



Viacom Calls Accumulate as M&A Talks Move Forward

Ticker/Price: VIAB (\$29.70)

Analysis:

Viacom (VIAB) calls active this morning with shares lower along with CBS which has been a rumored merger target for over a year now as the potential deal moves along slowly. VIAB saw 1500 December \$32.50 calls bought earlier this morning in smaller lots and then a block of 7500 December \$30 calls bought \$2.15. VIAB has also seeing 4500 January \$30 calls bought, opening sales in the September \$32.5 puts and January \$30 puts, and has 3,675 September \$27.50 calls bought in open interest. VIAB shares are forming a multi-year sideways base in the \$27/\$34 range and seeing positive developments with weekly and monthly RSI which a move above \$31.35 would trigger a breakout. The \$12.7B Media Co. trades 7.25X Earnings and 7X EV/EBITDA with a minimal growth outlook as traditional TV continues to struggle, while VIAB also has a 2.6% dividend yield. David Faber reported a deal could be announced in the next few days. Analysts have an average target near \$35, short interest steady at 6% of the float. Needham out on 7/15 seeing upside for shares on a combination with CBS. Hollywood Reporter on 7/19 noted CBS will pay up to \$15.4B in a deal. BAML has a \$39 target noting core operations have stabilized, the turnaround strategy is underway, and likely M&A create a limited risk situation with shares attractively valued. Hedge Fund ownership jumped 31.4% in Q1 filings.

Hawk Vision:



Hawk's Perspective: VIAB is clearly an event-driven trade at this point but like the risk/reward as the two sides seem closer than ever before to finalizing something.

Confidence Ranking: \$\$