



Rating
Hold

North America
United States

TMT
Entertainment

Company
CBS Corporation

Reuters
CBS.N

Bloomberg
CBS US

Exchange
NYS

Ticker
CBS

Date
4 March 2015

Initiation of Coverage

Price at 4 Mar 2015 (USD)	62.46
Price target	67.00
52-week range	66.94 - 48.77

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Initiating Coverage at HOLD

Initiating Coverage with a Hold Rating and \$67 PT

CBS is strategically well-positioned as the best programmed broadcast network, in our view, with a full syndication/ licensing pipeline to benefit from secular growth in international pay TV and global SVOD markets. It also has positive optionality for Showtime and the potential to participate in the broadcast incentive auction, but with only 7% upside in our PT, we rate the stock a Hold.

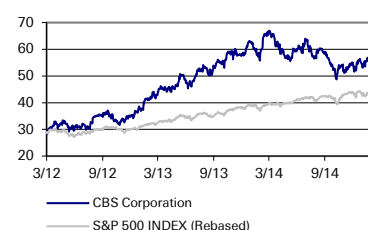
Ad Revenue Should Hold Up While the Model Evolves

Our view is that the TV ad market will be flattish this year and for the next few years as audience measurement and changes in the ad model itself play catch up to consumer behavior and advertiser demands, and some TV ad spend shifts to mobile/social. While CBS is becoming less dependent on advertising with each passing year as affiliate and licensing revenues grow, we estimate advertising will still be about half of CBS' total revenue this year. The fact that consumer engagement with CBS' and other programmers' content remains at very high levels means that the industry does have time to adapt, and we believe CBS is well-positioned to benefit due to the popularity of its content and that its shows over-index to time-shifting. In the meantime, we think CBS' core advertising revenue will grow ~2% per year, which is higher than our industry advertising forecast.

Valuation and Risks

Our PT is based on our Economic Returns Model, which is a market-based DCF model. We estimate CBS will generate equity returns of 9.2% (CAGR) through 2020 based on our forecast and the current stock price. We calculate the Company's WACC at 8.8%, derived from our assumptions, including 5.0% pre-tax cost of debt, 34.5% tax rate, 5.0% equity risk premium, 4% normalized risk-free rate, and a beta of 1.2. Our PT of \$67 implies a P/E of 16x our 2016 estimate, 10.7x EV/ 2016 EBITDA, and 2016 unlevered FCF yield of 5.6%. Upside/ downside risks include acceleration/deceleration in the ad market.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	10.1	14.2	-6.5
S&P 500 INDEX	2.8	1.3	12.0

Source: Deutsche Bank

See pg. 6-7 for a detailed
upside/downside risks

Forecasts And Ratios

Year End Dec 31	2014A	2015E	2016E
1Q EPS ¹	0.77	0.75	0.88
2Q EPS	0.72	0.97	1.11
3Q EPS	0.09	0.84	0.91
4Q EPS	0.77	0.99	1.28
FY EPS (USD)	2.55	3.54	4.17
P/E (x)	22.8	17.6	15.0
Dividend yield (%)	0.9	1.0	1.2

Source: Deutsche Bank estimates, company data

¹ Includes the impact of FAS123R requiring the expensing of stock options.

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Investment Thesis

Outlook

CBS is strategically well-positioned as the best programmed broadcast network, in our view, with a full syndication/ licensing pipeline to benefit from secular growth in international pay TV and global SVOD markets. We expect the growth in retrans and reverse comp revenue and Showtime to drive the majority of its 3-year OIBDA growth, and share buybacks to drive a 16% EPS CAGR. However, with limited upside in our PT we rate the stock a Hold.

Valuation

Our PT is based on our Economic Returns Model, which is a market-based DCF model. The model starts by taking the current market value of the company, and calculating the return to shareholders based on our forecasted fundamentals and capital structure. The return on Enterprise Value comes from two sources, the current unlevered FCF yield, and capitalizing the growth/decline in the unlevered FCF annuity stream at the company's WACC. After forecasting the EV for each year, the capital structure is overlaid to incorporate the benefits of levered equity returns, share repurchases, and equity investments. We do this to remove the high subjectivity level inherent in determining terminal growth rates.

We estimate a 9.2% average annual equity return over the forecast period based on our forecast and current market value. This is driven by growth in FCF to the firm, a 6% unlevered FCF yield, and shrinking share count.

We calculate the Company's WACC at 8.8%, derived from our assumptions including 5.0% pre-tax cost of debt, 34.5% tax rate, 5.0% equity risk premium, 4% normalized risk-free-rate, and a beta of 1.2.

Risks

See pg. 6 and 7 for further details.

Upside potential includes industry-wide improvements in audience measurement and ad delivery, a strong TV ad market; upside from Showtime's OTT service and international expansion; CBS All Access gaining traction and adding growth at high margin; participation in the upcoming broadcast incentive auction; and accretive M&A or spin-off of certain businesses, as reported in the press at various times.

Downside risks include an advertising recession; a material decline in the popularity of CBS' content; dilutive M&A; accelerated secular shifts in advertising spend or viewership away from TV; declines in radio advertising and publishing revenue, and that National Amusements owns high-vote shares of CBS, giving it 79.6% voting control through its 7.8% economic stake.



