



# Paramount Global (PARA)

Updated March 22<sup>nd</sup>, 2022 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$38	<b>5 Year CAGR Estimate:</b>	-1.6%	<b>Market Cap:</b>	\$24.1 B
<b>Fair Value Price:</b>	\$28	<b>5 Year Growth Estimate:</b>	2.0%	<b>Ex-Dividend Date:</b>	06/14/22 <sup>1</sup>
<b>% Fair Value:</b>	139%	<b>5 Year Valuation Multiple Estimate:</b>	-6.4%	<b>Dividend Payment Date:</b>	07/01/22
<b>Dividend Yield:</b>	2.6%	<b>5 Year Price Target</b>	\$30	<b>Years Of Dividend Growth:</b>	1
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	D	<b>Last Dividend Increase:</b>	23.1%

## Overview & Current Events

ViacomCBS Inc., now called Paramount Global, 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 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. The company has six different revenue segments, where Advertising, Affiliate, and Content Licensing are the most significant revenue source. Paramount is a \$24.1 billion market capitalization company that generated more than \$28.5 billion in revenue for 2021. The company reported fourth-quarter and full-year results for Fiscal Year (FY)2021 on February 15, 2022. The company also announced that it is rebranding ViacomCBS to Paramount Global. The rebranding will help the company double down on its content strategy and streaming focus. The company will change its ticker symbol to a new ticker symbol: PARA for its Class B shares and PARAA for its Class A shares.

For the quarter, the company reported revenues of \$8,000 million vs. \$6,874 million in 4Q20, or a 16% increase year-over-year. This growth was seen across all revenue types. For the year, revenues are up 13.1% compared to 2020. The operating income reported was \$2,664 million for the quarter, which was a significant improvement of 143.9% compared to the \$1,083 million the company reported in 4Q20. Also, for the year, operating income is up 52.1% vs. FY2020. The company added a record 9.4 million global streaming subscribers, overwhelmingly led by Paramount+. PARA has reached over 56 million subscribers in the quarter and achieved 84% year-over-year growth in streaming subscription revenue. The advertising segment saw a slight revenue increase of 1% for the quarter and an 11% increase for the year. At the same time, the affiliate segment saw an increase of 2% for the quarter and a 5% increase for the year.

Non-GAAP EPS of \$0.26 was reported, decreasing (75)% compared to \$1.04 per share reported in the fourth quarter of 2020. PARA made \$3.48 per share for the year, which is (17)% lower compared to 2020.

Consensus estimates expect the company's earnings-per-share to be \$32.75 for FY2022. The expected earnings for 2021 are (20.9)% lower than FY2021 earnings of \$3.48 per share. We will use the FY2022 estimate of \$2.75 for our valuation calculation.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$2.55	\$3.02	\$2.96	\$3.31	\$4.11	\$4.40	\$5.87	\$5.01	\$4.20	\$3.48	<b>\$2.75</b>	<b>\$3.04</b>
<b>DPS</b>	\$0.44	\$0.48	\$0.54	\$0.60	\$0.66	\$0.72	\$0.72	\$0.78	\$0.96	\$0.96	<b>\$0.96</b>	<b>\$1.06</b>
<b>Shares<sup>2</sup></b>	659.0	624.0	561.0	489.0	448.0	647.0	621.0	617.0	618.0	655.0	<b>655.0</b>	<b>655.0</b>

Over the last decade, Paramount had an earnings compound annual growth rate (CAGR) of 3.5% and a (9.0)% CAGR over the past five years. With Viacom and CBS's merger now completed, the company is one of the most significant content

<sup>1</sup> Ex-Dividend and Dividend Payment Dates are Estimates

<sup>2</sup> Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Paramount Global (PARA)

Updated March 22<sup>nd</sup>, 2022 by Felix Martinez

producers and providers globally. This allows Paramount to be in a solid position as content demand continues to grow. We estimate a five-year expected growth rate of 2% as management continues to integrate both companies.

Net Margin increased for FY2021 to 15.9%, compared to an FY2020 net margin of 9.6%. The company had to freeze its dividend during 2018 as it was preparing for this merger. Before that, it had a 5-year dividend growth of 7.6%. We expected the company to start to grow its dividend at a growth rate of 2% over the next five years.

## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
<b>Avg. P/E</b>	14.9	21.1	18.7	14.2	15.5	13.4	8.4	8.4	8.9	8.7	<b>13.9</b>	<b>10.0</b>
<b>Avg. Yld.</b>	1.2%	0.8%	1.0%	1.3%	1.0%	1.2%	1.7%	1.9%	2.6%	3.2%	<b>2.6%</b>	<b>3.5%</b>

Over the past decade, Paramount shares have traded with an average P/E of 13.2. However, over the past five years, it has averaged a P/E of 9.6. We will use a P/E of 10 given current headwinds for our fair value estimate. This represents a (6.4)% downside as the current P/E of PARA is 13.9 based on the 2022 EPS estimate of \$2.75 per share.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

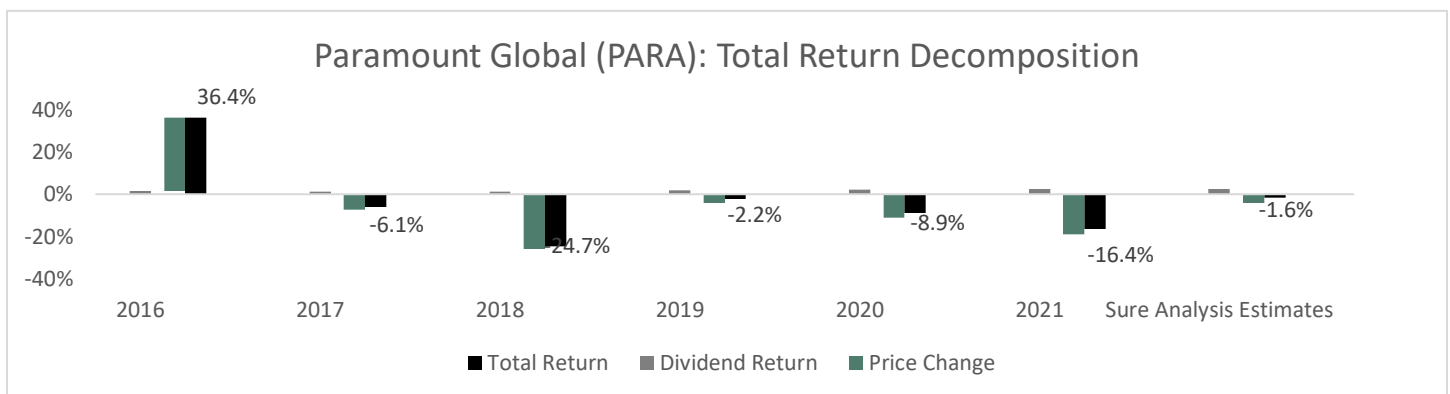
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>Payout</b>	17.3%	15.9%	18.2%	18.1%	16.1%	16.4%	12.3%	15.6%	22.9%	27.6%	<b>35%</b>	<b>35%</b>

Paramount's competitive advantage is its valuable content, such as the ones mentioned in the Overview section, and being in a great position to be one of the largest producers of new content in the future. However, this company is not recession resilient 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 per share to \$0.20 per share, an 81.1% dividend cut. However, the current dividend payout ratio is low, at only 26%, based on FY2020 earnings. Consensus estimates that free cash flow (FCF) for FY2021 will be \$1.76 per share, which gives a dividend payout ratio of 55% based on FCF. The company currently has a debt-to-equity ratio (D/E) of 0.9, which is good. The company also sports a credit rating of BBB. Interest coverage has increased to 6.3 as of this report, which is an improvement.

## Final Thoughts & Recommendation

Paramount offers a negative projected total return. We forecast (1.6)% annualized returns for the next five years as the low yield, moderate growth, and overvaluation make Paramount unattractive at current prices. Thus, we rate PARA as a Sell.

