



Equity Research
Company Comments

Walt Disney
DIS, \$26.28, Hold
Hulu: Economic Impact on DIS, NWS & GE

September 9, 2009

Laura Martin, CFA
917-373-3066
laura.martin@media-metrics.com

Sales and Research
1-800-447-4318

Trading
1-800-569-2407
www.soleilgroup.com

Ticker	DIS
Market Cap (M)	\$48,844.0
Price	\$26.28
52-Wk. Range	\$35-\$15
Rating	Hold
Price Target	\$25.00
Shares Out (M)	1,858.6
Dividend	\$0.35
Yield	1.3%
Trading Volume (M)	11.906
Market	NYSE

Sector Opinion:

There is a culture of FREE on the Internet that puts pressure on old-world content prices and may undermine premium content's economic model. The proliferation of content on the Internet should fracture audiences and make it more difficult to capture economics related to B & C (low quality) content. We expect A-title quality content to remain the most valuable.

Action

We think that Hulu was well conceived and well executed, and that it is likely to succeed. We worry that if Hulu succeeds in its present form, it threatens valuation of many of the largest capitalization media companies, either directly or indirectly. Specifically, we think if Hulu is successful in its current form:

- To DIS, NWS and GE, near term they subsidize \$33mm of losses at Hulu, offset by splitting total incremental advertising revenue of \$123mm in 2009E, by our estimate. If viewing is cannibalistic (ie, shifted from the TV to the PC), we estimate that \$920 per viewer of advertising value is destroyed. Long term, each consumer that stops paying \$60/month for the bundled programming package offered by pay-TV providers suggests double digit revenue pressure on broadcasters as retransmission consent payments fall and broadcast station affiliates become more distressed.

	Fiscal Year Sep	Fiscal Year			Calendar Year			Curr. Qtr.	Next Qtr.	Yr. Ago Qtr.
		\$	F08A	F09E	F10E	C	C	C	4Q09E	1Q10E
Revenue	Current	37,843	35,516	36,885	—	—	—	9.234B	—	9.445B
	Previous	37,843	35,516	36,885	—	—	—	9.234B	—	9.445B
EPS	Current	2.27	1.72	1.80	—	—	—	0.38	—	0.43
	Previous	2.27	1.72	1.80	—	—	—	0.38	—	0.43
P/S	Current	1.3	1.4	1.3	NM	NM	NM	—	—	—
P/E	Current	11.6	15.3	14.6	NM	NM	NM	—	—	—

Revenues in millions, except when noted.

- The potential indirect valuation risks are largest. We estimate that risk to the TV value chain of 50% (the broadcast TV tier) of pay-TV programming migrating to the Internet for free is \$300B of market cap of cable, telco and satellite companies.
- Google's market cap risk is \$30B as its YouTube losses mount.

Perspective. We cover the largest content companies in the world, including NWS, DIS, TWX, VIAB, and CBS, and we cover Google/YouTube. Our analytical perspective is narrowly confined to whether Hulu adds or destroys value of firms within our coverage and/or within their value chain. We note that Hulu is private so economic information is severely limited. We do our best to make estimates of economic consequences in this piece.

Important disclosure information is contained on pages 13 - 14 of this report. The recipient of this report is directed to read these disclosures.

Background

- **What is Hulu?** www.Hulu.com is a website that transmits only commercial-grade TV shows and movies over the PC. Hulu.com (Hulu) offers Fox, NBC, and ABC programming on-demand such as The Simpsons, House, Lost and The Office over the Internet. In addition, Hulu streams other TV shows and movies from more than 120 sources, including the Food Network and Paramount Pictures. Hulu's stated goal is "to help people find and enjoy the world's premium content when, where, and how they want it."
- **Meaning?** Hulu approximately means "holder of precious things" in Chinese (our Chinese is a little rusty).

Can Hulu Succeed/Win/Prevail?

We come down on the side of **YES**.

Ownership and Cost Structure. Hulu management has done an excellent job of designing the site for users and Hulu has minimal fixed costs owing to revenue sharing. Big, deep-pocketed strategic content owners suggest downside protection. We believe that Fox, NBC, and DIS each own 30% and have 3 board seats and that Hulu management and Providence Equity hold the balance of the equity.

Viewership growth has been enormous. Launched in March 2008, by July 2009 Hulu delivered 457mm online streamed videos to 38mm unique visitors, implying that the average viewer watched 12 videos, according to comScore.

Economics: Hulu is a private company and no one will confirm its economics. Our calculation of Hulu's revenue economics follows:

Subscription revenue. Hulu is free to users, generating revenue only through the sale of advertising.

