%	63
Media Networks	31.40%	40.16%	(876)	30.07%	33.74%	(366)
Parks & Resorts	23.87%	22.70%	117	22.03%	20.65%	138
Studio Entertainment	26.70%	26.91%	(20)	30.76%	30.43%	33
Consumer Prod. & I'active Media	33.36%	28.30%	507	37.89%	36.34%	156
Total	28.17%	31.21%	(304)	28.24%	29.52%	(128)
As a % of Total Revenues:						
Selling, Gen., Admin. & Other Exp.	16.19%	16.14%	4	15.27%	15.22%	5
N.I. Attrib. to Walt Disney Co.	16.62%	18.19%	(157)	17.08%	17.93%	(86)
Tax Rate	31.62%	35.17%	(355)	32.39%	34.11%	(173)

Source: The Walt Disney Company Note: September fiscal year

Additional comments on 3Q results. As in the previous quarter, revenues were lighter than we expected at Media Networks, the company's largest segment. Business remained under pressure from higher programming costs, lower ad revenues, and subscriber losses at ESPN. The ABC television network also faced lower ad revenues and higher programming costs in the quarter. The Parks & Resorts segment benefited from better than expected international results including Shanghai Disney Resort, which performed well and had an easy comparison to a year ago when pre-opening expenses were considerable. The domestic parks produced higher attendance and increased guest spending due perhaps to improved offerings and some benefit of Easter occurring in the quarter, but had higher operating expenses as well.

Studio Entertainment had lower contributions due mainly to a theatrical film slate that could not match robust results from the year ago slate. In addition, home video business was down due to a similar issue—a tough comparison, specifically *Rogue One: A Star Wars Story* versus the more potent *Star Wars: The Force Awakens* in the year ago quarter. The Consumer Products & Interactive Media segment had a revenue decline but an operating income gain due to lower expenses in both the merchandise licensing and videogame businesses.

Also during the quarter, Disney acquired the remaining outstanding shares of Euro Disney SCA that it did not already own for a total cost of about $250 million. This boosted Disney's stake from 88% to 100%. Shares of Euro Disney are no longer listed on the Euronext Paris exchange.

Financial condition. We consider Disney's cash and debt positions to be at healthy levels for a major media conglomerate. At the end of fiscal 3Q, cash and equivalents were $4.336 billion. Total debt stood at $22.187 billion, about 33% of total capitalization. Compared to a year ago, cash was down and debt was up. This reflects cash uses such as share repurchases and dividend payments, as well as capital expenditures and borrowings related to Shanghai Disney Resort (opened in June 2016) and the 33% equity stake in BAMTech for $1.0 billion (investments made in August 2016 and January 2017). The additional 42% stake in BAMTech for $1.6 billion was made in August 2017, so will be reflected in the September quarter-end balance sheet. Shareholders' equity at fiscal 3Q end was $46.051 billion.

For the nine months ended July 1, 2017, cash provided by operating activities was $8.831 billion. After capital spending (mostly in the Parks & Resorts segment) of $2.728 billion, free cash flow was $6.103 billion, up 3.0% from the year ago figure.

During 3Q, the company repurchased 22.3 million shares for $2.4 billion, for an average purchase price of $108 per share. Fiscal year-to-date, the company has bought back 64.3 million shares for $6.8 billion, for an average price of $106 per share. The weighted average share counts for the recent 3Q and nine-month period were both 3.6% lower than prior year periods. We expect buybacks to continue, as the repurchase authorization was recently boosted by $2 billion to $9-10 billion for the current fiscal year.

Major development. In addition to announcing fiscal 3Q results, Disney announced plans to boost its stake in BAMTech, LLC, a global leader in direct-to-consumer content streaming technology, and declared a shift in the way the company intends to distribute its content, evidenced by the planned creation of two direct-to-consumer content streaming services. Disney made its original investment in BAMTech in August 2016 and made a follow-up investment in January 2017. Collectively, these investments represented a 33% stake and a cash outlay of $1.0 billion. The planned purchase of a 42% stake is expected to close by calendar year end, and represents an additional cash outlay of $1.6 billion. This would result in a majority 75% stake held by Disney. While these purchases come with near-term earnings dilution, we believe the long-term impact is significantly positive. BAMTech has cutting-edge proprietary technology that is integral in the creation of "over the top" (OTT) networks. As announced on 8/8/17, the collaboration is expected to result in direct-to-consumer streaming services based on the ESPN and Disney/Pixar brands, but could eventually benefit other segments of The Walt Disney Co. Specific content, exact launch dates, and pricing for the planned OTT services are unknown at this time.

