

Viacom Inc.  
Form 10-Q  
April 25, 2018

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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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 001-32686

VIACOM INC.

(Exact name of registrant as specified in its charter)

DELAWARE 20-3515052

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

1515 Broadway  
New York, NY 10036  
(212) 258-6000

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

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 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  (Do not check if a smaller reporting company) 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

Edgar Filing: Viacom Inc. - Form 10-Q

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 x

Class of Stock	Shares Outstanding as of April 13, 2018
Class A common stock, par value \$0.001 per share	49,431,181
Class B common stock, par value \$0.001 per share	352,973,760

---

Table of ContentsVIACOM INC.  
INDEX TO FORM 10-Q

	Page
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1. Consolidated Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Earnings for the quarter and six months ended March 31, 2018 and 2017</u>	<u>1</u>
<u>Consolidated Statements of Comprehensive Income for the quarter and six months ended March 31, 2018 and 2017</u>	<u>2</u>
<u>Consolidated Balance Sheets as of March 31, 2018 and September 30, 2017</u>	<u>3</u>
<u>Consolidated Statements of Cash Flows for the six months ended March 31, 2018 and 2017</u>	<u>4</u>
<u>Notes to Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Results of Operations and Financial Condition</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>28</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>28</u>
<u>Item 5. Other Information</u>	<u>28</u>
<u>Item 6. Exhibits</u>	<u>29</u>

---

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements.

## VIACOM INC.

## CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in millions, except per share amounts)	Quarter Ended		Six Months	
	March 31,		March 31,	
	2018	2017	2018	2017
Revenues	\$3,148	\$3,256	\$6,221	\$6,580
Expenses:				
Operating	1,681	1,944	3,244	3,763
Selling, general and administrative	771	748	1,511	1,449
Depreciation and amortization	55	58	108	114
Restructuring and related costs	185	174	185	216
Total expenses	2,692	2,924	5,048	5,542
Operating income	456	332	1,173	1,038
Interest expense, net	(143 )	(158 )	(290 )	(314 )
Equity in net earnings of investee companies	2	18	3	31
Other items, net	(28 )	(38 )	(6 )	(35 )
Earnings from continuing operations before provision for income taxes	287	154	880	720
Provision for income taxes	(23 )	(26 )	(65 )	(184 )
Net earnings from continuing operations	264	128	815	536
Discontinued operations, net of tax	10	—	12	—
Net earnings (Viacom and noncontrolling interests)	274	128	827	536
Net earnings attributable to noncontrolling interests	(8 )	(7 )	(24 )	(19 )
Net earnings attributable to Viacom	\$266	\$121	\$803	\$517
Amounts attributable to Viacom:				
Net earnings from continuing operations	\$256	\$121	\$791	\$517
Discontinued operations, net of tax	10	—	12	—
Net earnings attributable to Viacom	\$266	\$121	\$803	\$517
Basic earnings per share attributable to Viacom:				
Continuing operations	\$0.64	\$0.30	\$1.97	\$1.30
Discontinued operations	0.02	—	0.03	—
Net earnings	\$0.66	\$0.30	\$2.00	\$1.30
Diluted earnings per share attributable to Viacom:				
Continuing operations	\$0.64	\$0.30	\$1.96	\$1.30
Discontinued operations	0.02	—	0.03	—
Net earnings	\$0.66	\$0.30	\$1.99	\$1.30
Weighted average number of common shares outstanding:				
Basic	402.6	398.2	402.5	397.6
Diluted	402.9	399.5	402.7	398.7
Dividends declared per share of Class A and Class B common stock	\$0.20	\$0.20	\$0.40	\$0.40

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(in millions)	Quarter		Six Months	
	Ended	Ended	Ended	Ended
	March 31,	March 31,	March 31,	March 31,
	2018	2017	2018	2017
Net earnings (Viacom and noncontrolling interests)	\$274	\$128	\$827	\$536
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	44	63	53	(75 )
Defined benefit pension plans	1	1	3	3
Cash flow hedges	(1 )	2	—	2
Available for sale securities	(17 )	—	13	—
Other comprehensive income/(loss) (Viacom and noncontrolling interests)	27	66	69	(70 )
Comprehensive income	301	194	896	466
Less: Comprehensive income attributable to noncontrolling interest	8	7	24	18
Comprehensive income attributable to Viacom	\$293	\$187	\$872	\$448

See accompanying notes to Consolidated Financial Statements

Table of Contents

VIACOM INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(in millions, except par value)	March 31, 2018	September 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 417	\$ 1,389
Receivables, net	3,034	2,970
Inventory, net	965	919
Prepaid and other assets	661	523
Total current assets	5,077	5,801
Property and equipment, net	908	978
Inventory, net	4,012	3,982
Goodwill	11,724	11,665
Intangibles, net	325	313
Other assets	948	959
Total assets	\$ 22,994	\$ 23,698
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 300	\$ 431
Accrued expenses	707	869
Participants' share and residuals	811	825
Program obligations	678	712
Deferred revenue	346	463
Current portion of debt	15	19
Other liabilities	471	434
Total current liabilities	3,328	3,753
Noncurrent portion of debt	10,069	11,100
Participants' share and residuals	343	384
Program obligations	518	477
Deferred tax liabilities, net	315	294
Other liabilities	1,303	1,323
Redeemable noncontrolling interest	264	248
Commitments and contingencies (Note 6)		
Viacom stockholders' equity:		
Class A common stock, par value \$0.001, 375.0 authorized; 49.4 and 49.4 outstanding, respectively	—	—
Class B common stock, par value \$0.001, 5,000.0 authorized; 353.2 and 353.0 outstanding, respectively	—	—
Additional paid-in capital	10,147	10,119
Treasury stock, 393.6 and 393.8 common shares held in treasury, respectively	(20,580 )	(20,590 )
Retained earnings	17,762	17,124
Accumulated other comprehensive loss	(549 )	(618 )
Total Viacom stockholders' equity	6,780	6,035
Noncontrolling interests	74	84
Total equity	6,854	6,119
Total liabilities and equity	\$ 22,994	\$ 23,698

See accompanying notes to Consolidated Financial Statements

3

---

Table of Contents

VIACOM INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Six Months Ended March 31, 2018 2017	
(in millions)		
<b>OPERATING ACTIVITIES</b>		
Net earnings (Viacom and noncontrolling interests)	\$827	\$536
Discontinued operations, net of tax	(12 )	—
Net earnings from continuing operations	815	536
Reconciling items:		
Depreciation and amortization	108	114
Feature film and program amortization	2,245	2,312
Equity-based compensation	35	50
Equity in net earnings and distributions from investee companies	2	(5 )
Deferred income taxes	(11	