VIACOM

Date of Valuation
April 1, 2005

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Analysis of Viacom Inc.

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Investment Recommendation – Over-Valued

VIA - NYSE	$34.73	**EPS Forecast**				
52 Week Price Range	$31.90-$42.15	**For Year Ending**	**2005**	**2006**	**2007**	**2008**
Revenue (2004)	$22,525,900	**EPS**	1.22	1.28	1.35	1.48
Market Cap	56.12 Bil					
		Actual Current Price (Apr. 1 2005)	$39.40			
Shares Outstanding	1,645,300	**Ford Epic Intrinsic Value**	$15.98			
		Long Run ROE/Income Perp	$16.32			
Div. Yield %	80%	**Ratio Based Evaluations**	**Viacom**	**Ind. Avg.**		
3-Month Avg. Daily Trading Vol.	6,664,727	**P/E Trailing**	-$3.49	$41.47		
Percent Institutional Ownership	65.18%	**P/E Forward**	$17.52	$19.12		
		M/B Trailing	$1.12	$0.92		
Book Value Per Share (Q1 '05)	$25.54	**M/B Forward**	$1.38	N/A		
ROE (2004)	-25.86%	**PEG Forward**	$1.48	$1.78		
ROA (2004)	-17.79%	**Dividend Yield**	$0.80	$0.93		
Cost of Capital Estimates		**Intrinsic Valuations**	**Estimated Value**			
Ke Estimated	7.72%	**Discounted Dividends**	$ 4.43			
Published Beta	1.35%	**Discounted Free Cash Flow**	$ 35.61			
Kd	5.45%	**Residual Income**	$ 15.72			
Estimated WACCbt	7.30%	**Abnornmal Earnings Growth**	$ 14.69			

- **We recommend shareholders sell currently owned stock due to our estimates of Viacom share prices being over-valued.**
- **Viacom has recently begun cutting cost and trimming out subsidiaries that have not been performing, such as Blockbuster, but short-run profits are questionable.**

Buy: A strong purchase recommendation with above average long-term growth potential.
Market Out Performer: A purchase recommendation that is expected to marginally outperform the return of the market.
Market Performer: A recommendation to maintain current positions with returns of that to match the market.
Sell: A recommendation to sell the security (or short the security) as it is expected to decline in price in the medium term.

Executive Summary

Recommendation – Overvalued Security

We have concluded our coverage of Viacom Inc. (VIA) with a sell recommendation and a twelve month price target of $20.00. Viacom is a major player in broadcast communications industry and holds several subsidiaries in other market segments that make Viacom a diversified company.

The broadcast and cable television industry has become highly competitive with several major competitors such as Time Warner, News Corporation and the Walt Disney Company. With major competitors such as these, product and technological innovation are crucial in the expansion of Viacom as a company.

Industry Demand Drivers

The drivers for new growth will be a greater consumer viewing audience in the network and cable industry, greater distribution through new stations and subsidiaries, higher publishing and syndication innovation through new talent and ideas and being able to obtain those ideas and talent before the competitors.

The Radio and Entertainment segments of Viacom also have a high degree of possible growth for Viacom as a percentage of their total business. There is a large market for both of these and Viacom has just touched the surface. Acquisitions in 2004 of radio and broadcasting systems will lead revenues in a positive manner in the future.

Given consumer demand for high quality low cost cable television, products will be geared toward this type of market. The competitors within the industry that can adapt to these new demands the best will undoubtedly grab the market share.

Viacom is Fairly Positioned

Viacom has recently cut cost in order decrease liabilities to the company such as dropping Blockbuster from current and future operations. They have also acquired new companies in the radio and entertainment sectors and have positioned themselves for future economic profit. Yet, they must maintain a high level of innovation and steadily increase technological advances to regain market share.

Steady Financials

Viacom has had positive year earnings for prior years until 2004. The extra cost associated with discontinuing Blockbuster from operation, and drastic increase in operating expense from 2003 to 2004, and a large negative operating income caused Viacom to report the -$17,462,200 Net Income for 2004. With this year behind them, we feel Viacom will gradually improve their earnings in future years, but not enough to consider them fairly valued at $35.00.

Risks

After valuing Viacom, we feel it is necessary to note a few risk associated with forecasting an estimated price based on future intrinsic values. Though we know at the end of 2004 Viacom acquired several new subsidiaries, both partial stock purchases and full ownership purchases, we do not fully know the effect of these new acquisitions to future earnings. On the contrary, Viacom has noted in their footnotes to the 10-k that management is discussing a future split of the company into two separate public traded companies, one of which would highlight Viacom's high growth business such as MTV Networks, and the other of which combine its leading CBS broadcast television business, growing outdoor business and high cash flow operations such as radio. This possible split may affect future earnings, but in our estimations they are not accounted for in any way.

Industry Analysis

Company Overview

Viacom Inc., organized in 1986 in Delaware, is a corporation in the media industry that has operations in several different networks. These entertainment networks include broadcast and cable television, motion pictures and theatrics, production and syndication, and radio. Their services are to provide basic cable television, subscription television programs, radio stations, television production, and syndication. Viacom reaches millions of people around the world daily with an audience in every demographic category across the media.

Their major segments in the broadcasting and cable television network include CBS, MTV, BET, Nickelodeon, VH1, Showtime, Comedy Central, King World Productions and Paramount Television. These segments provide fifty percent of the company's revenue. CBS is the number one most watched network providing customers with the best programs in entertainment, sports, and news. Some programs include *CSI, 60 Minutes, Survivor*, NFL games, and the NCAA basketball championship. Viacom also owns 185 radio stations, 39 broadcasted television stations, Paramount Parks, and Blockbuster. Viacom Inc. has revenues of 16.23 billion dollars and currently employs 117,750 workers. Its headquarters are located in New York, New York. They are currently traded on the New York Stock Exchange and are included in the make up of the S&P 500.

Industry Overview

The broadcasting and cable television sector has become a huge part of the entertainment industry. With 85 billion dollars spent on the improvement of cable facilities over the last 8 years, this industry continues to grow. The major competitors in this industry are Time Warner, Comcast Corp, The Walt Disney Co, and Fox Entertainment Group. As television is becoming more a part of everyday life, the companies are fighting for viewers and spending large amounts of money for advertising. Because of this, many companies have chosen to participate under the wing of their larger affiliate and combined their knowledge and resources. For instance, Time Warner who owns HBO and Cinemax acquired Turner broadcasting system, which is a cable company who owns CNN and TNT. This allows the companies to have a better chance at reaching the desired demographics they are competing for.

In 2003, the FCC decided to loosen the restrictions on media ownership and let a single television station reach 45% of the US audience. They also chose to let companies own a broadcasting and newspaper outlet in the same market. These changes have resulted in more companies choosing to merge together and less sources of information.

Industry and Competitors

Viacom is a leading global media company that has positioned its assets in many different markets and services. They specify in broadcast and cable television, radio, outdoor advertising, and entertainment parks and video. Viacom competes on many different levels in many different markets due to its diversified portfolio of companies that own, operate, engage in, or sell media properties, services, and products. Viacom competes with many different types of entities and media in various markets. Its business segments generally compete with businesses of other diversified international entertainment companies such as Time Warner, News Corporation, Sony Corporation, Clear Channel Communications, The Walt Disney Company and Vivendi Universal. Smaller segments within Viacom often find themselves competing in these areas and many others, yet on a much larger scale. Parts of their company compete in broad capabilities such as new and innovative technologies; such as the case with its Radio and Entertainment segments of the company. High speed internet, newly developed satellite radio, duplication and piracy all contribute to the many competitors Viacom as a whole must compete with in a highly competitive market. According to an article on finance.yahoo.com the company feels its strong dedication to costumer service, high quality products, attention to innovation and a strong will to succeed provide it with the competitive advantage it needs to succeed and remain a leader within the industry. The below is a breakdown of each sector of Viacom and their relative competitors for that industry.

Television- This is a highly competitive market place where companies compete for advertising revenue with other basic cable and broadcast television networks, radio, online and print media. The principle methods of competition here are the development and acquisition of popular programming and audience interest through programming and promotion in order to sell advertising at profitable rates. CBS and UPN generally compete with networks such as ABC, FOX, NBC, and WB, independent television stations, and basic cable program services. As of September 22, 2003, to February 29, 2004, the CBS television network secured the #1 position for total viewers ages 25-54. As a producer and Distributor of programming, Viacom competes with studios, television, production groups, and independent producers and syndicates such as Disney, NBC, SONY, Universal and Warner Bros. to sell programming both domestically and overseas.

Radio- The companies radio stations compete for an audience and revenues directly with other radio stations such as those licensed to and operated by ABC Radio, Cox Radio, Emmis Communications, Entercom, Radio One, and Clear Channel Communications as well with other media, such as broadcast television, newspapers, magazines, cable television and the internet. The growth of the internet is ever present in today's world and will presumably increase competition in this area tremendously. The Radio is also facing new competition through the growth and conversion to satellite- delivered audio programming services such as Sirius and XM Satellite Radio.

Outdoor- The Outdoor sector of Viacom competes in outdoor advertising space and revenue with other companies involved in outdoor advertising. Such companies include Lamar advertising and Clear Channel Communications as well as out-of-home media; including shopping malls, airports, stadiums, movie theatres and supermarkets. Viacom believes its strong emphasis in sales costumer service and its position as a leading provider of advertising services in each of its primary markets as well as its nationwide inventory enables it to compete effectively with other outdoor advertising companies, as well as other media, within those markets.

Theatrical Motion Pictures- Competes with other major studios such as Disney, Dream Works, Fox, MGM, Universal and Warner Bros... The company also competes to obtain creative talent and story properties which are essential to the success of all of the company's entertainment businesses.

Publishing- This sector has remained highly competitive mainly due to mergers and acquisitions by top leading consumer publishers. The company must compete with larger publishers such as Random House, Penguin Group and Harper Collins for the rights to well-known authors and public personalities.

Parks and Video - The Paramount Parks, theme parks compete with other forms of leisure activities and entertainment sites located throughout the country. The video sector has been highly competitive and is increasing in competition every day. From video stores, and retailers, to large discount stores such as Wal-Mart and Best-Buy, to any smaller store that rents, sells or trades movies, games or provides rental services and internet sites. Coupled with the above competition, the video sector is increasingly competing with the development of new technologies and innovation. A competitive risk to the Blockbusters video store business comes from Direct Broadcast Satellite and high speed internet connections that allow viewers to rent and buy videos with in the confines of their homes. Blockbuster is also competing with illegal duplication and piracy for the sale of their movies and video games within the industry.

Five Forces

Threat of New Entrants

With large economies of scale Viacom is in an industry where new entrants suffer at a disadvantage of gaining power in the industry. In an industry where new entrants must have a lot of money to invest in order to enter with less than optimum capacity the new entrants will face a cost disadvantage. The need for specialized equipment in the industry and limited access to distribution channels can be huge barriers to entry. Existing customer-firm relations make it difficult for new firms to enter this market and steal existing firm's shares.

As for the television sector it is costly to acquire a high profile television station in order to compete with many of the top leaders, many high profile television stations are affiliated with a premium name. The radio sector is very similar to the television sector in that the companies must have something special to offer and a high profile name to go along with that in order to compete in the market. Most of the time it is hard for brand new entrants to enter into the market without acquiring a high profile name.

The entertainment segment which includes theatrical motion pictures, parks and video, and publishing; Viacom must maintain its competitive advantage within the industry in order to maintain its competitive edge. The entertainment segment mostly deals with advertising and retail that surround day-to-day activities. This segment is highly competitive and the threat of new entrants is high due to low entry barriers.

Threat of Substitute Products

The entertainment industry containing everything from radio to television is moving at a fast pace. With new innovative ideas and new television concepts such as satellite television and satellite radio, the threat of substitute products is increasing at a fast pace. Due to the competition between rival firms in the industry, Viacom must always be on top in order to compete with substitute products such as new innovative advertising agents, new product releases, and new technological advances within the market. In an industry where many of Viacom's profits come from television and cable network programs and advertising within them, Viacom must maintain an appeal to the majority of the audience that channels these interests in order to keep a competitive edge.

In the television industry it is easy to substitute products if the consumer feels that the competitor offers a product that performs the same function or level of satisfaction. For example, if a customer has basic cable television with around 60 channels it is very easy to switch form one channel another. Viacom, as a leading competitor has an advantage but must maintain this advantage by channeling the user with like interests when advertising and commercials are involved. If the user becomes uninterested it is very easy for him to substitute the product with another product of similar interest.

Bargaining Power of Buyers

Viacom owns broadcasting networks and a majority of popular television stations such as CBS, MTV, BET, Nickelodeon, VH1, Showtime, Comedy Central, King World Productions and Paramount Television. Bargaining power does not relate as much to this industry of entertainment as it does for other service industries. The fact that Viacom has control over the market with such substantial power as to television channels on cable networks, the cable providers are less price sensitive because in order for the cable provider to receive business it must include these network channels that are so popular. Many cable television providers have contracts with companies like Viacom and its competitors such as Time Warner, Walt Disney, and Fox in order to maintain and hold a successful product without to much price elasticity. So the price is not a huge determinant on the buying decision. The relative bargaining power of buyers is not very strong either; because of the fact that the service providers need theses channels to sell to subscribers, their bargaining power is low because there are not many substitutes. Viacom is able to charge buyers a price that they feel is competitive, yet a price that they can still profit from.

Bargaining Power of Suppliers

In the entertainment industry, Viacom has a leading competitive advantage along with the other firms in the industry as far as providing consumers with what they want. When it comes to the bargaining power of these leading competitors, they are not relatively powerful due to the scarce amount of cable providers present. With only a few choices of service providers such as Cox, Dish Network and a few other smaller providers; companies such as Viacom are not very powerful since the service provider is critical to Viacom's business.

Rivalry Among Existing Firms

Viacom Inc. is one of the leading competitors in the entertainment industry. With diversified operations across the entertainment industry including Cable Networks and Television, making 50% of Viacom's revenues; Viacom is in an industry of high growth. With new technologies in the entertainment industry such as high definition television and satellite radio many of the competitors have an advantage of taking the market share because there are only a few leading firms in the industry. Some of the main competitors are Time Warner and Comcast. Although these companies may contain much of the market share with each other it is important to cooperate with each other in order to avoid price destruction. The exit barriers to this industry are high due to specialized assets which make exit costly. This makes the industry more competitive in order to compete with the other companies within the industry. Therefore, overall Viacom has a very competitive market within the industry and must compete with existing firms in order to hold a competitive advantage. Viacom must always be a leader in new technologies such as High Definition Television and Satellite Radio in order to stay competitive and not fall behind.

