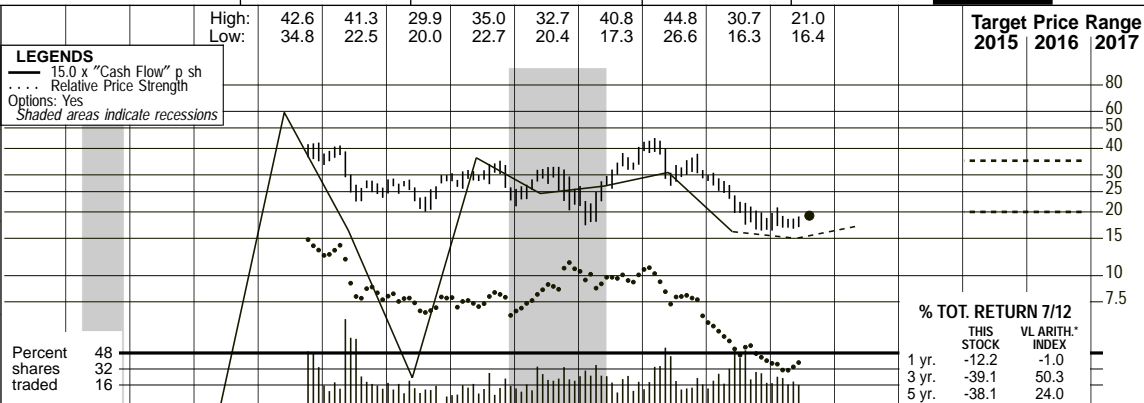


# DREAMWORKS ANIMAT. NDQ-DWA

RECENT PRICE **19.20** P/E RATIO **20.2** (Trailing: 18.6 Median: NMF) RELATIVE P/E RATIO **1.36** DIV'D YLD **Nil** VALUE LINE

TIMELINESS <b>5</b> Lowered 8/10/12	High: 42.6	41.3	29.9	35.0	32.7	40.8	44.8	30.7	21.0	Target Price Range 2015 2016 2017
SAFETY <b>3</b> Lowered 5/11/12	Low: 34.8	22.5	20.0	22.7	20.4	17.3	26.6	16.3	16.4	
TECHNICAL <b>2</b> Raised 7/20/12	<b>LEGENDS</b> --- 15.0 x "Cash Flow" p sh .... Relative Price Strength Options: Yes Shaded areas indicate recessions									
BETA .95 (1.00 = Market)	<b>2015-17 PROJECTIONS</b> Price Gain Ann'l Total High <b>35</b> <b>(+80%)</b> <b>17%</b> Low <b>20</b> <b>(+5%)</b> <b>2%</b>									
<b>Insider Decisions</b> S O N D J F M A M to Buy 0 0 0 0 0 0 0 0 0 0 0 Options 0 0 0 0 0 0 0 0 0 0 0 to Sell 0 0 0 0 0 0 0 0 0 0 0										
<b>Institutional Decisions</b> 3Q2011 4Q2011 1Q2012 to Buy 72 89 74 to Sell 95 66 79 Hld's(000) 74405 78520 82505 Percent shares traded 48 32 16										



In October 2004 DreamWorks Animation SKG (DWA) went public in a spinoff from its parent, DreamWorks Studios. The studio was founded by industry legends Steven Spielberg, Jeffrey Katzenberg, and David Geffen. DWA issued 33.35 million shares (Class A) in connection with its IPO. Paul Allen, co-founder of Microsoft, owns 1 share of Class C stock with rights to elect one board member. It operates out of two California studios, Glendale and Redwood City.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC 15-17	
	5.67	3.93	12.53	4.49	3.82	7.98	7.27	8.33	9.06	8.40	<b>8.65</b>	<b>9.15</b>	Revenues per sh	12.15
	d.28	d2.36	3.95	1.09	.22	2.41	1.63	1.77	2.05	1.08	<b>1.00</b>	<b>1.15</b>	"Cash Flow" per sh	1.95
	d.33	d2.41	3.81	1.01	.15	2.20	1.57	1.73	1.96	1.02	<b>.95</b>	<b>1.05</b>	Earnings per sh A	1.75
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	.07	.04	.01	.05	.03	.11	.55	.85	.58	.58	<b>.40</b>	<b>.30</b>	Cap'l Spending per sh	.60
	2.31	d1.16	9.61	9.18	9.98	10.60	11.39	13.24	14.54	16.14	<b>17.90</b>	<b>19.45</b>	Book Value per sh B	25.00
	76.64	76.64	86.05	103.04	103.49	96.09	89.36	87.04	86.60	84.03	<b>80.00</b>	<b>78.00</b>	Common Shs Outst'g C	74.00
	--	--	10.2	30.0	NMF	13.4	17.5	16.3	17.7	22.2	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	16.0
	--	--	.54	1.60	NMF	.71	1.05	1.09	1.13	1.40	Relative P/E Ratio	1.05		
	--	--	--	--	--	--	--	--	--	--	Avg Ann'l Div'd Yield	Nil		

