

Time Inc.
Form 10-K
February 19, 2016

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

FORM 10-K

(Mark One)

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

For the year ended December 31, 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)

225 Liberty Street, New York, N.Y.

(Address of Principal Executive Offices)

(212) 522-1212

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common stock, par value \$0.01 per share

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

13-3486363

(I.R.S. Employer Identification No.)

10281

(Zip Code)

Name of Each Exchange on Which Registered
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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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 ☒

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Common Stock, par value \$0.01 per share, held by non-affiliates (without admitting that any person whose shares are not included in such calculation is an affiliate) was approximately \$2.5 billion based upon the closing price of \$23.01 per share on The New York Stock Exchange on that date.

As of February 10, 2016, 104,852,752 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Registrant's 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K contains certain “forward-looking statements,” as such term is defined in Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). They are based on management’s current expectations and assumptions regarding our business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance in connection with discussions of future operating or financial performance. Such forward-looking statements include, but are not limited to, statements regarding future actions, business plans and prospects, prospective products, trends, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, the outcome of contingencies, such as legal proceedings, plans relating to dividends, stock repurchases and debt repayments, government regulations, the adequacy of our liquidity to meet our needs for the foreseeable future, our expectations regarding market conditions, and our anticipated contributions to international defined benefits plans.

As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected.

Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our quarterly reports on Form 10-Q and current reports on Form 8-K. We provide in Item 1A, “Risk Factors,” a cautionary discussion of certain risks and uncertainties related to our businesses. These are factors that we believe, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by Section 21E of the Exchange Act. In addition, the operation and results of our business are subject to risks and uncertainties identified elsewhere in this annual report on Form 10-K as well as general risks and uncertainties such as those relating to general economic conditions. You should understand that it is not possible to predict or identify all such risks. Consequently, you should not consider such discussion to be a complete discussion of all potential risks or uncertainties.

Industry and Market Data

This annual report on Form 10-K includes publishing industry data, rankings, circulation information, Internet user data and other industry and market information that we obtained from public filings, internal company sources and various third-party sources. These third-party sources include, but are not limited to, Publishers Information Bureau as provided by Kantar Media ("PIB"), the Alliance for Audited Media ("AAM"), the Audit Bureau of Circulations ("ABC"), comScore Media Metrix ("comScore") and GfK Mediamark Research and Intelligence ("MRI"). While we are not aware of any misstatements regarding any industry data presented in this annual report on Form 10-K and believe such data are accurate, we have not independently verified any data obtained from third-party sources and cannot assure you of the accuracy or completeness of such data. Such data may involve uncertainties and are subject to change based on various factors.

Unless otherwise stated herein, all U.S. circulation data in this annual report on Form 10-K are sourced from AAM reports and all U.K. circulation data, including statements as to our position in the U.K. print publishing industry and ranking based on print newsstand revenues in the United Kingdom (the industry-standard metric for magazine rankings in the United Kingdom), are sourced from ABC reports. All Internet user data in this annual report on Form 10-K are sourced from comScore reports. All print advertising revenue data, including statements as to our position in the print publishing industry and ranking based on print advertising revenues in the United States, are sourced from PIB reports. Magazine readership and audience statistics presented in this annual report on Form 10-K are based on surveys conducted by MRI.

Part I

ITEM 1. BUSINESS

Overview

Time Inc., together with its subsidiaries (collectively, the "Company", "we", "us" or "our"), is one of the world's leading media companies, with a monthly global print audience of over 120 million and more than 150 million monthly visitors to its worldwide digital properties, including over 60 websites. Our influential brands include People, Sports Illustrated, InStyle, Time, Real Simple, Southern Living, Entertainment Weekly, Travel + Leisure, Cooking Light, Fortune and Food & Wine, as well as more than 50 diverse titles in the United Kingdom such as Decanter, Horse & Hound and Wallpaper*. Time Inc. is home to celebrated franchises and events including the Fortune 500, Time 100, People's Sexiest Man Alive, Sports Illustrated's Sportsperson of the Year, the Food & Wine Classic in Aspen, the Essence Festival and the biennial Fortune Global Forum. Hundreds of thousands of people attend our live media events each year. We have been extending the power of our brands through various investments and acquisitions, including the formation of Sports Illustrated Play, a new business devoted to youth and amateur sports, and the acquisition of inVNT, a company that specializes in live media. We also provide content marketing, targeted local print and digital advertising programs, branded book publishing and marketing and support services, including subscription sales services for magazines and other products, retail distribution and marketing services and customer service and fulfillment services, for ourselves and third-party clients, including other magazine publishers.

