

Viacom Inc. (VIAB)

Rating	OUTPERFORM*
Price (12 Nov 15, US\$)	49.79
Target price (US\$)	(from 60.00) 65.00 ¹
52-week price range	77.27 - 38.15
Market cap. (US\$ m)	19,878.63
Enterprise value (US\$ m)	30,177.08

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

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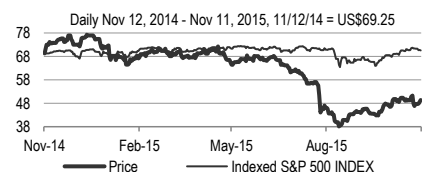
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INCREASE TARGET PRICE

Still too cheap

- **Action/Event:** We leave our 2016/2017 EPS forecasts broadly unchanged post Q4 2015 earnings at \$5.91/\$6.90 (previously \$5.91/\$6.89). With secular headwinds stabilizing and given substantial restructuring potential, we upgrade our TP to \$65, which assumes a still-modest 11x 2016 P/E (previously 10.2x), and continue to regard the risk/reward going into the DISH renewal as highly attractive. We remain OP.
- **Challenges remain, but the pace of change will be slow:** Our thesis is Viacom's core cable networks business faces challenges from a shrinking pay TV universe but that the pace of shrinkage is likely to be slow, which will give all the players in the ecosystem time to adapt their business models. With important strategic shifts from media companies on SVOD licensing, we remain very comfortable with our thesis post earnings season.
- **Restructuring potential could be substantial:** With 20 cable networks outside the core five (Nickelodeon, MTV, VH1, BET and Comedy Central) absorbing combined programming costs of approximately \$1.6bn pa, we believe the debate about how many networks Viacom actually needs to be relevant to distributors and consumers will continue.
- **DISH renewal next big catalyst:** As we argued in our last [report](#), we believe the DISH renewal is most important near term catalyst. We continue to believe the probability that DISH will drop Viacom is close to zero. This suggests the risks remain skewed to the upside in our view.
- **Valuation:** Despite the recent rally in the stock price, Viacom continues to trade at very modest multiples, 7.0x 2016 EV/EBITDA, 8.4x P/E.

Share price performance



On 11/12/15 the S&P 500 INDEX closed at 2056.05

Quarterly EPS	Q1	Q2	Q3	Q4
2015A	1.29	1.16	1.47	1.54
2016E	1.17	1.51	2.12	1.20
2017E	—	—	—	—

Financial and valuation metrics

Year	09/15A	09/16E	09/17E	09/18E
EPS (CS adj.) (US\$)	5.44	5.91	6.90	7.37
Prev. EPS (US\$)	—	—	6.89	7.35
P/E (x)	9.1	8.4	7.2	6.8
P/E rel. (%)	53.2	49.3	46.0	48.4
Revenue (US\$ m)	13,268.0	13,946.3	14,576.0	14,865.5
EBITDA (US\$ m)	4,140.2	4,337.0	4,875.1	5,089.0
OCFPS (US\$)	5.70	5.92	7.26	7.88
P/OCF (x)	7.6	8.4	6.9	6.3
EV/EBITDA (current)	7.6	7.0	5.8	5.1
Net debt (US\$ m)	11,779	10,298	8,363	6,268
ROIC (%)	20.48	17.77	20.08	21.05
Number of shares (m)	399.25	IC (current, US\$ m)	15,597.00	
BV/share (Next Qtr., US\$)	—	EV/IC (x)	—	
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)	1.6	
Net debt/tot eq (Next Qtr., %)	—	Dividend yield (%)	0.81	

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Viacom Inc. VIAB

Price (12 Nov 15): **US\$49.79**, Rating: **OUTPERFORM***, Target Price: **US\$(from 60.00) 65.00**

Income statement (US\$ m)	09/15A	09/16E	09/17E	09/18E
Revenue (US\$ m)	13,268.0	13,946.3	14,576.0	14,865.5
EBITDA	4,140	4,337	4,875	5,089
Depr. & amort.	(222)	(224)	(227)	(229)
EBIT (US\$)	3,920	4,113	4,648	4,860
Net interest exp.	(657)	(629)	(604)	(562)
Associates	102	110	114	117
Other adj.	(656)	—	—	—
PBT (US\$)	2,709	3,594	4,158	4,415
Income taxes	(501)	(1,150)	(1,330)	(1,413)
Profit after tax	2,208	2,444	2,827	3,002
Minorities	(80)	(82)	(83)	(85)
Preferred dividends	—	—	—	—
Associates & other	82	—	—	—
Net profit (US\$)	2,210	2,362	2,744	2,917
Other NPAT adjustments	(288)	—	—	—
Reported net income	1,922	2,362	2,744	2,917

Cash flow (US\$)	09/15A	09/16E	09/17E	09/18E
EBIT	3,920	4,113	4,648	4,860
Net interest	(657)	(629)	(604)	(562)
Cash taxes paid	—	—	—	—
Change in working capital	(3,768)	(4,517)	(4,379)	(4,324)
Other cash & non-cash items	2,818	3,402	3,224	3,144
Cash flow from operations	2,313	2,369	2,890	3,119
CAPEX	(142)	(146)	(151)	(155)
Free cash flow to the firm	2,171	2,223	2,739	2,964
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Other investment/(outflows)	—	—	—	—
Cash flow from investments	(142)	(146)	(151)	(155)
Net share issue/(repurchase)	(1,500)	(100)	(100)	(100)
Dividends paid	(593)	(642)	(703)	(769)
Issuance (retirement) of debt	—	—	—	—
Other	(94)	—	—	—
Cash flow from financing	(2,186)	(742)	(803)	(869)
Effect of exchange rates	(65)	—	—	—
Changes in Net Cash/Debt	(80)	1,481	1,936	2,094
Net debt at start	11,699	11,779	10,298	8,363
Change in net debt	80	(1,481)	(1,936)	(2,094)
Net debt at end	11,779	10,298	8,363	6,268