SWOT Analysis

Strengths

Viacom's strengths and key success factors include its large diversity in programming, strong international presence, high level of technology, and strong coordination between its subsidiaries. With these strengths Viacom holds a leading edge in the existing market and can maintain a wide demographic spread within the market.

Diversity **-** Viacom owns such networks as MTV, Nickelodeon, BET, VH1, Spike TV, Comedy Central, Showtime, The Movie Channel, and several others. With the diverse programming that appears on each of these channels, Viacom has the ability to effectively reach audiences in every demographic category. The wide range of shows that appear on these channels appeals to many different audiences ranging from toddlers to middle aged adults. Their presence in radio broadcasting, motion pictures, and publishing allows them to reach audiences through nearly every form of media. With this type of diversification Viacom has a leading role with in the industry and can hold a wide variety of subscribers and users.

***International Presence* -** MTV is currently the worlds most widely distributed television network with subscribers in nearly 175 countries. MTV has international segments of each of its networks, appealing to the different cultures of each of its different sectors of the world. Nickelodeon serves nearly 175 million subscriber's world wide including children's programming and late night classics featured on Nickelodeon's Nick at Night. VH1 reaches more then 111 million subscribers worldwide and has a huge presence as far as programming. VH1's programming includes everything dealing with music including all forms of music era's that appeal to subscribers. Viacom Outdoor has properties across Europe, Canada, and Mexico advertising to many age groups and ethnical backgrounds. Paramount Television is one of the largest producers of television programming; through its production syndication division its programming reaches 125 different countries in over 30 languages. With these different types of broadcasting spreading across the world Viacom has a definite advantage world wide and contributes to its key success factors of business.

***Coordination* -** Paramount Pictures has begun to join together with MTV and Nickelodeon, two other companies owned by Viacom, to co-produce certain niche films. This allows each company to use its knowledge of the industry and demographics to create films that are widely popular in that target niche.

Weaknesses

Viacom's weaknesses include a low level of presence in internet communication, a reliance on cable networks and television for the majority of their profit, and low bargaining power in the industry.

***Internet*:** As the internet becomes increasingly used more often for media purposes, Viacom is losing revenue due to the lack of presence they have in that market. Now that companies are advertising more and more on the internet and the internet is becoming a tool for media, it is essential that Viacom creates a stronger presence. Viacom does operate countless websites, however it is imperative they become an internet provider and operate search engines. With Music and movies being downloaded at all time highs, and the internet becoming increasingly available to more people Viacom could become much weaker in a new form of media.

Reliance on Television: Over 50% of Viacom's revenue comes from cable networks and television. This is not necessarily bad for a media company; however Viacom already owns a large number of companies that operate in other forms of media. Television should not represent as significant of a percentage of revenue with subsidiaries performing in nearly every other form of media. With the high number of competitors in the television industry, expanding their radio broadcasting companies, motion picture companies, and publishing companies would allow for increased revenue and less reliance on one sector of their corporation.

Low Bargaining Power: Since there are many competitors in the media industry it is hard for one company to maintain extensive bargaining power. There aren't many service providers so they are more willing to accept substitutes from Viacom's competitors. The large number of substitutes available leaves these companies less price sensitive.

Opportunities

Viacom's opportunities include expanding Paramount's theme parks worldwide, entering into internet communications, and expanding into becoming a cable and satellite provider.

Theme Parks: The strong international presence of Paramount's motion pictures should allow the company to expand its theme parks into other global markets. With the emergence of Euro Disney and Asia Disney performing very well, Viacom should expand the Paramount theme parks globally. This would also create an opportunity for greater exposure of the films Paramount produces.

Internet: With companies spending all time highs on internet advertising, Viacom must capitalize on this opportunity. By acquiring an internet Search Engine Company or creating one of their own, Viacom could extend its presence in one of the fastest growing forms of media there is. Operating a search engine presents the opportunity to receive greater revenue from advertisements, and would allow Viacom to advertise for the vast number of media companies they already own.

Cable and Satellite Provider**:** Due to the large number of competitors in the media field bargaining power is very low. Viacom should expand its operations into the service of providing satellite and cable. This sector of the industry is much less competitive and would allow Viacom to have a greater bargaining power among their competitors. It would also allow them to keep the money spent by their networks in the corporation, which would create higher profits.

Threats

Viacom's Threats include competitors, an increasing level of technology, and service providers within the media industry.

***Competitors*:** The media industry has been continuously growing with large media giants in direct competition. There is also the treat of smaller companies with highly developed technologies creating a new standard in the industry. Time Warner and Comcast are the biggest threats to Viacom's market share because they have a presence in nearly every form of media as well. As competing companies grow it will directly decrease Viacom's market share.

***High Technology*:** With the industry moving towards high definition television and satellite broadcasting it is imperative for Viacom to continuously improve their technology. The large amount of competition makes it even more essential to remain a frontrunner in media technology. Without keeping on the cutting edge of media technologies, it will become easier for service providers to accept substitutes from the industry.

***Service Providers*:** Since there are a limited number of service providers such as Cox cable, Road Runner, and various others, they are able to obtain larger bargaining power within the media industry. The large number of media companies give the service provides much more price control. Even though it is true these providers could not operate with out the networks their customers demand, they still have a much larger pool of substitutes to choose from. Viacom must be constantly aware of the threat of a price war between competing companies. If the Media companies continuously accept lower prices, revenue and profit will begin to decline.

Conclusions

Viacom, being one of the top contenders in the broadcasting and cable television with sectors in radio, outdoor advertising, video, and entertainment parks; has a leading competitive advantage with in the industry and its segments. With large economies of scale Viacom has a leading advantage within the five forces and must maintain a competitive edge in order to keep this advantage. Viacom has much strength including diversity, international presence and coordination within its entities; these strengths are some of Viacom's key success factors. One of Viacom's weaknesses is the lack of internet presence and the fact that most of its business is related to cable television and the reliance on service providers. Until Viacom breaches these boundaries, they will still be in the competitive lane within the industry. With the opportunity to surpass these boundaries by becoming an internet service provider and expanding into the cable provider business Viacom could create a huge competitive edge within the industry.

Accounting Analysis

Key Accounting Policies

In this section we discuss both qualitative and quantitative methods to measure and evaluate the creditability of Viacom's financial statements. The qualitative method consists of five steps. These consist of evaluating key accounting policies, strategy analysis, potential accounting flexibility, quality of disclosure, and any potential red flags. The quantitative method includes screening ration used to asses the reliability of public financial disclosure. The final process of the accounting analysis is to undo accounting distortions.

Revenue Recognition

There are five major categories in which Viacom Inc recognize most of their revenue. These categories include advertising sales, rental and retail sales, affiliate fees, feature film exploitation, television license fees, and alternate account to distinguish other revenues that do not fall into one of the previous categories. Advertising sales is the main source of revenue every year, making up 45% of total revenue. These revenues are recognized during the period that the advertisements are aired. The rental and retail sales category counts for 22% of the total revenue that Viacom brings in. These are proceeds from renting movies and video games from their stores like Game-Station and Blockbusters. Whenever a video game, DVD, or VHS is rented it is then identify as revenue. During the summer of 2004 Viacom relinquished control of blockbuster, releasing the subsidiary from the corporation. They do however still control Game-Station and still receive revenues from rental and retail on video games. Viacom's rental and retail revenues will likely drop as a percentage of total revenue in the future. The affiliate fees come from subscriptions to their many different television programs and stations. This revenue is distinguished when the service is provided to the customer, and accounts for up to 9% of their total revenue. The featured film revenue is mostly made up from the purchasing of DVD for home entertainment and it composes 8% of the total revenue. These revenues are recognized when the customer has purchased the DVD. Another category is that of the television licensing fees, which consists of the syndication of their television shows. Viacom recognizes this revenue whenever the syndicated show is airing. The remaining 10% of Viacom's revenue is from their alternate category. This consists of theme park operations, theaters, publications, and consumer products. Whenever the merchandise has been shipped, concerning the publishing segment, then it is recognize as revenue. In addition, revenue is also recognized when a consumer purchases a product, such as Nickelodeon t-shirt. Viacom also receives billions of dollars of revenue from their operations in international regions.

Goodwill and Intangible Assets

Viacom's uses multiple ways to record their intangible asset. The intangible assets that have finite lives are amortized through the straight-line method and use a life of 5 to 40 years. These assets are usually franchise and subscribers agreements. Since the adoption of SFAS 142, if the asset has an indefinite life, like goodwill and FCC license, then they will no longer be amortized. These assets are reviewed annually for any impairment that may have occurred over the year. As a result of SFAS 142 the company is required to perform annual fair value impairment tests of goodwill.

As a result of the impairment test, the company recorded an impairment charge of \$18 billion in the 4^{th} quarter on the company's consolidated statement of operations for the year ended December 31, 2004. The radio segment had a reduction in goodwill of \$10.9 billion, and the outdoor segment had a reduction of \$7.1 billion. The carrying value of intangibles was reduced \$27.8 million related to the FCC licenses at the radio segment.

Goodwill is the additional amount paid over the fair market value for intangible specifications that help the company increase its value and profits. Viacom has recently purchased the remainder of Comedy Central Network that they did not previously own. The excess amount from the difference between the purchasing price and the fair market value is recognized as goodwill on the balance sheet.

Accounting for Receivables

In September 2004 Viacom changed the way it accounts for their uncollectible receivables. The new system is called their securitization program and, which helps the company add more liquidity. Receivables are sold on a non recourse basis with a one year renewal to outside third parties. This causes the accounts receivable balance on the balance sheet to be written down, affecting their total assets.

Evaluating Accounting Strategies

In a flexible environment Viacom has relatively more conservative then aggressive accounting policies with regard to their accounting strategy. They are very similar to that of other companies in the industry Viacom's accounting policies are similar to other competitors in their industry, such as Time-Warner, in that they recognize revenues when they are earned or the product has been delivered. They also recognize expenses when they are incurred. Viacom and Time-Warner both depreciate their long term assets using straight line depreciation method. Both companies use the first in first out method when accounting for inventory. They differ however in the rate in which they amortize the depreciation on their assets. Viacom uses a less accelerated rate of amortization on their buildings and equipment. They maintain a building life of 40 years and an equipment life of 20 years, while Time-Warner only allows a 30 year life for buildings and 15 year life for equipment. Both companies account for their subsidiaries in the same way as well. For companies in which they own more then 20%, but less then 50%, the equity method is used for accounting purposes. Investments of 20% or less are accounted for under the cost method. Viacom's management is required to make estimates and assumptions on sales returns and allowances for doubtful accounts that are based on historical trends and other relevant information.

The managers at Viacom have some incentive to use accounting discretion to manage earnings because they are a cost competitive firm. Viacom also offers stock options to many of its employees which give a greater incentive for the stock to perform well. The company also allows bonus compensation based on earnings for the year, which may provide incentive for accounting discretion. Viacom has recently gone through some restructuring by approving a divestiture of their 81.5% interest in Blockbuster. This was based on the conclusion that it would be better suited as a company independent of Viacom. Richard Bressler, Viacom's CEO announced that he will not be renewing his contract in 2006. This could leave room for internal advancement in the company, pressuring managers to perform better.

Viacom's estimates have been consistent in the past. The only major adjustments were made to inventory. In 2003 the adjustments made to receivables was $434.6 compared to only $132.8 in 2002. Their inventory estimates have been unstable as well. In 2003 they adjusted a decrease to inventory of $150.1, while in 2002 they had to adjust an increase of $772.6. These inventory adjustments could have been the result of an increase or decrease in demand, or they may have been the result of management's discretion. The IRS is currently examining the years 1997 through 2002. The company is responsible for the federal income tax audits of several of its subsidiaries for period prior to their acquisition by Viacom.

Viacom has made a few changes in its policies and estimates. With accordance of FASB impairment of long lived assets, whenever there is an indication that the carrying amount of the asset may not be recoverable then the impairment is recorded and the carrying value is changed. Recoverability is determined by comparing the forecasted undiscounted cash flows generated by the asset to their net carrying value. The amount of impairment loss is measured by the difference between the net book value and the estimated fair value of the asset.

Viacom also implemented changes to their goodwill and intangible assets accounting practices that became effective January 1, 2002. These changes were adopted from the Statement of Financial Accounting Standards (SFAS). The company's assets that are considered to have infinite or indefinite lives are allocated to various reporting units. Intangible assets with indefinite lives are generally depreciated using straight line depreciation which range from 5 to 40 years and are periodically reviewed. Intangible assets such as FCC licenses and goodwill are no longer amortized but are tested for impairment on an annual basis. If a carrying amount exceeds its fair value then an impairment loss is recognized as a non cash charge.

Another change implemented by Viacom effective January 1, 2003 is the adoption of SFAS "Accounting for Asset Retirement Obligations. This requires the capitalization of asset retirement costs as part of the total cost related to long lived asset, and the depreciation of this cost over the corresponding asset's useful life. This primarily applies to certain of the company's video store leases and billboard advertising locations where the company is obligated to remove leasehold improvements to restore the property to its original condition. The retirement obligation was $49.5 and $53.0 in January and December of 2003. As a result of this adoption the company recognized a charge of $18.5 in the first quarter of 2003 reflected as a cumulative effect of change in accounting principle, net of minority interest and tax.

- All dollars are stated in millions.

Assessment of Accounting Flexibility

Viacom has considerable flexibility in choosing the policies and estimates of the company's accounting policies. The accounting methods chosen have the potential to be the most informative because the policies implemented are the most beneficial to the company.

Viacom uses a straight line depreciation method for property, plant and equipment over its estimated useful lives which can be as much as 40 years for buildings (including capital leases). Other information from the respective footnotes of the 2003 10-K suggests that the nearly 95 percent of unamortized intangibles will be amortized within the next three years, and intangible assets with indefinite lives, which consist primarily of FCC licenses and goodwill, are no longer amortized. For Viacom's broadcasting and cable division, revenues are recognized for the cable networks in the period that the service is provided, not the period that the fee is incurred. All merchandise inventories are noted on a weighed average basis in order to keep costs allocated over periods of time. All of these policy choices can have a significant impact on the reported performance of the firm and create a more informative balance sheet.

