



ViacomCBS Inc. (VIAC)

Updated March 16th, 2020 by Felix Martinez

Key Metrics

Current Price:	\$14	5 Year CAGR Estimate:	40.0%	Market Cap:	\$8.4 B
Fair Value Price:	\$53	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/07/20 ¹
% Fair Value:	26%	5 Year Valuation Multiple Estimate:	31.2%	Dividend Payment Date:	07/01/20 ²
Dividend Yield:	7.1%	5 Year Price Target	\$68	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	D	Last Dividend Increase:	23.1%

Overview & Current Events

ViacomCBS Inc. is an American multinational media conglomerate based in New York City. The corporation was formed via the re-merger of CBS Corporation and Viacom on December 4, 2019, the two of which were created from the split of the original Viacom in 2005. The company's content brands include CBS, Showtime Networks, Paramount Pictures, Nickelodeon, MTV, Comedy Central, BET, and CBS All Access, among others. The company has six different revenue segments, where Advertising, Affiliate, and Content Licensing are the most significant source of revenue for the company. ViacomCBS is a \$8.4 billion market capitalization company that generated more than \$27 billion in revenues in fiscal 2019.

The company reported fourth-quarter and full-year results for FY2019 on February 20. For the fourth quarter, the company reported revenues of \$6.9 billion vs. \$7.1 billion in 4Q18 or a decrease of (3%). However, revenues for the full year were modestly up by 2%, from \$27.3 billion in FY2018 to \$27.8 billion last year. The Advertising, Affiliate, and Content Licensing segments saw an increase in revenues for the year of 2%, 3%, and 5% respectfully. The company's operating expenses grew 9.3%, which was caused by merger integration expenses. This caused the stock price to drop significantly (17.9%) once earnings were released. Net income for the quarter was a loss of \$258 million versus a profit of \$887 million in 4Q18. But, for the full year, the company reported a net income of \$3.3 billion vs. \$3.5 billion in FY2018, for a decrease of (4.3%). Adjusted earnings per share for the quarter was down (42%), from \$1.66 in 4Q18 to \$0.97 for 4Q19. However, adjusted EPS was only down 15% year over year, to \$5.01 a share from \$5.87.

Consensus estimates expect the company's earnings-per-share to be \$5.30 for FY2020, which is 5.8% higher than fiscal 2019 adjusted earnings-per-share.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$1.11	\$1.94	\$2.55	\$3.02	\$2.96	\$3.31	\$4.11	\$4.40	\$5.87	\$5.01	\$5.30	\$6.76
DPS	\$0.20	\$0.35	\$0.44	\$0.48	\$0.54	\$0.60	\$0.66	\$0.72	\$0.72	\$0.78	\$0.96	\$1.23
Shares³	694.0	681.0	659.0	624.0	561.0	489.0	448.0	647.0	621.0	617.0	617.0	617.0

Over the last decade, Viacom had a revenue compound annual growth rate (CAGR) of 7.9% and an 18.2% CAGR in earnings-per-share (EPS). With the merger of Viacom and CBS now completed, the company is positioned as one the most significant content producers and providers in the world. This allows the company to be in a solid position as content demand continues to grow. We estimate a five-year expected growth rate of 5% as management continues to integrate both companies. Net Margin was slightly lower for FY2019 at 11.8%, compared to a FY2018 net margin of 13.5%. The company had to freeze its dividend during 2018 as it was preparing this merger. Before that, it had a 5-year dividend growth of 7.63%. We expected the company to start to grow its dividend at a growth rate of 5% over the next five years.

¹ Estimated Date

² Estimated Date

³ Share count is in millions.

Disclosure: This analyst has a long position in the security discussed in this research report.



