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

Key Metrics

DIS - NYSE (as of 2/6/17)		$106.17
2 Year Price Target		$134.00
52-Week Range		$96.20 - $116.10
Shares Outstanding (mil.) (basic)		1,512
Market Cap. ($ mil.)		$160,529
3-Mo. Average Daily Volume		8,960,000
Institutional Ownership		63%
Total Debt/(Total Debt + S.Equity) (12/17)		36%
ROE (TTM ended 12/17)		20%
Book Value/Share (12/17)		$31.14
Price/Book Value		3.4x
Annual Dividend & Yield	$1.68	1.6%
EBITDA Margin (TTM ended 12/17)		30%

EPS FY 9/30 (excludes nonrecurring items)

	2017	Prior 2018E	Curr. 2018E		Prior 2019E	Curr. 2019E
1Q	$1.55		$1.89	A		
2Q	$1.50	$1.60	$1.68			
3Q	$1.58	$1.74	$1.94			
4Q	$1.07	$1.28	$1.44			
Year	$5.70	$6.25	$6.95		$6.65	$7.70
P/E	18.6x		15.3x			13.8x

Note: Quarterly EPS figures may not add to annual figure due to rounding.

Revenue ($mm)

	2017	Prior 2018E	Curr. 2018E		Prior 2019E	Curr. 2019E
1Q	$14,784		$15,351	A		
2Q	$13,336	$13,950	$14,000			
3Q	$14,238	$15,220	$15,250			
4Q	$12,779	$13,980	$13,899			
Year	$55,137	$58,650	$58,500		$60,400	$60,250

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

Good Fiscal 1Q Results; Raising Price Target Based on Favorable Earnings Outlook

Investment Highlights

- **Fiscal 1Q results were encouraging to us.** Total revenues rose 4% to $15.351 billion, about $100 million below recent street consensus. Operating margin declined about 80 basis points, leading to a 1% increase in operating income. A one-time tax benefit and the impact of a lower tax rate led to reported net income surging 78%. We exclude the one-time tax benefit and other nonrecurring items in our presentation, which results in 1Q diluted EPS of $1.89 versus $1.55 a year ago, up 22%. Applying a historical tax rate to the recent quarter, EPS would have been about $1.67, slightly above our and street consensus figures. See page 3 for a discussion of segment performance.

- **The pending acquisition of certain film and television assets of 21st Century Fox represents a long-term positive, in our view.** Not only would the deal bring high-quality, incremental content and complementary assets to Disney, it would also strengthen its international reach and growth opportunities. Although consummation of the deal is not a certainty, management stated it expected completion in 12-18 months.

- **Numerous growth initiatives are in place at Disney.** The company recently announced plans for yet another series of *Star Wars* movies. Work continues on direct-to-consumer content streaming services, powered by majority-owned BAMTech. This includes an ESPN-branded sports service coming in Spring 2018 and a family-oriented service—including Disney, Marvel, Pixar, and *Star Wars* content—in late 2019.

- **We recommend purchase of DIS based on a bright fundamental outlook and an attractive valuation.** We believe each operating segment has growth potential over the next few years. We are raising our two-year price target by $6 to $134 per share based on a higher forward earnings assumption. Our Suitability rating is 1.

Note Important Disclosures on Pages 9-10.
Note Analyst Certification on Page 9.

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

	First Quarter Ended		
	12/30/17	12/31/16	% chg.
Revenues:			
Cable Networks	$4,493	$4,428	1.5%
Broadcasting	1,750	1,805	(3.0%)
Media Networks	6,243	6,233	0.2%
Parks & Resorts	5,154	4,555	13.2%
Studio Entertainment	2,504	2,520	(0.6%)
Consumer Products & Interactive Media	1,450	1,476	(1.8%)
	15,351	14,784	3.8%
Operating Income:			
Cable Networks	858	864	(0.7%)
Broadcasting	285	379	(24.8%)
Equity in Income of Investees	50	119	(58.0%)
Media Networks	1,193	1,362	(12.4%)
Parks & Resorts	1,347	1,110	21.4%
Studio Entertainment	829	842	(1.5%)
Consumer Products & Interactive Media	617	642	(3.9%)
	3,986	3,956	0.8%
Income Before Taxes	3,745	3,725	0.5%
Taxes / (Benefit)	(728)	1,237	N/A
Net Income	4,473	2,488	79.8%
Less: N.I. Attrib. to Noncontrol. Int.	(50)	(9)	N/A
N.I. Attrib. to Walt Disney Co.	$4,423	$2,479	78.4%
Diluted EPS, as reported	$2.91	$1.55	88.0%
Adjustments:			
Nonrecurring Tax Benefits	($1.00)	$0.00	
Restructuring/Impairment	$0.01	$0.00	
Gain on Sale	($0.03)	$0.00	
Diluted EPS Excluding Items	**$1.89**	**$1.55**	**22.1%**
Avg. Diluted Shares Outst.	1,521	1,603	(5.1%)
Operating Margins:			**bp chg.**
Cable Networks	19.10%	19.51%	(42)
Broadcasting	16.29%	21.00%	(471)
Media Networks	19.11%	21.85%	(274)
Parks & Resorts	26.14%	24.37%	177
Studio Entertainment	33.11%	33.41%	(31)
Consumer Products & Interactive Media	42.55%	43.50%	(94)
Total	25.97%	26.76%	(79)
As a % of Total Revenues:			
Corporate & Other Activities	0.89%	0.92%	(3)
N.I. Attrib. to Walt Disney Co.	28.81%	16.83%	1,198
Tax Rate	N/A	33.21%	N/A

