

Paramount Global

Finding a new dance partner?

Reiterate Rating: UNDERPERFORM | PO: 9.00 USD | Price: 14.12 USD

4QE: Continued advertising headwinds

We anticipate Paramount's 4Q results will reflect a continuation of the choppy trends in the advertising market. Overall, we project 4Q revenue to decline -7% Y/Y to \$57.6bn, driven by linear advertising declines of -15% Y/Y partially offset by healthy growth in DTC. Despite initial hopes earlier in 2023 of a 2H recovery in advertising, it does not appear to be materializing and visibility remains limited if it will recover in '24. Meanwhile, 4Q should also be impacted by a weaker Box Office slate and the lingering effect of the various talent strikes on PARA's licensing business. Heading into 2024, PARA should be aided by the Super Bowl and political advertising which we forecast will return their linear advertising business back to positive growth.

Change in control at NAI?

Recent press reports indicate Shari Redstone is potentially looking to sell her stake in NAI (which serves as a controlling shareholder to PARA) to Skydance. It has long been our view that PARA has an attractive collection of assets that could generate a lot of value in a potential sale. However, it remains unclear how this reported potential transaction could impact PARA shareholders as, if completed, it would be an acquisition of an entity that has a controlling stake vs. an outright acquisition of PARA itself. Change in control could potentially lead to asset sales down the road (thereby creating shareholder value), however, a deal would add additional execution and timing uncertainty.

Lower CY23/24 estimates

We tweak our 4Q revenue lower to \$7.6bn (from \$7.9bn prev) to reflect continued choppiness in the advertising market, lower DTC subscription revenue, lower Film theatrical revenue as well as lighter licensing revenue due to headwinds from the strikes. However, we maintain our 4Q Adj. OIBDA forecast of \$500mn. We also lower our CY24 revenue to \$30.7bn (from \$31.1bn) but keep our Adj. OIBDA forecast of \$2.65bn unchanged. We lower our 4Q FCF to \$350mn (vs. \$400mn previously).

Reiterate Underperform and \$9 PO

We reiterate our Underperform rating and \$9 PO on PARA. While we continue to believe PARA retains an attractive collection of assets, secular and cyclical headwinds should remain challenging to fundamentals near term. In addition, it does not appear any significant asset sales that would impact PARA shareholders (notwithstanding an NAI transaction) are on the horizon.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	3.51	1.71	0.50	0.99	1.83
EPS Change (YoY)	-16.4%	-51.3%	-70.8%	98.0%	84.8%
Consensus EPS (Bloomberg)			0.58	1.16	1.41
DPS	1.00	1.00	0.39	0.20	0.20
Valuation (Dec)					
P/E	4.0x	8.3x	28.2x	14.3x	7.7x
Dividend Yield	7.1%	7.1%	2.8%	1.4%	1.4%
EV / EBITDA*	8.2x	11.2x	15.4x	13.8x	11.9x
Free Cash Flow Yield*	5.1%	-5.3%	2.9%	-3.9%	2.1%

* For full definitions of *IQmethod*SM measures, see page 7.

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Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	29,958.6	29,598.6
2024E Rev (m)	31,110.1	30,710.1
2025E Rev (m)	31,742.2	31,347.6
2023E EBITDA (m)	2,370.0	2,370.2
2024E EBITDA (m)	2,651.8	2,652.1
2025E EBITDA (m)	3,066.3	3,065.7

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Stock Data

Price	14.12 USD
Price Objective	9.00 USD
Date Established	6-Nov-2023
Investment Opinion	C-3-7
52-Week Range	10.51 USD - 25.93 USD
Mrkt Val (mn) / Shares Out (mn)	9,354 USD / 662.5
Free Float	79.0%
Average Daily Value (mn)	249.40 USD
BofA Ticker / Exchange	PARA / NAS
Bloomberg / Reuters	PARA US / PARA.OQ
ROE (2023E)	1.4%
Net Dbt to Eqty (Dec-2022A)	54.9%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

DTC = Direct-to-consumer

NAI = National Amusements, Inc.

iQprofileSM Paramount Global

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	14.6%	5.1%	3.1%	3.7%	4.4%
Return on Equity	20.4%	4.9%	1.4%	2.8%	5.1%
Operating Margin	22.0%	7.8%	-1.6%	7.1%	8.2%
Free Cash Flow	481	(500)	273	(362)	199

