

# VIA COM

## FISCAL FIRST QUARTER 2018 RESULTS



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# Cautionary Statement Concerning Forward-Looking Statements

This presentation contains both historical and forward-looking statements. All statements that are not statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements reflect our current expectations concerning future results, objectives, plans and goals, and involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause future results, performance or achievements to differ. These risks, uncertainties and other factors include, among others: the public acceptance of our brands, programs, motion pictures and other entertainment content on the various platforms on which they are distributed; technological developments, alternative content offerings and their effects in our markets and on consumer behavior; the potential for loss of carriage or other reduction in the distribution of our content; significant changes in our senior leadership and the ability of our strategic initiatives to achieve their operating objectives; various uncertainties and risks related to a potential combination with CBS Corporation, including that an agreement may or may not be reached or may take an uncertain amount of time, and that the effect of any potential transaction on Viacom and our business cannot be ascertained at this time; economic fluctuations in advertising and retail markets, and economic conditions generally; evolving cybersecurity and similar risks; the impact of piracy; increased costs for programming, motion pictures and other rights; the loss of key talent; competition for content, audiences, advertising and distribution; fluctuations in our results due to the timing, mix, number and availability of our motion pictures and other programming; other domestic and global economic, political, business, competitive and/or regulatory factors affecting our businesses generally; changes in the Federal communications or other laws and regulations; and other factors described in our news releases and filings with the Securities and Exchange Commission, including but not limited to our 2017 Annual Report on Form 10-K and reports on Form 10-Q and Form 8-K. The forward-looking statements included in this presentation are made only as of the date of this presentation, and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. If applicable, reconciliations for any non-GAAP financial information contained in this presentation are included in this presentation or available on our website at [www.viacom.com](http://www.viacom.com).

**This presentation is a supplement to, and should be read in conjunction with, Viacom's earnings release for the quarter ended December 31, 2017.**

# Strategic Overview and F1Q'18 Highlights

## Grew share and margins in core business

- ✓ Flagship strategy continues to yield benefits with ratings share growth and successful launch of Paramount Network
- ✓ Domestic affiliate revenues on target in the quarter with improved guidance for FY 2018
- ✓ Growth in worldwide ad sales, with strength in digital and international; projecting sequential improvement in domestic ad sales and return to growth in Q4
- ✓ International Media Networks delivered strong results and is an engine for continued growth in the future
- ✓ Filmed Entertainment turnaround in sight with focus on FY 2019 slate; strong TV production momentum
- ✓ Cost base reinvention on track with approximately \$100 million in FY 2018 savings and hundreds of millions more in FY 2019 and beyond

## Accelerated our evolution into next generation platforms and solutions

- ✓ Digital strategy accelerates with launch of Viacom Digital Studios and acquisitions of WHOSAY and VidCon
- ✓ Important progress in mobile distribution with Telefónica deal in LatAm

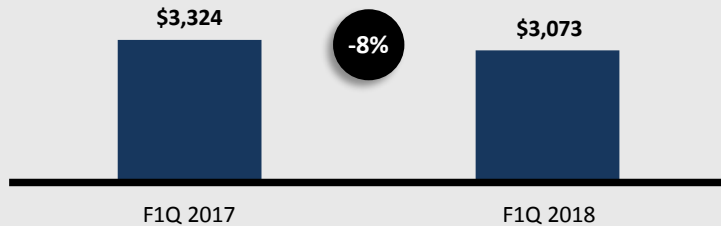
## Continued to diversify beyond our core business

- ✓ Significant events aligned with flagship brands, including Slimefest and the *SpongeBob Musical*
- ✓ New consumer products deal with Mattel to represent Thomas the Tank Engine across key categories

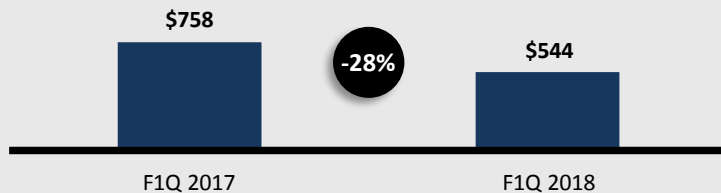
# Revenue Summary

(\$ in millions)