Note: EPS adjustments may not add due to rounding

Source: The Walt Disney Company Note: September fiscal year

Additional comments on 1Q results. Just as in the previous quarter (4Q FY17), revenues were lighter than we expected at the Media Networks, Studio Entertainment, and Consumer Products segments. Media Networks, the company's largest segment, was impacted by lower ad revenues at cable giant ESPN and the ABC television network. The decline at ESPN reflected a decrease in impressions and lower rates, but also a tough comparison related to the timing of college football playoff games compared to the prior year period. A line item in the Media Networks segment—Equity in the Income of Investees—represents the company's partial ownership stakes in several media entities. For the recent quarter, this figure was down 58% due to higher losses from the Hulu streaming service and lower operating results from the A&E cable network. Positives in the Media Networks segment included growth in affiliate revenues and lower programming costs. The company remains active in strategizing and forging relationships with new distribution partners to position ESPN more favorably (including offering its channels as part of bundles from streaming providers), yet this is likely to have more of a benefit as time progresses.

Studio Entertainment results were down slightly from a year ago, impacted by tough comparisons and lower results from home entertainment and subscription video-on-demand (SVOD) distribution. These declines are not representative of business deterioration but rather the quantity and caliber of the specific entertainment properties active in the quarter versus last year. For example, the home entertainment business had *Cars 3* in the quarter whereas the year ago period had the much more successful *Finding Dory*.

Declines at Consumer Products & Interactive Media primarily related to lower merchandise licensing revenues and softer retail store sales. Licensing revenue, mainly from the *Star Wars: Battlefront II* videogame (published by Electronic Arts), was up as the prior year quarter had no comparable release.

Just as in recent quarters, the Parks & Resorts segment was the bright spot of the quarter, in our opinion, as revenues rose 13%, operating margin improved 177 basis points, and operating income increased 21%. Strength was evident across multiple businesses, including domestic parks and resorts, the cruise line operations, the vacation club business, and Disneyland Paris (which is celebrating its 25th anniversary and benefiting from strong attendance). The domestic parks benefited from higher attendance (up a noteworthy 6%) and increased guest spending. One driver is the new *Avatar*-inspired "land" at Animal Kingdom, which includes what we consider the most impressive attraction (*Flight of Passage*) at the Walt Disney World property. The park is operating more efficiently as acreage is well utilized and operating hours have been increased to meet considerably higher levels of demand.

Financial condition. We consider Disney's overall leverage and liquidity to be at healthy levels for a major media conglomerate. At the end of fiscal 1Q, cash and equivalents were $4.677 billion. Total debt stood at $26.091 billion, about 36% of total capitalization. Compared to a year ago, cash was up but so was total debt. This reflects strong cash flow but also uses such as share repurchases, dividend payments, and capital expenditures, including investments in Shanghai Disney Resort and BAMTech. Shareholders' equity was $47.083 billion.

During 1Q, the company spent $1.313 billion on the repurchase of 12.8 million shares, for an average buyback price of approximately $103 per share. The weighted average share count for 1Q was approximately 5% lower than the prior year period. We expect buybacks to continue. In fact, at this early stage in the current 2Q, the company has spent $500 million on share repurchases. Management has previously stated it expects to spend about $6 billion on buybacks for all of FY18, about the average over the past five years.

