DREAMWORKS ANIMATION

CORPORATE DEBT

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DEBT REVIEW

($ Thousands)	2012	2011	2010
Debt	165,000	-	-
Total Liabilities	598,646	422,217	496,996
Interest Expense	2,702	669	488

DreamWorks Animation SKG only has debt in 2012. Most of the liabilities are due to accounts payable. The maturity date of this revolving credit facility is August 2017. As of the New Credit Agreement, DreamWorks is allowed to have outstanding borrowing up to $ 400 million at any one time.

DEBT REVIEW

- Pay a commitment fee on **undrawn amounts** at an annual rate of **0.375%**.
- Interest on borrowed amounts (per draw)
  - Lending bank's **base rate + 1.50%** per annum.
  - London Interbank Offered Rate **(LIBOR) + 2.50%** per annum.

DEBT REQUIREMENT

- Borrowings secured by all DreamWorks assets
- Maintain a specified ratio of total debt to total capitalization ratio
- Maintain a specified ratio of net remaining ultimates to facility exposure
- Prohibit DWA taking certain actions, such as granting liens, entering into any merger, modifying organizational documents, etc.
- Prohibit DWA paying dividends on its capital stock

DEBT TO EQUITY

($ Thousands)	2012	2011	2010
Current Liabilities	25,517	19,032	20,793

Debt/Equity Ratio: 2012: $165,000 / $1,345,616 = 0.12

Debt Instruments: Notes payable is the largest portion and a small portion is current liabilities.

Bank: J.P. Morgan Chase

IS DEBT TO EQUITY RATIO APPROPRIATE?

YES

DWA's ability to remain debt free during a teetering economy has allowed the company to avoid interest payments and expand its assets, announcing a theme park and additional studio opening this past year.

WILL DREAMWORKS MEET THEIR OBLIGATIONS?

YES

- The interest expense is much lower than cash and cash equivalents.
- DreamWorks rated as AAA credit rating a decade ago, yet, today the company credit rating still A+.

DEBT RECOMMENDATIONS

The company is not taking enough advantage from their financial leverage. Since debt is cheaper than equity, take on some debt to purchase back some stock. This is an opportune time considering, stock prices are at their all time lowest, giving the company an opportunity to resell the stock they receive from treasury.