Advertising revenue.

- **Commercial Load:** Instead of the eight minutes (which equates to sixteen 30-second ads) commercial load in the same half-hour of programming on the TV, Hulu inserts only two ad slots typically at the beginning and end of a 22-minute program. A Hulu program typically carries ads from just one sponsor (sometimes the identical ad).
- **CPM.** We believe that Hulu gets a significant premium to a TV network CPM at \$50 CPM (meaning Hulu gets \$50 for every 1,000 views) vs a network CPM of about \$35. In May of 2009, Hulu's CEO stated that Hulu had sold ads to 200 advertisers.
- **Viewers.** comScore's August 2009 report stated that in July, Hulu ranked as the 6th highest visited site, with 38mm unique visitors and

ranked as the fifth highest online video site, with 457mm videos viewed, making up 2.1% of all videos viewed online. The average Hulu viewer watched 12.0 videos in July and the average viewer spent an aggregate of 1 hour and 13 minutes on Hulu in the month.

- **Sell-Out Ratio.** By looking at the site, we estimate that about 30% of Hulu's ad inventory is sold to paying advertisers, with the rest going to public service announcements or empty. In addition, many viewers may not watch the second commercial. We note that only 40% of video Web users watch any video stream to the end and that the average video on the web is watched for 3.7 minutes.

Hulu Revenue Calculation. We estimate that Hulu will generate only advertising revenue and only in the US in 2009. Table 1 includes our estimates of Hulu's 2009E revenue.

Table 1 Hulu Revenue Calculation, 2009E	
Advertising Revenue:	
July Monthly Unique Visitors-mm (comscore)	38
x Monthly Videos per Unique	12
x Months in 2009	12
Total Hulu Videos Seen in 2009E (mm)	5,472
x 2 ads/video	2
Total Commercials Available in 2009E	10,944
x Sell-out ratio	30%
Total Commercials Sold in 2009E	3,283
divided by one thousand to get to CPM	1000
x cost per thousand paid by advertisers	\$50
Hulu Advtg Revenue (\$mm)- 2009E	\$164
Subscription Revenue	\$0
Pay-Per-Play Revenue	\$0
Hulu Total Revenue (\$mm)- 2009E	\$164
Source: Media Metrics estimates.	

Content Companies Revenue Share. We believe that the content owners get 75% of Hulu's revenue through a revenue-sharing arrangement. If we're right about total Hulu revenue in 2009E of \$164mm, that implies \$123mm of incremental revenue to the content owners with virtually no incremental costs. We believe that the content owners' deal with Hulu is exclusive. They can only put their content on their own sites and on Hulu. Nowhere else. Each content owner decides how many episodes and seasons to put onto Hulu and they can revise this at any time.

Hulu Cost Estimates:

- **Content Costs.** Technically, we believe the bulk of Hulu's content costs are accounted for as a contra-account to revenue because it has revenue sharing arrangements with its biggest program suppliers and owners

including Fox, NBC Universal and Disney. We estimate that Hulu pays out 75% of revenue to its content providers.

Other Costs. Hulu incurs other costs including bandwidth, marketing, SG&A, R&D, and overhead costs. Bandwidth costs are variable and escalate rapidly as consumer demand for videos grow. Marketing and overhead costs are more controllable by management. We estimate that other costs run about 45% of gross revenue based on our 2009E estimates for GOOG (42%) and YHOO (49%) for these expenses as a percent of gross revenue. We may be understating these costs because Hulu doesn't yet have the scale of YHOO and GOOG. Table 2 includes our estimates of Hulu's 2009E costs.

Table 2 Hulu Costs, 2009E				
	<u>\$mm</u>	<u>% of Hulu 2009E Gross Rev</u>	<u>YHOO* 2009E</u>	<u>GOOG* 2009E</u>
Other Costs				
Research & Devt	\$20	12%	19%	12%
Sales & Mkting	\$23	14%	20%	9%
Gen'l & Admin	\$15	9%	9%	8%
Other	\$16	10%	1%	13%
Total Other Costs	\$74	45%	49%	42%
Content Costs	\$123	75%		
Total Costs	\$197			
* Our estimates of YHOO & GOOG's expense items/gross revenue in 2009E. Source: Media Metrics estimates.				

Valuation. We believe that Providence Equity Partners valued Hulu at \$1 billion when it bought its equity slice. Some estimate that Hulu is close to being profitable, but we believe it will lose money in 2009E, requiring the large content company owners to each put up \$10-15mm to subsidize those losses. Table 3 calculates our P&L estimates for Hulu in 2009E.

