

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
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### FILER

#### DISNEY WALT CO

CIK: **29082** | IRS No.: **950684440** | State of Incorporation: **DE** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **001-04083** | Film No.: **94528413**  
SIC: **7990** Miscellaneous amusement & recreation

Business Address  
500 S BUENA VISTA ST  
BURBANK CA 91521  
8185601000

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1994      Commission File Number: 1-4083

THE WALT DISNEY COMPANY

Incorporated in Delaware

I.R.S. Employer Identification  
No. 95-0684440

500 South Buena Vista Street, Burbank, California 91521

(818) 560-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES..X..... NO.....

There were 537,263,487 shares of Common Stock, \$.025 par value, outstanding as of May 6, 1994.

PART I. FINANCIAL INFORMATION  
THE WALT DISNEY COMPANY  
CONDENSED CONSOLIDATED STATEMENT OF INCOME  
In millions, except per share data (unaudited)

<TABLE>

<CAPTION>

	Six Months Ended March 31		Three Months Ended March 31	
<S>	1994	1993	1994	1993
<C>	<C>	<C>	<C>	<C>
REVENUES				
Theme parks and resorts	\$1,571.4	\$1,520.9	\$ 802.4	\$ 775.8
Filmed entertainment	2,531.0	2,139.0	1,104.6	929.8
Consumer products	900.7	757.9	368.8	320.8
	5,003.1	4,417.8	2,275.8	2,026.4
COSTS AND EXPENSES				
Theme parks and resorts	1,281.0	1,226.5	650.1	618.1
Filmed entertainment	2,030.8	1,747.1	944.6	773.3
Consumer products	656.9	546.2	271.1	233.6
	3,968.7	3,519.8	1,865.8	1,625.0
OPERATING INCOME				
Theme parks and resorts	290.4	294.4	152.3	157.7
Filmed entertainment	500.2	391.9	160.0	156.5
Consumer products	243.8	211.7	97.7	87.2
	1,034.4	898.0	410.0	401.4
CORPORATE ACTIVITIES				
General and administrative expenses	80.9	83.5	37.4	40.3
Net interest and investment income	(12.6)	(14.3)	(8.4)	(9.1)
	68.3	69.2	29.0	31.2
LOSS FROM INVESTMENT IN EURO DISNEY		(69.2)		(37.1)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES				
Income taxes	966.1	759.6	381.0	333.1
	349.1	269.7	132.6	118.3
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	617.0	489.9	248.4	214.8
CUMULATIVE EFFECT OF ACCOUNTING CHANGES				
Pre-opening costs		(271.2)		
Postretirement benefits		(130.3)		
Income taxes		30.0		
NET INCOME	\$ 617.0	\$ 118.4	\$ 248.4	\$ 214.8

</TABLE>

THE WALT DISNEY COMPANY  
CONDENSED CONSOLIDATED STATEMENT OF INCOME (Continued)  
In millions, except per share data (unaudited)

<TABLE>  
<CAPTION>

	Six Months Ended March 31		Three Months Ended March 31	
	1994 <C>	1993 <C>	1994 <C>	1993 <C>
AMOUNTS PER COMMON SHARE				
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	\$1.13	\$ .90	\$ .45	\$ .39
CUMULATIVE EFFECT OF ACCOUNTING CHANGES				
Pre-opening costs		(.50)		
Postretirement benefits		(.24)		
Income taxes		.06		
EARNINGS PER SHARE	\$1.13	\$ .22	\$ .45	\$ .39
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	546.4	544.8	547.5	546.1

</TABLE>

THE WALT DISNEY COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEET  
In millions

<TABLE>  
<CAPTION>

	March 31, 1994 (unaudited)	September 30, 1993
(s)		
ASSETS	<C>	<C>
Cash and cash equivalents	\$ 673.6	\$363.0
Investments	2,048.2	1,888.5
Receivables	1,590.0	1,390.3
Merchandise inventories	502.6	608.9
Film and television costs	1,502.9	1,360.9
Theme parks, resorts and other property, net of accumulated depreciation of \$2,438.6 and \$2,286.4	5,540.6	5,228.2

Other assets	964.3	911.3
	\$12,822.2	\$11,751.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts and taxes payable and other accrued liabilities	\$2,932.6	\$2,821.1
Borrowings	2,717.8	2,385.8
Unearned royalty and other advances	837.4	840.7
Deferred income taxes	698.9	673.0
Stockholders' equity		
Preferred stock, \$.10 par value		
Authorized - 100.0 million shares		
Issued - none		
Common stock, \$.025 par value		
Authorized - 1.2 billion shares		
Issued - 566.3 million and 564.6 million shares	927.2	876.4
Retained earnings	5,376.2	4,833.1
Cumulative translation adjustments	47.8	36.7
	6,351.2	5,746.2
Less treasury shares, at cost - 29.1 million shares	715.7	715.7
	5,635.5	5,030.5
	\$12,822.2	\$11,751.1

</TABLE>

THE WALT DISNEY COMPANY  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
In millions (unaudited)

