



CBS Bulls Heat Up into 5-Year Lows

Ticker/Price: CBS (\$39)

Analysis:

CBS Corp (CBS) buyers early of 1,500 October \$38.50 calls up to \$1.20 and later 1500 March \$40 puts sold to open for \$3.85 in a stock replacement. Yesterday, the October \$39/\$41 call spread was bought 4000X and March bull risk reversals a popular trade as well with the \$37.50/\$32.50 spread opened 2500X. The December \$37.50 and \$40 calls also opened in size recently and spread vs the \$32.50 puts sold in risk reversals. Shares have been in a weak trend since mid-2017 and now back around the 2015/2016 lows at \$39/40 which also aligns with a key pivot from 2007. CBS is trading near the low-end of a big channel which targets a potential bounce back to \$50. Shares traded as high as \$70. The \$14.4B company trades 6.12X earnings, 0.95X sales, and 66X cash with a 1.87% yield and mid-teens EPS growth. They see revenue growth of 5-6% the next two years as they integrate the Viacom deal and outline a more constructive long-term strategy. The NewCo has a lot of interesting assets from both a content standpoint and tech standpoint as well as scale. Analysts have an average target for shares of \$58. Wells Fargo starting at Sell recently, negative on the Viacom tie-up and unclear on synergy gains which seemed modest at \$500M. Needham positive on the combination with the analyst noting that CBS can now focus on its fundamentals while the combined entity can be an "OTT superpower" with expected acceleration in its Subscription Video On Demand platform. Short interest is 4%. Hedge fund ownership rose 8.7% in Q2. Baupost a big buyer of shares recently and now with 10M, their 10th largest position.

Hawk Vision:



Hawk's Perspective: CBS is obviously kind of ugly on the chart and will likely be a much longer story than just the next couple weeks, so some time to position better. It seems like the type of situation an activist may see opportunity given all the moving parts and weak long-term plan.

Confidence Ranking: \$\$