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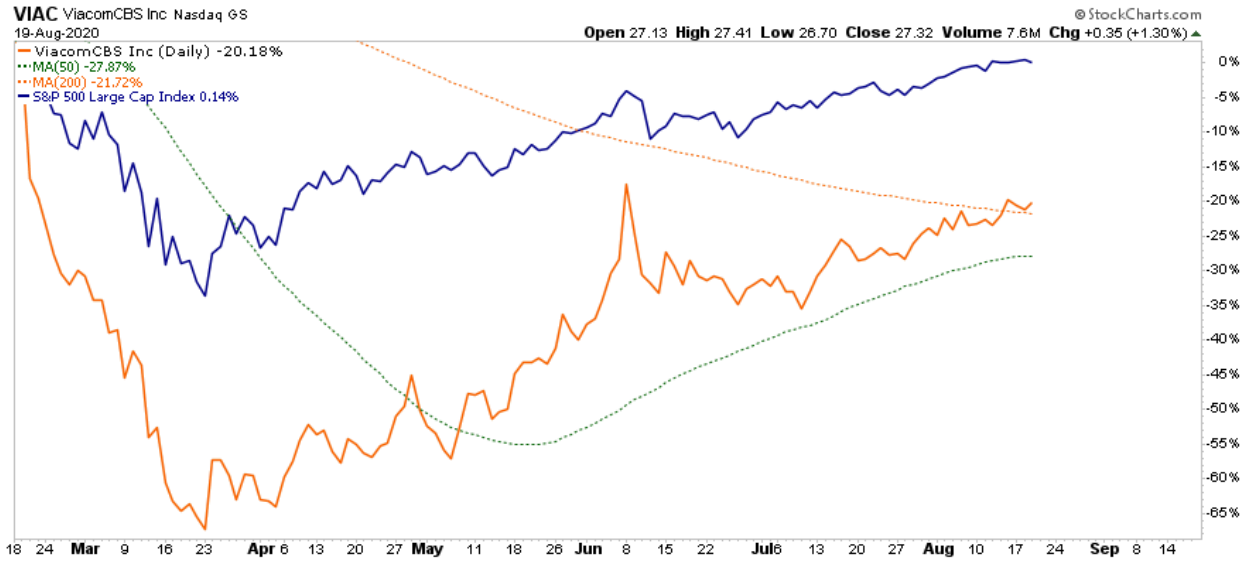
In this edition of the Value Seeker Report, we analyze an investment opportunity in ViacomCBS (*NasdaqGS: VIAC*) using fundamental and technical analysis.

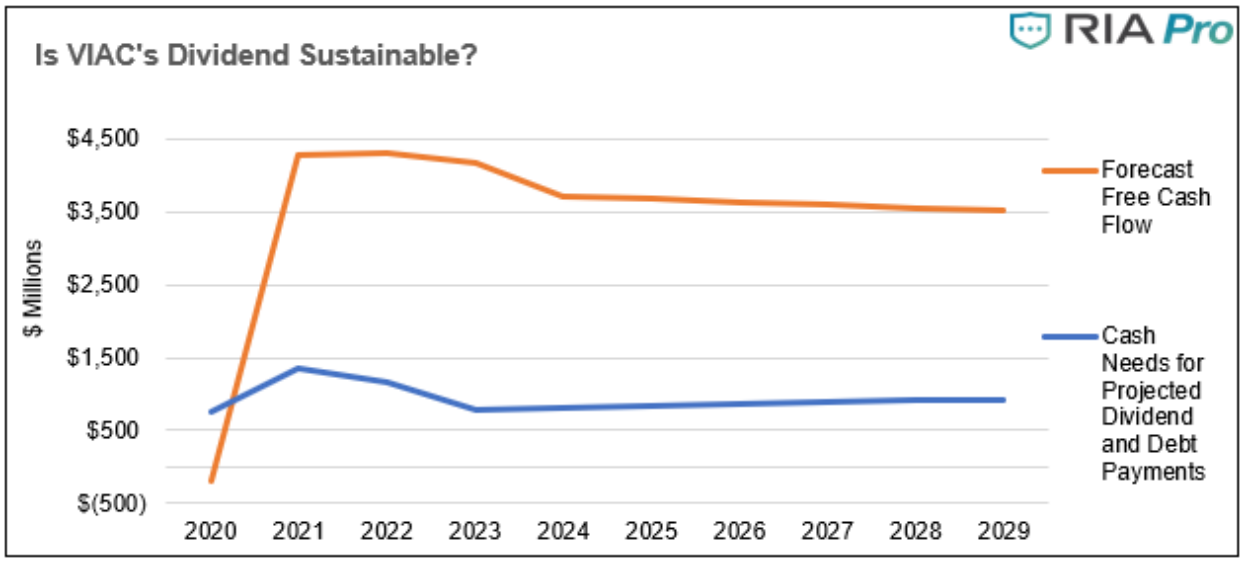
Overview

- We utilize RIA Advisors? Discounted Cash Flow (DCF) valuation model to evaluate the investment merits of ViacomCBS (NasdaqGS: VIAC). Our model is based on our forecasts of free cash flow over the next ten years.
- Using what we view as conservative forecasts, we arrive at an intrinsic value of **$34.95** per share for VIAC?s Stock. The stock is currently trading at **$27.32** per share.

