



VIACOM

The Berkshire Babes and Hathaway Hunks

Overview



VIACOM (VIAB)

Media/Advertising Industry

Market Cap – \$29 Billion

Headquarters – New York, New York



Company Background

History



1971 – Viacom spins off from CBS

1987 – National Amusements acquires 83% of Viacom

1994 – Completes \$9.9 B merger with Paramount

2000 – Viacom merged back into CBS for \$39.8 B

2005 – Viacom separates from CBS

Sumner Redstone



Significant ownership of Viacom and CBS

Recent lawsuit over Redstone's mental competency

Court rules he is mentally stable

Shari Redstone to take control of National Amusements

Recent News



Wanda offered to buy 49% of Paramount at \$5 B

Former CEO Philippe Dauman forced to leave

Shari Redstone brings on new board members

News cont.



Viacom cut their dividend in half

Announce new CEO to be Bob Bakish

National Amusement pushes for CBS & Viacom merge

Viacom talks of acquiring Telefonica SA for \$385 mill



Business Segments

Segments



Media Networks

- Music & Entertainment
- Kids & Family
- BET Networks
- International

Filmed Entertainment

Media Networks Properties



VIACOM

BET★



CMT
Get country.



Lego



nick@nite

nickjr

nickelodeon

nicktoons



teenick

tr3s

TV LAND

VH-1



Music & Entertainment



Comedy Central

- Earned 26 Emmy nominations
- Comedy Central app downloaded 5.2 million times

MTV

- 43 MTV branded channels
- Created an MTV app which features episodes

MTV2

VH1/VH1 Classic

SPIKE

Logo TV

Kids & Family



Nickelodeon & Nick at Nite

- #1 rated advertising supported network for 20 years
- On more than 85 locally programmed channels

Nick Jr., TeenNick, Nicktoons

CMT

- Leading country music & entertainment destination

TV Land

BET Networks



BET

- Nation's leading network for African-American Audiences

Centric

- First network designed for black women

International



Paramount Channel

- 24 hour movie channel in Spain

Channel 5

- UK public service broadcaster

Colors

- Highly-rated Hindi-language entertainment

J-One

- One of the world's biggest consumers of manga animation

Media Networks - International



WORLDWIDE

3.8 billion
cumulative subscribers
182
countries
43
languages

U.S. & CANADA

1.5 billion
cumulative subscribers

LATIN AMERICA

228 million
cumulative subscribers

EUROPE

1.2 billion
cumulative subscribers

MIDDLE EAST, AFRICA & ASIA PACIFIC

832 million
cumulative subscribers

Media Networks Revenues

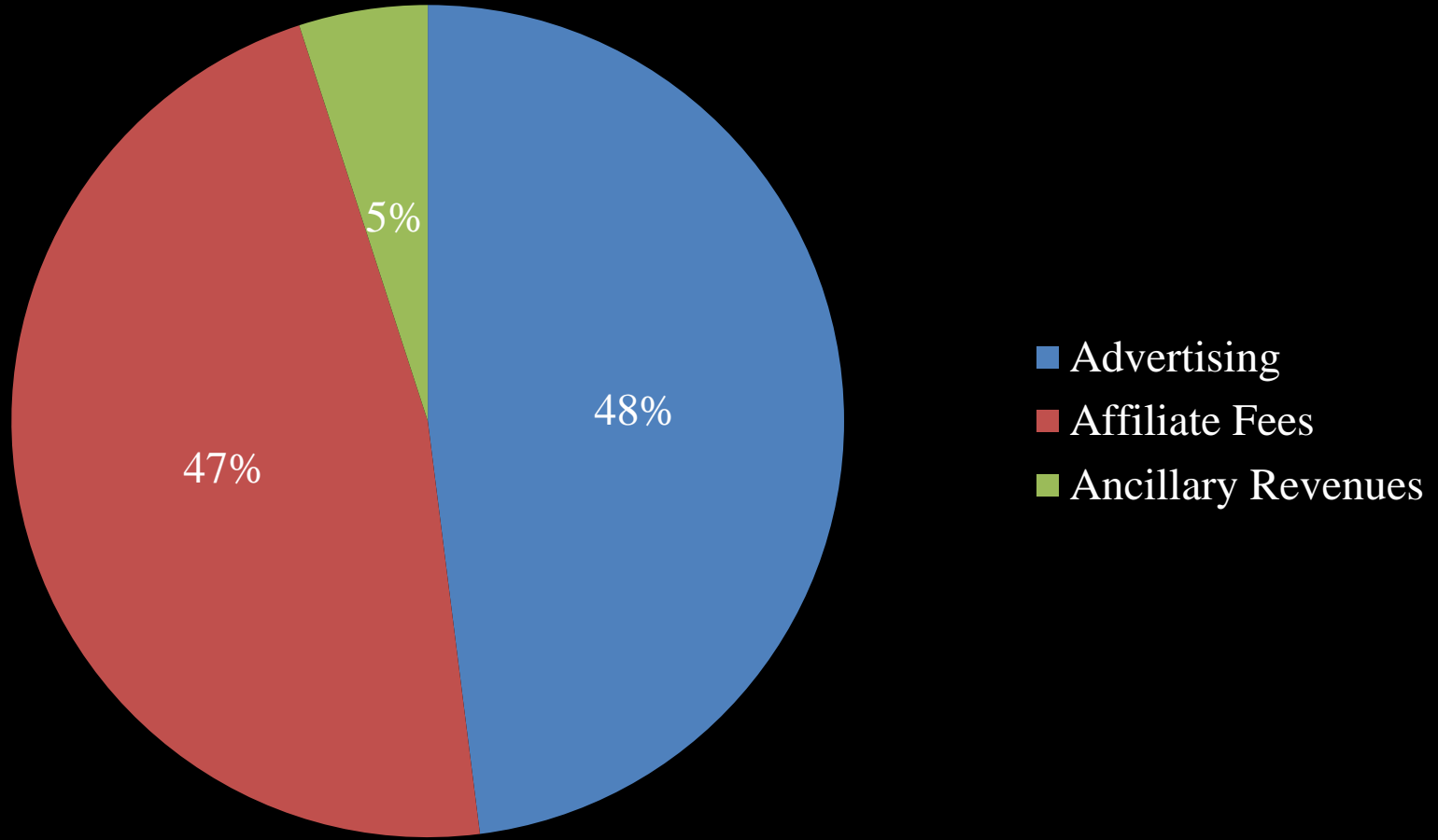


Sale of advertising/marketing

Affiliate fees from cable television

Ancillary revenues

Media Networks Revenue Breakdown



Advertising Revenues



Target key audiences

Price is determined by viewership

Domestic advertising

- Certain amount sold in advance
- Remaining inventory sold in scatter market

International Advertising

- Majority sold in scatter market
- Sold by a third party

Affiliate Revenues



Multi-year carriage agreements

Staggered expirations of agreements

Yearly rate increases

Fees are based on number of subscribers

Ancillary Revenues



Consumer products/brand licensing

Distribution of programming in home entertainment

Television Syndication

Filmed Entertainment



Filmed Entertainment



Paramount produces/acquires films for distributions

Generally performs its own marketing/distribution

Agreements with Warner Bros & Home Entertainment

Cost are incurred before or during film releases

Library consisting of 3,400 motion pictures

Filmed Entertainment Revenues



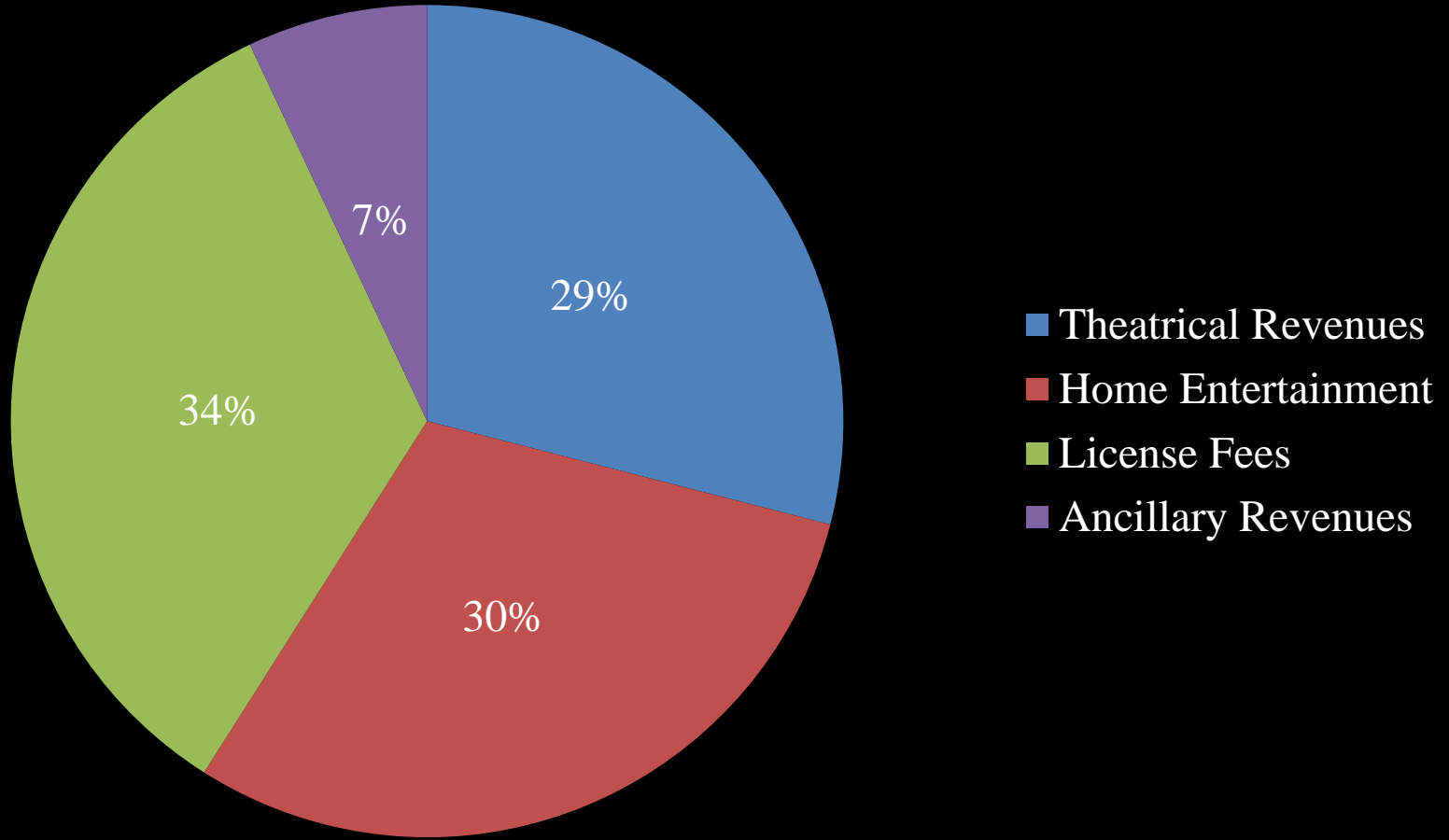
Theatrical release/distribution of motion pictures