ViacomCBS Inc. (VIAC)

Updated March 16th, 2020 by Felix Martinez

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	17.2	14	14.9	21.1	18.7	14.2	15.5	13.4	8.4	8.4	2.6	10.0
Avg. Yld.	1.1%	1.3%	1.2%	0.8%	1.0%	1.3%	1.0%	1.2%	1.7%	1.9%	7.1%	1.8%

Over the past decade, Viacom shares have traded with an average P/E of 14.6. However, over the past five years, it has averaged a P/E of 12.0. For our fair value estimate, we will use a P/E of 10. This represents a huge upside as the current P/E of VIAC is 3.1 based on the 2020 EPS estimate of \$5.30.

This extremely low valuation has been caused by the higher merger expense that was mentioned in the overview section, the Coronavirus outbreak, and the overall market downturn. We view this valuation as an absolute bargain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

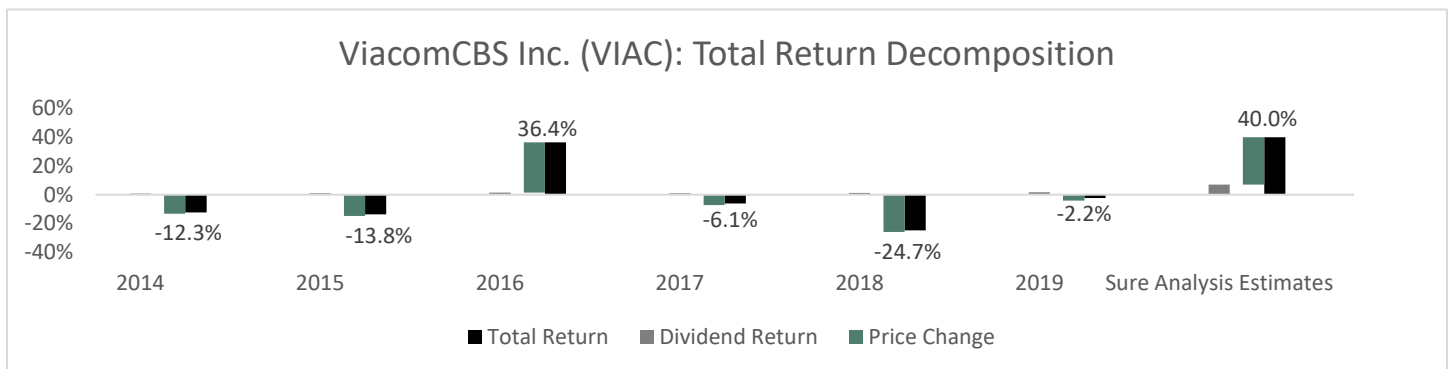
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	18.0%	18.0%	17.3%	15.9%	18.2%	18.1%	16.1%	16.4%	12.3%	15.6%	18%	18%

ViacomCBS's competitive advantage is in its valuable content, such as the ones mentioned in the Overview section, as well as being in a great position to be one of the largest producers of new content going forward. However, this company is not recession resiliency as its services and products are a luxury. During the Great recession of 2008-2009, the company's share price lost 83.7% from peak to trough. The company also cut its dividend from \$1.06 a share to \$0.20 a share; an 81.1% dividend cut. However, the current dividend payout ratio is very low, at only 18% based on FY2020 earnings. Consensus estimates show free cash flow (FCF) for FY2020 of \$3.13, which gives a dividend payout ratio of 31% based on FCF. Currently, the company has a debt to equity ratio (D/E) of 0.69 in FY2019 vs. 0.80 in FY2018. Thus, the company's balance sheet has been improving. Interest coverage for the year has decreased from 5.90 in FY2018 to 4.48 FY2019, which is not concerning.

Final Thoughts & Recommendation

ViacomCBS offers a very high projected total return. We are forecasting 40.0% annual returns for the next five years as the high yield, moderate growth, and extremely low valuation make this company very attractive at current prices. As such, we see the security as suitable for value investors and those seeking high projected returns. Thus, we rate the company as a buy, noting that its recession history means there could be a dividend reduction in a severe recession.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has a long position in the security discussed in this research report.