Company Analysis

CBS is Well-Positioned Strategically

One of the biggest brands in entertainment and sports

CBS has a broad portfolio of sports rights, most importantly, the NFL, and tent pole entertainment programming. CBS has held the leading share of broadcast viewership for many years, and captures about 10% of total US audience on average (Fig 4). It also had the most consistent ratings performance of any the major broadcast networks over the past 5 years. CBS has dominated the scripted broadcast segment, representing 10 of the top 15 shows in recent weeks (Fig 1).

Figure 2: CBS Sports rights

NFL including Super Bowls 2016, 2019, 2022
NCAA Men's Basketball
PGA Championship
Premiere boxing championship package
SEC Football

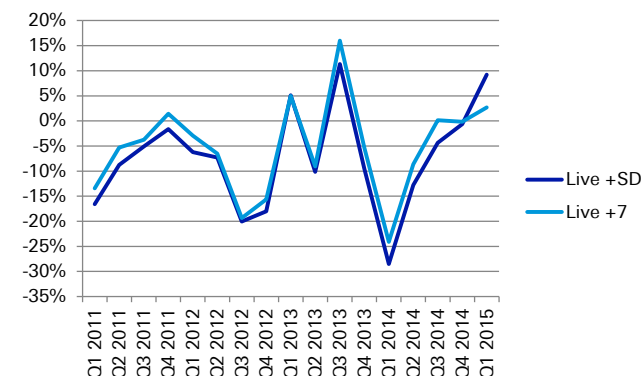
Source: Deutsche Bank

Figure 1: Top 15 scripted broadcast shows for the week ending 2/18/15

NCIS	CBS
The Big Bang Theory	CBS
NCIS: NEW ORLEANS	CBS
MOM	CBS
EMPIRE	FOX
Blue Bloods	CBS
Criminal Minds	CBS
BLACKLIST	NBC
Hawaii Five-0	CBS
Mike & Molly	CBS
Modern Family	ABC
NCIS: LOS ANGELES	CBS
60 Minutes	CBS
American Idol	FOX
SCANDAL	ABC

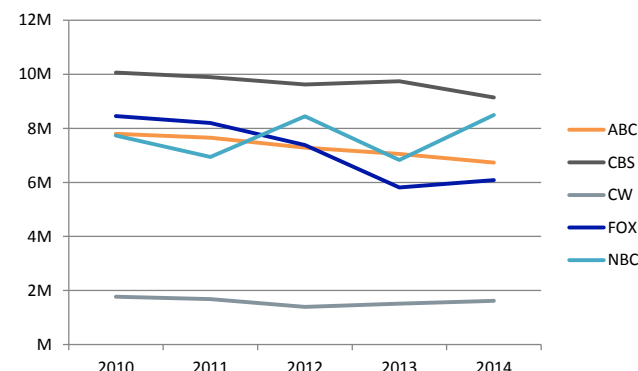
Source: TVByTheNumbers.com

Figure 3: CBS Primetime L+SD, L+7 Trends P25-54 Y/Y



Source: Nielsen

Figure 4: Broadcast Primetime L+7 Total Viewers



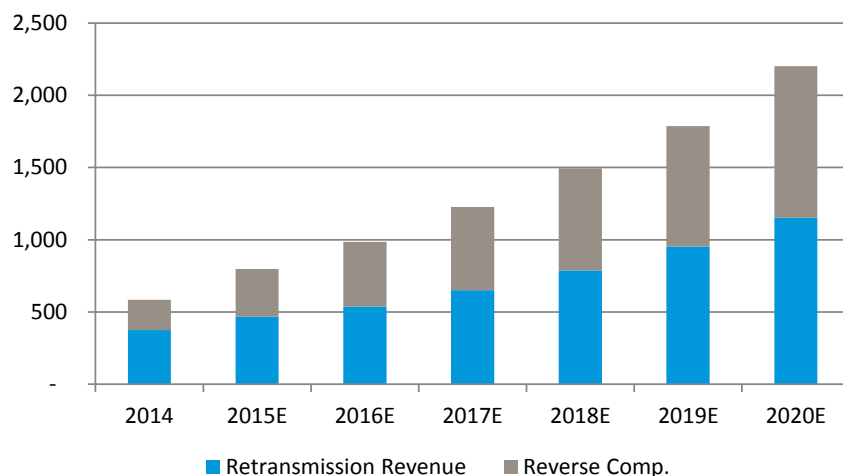
Source: Nielsen

Significant leverage in pay-TV and local station affiliate negotiations

Stemming from its strong programming, we expect CBS to reach \$1.2 billion in retransmission and reverse compensation revenue by 2016 and \$2.2 billion by 2020, which includes our assumption of CBS monetizing the licensing rights for out-of-home streaming rights on top of the in-home rights. Notably, our forecast assumes very modest declines in pay-TV subscribers.