Home entertainment – DVD's and Blu-Ray

Licensing of film and television rights

Ancillary revenues from production services

Filmed Entertainment Revenues Breakdown



Theatrical Revenues



Generates revenue from audience ticket sales

Makes a premium on IMAX/3D tickets

Effects on Home Entertainment

Cyclical with holidays

Home Entertainment Revenues



Derived from worldwide sales of DVD's

Distributes Paramount films and CBS content

Affected by consumer preference of rental or purchase

Shifting away from physical entertainment

License Fees



Films licensed on fee or revenue sharing basis

Multi-platform entertainment service (EPIX)

Revenue is recognized upon availability for airing

Ancillary Revenue



Provides production services to third parties

- Primarily at Paramount's studio lot

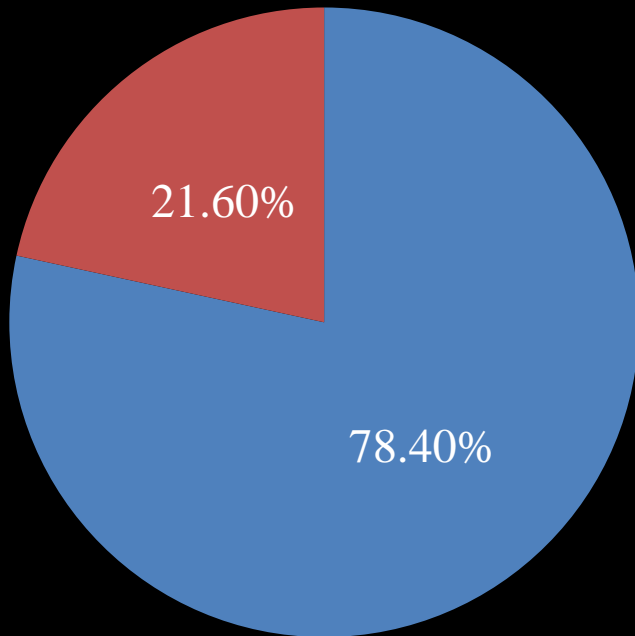
Licenses its brand for:

- Consumer products
- Themed restaurants
- Hotels/Resorts
- Theme parks

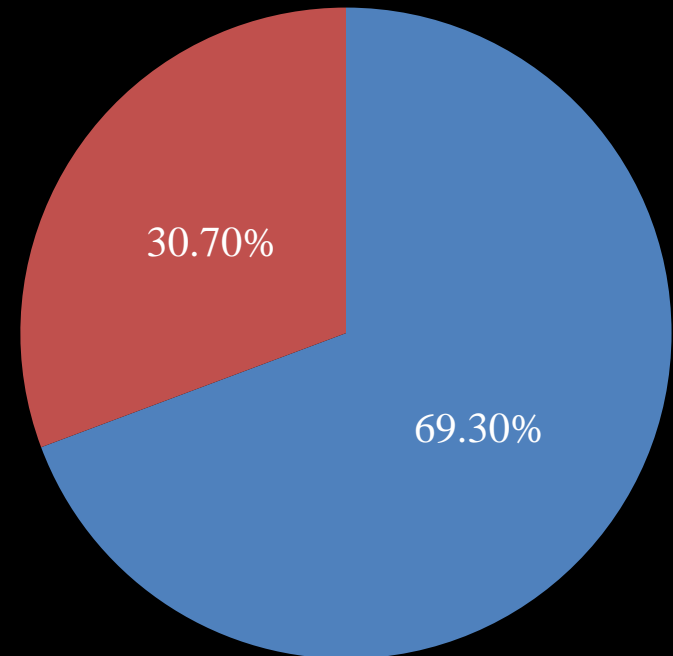
Media Networks vs. Filmed Entertainment Revenue



2015



2013



■ Media Networks
■ Filmed Entertainment

Growth Opportunities



Affiliate fees have grown by 14% points in 5 years

Media Networks revenues increased 5%

- Primarily international growth

Expected growth in India and emerging markets

Largest global presence of any global media in Africa

Growth Issues



Netflix/Amazon have video streaming

Filmed Entertainment section is not as profitable

Slowing domestic growth due to people cutting cable

Pay-TV remains in approximately 85% of households

Merge Possibilities



- (1) Exchanged/Sold to CBS at market price
 - New combined entity would still be selling at a discount
- (2) CBS pays market price, but pays a special dividend
- (3) CBS does stock swap with a premium
 - (.75 shares = a \$5 premium)
- (4) Viacom does not merge

Risk Factors



Content theft

Online Streaming

National Amusement's voting control

Competitive Advantage



High costs associated with creating new content

Brand names

Sticky business for channel operators



Qualitative Review

What type of business is this: commodity or sustained competitive advantage?	Sustained Competitive Advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	Yes
Can inventory become obsolete?	Yes
Are there chronic "one time" write offs?	Yes
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No