Table 3 Hulu Income Statement, 2009E (dollars in millions)	
Hulu Total Revenue (\$mm)- 2009E	\$164
Total Costs	\$197
Hulu Gross Profit, 2009E	(\$33)
Source: Media Metrics estimates.	

Economic and Strategic Implications for DIS, NWS & GE/NBC

We see several valuation risks created by Hulu:

Economics. About 45% of total viewing is of the 4 broadcast networks, of which 3 have posted their content for free on Hulu. The more content that

appears on Hulu, the more likely it becomes that a consumer stops paying his/her \$60/month pay-TV fee. Over time this would lower retransmission consent fees paid by cable, satellite and telcos to the owned and operated TV stations and threaten the financial stability of the entire TV station distribution platform, including affiliates.

Regarding advertising revenue, the question for economics is whether the viewing on Hulu is additive or substitutive. We believe that viewers go to Hulu when it's convenient to watch a specific show and to watch it without commercial interruptions (saves viewers 16 mins/hour), and therefore the bulk of viewing is substitutive.

How fast is economic value destroyed? By our estimate, every pair of eyeballs that moves from TV to Hulu to watch a show destroys value largely because of the advertising-load disparity. At \$50 CPM x 4 ads/hour vs \$35 CPM x 32 ads/hour, that's **value destruction PER VIEWER of \$920 (\$1,120-\$200)**.

Economics are actually worse because (as per tables 1-3 above) Fox, NBC and ABC only get 75% of the ad revenue from their shows on Hulu plus they are obligated to pay 1/3 of the losses of Hulu. This alternative is much worse than keeping 100% of the ad revenue from the TV. Long term, we don't expect the internet audience to ever put up with as many commercials as there are on TV. Finally, we expect the TV and PC to converge over the next two years which will hasten the adoption of the PC as a substitute viewing device for premium content, risking value destruction faster.

ROIC. We estimate that the ***broadcast networks each spend \$3-4B/year to create high-quality programming for their networks***. Nielsen only measures TV viewing. Cost per thousand (CPM) refers back to these Nielsen ratings points. AC Nielsen doesn't measure other screens so as content companies push consumers off the TV platform toward Hulu or wireless platforms, they lose ratings and undermine the advertiser's perception of TV reach and frequency (value). Video-on-demand, online and wireless do NOT get measured in C+3, whereas DVR usage does.

Brand Value. The shows on Hulu are the brands. The Fox, NBC and ABC logos do not appear on the front page of Hulu.com and even when you hold the cursor on page 1 over a show to get more information, nowhere does it mention the network where the show airs.

Commercials. Hulu's success has been aided by several popular commercials starring celebrities such as Alec Baldwin, which have generated trial of the site. Moving viewers from the TV to the PC is value-destructive, and adding to the losses of Hulu by spending money on advertising destroys value faster.

Existing Business Relationships. ***The entire TV value chain (\$300B market capitalization) is at risk if Hulu successfully moves significant viewership from the TV to the Internet.*** Cable network programmers typically generate about 50% of their total revenue and broadcast stations get retransmission consent payments from satellite, cable or telcos (pay-TV companies) payments

every month. If the same content becomes available over the Internet for free to the consumer, there is no reason to expect the pay TV companies to continue to pay for something that is available free elsewhere.

Every consumer that turns off his cable subscription creates less revenue for the cable operators to pay for programming (programming is often about 60% of total costs). During the current recession, the importance of these steady revenue streams to content companies has been underscored by the collapse of the advertising revenue stream. ***To the extent that the content companies do anything to undermine this steady state revenue source, they increase their cyclicity, earnings volatility and risk profile.***

In our view, the more aggressively the content creators try to disintermediate the pay-TV companies, the more aggressively they increase modem speeds and charge more for the HSD product, encouraging viewers to flee the video platform in favor of “free and convenient” on the web. Everyone’s economics suffer.