ViacomCBS Inc. (VIAC)

Updated March 16th, 2020 by Felix Martinez

Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	\$13,466	\$13,637	\$12,820	\$14,005	\$12,519	\$12,671	\$13,166	\$26,535	\$27,250	\$27,812
Gross Profit	\$4,954	\$5,755	\$5,556	\$5,881	\$4,830	\$4,760	\$5,210	\$11,052	\$11,333	\$10,589
Gross Margin	37%	42%	43%	42%	39%	38%	40%	42%	42%	38%
SG&A Exp.	\$2,466	\$2,598	\$2,442	\$2,546	\$1,971	\$1,961	\$2,265	\$5,508	\$5,206	\$5,647
D&A Exp.	\$500	\$495	\$306	\$290	\$250	\$235	\$225	\$443	\$433	\$443
Op. Profit	\$1,988	\$2,662	\$2,808	\$3,045	\$2,609	\$2,703	\$2,729	\$5,101	\$5,694	\$4,499
Op. Margin	15%	20%	22%	22%	21%	21%	21%	19%	21%	16%
Net Profit	\$724	\$1,305	\$1,574	\$1,879	\$2,959	\$1,413	\$1,261	\$2,321	\$3,455	\$3,308
Net Margin	5%	10%	12%	13%	24%	11%	10%	9%	13%	12%
Free Cash Flow	\$1,481	\$1,504	\$1,615	\$1,661	\$1,097	\$1,223	\$1,489	\$2,083	\$3,112	\$877
Income Tax	\$478	\$751	\$812	\$878	\$659	\$676	\$628	\$804	\$617	-\$9

Balance Sheet Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Assets	\$26,143	\$26,220	\$26,466	\$26,387	\$23,935	\$23,765	\$24,238	\$20,843	\$44,497	\$49,519
Cash & Equiv.	\$480	\$660	\$708	\$368	\$428	\$317	\$598	\$285	\$856	\$632
Acc. Rec.		\$3,086	\$3,137	\$3,234	\$3,459	\$3,375	\$3,314	\$3,697	\$7,199	\$7,206
Inventories	\$725	\$735	\$859	\$772	\$922	\$1,270	\$1,427	\$1,828	\$2,785	\$2,876
Goodwill & Int.	\$15,147	\$15,092	\$15,082	\$12,458	\$12,706	\$7,428	\$7,497	\$7,557	\$19,469	\$19,973
Total Liabilities	\$16,322	\$16,312	\$16,253	\$16,421	\$16,965	\$18,202	\$20,549	\$18,865	\$33,994	\$36,230
Acc. Pay.	\$438	\$324	\$386	\$286	\$302	\$159	\$148	\$231	\$502	\$667
Long-Term Debt	\$6,001	\$5,982	\$5,922	\$6,435	\$7,112	\$8,448	\$9,375	\$10,162	\$19,113	\$18,719
Book Value	\$9,821	\$9,908	\$10,213	\$9,966	\$6,970	\$5,563	\$3,689	\$1,978	\$10,449	\$13,207
D/E Ratio	0.61	0.60	0.58	0.65	1.02	1.52	2.54	5.14	1.83	1.42

Profitability & Per Share Metrics

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return on Assets	2.7%	5.0%	6.0%	7.1%	11.8%	5.9%	5.3%	10.3%	10.6%	7.0%
Return on Equity	7.7%	13.2%	15.6%	18.6%	34.9%	22.5%	27.3%	81.9%	55.6%	28.0%
ROIC	4.5%	8.2%	9.8%	11.6%	19.4%	10.1%	9.3%	18.4%	16.5%	10.7%
Shares Out. (in millions)	694	681	659	624	561	489	448	647	621	617
Revenue/Share	\$19.40	\$20.03	\$19.45	\$22.44	\$22.32	\$25.91	\$29.39	\$41.01	\$43.88	\$45.08
FCF/Share	\$2.13	\$2.21	\$2.45	\$2.66	\$1.96	\$2.50	\$3.32	\$3.22	\$5.01	\$1.42

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.