The ESPN-branded, multi-sport, video streaming service is expected to debut in early 2018 and will include regional, national, and international events across a wide spectrum of sports. In fact, management expects the service to offer nearly 10,000 events a year, including those from Major League Baseball, National Hockey League, Major League Soccer, Grand Slam tennis, and college sports. While the traditional ESPN networks (such as ESPN and ESPN 2) will continue to be offered on cable platforms under agreements with cable companies, paying subscribers to those networks will be able to stream those networks under the same ESPN app being used by the new OTT service.

The future Disney streaming service will include movies (new and library titles) from Disney and Pixar studios, as well as some content from The Disney Channel. With the creation of its own movie streaming service, Disney will end its current distribution agreement with Netflix (NFLX-$178.36) beginning with the 2019 calendar year theatrical slate. Importantly, these plans would only affect the "pay" window for movies, which follows the theatrical window. Thus, the OTT streaming service would not affect the current theatrical window for the company's future releases, as the company continues to prefer movie theatres for initial distribution. In fact, the theatrical run for a given film is often considered the "engine that drives the train" as a film's performance in movie theatres essentially establishes demand and market value for all other ancillary markets.

These actions reflect the growing industry trend of forging direct relationships between content creators and consumers. Disney, with what we consider to be unparalleled content, seems to be at the forefront of this movement. This is consistent with our long-standing view that management is sharp, visionary, and a major positive investment factor.

Dividend update. In November 2016, Disney announced a 10% increase to its dividend, taking the semi-annual rate to $0.78 per share, or $1.56 per share annualized. This equates to a current yield of 1.46%. The company's current dividend policy includes two payments during the year, in January and July. In FY16, Disney spent $2.3 billion on dividend payments and we expect a higher amount in FY17 (after factoring a higher rate per share but fewer shares outstanding). We expect a dividend increase to be announced in late November of this year, at a rate similar to last year's 10% hike.

Outlook. We are bullish on the company's outlook over the next several years. At Media Networks, we anticipate expanded and more efficient distribution for ESPN, including the coming launch of OTT streaming services and a more efficient cost structure for the traditional, or "linear," networks that are delivered through cable operators. We believe the Studio Entertainment has never been stronger, with growth potential from the Lucasfilm/*Star Wars,* Pixar, Marvel and Disney brands. Over the next three years, we expect numerous films that could have a significant company-wide impact. These include, but are not limited to, new releases from popular franchises such as *Star Wars*, *The Avengers*, *Toy Story*, and *Frozen*. The Parks & Resorts segment could benefit from new attractions/lands at the domestic parks, hotel expansion at some locations, and growth at Shanghai Disney Resort beyond its debut year. We have been particularly enthused about recent expansion (attractions and operating hours) at the Animal Kingdom park in Orlando.

We have updated our earnings model—not yet reflective of the future streaming services since many variables (such as specific content, launch date, and pricing) are unknown at this time, but reflective of 3Q results, expected diluted from the BAMTech purchase, and the near-term business outlook. While this includes slight EPS estimate reductions for FY17 and FY18, we believe recent developments have significantly improved the company's long-term outlook. We expect improved earnings growth rates once the planned OTT streaming services gain a sizable core subscriber base and significant early stage expenses begin to moderate. During the next two years, we anticipate stabilization followed by resumption of growth from the ESPN brand in totality (streaming and cable distribution). In addition, we believe earnings can benefit from new or recent attractions at the theme parks, continued growth at Shanghai Disney Resort, and a powerful film slate. Share repurchases are likely to continue as well, in our opinion.