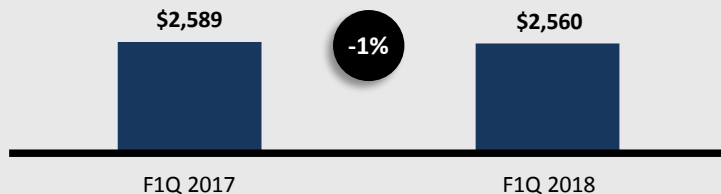
## Consolidated Revenue <sup>(1)</sup>



## Filmed Entertainment Revenue



## Media Networks Revenue



## Highlights

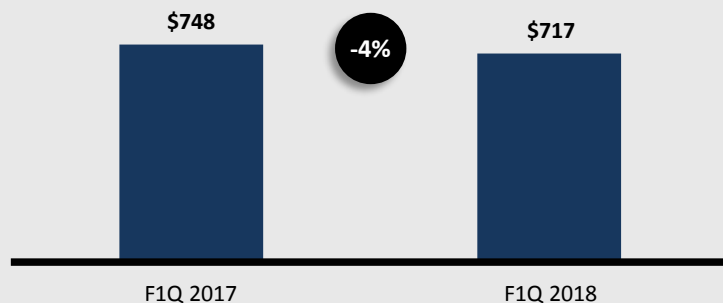
- ✓ Consolidated revenue decline principally driven by Filmed Entertainment, where legacy slate underperformed
- ✓ Media Networks revenues declined slightly with growth in worldwide advertising and ancillary revenues, offset by domestic affiliate revenue
- ✓ Domestic affiliate revenue declined due to subscriber losses and one-time rate resets associated with successful efforts to stabilize distribution base
- ✓ Strong double-digit revenue growth at international Media Networks with momentum across all revenue streams
- ✓ Continued progress on strategic initiatives to drive revenue growth in second half of FY 2018

(1) Consolidated revenue is net of eliminations.

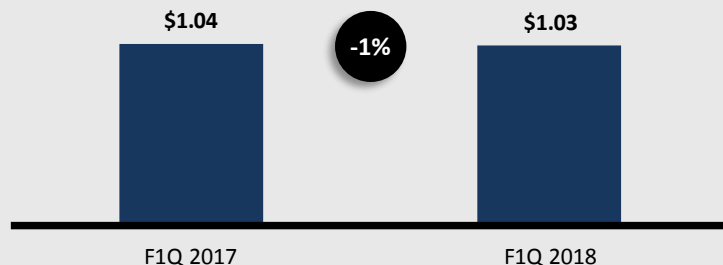
# Consolidated Adjusted OI & EPS

(\$ in millions except per share data)

## Adjusted Operating Income \*



## Adjusted Diluted EPS <sup>(1)</sup> \*



## Highlights

- ✓ Adjusted Operating Income performance reflects growth in international Media Networks and improvement at Filmed Entertainment offset by a decline at domestic Media Networks
- ✓ Cost base reinvention efforts on track to deliver approximately \$100 million FY 2018 savings
- ✓ Adjusted Diluted EPS benefited from tax reform as well as lower interest expense resulting from de-levering actions
- ✓ Tax reform provides meaningful benefits to effective tax rate
- ✓ Projecting return to growth in Adjusted Operating Income and Adjusted Diluted EPS in second half of FY 2018

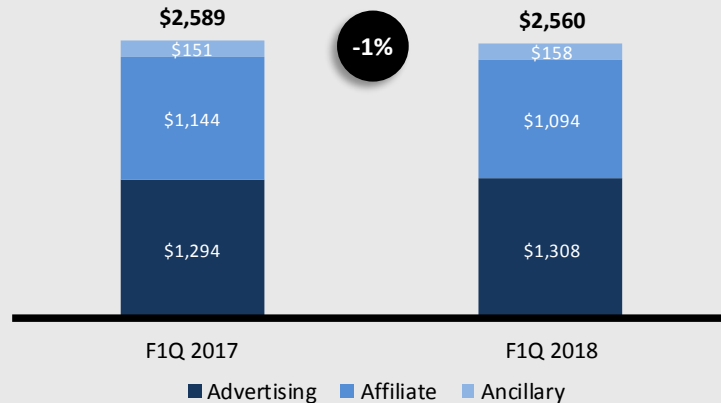
(1) From continuing operations.