<b>CAPITAL STRUCTURE as of 3/31/12</b>	434.3	301.0	1078.2	462.3	394.8	767.2	650.1	725.2	784.8	706.0	<b>690</b>	<b>715</b>	Revenues (\$mill)	900
<b>Total Debt None</b>	2.7%	NMF	41.3%	28.3%	1.6%	39.3%	27.3%	27.5%	22.6%	16.5%	<b>16.0%</b>	<b>16.5%</b>	Operating Margin	22.0%
	3.5	4.1	6.7	7.8	7.5	9.8	3.5	3.1	7.1	3.6	<b>5.0</b>	<b>7.0</b>	Depreciation (\$mill)	10.0
	d25.1	d184.6	333.0	104.6	15.1	221.4	142.5	151.0	170.6	86.8	<b>75.0</b>	<b>85.0</b>	Net Profit (\$mill)	135
<b>Leases, Uncapitalized: Annual rentals \$8.9 mill.</b>	--	--	21.3%	6.7%	NMF	2.8%	12.5%	6.0%	6.0%	29.5%	<b>25.0%</b>	<b>25.0%</b>	Income Tax Rate	25.0%
<b>No Defined Benefit Pension Plan</b>	NMF	NMF	30.9%	22.6%	3.8%	28.9%	21.9%	20.8%	21.7%	12.3%	<b>11.1%</b>	<b>11.6%</b>	Net Profit Margin	14.8%
	510.7	420.0	817.9	834.2	1069.0	1065.1	975.6	1077.4	1195.3	1263.5	<b>1265</b>	<b>1280</b>	Working Cap'l (\$mill)	1375
<b>Pfd Stock None</b>	383.4	549.0	217.2	149.3	177.1	70.1	--	--	--	--	Nil	Nil	Long-Term Debt (\$mill)	Nil
	177.0	d12.4	826.9	946.2	1033.3	1018.6	1017.4	1152.6	1258.9	1356.7	<b>1435</b>	<b>1515</b>	Shr. Equity (\$mill) B	1850
<b>Common Stock 84,045,927 shs. P</b>	NMF	NMF	32.6%	10.2%	1.6%	20.8%	14.5%	13.1%	13.6%	6.4%	<b>5.5%</b>	<b>5.5%</b>	Return on Total Cap'l	7.5%
	NMF	--	40.3%	11.1%	1.5%	21.7%	14.0%	13.1%	13.6%	6.4%	<b>5.5%</b>	<b>5.5%</b>	Return on Shr. Equity	7.0%
<b>MARKET CAP: \$1.6 billion (Mid Cap)</b>	NMF	--	40.3%	11.1%	1.5%	21.7%	14.0%	13.1%	13.6%	6.4%	<b>5.5%</b>	<b>5.5%</b>	Retained to Com Eq	7.0%
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

<b>CURRENT POSITION (\$MILL.)</b>	2010	2011	3/31/12
Cash Assets	163.8	116.1	89.4
Receivables	283.1	287.1	288.9
Inventory (Avg Cst)	772.7	882.6	928.6
Other	--	--	--
Current Assets	1219.6	1285.8	1306.9
Accts Payable	3.5	3.3	4.5
Debt Due	--	--	--
Other	20.8	19.0	53.7
Current Liab.	24.3	22.3	58.2

<b>ANNUAL RATES of change (per sh)</b>	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	--	4.5%	6.0%
"Cash Flow"	--	-1.5%	3.0%
Earnings	--	-1.0%	2.0%
Dividends	--	--	Nil
Book Value	--	9.0%	9.5%