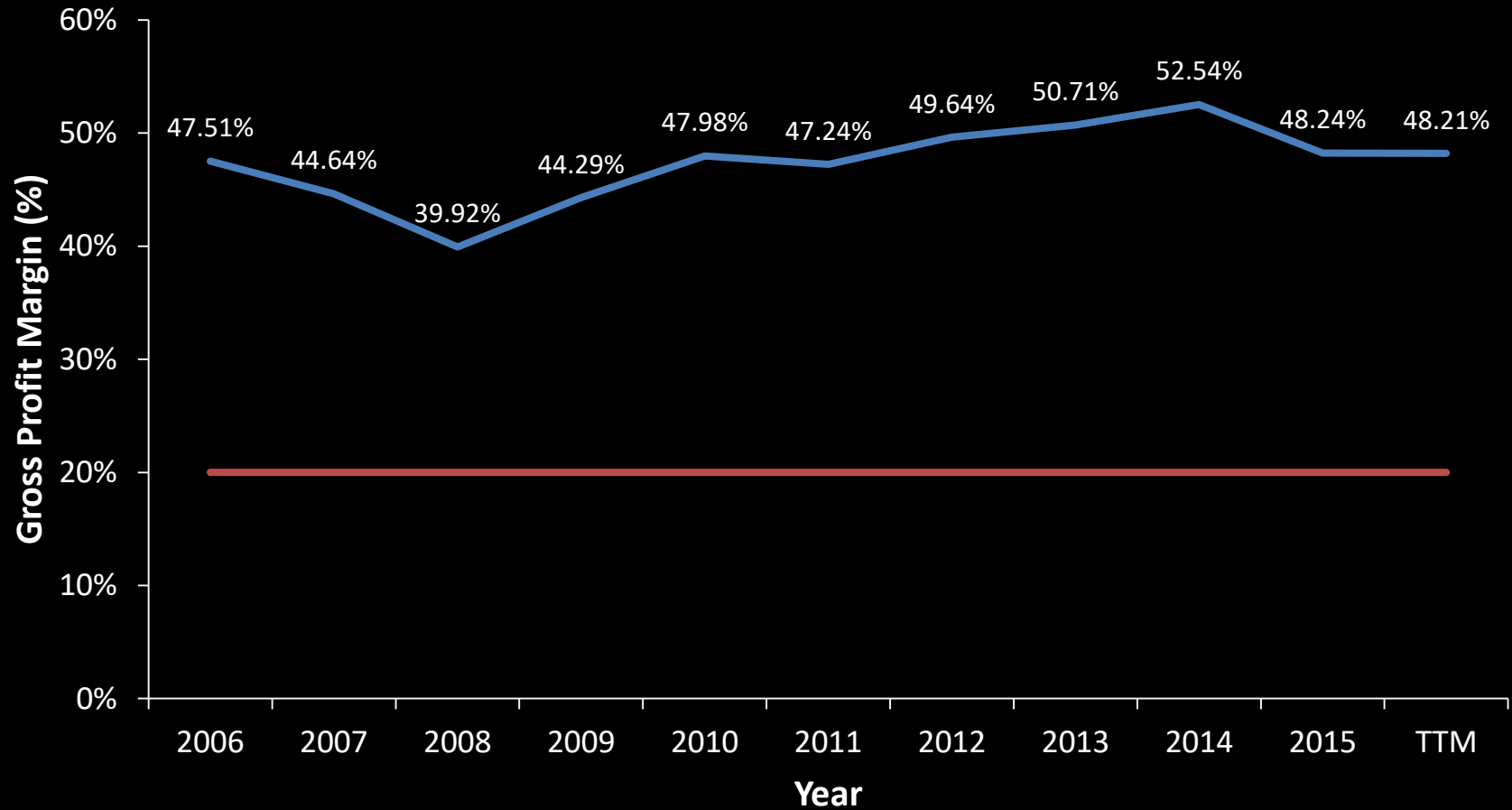
Quantitative Analysis

Interpretation of the Financial Statements

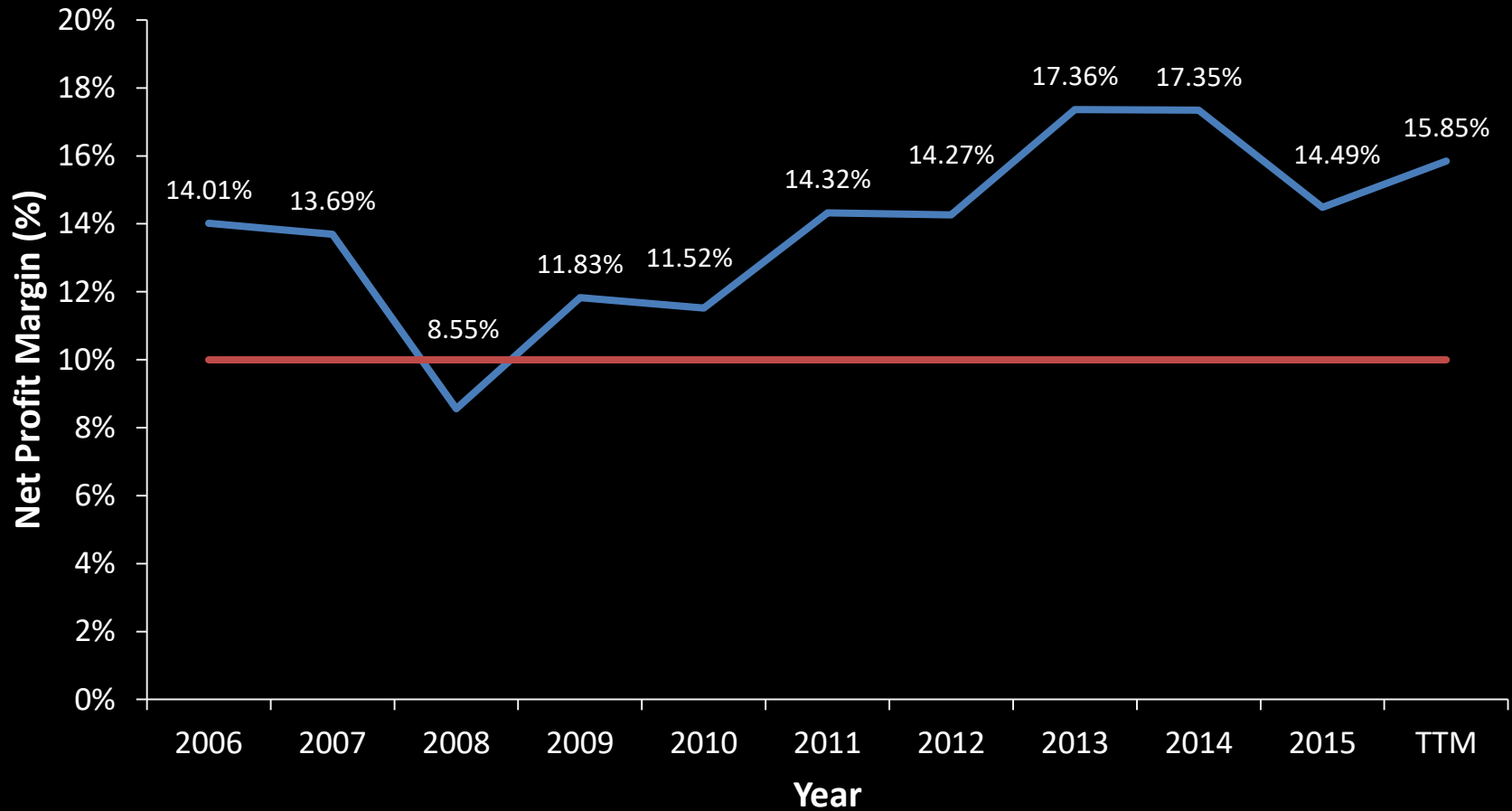


<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	48.21%	$\geq 20\%$	Yes
% SGA	44.86%	$\leq 80\%$	Yes
% R&D	0.00%	$\leq 10\%$	Yes
% Depreciation and Amortization	78.25%	$\leq 10\%$	No
Interest % of OP	19.42%	$\leq 15\%$	No
Net Profit Margin	15.85%	$\geq 10\%$	Yes
Current Ratio	0.99	≥ 1	No
Obligation Ratio	6.44	< 5 years	No
Adj. Debt to Shareholder Equity	0.74	< 0.8	Yes
Return on Equity	50.54%	$\geq 15\%$	Yes
Return on Capital	13.71%	$\geq 15\%$	No
Dividend Payout Ratio	30.71%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	6.38%	$\leq 25\%$	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