\* See page 13 for information regarding non-GAAP financial measures.

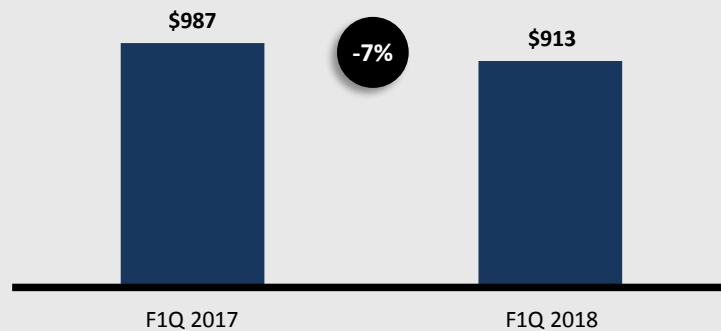
# Media Networks

(\$ in millions)

## Revenue Breakdown



## Adjusted Operating Income



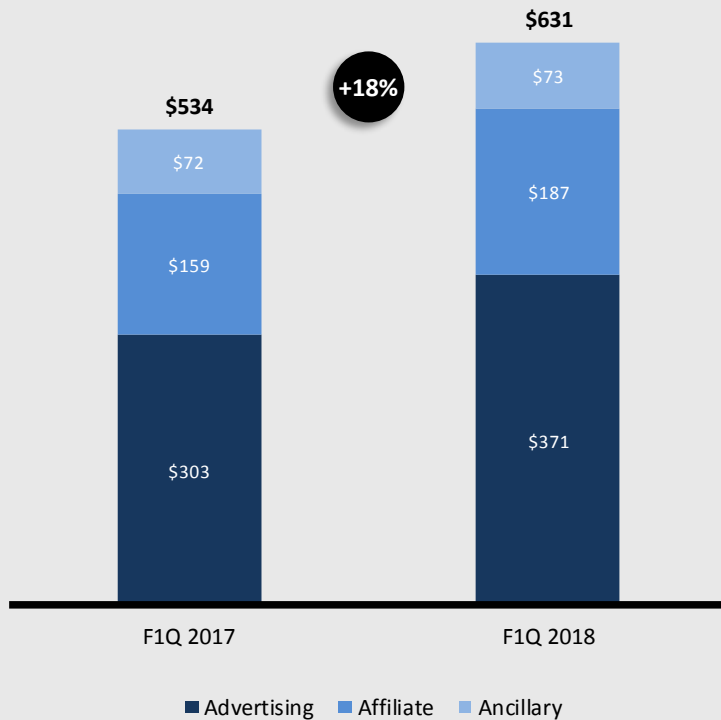
## Highlights

- ✓ Worldwide Media Networks saw strong international performance offset by declines at domestic
- ✓ Domestic ad sales declined due to linear, partially offset by robust digital growth; projecting sequential improvement with a return to growth in Q4
- ✓ Domestic affiliate in line with Q1 guidance; improved FY 2018 outlook
- ✓ Adjusted OI decline driven by domestic revenue performance as well as higher ad & promotion expenses related to original programming and launch of Paramount Network

# International Media Networks

(\$ in millions)

## Revenue Breakdown



## Highlights

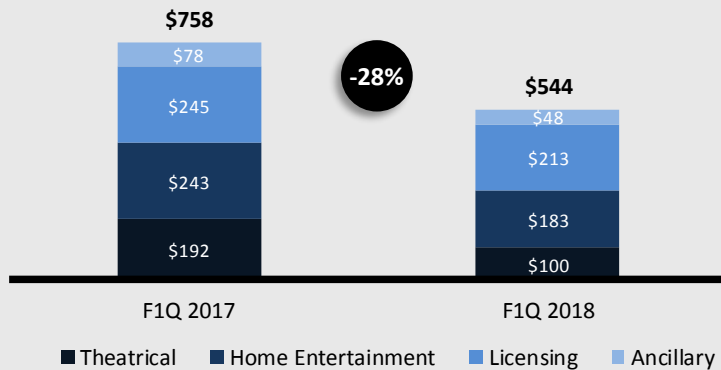
- ✓ Advertising revenue growth of 22% driven by continued strength in Europe as well as benefits from Telefe and foreign exchange; expecting continued strong growth
- ✓ Affiliate revenue increased 18% driven by organic growth as well as foreign exchange
- ✓ Viacom18, a top 3 diversified media & entertainment company in India, valued at \$2 billion in a recent transaction with our joint venture partner \*

\* Upon closing of our sale of a 1% equity interest in Viacom18, Viacom's equity interest in Viacom18 will be 49%.