Unbundling: In pay-TV bundles, consumers pay for >300 channels and they, on average, watch about 8-12 channels. Hulu unbundles programming and lets consumers watch only the shows they want to. As proven by iTunes and the music industry, when the consumer is allowed to buy only the content they want, they are willing to pay a slight premium for it, but they buy only 10% of the total prior content in the bundle, which destroys aggregate revenue. Valuation risks to unbundling by Hulu (and other internet sites) include:

- **Retraining the Consumer:** Watching the same broadcast TV series on the PC on demand is a more convenient way for the consumer to view what he wants compared with watching it on a set day per week on the TV, TiVo-ing it, or skipping it completely. Additionally, the PC is easier to navigate than the TV so that’s another valuable service. The consumer is being retrained to view the TV as a lower price/value equation vs the web even though the TV drives 5x the revenue for content creators.
- **Risk Transference:** Content creation is hit driven and therefore risky. TV programmers have historically created a mechanism for advance payments before they create new programming so they can afford to produce the ten shows in order to create the one hit. For the broadcast networks, \$8-10B of revenue is committed by the largest advertisers in the upfront market in June of the prior year. For cable network programmers, affiliate fees paid by MSOs typically represent 40-60% of total revenue and guarantee funding over 5 year contract terms. ***When content is moved to the Internet, risk moves to the content company because the consumer only watches the hit programs AFTER they are produced, and doesn’t fund any non-hits.***

Other Valuation Risks for Content Companies

- **Margins.** The Internet is a zero margin platform, replacing a 30-40% (bdcast affiliate and cable margins) platform.
- **Substitutability.** The only programming quality that can cannibalize “The Office” is “the Office”. Why are the content creators charging consumers nothing for the only true substitute for their own product?

- **Time Savings.** There are typically NO advertising interruptions so the viewer saves 16 minutes/hour of viewing time. We wonder why content companies don't charge the consumer for that time savings (and offset part of the lost ad revenue from those 16 minutes)?
- **Pricing Power** of the PC platform is structurally inferior to the TV platform in our view. We believe that the long-term advertising potential for an hour of programming on the PC will be structurally lower than the TV forever because not only is there a culture of free on the web, but on the TV it's much more inconvenient to switch channels than on the PC where hundreds of content choices are just a click of the mouse away if a commercial appears.

Making Content Available on the Web without Destroying Value:

Because the answers are unclear, experimentation is being done across the web. There are several solutions being tried by others that appear to us to have lower economic risk than Hulu:

1. **TV Everywhere.** TV Everywhere (named by Time Warner Inc- TWX) is an authentication system whereby premium content (TV shows, movies, etc.) is available online, so long as the viewer can prove ("authenticate") that he/she has a subscription to a pay-TV company. Viewing the program on the Internet is free, but the gatekeeper remains the TV.
2. **TV.com.** CBS puts its CBS TV video stream over its own portal TV.com. It is revenue indifferent which platform it airs on (TV or web) because CBS aggregates all viewers and sells them to advertisers at the same network CPM of \$35 regardless of where it was watched.
3. **Windowing.** Windowing has been used in the film industry to maximize revenue. TV has a syndication window as well. The highest paying window typically gets an exclusive period of 30-180 days. Later windows pay less for the content because it's no longer new. The Internet is the lowest paying window, and therefore in theory would air programs after they had been aired on broadcast TV, the syndication window, etc. The Internet is a great idea for all catalog product as that is 100% incremental revenue.
4. **iTunes.** Apple is selling movies and TV programs for a fee in the iTunes store, just as it has done with music.

Economic and Strategic Implications for Google/YouTube

There are important economic and strategic implications for YouTube if Hulu is successful in its current state. Let's begin by comparing Hulu and YouTube:

- **Content.** YouTube airs primarily short, user-generated, video clips (therefore, advertisers are scared to death of this environment), whereas Hulu is 100% professional content.
- **Size.** comScore's Aug 2009 report stated that 158mm Internet users in the US watched online video during July 2009, the largest audience ever recorded, and that a total of 21.4B videos were viewed in July 2009. Of total online video, 120mm viewers watched 8.9 billion videos on YouTube.com (or 74 videos per viewer). Hulu is about 10% as big as YouTube. In July, 38mm viewers watched 456mm videos on Hulu, or 12 videos per viewer.

- **Engagement.** Average viewer duration on Hulu totaled 1 hour and 13 minutes as compared to the duration of the average online video watched at 3.7 minutes.
- **Economics.** We estimate that YouTube will generate \$250mm of revenue in 2009, vs Hulu at about \$164mm (see Table 1). We estimate that YouTube will lose about \$200mm in 2009, owing primarily to much higher streaming and storage costs, and that Hulu will lose \$33mm (see Table 2). We believe that YouTube and Hulu will have approximately the same revenue in 2010, at \$300mm.
- **Economic Upside.** Hulu has the right to sell advertising around every video on its site. YouTube only has that right for a small percentage (our estimate is <5%) of its videos because many include copyrighted songs or video “mashed” into the clip, which would subject YouTube to copyright infringement lawsuits if they generated revenue from these.
- **User Experience.** The search experience is simpler and cleaner in Hulu. Also, YouTube videos tend to be small and grainy since they are user generated. Hulu has a much larger screen and airs only high-resolution video content that was previously aired by the broadcast networks and studios. These clips have often cost the creator thousands or millions of dollars writing, filming, and editing.
- **International Exposure.** YouTube generates about 50% of its revenues from offshore, while Hulu has no revenue outside the US market.
- **Ownership.** Google (a distribution pipe) bought YouTube for \$1.65 billion in late 2006. Hulu is a JV of the largest content creators.