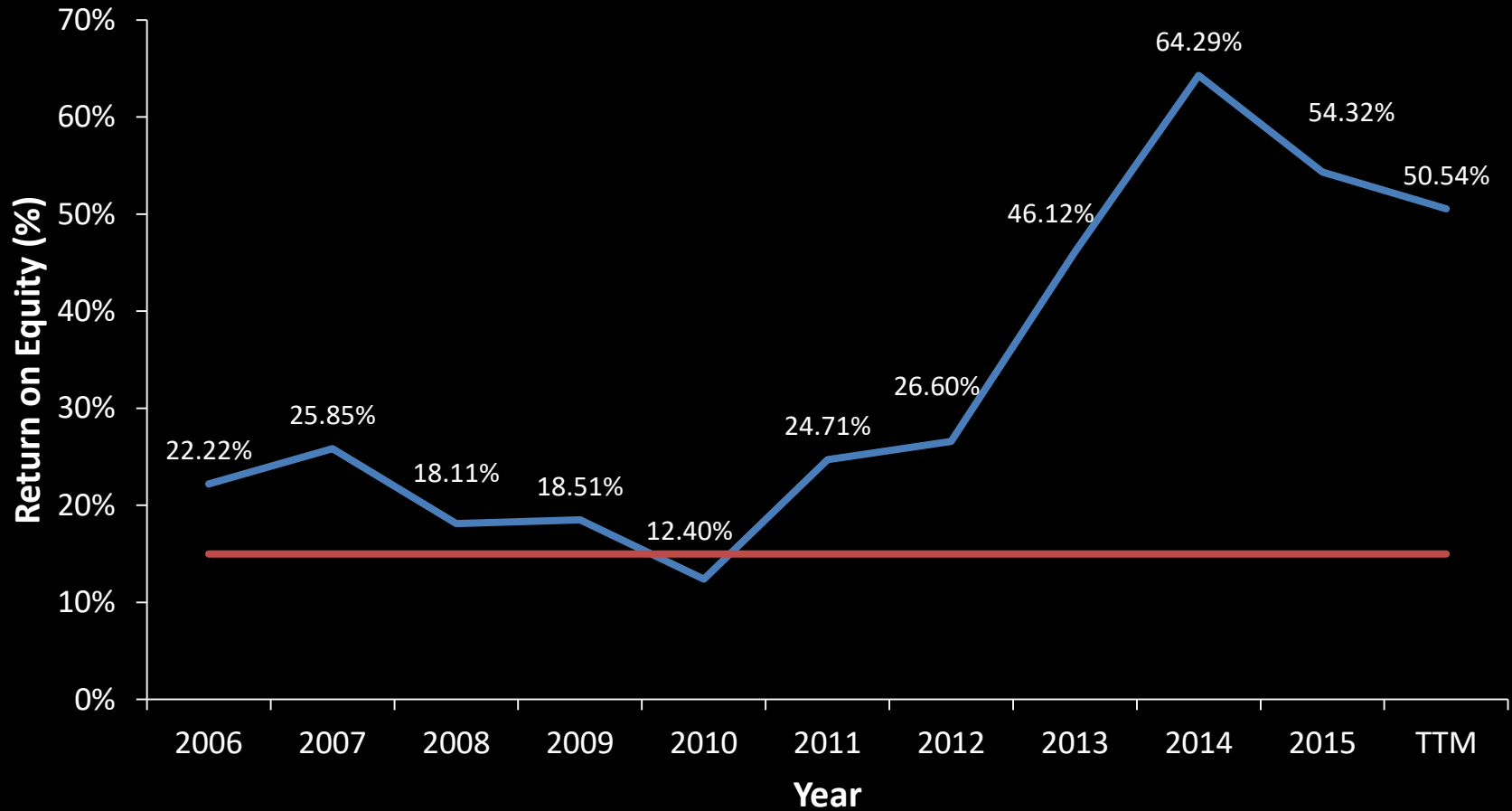
Gross Profit Margin



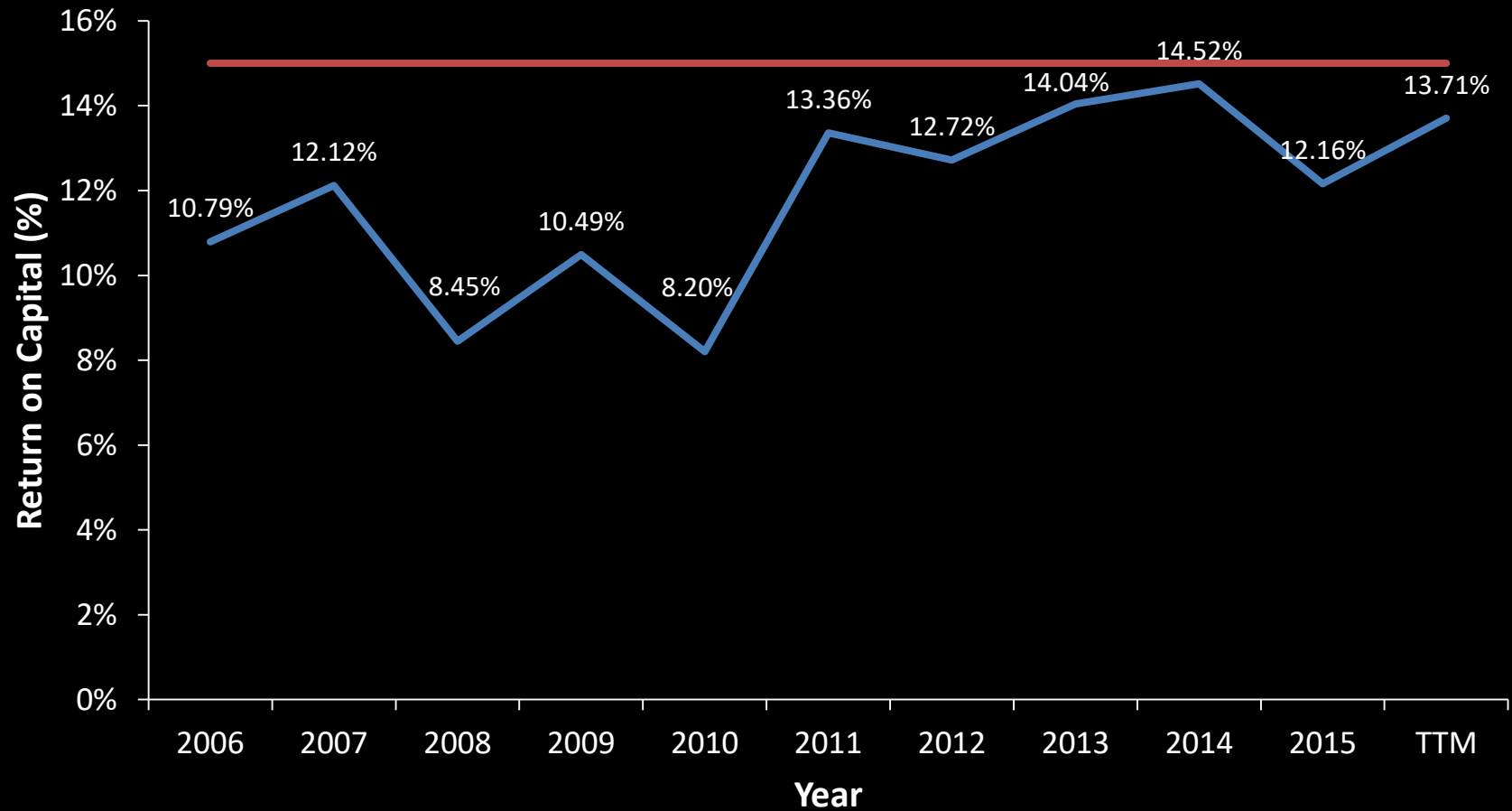
Net Profit Margin



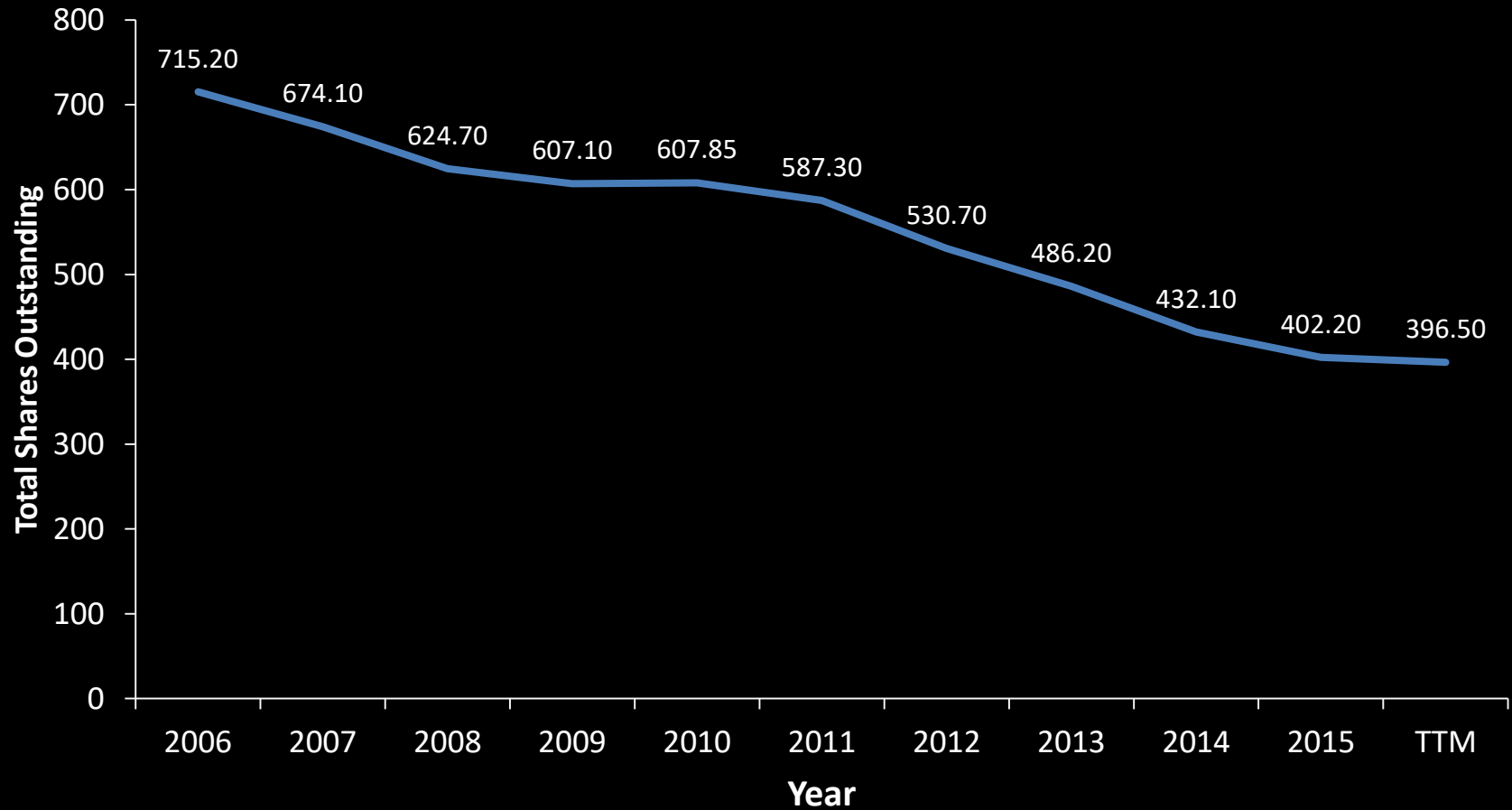
Return on Equity



Return on Capital



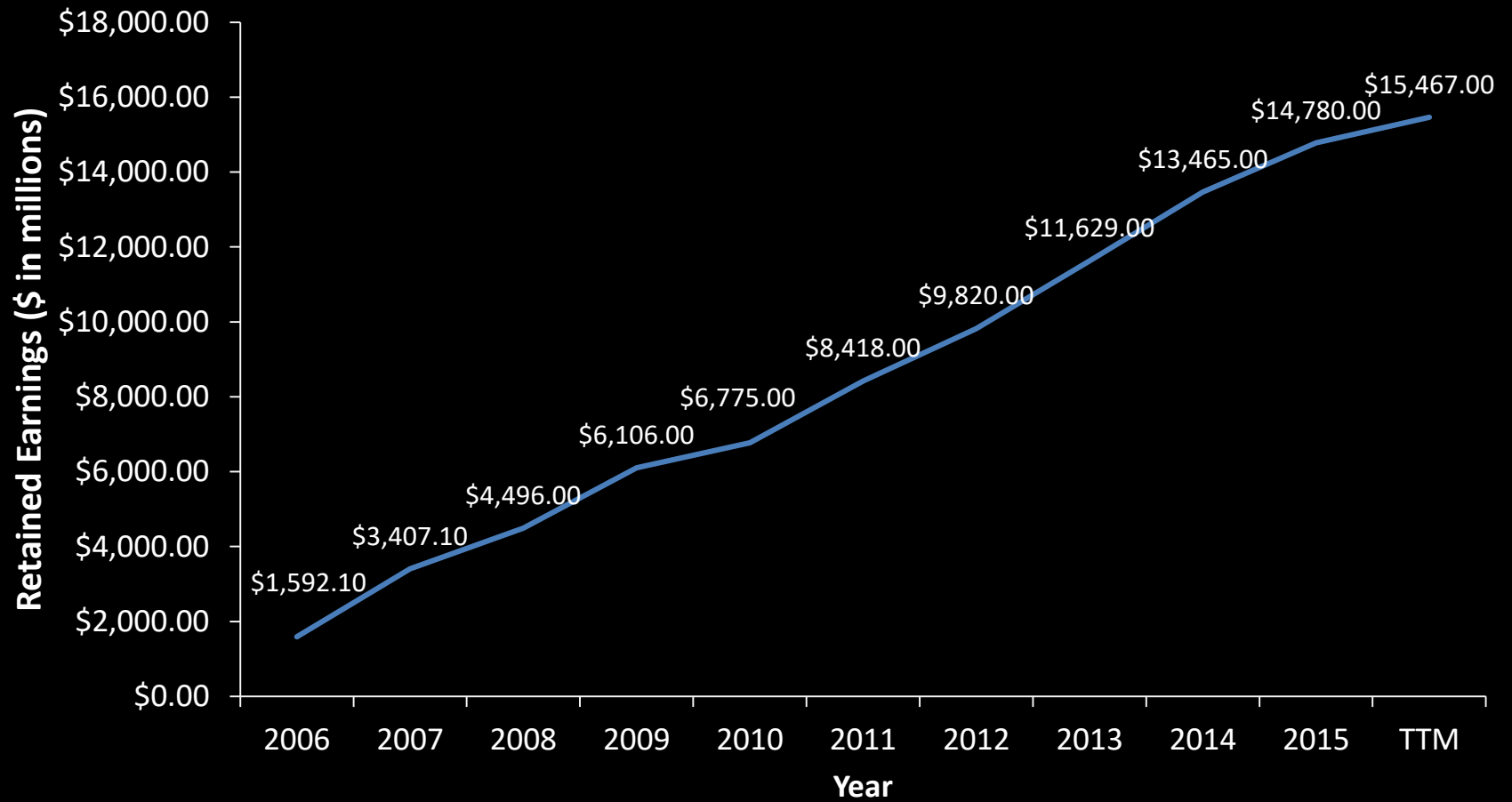
Total Shares Outstanding



Revenues (10 year)