Evaluation of Quality of Disclosure

Viacom makes available, through the shareholder information section on its Annual Report, the information needed to evaluate the financials or accounting strategies. It also makes it possible to evaluate the amounts used to construct the company's industry conditions, competitive position, and management's plans for the future. The footnotes clearly and adequately explain their key accounting policies and any adjustments to prior year reports. Viacom's Annual Report also incorporates each segment of the business into a separate entity and clearly states the positioning, sales, expenses, cash flows, Stock Purchase Program, acquisitions, capital structure and percent change from year to year for each of Viacom's segments of the company. Viacom provides adequate disclosure of the accounting policies and rules used to help better understand how the segments of the business contribute and are accounted for in every aspect of business. Their financials are both internally audited by company personal each year and Independent auditors from Price Water House Coopers, LLP.

Identifying Potential Red Flags

After reviewing Viacom's financials one particular red flag that was noticed, was the unusually high amount of amortization in 2001 compared to 2002 and 2003. For 2003, depreciation and amortization increased 6% to $999.8 million, principally driven by an increase of 198 company-operated video stores and the addition of broadcasting equipment and outdoor advertising properties. For 2002, depreciation and amortization decreased to $945.6 million as compared with $3.1 *Billion* for 2001. This decrease was due to company's initial adoption of SFAS 142 effective January 1, 2002, which as a result, goodwill and intangible assets with indefinite lives are no longer amortized. Since this is a legal and well defined determination, we see no evidence of a possible manipulation of amortization.

Another possible red flag notices during our observation of Viacom's financials was how the company reported Net Earnings of $1.4 billion for year ended Dec. 31, 2003 vs. net earnings of 725.7 million for year 2002 and a net (loss) of 235.5

million for 2001. After further observation, we found the improvement in 2003 was primarily due to revenue growth from increases in advertising, feature film exploitation, retail/rental sales and affiliate fees and the non-cash impairment charge of $1.5 billion recorded in 2002 as a cumulative effect in accounting principles. These increases were partially offset by the non-cash Blockbuster charge of $1.0 Billion, recorded in 2003 and increases in operating expenses primarily from programming and production cost. The improvement in 2002 over 2001 reflected revenue growth mainly from advertising sales and the reduction of amortization expense which was offset by the goodwill impairment charge recorded in 2002. From this reasoning, we find no manipulation of earnings and all accounting actions appear legitimate.

Quantitative Measures and Indicators

To effectively analyze the past performance of Viacom, quantitative measures and indicators must be examined. The sales manipulation diagnostic shows the behavior of sales relative to cash from sale, accounts receivable, and inventory. The core expense manipulation diagnostic shows earnings relative to expenses

	Sales Manipulation Diagnostics				
	2000	**2001**	**2002**	**2003**	**2004**
Net Sales/ Cash From Sales	1.25	1.18	1.18	1.26	1.23
Net Sales/ Net Accounts Receivable	5.06	6.48	6.61	4.80	5.33
Net Sales/ Inventory	14.30	25.28	18.46	14.42	22.60

These ratios show that net sales to cash from sales remained steady. Net Sales to accounts receivable increased steadily for the first three years and then dropped. This is most likely due to a downturn in the market. Net sales to inventory also increased then decreased. These fluctuations are due holding more or less inventory during the year. During 2001 and 2002 accounts receivable increased in relation to sales. This could have caused the increase in the amount of inventory held during that year.

	Core Expense Manipulation Diagnostic				
	2000	**2001**	**2002**	**2003**	**2004**
Sales/ Assets	24.25%	25.57%	27.33%	23.18%	33.13%
Changes in CFFO/ OI		81.21%	-8.37%	8.34%	-1.10%
Total Accruals/ Change		76.99%	183.48%	-69.06%	124.72%

in Sales

Sales to assets increased steadily with the exception of 2003. This could reflect the increase in sales relative to assets. Cash flow from operating income went down then up then down again. This reflects an increase in cash flow from operations during 2001, a decrease in 2002, an increase in operating income during 2003 and a decrease in 2004.

Undo Accounting Distortions

The accounting analysis for Viacom Inc. does not create a severe concern of possible fraudulent action that would be used to distort financial earnings or losses, manipulate sales, expenses or cash flow in any way. It is our opinion that we are therefore confident with the values and reports provided by Viacom's accounting Departments and auditors.

Ratio Analysis and Forecast Financials

The purpose of this section is to assess the performance of a Viacom in the context of its stated goals and strategy, using ratio analysis to create forecasted assumptions. Ratio analysis involves assessing Viacom with the different variables and ratios that are derived from Viacom's financial statements. Using the ratios we will be able to analyze Viacom's present and past performance, as well as forecast the future performance of Viacom for the next ten years.

The ratios that we will be using include sections titled Liquidity Analysis, Profitability Analysis and Capital Structure Analysis. Liquidity ratios evaluate the ability of the firm to meet debt obligations, it is important because it shows how easily assets can be turned into cash. Profitability analysis includes leverage ratios that are primarily focused on accounts receivable, inventory and accounts payable. The leverage ratios are useful in analyzing a firm's working capital management, such as turnover rates. It mainly indicates how many dollars of sales a firm is able to generate for each dollar invested in its operating working capital. The Capital Structure Analysis section includes ratios that incorporate debt and equity. This section is important because it shows the ability to finance its debt. Capital structure for a firm is typically determined by its business risk and its managers' attitude toward business risk. The ability to assess Viacom by ratio analysis is very important in the fact that it gives us a chance to rate the company compared to other competitors in the industry, and show our findings to investors.

	2000	2001	2002	2003	2004
Liquidity Analysis					
Sales Growth	15.86%	5.95%	-15.35%	8.55%	8.15%
Current Ratio	1.01	0.89	0.98	1.02	1.09
Quick Asset Ratio	0.63	0.57	0.59	0.68	0.75
Accounts Receivable Turnover	5.06	6.48	6.61	6.13	5.33
Inventory Turnover	8.35	15.74	11.15	11.32	12.59
Operating Working Capitol Turnover	32.09	(28.81)	(137.31)	137.48	36.69
Profitability Analysis					
Gross Profit Margin	37.72%	39.59%	21.48%	35.00%	44.31%
Operating Expense Ratio	20.42%	17.62%	17.06%	16.46%	18.39%
Net Profit Margin	-0.84%	-0.62%	9.29%	10.77%	-77.52%
Asset Turnover	24.25%	25.57%	27.33%	29.59%	33.13%
Return On Assets	-0.99%	-0.25%	0.81%	1.58%	-25.68%
Return On Equity	-1.70%	-0.36%	1.16%	2.24%	-41.55%
Capital Structure Analysis					
Debt To Equity Ratio	0.72	0.45	0.44	0.42	0.62
Times Interest Earned	1.61	1.51	5.42	4.67	5.06
Debt Service Margin	1.05	1.55	3.91	3.44	6.22
Total Current Assets	15%	7%	8%	9%	10%
Operating Cash Flow as % of Op Inc	176%	240%	68%	78%	82%
Total Current Liabilities	22%	27%	27%	28%	29%

Liquidity

Overall, Viacom has a poor Liquidity analysis, with working capital turnover having negative spells in 2000 and 2001. The current ratio tends to remain around 1 because of its close correlation of current assets to current liabilities. We notice a slight fall in 2001 is mainly caused by a fall in current assets and equal current liabilities for that year. Accounts Receivable Turnover remains around 6.5 while a slight increase occurs during 2000 and 2002, and then a small drop due to an increase in sales and decrease in accounts receivable in 2003. Inventory turnover rises steadily for all five years with a fairly large jump in 2001 due to a decline in inventory from the previous year. Working Capital seems to be all over the board ranging from 32.09 in 2000 to 137.31 in 2003 and back to 36.69 in 2004. This is caused by two factors. One, sales steadily increased until 2003 when it fell by over 4 million dollars. The other factor is the change in working capital from year to year. While 2001 and 2002 were both negative changes in working capital, '01 brought positive change in working capital and then '03 and '04 brought forth positive changes. While the numbers do show signs of liquidity problems, they do not show a steady decline of the five years. For Viacom to continually improve its liquidity, sales must continue to increase and current liabilities and inventory need to decline.

Common Size Income Statement (Percent of Sales)

	2000	**2001**	**2002**	**2003**	**2004**
Revenue	100%	100%	100%	100%	100%
Other Revenue					
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of Revenue	58%	62%	60%	79%	56%
Gross Profit	**42%**	**38%**	**40%**	**21%**	**35%**
Selling /General Admin. Expenses	20%	18%	17%	18%	18%
Depreciation/Amortization	11%	13%	4%	4%	4%
Unusual Expense (Income)	3%	1%	0%	0%	80%
Total Operating Expense	**93%**	**94%**	**81%**	**79%**	**158%**
Operating Income	**7%**	**6%**	**19%**	**21%**	**-58%**
Intrest Expense - Net Non Operating	-4%	-4%	-3%	-4%	-3%
Interest/Invest Income- Non Operating	265%	0%	0%	0%	0%
Interest Income(Exp), Net Non Operating	-4%	-4%	-3%	-4%	3%
Other, Net	0%	1%	0%	0%	0%
Net Income Before Taxes	**3%**	**3%**	**15%**	**18%**	-61%
Provision for Income Taxes	4%	4%	6%	7%	6%
Net Income	-1%	-1%	**9%**	**11%**	-78%

Summary

In looking at the profitability ratios and Income Statement as a percentage of sales, we see an overall picture of declining profit margin from '00 through '04. We also notice a drastic increase in total operating expenses in 2004. This is mainly due to the increased expenses incurred through the discontinuation of Blockbuster from

Viacom's operations. The opposite scenario holds true to ROA and ROE. Viacom has held its operating expense ratio fairly constant so the above situation was caused by declining revenue and sales. Viacom's Asset turnover has steadily increased over the past five years but at a slow rate. This was caused by a decrease in sales and an increase in total assets. Viacom's short term profitability is increasing but at an incremental amount. As we will discuss later, their long term growth and profitability look much more optimistic.

Capital Structure

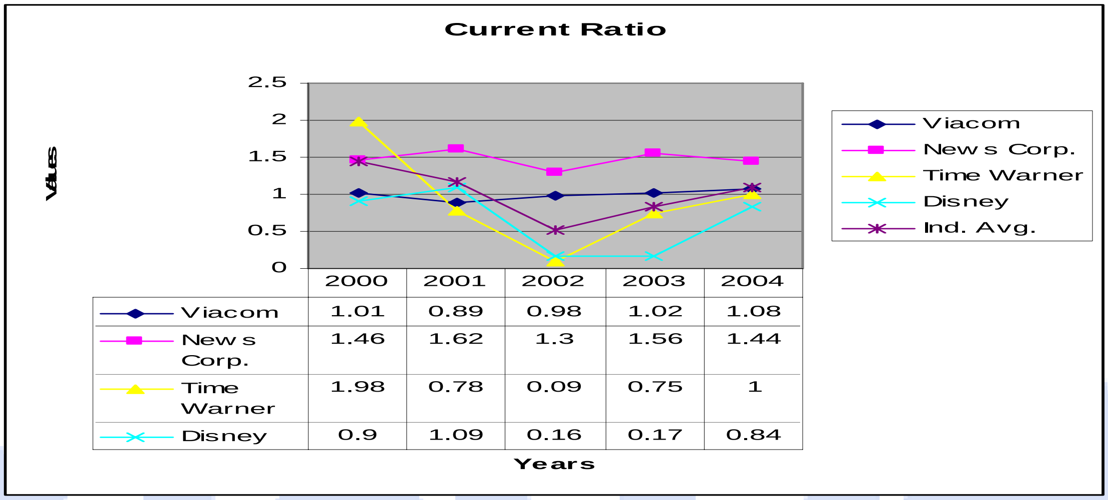
The proportion of debt to equity of Viacom can be found in the Debt to Equity Ratio for the firm. This is an important indicator of the credit risk to which a company is exposed. Viacom is doing a good job of maintaining a low amount of debt as a proportion of financing. The ratio continually declines from 2000 when they had $.72 of liabilities for every $1 of equity to 2003 when they had .42 cents of debt to every $1 of equity. In 2004 this ratio increased but no higher than previous amounts. This means their available cash flows can satisfy a great majority of any debt and interest repayment if they so needed. Therefore Viacom is holding steady, but is should be cautious due to increased debt in 2004.

Viacom's Sustainable Growth Rate

To compute Viacom's Sustainable Growth Rate, we computed rate sufficient to ROE*(1-Dividend Payout Ratio) for the year 2003. We chose 2003 because it is the only year within the past five years that paid out dividends. The Dividend Payout Ratio was determined at .1498 (reuters.com) and from that we subtracted one and multiplied by 2.00% (ROE) to find our SGR of 1.7%. This means that Viacom could maintain growth at this rate per year and sustain profit. Yet, the market aids in determining the amount of growth a company can obtain by simply facilitating competition. In other words, the market share allowed would not accept Viacom to produce that much product without draw backs, or loss of profit per item in the particular market. We feel Viacom needs to sustain a higher growth rate than its current SGR in order to compete in the highly competitive markets of the industry. We do not feel a 1.7% growth would facilitate the required return necessary for Viacom to maintain any type of competitive advantage within the industry.