Balance sheet (US\$ m)	09/15A	09/16E	09/17E	09/18E
Assets				
Cash and cash equivalents	506	1,720	2,758	3,856
Accounts receivable	2,807	2,950	3,084	3,145
Inventory	786	827	835	842
Other current assets	559	588	594	599
Total current assets	4,658	6,086	7,272	8,441
Total fixed assets	4,563	4,692	4,668	4,636
Intangible assets and goodwill	11,796	11,765	11,735	11,708
Investment securities	—	—	—	—
Other assets	1,200	1,200	1,200	1,200
Total assets	22,217	23,743	24,874	25,985
Liabilities				
Accounts payable	506	533	538	542
Short-term debt	—	—	—	—
Other short term liabilities	3,348	4,711	4,358	3,294
Total current liabilities	3,854	5,243	4,896	3,836
Long-term debt	12,267	10,704	10,126	10,124
Other liabilities	2,278	2,358	2,473	2,598
Total liabilities	18,399	18,305	17,495	16,558
Shareholders' equity	3,538	5,158	7,099	9,147
Minority interest	280	280	280	280
Total equity & liabilities	22,217	23,743	24,874	25,985
Net debt (US\$ m)	11,779	10,298	8,363	6,268

Per share data	09/15A	09/16E	09/17E	09/18E
No. of shares (wtd avg)	406	400	398	396
CS adj. EPS (US\$)	5.44	5.91	6.90	7.37
Prev. EPS (US\$)	—	—	6.89	7.35
Dividend (US\$)	1.46	1.61	1.77	1.94
Dividend payout ratio	26.82	27.19	25.62	26.37
Free cash flow per share	5.35	5.56	6.88	7.49

Key ratios and valuation	09/15A	09/16E	09/17E	09/18E
Growth (%)				
Sales	(3.7)	5.1	4.5	2.0
EBIT	(5.0)	4.9	13.0	4.5
Net profit	(7.0)	6.9	16.2	6.3
EPS	0.8	8.5	16.7	6.9
Margins (%)				
EBITDA margin	31.2	31.1	33.4	34.2
EBIT margin	29.5	29.5	31.9	32.7
Pretax margin	20.4	25.8	28.5	29.7
Net margin	16.7	16.9	18.8	19.6

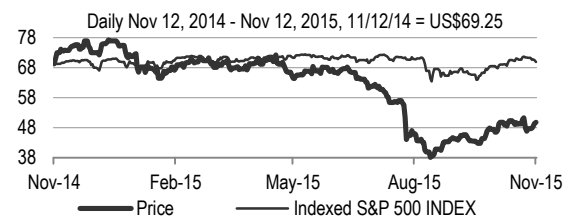
Valuation metrics (x)	09/15A	09/16E	09/17E	09/18E
EV/sales	2.4	2.2	1.9	1.8
EV/EBITDA	7.6	7.0	5.8	5.1
EV/EBIT	8.1	7.3	6.1	5.4
P/E	9.1	8.4	7.2	6.8
P/B	5.7	3.8	2.8	2.1
Asset turnover	0.60	0.59	0.59	0.57

ROE analysis (%)	09/15A	09/16E	09/17E	09/18E
ROE stated-return on	53.0	54.3	44.8	35.9
ROIC	20.5	17.8	20.1	21.1
Interest burden	0.69	0.87	0.89	0.91
Tax rate	20.0	32.0	32.0	32.0
Financial leverage	3.5	2.3	1.6	1.1

Credit ratios (%)	09/15A	09/16E	09/17E	09/18E
Net debt/equity	308.5	189.4	113.3	66.5
Net debt/EBITDA	2.8	2.4	1.7	1.2
Interest coverage ratio	6.0	6.5	7.7	8.7

Quarterly data	09/15A	09/16E	09/17E	09/18E
EPS for Q1	1.29	1.17	—	—
EPS for Q2	1.16	1.51	—	—
EPS for Q3	1.47	2.12	—	—
EPS for Q4	1.54	1.20	—	—

Source: Company data, Credit Suisse estimates.



On 11/12/15 the S&P 500 INDEX closed at 2056.05

What's changed?

- We leave our 2016 EPS forecast unchanged post Q4 2015 earnings and tweak our 2017/2018 forecasts to \$6.90/\$7.37 (previously \$6.89/\$7.35), primarily on lower expected profitability from Paramount. We summarize our forecasts in Exhibit 1 below.
- With secular headwinds stabilizing and given substantial restructuring potential, we upgrade our TP to \$65 (from \$60), which assumes a still-modest 11x 2016 P/E (previously 10.2x).

