

VIZIO

Vzio to be acquired by Walmart for \$2.3bn; Changing to No Rating

Rating Change: NO RATING | PO: NA | Price: 11.01 USD

Vizio to be acquired by Walmart for \$2.3bn, or \$11.50/sh

VZIO announced it entered into an agreement to be acquired by Walmart (WMT) in an all-cash transaction for \$2.3bn, or \$11.50/share, representing a 47% premium to the closing price on February 12, 2024, the last full trading day prior to media reports regarding a possible transaction. This deal values VZIO at roughly 13x EV/C25 EBITDA estimate vs. the stock's previous 7x multiple. The transaction is subject to customary closing conditions, including shareholder and regulatory approvals. We change our rating to No Rating, as the stock is no longer trading on its own fundamentals. Investors should not rely on our prior ratings or price objective.

WMT accounts for more than 50% of VIZO's device sales

According to VZIO's 10K, device sales account for 74% of total revenue in FY22. Additionally, Walmart and Sam's Club account for more than 51% of total net rev for FY22 and 52% of total rev for FY21 (See Company A and C in Exhibits 1 and 2).

VZIO adds on to Walmart's private label TV brand, ONN

Walmart has been selling its own brand of television, ONN. It remains to be seen as to what Walmart will do with its own private label after the acquisition of Vizio. With this acquisition, WMT will be able to leverage VZIO's SmartCast operating system to penetrate the affordable TV market, access customer data, and grow its advertising revenue through VZIO's Platform+. We see potential synergy of Vizio's Platform+ with Walmart Connect, the company's advertising service. Through Walmart Connect, the company offers its own demand-side platform (DSP) that was built in partnership with The Trade Desk, allowing eligible advertisers to leverage purchasing history both online and in-store and target customers more effectively.

What will this mean for Roku?

This acquisition could offer ROKU the opportunity to gain market share if Walmart were to limit Vizio's distribution at other retailers. ROKU currently provides the operating system for Walmart's ONN brand TVs.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.22)	0	0.09	0.20	0.35
EPS Change (YoY)	NM	NM	NA	122.2%	75.0%
Consensus EPS (Bloomberg)			0.09	0.20	0.45
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NA	122.3x	55.1x	31.5x
EV / EBITDA*	30.8x	275.1x	169.3x	62.5x	21.3x
Free Cash Flow Yield*	1.7%	0.7%	1.6%	1.1%	1.3%

* For full definitions of *IQmethod*SM measures, see page 5.

20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-3-9	-6-
Inv. Rating	UNDERPERFORM	NO RATING
Price Obj.	6.00	NA

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Stock Data

Price	11.01 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	4.82 USD - 11.28 USD
Mkt Val (mn) / Shares Out (mn)	2,210 USD / 200.7
Free Float	57.4%
Average Daily Value (mn)	10.19 USD
BofA Ticker / Exchange	VZIO / NYS
Bloomberg / Reuters	VZIO US / VZIO.N
ROE (2023E)	4.4%
Net Dbt to Eqty (Dec-2022A)	14.2%
ESGMeter TM	Medium

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".

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Timestamp: 20 February 2024 02:25PM EST

iQprofileSM VIZIO

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-3.7%	0.5%	2.2%	5.2%	8.9%
Return on Equity	-16.5%	0%	4.4%	9.3%	15.1%
Operating Margin	0.3%	2.7%	3.9%	5.5%	7.2%
Free Cash Flow	38	16	36	23	29

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NA	2.2x	0.6x	0.4x
Asset Replacement Ratio	1.6x	3.6x	0.4x	0.6x	0.7x
Tax Rate	NM	106.1%	39.6%	30.0%	30.0%
Net Debt-to-Equity Ratio	41.1%	14.2%	-13.1%	-16.1%	-21.4%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,124	1,863	1,697	1,866	1,977
% Change	4.0%	-12.3%	-8.9%	10.0%	5.9%
Gross Profit	326	313	353	403	439
% Change	10.3%	-4.2%	12.9%	14.1%	9.1%
EBITDA	71	8	13	35	102
% Change	-42.8%	-88.8%	62.5%	170.9%	192.9%
Net Interest & Other Income	3	0	13	14	14
Net Income (Adjusted)	(39)	0	18	42	76
% Change	NM	NM	NA	136.0%	83.1%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(39)	0	18	42	76
Depreciation & Amortization	3	4	7	6	5
Change in Working Capital	94	25	53	48	81
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(16)	1	(39)	(69)	(130)
Capital Expenditure	(4)	(13)	(3)	(3)	(4)
Free Cash Flow	38	16	36	23	29
% Change	22.8%	-57.3%	121.9%	-34.1%	26.1%
Share / Issue Repurchase	88	1	3	0	0
Cost of Dividends Paid	(1)	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	332	348	388	411	440
Trade Receivables	375	358	333	373	426
Other Current Assets	128	73	68	69	70
Property, Plant & Equipment	10	20	19	17	15
Other Non-Current Assets	91	117	125	127	127
Total Assets	936	916	932	996	1,079
Short-Term Debt	467	401	332	336	324
Other Current Liabilities	124	123	157	175	194
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	14	19	19	19	19
Total Liabilities	605	542	508	531	537
Total Equity	331	374	424	466	542
Total Equity & Liabilities	936	916	932	996	1,079