## Total Return Breakdown by Year



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

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Paramount Global (PARA)

Updated March 22<sup>nd</sup>, 2022 by Felix Martinez

## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue</b>	\$12,820	\$14,005	\$12,519	\$12,671	\$13,166	\$26,535	\$27,250	\$27,812	\$25,285	\$28,586
<b>Gross Profit</b>	\$5,556	\$5,881	\$4,830	\$4,760	\$5,210	\$11,052	\$11,333	\$10,589	\$10,293	\$10,842
<b>Gross Margin</b>	43%	42%	39%	38%	40%	42%	42%	38%	40.7%	37.9%
<b>SG&amp;A Exp.</b>	\$2,442	\$2,546	\$1,971	\$1,961	\$2,265	\$5,508	\$5,206	\$5,647	\$5,389	\$6,441
<b>D&amp;A Exp.</b>	\$306	\$290	\$250	\$235	\$225	\$443	\$433	\$443	\$430	\$390
<b>Op. Profit</b>	\$2,808	\$3,045	\$2,609	\$2,703	\$2,729	\$5,101	\$5,694	\$4,499	\$4,688	\$4,011
<b>Op. Margin</b>	22%	22%	21%	21%	21%	19%	21%	16%	18.5%	14.0%
<b>Net Profit</b>	\$1,574	\$1,879	\$2,959	\$1,413	\$1,261	\$2,321	\$3,455	\$3,308	\$2,422	\$4,543
<b>Net Margin</b>	12%	13%	24%	11%	10%	9%	13%	12%	9.6%	15.9%
<b>Free Cash Flow</b>	\$1,615	\$1,661	\$1,097	\$1,223	\$1,489	\$2,083	\$3,112	\$877	\$1,970	\$599
<b>Income Tax</b>	\$812	\$878	\$659	\$676	\$628	\$804	\$617	-\$9	\$535	\$646

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	\$26,466	\$26,387	\$23,935	\$23,765	\$24,238	\$20,843	\$44,497	\$49,519	\$52,663	\$58,620
<b>Cash &amp; Equiv.</b>	\$708	\$368	\$428	\$317	\$598	\$285	\$856	\$632	\$2,984	\$6,267
<b>Acc. Rec.</b>	\$3,137	\$3,234	\$3,459	\$3,375	\$3,314	\$3,697	\$7,199	\$7,206	\$7,017	\$6,984
<b>Inventories</b>	\$859	\$772	\$922	\$1,270	\$1,427	\$1,828	\$2,785	\$2,876	\$1,757	\$1,504
<b>Goodwill &amp; Int.</b>	\$15,082	\$12,458	\$12,706	\$7,428	\$7,497	\$7,557	\$19,469	\$19,973	\$19,438	\$19,356
<b>Total Liabilities</b>	\$16,253	\$16,421	\$16,965	\$18,202	\$20,549	\$18,865	\$33,994	\$36,230	\$36,607	\$35,650
<b>Acc. Pay.</b>	\$386	\$286	\$302	\$159	\$148	\$231	\$502	\$667	\$571	\$800
<b>Long-Term Debt</b>	\$5,922	\$6,435	\$7,112	\$8,448	\$9,375	\$10,162	\$19,113	\$18,719	\$19,733	\$17,709
<b>Book Value</b>	\$10,213	\$9,966	\$6,970	\$5,563	\$3,689	\$1,978	\$10,449	\$13,207	\$15,371	\$22,402
<b>LTD/E Ratio</b>	0.58	0.65	1.02	1.52	2.54	5.14	1.83	1.42	1.28	0.79

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	6.0%	7.1%	11.8%	5.9%	5.3%	10.3%	10.6%	7.0%	4.7%	8.2%
<b>Return on Equity</b>	15.6%	18.6%	34.9%	22.5%	27.3%	81.9%	55.6%	28.0%	17.0%	24.1%
<b>ROIC</b>	9.8%	11.6%	19.4%	10.1%	9.3%	18.4%	16.5%	10.7%	7.1%	11.9%
<b>Shares Out. (in millions)</b>	659.0	624.0	561.0	489.0	448.0	647.0	621.0	617.0	618.0	655.0
<b>Revenue/Share</b>	\$19.45	\$22.44	\$22.32	\$25.91	\$29.39	\$41.01	\$43.88	\$45.08	\$40.91	\$43.64
<b>FCF/Share</b>	\$2.45	\$2.66	\$1.96	\$2.50	\$3.32	\$3.22	\$5.01	\$1.42	\$3.19	\$0.91

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.