Pros

- VIAC has lagged the market recovery and still remains roughly 39% below its 52-week high. This results in 28% upside to the intrinsic value, plus some downside protection if that market faces a correction.
- Management expects VIAC to generate run rate cost synergies from the 2019 merger that translate to a 1.5% improvement in operating margin by 2023.
- VIAC has paid a dividend of $0.96 per share in each of the last three years. This results in a dividend yield of 3.5%.
- According to our forecasts through 2029, VIAC has the capacity to comfortably raise it dividend by $0.04 per share annually.
- VIAC trades at a Price to Earnings (P/E) ratio of 6.35. As shown below, the only time its has been lower since 2002 was in 2008, during the financial crisis. This came as a result of an asset writedown of $14.3B.





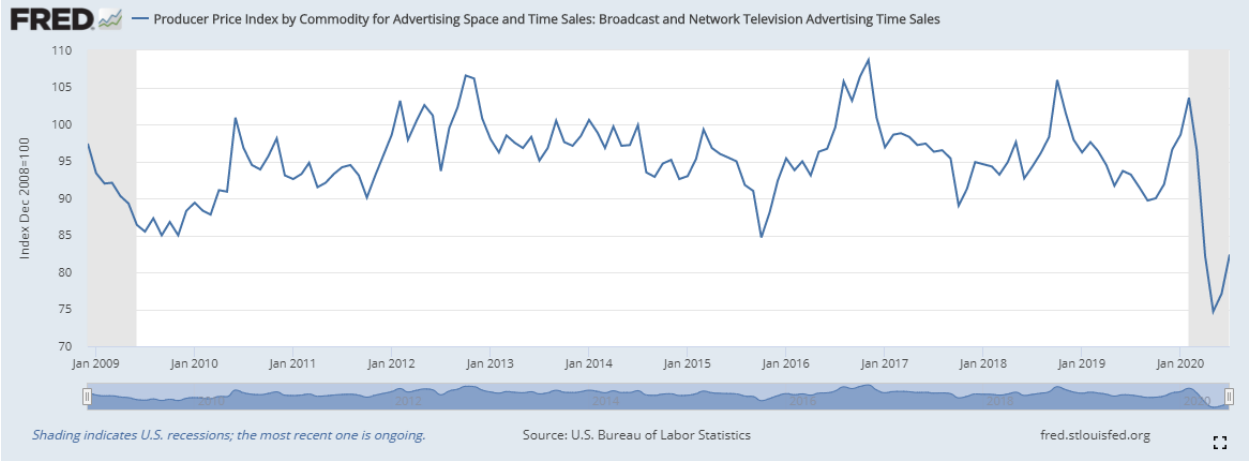


Source: Zacks Investment Research

Cons

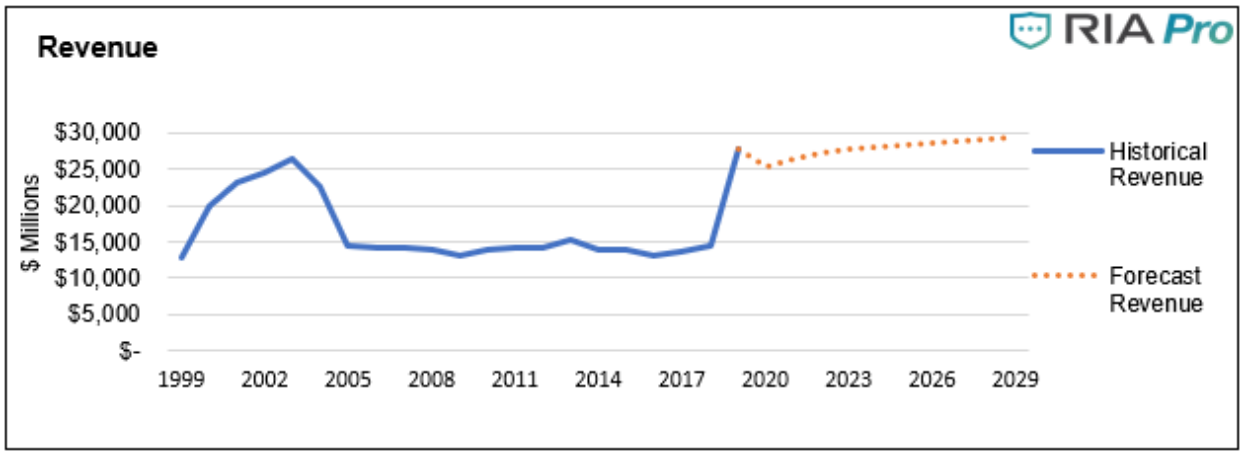
- VIAC relies on advertising for 40% of its sales. During the COVID pandemic, many firms cut discretionary spending and VIAC saw a lack of demand for advertising. As shown below, the PPI for TV advertising recently fell to a ten year low and is now turning back up.