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.4x	-0.1x	1.9x	0x	0.5x
Asset Replacement Ratio	0.9x	0.9x	0.8x	0.7x	0.7x
Tax Rate	12.4%	17.9%	30.8%	25.0%	25.0%
Net Debt-to-Equity Ratio	49.8%	54.9%	50.7%	53.7%	53.3%
Interest Cover	4.1x	3.1x	2.0x	2.4x	2.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	28,586	30,154	29,599	30,710	31,348
% Change	13.1%	5.5%	-1.8%	3.8%	2.1%
Gross Profit	28,586	30,154	29,599	30,710	31,348
% Change	13.1%	5.5%	-1.8%	3.8%	2.1%
EBITDA	4,444	3,276	2,370	2,652	3,066
% Change	-13.4%	-26.3%	-27.7%	11.9%	15.6%
Net Interest & Other Income	(1,091)	(1,076)	(848)	(991)	(799)
Net Income (Adjusted)	2,288	1,112	326	645	1,193
% Change	-11.9%	-51.4%	-70.7%	98.1%	84.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	4,647	1,308	(725)	1,006	1,460
Depreciation & Amortization	390	405	430	480	480
Change in Working Capital	12,155	15,702	430	480	480
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(16,357)	(17,557)	482	(1,980)	(1,870)
Capital Expenditure	(354)	(358)	(344)	(348)	(351)
Free Cash Flow	481	-500	273	-362	199
% Change	-74.6%	NM	NM	NM	NM
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(647)	(689)	(254)	(130)	(130)
Change in Debt	(2,172)	(2,002)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	6,267	2,885	2,121	1,629	1,697
Trade Receivables	6,984	7,412	7,275	7,549	7,705
Other Current Assets	3,425	3,437	3,388	3,486	3,542
Property, Plant & Equipment	1,736	1,762	1,676	1,544	1,415
Other Non-Current Assets	40,208	42,897	42,897	42,897	42,897
Total Assets	58,620	58,393	57,358	57,104	57,257
Short-Term Debt	11	239	239	239	239
Other Current Liabilities	9,468	10,952	10,870	11,034	11,128
Long-Term Debt	17,698	15,607	14,126	14,126	14,126
Other Non-Current Liabilities	8,473	7,989	7,989	7,989	7,989
Total Liabilities	35,650	34,787	33,224	33,388	33,482
Total Equity	22,970	23,606	24,134	23,716	23,775
Total Equity & Liabilities	58,620	58,393	57,358	57,104	57,257

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Entertainment

Company Description

Paramount is a leading Media & Entertainment company with a focus on mass-media. Paramount's portfolio of brands include: CBS, Paramount Pictures, Paramount+, Pluto TV, Showtime, MTV, Nickelodeon, Paramount Network, Comedy Central, BET, VH1, TV Land, and many international broadcast networks.

Investment Rationale

Our view is the longer it takes to execute potential asset sales, the less value PARA could ultimately garner. This, coupled with the challenging macro backdrop, persistent secular headwinds, negative FCF continuing into CY24 and PARA's elevated leverage levels (nearly 5x our CY24E) create an unfavorable medium-term outlook.