<b>QUARTERLY REVENUES (\$ mill.)</b>	Full Year
Cal-endar	Mar.31 Jun. 30 Sep. 30 Dec. 31
2009	263.5 132.0 135.5 194.2 725.2
2010	162.1 158.1 188.9 275.7 784.8
2011	108.0 218.2 160.8 219.0 706.0
2012	136.1 <b>180</b> <b>150</b> <b>223.9</b> <b>690</b>
2013	<b>170</b> <b>155</b> <b>180</b> <b>210</b> <b>715</b>

<b>EARNINGS PER SHARE A</b>	Full Year
Cal-endar	Mar.31 Jun. 30 Sep. 30 Dec. 31
2009	.71 .30 .23 .50 1.73
2010	.24 .27 .47 .99 1.96
2011	.10 .40 .23 .29 1.02
2012	.11 <b>.25</b> <b>.20</b> <b>.39</b> <b>1.05</b>
2013	<b>.18</b> <b>.25</b> <b>.27</b> <b>.35</b> <b>1.95</b>

<b>QUARTERLY DIVIDENDS PAID</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2008	
2009	
2010	NO CASH DIVIDENDS BEING PAID
2011	
2012	

**BUSINESS:** DreamWorks Animation SKG, a former division of DreamWorks Studios, is primarily engaged in the development, production, and distribution of Computer Generated (CG) animation films. The company maintains full rights to all of its CG films but shares in the distribution rights with the former parent company and Universal Studios. As of 12/31/11, DWA had released 23 CG feature films, including "Shrek" and "Madagascar" series. Has 2,100 employees. Officers and directors own 18.1% of common outstanding; David Geffen, 14.7% of Class A shares; Wellington Manag. Comp., 13.9% (4/12 proxy). Chairman and CEO: Jeffrey Katzenberg. Incorporated: MD. Address: 1000 Flower St., Glendale, CA 91201. Telephone: 818-695-5000. Web: www.dreamworks.com.

**DreamWorks Animation's most recent production appears to be a hit, with moviegoers flocking to theaters.** Early box-office data shows a stronger-than-anticipated performance for *Madagascar 3: Europe's Most Wanted*, generating nearly \$210 million in the domestic box office. Fan reception in key international markets, especially Russia, has also been favorable, reporting \$260 million in receipts. **Nevertheless, we are maintaining our expectations for 2012.** While a significant portion of business is generated in the theatrical market, another key source of revenue has historically been sales of home entertainment titles, also known as DVDs. However, with technological advancements, the market is being pressured. Various forms of video-rental or video-on-demand options offer consumers the ability to view home entertainment titles numerous times at lower cost. As a result, while many films do well at the box office, success does not always translate to the DVD market. Internationally, the scene is not any rosier for studios. Success in foreign markets is similarly leading to tepid home video sales, as post-theatrical mar-

kets in many of these countries have yet to mature. All told, we are looking for share profits of \$0.95 and \$1.05 this year and next, respectively.

**With one bold move, the company's development pipeline has become flush.** This maker of animation films has agreed to acquire Classic Media (CM) for \$155 million, which would be funded through a combination of cash and a revolving credit facility. CM holds an extensive library of intellectual property, featuring well-established titles including *Casper the Friendly Ghost*, *Where's Waldo?*, *The Lone Ranger*, and *Rocky & Bullwinkle*. DreamWorks intends to use this diverse portfolio of assets to create opportunities in motion pictures, television, consumer products, and digital content. Management expects the transaction, subject to customary closing conditions, to close during the 2012 third quarter.

**Investors should look elsewhere for now.** These shares are untimely for year-ahead relative price momentum and hold below-average appreciation potential out to 2015-2017.

Dominic B. Silva August 10, 2012

(A) Diluted earnings per share. Next earnings report due late October. May not sum due to rounding.  
 (B) Incl. intangibles. In '11: \$34.2 mill., \$0.41 per sh.  
 (C) In millions.  
 (D) Incl. 11.4 million shares class B stock (15 votes each) & 1 share class C stock (carries the right to elect 1 director).  
 (E) Doesn't sum due to rounding.

Company's Financial Strength	A
Stock's Price Stability	65
Price Growth Persistence	30
Earnings Predictability	35

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