Valuation Risk. We estimate that of GOOG’s total \$145B market capitalization, approximately \$50B is attributable to growth options in GOOG’s portfolio. Of this, we think that online video is one of the most valuable at 60% of total (\$30B of market cap). Today YouTube is losing \$200mm by our estimates. Without the prospect of being able to monetize its rapidly growing online video postings, we expect costs to continue to rise faster than revenue accelerating losses.

More about Hulu

Hulu History & Management. In 2007, a few months after Google bought YouTube, NBC Universal and News Corp. announced the formation of Hulu, a joint venture that would air their broadcast TV programs at that centralized website. They hired CEO Jason Kilar, 37, who had formerly launched and overseen Amazon’s video and DVD businesses. Kilar hired Eric Feng, an ex-Microsoft researcher and engineer as chief technology officer. Feng was 28 and living in Beijing at the time. He put together a small (eight) team of programmers in China. Feng’s team started writing code on August 6, 2007 and they launched a beta version just two months later on October 29. Hulu went live just four months later in March of 2008. (Interestingly, although headquartered in LA, we believe that most of Hulu’s code writing is still done in Beijing where Hulu employs 30 engineers.)

In April 2008, its first full month of operation, Hulu delivered 63 million video streams, making it immediately one of the top 10 video sites. Its peak was around the 2008 elections when, buoyed by *Saturday Night Live*’s popular

presidential-election sketches (including Tina Fey's impersonations of Sarah Palin), the number of unique visitors hit 24 million and streams spiked to 235 million.

Economic and Strategic Advantages of Hulu

To consumers:

- **Free.** legal, differentiated, high quality product, available on demand. Hulu is the only site that had legal access to the aggregated professional content of NBC, Fox, ABC and many others. Each of these broadcast networks also airs its programming on its own separate website.
- **User experience** at Hulu is simple and easy to use with a great search engine.
- **Clutter.** Hulu solves the problem of clutter on the Internet. Consumers will come to view the Hulu brand as THE online site for high-quality video on the Internet.
- **Gold.** Hulu "has set the gold standard," according to Will Richmond, president of Broadband Directions. "It has optimized... quality of video, navigation, controls."
- **Easy.** There is no additional player to download: A Hulu video plays instantly in a web browser.

To advertisers:

- **Engagement.** 1 hour 13 minutes spent at Hulu/month/viewer vs an average online video viewing period of 3.7 minutes.
- **Ad revenue per video** viewing stream is extraordinarily high at Hulu. This is largely owing to the excellent demographic audience (young and interactive), precise targeting, and measurability. Despite being a late entrant with a fraction of the unique visitors of GOOG/YouTube, Hulu's advertising revenue is approaching YouTube's by many estimates.
- **Recall.** Hulu carries ads from just one sponsor per program. According to CEO Jason Kilar in May 2009: "At Hulu, we're generating unusually high recall rates for advertisers' brands and unusually high recall rates for advertisers' messages. And we get paid by advertisers appropriately for that unusually high performance."

To content owners:

- **Monetize.** Market-leading advertising revenue (per user per minute of content consumed).
- **Network Promotion.** Before each program airs, there is an ad for the TV Network it appears on and the time and date that the show on TV each week. This may drive viewers to the high revenue platform of the TV. Also, each video feed is watermarked with the name of the TV Network where it can be found.

- **Broaden Audience.** There may be incremental revenue from the ads related to the programs aired on Hulu that normally viewers would not have watched on TV.
- **Archives.** Hulu can deliver decades of archived TV media that has no revenue stream today, thereby adding to library value.
- **Demand.** Hulu's on-demand convenience should raise the overall consumption of content.
- **Broaden Audience.** Hulu helps TV shows connect to a broader audience including TV households that don't have a VCR (or forgot to set it), or casual viewers that want to try a new show now rather than wait for next Tuesday. Also, sampling is easier on Hulu. Hulu combats the trend toward audience fragmentation on the TV.
- **Piracy.** Hulu fights piracy by making the premium TV content available free to consumers.
- **Discovery.** Explore, build, partner with new companies providing services in the digital world. Explore and experiment. Trying to figure out how to do this. General managers of channels are in synch with consumers. Want to be wherever the consumer is.
- **Innovation.** Online is a great platform. It's interactive and engaging. There are cool things you can do with the PC platform because it is two-way. You can have a direct relationship with the consumer, not filtered through a distributor. The TV platform is not as good.
- **Disintermediate** the distribution piece of the value chain to garner part or all of those profits. This should drive profits for content guys as the distribution profit link will get less.