Exhibit 1: Summary Viacom P&L forecast changes

	2015	2016E			2017E			2018E		
		New	Old	Δ %	New	Old	Δ %	New	Old	Δ %
Revenue										
Cable Networks	\$10,490	\$10,679	\$10,739		\$11,049	\$11,114		\$11,172	\$11,242	
Entertainment	\$2,883	\$3,383	\$3,299		\$3,648	\$3,497		\$3,821	\$3,661	
Eliminations	(\$105)	(\$116)	(\$125)		(\$121)	(\$131)		(\$127)	(\$137)	
Total Revenues	\$13,268	\$13,946	\$13,913	0%	\$14,576	\$14,480	1%	\$14,865	\$14,765	1%
Segment Operating Income										
Cable Networks	\$4,143	\$4,327	\$4,367		\$4,787	\$4,831		\$5,002	\$5,050	
Entertainment	\$111	\$138	\$207		\$227	\$284		\$237	\$295	
Corp. Expense	(\$235)	(\$242)	(\$234)		(\$249)	(\$241)		(\$257)	(\$248)	
Eliminations & Eq. Based Comp	(\$99)	(\$111)	(\$120)		(\$116)	(\$126)		(\$122)	(\$132)	
Adjusted Operating Income	\$3,920	\$4,113	\$4,220	-3%	\$4,648	\$4,749	-2%	\$4,860	\$4,965	-2%
Adj Net Income	\$2,210	\$2,362	\$2,417	-2%	\$2,744	\$2,801	-2%	\$2,917	\$2,973	-2%
Adjusted Diluted EPS	\$5.44	\$5.91	\$5.91	0%	\$6.90	\$6.89	0%	\$7.37	\$7.35	0%

Source: Company data, Credit Suisse estimates

Thesis unchanged – pace of change likely to give even weakest players time to adapt

Our thesis on the stock remains the same: Viacom's exposure to ad-funded domestic cable networks which do not carry the most valuable content (which we define as sports, movies, drama and comedy) make it acutely vulnerable as video consumption shifts from traditional to online platforms.

However, we continue to argue that the pace of these shifts in consumption is also critical – a 1% pa decline in MVPD subscribers over the next five years (as we assume in our forecasts) would still leave over 80% of US households taking video programming via MVPDs in 2020. A shrinking pay TV universe is certainly disruptive, but a slow pace of decline gives programmers time to adapt business models and need not pose an existential threat to cable network groups like Viacom, in our view.

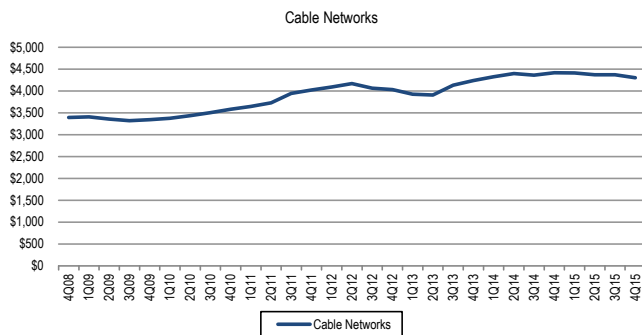
Q4 results – what we learned

- **SVOD licensing:** While peers including TWX and DIS have indicated a shift in their stance towards licensing content to the SVOD market, VIAB's comments on the conference call suggested it may make no changes to its licensing strategy, and talked positively about the merits of co-operation with MVPDs (TV Everywhere). We would argue there are strategic merits in deeper windowing and direct-to-consumer distribution and believe investors would welcome VIAB joining other content owners in modifying its licensing strategy in future.
- **Paramount:** Given the disappointing performance in 2015, when revenues fell 23% and operating income nearly halved, we were encouraged to hear management repeat their guidance that “we have committed to returning Paramount to a full 15 film slate” from last's year's 11, albeit this was tempered by their guidance that “we expect profits to be weighted to the back half of the year, as the studio benefits from summer releases”. We continue to expect Entertainment division operating income to recover to \$209m in 2016, although we would highlight that investors are likely to be much

more focused on the performance of the core Media Network business over the next twelve months.

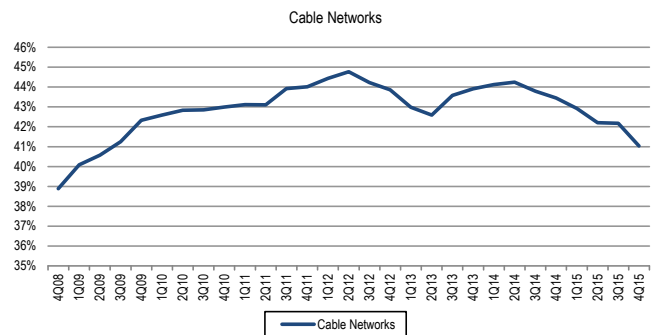
- Changes to Nielsen’s measurement system:** When asked about how the introduction of changes to Nielsen’s measurement systems might impact Viacom’s networks, management said “*net net we may benefit*”. This does not surprise us, given the work we have done on this issue (see pp. 41-47 of our initiation report [The Bundle Games](#)), but we believe some investors may have hoped improved measurement would mean materially more inventory for Viacom to sell.
- Advertising guidance:** Management said “*we see domestic advertising continuing to improve in Q4*”. This is similar to comments from peers about the strength of the scatter market in Q4.
- Affiliate fee guidance:** Management reiterated previous guidance, saying “*we continue to see high single digit growth in domestic affiliate fees in 2016*”. The outcome will, of course, depend in large part on the outcome of the DISH renewal, which should be known in early 2016.