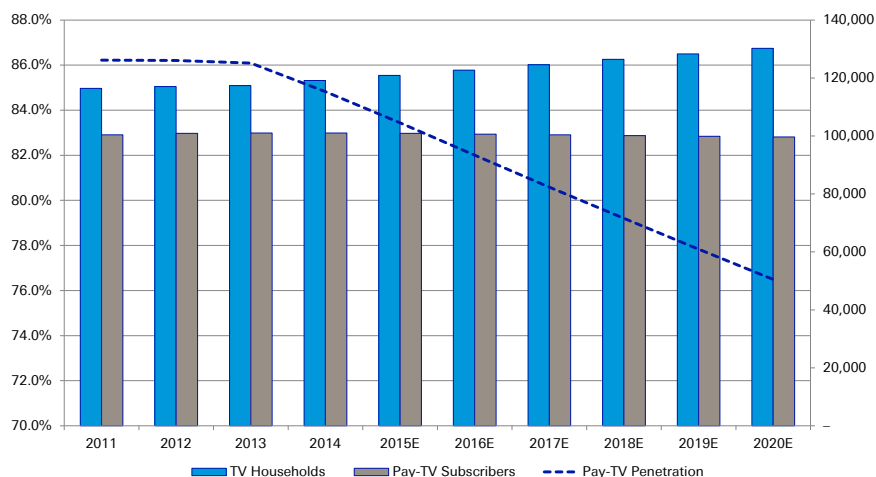


Figure 5: Retransmission and reverse comp revenue projection (USDm)



Source: Company data, Deutsche Bank

Figure 6: Pay-TV industry forecast



Source: Deutsche Bank, SNL Kagan

A leading television production studio

CBS has a full pipeline of programming that has yet to be licensed domestically, and is well-positioned to continue to take advantage of secular growth in international SVOD and pay-TV growth, in our view. As one of the leading producers of television content, CBS has a competitive advantage in sourcing content for the network and Showtime, as well as an advantage in funding it.

CBS currently has 15 of the top 20 scripted series on television (Fig 1) and they are pretty well balanced in terms of tenure (six have been on air three years or less, five between four and six years, and four have been on seven years or more). We think that this kind of consistency in programming strength is important, because it allows for a steady flow of new shows to refill the syndication pipeline, while the older shows provide the right lead-ins for new



programs, helping to continue that consistency in ratings. Currently CBS' pipeline is strong with many shows yet to be sold through domestic syndication, which include: Madam Secretary, Scorpion, NCIS New Orleans, Beauty and the Beast, Jane the Virgin, Rain, The Affair, Penny Dreadful, Ray Donovan, Masters of Sex, House of Lies, and Nurse Jackie.

Stable of owned current and library content combined with brand strength make standalone CBS and Showtime OTT services viable

While the domestic OTT opportunity pales in comparison to the pay-TV business, as the un-penetrated household base (i.e. without pay-TV) grows over time, it becomes a larger opportunity.

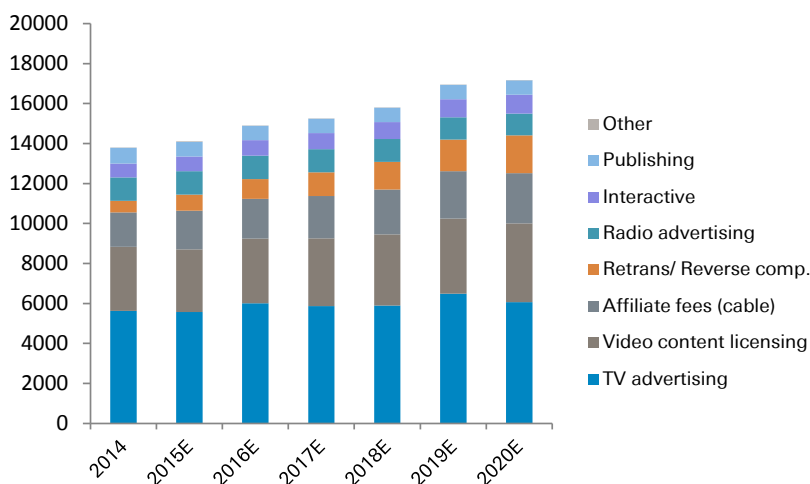
Moreover, Showtime has an attractive international opportunity. To date, Showtime has only licensed shows internationally, but it recently announced a more lucrative, recurring revenue model in Canada that introduces Showtime as a standalone service outside of the US for the first time. We think this could be a template for future global expansion. By way of comparison, HBO has garnered 90 million subscribers internationally, with 57 million coming from Latin America and the rest largely from Asia and the Nordic region.

Improving Revenue Mix, 2% Annual Core Advertising Outlook

We forecast top line growth of about 4% per year (ex-political and Super Bowl years)

The factors limiting growth are exposure to linear TV advertising, radio, and publishing; which dilute higher growth rates in affiliate fees, licensing revenue, and digital advertising. We're projecting a 2% 2014-2018 CAGR for CBS' total TV and Interactive advertising revenue combined, which implicitly assumes growth in sports ad revenue (which is ~1/3 of total ad revenue), growth in digital revenue (VOD, TV Everywhere, All Access, CBSN, the China Digital Assets, and CNET), and declines in live linear entertainment ad revenue.