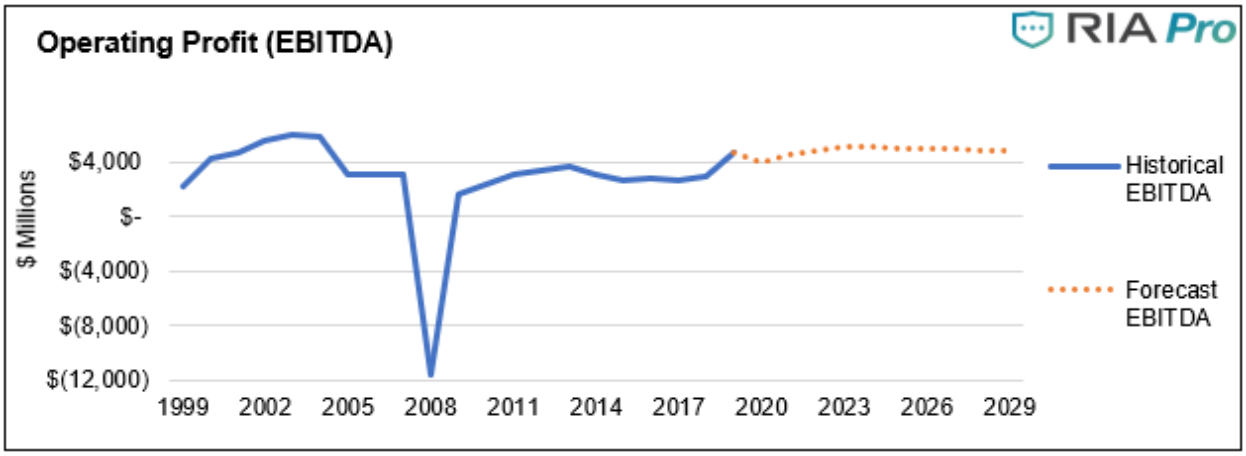
- VIAC is scheduled to broadcast two widely viewed sporting events in 2021. They will broadcast Super Bowl LV in February, then the Final Four and championship games of the NCAA?s March Madness tournament. This lineup is expected to boost advertising revenue, but if COVID prevents these events from happening, the stock could sell off again. As a result, VIAC requires a relatively high margin of safety to warrant investment.
- VIAC faces stiff advertising competition from social media companies, large streaming services, and other cable and broadcast TV networks. This could result in less pricing power for VIAC in the future.



Key Assumptions

- VIAC will see a large drop in revenue in 2020 as a result of sharply reduced demand for advertisements. We assume a substantial recovery in 2021 as Super Bowl LV and March Madness boost ad revenue. VIAC should fully recover revenue by 2023 and see muted growth thereafter.
- VIAC will have depressed profit margins in 2020. As advertising demand recovers and ViacomCBS becomes a more integrated entity, margins will improve. Around 2024 margins should begin to slowly fade to the long-term forecast.
- Capital expenditures will remain slightly above historical levels as VIAC spends more on content for the combined firm.





Technical Snapshot

- VIAC recently crossed above its 200-day moving average and faces resistance around $27.50. If it can hold above $27.50, VIAC faces further resistance around $28.
- VIAC has support just above $26.75, with stronger support around $25.85.

Value Seeker Report Conclusion On VIAC

- According to our forecasts, VIAC?s intrinsic value is 28% above its market price.
- Before COVID, the stock had been in a downtrend since 2017. It seems that this overall negative sentiment led investors to overreact to the pandemic, leaving the stock undervalued.
- VIAC certainly has some risks looming, however, the stock is cheap enough to justify investment given these risks.

Key Financial Ratios	
Price / Sales TTM	0.64
Price / Earnings TTM	6.35
Current Ratio (Quarterly)	1.56
Quick Ratio	1.33
Times Interest Earned (TIE) Ratio TTM	3.13