Exhibit 2: Cable Networks OIBDA (LTM 2008-15)



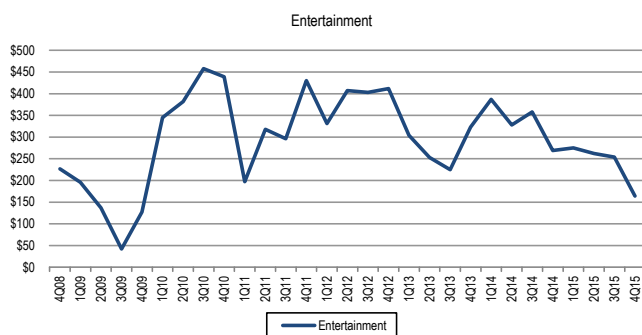
Source: Company data, Credit Suisse estimates

Exhibit 3: Cable Networks OIBDA margin (LTM 2008-15)



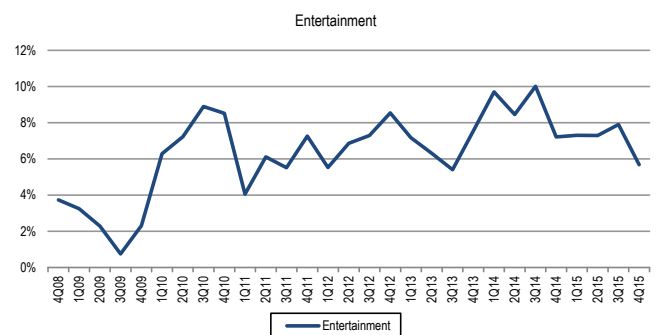
Source: Company data, Credit Suisse estimates

Exhibit 4: Entertainment OIBDA (LTM 2008-15)



Source: Company data, Credit Suisse estimates

Exhibit 5: Entertainment OIBDA margin (LTM 2008-15)

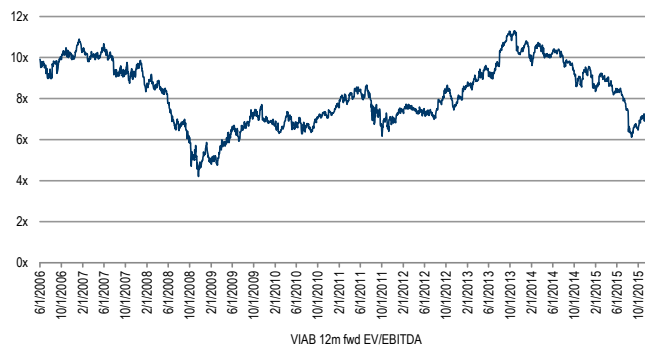


Source: Company data, Credit Suisse estimates

Valuation

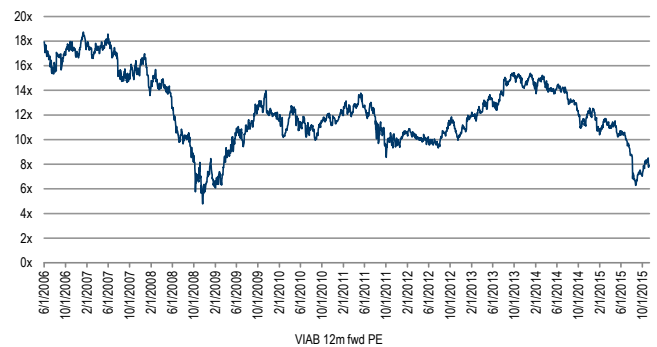
We value Viacom at \$65 (up from \$60), based on 11x 2016 P/E, equating to 8.3x 2016 EV/EBITDA. This is within the stock's recent trading range (see Exhibit 6 and Exhibit 7). Our valuation is supported by our DCF valuation, which uses a 0.1% terminal growth rate and a WACC of 9.0%.

Exhibit 6: Viacom 12m forward EV/EBITDA



Source: Thomson Reuters, Credit Suisse estimates

Exhibit 7: Viacom 12m forward P/E



Source: Thomson Reuters, Credit Suisse estimates

Exhibit 8: Viacom DCF Valuation

Years ending September	2014	2015E	2016E	2017E	2018E	2019E	2020E	CAGR '14-'19
EBITDA	\$4,342	\$4,140	\$4,337	\$4,875	\$5,089	\$5,308	\$5,532	4.1%
Net Income	\$2,464	\$2,002	\$2,444	\$2,827	\$3,002	\$3,189	\$3,363	5.3%
+ Depreciation & Amortization	(\$217)	(\$222)	(\$224)	(\$227)	(\$229)	(\$232)	(\$234)	1.3%
+ Other Non-Cash Charges (Benefits)	\$4,042	\$4,143	\$4,218	\$4,214	\$4,211	\$4,207	\$4,203	0.8%
+ Interest Expense (Income)	\$615	\$657	\$629	\$604	\$562	\$508	\$476	(3.8%)
+ Changes in Operating Assets & Liabilities	(\$4,126)	(\$3,768)	(\$4,517)	(\$4,379)	(\$4,324)	(\$4,329)	(\$4,336)	1.0%
= Unlevered Cash Flows	\$2,778	\$2,812	\$2,549	\$3,040	\$3,222	\$3,343	\$3,473	3.8%
- Capital Expenditures	\$123	\$142	\$146	\$151	\$155	\$160	\$165	5.4%
= Unlevered Free Cash Flows	\$2,655	\$2,670	\$2,403	\$2,890	\$3,067	\$3,183	\$3,309	3.7%
YY % Change	(9.8)%	0.6%	(10.0)%	20.3%	6.1%	3.8%	4.0%	
Perpetual UFCF Growth Rate ("G")							0.1%	
Terminal EBITDA Multiple							6.8x	
Terminal Value							\$37,425	
Weighted Average Cost of Capital							9.0%	
NPV of Unlevered Free Cash Flows							\$13,797	
+ Present Value of Terminal Value							\$23,862	
= Enterprise Value							\$37,659	
+ Off-Balance Sheet Assets							\$32	
= Adjusted Enterprise Value							\$37,692	
- Year End Net Debt (Cash)							\$11,699	
= Equity Value							\$25,993	
/ Diluted Shares Outstanding							400	
= Equity Value Per Share							\$65	