Since our founding in 1922, we have developed a worldwide reputation for quality, integrity and innovation in journalism. Today, we reach large, diverse audiences through our printed magazines, websites, on computers and mobile devices and through social media. We have a marketing database that includes approximately 160 million U.S. adults, which represents a majority of the adult U.S. population. We publish paid digital versions of a large majority of our magazines for the major tablet platforms. In total, we publish over 80 magazine titles worldwide. The following table lists our major magazine titles as of December 31, 2015, as well as related websites and related magazine titles for each:

Magazine title	Rate base ^(a)	Frequency ^(b)	Category	Related magazine titles	Related websites
People	3,425,000	53	Celebrity Weekly	People en Español (U.S.) People StyleWatch (U.S.)	People.com PeopleenEspanol.com
Time	3,000,000	44	Weekly Newsmagazine	Time for Kids (U.S.) Time (Europe) Time (Asia) Time (South Pacific)	Time.com Life.com TimeforKids.com
Sports Illustrated	3,000,000	49	Sports: General	Sports Illustrated Kids (U.S.)	SI.com FanNation.com SIKids.com
Southern Living	2,800,000	12	Regional	Coastal Living	SouthernLiving.com
Real Simple	1,975,000	12	Women's Lifestyle		RealSimple.com
Cooking Light	1,775,000	11	Epicurean		MyRecipes.com CookingLight.com
Entertainment Weekly	1,725,000	42	Entertainment		EW.com
InStyle	1,700,000	13	Women's Fashion		InStyle.com
Money	1,550,000	11	Personal Finance		Money.com
Golf	1,400,000	12	Sports: Golf		Golf.com
Health	1,350,000	10	Women's Health & Fitness		Health.com
Sunset	1,250,000	12	Regional		Sunset.com
Essence	1,050,000	12	African American		Essence.com
What's On TV (U.K.)	1,013,702	51	Entertainment		WhatsOnTV.co.uk
This Old House	950,000	10	Shelter		ThisOldHouse.com
Travel + Leisure	950,000	12	Travel		TravelandLeisure.com
Food & Wine	925,000	12	Epicurean		FoodandWine.com
Fortune	830,000	16	Business: Corporate	Fortune (Europe) Fortune (Asia) Executive Travel	Fortune.com

(a) Circulation level guaranteed to advertisers for regular issue U.S. magazines in second-half 2015 or ABC reported first-half 2015 circulation for U.K. magazines, as applicable.

(b) Number of physical issues, including regularly published special issues, delivered to subscribers in 2015.

People magazine is currently our largest print magazine title, generating almost 18% of our revenues in 2015. We publish special annual issues for certain of our magazine titles, including the Sports Illustrated Swimsuit issue, the Fortune 500 list of the largest U.S. corporations, the People World's Sexiest Man Alive issue and the Time Person of the Year issue. Popular events associated with our magazine brands include the Fortune conferences and the Essence Festival. Video extensions of our brands include TV specials for People and other brands and numerous digital video productions.

For a discussion of certain business dispositions and acquisitions we completed in 2015, see Note 3, "Acquisitions and Dispositions," to our consolidated and combined financial statements included in this annual report on Form 10-K.

The Separation

On March 6, 2013, Time Warner Inc. ("Time Warner") announced plans for the complete legal and structural separation of its magazine publishing and related business from Time Warner (the "Spin-Off"). On June 6, 2014 (the "Distribution Date"), the Spin-Off was completed by way of a pro rata dividend of Time Inc. shares held by Time Warner to its stockholders as of May 23, 2014 based on a distribution ratio of one share of Time Inc. common stock for every eight shares of Time Warner common stock held (the "Distribution"). Following the Spin-Off, Time Warner stockholders became the owners of 100% of the outstanding shares of common stock of Time Inc. and Time Inc. began operating as an independent, publicly-traded company with its common stock trading on The New York Stock Exchange ("NYSE") under the symbol "TIME". In connection with the Spin-Off, we and Time Warner entered into the Separation and Distribution Agreement dated June 4, 2014 (the "Separation and Distribution Agreement") and certain other related agreements which govern our relationship with Time Warner following the Spin-Off. (See Note 17, "Relationship Between Time Inc. and Time Warner," to our consolidated and combined financial statements included in this annual report on Form 10-K.)

Our Strategy

Enhancing our core business

We are committed to enhancing our core business. Our goals are to protect the margins and cash flows of our business, to reallocate resources to more effectively serve our audiences and advertisers, to leverage our extensive data and consumer insights and to continually deepen our consumer connections. Our management team is focused on the following initiatives:

Consumer connection. We believe there are opportunities to serve our audiences across platforms, and with alternative approaches to content creation, including print, desktop, mobile, video, advertiser-sponsored content and social media. As of December 2015, our global print audience was over 120 million. Our U.S. multi-platform unique visitors increased by 22% year-over-year to 119 million as of December 2015. Our unique visitors exclusively from mobile devices increased 46% year-over-year to 75 million. Additionally, Time Inc.'s total worldwide social media audience as of December 2015 was 189 million, including 83 million Facebook likes and 53 million Twitter followers. During 2015, we grew our user-initiated video streams to more than 1.5 billion across Time Inc.'s video distribution network.

Advertising sales effectiveness. Our long-standing relationships with advertisers are a key competitive advantage. We continue to configure our team to more effectively align ourselves with the current media environment, and leverage the collective strength of our brand portfolio. This includes optimizing both brand sales as well as moving toward selling Time Inc. as a single premium media network. For example, we are introducing a category sales structure for our Pharmaceutical, Autos and Technology/Telecom marketers and agencies. We are also optimizing our advertising sales organization around solutions selling, and more deeply understanding the needs of our customers. This includes making programmatic and data solutions more readily available to our advertising and agency partners.

Consumer pricing and targeting. We believe there are opportunities to more effectively optimize subscription offers, newsstand pricing and other consumer targeting and pay strategies across our organization. For example, we are pursuing data initiatives to personalize the audience experien