Stock Data

Average Daily Volume

18,138,958

Quarterly Earnings Estimates

	2022	2023
Q1	0.60A	0.09A
Q2	0.64A	0.10A
Q3	0.39A	0.30A
Q4	0.08A	0.01E

Exhibit 1: PARA – Variance Table

We lower 4QE revenue to \$7.59bn but maintain 4QE Adj. OIBDA of \$500mn

	Current Quarter						Current Year					
	Act.	New		Old			Act.	New		Old		
Fiscal Year Ends 12/31	Q4/22A	Q4/23E	Y/Y	Q4/23E	Y/Y	D	2022A	2023E	Y/Y	2023E	Y/Y	D
PARA Actuals & BofA Estimates												
TV Media												
Advertising	\$2,682	\$2,280	-15%	\$2,333	-13%	(\$54)	\$9,350	\$8,185	-12%	\$8,238	-12%	(\$54)
Affiliate and subscription	\$2,024	\$1,963	-3%	\$1,963	-3%	–	\$8,180	\$8,045	-2%	\$8,045	-2%	–
Licensing and other	\$1,177	\$930	-21%	\$977	-17%	(\$47)	\$4,202	\$3,860	-8%	\$3,907	-7%	(\$47)
Total TV Media Revenues	\$5,883	\$5,173	-12%	\$5,274	-10%	(\$101)	\$21,732	\$20,090	-8%	\$20,191	-7%	(\$101)
Direct to Consumer												
Advertising	\$460	\$508	11%	\$508	11%	–	\$1,533	\$1,777	16%	\$1,777	16%	–
Subscription & Licensing	\$936	\$1,276	36%	\$1,411	51%	(\$135)	\$3,371	\$4,874	45%	\$5,009	49%	(\$135)
Total Direct to Consumer	\$1,396	\$1,784	28%	\$1,919	37%	(\$135)	\$4,904	\$6,651	36%	\$6,786	38%	(\$135)
Filmed Entertainment												
Advertising	\$6	\$6	5%	\$6	5%	–	\$23	\$27	19%	\$27	19%	–
Theatrical	\$97	\$126	30%	\$159	64%	(\$33)	\$1,223	\$861	-30%	\$894	-27%	(\$33)
Licensing and other	\$833	\$583	-30%	\$675	-19%	(\$92)	\$2,460	\$2,137	-13%	\$2,229	-9%	(\$92)
Total Filmed Entertainment Revenues	\$936	\$716	-24%	\$840	-10%	(\$125)	\$3,706	\$3,026	-18%	\$3,150	-15%	(\$125)
Eliminations	(\$84)	(\$88)	5%	(\$88)	5%	–	(\$188)	(\$168)	-11%	(\$168)	-11%	–
Total PF Revenue	\$8,131	\$7,585	-7%	\$7,945	-2%	(\$360)	\$30,154	\$29,599	-2%	\$29,959	-1%	(\$360)
Total PF Operating Expenses	\$7,517	\$7,084	-6%	\$7,445	-1%	(\$360)	\$26,878	\$27,228	1%	\$27,589	3%	(\$360)
Adj. OIBDA by Segment												
TV Media	\$1,296	\$1,168	-10%	\$1,168	-10%	\$1	\$5,451	\$4,817	-12%	\$4,817	-12%	\$1
Direct to Consumer	(\$575)	(\$550)	-4%	(\$550)	-4%	(\$0)	(\$1,819)	(\$1,723)	-5%	(\$1,723)	-5%	(\$0)
Filmed Entertainment	\$87	\$55	NM	\$55	NM	(\$0)	\$272	(\$88)	-133%	(\$88)	-132%	(\$0)
Corp./Elims	(\$150)	(\$125)	-17%	(\$125)	-17%	–	(\$470)	(\$461)	-2%	(\$461)	-2%	–
Stock Based Comp.	(\$44)	(\$48)	9%	(\$48)	9%	–	(\$158)	(\$175)	11%	(\$175)	11%	–
Total Adj. OIBDA	\$614	\$500	-19%	\$500	-19%	\$0	\$3,276	\$2,370	-28%	\$2,370	-28%	\$0
Margin	7.6%	6.6%	-13%	6.3%	-17%	0%	11%	8%	-26%	8%	-27%	0%
Total D&A	(\$123)	(\$120)	-2%	(\$120)	-2%	–	(\$405)	(\$430)	6%	(\$430)	6%	–
Operating Income (Loss)	\$182	\$380	109%	\$380	109%	\$0	\$2,342	(\$475)	-120%	(\$475)	-120%	\$0
Margin	2%	5%	124%	5%	114%	0%	8%	-2%	-121%	-2%	-120%	0%
Adj. Net Income	\$69	\$5	-93%	\$5	-93%	\$0	\$1,171	\$364	-69%	\$364	-69%	\$0
Diluted Shares Outstanding	651	652	0%	652	0%	0	651	652	0%	652	0%	0
Diluted EPS	\$0.08	\$0.01	-91%	\$0.01	-91%	\$0.00	\$1.71	\$0.50	-71%	\$0.50	-71%	\$0.00
Free Cash Flow	(\$369)	\$350	-195%	\$400	-209%	(\$51)	(\$211)	\$273	-229%	\$323	-253%	(\$51)
Streaming Breakdown												
Paramount Plus Ending Subs	55.9	67.4	21%	67.4	21%	0.0	55.9	67.4	21%	67.4	21%	0.0
Paramount Plus Revenue	\$802	\$1,246	55%	\$1,246	55%	0.0	\$2,767	\$4,339	57%	\$4,339	57%	0.0

