

Time Inc.
Form 10-Q
November 03, 2016

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 September 30, 2016

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, 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	October 31, 2016
	99,061,151

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Part I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TIME INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 244	\$ 651
Short-term investments	60	60
Receivables, less allowances of \$183 and \$248 at September 30, 2016 and December 31, 2015, respectively	456	484
Inventories, net of reserves	38	35
Prepaid expenses and other current assets	140	187
Total current assets	938	1,417
Property, plant and equipment, net	296	267
Intangible assets, net	869	1,046
Goodwill	2,075	2,038
Other assets	150	116
Total assets	\$ 4,328	\$ 4,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 580	\$ 683
Deferred revenue	404	436
Current portion of long-term debt	7	7
Total current liabilities	991	1,126
Long-term debt	1,234	1,286
Deferred tax liabilities	175	242
Deferred revenue	92	89
Other noncurrent liabilities	315	332
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common stock, \$0.01 par value, 400 million shares authorized; 99.38 million and 106.03 million shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1	1
Preferred stock, \$0.01 par value, 40 million shares authorized; none issued	—	—
Additional paid-in-capital	12,558	12,604
Accumulated deficit	(10,783)	(10,570)
Accumulated other comprehensive loss, net	(255)	(226)
Total stockholders' equity	1,521	1,809
Total liabilities and stockholders' equity	\$ 4,328	\$ 4,884

See accompanying notes.

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

	Three Months Ended September 30, 2016		September 30, 2015	
	2016	2015	2016	2015
Revenues				
Advertising	\$417	\$398	\$1,203	\$1,171
Circulation	223	261	697	765
Other	110	114	309	290
Total revenues	750	773	2,209	2,226
Costs of revenues	327	308	956	879
Selling, general and administrative expenses	339	383	1,085	1,146
Amortization of intangible assets	22	21	63	60
Restructuring and severance costs	43	8	54	22
Asset impairments	188	—	189	—
Goodwill impairment	—	952	—	952
(Gain) loss on operating assets, net	(2	) —	(18) —
Operating income (loss)	(167	) (899	) (120	) (833
Bargain purchase (gain)	—	—	(3) —
Interest expense, net	16	19	51	58
Other (income) expense, net	2	(2	) 9	3
Income (loss) before income taxes	(185	) (916	) (177	) (894
Income tax provision (benefit)	(73	) (3	) (73	) 4
Net income (loss)	\$(112	) \$(913	) \$(104	) \$(898
Per share information attributable to Time Inc. common stockholders:				
Basic net income (loss) per common share	\$(1.13)	\$(8.30)	\$(1.05)	\$(8.17)
Weighted average basic common shares outstanding	99.64	110.00	99.43	109.80
Diluted net income (loss) per common share	\$(1.13)	\$(8.30)	\$(1.05)	\$(8.17)
Weighted average diluted common shares outstanding	99.64	110.00	99.43	109.80
Cash dividends declared per share of common stock	\$0.19	\$0.19	\$0.57	\$0.57

See accompanying notes.

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

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Net income (loss)	\$(112)	\$(913)	\$(104)	\$(898)
Other comprehensive income (loss), net of tax				
Foreign currency translation				
Unrealized gains (losses) occurring during the period	(10)	(36)	(53)	(28)
Reclassification adjustment for (gains) losses on foreign currency realized in net income (loss)	—	—	—	1
Net foreign currency translation gains (losses)	(10)	(36)	(53)	(27)
Benefit obligations				
Unrealized gains (losses) occurring during the period	4	5	21	4
Reclassification adjustment for (gains) losses realized in net income (loss)	1	4	3	5
Net benefit obligations	5	9	24	9
Other comprehensive income (loss)	(5)	(27)	(29)	(18)
Comprehensive income (loss)	\$(117)	\$(940)	\$(133)	\$(916)

See accompanying notes.

TIME INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited; in millions)

	Nine Months Ended September 30, 2016				
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss, Net	Total Stockholders' Equity
Balance, December 31, 2015	\$ 1	\$ 12,604	\$ (10,570	) \$ (226	) \$ 1,809
Net income (loss)	—	—	(104	) —	(104)
Other comprehensive income (loss)	—	—	—	(29	) (29)
Dividends declared	—	(58	) —	—	(58)
Purchase of common stock	—	—	(109	) —	(109)
Equity-based compensation and other	—	12	—	—	12
Balance, September 30, 2016	\$ 1	\$ 12,558	\$ (10,783	) \$ (255	) \$ 1,521

Nine Months Ended September 30, 2015

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive
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