Investment Conclusions

We think that Hulu was well conceived and well executed, and that it is likely to succeed. We worry that if Hulu succeeds in its present form, it threatens valuation of many of the largest capitalization media companies, either directly or indirectly. Specifically, we think if Hulu is successful in its current form:

- To DIS, NWS and GE, near term they subsidize \$33mm of losses at Hulu, offset by splitting total incremental advertising revenue of \$123mm in 2009E, by our estimate. If viewing is cannibalistic (ie, shifted from the TV to the PC), we estimate that \$920 per viewer of advertising value is destroyed. Long term, each consumer that stops paying \$60/month for the bundled programming package offered by pay-TV providers suggests double digit revenue pressure on content producers as retransmission consent payments fall and broadcast station affiliates become more distressed.
- The potential indirect valuation risks are largest. We estimate that risk to the TV value chain of 50% (the broadcast TV tier) of pay-TV programming migrating to the Internet for free is \$300B of market cap of cable, telco and satellite companies.
- Google's market cap risk is \$30B as its YouTube losses mount

Target Price. Our target price is an average of 4 forms of valuation (DCF, PMV, Target Price EBITDA Multiple and Breakeven DCF).

Risks to our Target Price Include:

About 25% of DIS's revenue comes from advertising. Advertising spending is closely tied to economic health. As the economy has deteriorated, advertising spending has fallen. Additionally personal video recorders (PVRs) are changing the way viewers watch TV. If advertising shifts away from traditional broadcast networks (like ABC), this could slow DIS's growth rate. In addition, digitization increases piracy risks for DIS's film and TV libraries.

Table 4

Disney: Quarterly Income Statement Projections, 2009E

\$ and shares in millions, except per share data

	12/31/08A	3/31/09A	6/30/09A	9/30/09E	2009E	Year/Year Change				
						09/08	09/08	09/08	09/08	09/08
Revenue										
Broadcasting	\$1,451	\$1,416	\$1,398	\$1,095	\$5,360	-14%	-2%	-4%	-10%	-8%
Cable Networks	<u>\$2,452</u>	<u>\$2,204</u>	<u>\$2,563</u>	<u>\$3,000</u>	<u>\$10,219</u>	2%	4%	-1%	2%	2%
Media Networks	\$3,903	\$3,620	\$3,961	\$4,095	\$15,579	-5%	2%	-2%	-1%	-2%
Parks & Resorts	\$2,665	\$2,407	\$2,751	\$2,850	\$10,673	-4%	-12%	-9%	-4%	-7%
Studio Entertainment	\$1,945	\$1,435	\$1,261	\$1,379	\$6,020	-26%	-21%	-12%	-5%	-18%
Consumer Products	\$773	\$496	\$510	\$750	\$2,529	18%	9%	-10%	2%	5%
Interactive Media	\$313	\$129	\$113	\$160	\$715	13%	-17%	-20%	10%	-1%
Total Revenue	\$9,599	\$8,087	\$8,596	\$9,234	\$35,516	-8%	-7%	-7%	-2%	-6%
EBITA (After. Stock Option Exp)										
Broadcasting	\$138	\$162	\$204	\$110	\$614	-60%	-38%	-34%	NMF	-27%
Cable Networks	<u>\$517</u>	<u>\$1,144</u>	<u>\$1,115</u>	<u>\$1,020</u>	<u>\$3,796</u>	-12%	5%	-8%	-16%	-7%
Media Networks	\$655	\$1,306	\$1,319	\$1,130	\$4,409	-29%	-4%	-13%	-1%	-11%
Parks & Resorts	\$382	\$171	\$521	\$314	\$1,388	-24%	-50%	-19%	-24%	-27%
Studio Entertainment	\$187	\$13	(\$12)	\$69	\$257	-64%	-97%	-112%	-30%	-76%
Consumer Products	\$265	\$97	\$96	\$127	\$585	-8%	-24%	-37%	-40%	-25%
Interactive Media	<u>(\$45)</u>	<u>(\$61)</u>	<u>(\$75)</u>	<u>(\$70)</u>	<u>(\$251)</u>	-446%				
EBITA (pre corp)	\$1,444	\$1,526	\$1,849	\$1,570	\$6,388	-36%	-29%	-20%	-10%	-24%
Corp & Other (Including Stock Op. Exp)	(\$113)	(\$239)	(\$251)	(\$160)	(\$763)	23%	146%	102%	9%	66%
Net Interest Expense	(\$139)	(\$128)	(\$75)	(\$150)	(\$492)	13%	-13%	-47%	33%	-6%
Restructuring and Impairment	\$0	(\$305)	(\$21)	\$0	(\$326)					
Equity in Income	<u>\$147</u>	<u>\$147</u>	<u>\$155</u>	<u>\$125</u>	\$574	20%	2%	-11%	-10%	
Income Before Tax	\$1,339	\$1,001	\$1,657	\$1,385	\$5,369	-34%	-47%	-21%	0%	-27%
Income Taxes (at 38%)	(\$488)	(\$348)	(\$626)	(\$533)	(\$1,995)	-36%	-51%	-12%	9%	-25%
Minority Interest	<u>(\$6)</u>	<u>(\$40)</u>	<u>(\$77)</u>	<u>(\$150)</u>	<u>(\$273)</u>	-75%	-20%	-15%	9%	-10%
Net Income-Reported	\$845	\$613	\$954	\$701	\$3,113	-32%	-46%	-26%	-14%	-31%
Net Income-Operations	\$762	\$797	\$954	\$701	\$3,214					
Diluted EPS-Reported	\$0.45	\$0.33	\$0.51	\$0.38	\$1.66	-28%	-43%	-23%	-6%	-27%
Diluted EPS-Operations	\$0.41	\$0.43	\$0.52	\$0.38	\$1.72	-35%	-26%	-16%	-13%	-24%
Avg Diluted Shares Out	1,872	1,868	1,874	1,870	1,871	-6%	-5%	-3%	-2%	-4%