Source: Company data, Credit Suisse estimates

Exhibit 9: Viacom Income Statements 2013-2020E

	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR
	Sep.	Sep.	Sep.	Sep.	Sep.	Sep.	Sep.	Sep.	'14-'20E
Revenue									
Cable Networks	\$9,656	\$10,171	\$10,490	\$10,679	\$11,049	\$11,172	\$11,299	\$11,429	2.0%
Entertainment	\$4,282	\$3,725	\$2,883	\$3,383	\$3,648	\$3,821	\$4,002	\$4,192	2.0%
Eliminations	(\$144)	(\$113)	(\$105)	(\$116)	(\$121)	(\$127)	(\$134)	(\$140)	3.7%
Total Revenues	\$13,794	\$13,783	\$13,268	\$13,946	\$14,576	\$14,865	\$15,167	\$15,480	2.0%
Adj. EBITDA									
Cable Networks	\$4,240	\$4,419	\$4,305	\$4,491	\$4,952	\$5,169	\$5,390	\$5,617	4.1%
Entertainment	\$323	\$269	\$164	\$192	\$281	\$292	\$302	\$314	2.6%
Corp. Expense	(\$247)	(\$222)	(\$228)	(\$235)	(\$242)	(\$249)	(\$257)	(\$264)	3.0%
Eliminations	(\$137)	(\$124)	(\$101)	(\$111)	(\$116)	(\$122)	(\$128)	(\$135)	1.4%
Total Adj. EBITDA	\$4,179	\$4,342	\$4,140	\$4,337	\$4,875	\$5,089	\$5,308	\$5,532	4.1%
Summary Metrics									
	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR
									'14-'20E
Revenues	\$13,794	\$13,783	\$13,268	\$13,946	\$14,576	\$14,865	\$15,167	\$15,480	2.0%
Operating Costs	\$9,628	\$9,441	\$9,728	\$9,609	\$9,701	\$9,777	\$9,859	\$9,948	0.9%
EBITDA	\$4,166	\$4,342	\$3,540	\$4,337	\$4,875	\$5,089	\$5,308	\$5,532	4.1%
D&A	(\$237)	(\$217)	(\$222)	(\$224)	(\$227)	(\$229)	(\$232)	(\$234)	1.3%
Restructuring	(\$93)	(\$43)	(\$206)	\$0	\$0	\$0	\$0	\$0	
EBIT	\$3,836	\$4,082	\$3,112	\$4,113	\$4,648	\$4,860	\$5,076	\$5,298	4.4%
Net Interest (Expense)	(\$464)	(\$615)	(\$657)	(\$629)	(\$604)	(\$562)	(\$508)	(\$476)	(4.2)%
Equity (Losses)	\$41	\$69	\$102	\$110	\$114	\$117	\$121	\$125	10.4%
Other, net	\$106	(\$22)	(\$54)	\$0	\$0	\$0	\$0	\$0	
Pretax Income	\$3,519	\$3,514	\$2,503	\$3,594	\$4,158	\$4,415	\$4,689	\$4,946	5.9%
Income Tax (Expense)	(\$1,070)	(\$1,050)	(\$501)	(\$1,150)	(\$1,330)	(\$1,413)	(\$1,501)	(\$1,583)	7.1%
Net Income from Cont. Ops.	\$2,449	\$2,464	\$2,002	\$2,444	\$2,827	\$3,002	\$3,189	\$3,363	5.3%
Net Loss from Discontinued Items	(\$12)	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0	
Net Income (Loss) after Disc Items	\$2,437	\$2,463	\$2,002	\$2,444	\$2,827	\$3,002	\$3,189	\$3,363	5.3%
Non-controlling Interest	(\$42)	(\$72)	(\$80)	(\$82)	(\$83)	(\$85)	(\$87)	(\$88)	3.5%
Net Earnings Attributable to Viacom	\$2,395	\$2,391	\$1,922	\$2,362	\$2,744	\$2,917	\$3,102	\$3,275	5.4%
One Time Items	(\$91)	(\$16)	\$288	\$0	\$0	\$0	\$0	\$0	
Adjusted Net Earnings Attributable to Viacom	\$2,304	\$2,375	\$2,210	\$2,362	\$2,744	\$2,917	\$3,102	\$3,275	
Adjusted Basic EPS from Cont. Ops	\$4.76	\$5.50	\$5.49	\$5.96	\$6.96	\$7.44	\$7.95	\$8.44	7.4%
Adjusted Diluted EPS from Cont Ops.	\$4.68	\$5.40	\$5.44	\$5.91	\$6.90	\$7.37	\$7.88	\$8.36	
Reported Diluted EPS	\$4.86	\$5.43	\$4.73	\$5.91	\$6.90	\$7.37	\$7.88	\$8.36	7.4%
Wtd. Avg. Diluted Shares	494.8	440.2	406.0	399.9	397.9	395.9	393.9	391.9	(1.9)%
YY % EPS Change	11.5%	11.7%	(12.9)%	24.8%	16.7%	6.9%	6.9%	6.1%	