Source: BofA Global Research estimates

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Exhibit 2: PARA – Income Statement

We maintain CY23E Adj. OIBDA of \$2.37bn

	2022						2023					2023E	2024E	2025E
Fiscal Year Ends 12/31	2020A	2021A	Q1A	Q2A	Q3A	Q4A	2022A	Q1A	Q2A	Q3A	Q4E	2023E	2024E	2025E
PARA: Income Statement	2020.0	2021	2022.1	2022.2	2022.3	2022.4	2022	2023.1	2023.2	2023.3	2023.4	2023	2024	2025
TV Media	\$21,120	\$22,734	\$5,645	\$5,256	\$4,948	\$5,883	\$21,732	\$5,193	\$5,157	\$4,567	\$5,173	\$20,090	\$20,028	\$19,649
Direct-to-Consumer	\$1,815	\$3,327	\$1,089	\$1,193	\$1,226	\$1,396	\$4,904	\$1,510	\$1,665	\$1,692	\$1,784	\$6,651	\$7,960	\$8,960
Filmed Entertainment	\$2,470	\$2,687	\$624	\$1,363	\$783	\$936	\$3,706	\$588	\$831	\$891	\$716	\$3,026	\$2,895	\$2,917
Eliminations	(\$120)	(\$162)	(\$30)	(\$33)	(\$41)	(\$84)	(\$188)	(\$26)	(\$37)	(\$17)	(\$88)	(\$168)	(\$173)	(\$178)
Total Revenues	\$25,285	\$28,586	\$7,328	\$7,779	\$6,916	\$8,131	\$30,154	\$7,265	\$7,616	\$7,133	\$7,585	\$29,599	\$30,710	\$31,348
YoY % Change		13%	-1%	19%	5%	2%	5%	-1%	-2%	3%	-7%	-2%	4%	2%
Total Operating Expenses	\$20,153	\$24,142	\$6,415	\$6,816	\$6,130	\$7,517	\$26,878	\$6,717	\$7,010	\$6,417	\$7,084	\$27,228	\$28,058	\$28,282
YoY % Change			11%	28%	10%	1%	11%	5%	3%	5%	-6%	1%	3%	1%
TV Media	\$5,816	\$5,892	\$1,544	\$1,380	\$1,231	\$1,296	\$5,451	\$1,306	\$1,194	\$1,149	\$1,168	\$4,817	\$4,555	\$4,188
Direct-to-Consumer	(\$171)	(\$992)	(\$456)	(\$445)	(\$343)	(\$575)	(\$1,819)	(\$511)	(\$424)	(\$238)	(\$550)	(\$1,723)	(\$1,273)	(\$462)
Filmed Entertainment	\$158	\$207	(\$37)	\$181	\$41	\$87	\$272	(\$99)	\$5	(\$49)	\$55	(\$88)	\$92	\$81
Corp./Elims	(\$485)	(\$491)	(\$104)	(\$112)	(\$104)	(\$150)	(\$470)	(\$109)	(\$124)	(\$103)	(\$125)	(\$461)	(\$544)	(\$562)
Stock Based Comp.	(\$186)	(\$172)	(\$34)	(\$41)	(\$39)	(\$44)	(\$158)	(\$39)	(\$45)	(\$43)	(\$48)	(\$175)	(\$178)	(\$179)
Total Adj. OIBDA	\$5,132	\$4,444	\$913	\$963	\$786	\$614	\$3,276	\$548	\$606	\$716	\$500	\$2,370	\$2,652	\$3,066
% Margin	20.3%	15.5%	12.5%	12.4%	11.4%	7.6%	10.9%	7.5%	8.0%	10.0%	6.6%	8.0%	8.6%	9.8%
YoY % Change			-44%	-22%	-23%	10%	-26%	-40%	-37%	-9%	-19%	-28%	12%	16%
Depreciation & Amort.	(\$430)	(\$390)	(\$96)	(\$94)	(\$92)	(\$123)	(\$405)	(\$100)	(\$105)	(\$105)	(\$120)	(\$430)	(\$480)	(\$480)