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

IT Hardware

Company Description

Vizio operates in two distinct but integrated businesses: Device and Platform+. The company offers a portfolio of smart TVs and a series of sound bars that are sold at major retailers including Amazon, Sam's Club, Costco, Best Buy, Target and Walmart, as well as online at VIZIO.com. Platform+ is comprised of 1) SmartCast, a Smart TV OS which provides the platform for Vizio to generate revenues from AVOD, SVOD, and TVOD, and 2) Inscape, which powers ACR, data intelligence and services.

Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Stock Data

Average Daily Volume 925,509

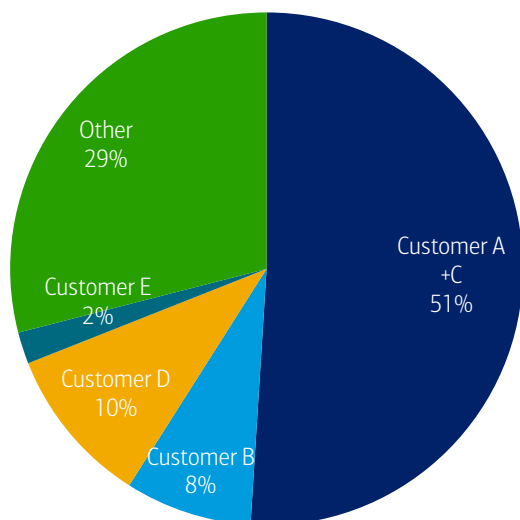
Quarterly Earnings Estimates

	2022	2023
Q1	-0.06A	0A
Q2	0.01A	0.01A
Q3	0.01A	0.07A
Q4	0.03A	0.01E

Exhibits

Exhibit 1: Revenue by customers that accounted for more than 10% of net revenue in 2022

Walmart and Sam's Club accounted for 51% of Vizio's total net revenue in 2022.



Customer A and C are affiliates under common control with one another.

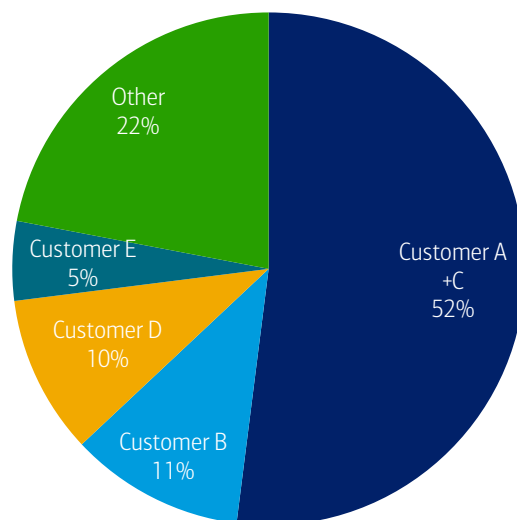
Note: As Walmart is Vizio's largest retailer and is under common control with Sam's Club, Customer A and C presented in the pie chart represent Walmart and Sam's Club, respectively.

Source: Company filings

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Exhibit 2: Revenue by customers that accounted for more than 10% of net revenue in 2021

Walmart and Sam's Club accounted for 52% of Vizio's total net revenue in 2021.



Customer A and C are affiliates under common control with one another.

Note: As Walmart is Vizio's largest retailer and is under common control with Sam's Club, Customer A and C presented in the pie chart represent Walmart and Sam's Club, respectively.

