

# Paramount Global (PARA)

Why, I think, Buffett bought 10% of the company in Q1

# About me

I'm Adi Orzel.

Born and raised in Israel, husband and father to 3 daughters.

A 20+ year-career as an entrepreneur and executive in the Internet media industry (AdTech, MarTech and Marketing Services), holding CEO, COO and GM positions.

On the value Investing journey since late 2019.

# Buffett discloses a \$2BN stake in Paramount in the latest 13F filing

In Q1 Berkshire purchased approximately 69M shares currently trading at \$30.50 for a total of \$2.1Bn

This holding represents about 10.5% of the company.

During Q1 the stock price moved between \$28 to \$38.



# What is Paramount? (previously ViacomCBS)

## A gigantic media conglomerate transitioning into streaming

A merger between the #1 US TV network - CBS, and the top cable network operator - Viacom

From Paramount's IR website:

"Paramount delivers premium content to audiences across platforms worldwide. We connect with billions of people—through our studios, networks, streaming services, live events, merchandise, and more."



# The Best TV Content & A Top Movie Studio

*Paramount*

**#1 PORTFOLIO IN  
SHARE OF VIEWING  
AMONG KEY DEMOS**

P2+, P2-11, P12-17, P12-34, P18-34,  
P18-49, P25-54, P2-49

**THE MOST  
TOP 25 CABLE  
NETWORKS**

P18-34, P18-49

**nickelodeon**

**#1 NETWORK FOR KIDS**

**TOP 2 KIDS PROGRAMS**

#1 *Blaze & the Monster Machines*  
#2 *Patrick Star Show*



**9 OF THE TOP 10 CABLE SERIES**

Among K2-11



**CABLE'S MOST-WATCHED  
TELECAST SINCE 2017**

*Yellowstone* Season 4 finale



**#1 PREMIUM SCRIPTED ORIGINAL**

*Dexter: New Blood*



**#1 CABLE COMEDY SERIES**

Among key adult demos

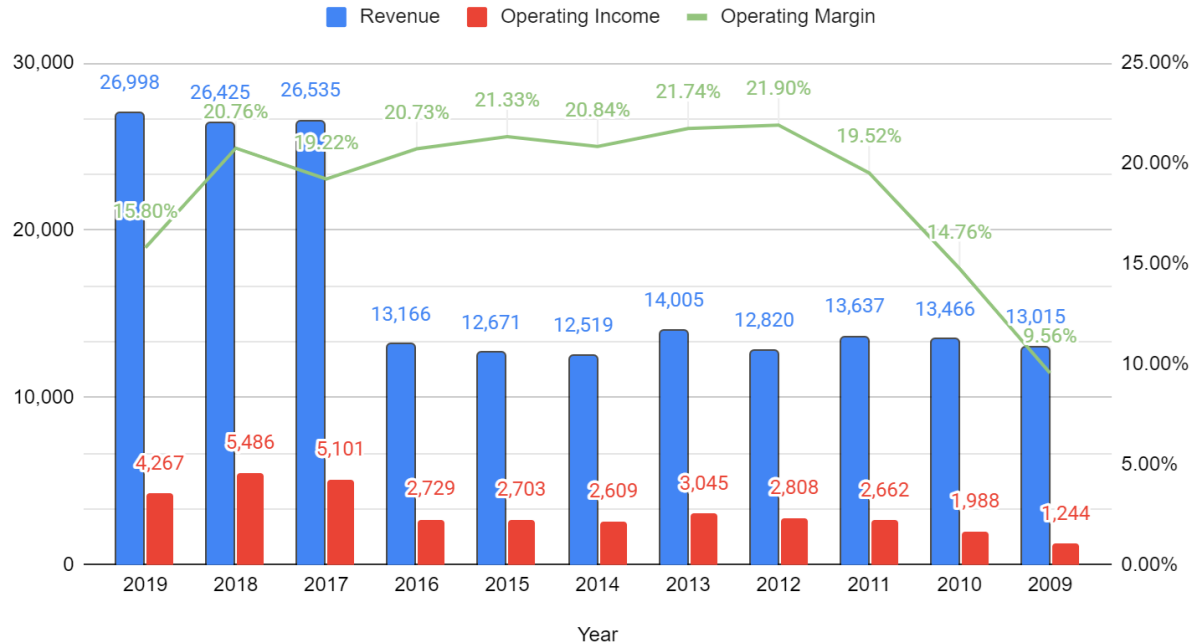


*Paramount*



# Historically flat revenue with 20% operating margin

Revenue, Operating Income and Operating Margin



**Pre 2017:** CBS numbers only; **2017 onwards:** Merged company numbers

# Events starting in 2019 hurt results and valuation

## 2019 Merger

One-time costs drive lower margin

## 2020-21 Covid

Impacted sports events, content & movies production and movies distribution

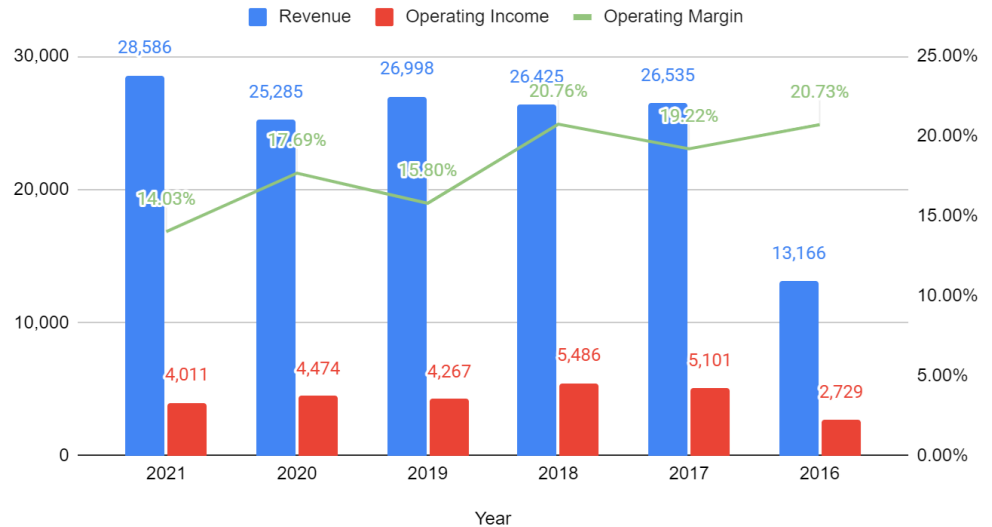