Figure 7: Revenue growth forecast by type (USDm)



Source: Company data, Deutsche Bank



We believe that CBS' position in advertising will remain strong over the long term

However, in the short term we think the ability to grow ad revenue will be limited by general TV ratings headwinds, shifts in advertisers' budgets toward digital, and viewership measurement/ad model deficiencies. Also in the short term, we see CBS' high share of TV ratings and role as an aggregator of large audiences (and live audiences) as invaluable to brand advertisers. We believe that the advertising scatter market has been firming up over the past four weeks, which bodes well for CBS if it continues. It's too early to call it a trend, in our view, but we'll continue to watch it. In the medium to long term, we believe that monetizing viewership beyond C3/C7, improved measurement of non-linear consumption methods, and dynamic ad insertion will draw high demand from advertisers, which will be a growth opportunity for CBS, and should offset declines in live linear entertainment ad revenue. See our Sector report for a more in-depth discussion on this topic.

High Levels of Capital Returns to Shareholders

Over the last 2 years, CBS has retired 151 million (24%) of its shares, including 45 million that it retired in connection with the Outdoor split-off. CBS plans to repurchase another \$1 billion worth of stock in 1Q2015, at which point it will have \$3.8 billion remaining on its authorized share buyback program, which we assume will be completed in early 4Q16.

We are modeling a \$2.9 billion in share repurchase for 2015 and another \$2.3 billion in 2016. CBS' has indicated that it's comfortable at a gross leverage ratio of 2.5x, as compared to the current 2.2x.

Sources of Optionality / Potential Upside to Our Forecast

Upside risks include:

- A stronger TV ad market could benefit CBS by driving advertising pricing higher.
- Industry-wide improvements in audience measurement and ad delivery that drive higher measured viewership could accelerate growth in ratings and advertising, including beginning to insert current ads into VOD programming played beyond the C3/C7 window; further, the ability to insert targeted "digital" ads into VOD and content streamed to IP devices (i.e. connected TVs, computers, tablets, smart phones), which are sold at higher CPMs than linear ads. See our Sector report for a more in-depth discussion on this topic.
- Showtime, to date, has only licensed its content internationally. The new long-term deal with Bell Media in Canada introduces Showtime as a standalone service outside of the US for the first time, through which Showtime is licensing both its brand and content. This is a more lucrative business model than simply licensing content to third party international channels, and can be replicated elsewhere. By comparison, HBO has 90 million subscribers outside of the US, equating to ~\$1.5 billion in revenue as of 2013 (including the unconsolidated JVs) with Latin America accounting for ~\$600m.



- In addition to CBS All Access, which was launched in October 2014, Showtime is expected to launch an over-the-top offering some time in 2015, which is not in our forecast explicitly. Depending on the number of subscribers the two products are able to garner, it could add some growth to CBS' revenue at high margin.
- CBS could participate in the upcoming broadcast incentive auction, currently scheduled for 2016. The details haven't been hammered out yet, but CBS could potentially benefit from putting its spectrum up for sale in the auction.
- CBS could be involved in industry consolidation, or decide to spin off certain businesses, as has recently been reported in the press on multiple occasions.

Downside risks

- Acceleration in digital spending shift or an economic downturn could negatively impact TV ad revenue.
- Precipitous declines in ratings due to a decline in the popularity of CBS' content, measurement shortcomings, or changes in consumer behavior in response to increasing availability of video streaming services.
- Dilutive M&A
- Declines in radio advertising and publishing revenue
- National Amusements owns high-vote shares of CBS, giving it 79.6% voting control through its 7.8% economic stake.

Forecast Discussion

Please see CBS Income Statement for more details (Fig. 10)

Q1 2015

We expect total revenue to be slightly down at -2%, largely driven by the loss of an NFL playoff game, which rotates back to CBS bi-annually, a tough syndication comparison from the Dexter deal in 1Q14, as well as tough international licensing comps with 1Q14. Partially offsetting these headwinds are favorable Sochi Olympics comps and more airing of originals this year vs. re-runs aired against the Olympics last year, although this will also increase programming costs. We expect core advertising revenue growth of 2% at CBS Network and -1% at the local stations. We expect company-wide OIBDA to decline 12% YoY (21.6% margin, down 260 bps) driven by the decline in revenue and higher programming amortization expense.

Q2 2015

We expect revenue growth of 7%, driven by the syndication of CSI to Hulu Plus (\$95m revenue, DB estimate), the Mayweather-Pacquiao pay-per-view match, and the Showtime licensing revenue that will start coming in from Bell Media (for a partial quarter). We expect OIBDA to grow 14% (26.8% margin, up 170 bps) driven by the growth in high-margin licensing revenue, partially offset by the costs for the boxing match (which is low margin).



Q3 2015

We expect syndication revenue from Elementary and SVOD revenue from NCIS (our expectation, not announced) to fill the year/year syndication hole otherwise left from Blue Bloods and Hawaii Five-0. We also expect the sophomore year of CBS' coverage of Thursday Night Football to be better monetized than the first year, when 5 of the 8 games were one-sided. This will also be the first full quarter reflecting the Bell Media deal (we assume \$100m revenue per year). On the cost side, revenue growth associated with syndication and licensing deals adds incremental amortization costs. CBS is also premiering another summer original series, Zoo, which will drive a year/year increase in programming costs. All in, we expect revenue growth of 2% and flat growth in OIBDA (23.6% margin, down 60 bps).