Dividend outlook. In November 2017, Disney announced an approximate 8% increase to its dividend, taking the semi-annual rate to $0.84 per share, or $1.68 per share annualized. This equates to a current yield of 1.6%. The company's current dividend policy includes two payments during the year, one in January and one in July. In FY17, Disney spent $2.4 billion on dividend payments and we expect a slightly higher amount in FY18 (after factoring a higher rate per share but fewer shares outstanding).

Review of planned Fox purchase. On 12/14/17, The Walt Disney Co. announced an agreement with 21st Century Fox whereby Disney will acquire certain key assets of Fox. Fox will retain some assets and create a new company for existing Fox shareholders. This would be, by far, the largest acquisition Disney has ever made.

In the potential $66 billion transaction, DIS would become owner of the Fox film and television studios, some cable television networks (FX and National Geographic), 22 regional sports networks, controlling interest in video streaming provider Hulu, and international cable properties Star (India) and Sky (Europe, 39% stake). The deal does not include the Fox television network and affiliates, Fox News and Fox Business cable networks, and some national sports cable networks, which would collectively become part of the new Fox company. Some of these assets would likely raise anti-trust issues given similar DisneyABC/ESPN assets.

It remains to be seen what roles current Fox executives, including CEO James Murdoch, son of media mogul and long-time Fox principal Rupert Murdoch, might have at Disney. We are hopeful James Murdoch can play a key role in Disney's future leadership.

In the planned transaction, Disney would issue 0.2745 shares of DIS stock for each Fox Class A (non-voting) and Class B (voting) share for a current value of roughly $52 billion. With the assumption of nearly $14 billion in net debt, the total transaction value is just over $66 billion. This total transaction value represents 11.9x estimated 2018 adjusted EBITDA (earnings before interest, taxes, depreciation & amortization) of the assets to be acquired, or 8.3x when including expected synergies of $2 billion. On an EPS basis, the deal is expected to be dilutive in the first full year following the acquisition, and accretive in the second year. As per normal procedure, the deal is subject to shareholder and regulatory approvals. There is no certainty that a deal will take place. We will not make official adjustments to our financial models until deal closing is assured, which could take 12-18 months from the deal announcement. Furthermore, other entities could submit competing bids for the Fox assets.

Past large acquisitions by DIS (including Cap Cities/ABC in 1995, Pixar in 2006, Marvel Entertainment in 2009, and Lucasfilm in 2012) were funded either partially or fully with DIS stock. With active share repurchasing, actual earnings dilution in those cases were less than originally expected.

We believe the planned purchase of Fox assets makes great strategic sense for Disney, as it would bring a wealth of high quality content to Disney. Examples include the film franchise *Avatar*, full rights to Marvel properties *X-Men* and *Fantastic Four*, numerous successful television shows such as *Modern Family*, and the 22 regional sports networks that could mesh well with Disney's ESPN. In addition, the deal would bring greater distribution and expanded international reach, particularly with the Star and Sky international cable operations. The planned transaction with Disney will not affect Fox's current efforts to acquire the remaining 61% of Sky it does not already own. Disney's planned acquisition of the 21st Century Fox businesses is not contingent on Fox's Sky transaction being consummated.

We also believe Disney has the financial strength to complete and digest the acquisition, as well as integrate and support the businesses effectively. We view the acquisition multiples as reasonable given the complementary nature of the assets and the incremental growth potential for Disney.

CEO Iger contract extension. Along with the announcement of the potential Disney-Fox deal, Disney CEO Bob Iger announced he has agreed to continue as Chairman and CEO through 2021. Iger, age 66, has postponed his retirement several times to date, opting each time to continue his tenure as Disney's leader. Most recently, he had planned to retire in 2019. We believe Iger is one of the most valuable assets at the company, and has proven his mettle many times over since taking the CEO reigns in 2005.

Update on streaming services. In 2017, Disney announced a change in the way it will distribute content with plans for two direct-to-consumer streaming services. Made possible by its majority stake in BAMTech LLC, Disney plans to launch *ESPN Plus* in Spring 2018 and an untitled family-oriented service—including content from Walt Disney, Marvel, Pixar, and Star Wars/Lucasfilm—in late 2019. Along with 1Q results, Disney announced pricing for its *ESPN Plus* service—a reasonable $4.99 per month. *ESPN Plus* is designed as a complement to the existing ESPN cable networks and will aim to deliver "new services and experiences" to consumers. It will feature an extensive amount of professional and collegiate live sporting events, newly created content, and content from a deep library. It will also enable subscribers of the existing ESPN networks the ability to live stream those signals on an array of devices (mobile or television).

The creation of streaming services reflects the growing industry trend of forging direct relationships between content creators and consumers, with no intermediary. The Walt Disney Co., 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.