## 2021 Paramount +

Launch increased streaming marketing & content investment

## Plan

Continued drop in operating margin through 2023

Revenue, Operating Income and Operating Margin



# Paramount's streaming strategy

“In streaming, our **differentiated** strategy is scaling rapidly across free, broad pay, and premium.”

(Paramount's IR website)



# Streaming content: brand and price moat

## Content leadership

Content proven to be extremely successful on TV and the silver screen lined up for repeat distribution in cable and streaming business. (Brand moat)

## Live sports and live TV

Streaming rights added to broadcast rights of live sport events (NFL, NCAA, PGA Golf and Champions League), news, late-night talk shows and reality TV, generate a strong demand for Paramount's streaming service.

## Focus on Franchises:



## Incremental DTC content investment

Expected to grow from \$2Bn in 2021 to \$6Bn in 2024, while streaming revenue is expected to triple.

# Multiple revenue streams maximize return

- Major competitors (NFLX, DIS) create content exclusively for DTC.
- TV/Theatre content that is already at 20% return benefits from additional revenue streams.
- With a rich content portfolio created anyway, the streaming platform benefits from high liquidity.

## STRONG CONTENT ROI






### MONETIZING CONTENT ACROSS BROAD PLATFORMS

|                   |   |   |   |   |   |   |
|-------------------|---|---|---|---|---|---|
| PARAMOUNT+        | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| THEATRICAL        |   |   |   | ✓ |   | ✓ |
| LINEAR TV         |   | ✓ | ✓ |   | ✓ | ✓ |
| CONTENT LICENSING | ✓ |   | ✓ | ✓ | ✓ | ✓ |
| DOWNLOAD-TO-OWN   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| CONSUMER PRODUCTS |   |   |   |   |   | ✓ |
| PLUTO TV          |   |   |   |   | ✓ |   |



# A flexible business model to cover the entire market

Consumers have a solution that fits every budget

| Advertising revenue  | Subscription revenue   |
|--|--|
| Free ad-supported TV - 68M MAUs*  | Full price, no ads**  |
| Hybrid - lower price, with ads  |  |



2024 targets: 100-120M free MAUs\*, 100M paid subscribers

\*MAU - Monthly Active User.