Retained Earnings



Statistical Array Analysis

Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing*
Capital Spending per Share	Consistent
Book Value per Share	Consistent
Revenues (Sales)	Increasing
Gross Profit Margin	Consistent
Operating Profit Margin	Consistent
Number of Stores	N/A
Net Profit	Varies
Net Profit Margin	Consistent
Working Capital	Varies Significantly
Shareholder's Equity	Decreasing
Return on Total Capital	Consistent
Return on Shareholder's Equity	Fluctuates
Common Shares Outstanding	Decreasing
Long-Term Debt	Fluctuates
LT Debt Payable in 5 years	No
All Dividends to Net Profit under 60%	Yes

Du Pont Analysis - Historical



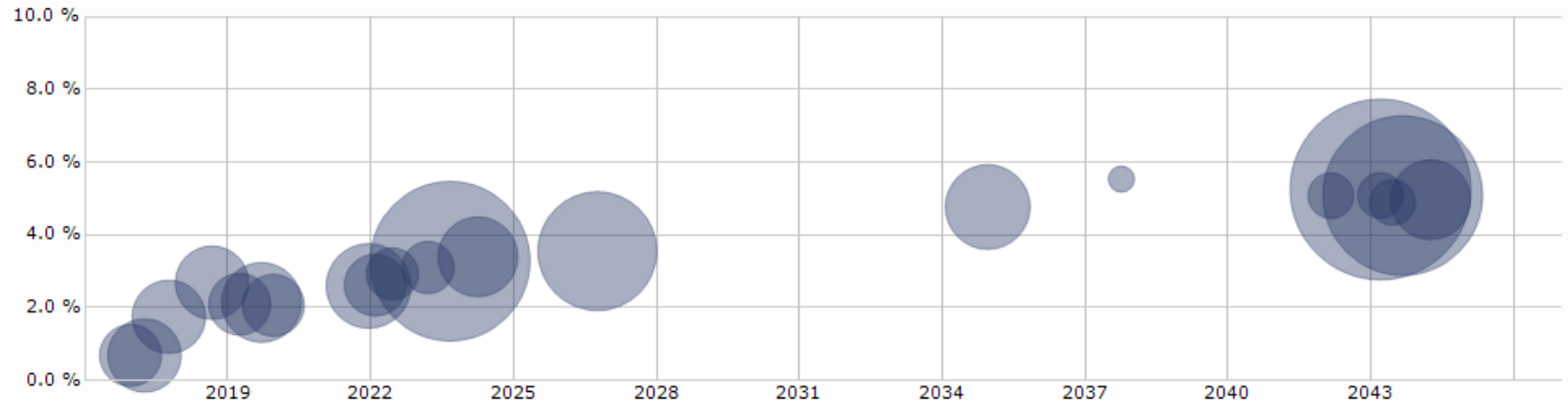
	Total Asset Turnover (Total Revenue /Total Assets)	Net Profit Margin (Net Profit/ Total Revenue)	Financial Leverage Multiplier (Total Assets/Total Equity)	Return on Equity
2012	0.62	14.27%	2.99	26.42%
2013	0.60	17.36%	4.59	47.80%
2014	0.59	17.35%	6.20	63.43%
2015	0.59	14.49%	6.28	53.65%
TTM	0.58	15.85%	5.40	49.63%

Debt Analysis



Yield to Maturity

● Debt ● Preferred ● Convertible ● Circle size determined by issue amount



Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Viacom Inc New 4.375%	03/15/2043	1,446.1	---	87.6	4.375	Fixed	No	No	5.25
Viacom Inc New 4.25%	09/01/2023	1,250.0	---	105.9	4.250	Fixed	No	No	3.27
Viacom Inc New 5.85%	09/01/2043	1,250.0	---	111.2	5.850	Fixed	No	No	5.08
Viacom Inc New	10/04/2026	900.0	---	99.2	3.450	Fixed	No	No	3.55
Viacom Inc New	12/15/2034	600.0	---	101.0	4.850	Fixed	No	No	4.77
Viacom Inc New 3.875%	12/15/2021	600.0	---	106.1	3.875	Fixed	No	No	2.59
Viacom Inc New 5.625%	09/15/2019	550.0	---	109.6	5.625	Fixed	No	No	2.14
Viacom Inc New 3.875%	04/01/2024	550.0	---	103.1	3.875	Fixed	No	No	3.40
Viacom Inc New 5.25%	04/01/2044	550.0	---	104.2	5.250	Fixed	No	No	4.97
Viacom 7.875%	07/30/2030	500.0	---	---	7.875	FRN	No	---	---



Industry Breakdown

Industry Analysis



	Viacom	CBS Corporation	Dreamworks	Disney	Time Warner
Market Cap (B)	29	10.21	3.55	148.30	67.95
Revenue (B)	13.05	6.47	9.90	56.00	27.90
P/E	7.99	16.57	64.02	16.55	17.54
P/S	1.27	1.86	3.60	2.78	2.52
P/B	4.01	4.62	3.04	3.41	2.85
EV/EBIT	8.77	12.36	40.62	10.81	12.64
ROA	9.25	6.69	2.79	10.33	6.39
ROE	53.65	27.99	4.86	20.66	17.05
Operating Margin	24.90	18.76	9.78	26.15	25.31
Net Margin	15.85	11.07	5.53	16.48	14.54
Insider Ownership	0.39%	0.47%	2.77%	1.13%	0.16%

Du Pont Analysis - Industry



Company Name	Total Asset Turnover (Total Revenue /Total Assets)	Net Profit Margin (Net Profit/ Total Revenue)	Financial Leverage Multiplier (Total Assets/Total Equity)	Return on Equity (TTM)
Viacom	0.54	14.49%	6.28	53.65%
CBS Corporation	0.58	10.18%	4.27	25.21%
Dreamworks	0.47	NMF	1.72	NMF
Disney	0.61	15.98%	1.98	19.30%
Time Warner	0.16	13.63%	2.70	16.21%