Restructuring	(\$618)	(\$100)	(\$57)	(\$50)	(\$169)	(\$309)	(\$585)	—	(\$54)	\$10	—	(\$44)	—	—
Programming	(\$159)	—	—	—	—	—	—	(\$1,674)	(\$697)	—	—	(\$2,371)	—	—
Gain on Sale of Assets	\$214	\$2,343	\$15	—	\$41	—	\$56	—	—	—	—	—	—	—
Operating Income (Loss)	\$4,139	\$6,297	\$775	\$819	\$566	\$182	\$2,342	(\$1,226)	(\$250)	\$621	\$380	(\$475)	\$2,172	\$2,586
% Margin	16%	22%	11%	11%	8%	2%	8%	-17%	-3%	9%	5%	-2%	7%	8%
YoY % Change		52%	-49%	-33%	-36%	-93%	-63%	-258%	-131%	10%	109%	-120%	-557%	19%
Interest Expense	(\$1,031)	(\$986)	(\$240)	(\$230)	(\$231)	(\$230)	(\$931)	(\$226)	(\$240)	(\$232)	(\$254)	(\$952)	(\$904)	(\$904)
Interest Income	\$60	\$53	\$21	\$19	\$33	\$35	\$108	\$35	\$33	\$29	\$37	\$134	\$105	\$105
Gain on Marketable Securities	—	\$32	—	—	—	—	—	—	\$168	—	—	\$168	—	—
Gain on Ext. of Debt	(\$159)	(\$128)	(\$73)	(\$47)	—	—	(\$120)	—	—	—	—	—	—	—
Other Items	\$133	(\$62)	(\$13)	(\$42)	(\$45)	(\$33)	(\$133)	(\$46)	(\$60)	(\$42)	(\$50)	(\$198)	(\$192)	—
Earnings from Cont. Operations	\$3,142	\$5,206	\$470	\$519	\$323	(\$46)	\$1,266	(\$1,463)	(\$349)	\$376	\$113	(\$1,323)	\$1,181	\$1,787
Taxes	(\$560)	(\$646)	(\$34)	(\$129)	(\$101)	\$37	(\$227)	\$381	\$95	(\$40)	(\$28)	\$408	(\$295)	(\$447)
Tax Rate	18%	12%	7%	25%	31%	80%	18%	26%	27%	11%	25%	31%	25%	25%
Equity in loss of Investees	(\$28)	(\$91)	(\$37)	(\$29)	(\$58)	(\$80)	(\$204)	(\$75)	(\$109)	(\$75)	(\$110)	(\$369)	(\$360)	(\$268)
Net Earnings from Cont. Ops	\$2,554	\$4,469	\$399	\$361	\$164	(\$89)	\$835	(\$1,157)	(\$363)	\$261	(\$25)	(\$1,284)	\$526	\$1,072
Non Controlling Interests/Discontinued Ops	(\$238)	\$82	\$34	\$58	\$62	\$110	\$269	\$39	\$73	\$48	\$30	\$190	\$120	\$120
Net Earnings Attributable to VIAC	\$2,316	\$4,556	\$433	\$419	\$231	\$21	\$1,104	(\$1,118)	(\$290)	\$309	\$5	(\$1,094)	\$646	\$1,192
Impact of Adj. on Net Earnings/Preferred Dividends	\$279	(\$2,264)	(\$30)	\$10	\$39	\$48	\$67	\$1,190	\$370	(\$102)	—	\$1,458	—	—
Adj. Net Income	\$2,595	\$2,292	\$403	\$429	\$270	\$69	\$1,171	\$72	\$80	\$207	\$5	\$364	\$646	\$1,192
Diluted Shares Outstanding	618	652	651	650	650	651	651	652	651	652	652	652	652	652
Adj. EPS	\$4.20	\$3.51	\$0.60	\$0.64	\$0.39	\$0.08	\$1.71	\$0.09	\$0.10	\$0.30	\$0.01	\$0.50	\$0.99	\$1.83
YoY % Change		-16%	-61%	-34%	-49%	-69%	-51%	-85%	-84%	-23%	-91%	-71%	99%	85%