\*\* Showtime, BET+, Noggin - Additional premium subscription offerings.

# Smart and impactful go-to-market strategy

## USA

Direct to Consumer

Relying on powerful brands and free media assets



## International

FR, UK, DE, KR, IT, AU, IN

Local partnerships in target markets

60 markets by end of 2022 - rapid deployment

Potential toll-bridge moat



# Risks

## **Content leadership**

Continuously produce chart-topping content cost-effectively.

## **Balance sheet**

Long-term debt \$18Bn, about \$1Bn in annual interest.

## **Ownership structure**

National Amusements (Shari Redstone) has 80% voting power in Paramount.

# Valuation model based on EPS and historic PE

## 2021 earnings

2021 GAAP EPS: \$6.94

2021 net EPS (excluding one time business sale): **\$3.90** current PE 6.5, current stock price: ~\$25

## Key metrics & growth

|                       | 2021 A   | 2024          | 2026          |
|-----------------------|----------|---------------|---------------|
| Revenue (in millions) | \$28,586 | \$36,766      | \$43,356      |
| Growth Rate*          | 2.90%    | <b>8.75%</b>  | <b>8.30%</b>  |
| Operating Margin      | 14%      | 17.50%        | 20%           |
| Net EPS               | \$3.90   | \$6.97        | \$8.58        |
| Price Today           | \$25     | <b>\$111*</b> | <b>\$136*</b> |

## Model Assumptions

Analysts long-term growth rate: 11.44%\*

Assuming debt service remains @ \$1Bn/year

Historic high PE in the past decade: 10-23

Potential PE for 8%+ growth company: 16

\*Future Intirnsic Value

**Hitting this price by 2026 will provide an annual return of 40%**

# Wonderful company at a reasonable price

## Wonderful company

- Historically strong returns, operating margins and FCF.
- Content operations with brand and pricing moat.
- Streaming plan:
  - Disciplined investment strategy
  - Wide catch-all business model
  - Efficient go-to-market with toll bridge aspects

## Reasonable price

- Short-term events drive stock price down
- Streaming ignites growth
- Margin of safety price

# Book Recommendation & Recent Mistake

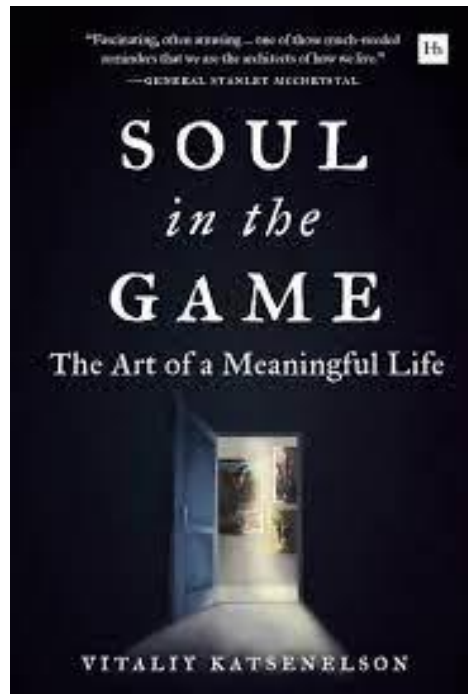


# Recommended Book

## Soul in the Game by Vitaliy Katsenelson

When reading about investing, I always enjoy seeing the similarities between their approach to life and approach to investing.

Vitaliy shares his long life lessons from childhood in cold Russia, to parenting, investing and running a business. He also shares a lot of practical insights about stoic philosophy and how he integrates it in his daily life, together with his love for art and music.



# Recent Mistake

End of 2021 - My portfolio was showing strong profits, some positions value doubled and at or close to intrinsic value.

Not having a clear strategy towards cash allocation vs. my total portfolio value and holding intrinsic value, made me not trim enough of the positions I was holding and led to bigger losses and lower cash levels to invest as I would have liked to have.

Today I'm trying to build a system that will help me stay prudent and better manage my cash levels.

# Thank You

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