Valuebands

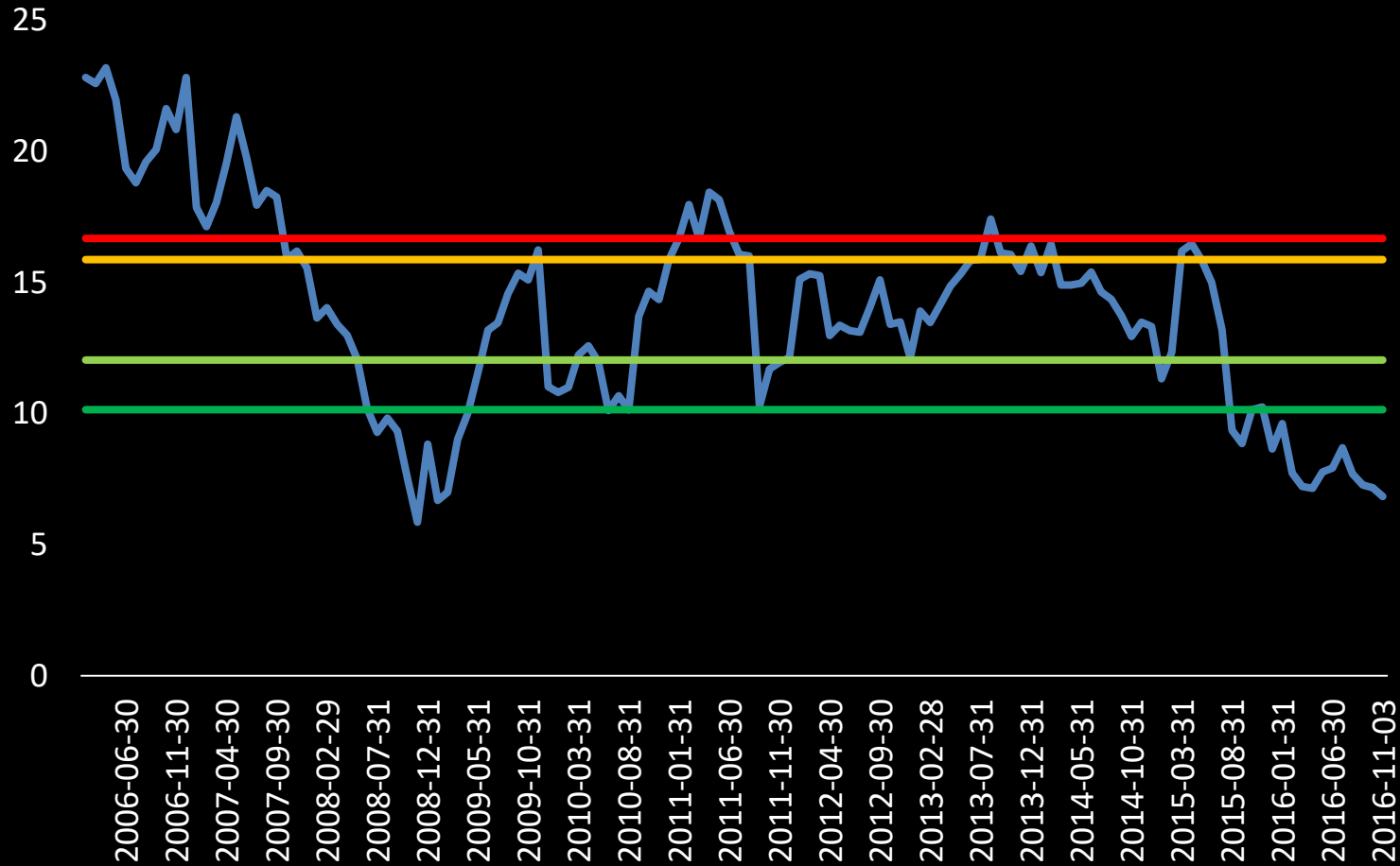
Price/Sales



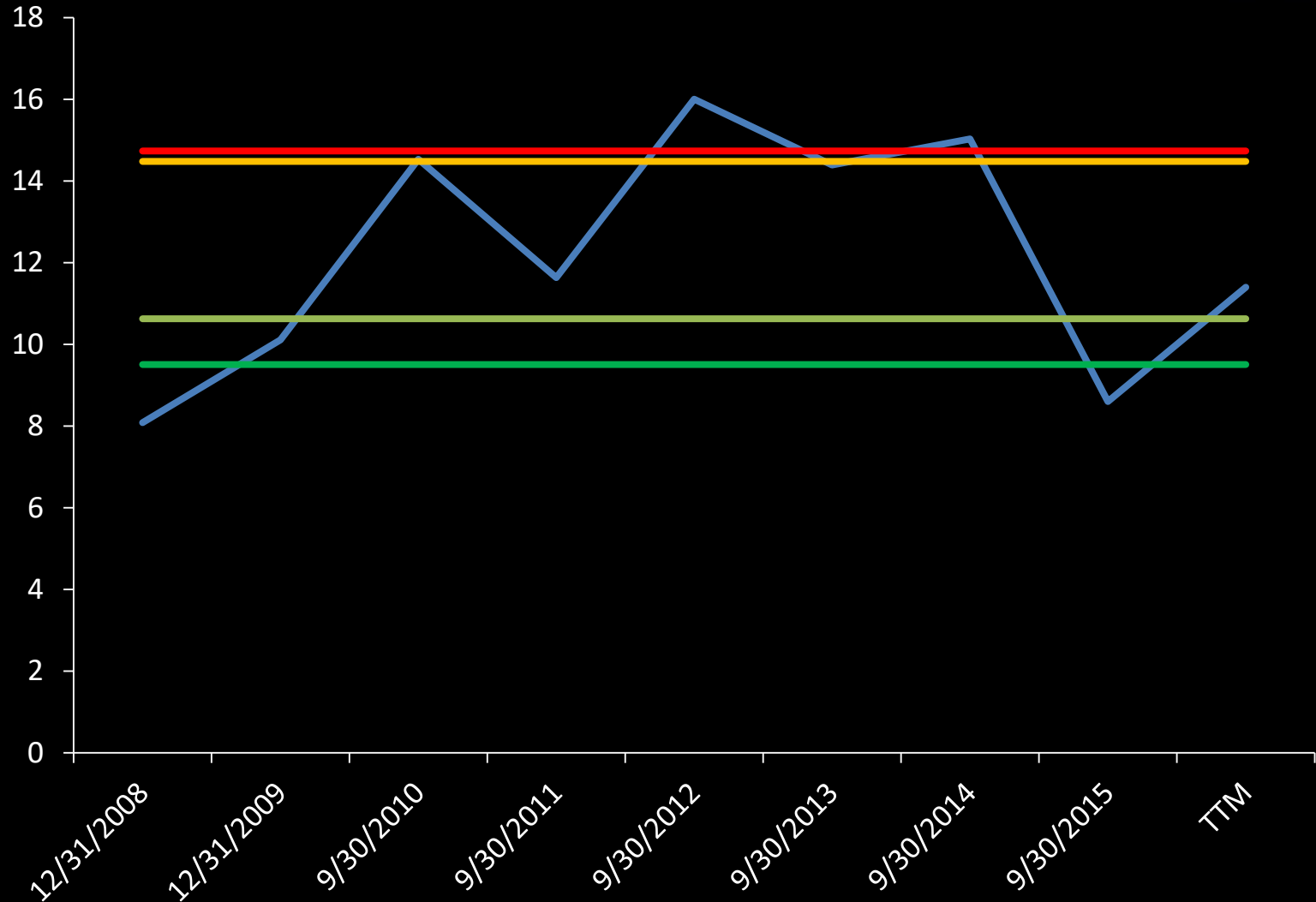
Price/Earnings



Price/Earnings Less Cash



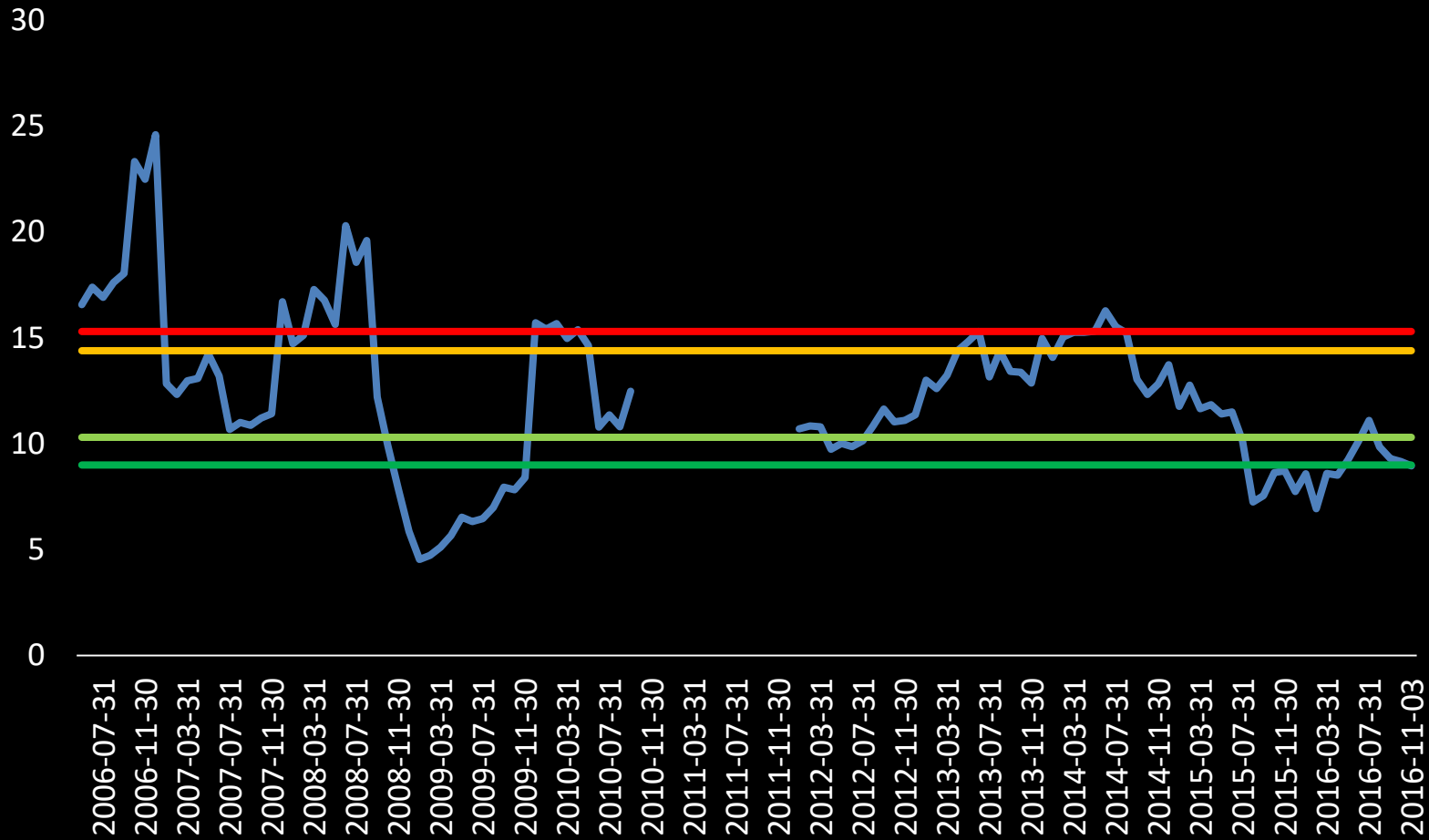
Price/Owners' Earnings



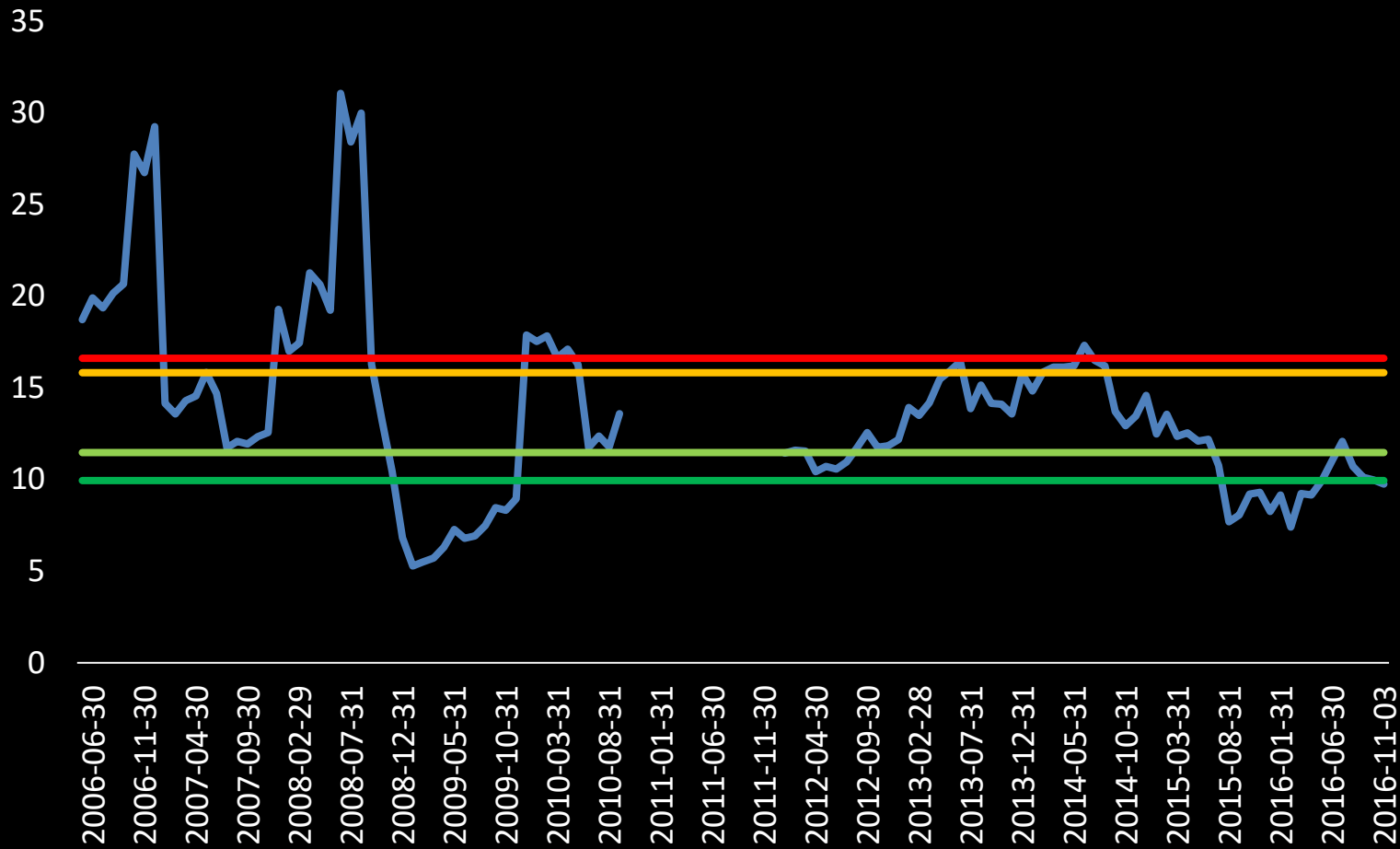
Price/Book



Price/Cashflow