For the current FY17 year, we note the tough comparison to a strong FY16, which included company-wide benefits created by *Star Wars: The Force Awakens*. Our new revenue estimate for FY17 is lowered by $800 million to $56.2 billion, while our diluted EPS estimate is reduced by $0.08 to $5.87. We anticipate an operating margin decline of about 80 basis points. We project an approximate 1% decline in net income, with share repurchases leading to a near 3% gain in EPS.

We remain bullish on FY18 due to the favorable timing of several product/service introductions, as well as projected improvement at ESPN (ratings, ad rates, affiliate revenues, etc.). We believe *Star Wars: The Last Jedi*, scheduled for a December 2017 theatrical release, is likely to become the highest grossing movie of calendar 2017 and benefit many aspects of the company during FY18. In a fine-tuning measure, we are reducing our FY18 revenue estimate by $300 million to $60.0 billion, with the majority of the change coming from the Cable Networks segment. We assume an approximate 40 basis point improvement in operating margin and continued share repurchases, leading to a 13% gain in EPS.

In the longer term, our basic financial model includes mid single-digit revenue gains, improving profit margins, operating leverage, and share repurchases. We believe this could result in upper single-digit growth in EBITDA and low double-digit growth in earnings per share.

Our forecast is subject to revisions related to the progress of the company's plans for its OTT streaming services, including consumer adoption and expense structures, among other factors. However, we reiterate our favorable view of Disney's strategic shift and management's pro-active positioning of the company to take advantage of acquired technologies and industry trends, while maximizing the value of its content. This could result in some quarterly earnings variances relative to expectations, but we encourage investors to focus on annual results, preferably over a multi-year period.

Valuation. Given solid company fundamentals and relatively clean earnings, we believe a price/earnings approach to valuation is most appropriate. Based on today's intra-day price, DIS shares are trading at 17.5x and 15.5x our updated FY17 and FY18 EPS estimates, respectively. This translates to a 16.1x multiple on our estimate of twelve-month forward earnings. The median forward multiple on DIS over the past fifteen years is 18.2x. Over a more recent five year period, the median is 18.7x.

Also, based on today's intra-day price, DIS is currently trading at roughly 0.9x the forward multiple on the S&P 500. More often than not, the stock has traded at a premium to the market multiple throughout its history. Over the past fifteen years, the median multiple has been 1.1x, with a high of 2.0x and a low of 0.8x. The median multiple over the past five years is also 1.1x.

As with many media companies, cash flow and related valuation measures can be useful. Enterprise Value divided by EBITDA (earnings before interest, taxes, depreciation & amortization) focuses on the implied total value of a company (market capitalization plus net debt) relative to its cash flow generating ability and is commonly used in analysis of media companies. On this measure, and based on today's intra-day price, DIS currently trades at 9.7x our projection of forward EBITDA. Over roughly the past decade, we believe DIS shares have typically traded at forward EBITDA multiples in the 8x-12x range.

Opinion. We believe DIS shares can move higher in the coming years on the basis of overall higher revenues, cash flows, and earnings. We have attempted to make conservative assumptions regarding the main business segments, including the ESPN brand and related metrics such as ad revenues, subscription levels, and the new content distribution initiatives.

We believe the long-term outlook at the company is favorable, more so than we did prior to the recent announcements. We believe this outlook and the current stock valuation make our Long-term Buy rating most appropriate. This rating is based on a recommended investment time frame of two years. Not only does this give the company time to implement new strategies and address challenges, it also captures a period that should include growth projects from all of the company's major businesses.

Our two-year price target is $130 per share, $5 below our previous target. This decrease reflects our updated earnings forecast, which we believe is based on conservative assumptions with revenues and margins. The projected outlook supporting our price target includes improved EPS growth beyond a challenged FY17 year. Our price target reflects a P/E multiple of 16.8x applied to our estimate of forward earnings two years from now. This is above the current forward multiple of 16.1x, but below historical averages. We believe this projected valuation is appropriate, if not conservative, given the company's growth plans, earnings outlook, solid fundamentals, and potential uses of free cash flow.

Additionally, our two-year price target represents an EV/EBITDA multiple of 9.8x based on our estimate of forward EBITDA in two years. This compares to the 9.7x multiple on our current projection of forward EBITDA. Annualized total return potential based on our target, the current dividend, and today's intra-day stock price is approximately 14%. We typically require expected double-digit returns on investments in DIS, with consideration given to the company's blue-chip nature and our view of the stock as a core holding.