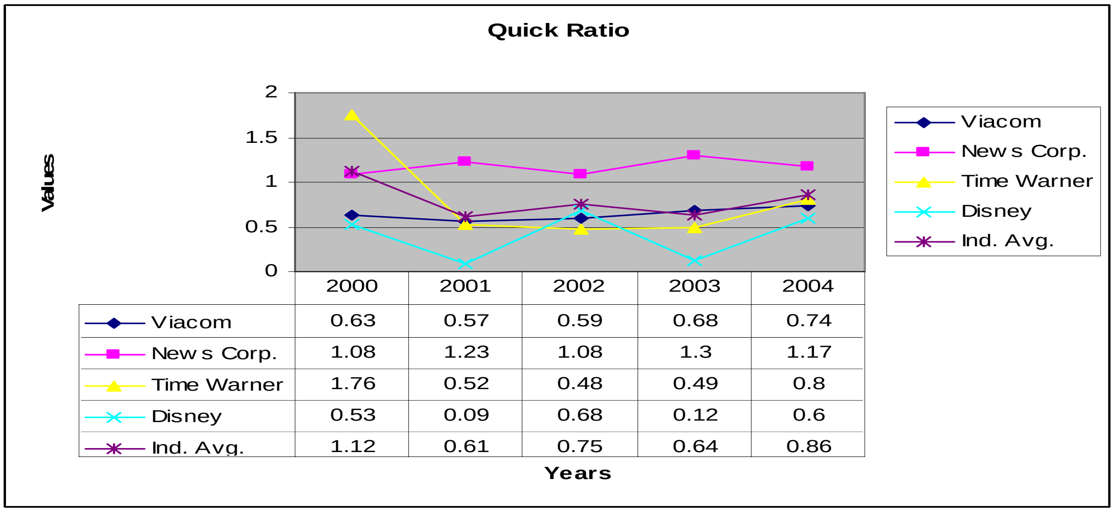
Cross Sectional (Benchmark) Analysis

Liquidity Ratios



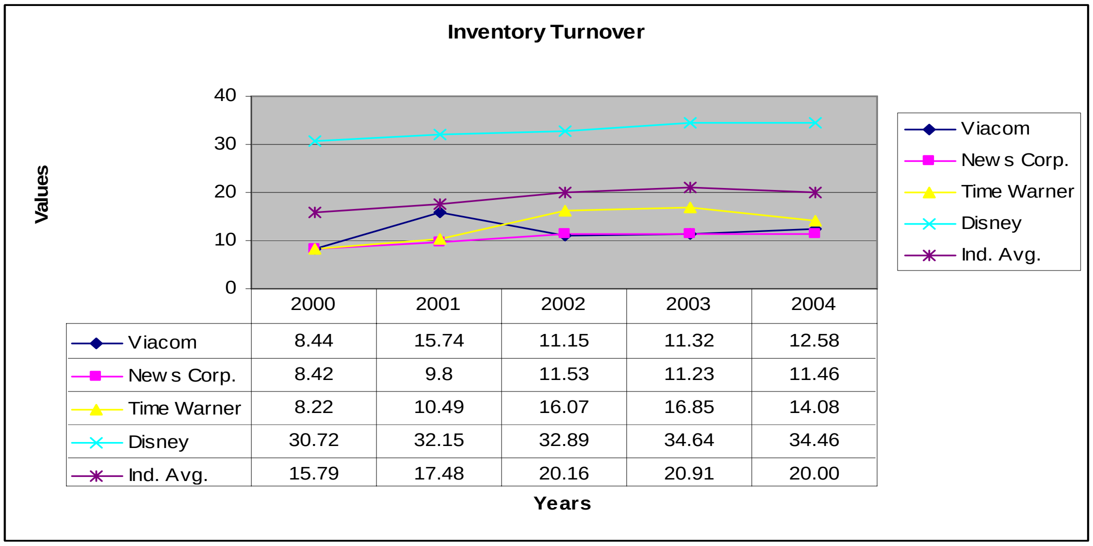
	2000	2001	2002	2003	2004
Viacom	1.01	0.89	0.98	1.02	1.08
News Corp.	1.46	1.62	1.3	1.56	1.44
Time Warner	1.98	0.78	0.09	0.75	1
Disney	0.9	1.09	0.16	0.17	0.84

- For Viacom, the current ratio shows a positive impact for the company with the increase from 2000 to 2004, but not by much. Compared to the industry they are consistent, if not a little above, the industry average in the later years.



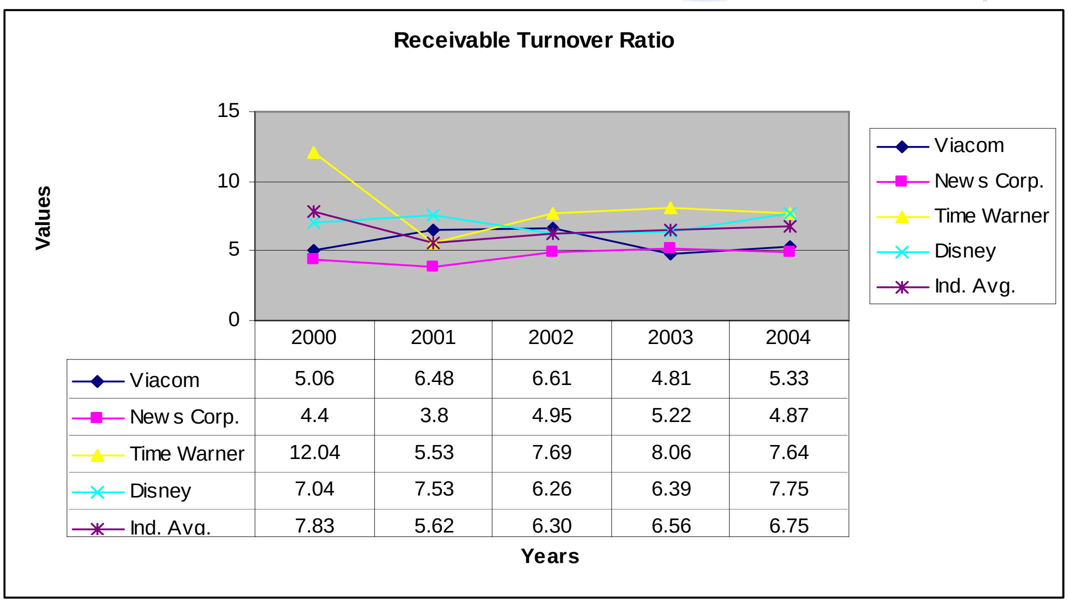
	2000	2001	2002	2003	2004
Viacom	0.63	0.57	0.59	0.68	0.74
News Corp.	1.08	1.23	1.08	1.3	1.17
Time Warner	1.76	0.52	0.48	0.49	0.8
Disney	0.53	0.09	0.68	0.12	0.6
Ind. Avg.	1.12	0.61	0.75	0.64	0.86

- Viacom consistently improves its quick asset ratio from 2001 to 2004, but is also below the industry average in every year. This is a negative impact for Viacom and a portion of their company that needs to be improved.



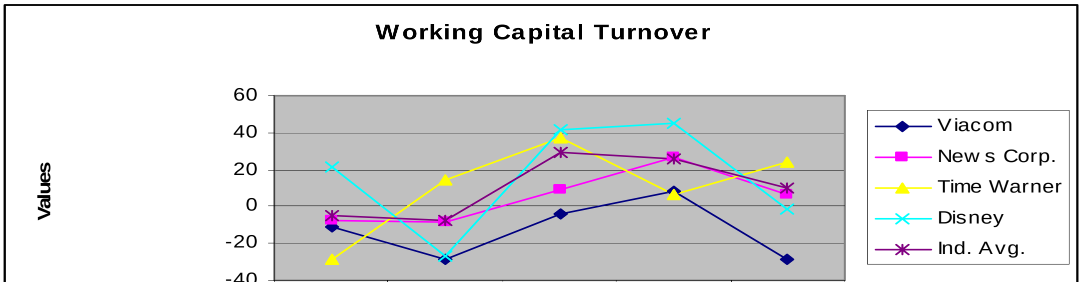
	2000	2001	2002	2003	2004
Viacom	8.44	15.74	11.15	11.32	12.58
News Corp.	8.42	9.8	11.53	11.23	11.46
Time Warner	8.22	10.49	16.07	16.85	14.08
Disney	30.72	32.15	32.89	34.64	34.46
Ind. Avg.	15.79	17.48	20.16	20.91	20.00

- Viacom is considerable lower than the industry average in every year. Yet, Disney has an extraordinarily high inventory turnover which increases the industry average by a considerable amount. Without Disney included in the average, Viacom has a fairly competitive ratio compared to the other competitors.



	2000	2001	2002	2003	2004
Viacom	5.06	6.48	6.61	4.81	5.33
News Corp.	4.4	3.8	4.95	5.22	4.87
Time Warner	12.04	5.53	7.69	8.06	7.64
Disney	7.04	7.53	6.26	6.39	7.75
Ind. Avg.	7.83	5.62	6.30	6.56	6.75

- Viacom has essentially no change in receivable turnover ratio. A slight increase in 2001 and 2002 was due to an increase in accounts receivable, but they eventually settle around the 5.4 mark. This is lower than the industry average and there seem to be no outliers that would have abnormally increased the ratio.

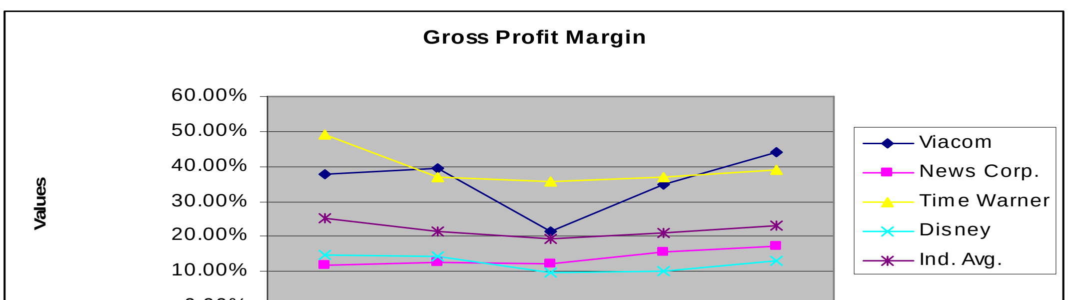


	2000	2001	2002	2003	2004
Viacom	-10.99	-28.21	-4.04	8.15	-28.41
News Corp.	-7.98	-8.79	9.46	26.57	6.43
Time Warner	-28.72	14.08	36.97	6.25	24.26
Disney	21.79	-27	41.2	44.81	-1.38
Ind. Avg.	-4.97	-7.24	29.21	25.88	9.77

Years

- Viacom has a negative change in working capital turnover. This shows their proportionate ratio of current assets less current liabilities to their overall sales in that year. Viacom is continually worse than the industry average in every year.

Profitability Ratios

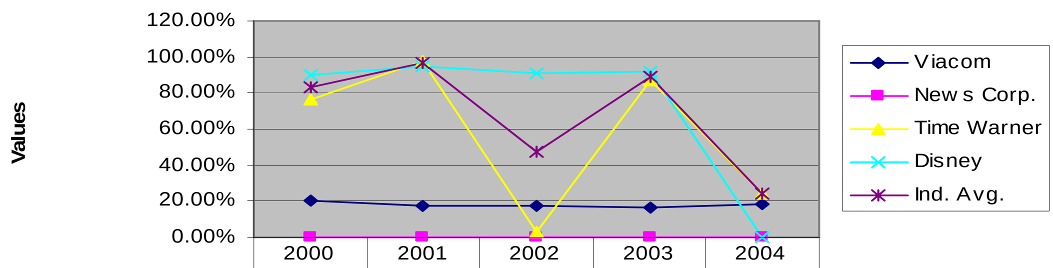


	2000	2001	2002	2003	2004
Viacom	37.72%	39.59%	21.48%	35.00%	44.18%
News Corp.	11.71%	12.38%	12.12%	15.47%	17.00%
Time Warner	49.16%	36.98%	35.79%	37.03%	39.12%
Disney	14.83%	14.29%	9.49%	10.02%	13.16%
Ind. Avg.	25.23%	21.22%	19.13%	20.84%	23.09%

Years

- We have computed Gross Profit Margin percentage as reported gross profit divided by sales for that year. Viacom has steadily increased its gross profit percentage each year with the exception of 2002. This was caused by a decline in sales and a decline in gross profit for that year from the previous. Viacom has exceeded the industry average in each year.

Operatin Expense Ratio

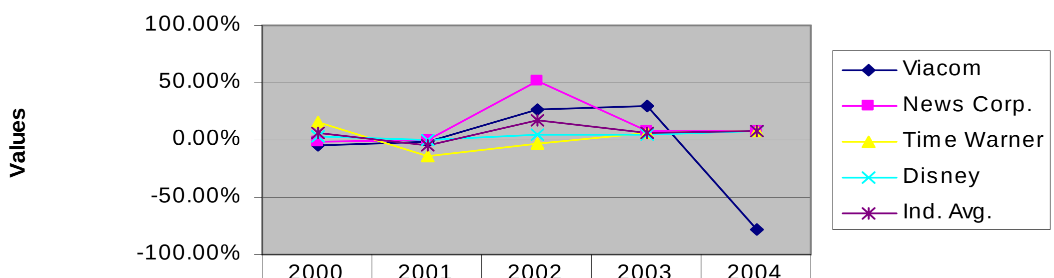


	2000	2001	2002	2003	2004
Viacom	20.42%	17.62%	17.06%	16.46%	18.45%
New s Corp.	0	0	0	0	0
Time Warner	76.77%	98.05%	3.30%	86.70%	24.48%
Disney	89.60%	94.90%	91.35%	91.67%	0
Ind. Avg.	83.19%	96.48%	47.33%	89.19%	24.48%

Years

- The operating expense ratio was computed by taking the selling and administrative expenses for each year and company and dividing that by sales for the corresponding year. Viacom's ratio remains fairly constant and considerably lower than the other major competitors in the industry.

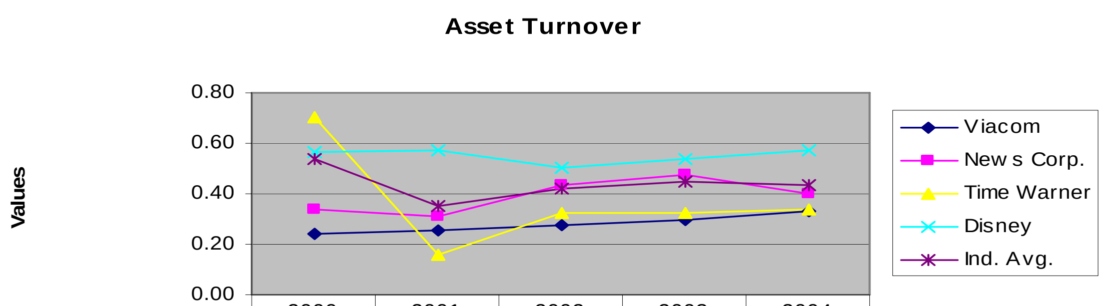
Net Profit Margin



	2000	2001	2002	2003	2004
Viacom	-4.07%	-1.00%	27.33%	29.59%	-77.52%
News Corp.	-1.47%	-0.08%	50.90%	7.85%	8.21%
Time Warner	15.90%	-14.72%	-2.64%	6.60%	7.99%
Disney	3.63%	0.62%	4.87%	4.68%	7.62%
Ind. Avg.	6.02%	-4.73%	17.71%	6.38%	7.94%

Years

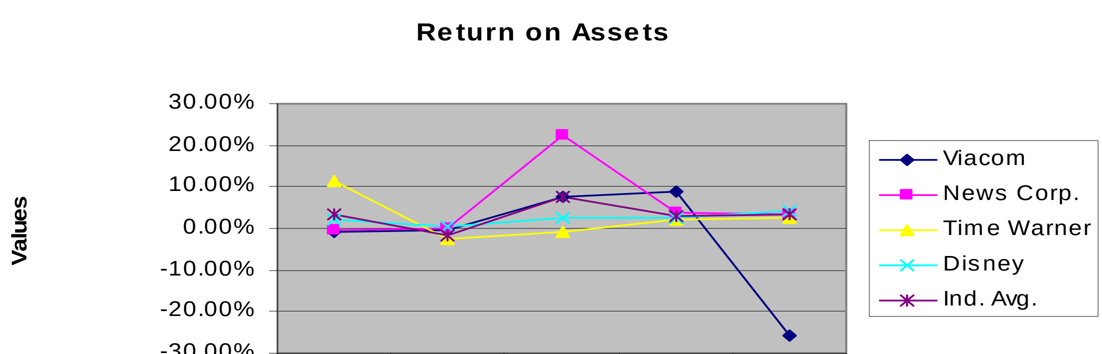
- We were able to compute Net Profit Margin by dividing sales from net income. Viacom had a positive effect from net profit margin until 2004 when their net income fell dramatically and caused the margin to be so negative.