Q4 2015

We expect core advertising growth at CBS Network to pick up slightly to 3%, driven by an easy comp with 4Q14 and growth in NFL advertising, although we assume Local Broadcasting will still be challenged with -1% core growth and tough political comps. Cable Networks will continue to benefit from the Bell Media deal. Expense growth should be contained as it comps against large programming investments from last year (NFL renewal) and lower entertainment programming expenses as The Mentalist and Two and a Half Men go off air. All in, we expect 3% revenue growth and 16% OIBDA growth (23.4% margin, up 230 bps).

2016

The Super Bowl comes back to CBS in 2016 and should provide a nice lift to entertainment revenues. For the year, we see nearly 6% in total revenue growth, met with ~60bps of OI margin expansion. The Presidential election should bolster both top-line and operating profit in the back-half of the year.

2017

We model 3% growth in revenue and 6% growth in OIBDA (25.2% margin, up 80 bps) with tough Super Bowl, additional NFL playoff game, and Presidential political year comps weighing on growth, offset by the return of the NCAA Men's Basketball Final Four and Championship game to CBS from Turner Networks, and easing comps in other areas of the business.

2018

We model revenue growth to accelerate to 4% and OIBDA to grow 10% (26.6%, up 140 bps), with the absence of NCAA Men's Basketball Final Four more than offset by increased political revenue from the mid-term elections, higher retrans and reverse comp, licensing revenues growth, and growth in the cable networks.

Valuation

CBS currently trades at a 2015 P/E of 18x, 11.5x 2015 EV/EBITDA, and a 2015 unlevered FCF yield of 4.7%. Our PT of \$67 implies a P/E of 16x our 2016 estimate, 10.7x EV/ 2016 EBITDA, and 2016 unlevered FCF yield of 5.6%.

We estimate a 9.2% average annual equity return over the forecast period based on our forecast and the current market value. Our Economic Returns



Model (Fig 8) illustrates this below. We calculate the Company's WACC at 8.9%, derived from our assumptions, including 5.0% pre-tax cost of debt, 34.5% tax rate, 5.0% equity risk premium, 4% normalized risk-free-rate, and a beta of 1.2.

Figure 8: Economic Returns Model

	2014	2015	2016	2017	2018	2019	2020
Consolidated Enterprise Value	34,548	35,149	39,191	40,991	41,786	43,647	46,863
Unlevered Free Cash Flow	1,774	1,827	2,185	2,344	2,414	2,579	2,864
Unlevered FCF Yield		5.2%	5.9%	5.8%	5.8%	6.0%	6.3%
WACC		8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Value from Growth		601	4,042	1,800	794	1,861	3,216
Return from Growth		1.7%	10.9%	4.5%	1.9%	4.4%	7.1%
Total Value Creation		2,428	6,227	4,144	3,209	4,441	6,080
Total Economic Return		7.0%	16.8%	10.3%	7.8%	10.4%	13.4%
Consolidated Enterprise Value		35,149	39,191	40,991	41,786	43,647	46,863
Plus: Cash & Equivalents		200	200	200	200	200	200
Plus: Non-Consolidated Assets	775	814	854	897	942	989	1,039
Less: Debt		7,483	8,609	8,583	8,279	9,003	9,332
Less: Minority Interest		-	-	-	-	-	-
Equity Value		28,679.9	31,636.3	33,505.5	34,648.6	35,832.8	38,769.2
Shares Outstanding (Diluted)		474.0	443.6	420.7	399.9	381.1	363.9
Value per Share		\$60.51	\$71.32	\$79.64	\$86.63	\$94.04	\$106.54
Equity Return		-3.6%	17.9%	11.7%	8.8%	8.5%	13.3%
Current Price	\$62.80						

Mean Geometric Return Over Period 9.2%

Source: Deutsche Bank

Figure 9: Comparable Company Valuations

	Ticker	Rating	Current Price	DB Target	Upside / Downside	EV / EBITDA			Unlevered Free Cash Flow Yield			P/E		
						2015	2016	2017	2015	2016	2017	2015	2016	2017
21st Century Fox, Inc.	FOXA	BUY	\$35.64	\$42	17.8%	11.1x	9.9x	8.4x	4.1%	4.9%	6.9%	20.9x	18.9x	15.0x
Time Warner Inc.	TWX	BUY	\$83.16	\$100	20.3%	11.1x	9.4x	8.5x	4.7%	6.4%	7.1%	17.7x	14.2x	12.5x
Viacom Inc.	VIAB	BUY	\$71.48	\$83	16.1%	9.6x	8.5x	7.8x	7.2%	7.5%	8.0%	12.3x	11.1x	9.7x
Liberty Media Corp	LMCA	HOLD	\$40.28	\$43	6.8%	NM	NM	NM	NM	NM	NM	NM	NM	NM
The Walt Disney Co.	DIS	HOLD	\$106.35	\$105	-1.3%	13.1x	11.6x	10.5x	3.6%	4.4%	4.8%	21.5x	19.7x	17.7x
CBS Corp.	CBS	HOLD	\$62.80	\$67	6.7%	11.5x	10.1x	9.2x	4.7%	5.9%	6.6%	17.7x	15.0x	13.4x
Sirius XM Holdings Inc.	SIRI	HOLD	\$4.00	\$4	0.0%	15.4x	13.8x	12.5x	4.1%	4.7%	4.6%	37.8x	31.4x	26.8x

