

**Street Takeaways - CBS Corp Q2 earnings**  
**Friday, August 03, 2018 02:48:03 PM (GMT)**

- **Overview:**
  - Stock has traded down (0.4%) since reporting Q2 earnings that were generally in line if not slightly above expectations. Entertainment led the way beating expectations for revenue and operating income. Advertising revenue increased 2.2% y/y. Management now expects to reach the 8M combined subscriber mark for CBS All Access and Showtime OTT in 2019 and 16M domestic subscribers by 2022.
  - Analysts seemed positive on the release noting that CBS has done a good job implementing and executing on their OTT strategy with content creation. One analysts felt that re-transmission contracts will be a key driver in the near term. Many seemed to think the company appears attractive on a risk reward basis, but external factors surrounding ongoing investigation into Les Moonves as well as ongoing NAI battle has kept a few analysts staying on the sideline for the time being. A quick look at analyst sentiment indicates that 63% of analysts have a buy or equivalent rating on the stock; current target price of \$65.85 is a 26.0% premium to current price
- **Analyst Commentary:**
  - **Atlantic Equities** analyst Hamilton Faber
    - Views the increase in the company's subscriber guidance for its All Access and Showtime OTT services as the key bull point for the quarter
    - Believes the allegations of sexual misconduct against CEO and Chairman Les Moonves will be the issue which dominates the stock's performance and overshadow a decent report
    - Feels that investing in CBS is difficult at the moment with Moonves issues combined with the ongoing battle with NAI, but view CBS as a solid company with a depressed multiple and an attractive M&A partner
    - Target \$67
    - Maintain Overweight
  - **KeyBanc Capital Markets** analyst Andy Hargreaves
    - Views re-transmission as a key growth driver for CBS and seems likely to continue growing which should fuel some profit growth and provide investment capital for new initiatives.
    - Feels that many people are focused on OTT subscriber growth, which management increased outlook despite not reporting figures
    - Feels that medium term risk reward is increasingly positive but uncertainty regarding viewership trends and corporate governance and M&A positioning keeps rating at sector weight
    - Maintain Sector Weight
  - **Wells Fargo Securities** analyst Marci Ryvicker
    - Believes that entertainment was the standout segment for the quarter as beat both revenue and operating income for the quarter.
    - Feels that CBS is making Over The Top or OTT look easy as it guided to 8M subs, and that management has executed well on this avenue, notes that CBS currently spends around ~\$7B on content creation and feels that additional cost to produce content for its OTT platform may run in the \$150-200M range which is not that material
    - Feels that Political ad spend will be up in 2nd half of year compared to 2014 mid term elections
    - Target \$64
    - Maintain Market Perform

**Industries:** Broadcasting & Cable TV

**Primary Identifiers:** CBS-US

**Related Identifiers:** CBS-US

**Subjects:** Street Takeaways, Street Takeaways - Earnings

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