	2000	2001	2002	2003	2004
Viacom	0.24	0.26	0.27	0.30	0.33
New s Corp.	0.34	0.31	0.44	0.48	0.40
Time Warner	0.71	0.16	0.32	0.32	0.34
Disney	0.56	0.57	0.51	0.54	0.57
Ind. Avg.	0.54	0.35	0.42	0.45	0.44

Years

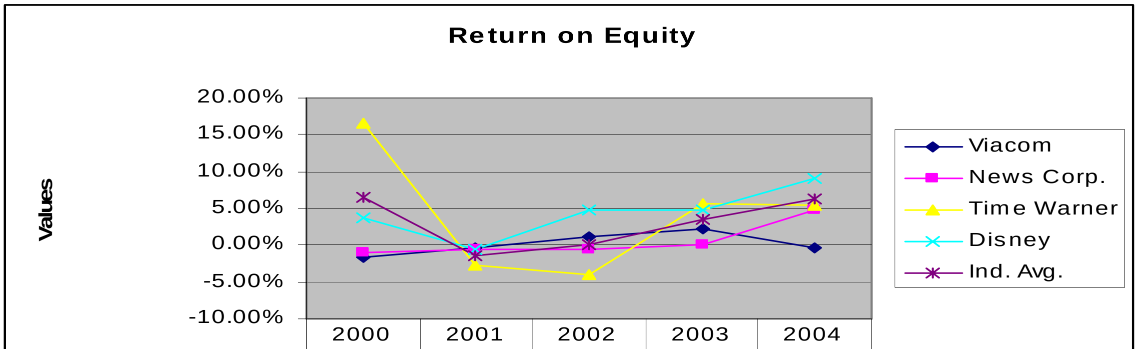
- The asset turnover ratio indicates that each dollar of assets produced the value of sales for that year as indicated in the chart. The resources utilized by Viacom supported sales volume at an increasing rate over the last 5 years. This is a positive outlook for Viacom, but they still trail others in the industry.



	2000	2001	2002	2003	2004
Viacom	-0.99%	-0.26%	7.47%	8.76%	-25.68%
News Corp.	-0.50%	-0.02%	22.24%	3.73%	3.29%
Time Warner	11.22%	-2.37%	-0.85%	2.14%	2.73%
Disney	2.04%	0.36%	2.46%	2.53%	4.34%
Ind. Avg.	3.23%	-1.65%	7.47%	2.85%	3.47%

Years

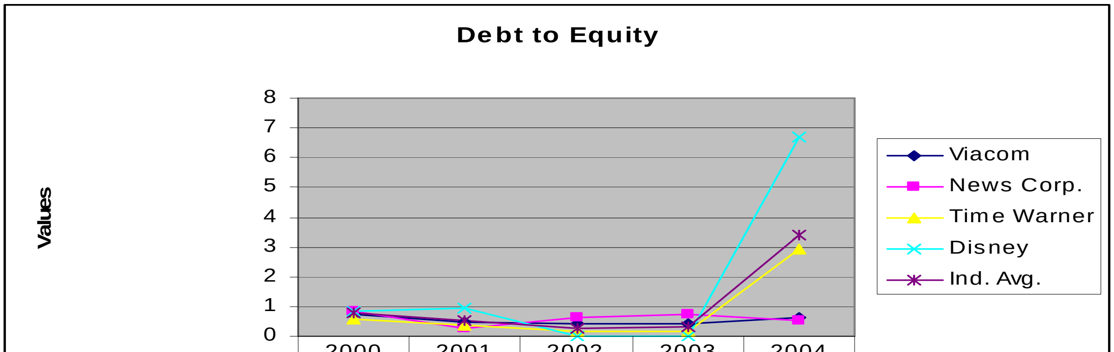
- The return on assets is derived by multiplying the gross profit percentage with the asset turnover ratio. Viacom compares well with the competitors and above the industry average for ’01-’03, but falls in 2004 due to their low gross profit and negative net income in 2004.



	2000	2001	2002	2003	2004
Viacom	-1.70%	-0.36%	1.16%	2.24%	-0.41%
News Corp.	-0.92%	-0.60%	-0.59%	0.06%	4.85%
Time Warner	16.66%	-2.77%	-3.97%	5.59%	5.33%
Disney	3.82%	-0.64%	4.85%	4.86%	8.99%
Ind. Avg.	6.52%	-1.34%	0.10%	3.50%	6.39%

Years

- The return on equity measures the profitability of the owners’ interest in total assets. It is influenced by profit margin, asset turnover and the total debt and owners’ equity relationship. Viacom stays lower than the industry average, but remains consistent around the 0% -1% range, peaking in 2003.



	2000	2001	2002	2003	2004
Viacom	0.72	0.45	0.44	0.42	0.61
News Corp.	0.83	0.24	0.63	0.75	0.54
Time Warner	0.6	0.37	0.18	0.16	2.95
Disney	0.86	0.93	0.011	0.011	6.67
Ind. Avg.	0.76	0.51	0.27	0.31	3.39

Years

- Viacom decreased its debt to equity ratio from 2000-2003, but then increased back to $.61 of debt to every dollar of equity. Yet, this is considerably lower than their competitors, even with Disney being an outlier.

Liquidity

In the liquidity phase of Viacom's financials we see the current and quick ratio tend to remain around the industry average for the respective years. Although, we must note in the current ratio Time Warner reports extraordinarily higher current ratio values which drives up the industry average. Viacom also shows steady values in Inventory Turnover, although a peek in 2001 designates lower reported inventory in that year for the company. Time Warner also stands above the industry in Accounts Receivable Turnover due to high accounts receivable in 2000. As for Working Capital, Viacom reports very volatile changes in working capital, therefore causing them to be above and below the industry average on a regular basis.

Profitability

In the profitability aspect of Viacom, they remain fairly consistent with the industry average on Return on Assets, Return on Equity, and Asset Turnover. On the other hand, Viacom remains above the majority of its competitors in Gross Profit Margin, trailing only Time Warner, and Operating Expense Ratio, trailing News Corp. They show very low Operating Expense and an increasingly positive Net Profit Margin with the exception of 2004.

Capital Structure

Viacom has a fairly low Debt to Equity Ratio, yet it is above the industry average in 2002, 2003, and 2004. This is primarily due to the fact that Disney reported such a low ratio (.011, .011) respectively, for those years. This in turn, dropped the industry average below Viacom's mark. They have consistently remained between .7 and .4 for all periods. This insures they are managing their credit wisely and can cover their debt.

Forecasting Methodology

Income Statement

Revenue Growth: A regression method was used to calculate future values of revenue based on past growth. The results calculated from previous years provided us with a 6% growth rate.

Cost of Sales: An average of the past four years of costs of sales was taken to get the cost of sales to revenue ratio and was found to be approximately 65%. This percentage was used to calculate future costs based on historical values.

Selling and Administration Expenses: There was no clear trend in the previous four years so a moving average was taken to calculate the future expenses.

Depreciation/Amortization and unusual expense: These accounts were both decreasing and had an account balances that were able to be calculated by using a moving average of the previous 5 years.

Interest expense and investment income: Both of these accounts had a trend of declining balances. An average declining rate was found for each and used to estimate future balance in the next ten years.

Interest income expense: A moving average was used to calculate future predictions for this account because no specific trends were available.

Income tax: A tax rate was found and applied to each year that was estimated.

		2000	**2001**	**2002**	**2003**
Income Before Taxes		560,600.00	776,300.00	3,734,200.00	3,739,400.00
Income Tax - Total		729,800.00	919,900.00	1,448,900.00	1,497,000.00
Tax/Income Percentage		1.301819	1.184980	0.388008	0.400332
			Average Tax Rate		**0.818785**

Balance Sheet

Current assets: all of the current asset accounts were calculated using a four year moving average. There were no specific trends so this method seemed most appropriate.

***Goodwill, intangibles, other long term investments, and non current asset**s* were all calculated using a moving average. Minor fluctuations existed for the past four years, so the moving average method was used.

Property, plant and equipment, and accumulated depreciation had distinct trends so a weighted growth rate was established. This method provides the most accurate forecast because it is based on historical trends within the company.

Current Liabilities, Deferred income tax minority income tax, and other liabilities: all of the current liability accounts were forecasted using a four year moving average. There were no observable trends, so the moving average was used.

Long term debt and total debt: Both of these accounts had a decreasing trend, so an average declining rate was established to forecast the future trend.

Stock Holder's Equity: all of the accounts in stock holder's equity were forecasted using a four year moving average. There were no apparent trends so the moving average method was used to allow historical values to be included.

Total Stock Holder's Equity: The total stockholders equity was found by the difference between assets less liabilities.

Statement of Cash Flows

The forecast for the statement of cash flows was established by taking forecasts from the income statement and balance sheet, and used to calculate the future cash flows. Assuming that all of the other estimates were accurate then the statement of cash flows will be accurate as well. The only potential error can be attributed to the estimated used in the other financial statements. This could lead to errors in other statements if there is a problem with the estimates.

Problems with forecasting

The forecasted financial statements were created using ratios found in the historic data, common sized income statement and trends that were analyzed in the previous four years financial statements.

There are limiting factors such as the forecasted values which are projected and only as accurate as the method used to obtain them. Taking averages of past data can help project future results; however they do not account for any changes that may occur. Future changes would dramatically change the company's financial changes and would deviate away from the projection made when forecasting them. The forecasting model is strengthened by the consistency used throughout. Each individual part is consistently related to every other aspect of the model. The common types of analysis used also allows for a more consistent model. Due to the fact that most of the data derived from the forecast was obtained using historical trends, the estimates created are only estimates and may prove different from the actual course of the company in the future. Since most of the estimates were derived from forecasted revenue growth a different growth pattern would result in different forecasted estimates.

Even with the limiting factors and weaknesses in the forecasting model, the methods and assumptions that were created for this evaluation were appropriately used for Viacom.

Valuation Analysis

The purpose of the valuation section of our report is to define and assist in the decision making activities of present and future investors of Viacom Inc. We have also laid the ground work for determining Viacom's current Ke, Kd, and Wacc so that we could potentially examine future intrinsic values and estimates into the future of Viacom and their financials. The intrinsic estimates will aid in the valuation of everything from the company's value of equity and debt, to several different possible values for the firm as the company currently stands.

There are five separate valuation methods we have chosen to value Viacom and the future of its earnings as a company. Each has a special and unique purpose for its intended use and its relevance to comparing the firm within its industry and to its direct competitors. The first of which is the Method of Comparables. We will utilize the method of comparables to illustrate the industry benchmarks by determining both Viacom's, and their top three main competitors; Time Warner, News Corporation and Walt Disney's, industry average ratios such as Price/Earnings, Price/Book, Dividend/Price, and Price/Share to determine high and low performances in the industry. We will then utilize our results from these findings to assist us in determining firm estimates in the intrinsic valuation section of this report. This method is a good way of comparing Viacom with its direct competitors.

Table 1.

	2000	2001	2002	2003	2004
Dividends Per Share	0	0	0	0.12	0.25

- Table 1 represents the dividends that Viacom has paid over the last 5 years

Table 2.

2004	EPS	BPS	DPS	PPS
Time Warner	0.73	26.88	NA	19.45
News Corp.	0.60	19.23	-0.07	19.20
Walt Disney	1.17	26.97	-0.21	27.80
Viacom	-10.61	41.45	-0.25	37.08

- Table 2 illustrates each of Viacom's three main competitors and their respective ratio analysis as to earnings per share, book price per share, dividends per share and price per share for 2004.

- EPS- As seen above, Viacom’s EPS is dramatically lower than its competitors because of their reported Net Income (loss) of $17,462, 200 for 2004. This Net Loss gives Viacom a -10.61 EPS, which is much worse than their competitors.

- BPS- Viacom has a healthy BPS due to its high value of total assets. Viacom’s total assets held constant from 2001-2003 at approximately 90,000,000, then dropped in 2004 to around 70,000,000 due to the sale of their subsidiary Blockbuster. Even though our total assets fell, our BPS remained high partly because their number of shares outstanding fell by approximately 100,000 shares.

- DPS- Viacom falls below the competitors’ benchmark for dividends per share. Even though Viacom reported a net loss, they still reported to have paid dividends for the year. They fall shortly behind Walt Disney, but for having a net loss for 2004, we feel this number could have been worse.

- PPS- For 2004, Viacom’s PPS was located from www.yahoo.com and comes from historical prices as of Dec. 31, 2004. A price of $37.08 was retained and is above the competitors’ benchmark.

Table 3.

Price/Earnings			
Time Warner	26.64		
News Corp.	32.00	Viacom	- 291.437
Walt Disney	23.76		
Avg =	27.47		

Price/Book			
Time Warner	0.72		
News Corp.	1.00	Viacom	**34.02**
Walt Disney	1.03		
Avg. =	0.92		

Table 4.

Dividend/Price			
Time Warner	NA		
News Corp.	0.00	Viacom	**-0.21**
Walt Disney	-0.01		
Avg.=	-0.01		

Price/Sales			
Time Warner	0.72		
News Corp.	1.00	Viacom	**38.03**
Walt Disney	1.03		
Avg. =	0.92		

- Table 3 illustrates one of the problems with the Method of Comparables Valuation Method. As seen in the Price/Earnings diagram, Viacom has a negative 291.44. This is due to their -10.61 EPS. This is definitely an outlier for the industry and only shows Viacom’s poor performance for

2004. On the other hand, the Price/Book ratio comes much closer to Viacom's BPS value of $41.45. This presents Viacom with a P/B ratio of 34.02 and is a good comparable for the company.

- Table 4 provides a Dividend/Price and Price/Sales ratio and again we examine a strong compatible Price/Sales ratio of 38.03 and a strong Dividend /Price ratio of -.021. The D/P ratio is close to average and relates a fairly valued company. That coupled with the industry average creates the Dividend/Price valuation, whereas a solid Price/Sales is slightly higher than our actual value of PPS of $37.08.