Source: Deutsche Bank

Figure 10: CBS Income Statement

	12/31/2013	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	2016	2017	2018	2019	2020
Ex. Outdoor												
Revenues:												
Entertainment	8,645	8,309	2,270	1,974	1,974	2,356	8,574	9,207	9,510	9,816	10,853	10,940
% growth YoY	12%	-4%	-1%	8%	3%	4%	3%	7%	3%	3%	11%	1%
Cable Networks	2,069	2,176	500	614	638	555	2,308	2,375	2,541	2,719	2,910	3,113
% growth YoY	17%	5%	-7%	19%	2%	11%	6%	3%	7%	7%	7%	7%
Publishing	809	778	145	211	209	226	791	791	791	791	791	791
% growth YoY	2%	-4%	-5%	0%	5%	5%	2%	0%	0%	0%	0%	0%
Local broadcasting	2,696	2,756	640	667	667	731	2,705	2,819	2,780	2,932	2,963	3,051
% growth YoY	-3%	2%	2%	0%	-2%	-7%	-2%	4%	-1%	5%	1%	3%
Eliminations	(214)	(213)	(54)	(43)	(47)	(70)	(214)	(216)	(218)	(220)	(223)	(225)
% growth YoY	2%	0%	10%	10%	0%	-10%	0%	1%	1%	1%	1%	1%
Total	14,005	13,806	3,502	3,423	3,441	3,797	14,164	14,976	15,404	16,038	17,294	17,670
% growth YoY	9%	-1%	-2%	7%	2%	3%	3%	6%	3%	4%	8%	2%
OIBDA:												
Entertainment	1,758	1,455	352	461	337	398	1,548	1,689	1,864	1,991	2,155	2,352
Cable Networks	898	997	239	243	275	296	1,053	1,128	1,213	1,304	1,403	1,508
Publishing	113	107	12	24	45	28	110	110	110	110	110	110
Local broadcasting	898	965	214	240	199	255	908	979	951	1,120	1,065	1,220
Corporate	(332)	(269)	(62)	(52)	(47)	(89)	(250)	(255)	(260)	(265)	(265)	(273)
OIBDA	3,335	3,255	756	916	810	887	3,369	3,650	3,878	4,260	4,466	4,917
% growth YoY	7%	-2%	-12%	14%	0%	14%	4%	8%	6%	10%	5%	10%
% margin	23.8%	23.6%	21.6%	26.8%	23.6%	23.4%	23.8%	24.4%	25.2%	26.6%	25.8%	27.8%
Total adjusted operating income	3,025	2,974	688	849	743	818	3,098	3,391	3,622	4,004	4,210	4,660
% growth YoY	8%	-2%	-13%	16%	0%	16%	4%	9%	7%	11%	5%	11%
% margin	22%	22%	20%	25%	22%	22%	22%	23%	24%	25%	24%	26%
Operating Income	3,005	2,896	688	849	743	818	3,098	3,391	3,622	4,004	4,210	4,660
Interest expense	(375)	(363)	(93)	(100)	(101)	(104)	(398)	(432)	(469)	(483)	(492)	(488)
Interest income	8	13	2	2	4	2	9	7	1	1	1	1
Net loss on early extinguishment of debt	-	(352)	-	-	-	-	-	-	-	-	-	-
Other items, net	7	(30)	-	-	-	-	-	-	-	-	-	-
Earnings (loss) from continuing operations before income taxes	2,645	2,164	597	750	646	716	2,710	2,967	3,154	3,522	3,719	4,173
(Provision) benefit for income taxes	(878)	(762)	(203)	(259)	(220)	(243)	(925)	(1,023)	(1,088)	(1,215)	(1,283)	(1,440)
Effective tax rate %	33%	35%	34%	35%	34%	34%	34%	35%	35%	35%	35%	35%
Equity in loss of investee companies, net of tax	(49)	(48)	(10)	(10)	(20)	-	(40)	(35)	(35)	(35)	(35)	(35)
Net earnings (loss) from continuing operations	1,718	1,354	384	482	407	472	1,745	1,908	2,031	2,272	2,401	2,698
% growth YoY	14%	-21%					29%	9%	6%	12%	6%	12%
Net earnings (loss) from discontinued operations, net of tax	141	1,605	-	-	-	-	-	-	-	-	-	-
Net earnings (loss)	1,859	2,959	384	482	407	472	1,745	1,908	2,031	2,272	2,401	2,698
% growth YoY							-41%	9%	6%	12%	6%	12%
WAVG Shares:												
Basic	608	550	499	487	477	469	483	449	424	402	383	365
Diluted	624	561	509	496	487	478	493	458	432	410	390	372
Adjusted EPS (Continuing Operations):												
Basic	\$2.83	NA	\$0.77	\$0.99	\$0.85	\$1.01	\$3.62	\$4.26	\$4.79	\$5.65	\$6.27	\$7.39
Diluted	\$2.80	\$2.96	\$0.75	\$0.97	\$0.84	\$0.99	\$3.55	\$4.17	\$4.70	\$5.54	\$6.15	\$7.24
% Growth		6%	-2%	35%	18%	28%	20%	18%	13%	18%	11%	18%

