

Time Inc.
Form 10-Q
August 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36218

TIME INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware 13-3486363
(State or Other Jurisdiction of
Incorporation or Organization) (I.R.S. Employer Identification No.)

225 Liberty Street, New York, N.Y. 10281
(Address of Principal Executive Offices) (Zip Code)

(212) 522-1212
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Description of Class	Shares Outstanding as of
Common Stock — \$0.01 par value	August 4, 2017
	99,582,308

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Part I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TIME INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except share amounts)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 269	\$ 296
Short-term investments	—	40
Receivables, less allowances of \$186 and \$203 at June 30, 2017 and December 31, 2016, respectively	417	543
Inventories, net of reserves	27	31
Prepaid expenses and other current assets	133	110
Total current assets	846	1,020
Property, plant and equipment, net	315	304
Intangible assets, net	814	846
Goodwill	2,043	2,069
Other assets	69	66
Total assets	\$4,087	\$ 4,305
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 531	\$ 598
Deferred revenue	396	403
Current portion of long-term debt	7	7
Total current liabilities	934	1,008
Long-term debt	1,217	1,233
Deferred tax liabilities	171	210
Deferred revenue	78	86
Other noncurrent liabilities	326	328
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	1	—
Stockholders' equity		
Common stock, \$0.01 par value, 400 million shares authorized; 99.58 million and 98.95 million shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1	1
Preferred stock, \$0.01 par value, 40 million shares authorized; none issued	—	—
Additional paid-in-capital	12,529	12,548
Accumulated deficit	(10,804)	(10,732)
Accumulated other comprehensive loss, net	(366)	(377)
Total Time Inc. stockholders' equity	1,360	1,440
Equity attributable to noncontrolling interests	—	—
Total stockholders' equity	1,360	1,440
Total liabilities and stockholders' equity	\$4,087	\$ 4,305
See accompanying notes.		

TIME INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except per share amounts)

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Revenues				
Advertising	\$374	\$426	\$705	\$786
Circulation	207	236	412	474
Other	113	107	213	199
Total revenues	694	769	1,330	1,459
Costs of revenues	303	332	587	629
Selling, general and administrative expenses	326	369	670	746
Amortization of intangible assets	19	20	39	41
Restructuring and severance costs	31	10	47	11
Asset impairments	5	1	5	1
Goodwill impairment	50	—	50	—
(Gain) loss on operating assets, net	(2)	(13)	(4)	(16)
Operating income (loss)	(38)	50	(64)	47
Bargain purchase (gain)	—	2	—	(3)
Interest expense, net	17	18	34	35
Other (income) expense, net	2	1	4	7
Income (loss) before income taxes	(57)	29	(102)	8
Income tax provision (benefit)	(13)	11	(30)	—
Net income (loss)	(44)	18	(72)	8
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income (loss) attributable to Time Inc.	\$(44)	\$18	\$(72)	\$8
Per share information attributable to Time Inc. common stockholders:				
Basic net income (loss) per common share	\$(0.44)	\$0.18	\$(0.72)	\$0.08
Weighted average basic common shares outstanding	99.71	100.56	99.67	100.42
Diluted net income (loss) per common share	\$(0.44)	\$0.18	\$(0.72)	\$0.08
Weighted average diluted common shares outstanding	99.71	101.25	99.67	100.94
Cash dividends declared per share of common stock	\$0.04	\$0.19	\$0.23	\$0.38
See accompanying notes.				

TIME INC.
CONSOLIDATED STATEMENTS
OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$(44)	\$18	\$(72)	\$8
Other comprehensive income (loss), net of tax				
Unrealized foreign currency translation gains (losses)	15	(31)	24	(43)
Benefit obligations				
Unrealized gains (losses) occurring during the period	(10)	12	(16)	17
Reclassification adjustment for (gains) losses realized in net income (loss)	2	1	3	2
Net benefit obligations	(8)	13	(13)	19
Other comprehensive income (loss)	7	(18)	11	(24)
Comprehensive income (loss)	(37)	—	(61)	(16)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—
Comprehensive income (loss) attributable to Time Inc.	\$(37)	\$—	\$(61)	\$(16)
See accompanying notes.				

TIME INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited; in millions)

	Six Months Ended June 30, 2017				
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity
Balance as of December 31, 2016	\$1	\$ 12,548	\$ (10,732)) \$ (377)) \$ 1,440
Net income (loss)	—	—	(72)) —	(72)
Other comprehensive income (loss)	—	—	—	11	11
Dividends declared	—	(23)) —	—	(23)
Equity-based compensation, net of withholding taxes	—	4	—	—	4
Balance as of June 30, 2017	\$1	\$ 12,529	\$ (10,804)) \$ (366)) \$ 1,360