Summary

After dissecting the Method of Comparables Valuation process, we conclude Viacom is fairly valued through the BPS and DPS comparables, while PPS is also fairly valued. We also have concluded that due to the enormous difference in EPS valuation, we consider this an outlier and will not use this as an estimate for valuing Viacom.

Cost of Capital Estimation

This is the section of the valuation where we defined the cost of equity, cost of debt and weighted average cost of capital. These estimates are required in order to value the company with the intrinsic valuation methods. The cost of equity (Ke) is defined by the following equation: $r_j = r_f + \hat{\beta}_j (r_m - r_f)$ where Ke is equal to the risk free rate plus the beta multiplied by the sum of the market risk premium minus the risk free rate. We estimated these factors and came really close to the published data, so we decided to use the published data so that it would be more accurate. The published data was from finance.yahoo.com. The information that we used gave us a calculated Ke of 7.72%. With a Ke of 7.72% it was important that our Kd be lower than our estimated Ke. If our estimated cost of debt is greater than the Ke it would not be a good sign and would be an indication that the company needs to discontinue operations.

When estimating our company's Kd we came up with a number lower than 7.72% and that number is 5.45%. To find the Kd we used a weighted average cost of debt. We found all the weights of the long term notes and got a long term Kd of 6.98%. From there we needed to estimate a short term Kd, unfortunately Viacom does not have any short term debt so we used a published estimated short term

debt of 2.74% from Economagic.com. We weighted the two of these numbers with their appropriate sections on the balance sheet (Appendix Pg. 3) and found a final weighted average cost of debt of 5.45%. We assumed that all of our calculations were correct and that our Ke and Kd were fairly accurate.
With our Ke and Kd we could compute our WACC with the following formula:

$$WACC = \frac{V_d}{V_d + V_e}\left(r_d(1-T)\right) + \frac{V_e}{V_d + V_e} r_e$$

We used the following numbers to calculate our WACC:

- From the balance sheet : Vd = 9,715,000 and Ve = 42,240,300
- From estimation: Ke = 7.72% and Kd = 5.45%

We used before tax numbers in the formula so we left out the tax bracket in order to make up the difference. Our final WACC came out to be 7.3%.

Discounted Dividends and Free Cash Flows

The first two intrinsic methods used to value Viacom were the discounted dividends and free cash flow models. The free cash flow method requires the use of estimated future cash flows and the weighted average cost of capital to estimate a share price for the firm. The first thing you have to do for this method is estimate the free cash flows out to a future time period. This can be seen in the appendix.

Based on the fact that these estimates are correct, we are now able to discount these cash flows back to the firm to obtain an estimated current share price. We used the before tax weighted average cost of capital to obtain the free cash flows to the firm. The WACC for Viacom is explained above.

The estimated value of the firm using this method came out to be $34.99 in December 2004 and $35.61 in April 2005. This estimation is extremely close to the actual value of the firm. The actual price the firm was traded at during the time of this analysis was $35.28. This would mean the firm is undervalued by 33 cents. This is so close to the estimation that we believe according to this model the firm is neither overvalued nor undervalued.

For the discounted dividends model we first had to estimate what the future dividends would be. We looked at what dividends Viacom had historically paid to help determine the future estimated values. Viacom did not pay dividends ever until 2003. They paid 12 cents in 2003 and had a growth of 13 cents in 2004 for a dividend of 25 cents. Assuming that dividends will grow continue at 13 cents per year would be unreasonable. We came to the conclusion that 5% was a reasonable growth rate. Earnings per share were estimated to grow at 5% so we assumed that dividends would grow at around the same rate. That is why we calculated all future dividends at a growth rate of 5%.

	2000	2001	2002	2003	2004
Dividends Per Share	0	0	0	0.12	0.25

In the discounted dividends model the first thing we did was establish the value of future dividends. We then took those dividends and discounted them back to the present value. We also discounted the terminal value back to the present value. This gave us an estimated value of $4.35 at December 2004 and a value of $4.43 at April 2005. The book value of the company was $25.54 and the actual value the firm is traded at was $35.28. The discounted dividend model produced results that show the firm is highly overvalued. It is vary unlikely that the firm is overvalued by nearly $30, so we believe this is a poor evaluation method to use.

We then did a sensitivity analysis and plugged in alternate values for cost of capital and the growth rate. We found if the firm had a cost of capital of .01 and a growth of 0 the share price would be $34.82. This is relatively close to the actual share price the firm is traded at. No other combination of alternate cost of capital and growth rates even came close to the actual value of the firm. Although a Ke that is less than the risk free rate is not possible, the results of the sensitivity analysis are listed below.

Sensitivity Analysis

		g		
Ke	**0**	**0.03**	**0.05**	**0.1**
0.01	**$34.82**	**($13.22)**	**($5.19)**	**($0.74)**
0.03	**$11.48**	**N/A**	**($10.87)**	**($1.29)**
0.05	**$6.81**	**$13.75**	**N/A**	**($2.21)**
0.07	**$4.81**	**$6.97**	**$11.61**	**($4.25)**
0.09	**$3.70**	**$4.70**	**$5.94**	**($14.20)**

Discounted Residual Income Model

In the discounted residual income model we use a stream of residual incomes for the next ten years and discount them back to the present value. We also estimate a terminal value for the firm and discount that back to the present value as well. This model can be found in the appendix. We began by taking the book value of equity per share and then added in the earnings per share. We then subtracted the dividends per share to obtain the ending book value of equity. We used this to calculate the beginning value of equity for the following year. We then calculate the normal income by multiplying the beginning book value of equity from the previous year by the cost of equity. The difference between the earnings per share and the dividends per share is the residual income. We then calculate a perpetuity of the terminal value based on a given growth rate which can be found in the sensitivity analysis. All of the residual income values above zero are discounted back to the present value. None of the values we estimated were above zero so none of them were discounted back to the present time. That gave us an estimated share price of $15.43 in December 2004 and a price of $15.72 in April 2005. The actual value of the firm is $35.28. This would mean that the firm is overvalued by about $20 per share. We did not believe this was an accurate estimate so we performed a sensitivity analysis to try and find a more accurate cost of capital and growth rate.

The sensitivity analysis showed that a cost of capital of .05 and a growth rate of .03 would produce an estimated value closest to the actual value. The new estimated value would be $34.66. This would mean the firm was overvalued by less than one dollar. Keeping the cost of equity at .05 and changing the growth rate to zero also produces a reasonable value of $29.59. This undervalues the firm by around five dollars, which is still fairly reasonable. The rest of the values we found in the sensitivity analysis are listed in the table below.

Sensitivity Analysis

	g			
Ke	**0**	**0.03**	**0.05**	**0.1**
0.01	**$173.08**	**($31.89)**	**$2.27**	**21.25**
0.03	**$53.76**	**N/A**	**($2.34)**	**21.7**
0.05	**$29.59**	**$34.66**	**N/A**	**22.83**
0.07	**$18.34**	**$16.28**	**$11.47**	**$27.51**
0.09	**$11.02**	**$8.54**	**$4.81**	**$60.64**

Abnormal Earnings Growth

The abnormal earnings growth model takes into account the present value of the investment opportunities of the dividends paid to share holders. The abnormal earnings growth model can be found in the appendix. When a company pays a dividend it is not only important to count the dividend, but also the money that could be gained in interest on the dividend payment until the next year. The model does not include the dividend payment themselves because it is implied that they are in the earnings per share. The value of the investment opportunity, assuming you can invest at the current cost of capital, is added to the model. The abnormal earnings are then computed as the earnings per share plus any dividend investment opportunities minus the normal earnings. This is then discounted back to the present value.

This model gave us an estimated share price of $14.42 in December 2004 and a price of $14.69 in April 2005. This would mean that the firm is overvalued by over $20. The actual price the firm is traded at is $35.28. We thought that it seemed unreasonable for the firm to be overvalued by that much so we preformed a sensitivity analysis as well.

The sensitivity analysis showed that with a zero growth rate and different values of the cost of capital that none of the estimated values came close to the actual share price. The closest value was with a cost of capital of .01. This estimated value was still close to $15 less then the actual price. The rest of the values found in the sensitivity analysis are shown in the chart below.

Sensitivity Analysis

	g			
ke	**0**	**0.03**	**0.05**	**0.1**
0.01	**$21.89**			
0.03	**$19.32**			
0.05	**$17.14**			
0.09	**$13.70**			
0.11	**$12.35**			

Conclusion

The models used above to determine the share price of Viacom have led us to a few different conclusions based on those valuations.

First, we conclude Viacom's cost of equity of 7.72% is slightly too high. We feel that their cost of equity needs to be somewhere between 1%- 4%. We understand this is hard to obtain for any company, but we also know from our valuations that a cost of equity lower than 7.72% will provide Viacom with a closer estimated share price.

Next, after reviewing all five intrinsic valuation methods, we conclude that Viacom is overvalued. Every method except for the method of comparables, that concluded a fairly valued share price, has presented us with an overvaluation for the company. Each method illustrates a gross overvalued difference in the estimated value per share for April 2005 and the actual price per share for April 2005. While we have drawn these conclusions that Viacom is overvalued, we hesitate in saying it is "grossly" overvalued. This is due to Viacom's steady operations from 2000 to 2003, but their drastic decline in Net Income (Loss) in 2004. The company itself has made some changes for the better, but we still feel their actual share price as to date is overvalued.

After our conclusion of the firm being overvalued, we would like to note a few of our limitations observed during our valuation process. It would be better for our estimations if we had known Viacom's future dividend payments instead of having to estimate them from only two previous years of the firm paying dividends. We would have also liked to know future acquisition, merger or subsidiary departures Viacom plans to engage in for the upcoming years. With this firm being so diversified in several different segments of unrelated markets, it is hard to approximate what the company plans to do. We must note that with the drop of Blockbuster from future Viacom operations, we have also been informed of a possible future split of the company and that it has been exploring the possible division of its businesses into separate publicly-traded companies, one of which would highlight Viacom's high-growth businesses such as MTV Networks, and the other of which would combine its leading CBS broadcast television businesses, growing outdoor business and high free cash flow operations such as radio. As stated in their 10-K, "Viacom expects to announce further details regarding the possible separation in the second quarter of 2005. No assurance can be given that any transaction will be consummated." Therefore our evaluation of Viacom Inc. stands and our calculations are accurate to date.

Appendix A:

