



## FEATURED OPTIONS RADAR REPORT



### Viacom Bulls Position for Upside as Digital Shift Takes Shape, Potential Partnerships

**Ticker/Price:** VIAC (\$41.50)

#### Analysis:

**Viacom CBS (VIAC)** continues to draw a lot of bullish positioning recently including buyers today in the August \$48 calls over 18,000X which follows activity in the \$40, \$42, \$45, and \$46 calls last week and on Friday 10,000 September \$44/\$55 call spreads bought for \$1.21. VIAC has seen size buyers in the January \$40 calls in July, over 17,500X, while the March \$40 calls bought for \$2.25M on 7/19. Shares have been forming a series of higher lows and higher highs since early May and looking to clear a small pullback now above \$42 with room up above \$46. A breakout has a measured move to \$55. The \$26.56B company trades 10X earnings, 1X sales and 9.75X FCF with a 2.35% yield. VIAC has been focused on shedding non-core assets and allocating more investments towards digital offerings this year including their DTC platforms 'Paramount Plus' and Pluto. The company was recently at the Evercore conference noting the advantages of their differentiated strategy using both premium and ad-supported offerings, the momentum they've had in recent sub gains (Q1 had 36M streaming subs and 50M Pluto MAUs) and their vast content library which includes CBS, Comedy Central, Paramount, BET, MTV and VH1 among others. The transition is also making VIAC an attractive asset as a potential partner and Fox reporting recently that the company has been talking to Comcast. Analysts have an average target for shares of \$47.50 with a Street High \$80. Citi positive in late May noting that the company will likely have sufficient capital to accelerate its pivot to digital and there may be scope for it to exceed consensus net add estimates. Barrington upgrading shares to Outperform earlier this Summer as they have a compelling collection of products to navigate the shifting media consumption landscape. BAML upgrading to Buy from Underperform recently noting that the transaction between Discovery (DISCA) and WarnerMedia (T) will likely prompt further media consolidation as industry participants seek increased scale and VIAC is an attractive asset. Short interest is 7.4% and down from its peak this year around 20%. Hedge fund ownership fell 23% in Q1.

#### Hawk Vision:



**Hawk's Perspective:** VIAC has a nice short-term low to trade against and upside spreads offer a nice risk/reward ahead of earnings in a name with attractive assets and potential for strategic announcements

**Confidence Ranking:** \$\$