

Time Inc.  
Form 10-Q  
August 04, 2015

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, 2015

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  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3486363  
(I.R.S. Employer Identification No.)

1271 Avenue of the Americas, New York, NY  
(Address of Principal Executive Offices)  
(212) 522-1212

10020  
(Zip Code)

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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	July 31, 2015
	109,740,729



TIME INC.  
FORM 10-Q  
TABLE OF CONTENTS

	Page
<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>
<u>Item 1.</u>	<u>Consolidated Financial Statements</u>
	<u>Consolidated Balance Sheets as of June 30, 2015 (unaudited) and December 31, 2014 (audited)</u>
	<u>1</u>
	<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>
	<u>2</u>
	<u>Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2015 and 2014 (unaudited)</u>
	<u>3</u>
	<u>Consolidated Statements of Stockholders' Equity for the Six Months Ended June 30, 2015 and 2014 (unaudited)</u>
	<u>4</u>
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014 (unaudited)</u>
	<u>5</u>
	<u>Notes to the Consolidated Financial Statements</u>
	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>23</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>42</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>43</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>44</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>44</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>44</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	<u>44</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	<u>44</u>
<u>Item 5.</u>	<u>Other Information</u>
	<u>44</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>44</u>
	<u>Signature</u>
	<u>45</u>

---

## Part I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

## TIME INC.

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except share amounts)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$338	\$519
Short-term investments	60	—
Receivables, less allowances of \$231 and \$255 at June 30, 2015 and December 31, 2014, respectively	414	488
Inventories, net of reserves	42	48
Deferred tax assets	75	84
Prepaid expenses and other current assets	157	117
Total current assets	1,086	1,256
Property, plant and equipment, net	394	369
Intangible assets, net	1,065	1,085
Goodwill	3,167	3,117
Other assets	82	73
Total assets	\$5,794	\$5,900
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$524	\$621
Deferred revenue	463	458
Current portion of long-term debt	7	7
Total current liabilities	994	1,086
Long-term debt	1,365	1,368
Deferred tax liabilities	312	313
Deferred revenue	92	94
Other noncurrent liabilities	168	168
Commitments and contingencies (Note 12)		
Stockholders' Equity		
Common stock, \$0.01 par value, 400 million shares authorized; 109.74 million and 109.05 million shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	1	1
Preferred stock, \$0.01 par value, 40 million shares authorized; none issued	—	—
Additional paid-in-capital	12,633	12,665
Accumulated deficit	(9,611	) (9,626
Accumulated other comprehensive loss, net	(160	) (169
Total stockholders' equity	2,863	2,871
Total liabilities and stockholders' equity	\$5,794	\$5,900

See accompanying notes.



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

	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
Revenues					
Advertising	\$420	\$461	\$773	\$851	
Circulation	254	258	504	528	
Other	99	101	176	186	
Total revenues	773	820	1,453	1,565	
Costs of revenues	297	332	571	643	
Selling, general and administrative expenses	383	408	763	802	
Amortization of intangible assets	20	20	39	39	
Restructuring and severance costs	12	55	14	170	
Asset impairments	—	—	—	26	
Goodwill impairment	—	26	—	26	
Operating income (loss)	61	(21	) 66	(141	)
Interest expense, net	20	11	39	12	
Other expense (income), net	2	1	5	(4	)
Income (loss) before income taxes	39	(33	) 22	(149	)
Income tax provision (benefit)	15	(1	) 7	(43	)
Net income (loss)	\$24	\$(32	) \$15	\$(106	)
Per share information attributable to Time Inc. common stockholders:					
Basic net income (loss) per common share	\$0.22	\$(0.30	) \$0.13	\$(0.98	)
Weighted average basic common shares outstanding	109.78	108.97	109.67	108.97	
Diluted net income (loss) per common share	\$0.22	\$(0.30	) \$0.13	\$(0.98	)
Weighted average diluted common shares outstanding	110.18	108.97	110.06	108.97	
Cash dividends declared per share of common stock	\$0.19	\$—	\$0.38	\$—	

See accompanying notes.

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

	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
Net income (loss)	\$24	\$(32	) \$15	\$(106	)
Other comprehensive income (loss), net of tax					
Foreign currency translation					
Unrealized gains occurring during the period	55	17	8	45	
Reclassification adjustment for losses on foreign currency realized in net income	1	—	1	—	
Net foreign currency translation gains	56	17	9	45	
Benefit obligations:					
Unrealized gains (losses) occurring during the period	(8	) 1	(1	) (10	)
Reclassification adjustment for losses realized in net income (loss)	—	2	1	3	
Net benefit obligations	(8	) 3	—	(7	)
Other comprehensive income	48	20	9	38	
Comprehensive income (loss)	\$72	\$(12	) \$24	\$(68	)

See accompanying notes.

TIME INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited; in millions)

	Six Months Ended June 30, 2015						
	Common Stock	Additional Paid-in Capital	Time Warner Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity	
Balance, December 31, 2014	\$ 1	\$ 12,665	\$—	\$(9,626	) \$(169	) \$2,871	
Net income	—	—	—	15	—	15	
Other comprehensive income	—	—	—	—	9	9	
Dividends declared	—	(42	) —	—	—	(42	)
Equity-based compensation and other	—	10	—	—	—	10	
Balance, June 30, 2015	\$ 1	\$ 12,633	\$—	\$(9,611	) \$(160	) \$2,863	
	Six Months Ended June 30, 2014						
	Common Stock	Additional Paid-in Capital	Time Warner Investment	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity	
Balance, December 31, 2013	\$—	\$—	\$4,158				