Source: Company data, Deutsche Bank



Figure 11: CBS Balance Sheet

	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
	2013	2014	2015	2016	2017	2018	2019	2020
Current Assets:								
Cash and cash equivalents	368	428	200	200	200	200	200	200
A/R	3,234	3,459	3,828	4,088	4,178	4,350	4,691	4,793
Programming and other inventory (Note 5)	772	922	900	793	822	959	1,174	1,296
Deferred income tax assets, net (Note 12)	152	104	104	104	104	104	104	104
Prepaid income taxes	—	161	161	161	161	161	161	161
Prepaid expenses	109	129	118	122	117	120	130	130
Other current assets	384	386	328	328	328	328	328	328
Current assets of discontinued operations	351	—	—	—	—	—	—	—
Total current assets	5,370	5,589	5,640	5,796	5,910	6,222	6,788	7,012
Net property and equipment	1,461	1,433	1,403	1,380	1,362	1,345	1,332	1,321
Programming and other inventory (Note 5)	1,697	1,817	2,100	2,250	2,300	2,400	2,600	2,700
Goodwill (Note 2)	6,588	6,698	6,698	6,698	6,698	6,698	6,698	6,698
Intangible assets (Note 2)	5,870	6,008	5,987	5,975	5,968	5,964	5,960	5,960
Other assets (Note 1)	1,963	2,488	2,448	2,413	2,378	2,343	2,308	2,273
Assets of discontinued operations	3,438	39	—	—	—	—	—	—
Total assets	26,387	24,072	24,276	24,513	24,616	24,972	25,686	25,963
Current Liabilities:								
Accounts payable	371	302	296	244	258	264	261	259
Accrued compensation	389	333	237	244	235	240	261	259
Participants' share and royalties payable	1,008	999	1,000	1,000	1,057	1,079	1,174	1,167
Program rights	398	404	355	366	352	360	391	389
Deferred revenues	292	206	206	206	206	206	206	206
Income taxes payable	55	—	—	—	—	—	—	—
Commercial paper (Note 8)	475	616	616	616	616	616	616	616
Current portion of long-term debt (Note 8)	21	20	420	20	370	970	420	20
Accrued expenses and other current liabilities	1,164	1,127	1,250	1,250	1,291	1,199	1,150	1,150
Current liabilities of discontinued operations	34	26	26	26	26	26	26	26
Total current liabilities	4,207	4,033	4,406	3,972	4,411	4,959	4,505	4,092
Long-term debt (Note 8)	5,940	6,510	7,483	8,609	8,583	8,279	9,003	9,332
Participants' share and royalties payable	—	—	—	—	—	—	—	—
Pension and postretirement benefit obligations (Note 13)	1,327	1,564	1,564	1,564	1,564	1,564	1,564	1,564
Deferred income tax liabilities, net (Note 12)	1,314	1,530	1,489	1,489	1,489	1,489	1,489	1,489
Other liabilities	3,156	3,347	3,552	3,661	3,522	3,597	3,912	3,888
Noncurrent liabilities of discontinued operations	477	118	118	118	118	118	118	118
Total long-term liabilities	12,214	13,069	14,206	15,441	15,276	15,047	16,087	16,392
Stockholders' Equity								
Common stock	1	1	1	1	1	1	1	1
Additional paid-in capital	43,474	44,041	44,201	44,361	44,521	44,681	44,841	45,001
Accumulated deficit	(24,890)	(21,931)	(20,497)	(18,922)	(17,252)	(15,375)	(13,406)	(11,182)
AOCI	(545)	(735)	(735)	(735)	(735)	(735)	(735)	(735)
Stockholders' equity including treasury stock	18,040	21,376	22,970	24,705	26,535	28,572	30,701	33,085
Less treasury stock, at cost	8,074	14,406	17,306	19,606	21,606	23,606	25,606	27,606
Total Stockholders' Equity	9,966	6,970	5,664	5,099	4,929	4,966	5,095	5,479
Total Liabilities and Stockholders' Equity	26,387	24,072	24,276	24,513	24,616	24,972	25,686	25,963

Source: Deutsche Bank



Figure 12: CBS Cash Flow Statement

Cash From Operations

Net earnings (loss) 2,959
Less: Net earnings (loss) from discontinued operations 1,605
Net earnings (loss) from continuing operations 1,354

Adjustments:

Depreciation and amortization 281
Impairment charges 52
Deferred tax provision (benefit) 692
Stock-based compensation 154
Redemption of debt (8)
Net loss (gain) on dispositions and write-down of assets (12)
Equity in loss of investee companies, net of tax and distributions 57
Amortization of deferred financing costs 9

Change in assets and liabilities, net of investing and financing activities:

Net cash flow provided by (used for) operating activities from continuing operations 1,210
Net cash flow provided by (used for) operating activities from discontinued operations 65

Net cash flow provided by (used for) operating activities

Change in NWC

Cash From Investing

Acquisitions, net of cash acquired (27)
Capital expenditures (206)
Investments in and advances to investee companies (98)
Proceeds from sale of investments 12
Proceeds from dispositions 3
Net cash flow provided by (used for) investing activities from continuing operations (316)
Net cash flow provided by (used for) investing activities from discontinued operations (285)

