Will 2017 Be a Magical Year for Walt Disney Co.?

Description

It's been a rough year for shares of **Walt Disney Co.** (NYSE:DIS) as the price tumbled on fears over the media segment. There's nothing like this forever business in Canada, and I think Canadian investors should buy the stock on weakness as it could be a huge outperformer next year.

Dr. Strange and *Moana* are huge box-office successes that will give Disney a huge bump in its next earnings report. *Rogue One* also had a very impressive $155 million opening weekend, which crushed expectations. This is fantastic news, but Disney stock probably won't soar on this news. It will take the next earnings report for the stock to really pick up steam.

Investors are still worried about cable cutters in its media division, ESPN in particular. Although ESPN lost 1.1 million subscribers during October and November, I believe the trend will not continue for the long run because sports fans love watching live sports; the alternative is video streaming, and I don't see this being a popular outlet for the long run. The management team at Disney knows the business very well, and they will get ESPN growing again once better video-on-demand outlets are available.

ESPN is a fantastic brand, and I'm bullish on sports. There has been a 40% increase in sports-watching over the past decade, and nearly 60% of Americans consider themselves sports fans. Sports-watching is on its way up, but Disney needs to find a way to cater to millennials who have decided to cut the cord and opt for illegal video streaming.

I believe the weakness caused by ESPN will resolve itself and has created nothing more than a terrific buying opportunity for investors.

There's no question that the exchange rate is working against Canadian investors that want U.S. exposure right now. So there had better be a huge margin of safety if you're going to make the conversion. With Disney, I believe that margin of safety is present.

Disney is quite cheap right now with a forward price-to-earnings multiple of 15.4, which is much lower than the company's five-year historical average multiple of 19.3. The company generates massive amounts of free cash flow, so you can count on dividend growth over the next few years.

The brands owned by this company are unmatched, and the management is the best out there. I believe that shares are trading at a huge discount to intrinsic value. If you're a value investor, now is the time to buy shares before the stock skyrockets in 2017.

Disney will be around for the next century, so buy shares now and collect the growing dividend for many years to come.

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