Sources: Company Reports, Media Metrics estimates.



Regulatory Required Disclosures

Analyst Certification

I hereby certify that the views expressed in the foregoing research report accurately reflect my personal views about the subject securities and issuer(s) as of the date of this report. I further certify that no part of my compensation was, is, or will be directly, or indirectly, related to the specific recommendations or views contained in this research report.
By: Laura Martin

SOLEIL SECURITIES DISCLOSURE INFORMATION ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Soleil Securities Corporation distributes this research pursuant to a license from the publisher and/or author. The author's compensation is based upon the value directly or indirectly attributed to the research services by Soleil's institutional brokerage clients.

Soleil Securities Corporation does not act as a market-maker.

Soleil does act as a block positioner.

Soleil Rating Key:

Buy: In the analyst's opinion, the stock will outperform the general market over the next 12 months.

Hold: In the analyst's opinion, the stock will be inline with the general market over the next 12 months.

Sell: In the analyst's opinion, the stock will underperform the general market over the next 12 months.

					Entertainment/Cable/Media				
		IB Serv/Past 12 Mos.					IB Serv/Past 12 Mos.		
Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY[BUY]	129	54.9	0	0	BUY[BUY]	7	63.6	0	0
HOLD[HOLD]	93	39.6	0	0	HOLD[HOLD]	3	27.3	0	0
SELL[SELL]	13	5.5	0	0	SELL[SELL]	1	9.1	0	0

ADDITIONAL DISCLOSURES INFORMATION

Soleil Securities Corporation: The opinions, forecasts, and recommendations contained in this report are those of the analyst preparing the report and are based upon the information available to them as of the date of the report. The analysts are basing their opinions upon information they have received from sources they believe to be accurate and reliable and the completeness and/or accuracy is neither implied nor guaranteed. The opinions and recommendations are subject to change without notice. Soleil Securities Corporation has no obligation to continue to provide this research product and no such obligation is implied or guaranteed. The report is provided to the institutional clients of Soleil Securities Corporation for informational purposes only and is not an offer or a solicitation for the purchase or sale of any financial instrument.