Star Wars franchise news. The eighth installment of the revered *Star Wars* franchise, *The Last Jedi*, was released on 12/14/17 and has performed well. Although box office figures have trailed those of the comparable *The Force Awakens* two years ago, the current numbers are still robust and pleasing, in our view. As of this writing, worldwide box office for *The Last Jedi* is $1.321 billion, good for 9th place on the industry's list of highest grossing films.

Looking ahead, *Solo: A Star Wars Story*, is set for release on May 25, 2018. This project is part of Disney's plans for incremental *Star Wars* franchise story lines, as first demonstrated by *Rogue One: A Star Wars Story* in December 2016. The mainstream *Star Wars* trilogy gets back on course with *Episode IX* (working title only), directed by J.J. Abrams with a planned release date of December 20, 2019.

Along with fiscal 1Q results, the company had a surprise film announcement, that being plans for a new series of *Star Wars* films handled by acclaimed *Game of Thrones* creators. This would be in addition to the recent announcement that writer/director Rian Johnson (director of *The Last Jedi*) will oversee production of another *Star Wars* trilogy of films following completion of the current trilogy. We believe the *Star Wars* franchise is in excellent shape and will play a major role in Disney's future growth.

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 over-the-top 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 segment has never been stronger, with growth potential from the Lucasfilm/*Star Wars,* Pixar, Marvel, and Disney brands. We believe the outlook for the *Star Wars* franchise is strong, while near-term releases such as Marvel's *Black Panther* and Walt Disney Pictures' *A Wrinkle in Time* could further extend the company's dominant film business. We expect the Parks & Resorts segment could benefit from new attractions/lands, hotel expansion at some locations, and multi-year growth at Shanghai Disney Resort beyond its cost-intensive debut year.

We have made updates to our financial model, with the biggest variable being a lower tax rate following recent tax reform legislation. For example, the company expects a tax rate of 21% in FY19 compared to 32% in FY17. We have also lowered our share count estimates based on the recent level of repurchases. Our model does not reflect the future streaming services since some key variables (such as economics and exact launch dates) are unknown at this time. Also, we have not yet incorporated the planned Fox acquisition in our model. Our model adjustments include a $0.70 EPS increase for FY18 and a $1.05 increase for FY19.

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.

Valuation. Given solid company fundamentals and relatively clean earnings, we believe a price/earnings approach to valuation is most appropriate. DIS shares are currently trading at 15.3x our fiscal 2018 EPS estimate and 15.1x our estimate of forward twelve-month earnings. This compares to the stock's median forward multiple of 16.6x over the past ten years.

The current forward multiple on DIS represents approximately 0.8x the forward multiple on the S&P 500. More often than not, DIS has traded at a premium to the market multiple over the long-term, with the past 5-10 years producing a median relative multiple about equal to the market, or 1.0x.

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 10.0x our projection of twelve-month forward EBITDA. According to Thomson Reuters, over the past five years DIS shares have traded at EV/forward EBITDA multiples in the 8.9x-12.8x range.

Opinion. We believe DIS shares can move higher in the coming years on the basis of 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 planned content distribution initiatives. We have not yet incorporated the planned acquisition of key Fox assets, but we would generally view it as a major positive.

We believe the long-term outlook at the company is favorable, particularly given the extension of Bob Iger's tenure, the planned content streaming services, and expansion of the *Star Wars* franchise. 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 new two-year price target is $134 per share, an increase of $6 from our previous figure. This increase reflects our updated financial model and what we consider conservative assumptions regarding stock valuation. Our price target reflects a P/E multiple of 16.0x applied to our estimate of forward earnings two years from now. This assumed valuation is above the current forward multiple of 15.1x but below the ten-year median figure despite what we believe is improving long-term fundamentals and an exciting outlook. We believe our projected valuation is conservative, given the company's growth plans, earnings outlook, and potential uses of free cash flow.

Additionally, our two-year price target represents an EV/EBITDA multiple of 10.5x based on our estimate of forward EBITDA in two years. This is similar to the current multiple on our projection of forward EBITDA. Annualized total return potential based on our target, the current dividend, and the recent closing stock price is in the 13-14% range. 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 adoption of new business models such as the planned content streaming services, 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. A new risk factor is the planned acquisition of certain Fox assets, including the related financial commitment and the potential integration of those assets, with no certainty the transaction takes place. In addition, the planned retirement of CEO Bob Iger in 2021 and related management succession issues are longer term issues to consider, in our view.