Source: BofA Global Research estimates

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Exhibit 3: PARA – FCF Statement

We lower 4QE FCF to \$350mn

	2022						2023								
Fiscal Year Ends 12/31	2020A	2021A	Q1A	Q2A	Q3A	Q4A	2022A	Q1A	Q2A	Q3A	Q4E	2023E	2024E	2025E	
PARA: Free Cash Flow	2020.0		2022.1	2022.2	2022.3	2022.4		2023.1	2023.2	2023.3	2023.4				
FCF Derivation															
Adj. OIBDA	\$5,132	\$4,444	\$913	\$963	\$786	\$614	\$3,276	\$548	\$606	\$716	\$500	\$2,370	\$2,652	\$3,066	
- Cash Interest	\$971	\$933	\$292	\$182	\$281	\$165	\$920	\$275	\$174	\$247	\$217	\$913	\$799	\$799	
- Cash Taxes	\$560	\$646	\$50	\$39	(\$47)	\$115	\$157	(\$6)	\$76	(\$68)	\$28	\$30	\$295	\$447	
- Change In Working Capital and Other	\$0	\$2,030	\$276	\$562	\$808	\$695	\$2,341	\$762	\$497	\$87	(\$226)	\$1,120	\$1,572	\$1,270	
= Operating Cash Flow	\$3,601	\$835	\$295	\$180	(\$256)	(\$361)	(\$142)	(\$483)	(\$141)	\$450	\$481	\$307	(\$14)	\$550	
- Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Capex	-	\$354	\$52	\$99	\$77	\$130	\$358	\$71	\$69	\$73	\$131	\$344	\$348	\$351	
= Free Cash Flow (FCF)	-	\$481	\$243	\$81	(\$333)	(\$491)	(\$500)	(\$554)	(\$210)	\$377	\$350	(\$37)	(\$362)	\$199	
+ Cash Restructuring/Merger Costs	-	\$362	\$61	\$60	\$46	\$122	\$289	\$69	\$78	\$163		\$310	-	-	
= Adj. Free Cash Flow (FCF)	\$3,601	\$843	\$304	\$141	(\$287)	(\$369)	(\$211)	(\$485)	(\$132)	\$540	\$350	\$273	(\$362)	\$199	
% Chg. (YOY)		-77%	-82%	88%	53%	-51%	-125%	-260%	-194%	-288%	-195%	-229%	NM	-155%	
/ Diluted Shares Outstanding	618	652	651	650	650	651	651	652	651	652	652	652	652	652	
= FCF/Share	\$5.83	\$1.29	\$0.47	\$0.22	(\$0.44)	(\$0.57)	(\$0.32)	(\$0.74)	(\$0.20)	\$0.83	\$0.54	\$0.42	(\$0.56)	\$0.30	
Leverage Statistics															
Gross Debt	-	\$17,711	\$16,812	\$15,810	\$15,834	\$15,846	\$15,846	\$15,853	\$15,800	\$15,665	\$14,365	\$14,365	\$14,365	\$14,365	
- Cash And Cash Equivalents	-	\$6,206	\$5,302	\$4,037	\$3,383	\$2,885	\$2,885	\$2,109	\$1,714	\$1,804	\$2,121	\$2,121	\$1,629	\$1,697	
= Net Debt	-	\$11,505	\$11,510	\$11,773	\$12,451	\$12,961	\$12,961	\$13,744	\$14,086	\$13,861	\$12,244	\$12,244	\$12,736	\$12,668	
LTM Adj. OIBDA	\$5,132	\$4,444	\$3,730	\$3,453	\$3,219	\$3,276	\$3,276	\$2,911	\$2,554	\$2,484	\$2,370	\$2,370	\$2,652	\$3,066	
Gross Debt:OIBDA	0.0x	4.0x	4.5x	4.6x	4.9x	4.8x	4.8x	5.4x	6.2x	6.3x	6.1x	6.1x	5.4x	4.7x	
Net Debt:OIBDA	0.0x	2.6x	3.1x	3.4x	3.9x	4.0x	4.0x	4.7x	5.5x	5.6x	5.2x	5.2x	4.8x	4.1x	

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Paramount Global (PARA)

Our \$9 PO is based on approximately 7x our CY24E OIBDA, which represents a modest premium to the current trading levels of both WBD/FOX and a discount to DIS.