Suitability. Our Suitability rating on DIS is 1 on a 1-to-4 scale (1=most conservative, 4=most aggressive). This is based on factors such as the company's size, diversification, operating history, and financial strength. We consider DIS a core holding in equity portfolios.

Risks. Factors that could impact business conditions and operating results, and therefore impede achievement of our price objective, include adverse geopolitical events, contraction in leisure travel, a soft advertising market, weak domestic or international economies, low demand for the company's products and services, potentially dilutive acquisitions or strategic investments, and various other factors that could impact consumers' discretionary spending habits. In addition, planned CEO succession in 2018 following the retirement of Bob Iger represents a major event and therefore represents a unique risk factor, in our view.

Exhibit 2

Income from Continuing Operations (figures in millions except percentages and per share data)

	FY18E	*% chg.*	*FY17E*	*% chg.*	**FY16**	% chg.	**FY15**	% chg.
Revenues:								
Cable Networks	*$17,200*	*4.2%*	*$16,500*	*(0.8%)*	$16,632	0.3%	$16,581	9.7%
Broadcasting	*7,300*	*1.0%*	*7,225*	*2.4%*	7,057	5.6%	6,683	10.6%
Media Networks	*24,500*	*3.3%*	*23,725*	*0.2%*	23,689	1.8%	23,264	10.0%
Parks & Resorts	*20,000*	*8.1%*	*18,500*	*9.0%*	16,974	5.0%	16,162	7.0%
Studio Entertainment	*10,000*	*13.3%*	*8,825*	*(6.5%)*	9,441	28.2%	7,366	1.2%
Cons. Prod. & I'active Media	*5,500*	*6.8%*	*5,150*	*(6.8%)*	5,528	(2.6%)	5,673	7.4%
	60,000	*6.8%*	*56,200*	*1.0%*	55,632	6.0%	52,465	7.5%
Operating Income:								
Cable Networks	*6,550*	*4.8%*	*6,250*	*(7.4%)*	6,748	(0.6%)	6,787	4.9%
Broadcasting	*1,125*	*7.1%*	*1,050*	*4.3%*	1,007	0.1%	1,006	17.8%
Media Networks	*7,675*	*5.1%*	*7,300*	*(5.9%)*	7,755	(0.5%)	7,793	6.4%
Parks & Resorts	*4,100*	*9.3%*	*3,750*	*13.7%*	3,298	8.8%	3,031	13.8%
Studio Entertainment	*2,875*	*12.7%*	*2,550*	*(5.7%)*	2,703	37.0%	1,973	27.4%
Cons. Prod. & I'active Media	*2,100*	*13.5%*	*1,850*	*(5.9%)*	1,965	4.3%	1,884	28.0%
	16,750	*8.4%*	*15,450*	*(1.7%)*	15,721	7.1%	14,681	12.9%
Corporate & Other Activities	*(625)*	*4.2%*	*(600)*	*(6.3%)*	(640)	(0.5%)	(643)	5.2%
Nonrecurring Charges	*0*		*0*		(156)		(53)	
Other Income (Expense)	*(40)*	*(20.0%)*	*(50)*		(129)		0	
Interest Inc. (Exp.), net	*(515)*	*8.4%*	*(475)*	*N/A*	72		(117)	N/A
Pre-tax Earnings Excluding Nonrecurring Items	*15,570*	*8.7%*	*14,325*	*(3.7%)*	14,868	7.2%	13,868	13.2%
Less: Taxes	*4,982*	*7.0%*	*4,656*	*(8.3%)*	5,078	1.2%	5,016	18.2%
Less: Minority Interests	*410*	*2.5%*	*400*	*0.3%*	399	(15.1%)	470	(6.6%)
Net Income	*$10,178*	*9.8%*	*$9,269*	*(1.3%)*	$9,391	12.0%	*$8,382*	11.7%
Diluted EPS:								
As Reported	*$6.65*	*13.4%*	*$5.87*	*2.4%*	$5.73	16.8%	$4.90	15.0%
Excluding Nonrecur. Items	***$6.65***	***13.4%***	***$5.87***	***2.6%***	**$5.72**	**11.1%**	**$5.15**	**19.2%**
Avg. Diluted Shares Outst.	*1,530*	*(3.2%)*	*1,580*	*(3.6%)*	1,639	(4.1%)	1,709	(2.8%)
EBITDA	*$18,875*	*8.2%*	*$17,450*	*0.3%*	$17,401	7.6%	$16,170	11.8%
Operating Margins:								
Cable Networks	*38.08%*		*37.88%*		40.57%		40.93%	
Broadcasting	*15.41%*		*14.53%*		14.27%		15.05%	
Media Networks	*31.33%*		*30.77%*		32.74%		33.50%	
Parks & Resorts	*20.50%*		*20.27%*		19.43%		18.75%	
Studio Entertainment	*28.75%*		*28.90%*		28.63%		26.79%	
Cons. Prod. & I'active Media	*38.18%*		*35.92%*		35.55%		33.21%	
Total	*27.92%*		*27.49%*		28.26%		27.98%	
As a % of Total Revenues:								
EBITDA	*31.46%*		*31.05%*		31.28%		30.82%	
Corporate & Other Activities	*1.04%*		*1.07%*		1.15%		1.23%	
Tax Rate	*32.00%*		*32.50%*		34.15%		36.17%	