Source: Company data, Credit Suisse estimates

Exhibit 10: Viacom Cash Flow Statements 2013-2020E

FY Ending September	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
OPERATING ACTIVITIES								
Net Earnings from Continuing Operations	\$2,449	\$2,464	\$2,002	\$2,444	\$2,827	\$3,002	\$3,189	\$3,363
Depreciation and Amortization	\$237	\$217	\$222	\$224	\$227	\$229	\$232	\$234
Feature Film & Program Amortization	\$4,371	\$4,206	\$4,206	\$4,206	\$4,206	\$4,206	\$4,206	\$4,206
Equity-Based Compensation	\$128	\$122	\$122	\$122	\$122	\$122	\$122	\$122
Equity in Net Losses and Distributions from Investees	\$15	(\$39)	(\$102)	(\$110)	(\$114)	(\$117)	(\$121)	(\$125)
Gain on Sale of HBO Pacific Partners & LAPTV/2015 restructuring	(\$111)	\$0	\$206	\$0	\$0	\$0	\$0	\$0
Deferred Income Taxes	\$494	(\$290)	(\$575)	\$0	\$0	\$0	\$0	\$0
Decrease in Securitization Program	\$0	\$43	\$0	\$0	\$0	\$0	\$0	\$0
Change in Operating Assets & Liabilities	(\$4,469)	(\$4,126)	(\$3,768)	(\$4,517)	(\$4,379)	(\$4,324)	(\$4,329)	(\$4,336)
Discontinued Operations, Net	(\$31)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow from Operating Activities	\$3,083	\$2,597	\$2,313	\$2,369	\$2,890	\$3,119	\$3,298	\$3,465
INVESTING ACTIVITIES								
Acquisitions, Net of Cash Acquired	\$124	(\$732)	\$0	\$0	\$0	\$0	\$0	\$0
Capital expenditures	(\$160)	(\$123)	(\$142)	(\$146)	(\$151)	(\$155)	(\$160)	(\$165)
Investments in and Advances to Affil. Cos.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Dispositions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow from Inv. Activ. Attrib. to Discont. Ops.	(\$299)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow Used for Investing Activities	(\$335)	(\$855)	(\$142)	(\$146)	(\$151)	(\$155)	(\$160)	(\$165)
FINANCING ACTIVITIES								
Borrowings	\$3,732	\$1,484	\$0	\$0	\$0	\$0	\$0	\$0
Debt Repayments	\$0	(\$600)	(\$508)	(\$267)	(\$897)	(\$997)	(\$1,352)	\$0
Commercial Paper	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase of Treasury Stock	(\$4,664)	(\$3,529)	(\$1,500)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)
Dividends	(\$555)	(\$541)	(\$593)	(\$642)	(\$703)	(\$769)	(\$842)	(\$921)
Excess Tax Benefits on Equity-Based Comp.	\$97	\$84	\$0	\$0	\$0	\$0	\$0	\$0
Exercise of Stock Options	\$403	\$173	\$0	\$0	\$0	\$0	\$0	\$0
Other, Net	(\$172)	(\$171)	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow Used for Financing Activities	(\$1,159)	(\$3,100)	(\$2,601)	(\$1,009)	(\$1,700)	(\$1,866)	(\$2,294)	(\$1,021)
Net Increase (Decrease) in Cash	\$1,555	(\$1,403)	(\$494)	\$1,214	\$1,039	\$1,097	\$844	\$2,279
Cash & Equiv. at Beg. Of Year	\$848	\$2,403	\$1,000	\$506	\$1,720	\$2,758	\$3,856	\$4,700
Cash & Equiv. at End Of Year	\$2,403	\$1,000	\$506	\$1,720	\$2,758	\$3,856	\$4,700	\$6,979