Net cash flow provided by (used for) investing activities

Cash From Financing

Proceeds from ST debt borrowings, net 141
Proceeds from issuance of notes 1,728
Repayment of notes and debentures (1,152)
Payment of capital lease obligations (17)
Payment of contingent consideration -
Dividends (292)
Share Repurchases (3,595)
Proceeds from exercise of stock options 283
Excess tax benefit from stock-based compensation 243
Other (149)

Net cash flow provided by (used for) financing activities from continuing operations (2,810)
Net cash flow provided by (used for) financing activities from discontinued operations 2,167

Net Cash flow provided by (used) for financing activities

Net increase (decrease) in cash and cash equivalents 31
Cash and cash equivalents at beginning of period 397
Cash and cash equivalents at end of period 428

	2014	2015	2016	2017	2018	2019	2020
Cash From Operations							
Net earnings (loss)	2,959	1,745	1,908	2,031	2,272	2,401	2,698
Less: Net earnings (loss) from discontinued operations	1,605	-	-	-	-	-	-
Net earnings (loss) from continuing operations	1,354	1,745	1,908	2,031	2,272	2,401	2,698
Adjustments:							
Depreciation and amortization	281	271	259	255	256	256	257
Impairment charges	52	-	-	-	-	-	-
Deferred tax provision (benefit)	692	-	-	-	-	-	-
Stock-based compensation	154	160	160	160	160	160	160
Redemption of debt	(8)	-	-	-	-	-	-
Net loss (gain) on dispositions and write-down of assets	(12)	-	-	-	-	-	-
Equity in loss of investee companies, net of tax and distributions	57	40	35	35	35	35	35
Amortization of deferred financing costs	9	-	-	-	-	-	-
Change in assets and liabilities, net of investing and financing activities:							
Net cash flow provided by (used for) operating activities from continuing operations	1,210	1,791	2,130	2,268	2,333	2,498	2,790
Net cash flow provided by (used for) operating activities from discontinued operations	65	39.0	-	-	-	-	-
Net cash flow provided by (used for) operating activities	1,275	1,830	2,130	2,268	2,333	2,498	2,790
<i>Change in NWC</i>	(1,369)	(425)	(232)	(214)	(389)	(355)	(360)
Cash From Investing							
Acquisitions, net of cash acquired	(27)	-	-	-	-	-	-
Capital expenditures	(206)	(220)	(224)	(230)	(235)	(240)	(245)
Investments in and advances to investee companies	(98)	-	-	-	-	-	-
Proceeds from sale of investments	12	-	-	-	-	-	-
Proceeds from dispositions	3	-	-	-	-	-	-
Net cash flow provided by (used for) investing activities from continuing operations	(316)	(220)	(224)	(230)	(235)	(240)	(245)
Net cash flow provided by (used for) investing activities from discontinued operations	(285)	-	-	-	-	-	-
Net cash flow provided by (used for) investing activities	(601)	(220)	(224)	(230)	(235)	(240)	(245)
Cash From Financing							
Proceeds from ST debt borrowings, net	141	-	-	-	-	-	-
Proceeds from issuance of notes	1,728	1,373	726	324	296	174	(71)
Repayment of notes and debentures	(1,152)	-	-	-	-	-	-
Payment of capital lease obligations	(17)	-	-	-	-	-	-
Payment of contingent consideration	-	-	-	-	-	-	-
Dividends	(292)	(311)	(333)	(361)	(395)	(432)	(474)
Share Repurchases	(3,595)	(2,900)	(2,300)	(2,000)	(2,000)	(2,000)	(2,000)
Proceeds from exercise of stock options	283	-	-	-	-	-	-
Excess tax benefit from stock-based compensation	243	-	-	-	-	-	-
Other	(149)	-	-	-	-	-	-
Net cash flow provided by (used for) financing activities from continuing operations	(2,810)	(1,838)	(1,906)	(2,038)	(2,098)	(2,258)	(2,545)
Net cash flow provided by (used for) financing activities from discontinued operations	2,167	-	-	-	-	-	-
Net Cash flow provided by (used) for financing activities	(643)	(1,838)	(1,906)	(2,038)	(2,098)	(2,258)	(2,545)
Net increase (decrease) in cash and cash equivalents	31	(228)	-	-	-	-	-
Cash and cash equivalents at beginning of period	397	428	200	200	200	200	200
Cash and cash equivalents at end of period	428	200	200	200	200	200	200

Source: Deutsche Bank





Appendix 1

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Additional information available upon request

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Company	Ticker	Recent price*	Disclosure
CBS Corporation	CBS.N	62.46 (USD) 4 Mar 15	1,7,8,14,15

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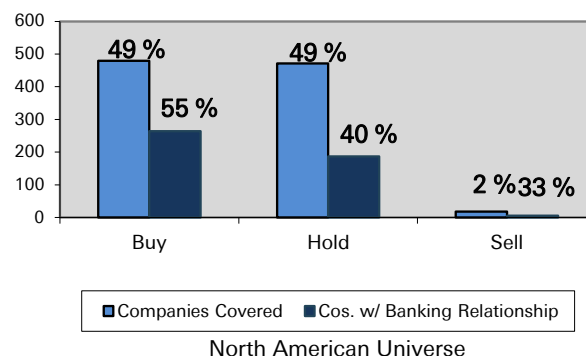
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