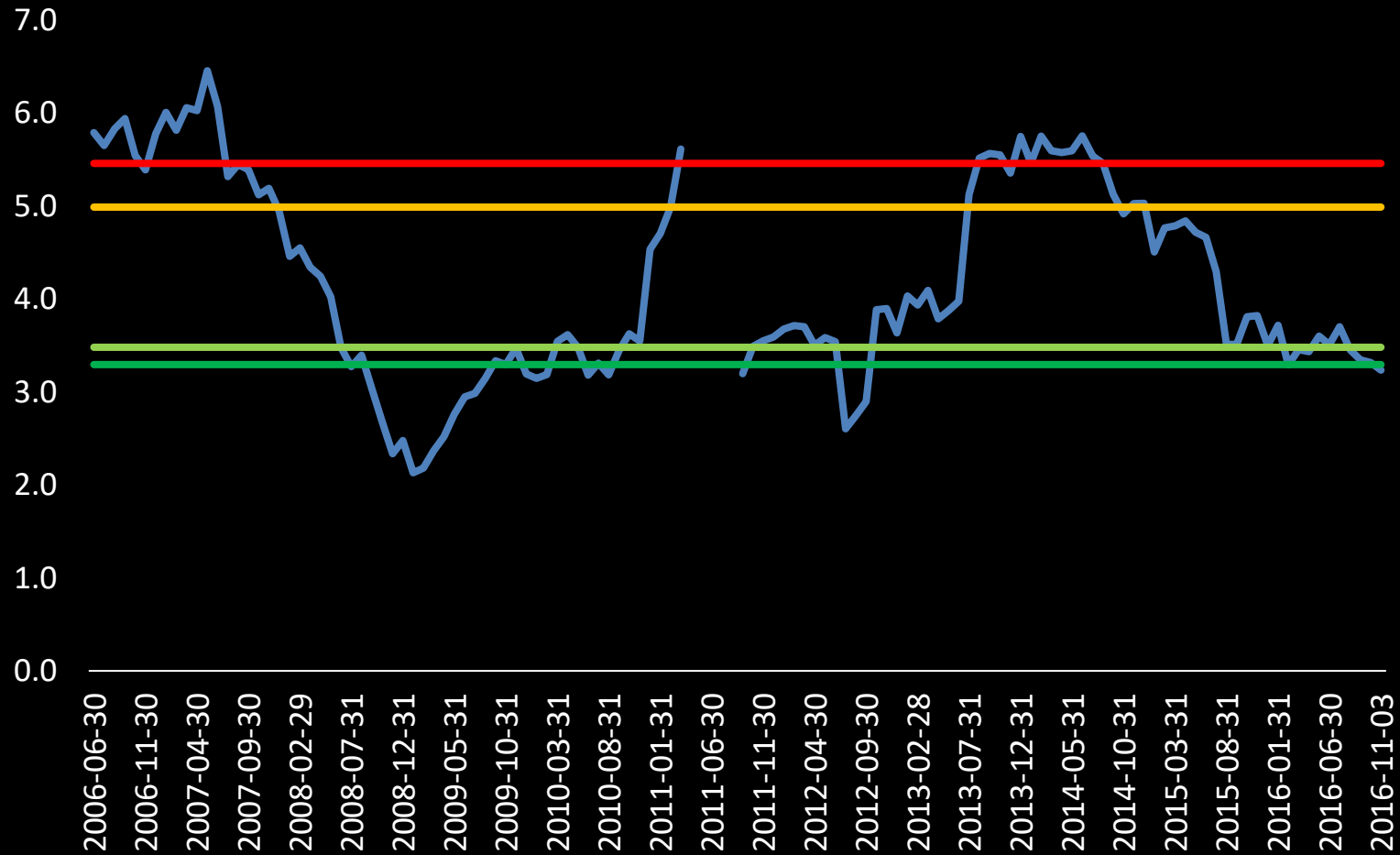
Price/Free Cashflow



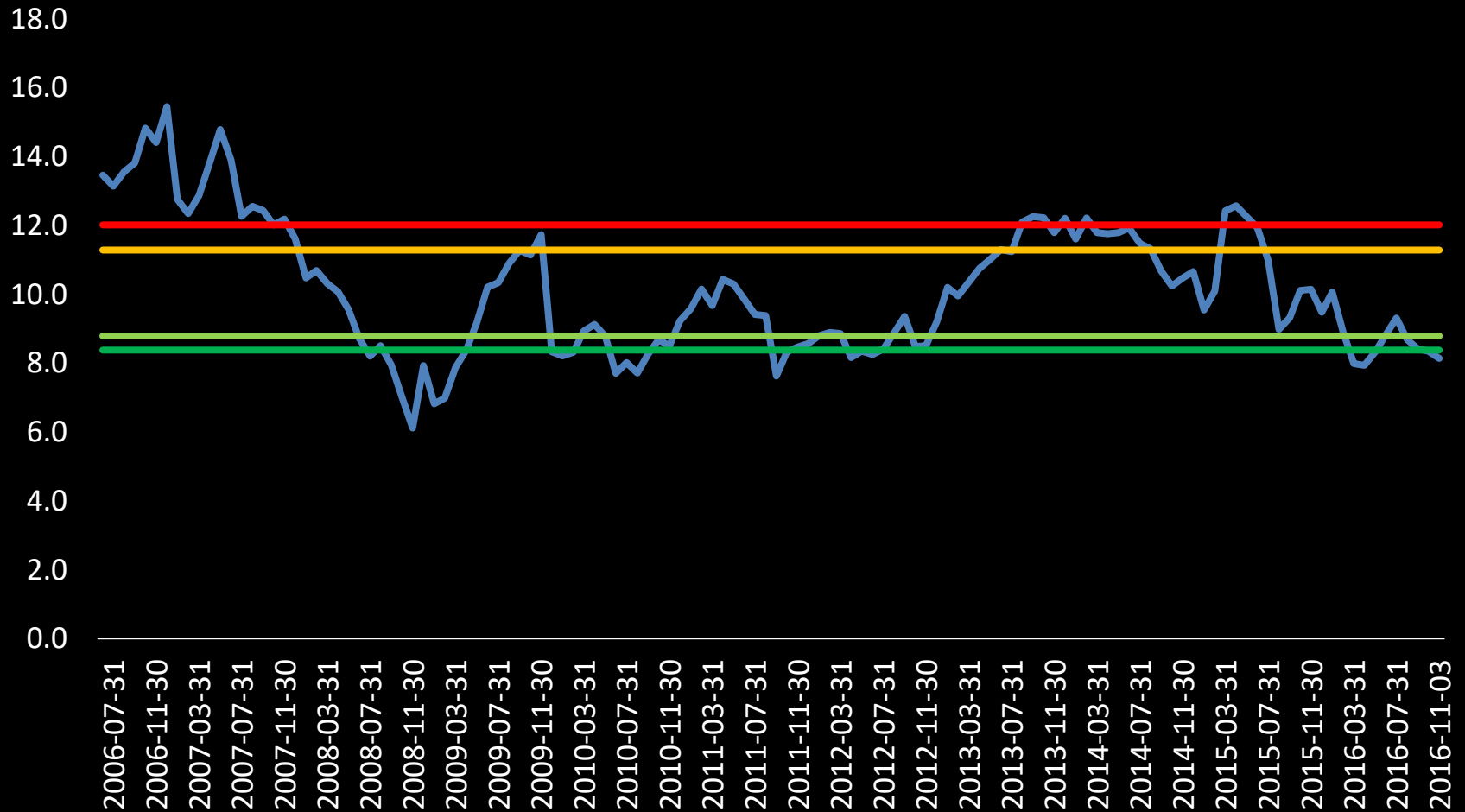
EV/Revenue



EV/EBITDA



EV/EBIT



Valuation Summary



	Historical Rank	Current Multiple
P/S	10%	1.15
P/E	1%	7.30
P/B	50%	3.66
P/CFO	20%	9.21
P/FCF	20%	10.02
EV/Rev	23%	2.08
EV/EBITDA	20%	3.31
EV/EBIT	17%	8.33
Overall	20%	