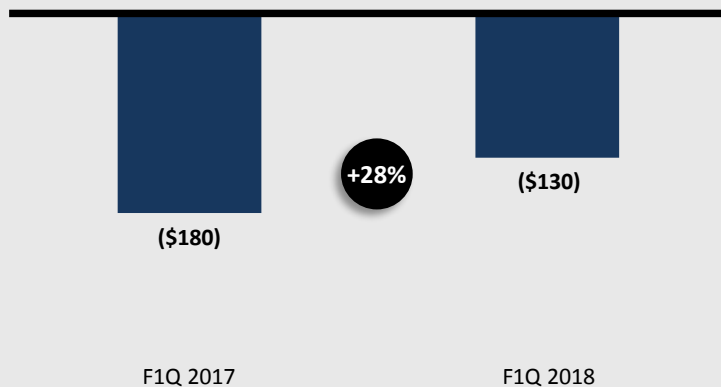
# Filmed Entertainment

(\$ in millions)

## Revenue Breakdown



## Adjusted Operating Income



## Highlights

- ✓ Revenue in the quarter principally reflects underperformance of legacy slate and fewer theatrical releases
- ✓ Year-over-year improvement in Q1 Adjusted OI driven by lower operating expenses
- ✓ Continue to project meaningful year-over-year improvement in FY 2018 Adjusted OI
- ✓ TV production business continues to gain momentum, 14 series now ordered or in production
- ✓ Paramount turnaround efforts in sight with new slate strategy expected to benefit FY 2019



# Performance Highlights

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## Distribution

- Carriage of Viacom programming returned to Suddenlink
  - Charter agreement signed in the quarter and full re-penetration on Charter's Select (most highly penetrated) tier achieved as of February 2018
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## Digital

- Launched Viacom Digital Studios in November 2017 to accelerate production of digital-native content
  - Organic strategy complemented by WHOSAY and VidCon acquisitions
- 



- Continued its strong performance, delivering double-digit revenue and profit gains
  - VIMN also expanded and diversified its footprint, with the launch of the Paramount+ service in the Nordics, mobile deals in Asia and Latin America, and Spike Italy launch on FTA
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## Share of Viewing

- Viacom continues to hold the #1 share of basic cable viewing in all key demos, including Adults 18-49 and Kids 2-11
  - Worldwide video consumption on Viacom sites, mobile apps and connected devices grew 38% year-over-year
-

# Performance Highlights



- In January 2018, Paramount Network launched in the U.S. to solid early results
- Has a dynamic 2018 slate of cinematic original series, including *Waco*, *Heathers*, *American Woman* and *Yellowstone*; fan-favorites *Lip Sync Battle*, *Ink Master* and *Bar Rescue*, and all-new Bellator events and a broad portfolio of films



- Grew primetime ratings by 14% and primetime share by 25% year-over-year, becoming the 2nd fastest growing entertainment network in primetime among the 40 largest cable channels
- Video consumption across MTV's digital properties increased 101% year-over-year as social video views grew 105%



- Achieved a second consecutive quarter of double-digit ratings growth, up 16% year-over-year
- Remained #1 with African Americans 18-49 for 16 straight years and finished the quarter with the two highest rated awards shows on cable: the *Hip Hop Awards* and the *Soul Train Awards*



- Remained #1 with Kids 2-11 and 2-5 for the 10th straight quarter
- Continued to expand its off-screen initiatives through *SpongeBob SquarePants: The Broadway Musical*; strong sales of *Paw Patrol* toys and other consumer products; and new offerings such as the SlimeZone VR experience



- Delivered a year-over-year increase in audience share for the third straight quarter, with *South Park* maintaining its lead as the #1 primetime original comedy on cable for the fifth year in a row
- Finished January as the #1 entertainment cable network among millennial men