<TABLE>

<CAPTION>

	Six Months Ended March 31	
	1994	1993
	<C>	<C>
<S>		
CASH PROVIDED BY OPERATIONS BEFORE INCOME TAXES	\$1,617.6	\$1,204.9
Income taxes paid	(242.5)	(163.0)
CASH PROVIDED BY OPERATIONS	1,375.1	1,041.9
INVESTING ACTIVITIES		
Theme parks, resorts and other property, net	492.8	401.7
Film and television costs	717.4	501.9
Investments	159.7	499.3

Euro Disney investment and advances		32.6
	1,369.9	1,435.5
FINANCING ACTIVITIES		
Borrowings	1,036.6	1,436.7
Reduction of borrowings	(704.6)	(1,395.4)
Dividends	(73.8)	(61.6)
Other	47.2	69.3
	305.4	49.0
INCREASE (DECREASE) IN CASH AND CASH		
EQUIVALENTS	310.6	(344.6)
Cash and cash equivalents, beginning of period	363.0	764.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 673.6	\$ 420.2
The difference between Income Before Income Taxes and Cumulative Effect of Accounting Changes as shown on the Condensed Consolidated Statement of Income and Cash Provided by Operations Before Income Taxes is explained as follows:		
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES		
	\$ 966.1	\$ 759.6
CUMULATIVE EFFECT OF ACCOUNTING CHANGES		(514.2)
CHARGES TO INCOME NOT REQUIRING CASH OUTLAYS		
Depreciation	180.4	153.3
Amortization of film and television costs	575.4	292.4
Other	13.2	149.7
CHANGES IN		
Receivables	(199.7)	(144.0)
Merchandise inventories	106.3	43.3
Other assets	(66.2)	226.5
Accounts payable and other accrued liabilities	45.4	257.3
Unearned royalty and other advances	(3.3)	(19.0)
	651.5	445.3
CASH PROVIDED BY OPERATIONS BEFORE INCOME TAXES	\$1,617.6	\$1,204.9
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 57.8	\$ 41.0

</TABLE>

THE WALT DISNEY COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the quarter are not necessarily indicative of the results that may be expected for the year ending September 30, 1994. Certain reclassifications have been made in the 1993 financial statements to conform to the 1994 presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1993.
2. Cash dividends per share for the quarters ended March 31, 1994 and 1993 were \$.0750 and \$.0625, respectively.
3. During March 1994, the Company issued \$475 million of Senior Participating Notes (the "Notes") in the Eurobond market and through the private placement market in the United States. The Notes are senior, unsecured debt obligations of the Company which mature on March 15, 2001. Interest on the Notes is payable semi-annually at a fixed rate of 4.2% per annum through maturity. In addition, contingent interest payments will be made on the Notes if revenues from a portfolio of eligible non-animated films, in which the Company invests, exceed a specified threshold.
4. In 1993, the Company provided \$350 million to fully reserve its receivables and limited funding commitment to Euro Disney. The Company has not reported any financial impact in its second quarter or six-month results related to its investment in Euro Disney.

Discussions continue with respect to the previously announced financial restructuring plan for Euro Disney which is intended to help provide for the long-term viability of the resort. The plan, which has been recommended by the Euro Disney lenders' steering committee and is currently under review by all the lenders, contemplates that the lenders would forgive interest with a present value of approximately \$270 million and defer all principal payments until three years later than originally scheduled. In addition, the lenders would subscribe for 51% and the Company would subscribe for 49% of a \$1 billion rights

offering of new shares.

THE WALT DISNEY COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

The Company would provide lease financing of approximately \$240 million bearing interest at 1%; subscribe, principally in return for funds advanced during the six months ended March 31, 1994, for approximately \$175 million of bonds repayable in shares bearing interest at 1%; forgive fully reserved receivables due from Euro Disney of approximately \$210 million; and make available to Euro Disney a 10-year standby credit facility of approximately \$190 million. Additionally, the Company would waive royalties and management fees for a period of five years and reduce amounts otherwise payable for specified periods thereafter.

Based upon the proposed terms, the estimated impact of the financial restructuring plan on the Company's results of operations for the quarter and six months ended March 31, 1994, had the plan been effective as of that date, would not be material. If the proposed agreement is finalized and the Company makes the equity investment and assumes the other commitments contemplated by the agreement, thereafter, the Company would reflect its equity share of Euro Disney's subsequent operating results in its income statement.

THE WALT DISNEY COMPANY  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's business is materially affected by seasonal factors and, therefore, interim results are comparable only if similar periods are reviewed. The reader is encouraged to read the Company's 1993 Annual Report on Form 10-K in conjunction with this interim report.

RESULTS OF OPERATIONS

For the Quarter and Six Months Ended March 31, 1994

Theme Parks and Resorts

Quarter

Operating income decreased slightly compared to the prior year period, reflecting lower theme park attendance in California, due primarily to the impact of the January earthquake, and lower attendance in Florida,



due primarily to a decline in international tourist visitation. The decrease in attendance in Florida was offset by higher per capita spending, driven by price increases.

#### Six Months

Results reflected lower attendance in California and Florida, partially offset by increased per capita spending in Florida, primarily resulting from price increases.