Source: Company filings

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Price objective basis & risk

Vizio (VZIO)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Analyst Certification

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US - IT Hardware and Technology Supply Chain Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Corning Inc.	GLW	GLW US	Wamsi Mohan
	Dell Technologies Inc.	DELL	DELL US	Wamsi Mohan
	Flex Ltd.	FLEX	FLEX US	Ruplu Bhattacharya
	HP Inc.	HPQ	HPQ US	Wamsi Mohan
	International Business Machines Corp.	IBM	IBM US	Wamsi Mohan
	Jabil Inc.	JBL	JBL US	Ruplu Bhattacharya
	Nutanix Inc	NTNX	NTNX US	Wamsi Mohan
	Roku, Inc.	ROKU	ROKU US	Ruplu Bhattacharya
	Seagate Technology	STX	STX US	Wamsi Mohan
	Super Micro Computer Inc.	SMCI	SMCI US	Ruplu Bhattacharya
	TD Synnex Corp	SNX	SNX US	Ruplu Bhattacharya
	TE Connectivity Ltd.	TEL	TEL US	Wamsi Mohan
	Western Digital Corporation	WDC	WDC US	Wamsi Mohan
NEUTRAL				
	Arrow Electronics Inc.	ARW	ARW US	Ruplu Bhattacharya
	Avnet Inc.	AVT	AVT US	Ruplu Bhattacharya
	CDW Corp	CDW	CDW US	Ruplu Bhattacharya
	Concentrix Corporation	CNXC	CNXC US	Ruplu Bhattacharya
	Hewlett-Packard Enterprise	HPE	HPE US	Wamsi Mohan
	Pure Storage	PSTG	PSTG US	Wamsi Mohan
	Sensata Technologies Holdings Plc	ST	ST US	Wamsi Mohan
	Teradata Corporation	TDC	TDC US	Wamsi Mohan
UNDERPERFORM				
	DigitalOcean	DOCN	DOCN US	Wamsi Mohan
	NetApp Inc.	NTAP	NTAP US	Wamsi Mohan
	Sanmina Corporation	SANM	SANM US	Ruplu Bhattacharya
	Vishay Intertechnology, Inc.	VSH	VSH US	Ruplu Bhattacharya

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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

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

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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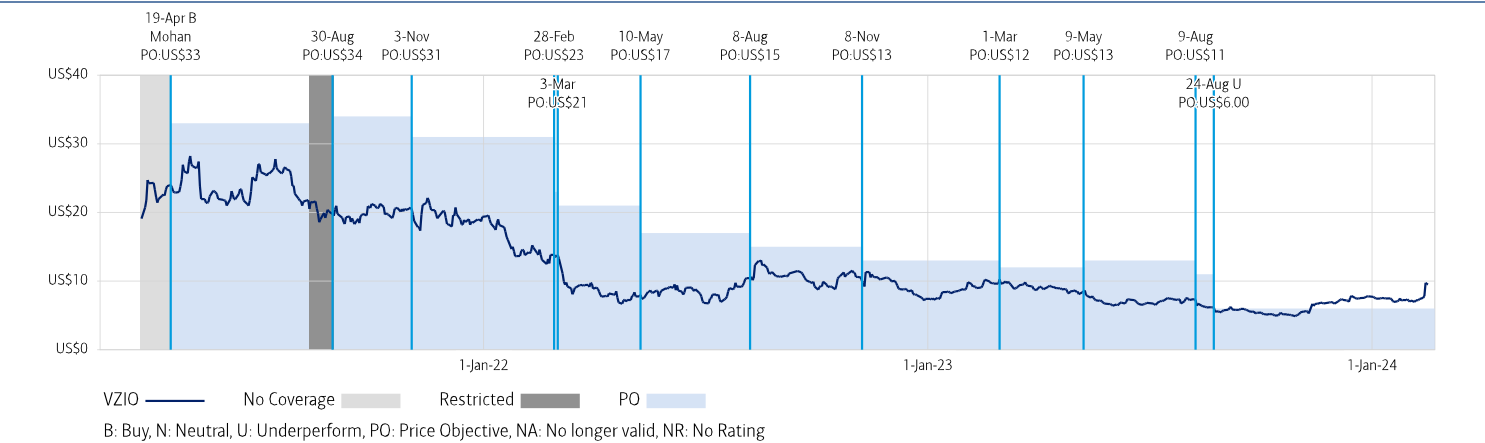
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Vizio (VZIO) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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