Forecasted Income Statement

	Actual Years					Forcasted Years									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Cash & Equivalents	$934,500	$727,400	$631,400	$850,700	$928,200	$814,440	$790,428	$803,034	$837,360	$834,692	$815,991	$816,301	$821,476	$825,164	$822,725
Cash & Short Term Investments	$934,500	$727,400	$631,400	$850,700	$928,200	$814,440	$790,428	$803,034	$837,360	$834,692	$815,991	$816,301	$821,476	$825,164	$822,725
Accounts Receivable	$3,964,100	$3,581,800	$3,721,000	$4,336,300	$4,229,300	$3,966,500	$3,966,980	$4,044,016	$4,108,619	$4,063,083	$4,029,840	$4,042,508	$4,057,613	$4,060,333	$4,050,675
Total Inventory	$1,402,000	$918,700	$1,332,700	$1,444,400	$996,700	$1,218,900	$1,182,280	$1,234,996	$1,215,455	$1,169,666	$1,204,259	$1,201,331	$1,205,142	$1,199,171	$1,195,914
Prepaid Expenses	$0	$413,700	$413,100	$339,300	$263,500	$285,920	$343,104	$328,985	$312,162	$306,734	$315,381	$321,273	$316,907	$314,491	$314,957
Other Current Assets	$1,531,800	$1,114,100	$1,068,600	$765,600	$1,075,800	$1,111,180	$1,027,056	$1,009,647	$997,857	$1,044,308	$1,038,010	$1,023,375	$1,022,639	$1,025,238	$1,030,714
Total Current Assets	**$8,766,900**	**$6,755,700**	**$7,166,800**	**$7,736,300**	**$7,493,500**	**$7,583,840**	**$7,347,228**	**$7,465,534**	**$7,525,280**	**$7,483,076**	**$7,480,992**	**$7,460,422**	**$7,483,061**	**$7,486,566**	**$7,478,823**
Property/Plant/Equip., Total- Gross	$8,985,700	$9,364,900	$9,851,600	$10,628,600	$7,802,000	$9,326,560	$9,394,732	$9,400,698	$9,310,518	$9,046,902	$9,295,882	$9,289,746	$9,268,749	$9,242,360	$9,228,728
Accumulated Depreciation, Total	($2,383,900)	($3,029,700)	($3,738,900)	($4,636,600)	($3,144,900)	-$3,386,800	-$3,587,380	-$3,698,916	-$3,690,919	-$3,501,783	-$3,573,160	-$3,610,432	-$3,615,042	-$3,598,267	-$3,579,737
Property/Plant/Equip, Total - Net	$6,601,800	$6,335,200	$6,112,700	$5,992,000	$4,657,100	$5,939,760	$5,807,352	$5,701,782	$5,619,599	$5,545,119	$5,722,722	$5,679,315	$5,653,707	$5,644,092	$5,648,991
Goodwill, Net	$0	$59,109,000	$57,116,300	$57,056,800	$38,520,200	$42,360,460	$50,832,552	$49,177,262	$47,589,455	$45,695,986	$47,131,143	$48,085,280	$47,535,825	$47,207,538	$47,131,154
Intangibles, Net	$62,004,100	$11,881,100	$12,482,600	$12,411,800	$10,623,100	$21,880,540	$13,855,828	$14,250,774	$14,604,408	$15,042,930	$15,926,896	$14,736,167	$14,912,235	$15,044,527	$15,132,551
Other Long Term Assets	$6,207,800	$6,728,900	$7,164,800	$6,651,600	$6,708,400	$6,692,300	$6,789,200	$6,801,260	$6,728,552	$6,743,942	$6,751,051	$6,762,801	$6,757,521	$6,748,774	$6,752,818
Non-Current Assets	$73,879,200	$84,054,200	$82,876,400	$82,112,200	$60,508,800	$76,686,160	$77,247,552	$75,886,222	$74,488,187	$72,963,384	$75,454,301	$75,207,929	$74,800,005	$74,582,761	$74,601,676
Total Assets	**$82,646,100**	**$90,809,900**	**$90,043,200**	**$89,848,500**	**$68,002,300**	**$84,270,000**	**$84,594,780**	**$83,351,756**	**$82,013,467**	**$80,446,461**	**$82,935,293**	**$82,668,351**	**$82,283,066**	**$82,069,328**	**$82,080,500**
Accounts Payable	$1,261,100	$945,000	$1,176,200	$1,053,900	$585,500	$1,004,340	$952,988	$954,586	$910,263	$881,535	$940,742	$928,023	$923,030	$916,719	$918,010
Accrued Expenses	$3,432,200	$2,447,700	$2,537,300	$2,609,200	$2,118,200	$2,628,920	$2,468,264	$2,472,377	$2,459,392	$2,429,431	$2,491,677	$2,464,228	$2,463,421	$2,461,630	$2,462,077
Current Port. Of Lt. Debt/Capital Leases	$223,900	$299,000	$199,000	$196,300	$65,800	$196,800	$191,380	$169,856	$164,027	$157,573	$175,927	$171,753	$167,827	$167,421	$168,100
Other Current Liabilities, Total	$2,841,000	$3,870,000	$3,433,500	$3,725,400	$4,110,000	$3,595,980	$3,746,976	$3,722,371	$3,780,145	$3,791,095	$3,727,313	$3,753,580	$3,754,901	$3,761,407	$3,757,659
Total Current Liablilities	**$7,758,200**	**$7,561,700**	**$7,346,000**	**$7,584,800**	**$6,879,500**	**$7,426,040**	**$7,359,608**	**$7,319,190**	**$7,313,828**	**$7,259,633**	**$7,335,660**	**$7,317,584**	**$7,309,179**	**$7,307,176**	**$7,305,846**
Total Long Term Debt	$12,473,800	$10,823,700	$10,205,200	$9,683,200	$9,649,200	$10,567,020	$10,185,664	$10,058,057	$10,028,628	$10,097,714	$10,187,417	$10,111,496	$10,096,662	$10,104,383	$10,119,534
Total Debt	$12,697,700	$11,122,700	$10,404,200	$9,879,500	$9,715,000	$10,763,820	$10,377,044	$10,227,913	$10,192,655	$10,255,286	$10,363,344	$10,283,248	$10,264,489	$10,271,805	$10,287,635
Deferred Income Tax	$931,000	$1,131,200	$0	$297,200	$1,356,700	$743,220	$705,664	$620,557	$744,668	$834,162	$729,654	$726,941	$731,196	$753,324	$755,056
Minority Intrest	$7,040,200	$1,211,800	$845,200	$627,000	$10,900	$1,947,020	$928,384	$871,701	$877,001	$927,001	$1,110,221	$942,862	$945,757	$960,568	$977,282
Other Liabilities	$6,475,500	$7,364,700	$9,159,000	$8,451,300	$8,081,700	$7,906,440	$8,192,628	$8,358,214	$8,198,056	$8,147,408	$8,160,549	$8,211,371	$8,215,120	$8,186,501	$8,184,190
Total Liabilities	**$34,679,200**	**$28,093,100**	**$27,555,400**	**$26,643,500**	**$25,978,000**	**$28,589,840**	**$27,371,968**	**$27,227,742**	**$27,162,210**	**$27,265,952**	**$27,523,542**	**$27,310,283**	**$27,297,946**	**$27,311,987**	**$27,341,942**
Common Stock	$15,900	$18,400	$18,500	$18,600	$18,700	$18,020	$18,444	$18,453	$18,443	$18,412	$18,354	$18,421	$18,417	$18,410	$18,403
Addiditional Pd. In Capital	$50,729,900	$64,980,600	$65,597,800	$65,840,300	$66,027,700	$62,635,260	$65,016,332	$65,023,478	$64,908,614	$64,722,277	$64,461,192	$64,826,379	$64,788,388	$64,741,370	$64,707,921
Retained Earnings	$1,431,800	$1,208,300	$1,934,000	$3,141,900	($14,747,300)	-$1,406,260	-$1,973,872	-$2,610,306	-$3,519,168	-$4,851,381	-$2,872,197	-$3,165,385	-$3,403,688	-$3,562,364	-$3,571,003
Treasury Stock	($4,058,200)	($3,337,800)	($4,482,000)	($5,444,600)	($8,918,800)	-$5,248,280	-$5,486,296	-$5,915,995	-$6,202,794	-$6,354,433	-$5,841,560	-$5,960,216	-$6,055,000	-$6,082,800	-$6,058,802
Other Equity	($152,500)	($152,700)	$580,500	$351,200	($356,000)	$54,100	$95,420	$145,044	$57,953	-$697	$70,364	$73,617	$69,256	$54,099	$53,328
Total Equity	**$47,966,900**	**$62,716,800**	**$62,487,800**	**$63,205,000**	**$42,024,300**	**$55,680,160**	**$57,222,812**	**$56,124,014**	**$54,851,257**	**$53,180,509**	**$55,411,750**	**$55,358,069**	**$54,985,120**	**$54,757,341**	**$54,738,558**

Appendix B:
Actual and Forecasted Cash Flows

Actual Cash Flows

	2000	2001	2002	2003	2004
Net Income/ Starting Line	$334,000	($816,100)	($223,500)	$725,700	$1,416,900
Net Cash from Operating Activities	$2,323,300	$3,509,100	$3,124,400	$3,497,400	$3,640,600
Net Cash from Investing Activities	$2,860,900	$1,190,500	$1,453,700	$1,874,000	$533,700
Net Cash from Financing Activities	$791,300	($2,525,700)	($1,766,700)	($1,404,100)	$3,029,400
Net Change in Cash	$253,700	($207,100)	($96,000)	$219,300	$77,500

Forcasted Cash Flows

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
($17,462,200)	$924,810	$1,238,177	$1,724,430	$1,962,584	$2,101,552	$2,097,118	$2,327,105	$2,542,098	$2,704,351
$3,218,960	$3,398,092	$3,375,890	$3,426,188	$3,411,946	$3,366,215	$3,395,666	$3,395,181	$3,399,040	$3,393,610
$1,582,560	$1,326,892	$1,354,170	$1,334,264	$1,226,317	$1,364,841	$1,321,297	$1,320,178	$1,313,380	$1,309,203
($375,160)	($608,452)	($225,002)	$83,337	$380,825	($148,891)	($103,637)	($2,674)	$41,792	$33,483
($13,035,840)	$5,041,342	$5,743,235	$6,568,220	$6,981,672	$6,683,718	$6,710,445	$7,039,791	$7,296,309	$7,440,647

Appendix C:
Forecasted Statement of Cash Flows

RATIO ANALYSIS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Liquidity Analysis															
Sales Growth	15.86%	5.95%	-15.35%	8.55%	8.15%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Current Ratio	1.01	0.89	0.98	1.02	1.09	1.02	1.02	1.00	1.02	1.03	1.03	1.02	1.02	1.02	1.02
Quick Asset Ratio	0.63	0.57	0.59	0.68	0.75	0.75	0.75	0.77	0.79	0.79	0.77	0.78	0.78	0.78	0.78
Accounts Recievable Turnover	5.06	6.48	6.61	6.13	5.33	5.80	5.93	5.94	5.97	6.17	6.35	6.47	6.58	6.72	6.88
Inventory Turnover	8.35	15.74	11.15	11.32	12.59	12.29	12.94	12.66	13.14	13.94	13.83	14.17	14.43	14.81	15.17
Operating Working Capitol Turnover	32.09	(28.81)	(137.31)	137.48	36.69	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Profitability Analysis															
Gross Profit Margin	37.72%	39.59%	21.48%	35.00%	44.31%	34.90%	34.90%	34.90%	34.90%	34.90%	34.90%	34.90%	34.90%	34.90%	34.90%
Operating Expense Ratio	20.42%	17.62%	17.06%	16.46%	18.39%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%
Net Profit Margin	-0.84%	-0.62%	9.29%	10.77%	-77.52%	4.02%	5.27%	7.18%	8.00%	8.39%	8.19%	8.90%	9.52%	9.91%	10.24%
Asset Turnover	24.25%	25.57%	27.33%	29.59%	33.13%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
Return On Assets	-0.99%	-0.25%	0.81%	1.58%	-25.68%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Return On Equity	-1.70%	-0.36%	1.16%	2.24%	-41.55%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Capitol Structure Analysis															
Debt To Equity Ratio	0.72	0.45	0.44	0.42	0.62	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Times Interest Earned	1.61	1.51	5.42	4.67		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Debt Service Margin	1.05	1.55	3.91	3.44	6.22	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total Current Assets	15%	7%	8%	9%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Operating Cash Flow as % of Op Inc	176%	240%	68%	78%	82%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Total Current Liabilities	22%	27%	27%	28%	29%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%
Sustainable Growth Rate	1.70%														
Return on Equity	2.00%														
Dividend Payout Ratio *	0.1498														

* Reuters.com

Appendix D:
CAPM Data

PRICES

Date	Open	High	Low	Close	Avg Vol	Adj Close*	Dividend	Firm's Return
3-Jan	41.01	43.95	37.19	38.55	540,161	38.1	0	
3-Feb	38.52	39.09	35.1	37.21	370,010	36.78	0	-0.0348
3-Mar	37.25	42	33.26	36.5	404,980	36.08	0	-0.0191
3-Apr	36.75	44.33	36.53	43.42	460,390	42.92	0	0.1896
3-May	43.42	46.5	42.07	45.65	377,495	45.12	0	0.0514
3-Jun	45.9	48.13	43.13	43.7	348,757	43.19	0	-0.0427
3-Jul	43.65	45.51	42.25	43.61	321,077	43.1	0	-0.0021
3-Aug	43.5	45.31	41.4	44.99	204,971	44.53	0.06	0.0316
3-Sep	45.2	46.93	37.79	38.4	534,519	38.01	0	-0.1451
3-Oct	38.72	42.3	38.11	39.84	536,421	39.43	0	0.0375
3-Nov	39.98	40.52	36.98	39.37	503,926	38.97	0	-0.0118
3-Dec	39.66	44.67	38.4	44.27	393,177	43.89	0.06	0.1245
4-Jan	44.4	45.1	40.05	40.57	451,750	40.22	0	-0.0822
4-Feb	40.32	41.69	38.25	38.76	431,878	38.48	0.06	-0.0446
4-Mar	39	41	36.76	39.54	342,095	39.26	0	0.0217
4-Apr	39.5	42.32	38.95	39.16	282,738	38.88	0	-0.0096
4-May	39.07	39.46	36.8	37.27	329,035	37.06	0.06	-0.0483
4-Jun	36	38.5	35.8	36.35	488,876	36.15	0	-0.0231
4-Jul	36.21	36.74	33.71	34.05	332,300	33.86	0	-0.0633
4-Aug	34	36.31	32.56	33.86	280,377	33.73	0.06	-0.0056
4-Sep	34	35.91	32.77	34	457,842	33.87	0	0.0059
4-Oct	34.99	37.32	34	37.06	450,195	36.92	0	0.0900
4-Nov	37.06	37.6	35.38	35.57	364,933	35.5	0.07	-0.0402
4-Dec	35.76	37.54	34.6	37.08	382,104	37.01	0	0.0444
5-Jan	37.23	39.26	36.95	37.63	364,305	37.56	0	0.0148
5-Feb	37.73	38.2	34.91	35.29	307,005	35.29	0.07	-0.0622
5-Mar	35.11	39.06	34.23	35.04	579,931	35.04	0	-0.0051
5-Apr	35.35	35.42	34.86	35.1	1,224,800	35.1	0	0.0017

PRICES (SP 500)

Date	Open	High	Low	Close	Avg Vol	Adj Close*	SP500 Return
3-Jan	881.69	935.11	840.31	855.7	1,655,044,766	855.7	
3-Feb	856.53	864.66	806.31	841.15	1,439,025,009	841.15	-0.0170
3-Mar	843.82	895.79	788.9	848.18	1,566,669,525	848.18	0.0084
3-Apr	849.17	924.3	847.81	916.92	1,435,167,140	916.92	0.0810
3-May	915.78	965.39	902.82	963.59	1,418,924,611	963.59	0.0509
3-Jun	965.88	1,015.37	964.46	974.51	1,448,426,191	974.51	0.0113
3-Jul	973.99	1,015.44	962.1	990.31	1,304,607,048	990.31	0.0162
3-Aug	989.88	1,011.04	960.82	1,008.01	1,071,244,675	1,008.01	0.0179
3-Sep	1,009.14	1,040.18	990.34	995.97	1,290,970,846	995.97	-0.0119
3-Oct	997.15	1,053.72	997.15	1,050.71	1,254,058,176	1,050.71	0.0550
3-Nov	1,051.75	1,063.65	1,031.24	1,058.20	1,105,603,634	1,058.20	0.0071
3-Dec	1,061.89	1,112.52	1,053.52	1,111.92	1,062,530,219	1,111.92	0.0508
4-Jan	1,112.61	1,155.37	1,105.02	1,131.13	1,419,814,243	1,131.13	0.0173
4-Feb	1,132.58	1,158.99	1,124.45	1,144.94	1,891,523,152	1,144.94	0.0122
4-Mar	1,148.93	1,163.09	1,087.48	1,126.21	1,844,474,351	1,126.21	-0.0164
4-Apr	1,128.14	1,150.57	1,107.24	1,107.30	1,751,250,461	1,107.30	-0.0168
4-May	1,110.45	1,127.65	1,076.39	1,120.68	1,747,784,012	1,120.68	0.0121
4-Jun	1,117.98	1,146.33	1,113.40	1,140.84	1,609,809,999	1,140.84	0.0180
4-Jul	1,139.41	1,140.84	1,078.85	1,101.72	1,777,244,775	1,101.72	-0.0343
4-Aug	1,098.00	1,109.66	1,060.74	1,104.24	1,502,920,098	1,104.24	0.0023
4-Sep	1,102.67	1,131.52	1,099.31	1,114.58	1,690,876,665	1,114.58	0.0094
4-Oct	1,120.27	1,142.05	1,090.23	1,130.20	1,897,790,496	1,130.20	0.0140
4-Nov	1,130.88	1,188.35	1,127.63	1,173.82	1,838,571,614	1,173.82	0.0386
4-Dec	1,177.14	1,217.25	1,173.75	1,211.92	1,792,901,986	1,211.92	0.0325
5-Jan	1,215.81	1,217.84	1,163.75	1,181.27	2,110,183,494	1,181.27	-0.0253
5-Feb	1,183.34	1,212.46	1,181.06	1,203.60	2,012,572,638	1,203.60	0.0189
5-Mar	1,205.95	1,229.06	1,163.82	1,180.59	1,836,697,280	1,180.59	-0.0191
5-Apr	1,186.62	1,189.78	1,169.94	1,172.92	4,183,219,968	1,172.92	-0.0065