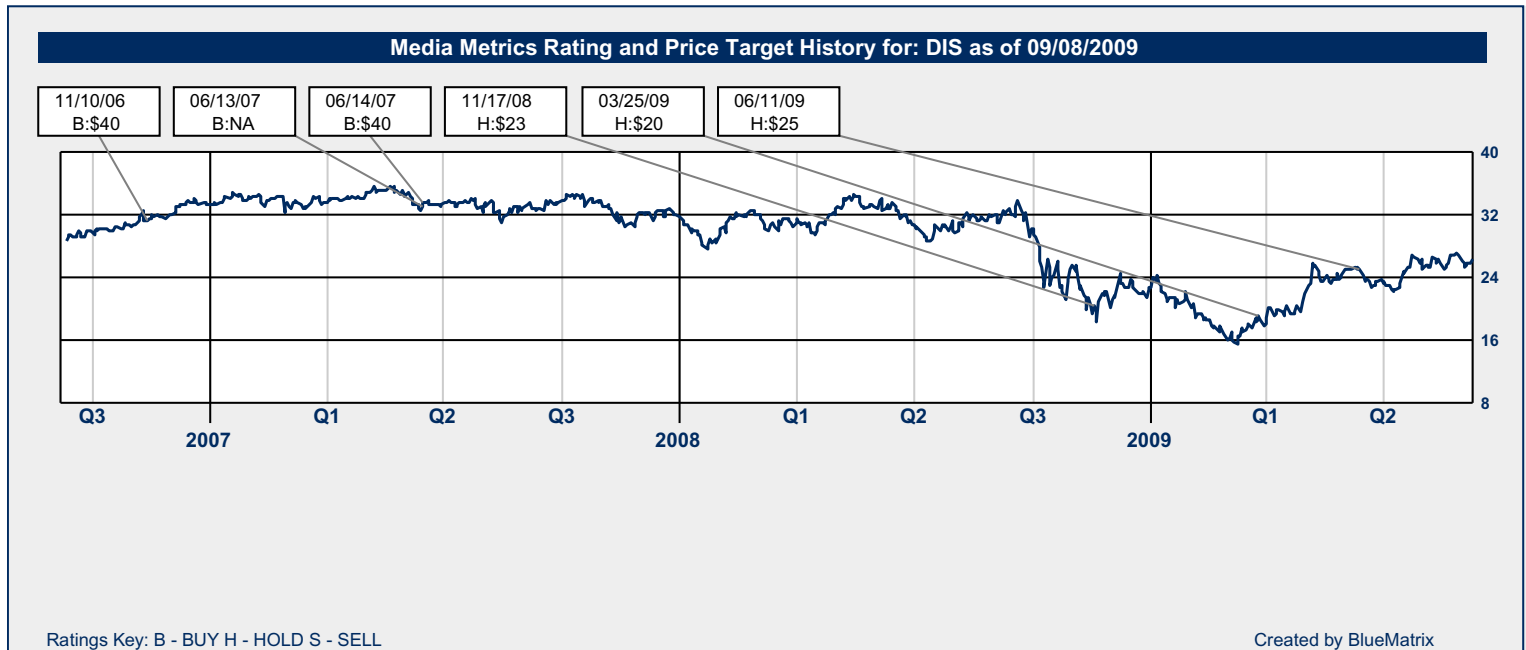
Price/Performance Charts for all Rated Stocks mentioned in this report are available from: Soleil Securities Corp. - 360 Madison Avenue - New York, NY 10017 - 212.380.4800.

For further discussions of risks and valuations pertaining to the above-mentioned rated companies with price targets, please see our latest reports on these individual companies, available by contacting the analyst at the address/phone number above.



Companies Mentioned

- CBS Corp. (CBS, \$10.83, Buy, NYSE)
- Google Inc. (GOOG, \$458.62, Hold, Nasdaq)
- News Corp (NWS, \$13.03, Buy, NYSE)
- Time Warner (TWX, \$27.87, Buy, NYSE)
- Viacom (VIA.B, \$25.22, Hold, NYSE)
- Walt Disney (DIS, \$26.28, Hold, NYSE)
- Yahoo! (YHOO, \$14.49, Buy, Nasdaq)
- General Electric (GE, \$14.50, not rated, NYSE)



Additional Disclosures

MEDIA METRICS DISCLOSURE INFORMATION: The opinions, forecasts and recommendations contained in this report are those of the analyst preparing the report and are based upon the information available to the analyst as of the date of the report. The analyst's opinion is based upon information received from sources believed to be accurate and reliable and the completeness and/or accuracy is neither implied nor guaranteed. The opinions and recommendations are subject to change without notice and Media Metrics is under no obligation to provide updates to the opinions and information contained herein. This report is provided to the institutional clients of Media Metrics for informational purposes only and is not an offer or a solicitation for the purchase or sale of any financial instrument. Media Metrics is not affiliated with an investment bank and does not provide investment banking services. MEDIA METRICS RATINGS KEY: Same as Soleil's above. © Copyright 2009 by Media Metrics. All rights reserved.