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TABELL'S MARKET LETTER April 12, 1965

WALT DISNEY PRODUCTIONS

Current Price	53
Current Dividend	$0.40
Current Yield	0.8%
Long Term Debt	$8,750,000
Common Stock	1,841,475 shs.
Revenues 1965-E	$95,000,000
Revenues 1964	$86,650,000
Earn. per Share 1965-E	$4.50
Earn. per Share 1964	$3.84
Mkt. Range 1965-1963	57 1/2-26 1/4

The Academy Award given last week to Julie Andrews for her performance in the delightful "Mary Poppins" warrants another look at Walt Disney Productions, originally recommended by this letter in June, 1963 at 34 1/2. Despite the sharp rise in price since that time, the stock still appears to be a highly attractive capital gains vehicle.

The phenomenal success of "Poppins" appears to assure a bright near-term future for Disney. Earnings for the first quarter of the fiscal year to end October, 1965 were 94¢ vs. 83¢, and the full impact of the company's new hit was not felt due to heavy initial distribution costs. For the full year, per share results could reach the $4.50-$4.75 range, making the stock available at a multiple of twelve times estimated earnings. On initial release, "Mary Poppins" is expected to gross $30 million, versus a negative cost of some $5 1/2 million.

There must, however, be a reason beyond the current success of one picture to justify investment in Disney. There are, we believe, sufficient such reasons to make the stock attractive on a long term basis.

Disney has two major spheres of activity; first the production and distribution of motion pictures, and, second, the operation of the Disneyland Amusement Park at Anaheim, California. Ancillary activities such as music publishing and the "Wonderful World of Color" television program (just extended through 1967 on NBC), provide a minor share of revenue.

Disneyland continues to be a highly profitable and steady contributor to earnings, and increased capital expenditures promise good results during 1965. It is, however, the motion picture activities of Disney which probably hold the greatest long range profit potential from the investor point of view.

Movie production is a volatile business, and it is impossible to predict what the reception of future productions will be. In this area, however, Disney has a number of factors in its favor not present for other film companies. First of all, in live film production the company acts as producer of all its own films, and is not forced to enter into profit-sharing contracts with highly paid stars, directors and producers. This advantage also accrues to its production of animated films. Another Disney plus is the fact that most of its films are relatively low budget and, in most cases, the Disney name itself assures sufficient distribution to insure at least a moderate profit.

However, Disney's most important competitive advantage seems to be that its films are (1) essentially timeless and, (2), aimed largely at children. Every few years, therefore, there appears a new generation previously unexposed to the earlier Disney films. Since production costs are generally written off on initial release, re-releases are highly profitable. Moreover, the number of films available for annual re-release will compound as the film library is built up. Thus, this year Disney will again introduce its highly successful 1950 production of "Cinderella". In another market, color television will provide a profitable outlet for the famous short cartoons of the 1930's and 1940's.

"Mary Poppins" should contribute to revenues through 1965 and on into 1966 and 1967. Meanwhile, four new pictures either have been or will be released in 1965 and work goes on on others including an animated production of Rudyard Kipling's "Jungle Book".

From a technical point of view, Disney has an upside objective of 65-100, and is suggested for purchase in capital gains accounts.

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