Conscious Investor

3 Year



	12/06	12/07	12/08	12/09	9/11	9/12	9/13	9/14	9/15	EPSStm	Years	HGROWTH	STAAGR [®]
EPS (\$)	2.220	2.720	2.000	2.650	3.590	3.690	4.840	5.430	4.730	\$5.170	3	-1.14%	95.10%
SPS (\$)	16.541	20.817	24.102	22.422	26.713	27.391	30.701	33.276	33.328		3	4.19%	98.77%

6 Year



	12/06	12/07	12/08	12/09	9/11	9/12	9/13	9/14	9/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	2.220	2.720	2.000	2.650	3.590	3.690	4.840	5.430	4.730	\$5.170	6	13.69%	89.40%
SPS (\$)	16.541	20.817	24.102	22.422	26.713	27.391	30.701	33.276	33.328		6	8.23%	96.45%

9 Year



	12/06	12/07	12/08	12/09	9/11	9/12	9/13	9/14	9/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	2.220	2.720	2.000	2.650	3.590	3.690	4.840	5.430	4.730	\$5.170	9	12.61%	85.17%
SPS (\$)	16.541	20.817	24.102	22.422	26.713	27.391	30.701	33.276	33.328		9	8.45%	94.91%

9-Year Default Safety



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET [®]
Default	36.68	\$5.170	12.43	12.61%	27.4%	18.42%
Safety	36.68	\$5.170	6.38	5.11%	0.0%	3.30%

Cut P/E by 48.7%
Cut Growth Rate by 59.5%

9-Year Kill It



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	36.68	\$5.170	12.43	12.61%	27.4%	18.42%
Safety	36.68	\$5.170	6.38	5.11%	0.0%	3.30%
🔄 Saved 2016-11-04	36.68	\$5.170	5.50	4.50%	0.0%	1.52%

Cut P/E by 55.8%
Cut Growth Rate by 64.3%

9-Year Kill It Again



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	36.68	\$5.170	12.43	12.61%	27.4%	18.42%
Safety	36.68	\$5.170	6.38	5.11%	0.0%	3.30%
Saved 2016-11-04	36.68	\$5.170	4.50	4.50%	0.0%	-0.12%

Cut P/E by 63.8%
Cut Growth Rate by 64.3%



Discounted Cash Flow Model

DCF- Guru Default



Earnings Per Share ?: \$ 5.17

Growth Rate In the Next ?: 10 Years **12.2 %**

Terminal Growth Rate ?: 4 %

Years of Terminal Growth ?: 10

Discount Rate ?: 12 %

Business Predictability ?: ★★★★★ ?

➔

DCF Reverse DCF ^{NEW}

Fair Value ?: \$ 88.02

Tangible Book Value ?: \$ -17.19
 Add to Fair Value

Growth Value ?: \$ 52.21

Terminal Value ?: \$ 35.81

Stock Price: \$ 36.68

Margin Of Safety: **58%**

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	8.30	8.10	0.70
EBITDA Growth (%)	11.30	9.40	3.10
EBIT Growth (%)	10.70	9.00	5.50
EPS without NRI Growth (%)	12.20	10.60	21.90
Free Cash Flow Growth (%)	12.00	16.80	-28.10
Book Value Growth (%)			42.90

DCF-Valueline's Growth Rat



Earnings Per Share ?: \$ 5.17

Growth Rate In the Next ?: 10 Years: **10** %

Terminal Growth Rate ?: 4 %

Years of Terminal Growth ?: 10

Discount Rate ?: 12 %

Business Predictability ?: ★★★★★ ?

➔

DCF Reverse DCF NEW ↵

Fair Value ?: \$ 76.26

Tangible Book Value ?: \$ -17.19
 Add to Fair Value

Growth Value ?: \$ 46.88

Terminal Value ?: \$ 29.38

Stock Price: \$ 36.68

Margin Of Safety: **52%**

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Revenues	12.0%	9.5%	5.0%
"Cash Flow"	12.0%	16.5%	9.0%
Earnings	12.5%	18.0%	10.0%
Dividends	--	--	8.5%
Book Value	-4.0%	-6.5%	16.0%

Conservative DCF




Earnings Per Share ? :	\$ 5.17	
Growth Rate In the Next ? :	10	Years: 6 %
Terminal Growth Rate ? :	4	%
Years of Terminal Growth ? :	10	
Discount Rate ? :	12	%
Business Predictability ? :	★★★★☆ ?	
<input type="button" value="Save Parameters"/>		


➤


DCF	Reverse DCF ^{NEW}
Fair Value ? :	\$ 58.96
<hr/>	
Tangible Book Value ? :	\$ -17.19
	<input type="checkbox"/> Add to Fair Value
Growth Value ? :	\$ 38.67
Terminal Value ? :	\$ 20.28
Stock Price:	\$ 36.68
Margin Of Safety:	38%

Guru Reverse DCF





Earnings Per Share  : \$ 5.17

Growth Rate In the Next  : 10 Years

Terminal Growth Rate  : 4 %


Years of Terminal Growth  : 10

Discount Rate  : 12 %

Business Predictability  : 

Save Parameters




DCF Reverse DCF 

Growth Rate  : **-1.66%**

Revenue Growth Rate  : 8.30%(10y) 8.10%(5y) 0.70%(1y)

EBITDA Growth Rate  : 11.30%(10y) 9.40%(5y) 3.10%(1y)

Earnings Growth Rate  : 12.20%(10y) 10.60%(5y) 21.90%(1y)

Free Cash Flow Growth Rate  : 12.00%(10y) 16.80%(5y) -28.10%(1y)

Book Value Growth Rate  : 0.00%(10y) 0.00%(5y) 42.90%(1y)

Reverse DCF with Valueline's EPS



Input parameters for Reverse DCF:

- Earnings Per Share [?]: \$ 4.00
- Growth Rate In the Next [?]: 10 Years
- Terminal Growth Rate [?]: 4 %
- Years of Terminal Growth [?]: 10
- Discount Rate [?]: 12 %
- Business Predictability [?]: ★★★★★ [?]

Save Parameters

➔

DCF **Reverse DCF** ^{NEW}

Growth Rate [?]: **2.53%**

Revenue Growth Rate [?]: 8.30%(10y) 8.10%(5y) 0.70%(1y)

EBITDA Growth Rate [?]: 11.30%(10y) 9.40%(5y) 3.10%(1y)

Earnings Growth Rate [?]: 12.20%(10y) 10.60%(5y) 21.90%(1y)

Free Cash Flow Growth Rate [?]: 12.00%(10y) 16.80%(5y) -28.10%(1y)

Book Value Growth Rate [?]: 0.00%(10y) 0.00%(5y) 42.90%(1y)



Intraportfolio Valuations

Price/Earnings



Ticker	▲ Price / Earnings
AIG-WT	-
VIAB	7.1
BBBY	8.1
IBM	12.4
BRK.B	13.9
WMT	15.0
NSRGY	15.9
CMI	17.6
UNP	17.8
ORCL	18.3
CHRW	18.8
PII	19.2
QCOM	19.5
PEP	23.4
MSFT	28.3
AIG	-

Price/Sales



Ticker	▲ Price / Sales
AIG-WT	-
WMT	0.5
BBBY	0.5
CHRW	0.8
VIAB	1.1
PII	1.1
CMI	1.2
AIG	1.3
BRK.B	1.6
IBM	1.8
NSRGY	2.5
PEP	2.5
UNP	3.8
ORCL	4.4
QCOM	4.5
MSFT	5.5

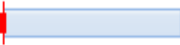
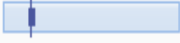
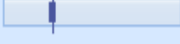
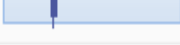
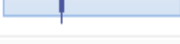
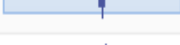

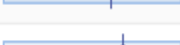
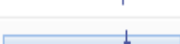
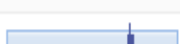
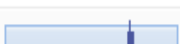
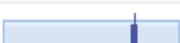
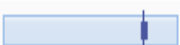

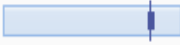
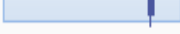
Price/Book



Ticker	▲ Price / Book
AIG-WT	-
AIG	0.7
BRK.B	1.4
BBBY	2.3
WMT	2.8
CMI	3.0
QCOM	3.2
ORCL	3.3
VIAB	3.6
NSRGY	3.6
UNP	3.6
PII	5.2
MSFT	6.5
CHRW	7.8
IBM	8.5
PEP	12.2

52 Week Price Range



Ticker	▲ 52-wk Range
BBBY	\$39.36  \$61.49
PII	\$67.80  \$117.29
VIAB	\$30.11  \$53.35
NSRGY	\$68.00  \$83.25
AIG-WT	\$15.50  \$25.70
CHRW	\$59.71  \$76.10
ORCL	\$33.13  \$42.00
AIG	\$48.41  \$64.31
UNP	\$67.06  \$98.84
WMT	\$56.30  \$75.19
BRK.B	\$123.55  \$151.05
IBM	\$116.90  \$165.00
PEP	\$93.25  \$110.94
CMI	\$79.88  \$131.04
MSFT	\$48.04  \$61.37
QCOM	\$42.24  \$71.62

Conclusion

Undervalued

Brand Names

Merge Possibility



Recommendation

Market order

“V in Viacom means value”

- Chase Dawkins