Date	Annual Yield	Monthly Yield
2003-01-01	0.0305	0.00254
2003-02-01	0.0290	0.00242
2003-03-01	0.0278	0.00232
2003-04-01	0.0293	0.00244
2003-05-01	0.0252	0.0021
2003-06-01	0.0227	0.00189
2003-07-01	0.0287	0.00239
2003-08-01	0.0337	0.00281
2003-09-01	0.0318	0.00265
2003-10-01	0.0319	0.00266
2003-11-01	0.0329	0.00274
2003-12-01	0.0327	0.00273
2004-01-01	0.0312	0.0026
2004-02-01	0.0307	0.00256
2004-03-01	0.0279	0.00233
2004-04-01	0.0339	0.00283
2004-05-01	0.0385	0.00321
2004-06-01	0.0393	0.00328
2004-07-01	0.0369	0.00308
2004-08-01	0.0347	0.00289
2004-09-01	0.0336	0.0028
2004-10-01	0.0335	0.00279
2004-11-01	0.0353	0.00294
2004-12-01	0.0360	0.003
2005-01-01	0.0371	0.00309
2005-02-01	0.0377	0.00314
2005-03-01	0.0417	0.00348

Appendix E:
CAPM Series

Date	Firm's Return	SP500 Return	Monthly Yield Risk Free	Market Risk Premium
3-Jan			0.002542	-0.0025
3-Feb	-0.0348	-0.0170	0.002417	-0.0194
3-Mar	-0.0191	0.0084	0.002317	0.0060
3-Apr	0.1896	0.0810	0.002442	0.0786
3-May	0.0514	0.0509	0.0021	0.0488
3-Jun	-0.0427	0.0113	0.001892	0.0094
3-Jul	-0.0021	0.0162	0.002392	0.0138
3-Aug	0.0316	0.0179	0.002808	0.0151
3-Sep	-0.1451	-0.0119	0.00265	-0.0146
3-Oct	0.0375	0.0550	0.002658	0.0523
3-Nov	-0.0118	0.0071	0.002742	0.0044
3-Dec	0.1245	0.0508	0.002725	0.0480
4-Jan	-0.0822	0.0173	0.0026	0.0147
4-Feb	-0.0446	0.0122	0.002558	0.0097
4-Mar	0.0217	-0.0164	0.002325	-0.0187
4-Apr	-0.0096	-0.0168	0.002825	-0.0196
4-May	-0.0483	0.0121	0.003208	0.0089
4-Jun	-0.0231	0.0180	0.003275	0.0147
4-Jul	-0.0633	-0.0343	0.003075	-0.0374
4-Aug	-0.0056	0.0023	0.002892	-0.0006
4-Sep	0.0059	0.0094	0.0028	0.0066
4-Oct	0.0900	0.0140	0.002792	0.0112
4-Nov	-0.0402	0.0386	0.002942	0.0357
4-Dec	0.0444	0.0325	0.003	0.0295
5-Jan	0.0148	-0.0253	0.003092	-0.0284
5-Feb	-0.0622	0.0189	0.003142	0.0158
5-Mar	-0.0051	-0.0191	0.003475	-0.0226
5-Apr	0.0017	-0.0065		-0.0065

Beta Estimate	R-Squared	Average Risk Free Rate	Yahoo Published Beta	Historical Market Risk Premium	
1.47863	0.36199	0.032835	1.346	0.03	
	Estimated Ke		0.077194	**7.72%**	short term horizon
	Estimated Kd			**5.45%**	

Appendix F:
Balance Sheet Debt

VIACOM INC 10-K 2004-12-31: Balance Sheet

	12/31/2004	Percent of Total Liabilities	Computed Interest Rate	Value Weighted Rate
Current Liabilities:				
Accounts payable	$585,500	2.25%	0.00%	0.00%
Notes Payable	$0	0.00%	0.00%	0.00%
Current portion of long-term debt (Note ‡	$65,800	0.25%	6.98%	0.02%
Other current liabilities total	$4,110,000	15.82%	2.74%	0.43%
Total current liabilities	**$6,879,500**	26.48%		
Long-term debt (Note 8)	**$9,649,200**	37.14%	6.98%	2.59%
Deferred tax liabilities, net (Note 11)	$1,356,700	5.22%	0.00%	0.00%
Other liabilities, Total	$8,081,700	31.11%	7.75%	2.41%
Minority interest	$10,900	0.04%		
Total Non Current Liabilities	**$9,449,300**	36.37%		
Total Liabilities	**$25,978,000**	100.00%		

Weighted Average Cost of Debt **5.45%**

Short term Debt (2.74%) estimated from Economagic.com

Appendix G:
Weighted Average Cost of Debt

Long Term Debt

		Principal	Rate	Weight	Value Weighted Rate
7.15% Senior Notes due 2005	500.0	500000	7.15%	0.05	0.37%
7.75% Senior Notes due 2005	952.5	952500	7.75%	0.10	0.77%
6.40% Senior Notes due 2006	800.6	800600	6.40%	0.08	0.53%
5.625% Senior Notes due 2007	725.0	725000	5.63%	0.08	0.42%
7.70% Senior Notes due 2010	1,666.9	1669000	7.70%	0.17	1.33%
6.625% Senior Notes due 2011	995.5	995500	6.63%	0.10	0.68%
8.625% Debentures due 2012	248.7	248700	8.63%	0.03	0.22%
5.625% Senior Notes due 2012	599.3	599300	5.63%	0.06	0.35%
8.875% Notes due 2014	101.8	101800	8.88%	0.01	0.09%
7.625% Senior Debentures due 2016	199.2	199200	7.63%	0.02	0.16%
4.625% Senior Notes due 2018	288.6	288600	4.63%	0.03	0.14%
7.875% Debentures due 2023	229.0	229000	7.88%	0.02	0.19%
7.125% Senior Notes due 2023 (b)	52.2	52200	7.13%	0.01	0.04%
7.875% Senior Debentures due 2030	1,280.5	1280500	7.88%	0.13	1.05%
5.50% Senior Debentures due 2033	446.6	446600	5.50%	0.05	0.25%
7.25% Senior Notes due 2051	335.0	335000	7.25%	0.03	0.25%
Other notes	17.9	17900	2.74%	0.00	0.01%
Obligations under capital leases	471.8	471800	2.74%	0.05	0.13%

Long Term K_d **6.98%**

Total debt	9,917.0
Less	(267.8)
Total long-term debt from continuing operations, net current portion	$ 9,649.2

Appendix H:
Discounted Dividends Method

Viacom, Inc.

Years from valuation date		1	2	3	4	5	6	7	8	9	Terminal
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Dividends per share		$ 0.25	$ 0.27	$ 0.29	$ 0.31	$ 0.33	$ 0.35	$ 0.37	$ 0.39	$ 0.41	$ 0.35
Present Value Factor		0.93	0.86	0.80	0.74	0.69	0.64	0.59	0.55	0.51	
Present Value of Future Dividends		$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.22	$ 0.22	$ 0.22	$ 0.21	
Total PV of Forecast Future Dividends	$ 2.02										
Continuing (Terminal) Value (no growth)											$ 4.53
Present Value of Continuing (Terminal) Value	$ 2.32										
Estimated Value per Share	$ 4.35	Dec '04									
	$ 4.43	April '05									
Earnings Per Share											
Dividends per share											
Book Value Per Share	$ 25.54										
Actual Price per share	**$ 35.28**										
Cost of Equity Estimated	0.0772										
growth rate	0										

Sensitivity Analysis

	g			
Ke	0	0.03	0.05	0.1
0.01	$34.82	($13.22)	($5.19)	($0.74)
0.03	$11.48	N/A	($10.87)	($1.29)
0.05	$6.81	$13.75	N/A	($2.21)
0.07	$4.81	$6.97	$11.61	($4.25)
0.09	$3.70	$4.70	$5.94	($14.20)

Appendix I:
Discounted Free Cash Flows Method

Discounted Free Cash Flows Method

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cash Flow from Operations		$3,398,092	$3,375,890	$3,426,188	$3,411,946	$3,366,215	$3,395,666	$3,395,181	$3,399,040	$3,393,610
Cash Provided (Used) by Investing Activities		$1,582,560	$1,326,892	$1,354,170	$1,334,264	$1,226,317	$1,364,841	$1,321,297	$1,320,178	$1,313,380
Free Cash Flow (to firm)		$4,980,652	$4,702,782	$4,780,359	$4,746,211	$4,592,533	$4,760,507	$4,716,478	$4,719,218	$4,706,989
discount rate (7.3% WACC)		0.932	0.869	0.809	0.754	0.703	0.655	0.611	0.569	0.530
Present Value of Free Cash Flows		$4,641,801	$4,084,656	$3,869,558	$3,580,537	$3,228,893	$3,119,284	$2,880,181	$2,685,791	$2,496,581
Total Present Value of Annual Cash Flows	$30,587,281									
Continuing (Terminal) Value (assume no growth)	$64,479,306.35									
Present Value of Continuing (Terminal) Value	$36,696,325.64									
Value of the Firm (end of 2004)	$67,283,606.66									
Book Value of Debt and Preferred Stock	$ 9,715,000.00									
Value of Equity (end of 2004)	$57,568,606.66									
Estimated Value per Share	$34.99	Dec '04								
	$35.61	April '05								
Earnings Per Share		1.22	1.28	1.35	1.41	1.48	1.56	1.63	1.72	1.80
Dividends per share		0.12	0.16	0.20	0.40	0.28	0.32	0.36	0.40	0.44
Book Value Per Share	$25.54									
Actual Price per share	**$35.28**									

Appendix J:
Discounted Residual Income Valuation Model

Discounted Residual Income Valuation Model

		Forecast Years									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	
Beginning BE (per share)		25.54	26.82	27.35	27.90	28.46	29.03	29.61	30.20	30.80	5% growth
EPS		1.22	1.28	1.35	1.41	1.48	1.56	1.63	1.72	1.80	5% growth 1.22=2002&2003 avg.EPS
DPS		0.12	0.16	0.20	0.40	0.28	0.32	0.36	0.40	0.44	
Ending BE (per share)	25.54	26.64	27.94	28.50	28.91	29.66	30.26	30.88	31.52	32.17	
Ke	0.0772										
"Normal" Income	2	1.97	2.07	2.11	2.15	2.20	2.24	2.29	2.33	2.38	
Residual Income (RI)		(0.75)	(0.79)	(0.77)	(0.74)	(0.71)	(0.68)	(0.65)	(0.61)	(0.58)	(0.58)
Present Value of RI		(0.75)	(0.79)	(0.77)	(0.74)	(0.71)	(0.68)	(0.65)	(0.61)	(0.58)	

BV Equity (per share) 2005	25.54		
Total PV of RI (end 2005)	(6.29)		
Continuation (Terminal) Value			(7.46)
PV of Terminal Value (end 2004)	(3.82)		
EstimatedValue Per Share (2004)	*15.43*	Dec '04	
	15.72327	April '05	
Actual Price Per Share	**35.28**		
g	0		

Sensitivity Analysis

	g			
Ke	**0**	**0.03**	**0.05**	**0.1**
0.01	**$173.08**	**($31.89)**	**$2.27**	**21.25**
0.03	**$53.76**	N/A	**($2.34)**	**21.7**
0.05	**$29.59**	**$34.66**	N/A	**22.83**
0.07	**$18.34**	**$16.28**	**$11.47**	**$27.51**
0.09	**$11.02**	**$8.54**	**$4.81**	**$60.64**

Appendix K:
Abnormal Earnings Growth Model

Abnormal Earnings Growth Model

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
			1	2	3	4	5	6	7	8	Perp
		Forecast Years									
EPS		$ 1.22	$ 1.28	$ 1.35	$ 1.41	$ 1.48	$ 1.56	$ 1.63	$ 1.72	$ 1.80	
DPS		$ 0.12	$ 0.16	$ 0.20	$ 0.40	$ 0.28	$ 0.32	$ 0.36	$ 0.40	$ 0.44	
DPS invested at 7.72%			$ 0.01	$ 0.01	$ 0.02	$ 0.03	$ 0.02	$ 0.02	$ 0.03	$ 0.03	
Cum-Dividend Earnings			$ 1.29	$ 1.36	$ 1.43	$ 1.51	$ 1.58	$ 1.66	$ 1.74	$ 1.83	
Normal Earnings			$ 1.31	$ 1.38	$ 1.45	$ 1.52	$ 1.60	$ 1.68	$ 1.76	$ 1.85	
Abnormal Earning Growth (AEG)			($0.02)	($0.02)	($0.02)	($0.01)	($0.02)	($0.02)	($0.02)	($0.02)	0
PV Factor			0.93	0.86	0.80	0.74	0.69	0.64	0.59	0.55	
PV of AEG			($0.02)	($0.02)	($0.02)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	

Continuing (Terminal) Value		$0.00	
PV of Terminal Value		$0.00	
Total PV of AEG		($0.11)	
Capitalization Rate (perpetuity)		0.0772	
Average Perpetuity		$ 1.11	
Value Per Share	pv	$ 14.42	Dec '04
	fv	**$ 14.69**	April '05
Actual Price Per Share	**35.28**		
Ke	0.0772		
g	0		

Sensitivity Analysis

	g			
ke	**0**	**0.03**	**0.05**	**0.1**
0.01	**$21.89**			
0.03	**$19.32**			
0.05	**$17.14**			
0.09	**$13.70**			
0.11	**$12.35**			

References

1.) http://finance.yahoo.com/

2.) http://www.reuters.com/

3.) http://edgarscan.pwcglobal.com/servlets/edgarscan

4.) http://www.viacom.com/

Marking Guideline for FIN 3321 Valuation Project

Group Mark Allocation Form

Please submit this form with your final written report. You (your group) needs to complete all of the detail below. For the allocations to be accepted, it is necessary that all group members sign off in unanimous agreement. Also make sure that each signature is dated. Finally, as per the instructions provided in lecture, verify that the group allocations sum to 100%. If your group cannot come to agreement regarding the allocation then you will enter into binding arbitration based on my decision/ruling.

Percent Grade

Group Member Signature **ID Number** **Date**
Allocation___

1._________________________ ___________ _____ ________
(Signature Here)

____
Printed Name Here

2._________________________ ___________ _____ ________
(Signature Here)

____
Printed Name Here

3._________________________ ___________ _____ ________
(Signature Here)

____
Printed Name Here

TOTAL: 100%

Group Name___________________ DAY_______ TIME______
GROUP #_______