Source: Company data, Credit Suisse estimates

Exhibit 11: Viacom Balance Sheets 2013-2020E

FY Ending September	2013	2014	2015	2016E	2017E	2018E	2019E	2020E
ASSETS								
Cash & Equivalents	\$2,403	\$1,000	\$506	\$1,720	\$2,758	\$3,856	\$4,700	\$6,979
Receivables	\$2,987	\$3,066	\$2,807	\$2,950	\$3,084	\$3,145	\$3,209	\$3,275
Inventry	\$770	\$846	\$786	\$827	\$835	\$842	\$849	\$857
Deferred Tax Assets, Net	\$58	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	\$508	\$340	\$559	\$588	\$594	\$599	\$604	\$609
Curr. Assets of Discout. Ops.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$6,726	\$5,252	\$4,658	\$6,086	\$7,272	\$8,441	\$9,361	\$11,720
Property and Equipment, Net	\$1,040	\$1,016	\$947	\$900	\$854	\$807	\$759	\$714
Inventry, Net	\$3,945	\$3,897	\$3,616	\$3,792	\$3,814	\$3,829	\$3,846	\$3,866
Goodwill	\$11,079	\$11,535	\$11,456	\$11,456	\$11,456	\$11,456	\$11,456	\$11,456
Intangibles, Net	\$279	\$399	\$340	\$309	\$279	\$252	\$228	\$204
Deferred Tax Assets, Net	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Assets	\$760	\$948	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$23,829	\$23,047	\$22,217	\$23,743	\$24,874	\$25,985	\$26,851	\$29,160
LIABILITIES AND SHAREHOLDERS' EQUITY								
Accounts Payable	\$316	\$475	\$506	\$533	\$538	\$542	\$547	\$551
Accrued Expenses	\$1,074	\$969	\$748	\$763	\$746	\$728	\$709	\$691
Participants' Share, Residuals and Royalties Payable	\$1,110	\$993	\$860	\$881	\$865	\$848	\$830	\$813
Program Rights	\$576	\$703	\$703	\$704	\$699	\$676	\$652	\$627
Deferred Revenue	\$230	\$350	\$481	\$506	\$528	\$539	\$550	\$561
Current Portion of Capital Leases	\$18	\$18	\$18	\$1,314	\$995	\$0	\$0	\$0
Other Current Liabilities	\$466	\$427	\$538	\$542	\$523	\$503	\$482	\$462
Current Liab. Of Discout. Ops.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	\$3,790	\$3,935	\$3,854	\$5,243	\$4,896	\$3,836	\$3,770	\$3,705
Long-Term Debt	\$11,867	\$12,681	\$12,267	\$10,704	\$10,126	\$10,124	\$8,772	\$8,772
Participants' Share, Residuals and Royalties Payable	\$437	\$403	\$351	\$334	\$313	\$282	\$250	\$216
Program Rights	\$527	\$459	\$356	\$339	\$318	\$287	\$255	\$222
Deferred Tax Liabilities, Net	\$649	\$266	\$223	\$156	\$109	\$76	\$54	\$37
Other Liabilities	\$1,169	\$1,340	\$1,348	\$1,528	\$1,733	\$1,952	\$2,163	\$2,366
Redeemable Non Controlling Interest	\$200	\$216	\$219	\$219	\$219	\$219	\$219	\$219
Total Liabilities	\$18,439	\$19,084	\$18,399	\$18,305	\$17,495	\$16,558	\$15,263	\$15,319
Stockholders' Equity								
Class A Stock, Par Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Class B Stock, Par Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Paid-In Capital	\$9,490	\$9,772	\$10,017	\$11,737	\$13,778	\$15,926	\$18,186	\$20,540
Treasury Stock	(\$15,825)	(\$19,225)	(\$20,725)	(\$20,825)	(\$20,925)	(\$21,025)	(\$21,125)	(\$21,225)
Retained Earnings	\$11,629	\$13,465	\$14,780	\$14,780	\$14,780	\$14,780	\$14,780	\$14,780
Accumulated Other Compr. Income	(\$101)	(\$293)	(\$534)	(\$534)	(\$534)	(\$534)	(\$534)	(\$534)
Total Invested Equity	\$5,193	\$3,719	\$3,538	\$5,158	\$7,099	\$9,147	\$11,307	\$13,561
Non Controlling Interests	(\$3)	\$28	\$61	\$61	\$61	\$61	\$61	\$61
Total Equity	\$5,390	\$3,963	\$3,818	\$5,438	\$7,379	\$9,427	\$11,587	\$13,841
Total Liabilities & Invested Equity	\$23,829	\$23,047	\$22,217	\$23,743	\$24,874	\$25,985	\$26,851	\$29,160

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 12-Nov-2015)

DISH Network Corporation (DISH.OQ, \$62.99)
Nielsen Holdings (NLSN.N, \$47.18)
The Walt Disney Company (DIS.N, \$116.21)
Time Warner Inc. (TWX.N, \$70.42)
Viacom Inc. (VIAB.OQ, \$49.79, OUTPERFORM, TP \$65.0)

Disclosure Appendix

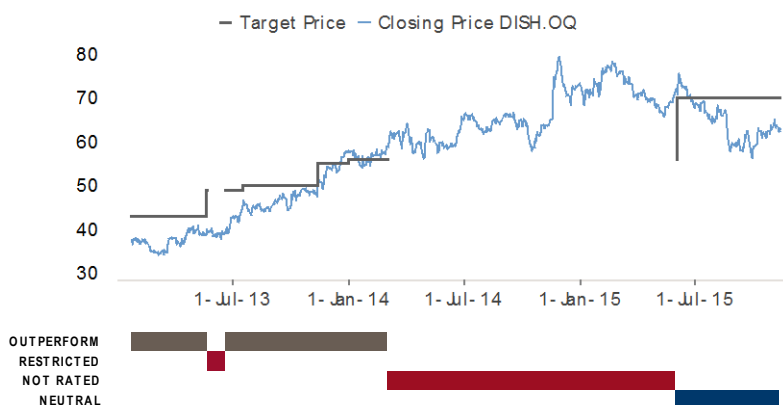
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I, Omar Sheikh, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for DISH Network Corporation (DISH.OQ)

DISH.OQ	Closing Price	Target Price		
Date	(US\$)	(US\$)	Rating	
22-Jan-13	37.50	43.00	O *	
20-May-13	38.70	49.00		
21-May-13	39.93		R	
20-Jun-13	39.18	49.00	O	
16-Jul-13	44.66	50.00		
12-Nov-13	50.35	55.00		
30-Dec-13	57.73	56.00		
03-Mar-14	58.88		NR	
02-Jun-15	71.70	70.00	N *	

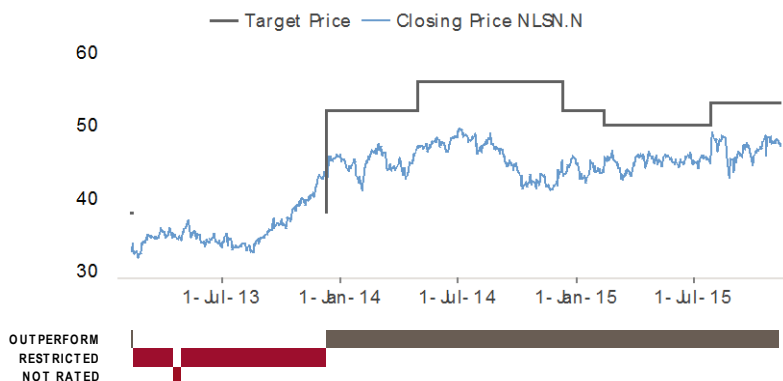
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Nielsen Holdings (NLSN.N)

