



**SMART YIELD**

Income Fund

Finding Efficient Frontiers

Broxton Capital Advisors manages wealth for Institutional Investors and Households. Smart Yield is an income and growth fund with a target return of 8% annually with low volatility

**INVEST/STAY CONNECTED**

INITIAL REPORT April 27, 2021

UPDATED February 16, 2022

**VIACOMCBS**

## Paramount Global

On February 15<sup>th</sup> ViacomCBS announced 4<sup>th</sup> quarter 2021 earnings and an aggressive change in near term business strategy. The company will now go "all in" on new content for its Paramount Plus streaming service and over time terminate most of its content licensing in order to stoke additional subscriber growth. This is a change from the previous "measured and incremental" online content build strategy and immediately reduces the near-term economics, with management forecasting a possible rebound in earnings and operating income beginning in 2024. However, we view the existing wholesale business as an important component of the Viacom model and the previous long-term strategy of leveraging content across multiple platforms to be more viable. As of fourth quarter, Viacom's legacy business represents 83% of revenues and the company is now competing for its customer's customer to some degree. The company is still 100% dependent on its legacy business. Simultaneously, we question the decision to not give Wall Street a "heads up" on the change due to its significance and investors reacted negatively. With earnings now expected to arrive in the sub \$2 area for 2022, the current average estimate from 25 analysts is over \$3.50. The company expects a "material decline" in first half 2022 [EBITDA] that will reverse in 2<sup>nd</sup> half.

We updated our model, which still shows positive cash flow, after dividends and content spend in 2022 and 2023. Overall, the accelerated transition is probably right over the long term but creates significant uncertainty over the next 12-18 months and may affect the legacy business more than anticipated. Since it is too early to determine the success of the accelerated transition, we are withdrawing our buy recommendation and price target.

**VIAC Chart November 2021 through February 2022**

[November Broxton Report](#)

[4th Quarter 2021 Presentation](#)

[4th Quarter 2021 Earnings](#)

**VIAC Company Description:** ViacomCBS delivers premium content to audiences across traditional and emerging platforms worldwide. Through television, streaming and digital content, studio production, publishing, live events, merchandise and more, we connect with billions of people.



## BROXTON CAPITAL ADVISORS

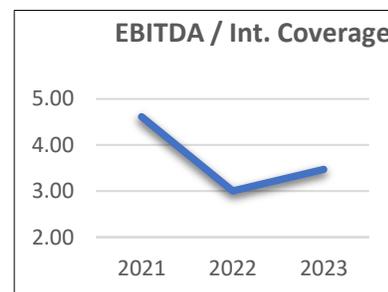
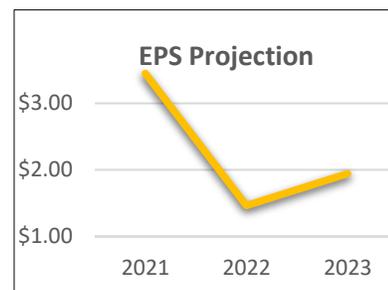
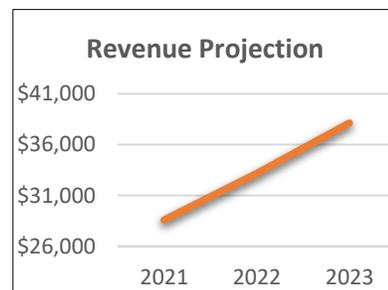
ViacomCBS as of 12/31/2021

Wednesday, February 16, 2022  
share price (VIAC) \$29.03

<b>PROJECTIONS MM</b>		2021	2022	2023
<b>Income Statement</b>				
Revenue		\$28,586	\$33,160	\$38,134
Gross Profit		\$10,842	\$10,611	\$11,821
Operating Income		\$3,954	\$2,257	\$2,671
pretax income		\$3,021	\$1,292	\$1,716
Net Income		\$2,284	\$969	\$1,287
EPS		\$3.45	\$1.46	\$1.94
<b>EBITDA (OIBDA)</b>				
EBITDA (OIBDA)		\$4,549	\$2,897	\$3,311
Interest		\$986	\$965	\$955
Capitalized Expense		\$310	\$370	\$375
Cash Flow after Capitalized Expense		\$2,569	\$1,239	\$1,552
Equity Dividends		\$636	\$636	\$636
Cash Flow Equity Dividend Coverage		404%	195%	244%
Retained Cash Flow		\$1,933	\$604	\$917
Retained Cash Flow Compounded		\$1,933	\$2,537	\$3,454
Revenue Growth		13%	16%	15%
<b>Valuations</b>				
Cash Flow Yield Vs. Equity Market Cap		13%	4%	6%
<b>EV/EBITDA</b>		<b>8.12</b>	<b>12.75</b>	<b>11.15</b>
P.E Ratio		8.41	19.83	14.93
Enterprise Value		\$36,927		
Total Debt		\$17,709		
Equity Market Cap		\$19,218	\$27,764	\$27,764
<b>Debt Ratios</b>				
EBITDA/Interest Coverage ratio		4.61	3.00	3.47
<b>Debt/ EBITDA</b>		<b>3.89</b>	<b>6.11</b>	<b>5.35</b>
<b>Liquidity</b>				
Cash (adj for secondary)		\$6,267		
Borrowing Availability est.		\$2,000+		
Current Assets (adj for secondary)		\$16,676		
Current Liabilities		\$9,479		
Quick Ratio		1.76		
<b>Debt</b>				
Notes & debentures		\$17,709		
Total		\$17,709		

### NOTES:

--



## **Disclosures**

Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020 and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. Additional disclosures are included on [broxtoncapital.com](http://broxtoncapital.com) including in form ADV. SEC Rule 206(4)-1 disclosure: this report is approved by the CCO of Broxton Capital. Individuals should consider the inherent risks before investing and this report should not be construed as advice tailored to an individual's investment criteria or objectives. Important Disclosure: In the normal course of our communications or reports, we analyze, review and discuss current, past and possible future securities holdings. In the case of any security reviewed by us, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of any profitable security that is reviewed or discussed. On request we provide a list of all investment recommendations made by the firm over the last twelve months. Also, from time-to-time we may also discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.



Broxton Capital Advisors 151 Calle San Francisco  
San Juan PR, 00901 [broxtoncapital.com](http://broxtoncapital.com)  
310-208-2191

Allen Cooke Portfolio Manager 310-208-2151  
Cell 310-279-3338 [allen@broxtoncapital.com](mailto:allen@broxtoncapital.com)

Brian Stead Manager 310-208-2151  
Cell 310 775 1793 [byron@broxtoncapital.com](mailto:byron@broxtoncapital.com)