#### Filmed Entertainment

##### Quarter

Results for the quarter reflected the strong performance of Bambi and continued success of The Jungle Book in international home video and the successful domestic home video release of The Fox and the Hound. Revenues and operating income also reflected increased domestic and international television activities. These results were offset by weak domestic theatrical performances of Angie, The Ref, Iron Will and The Air Up There. Prior year results included the successful domestic home video release of Pinocchio, the domestic theatrical release of Aladdin and the international theatrical distribution of Beauty and the Beast and Sister Act, partially offset by the performance of domestic live-action releases.

THE WALT DISNEY COMPANY  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(Continued)

#### Filmed Entertainment (continued)

##### Six Months

Results reflected the successful domestic home video and the expanded international theatrical release of Aladdin. Revenues and operating income also included the impact of the international home video release of The Jungle Book and Bambi and the domestic home video release of The Fox and the Hound, offset by weak domestic theatrical performances of Angie, Iron Will, The Ref, Cabin Boy and The Air Up There. Prior year results included the successful domestic home video release of Beauty and the Beast and Pinocchio, the international home video release of Cinderella and international theatrical distribution of Beauty and the Beast and Sister Act. The domestic theatrical release of Aladdin also had a positive impact on prior year results.

#### Consumer Products

##### Quarter

Increased revenues and operating income reflected the strong performance of licensing and publishing activities in Europe and Asia driven primarily by the continued strength of Aladdin character merchandise. Results also reflected the success of licensed video game products and domestic character merchandise. Prior year results reflected the success of Aladdin and Beauty and the Beast soundtracks.

#### Six Months

Increased revenues and operating income were driven by the worldwide success of character merchandise, including traditional Disney characters and newly-created film properties, including Aladdin. The Disney Stores also contributed to earnings growth, with 264 locations worldwide compared to 202 in the prior year and higher same-store sales performance. Prior year results reflected the success of worldwide licensing, publishing and records and audio entertainment, driven by Aladdin and Beauty and the Beast products.

#### Corporate Activities

Lower general and administrative expenses for the quarter and six-month periods reflected operating income from Disney Sports Enterprises (The Mighty Ducks of Anaheim) in the current year, versus no operations in the corresponding prior year periods, and lower losses incurred by Hollywood Records.

THE WALT DISNEY COMPANY  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

#### Corporate Activities (continued)

The decrease in net interest and investment income for the quarter and six-month periods reflected lower average investments partially offset by lower current year levels of average borrowings and higher capitalized interest. Results for the quarter and six-month period in the prior year also included the write-off of unamortized issue costs resulting from the redemption of the Company's zero coupon convertible subordinated debentures in March 1993, partially offset by gains on termination of certain interest rate swap agreements.

#### Investment in Euro Disney

In 1993, the Company provided \$350 million to fully reserve its receivables and limited funding commitment to Euro Disney. The Company has not reported any financial impact in its second quarter or six-month results related to its investment in Euro Disney. In the prior year quarter and six months, the impact of the Company's share of Euro Disney's loss recorded under the equity method was partially offset by royalties and gain amortization related to the investment.

Discussions continue with respect to the previously announced financial restructuring plan for Euro Disney which is intended to help provide for the long-term viability of the resort. The plan provides for contributions and concessions from Euro Disney's lenders and the Company (see Note 4 of Notes to Condensed Consolidated Financial Statements). If the proposed restructuring plan is finalized, the Company would thereafter reflect its equity share of Euro Disney's subsequent operating results in its income statement.

The Company does not expect the Euro Disney financial restructuring plan to impact the Company's ability to raise funds adequate to meet its needs, or to have a significant impact on its financial condition.

#### Income Taxes

The effective income tax rate was 34.8% for the quarter and 36.1% for the six-month period, and 35.5% for the prior year quarter and six-month periods.

### PART II. OTHER INFORMATION THE WALT DISNEY COMPANY

#### Item 4. Submission of Matters to a Vote of Security Holders

The following matters were submitted to a vote of security holders during the Company's Annual Meeting of Stockholders held February 22, 1994:

<TABLE>

<CAPTION>

Description of Matter	# of Votes Cast For	Withheld Authority
1. Election of directors:		
<S>	<C>	<C>
Michael D. Eisner	461,144,293	5,274,936
Stanley P. Gold	461,103,328	5,315,901
Irwin E. Russell	461,186,073	5,233,156
Raymond L. Watson	461,227,458	5,191,771

</TABLE>

<TABLE>

<CAPTION>

	# of Votes Cast For	Against	# of Abstentions
2. Ratification of appointment of independent accountants	<C>	<C>	<C>
	464,051,156	984,800	1,383,273

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

The Company filed a current report on Form 8-K, dated March 14, 1994, with respect to a joint press release issued by the Company, Euro Disney S.C.A. and the Joint Steering Committee for the lenders to Euro Disney S.C.A.

THE WALT DISNEY COMPANY

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WALT DISNEY COMPANY  
(Registrant)

By /s/ Richard D. Nanula

Richard D. Nanula

Executive Vice President and  
Chief Financial Officer

May 13, 1994  
Burbank, California