Upside risks to our price objective are potential asset sales, better than anticipated earnings growth, and lower rates.

Downside risks to our price objective are failure to consummate a transaction, weakness in the advertising market, poor execution, accelerated declines in the legacy business and the shift of advertising dollars to digital media.

Notably, PARA has Mandatory Convertible Preferred Stock with an aggregate value of \$1bn converting on April 1, 2024. The conversion of these preferred shares would be anti-dilutive as of Dec '22. However, if this changes and PARA decides to purchase these preferred shares prior to dilution, it would further pressure their balance sheet especially when paired with a lack of free cash flow.

Analyst Certification

I, Jessica Reif Ehrlich, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Comcast Corp	CMCSA	CMCSA US	Jessica Reif Ehrlich
	Endeavor Group Holdings, Inc.	EDR	EDR US	Jessica Reif Ehrlich
	Madison Square Garden Entertainment	MSGE	MSGE US	Peter Henderson
	Netflix, Inc.	NFLX	NFLX US	Jessica Reif Ehrlich
	Spotify Technology	SPOT	SPOT US	Jessica Reif Ehrlich
	Walt Disney Co.	DIS	DIS US	Jessica Reif Ehrlich
	Warner Bros. Discovery	WBD	WBD US	Jessica Reif Ehrlich
NEUTRAL				
	Charter Communications	CHTR	CHTR US	Jessica Reif Ehrlich
	Fox Corporation	FOXA	FOXA US	Jessica Reif Ehrlich
	Fox Corporation	FOX	FOX US	Jessica Reif Ehrlich
	Warner Music Group Corporation	WMG	WMG US	Jessica Reif Ehrlich
UNDERPERFORM				
	Altice USA, Inc.	ATUS	ATUS US	Jessica Reif Ehrlich
	iHeartMedia, Inc.	IHRT	IHRT US	Jessica Reif Ehrlich
	Paramount Global	PARA	PARA US	Jessica Reif Ehrlich
RSTR				
	Liberty SiriusXM Group	LSXMA	LSXMA US	Jessica Reif Ehrlich
	Liberty SiriusXM Group	LSXMK	LSXMK US	Jessica Reif Ehrlich
	Sirius XM Holdings Inc	SIRI	SIRI US	Jessica Reif Ehrlich

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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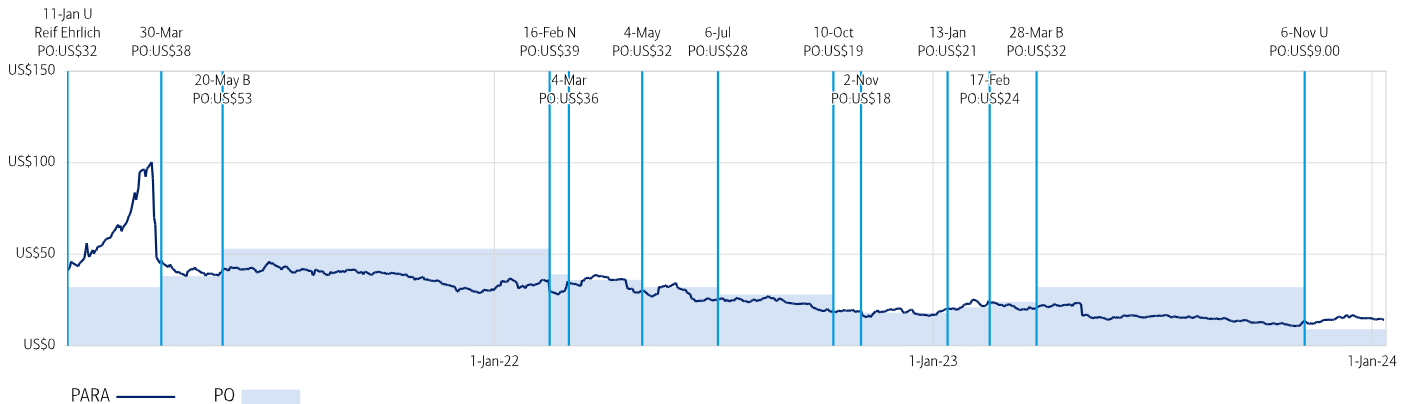
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Paramount Global (PARA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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