Exhibit 2

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

	FY19E	% chg.	FY18E	% chg.	FY17	% chg.	FY16	% chg.
Revenues:								
Cable Networks	$17,500	2.9%	$17,000	2.9%	$16,527	(0.6%)	$16,632	0.3%
Broadcasting	7,150	2.9%	6,950	(0.5%)	6,983	(1.0%)	7,057	5.6%
Media Networks	24,650	2.9%	23,950	1.9%	23,510	(0.8%)	23,689	1.8%
Parks & Resorts	21,400	7.0%	20,000	8.6%	18,415	8.5%	16,974	5.0%
Studio Entertainment	9,000	(5.3%)	9,500	13.4%	8,379	(11.2%)	9,441	28.2%
Cons. Prod. & I'active Media	5,200	3.0%	5,050	4.5%	4,833	(12.6%)	5,528	(2.6%)
	60,250	3.0%	58,500	6.1%	55,137	(0.9%)	55,632	6.0%
Operating Income:								
Cable Networks	5,700	3.2%	5,525	3.2%	5,353	(10.3%)	5,965	(12.1%)
Broadcasting	1,150	2.2%	1,125	(6.6%)	1,205	1.0%	1,193	18.6%
Equity in Inc. of Investees	120	20.0%	100	(70.9%)	344	(42.4%)	597	
Media Networks	6,970	3.3%	6,750	(2.2%)	6,902	(11.0%)	7,755	(0.5%)
Parks & Resorts	4,550	8.3%	4,200	11.3%	3,774	14.4%	3,298	8.8%
Studio Entertainment	2,400	(9.4%)	2,650	12.5%	2,355	(12.9%)	2,703	37.0%
Cons. Prod. & I'active Media	1,925	3.5%	1,860	6.7%	1,744	(11.2%)	1,965	4.3%
	15,845	2.5%	15,460	4.6%	14,775	(6.0%)	15,721	7.1%
Corporate & Other Activities	(675)	3.8%	(650)	11.7%	(582)	(9.1%)	(640)	(0.5%)
Nonrecurring Charges	0		0		(98)		(156)	
Other Income (Expense)	0		0		78		0	
Other Items	0		0		0		203	
Interest Inc. (Exp.), net	(575)	4.5%	(550)	42.9%	(385)	N/A	(260)	
Pre-tax Earnings Excluding Nonrecurring Items	14,595	2.3%	14,260	3.4%	13,788	(7.3%)	14,868	7.2%
Less: Taxes	3,065	(12.3%)	3,494	(21.0%)	4,422	(12.9%)	5,078	1.2%
Less: Minority Interests	295	(1.7%)	300	(22.3%)	386	(3.3%)	399	(15.1%)
Net Income	$11,235	7.3%	$10,466	16.6%	$8,980	(4.4%)	$9,391	12.0%
Diluted EPS:								
As Reported	$7.70	10.7%	$6.95	22.2%	$5.69	(0.7%)	$5.73	16.8%
Excluding Nonrecur. Items	**$7.70**	**10.7%**	**$6.95**	**22.0%**	**$5.70**	**(0.3%)**	**$5.72**	**11.1%**
Avg. Diluted Shares Outst.	1,460	(3.0%)	1,505	(4.6%)	1,578	(3.7%)	1,639	(4.1%)
EBITDA	$18,600	2.6%	$18,125	8.0%	$16,779	(3.6%)	$17,401	7.6%
Operating Margins:								
Cable Networks	32.57%		32.50%		32.39%		35.86%	
Broadcasting	16.08%		16.19%		17.26%		16.91%	
Media Networks	28.28%		28.18%		29.36%		32.74%	
Parks & Resorts	21.26%		21.00%		20.49%		19.43%	
Studio Entertainment	26.67%		27.89%		28.11%		28.63%	
Cons. Prod. & I'active Media	37.02%		36.83%		36.09%		35.55%	
Total	26.30%		26.43%		26.80%		28.26%	
As a % of Total Revenues:								
EBITDA	30.87%		30.98%		30.43%		31.28%	
Corporate & Other Activities	1.12%		1.11%		1.06%		1.15%	
Tax Rate	21.00%		24.50%		32.07%		34.15%	

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.

Prices of other stocks mentioned:

21st Century Fox Inc. (partial owner of Hulu):
- FOXA (Class A non-voting shares) - $36.80
- FOX (Class B voting shares) - $36.42

Comcast Corp. (partial owner of Hulu) - CMCSA - $39.67
Time Warner Inc. (partial owner of Hulu) - TWX - $95.16
Electronic Arts, Inc. - EA - $123.13 - Neutral rated

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

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.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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