ViacomCBS Inc. (NASDAQ: VIAC) – Event-Driven Short-Term Research Opportunity

Rithvik Vakacharla – rithvik.vakacharla1@gmail.com March 29, 2021

<u>Personal Investment Decision</u>: Hold until Q1 earnings results to get more insight into the Paramount Plus 2024 timeline. Also, wait until the smaller block sells from the Archegos Capital liquidation trickle in the market.

Catalyst for Potential Short-Term Investment

- ViacomCBS (NASDAQ: VIAC) shares plunge 27% following forced liquidation of Archegos Capital. Since March 22, the company's shares have decreased from $100 to $48 (>50% dip) as a result of the liquidation and share offering (@$85).
- There are no company-specific reasons for the decrease in share price, except for the $85 share offering. The growth in the share price in the new year is attributable to the announcement and extensive marketing of their OTT platform Paramount Plus. Pundits believe the levered exposure of Archegos Capital may have led to the parabolic price appreciation.

Investment Thesis and Key Points of Consideration

- Given the black swan-like esoteric dip, there is great potential for a bounce-back in share price for short-term alpha. Considering the company's growth opportunities, the company can be held in the portfolio as a long-term growth investment in a value industry.
- This is a growth play in a value industry, considering the growth potential for Paramount Plus has yet to be fully discovered.
    - The company has yet to disclose partnerships for its platform – such an announcement can lead to further price appreciation.
- The ~2% dividend offers a consistent investment return – reinvested dividends can yield further investment via compounding.
- The company recently had an extension with the NFL through 2033 and acquired exclusive US rights to Serie A (March 18, March 25).
- The company has access to cash via recent bond offerings that offer financial protection.
- **Catalyst**: Paramount Plus $4.99/month base package launch
- <u>Assets to Research:</u> Pluto TV (ad revenue capacity), Paramount Plus, Showtime (opportunity for HBO-like streaming?), ViacomCBS eyeQ
- *Future opportunities:* Enter into the NFT market by NFTing their media assets and large film directories (excuse my lack of knowledge with NFTs).

Risks

- No bounce back from the Archegos liquidation – continued fall out from prime brokerage issues from the bulge brackets and smaller firms.
- The company had a recent offering at $85.00 for 20 MM Common B shares which were not met with optimism from the market or buyers.
- Overdependence on growth from streaming – there might be a market correction on streaming and OTT platforms as the value has been priced in.
- Issues with FCC if new rules regarding media consolidation and percent of market reach – similar to issues local station owners are facing right now.
- Less than expected synergies from the recent merger – the company recently increased guidance on expected synergies but can be guided downwards in the future.
- They have fundamental risk in cord-cutting – a secular industry headwind that can impact their traditional tv and media assets. If their traditional revenue decreases are not offset and overwhelmed by revenues from streaming, there can be pressure on the bottom line.