Note: EBITDA represents segment operating income less corporate expenses plus depreciation & amortization

Operating income from Cable Networks segment includes equity in income of investees

Source: Company reports and Hilliard Lyons estimates Note: September fiscal year

Additional information is available upon request.

Analyst Certification

I, Jeffrey S. Thomison, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

The author of this report or members of his household have a long position in the common stock of The Walt Disney Company, but may not engage in buying or selling contrary to the recommendation.

Investment Ratings

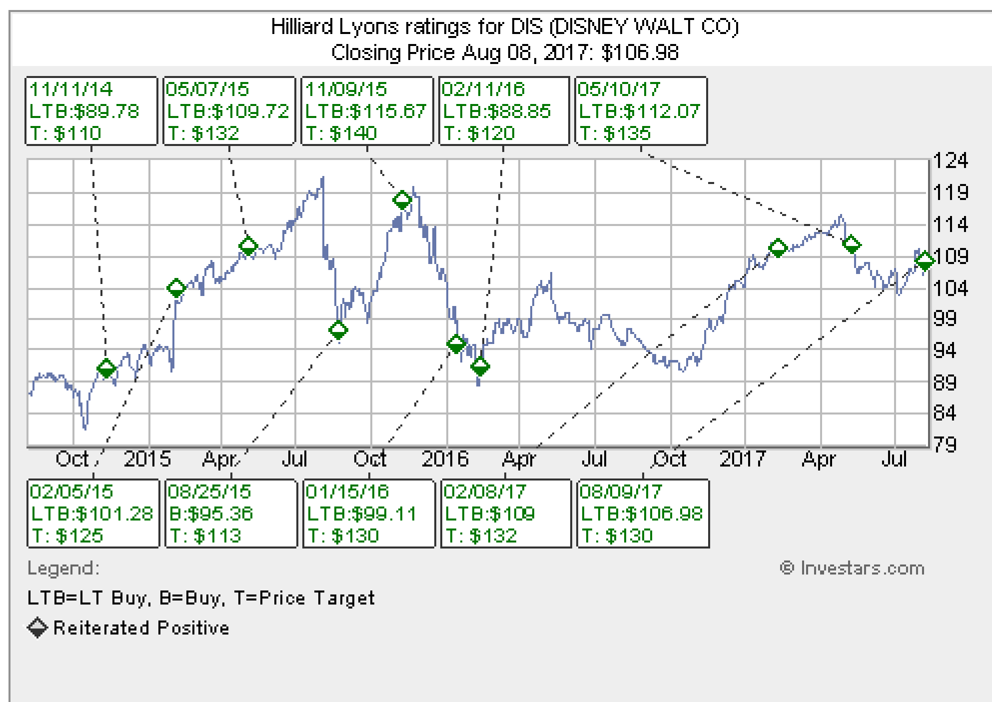
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

Other Disclosures

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