# Performance Highlights

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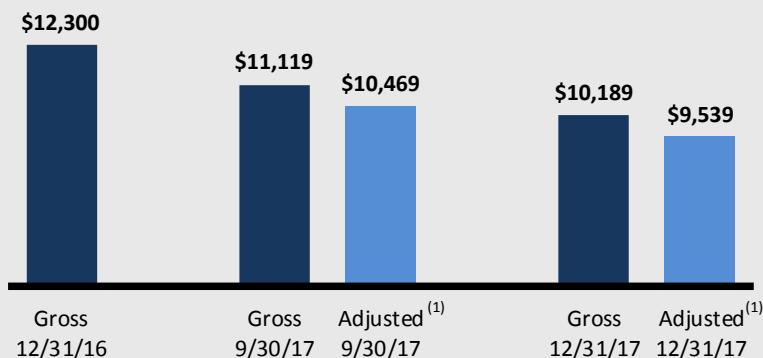


- Studio leadership continued to execute on its turnaround strategy and strengthen its bottom line
  - Paramount Pictures concluded two key production agreements with Hasbro and Skydance Media, and signed a production pact with *The Fast and the Furious* producer Neal H. Moritz
  - Paramount Pictures continues to ramp up its 2019 production slate with 16 films including key tentpoles and eight co-branded Paramount Players films, reflecting the new slate strategy
  - Paramount Television has 14 shows on air or coming to air soon and is increasing its alignment with Viacom Media Networks
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# Balance Sheet & Free Cash Flow

(\$ in millions)

## Gross Debt



## Free Cash Flow \*

	F1Q 2018	F1Q 2017	B/(W) %
Operating Income	\$ 717	\$ 706	2%
Depreciation and Amortization	53	56	(5%)
Restructuring	-	42	n/m
Capital Expenditures	(28)	(52)	46%
Cash Interest	(123)	(150)	18%
Cash Taxes	(24)	(38)	37%
Working Capital and Other	(611)	(451)	(35%)
<b>Operating Free Cash Flow *</b>	<b>\$ (16)</b>	<b>\$ 113</b>	<b>n/m</b>
Debt Retirement Premium	-	(6)	n/m
<b>Free Cash Flow *</b>	<b>\$ (16)</b>	<b>\$ 107</b>	<b>n/m</b>

## Debt Overview

Gross Debt	\$10,189
Adjusted Gross Debt <sup>(1)</sup>	\$9,539
Cash and Cash Equivalents	\$394
Net Debt	\$9,795
Weighted Average Rate	4.96%
Weighted Average Maturity	16.8 yrs

## Highlights

- ✓ Reduced debt by ~\$3 billion or 23% since announcing plans to de-lever in February 2017
- ✓ Redeemed over \$1 billion of senior notes and debentures in the quarter
- ✓ Operating FCF decline principally driven by a ramp-up in film and TV production building toward the larger FY 2019 film slate

n/m – not meaningful

\* See page 13 for information regarding non-GAAP financial measures.

(1) Adjusted Gross Debt reflects 50% equity credit applied by S&P and Fitch to \$1.3bn of hybrid securities, reducing gross debt by \$650mm.

# Supplemental Disclosures: Non-GAAP Financial Information

**Non-GAAP measures are measures of performance that are not calculated in accordance with GAAP. They should not be considered in isolation of, or as a substitute for, net cash provided by operating activities, operating income, earnings from continuing operations before provision for income taxes, provision for income taxes, net earnings from continuing operations attributable to Viacom and diluted EPS from continuing operations as indicators of operating performance, and they may not be comparable to similarly titled measures employed by other companies.**

**Consolidated operating free cash flow, free cash flow and adjusted results that exclude the impact of certain items identified as affecting comparability are non-GAAP measures. These measures are relevant and useful information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies and allow investors to review performance in the same way as Viacom management. We provide reconciliations of our reported results and net cash provided by operating activities (GAAP) to our consolidated adjusted results and operating free cash flow and free cash flow (non-GAAP) in our Form 8-K (Quarterly Earnings Release) announcing our quarterly earnings, which can be found on our website at [ir.viacom.com](http://ir.viacom.com).**