NLSN.N	Closing Price	Target Price		
Date	(US\$)	(US\$)	Rating	
11-Feb-13	32.67	38.00	O	
13-Feb-13	33.72		R	
16-Apr-13	35.07		NR	
30-Apr-13	34.62		R	
10-Dec-13	43.43	52.00	O *	
30-Apr-14	46.95	56.00		
08-Sep-14	46.67	56.00	*	
11-Dec-14	43.06	52.00		
12-Feb-15	43.57	50.00		
28-Jul-15	47.18	53.00		

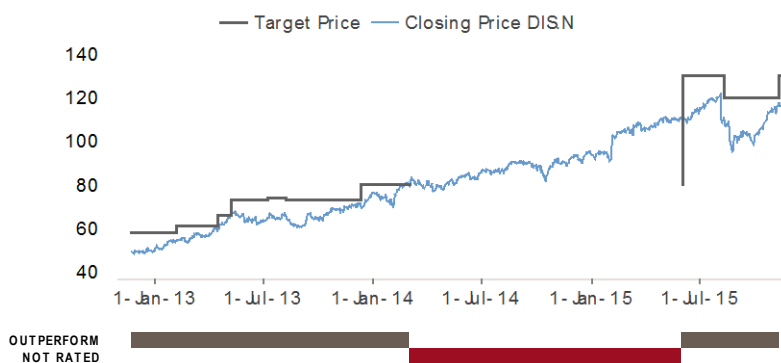
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for The Walt Disney Company (DIS.N)

DIS.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
22-Nov-12	48.68	58.00	O
06-Feb-13	54.52	61.00	
17-Apr-13	60.68	66.00	
08-May-13	65.99	73.00	
08-Jul-13	64.71	74.00	
08-Aug-13	65.75	73.00	
11-Dec-13	70.52	80.00	
03-Mar-14	79.46		NR
02-Jun-15	110.75	130.00	O*
10-Aug-15	111.00	120.00	
10-Nov-15	117.42	130.00	

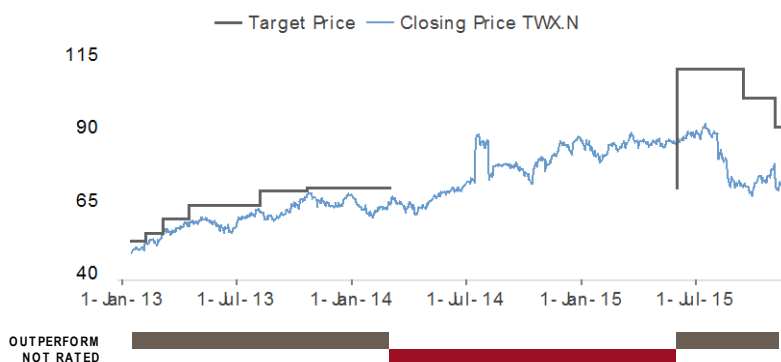
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Time Warner Inc. (TWX.N)

TWX.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
16-Jan-13	47.14	50.81	O
07-Feb-13	50.19	53.68	
07-Mar-13	54.43	58.48	
17-Apr-13	57.06	63.27	
08-Aug-13	61.30	68.06	
22-Oct-13	66.85	69.02	
03-Mar-14	63.72		NR
02-Jun-15	84.72	110.00	O*
14-Sep-15	69.63	100.00	
04-Nov-15	72.20	90.00	

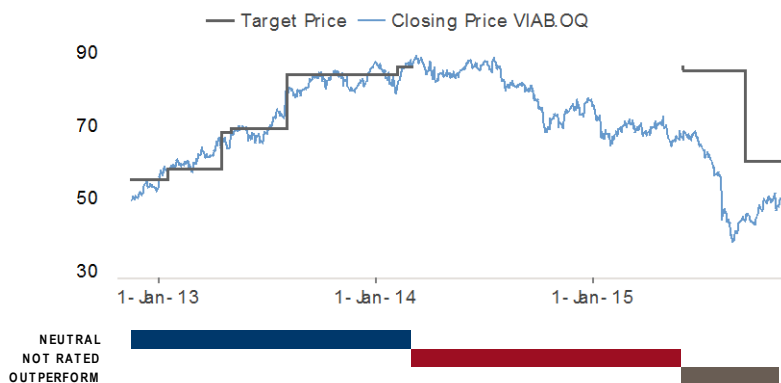
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Viacom Inc. (VIAB.OQ)

VIAB.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
16-Nov-12	49.47	55.00	N
16-Jan-13	57.17	58.00	
17-Apr-13	65.53	68.00	
02-May-13	67.52	69.00	
04-Aug-13	79.17	84.00	
07-Feb-14	81.92	86.00	
03-Mar-14	85.90		NR
02-Jun-15	66.09	85.00	O*
14-Sep-15	43.81	60.00	

* Asterisk signifies initiation or assumption of coverage.



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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total

return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.

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Restricted	1%	

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Price Target: (12 months) for Viacom Inc. (VIAB.OQ)

Method: Our \$65 price target for Viacom is based on 7.5x 2016E EV/EBITDA, which is warranted by our view that while the core cable networks face some structural challenges, we believe these are well-known and incorporated into the multiple. Further, we highlight the Company has potential and time to pivot its content offering to grow long term. Our target price is supported by our discounted cash flow valuation, which uses a 0.1% terminal growth rate and a WACC of 9%.

Risk: Risks to our \$65 target price for Viacom are: (1) exposure to TV advertising which comprises just over one-third of revenue, (2) limited visibility on consumer preferences which drive ratings, and (3) foreign currency risk given over 25% of revenues are outside of the US.

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