

VIACOM INC
Form 8-K
October 13, 2004

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **October 6, 2004**

VIACOM INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-09553
(Commission
File Number)

04-2949533
(IRS Employer
Identification No.)

1515 Broadway, New York, NY

10036

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (212) 258-6000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 6, 2004, Viacom Inc. (*Viacom*) announced that its offer to exchange 2.575 shares of Blockbuster Inc. (*Blockbuster*) class A common stock, par value \$0.01 per share (*Blockbuster Class A Common Stock*), and 2.575 shares of Blockbuster class B common stock, par value \$0.01 per share (*Blockbuster Class B Common Stock*), owned by Viacom for each outstanding share of *Viacom* 's class A common stock, par value \$0.01 per share (*Viacom Class A Common Stock*), or class B common stock, par value \$0.01 per share (*Viacom Class B Common Stock*), up to an aggregate of 27,961,165 shares of *Viacom Class A Common Stock* and *Viacom Class B Common Stock*, expired at 12:00 midnight on October 5, 2004.

Based on a final count by The Bank of New York, the exchange agent, 292,889,349 shares of *Viacom* common stock were tendered, consisting of 4,648,493 shares of *Viacom Class A Common Stock* and 288,240,856 shares of *Viacom Class B Common Stock*. *Viacom* accepted 27,961,165 shares of *Viacom* common stock, consisting of 553,616 shares of *Viacom Class A Common Stock* and 27,407,549 shares of *Viacom Class B Common Stock* in the exchange offer in exchange for 72 million shares of *Blockbuster Class A Common Stock* and 72 million shares of *Blockbuster Class B Common Stock*. Because the exchange offer was oversubscribed, *Viacom* accepted tendered shares on a pro-rata basis in proportion to the number of shares tendered. Stockholders that tendered less than 100 shares of *Viacom Class A Common Stock* or *Viacom Class B Common Stock*, or an odd-lot, could elect not to be subject to proration, except that stockholders that tendered odd-lots as a participant in a *Viacom* or *Blockbuster* employee benefit plan were not entitled to this preference. All shares tendered by eligible odd-lot stockholders have been accepted; 9.426777% of all other tendered shares of *Viacom Class A Common Stock* and *Viacom Class B Common Stock* have been accepted.

On September 30, 2004, *Viacom* contributed to the *Viacom Pension Plan* approximately 3.6 million shares of *Blockbuster Class A Common Stock* that *Viacom* had previously purchased in the open market to maintain U.S. Federal income tax consolidation with *Blockbuster*.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The following *Viacom* unaudited pro forma consolidated condensed balance sheet as of June 30, 2004 gives effect to the pro forma events described below, as if such events occurred at June 30, 2004. The unaudited pro forma consolidated condensed statements of operations for the six months ended June 30, 2004 and the year ended December 31, 2003 give effect to the pro forma events as if such events occurred on January 1, 2003. Due to *Viacom* 's intention to account for the disposal of its investment in *Blockbuster* as a discontinued operation, the unaudited pro forma consolidated condensed statements of operations for the years ended December 31, 2002 and 2001 are presented to show *Blockbuster* as a discontinued operation of *Viacom*. The unaudited pro forma consolidated condensed financial statements are based upon the historical financial statements of *Viacom* and *Blockbuster* for each period presented. In the opinion of *Viacom* management, all adjustments and/or disclosures necessary for a fair presentation of the pro forma data have been made.

The pro forma events are: (i) Blockbuster's payment of a special distribution of \$5.00 per share to its stockholders; (ii) Viacom's split-off of Blockbuster; (iii) the reduction in the number of shares of Viacom's common stock outstanding and the weighted average number of such shares outstanding used in the earnings per share calculations as a result of such shares being accepted for exchange by Viacom in the split-off of Blockbuster; and (iv) Viacom's contribution of the Blockbuster Class A Common Stock previously purchased in the open market in order to maintain U.S. federal income tax consolidation of Blockbuster to the Viacom Pension Plan.

These unaudited pro forma condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or the financial position that would have been achieved had the pro forma events described above been consummated as of the dates indicated or of the results that may be obtained in the future. These unaudited pro forma condensed financial statements and the notes thereto should be read together with:

Viacom's consolidated financial statements and the notes thereto as of and for the year ended December 31, 2003, and Management's Discussion and Analysis included in Viacom's Annual Report on Form 10-K for the year ended December 31, 2003.

Viacom's consolidated financial statements and the notes thereto as of and for the six months ended June 30, 2004, and Management's Discussion and Analysis included in Viacom's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004.

Blockbuster's consolidated financial statements and the notes thereto as of and for the year ended December 31, 2003, and Management's Discussion and Analysis included in Blockbuster's Annual Report on Form 10-K for the year ended December 31, 2003.

Blockbuster's consolidated financial statements and the notes thereto as of and for the six months ended June 30, 2004, and Management's Discussion and Analysis included in Blockbuster's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004.

Unaudited Pro Forma Consolidated Condensed Balance Sheet

At June 30, 2004

(in millions)

	Viacom Historical	Blockbuster Historical(4b)	Pro Forma Adjustments	Effects of the Exchange(3)	Viacom Pro Forma
ASSETS					
Cash and cash equivalents	\$ 1,713.3	\$ (123.2)	\$ 738.1(1)	\$	\$ 2,320.8
			(7.4)(1)		
Receivables	3,728.9	(149.5)	21.9(2b)		3,601.3
Inventory	1,248.8	(408.2)	(9.7)(2b)		830.9
Other current assets	1,225.0	(196.2)			1,028.8
Total current assets	7,916.0	(877.1)	742.9		7,781.8
Property and equipment, net	5,820.2	(810.7)			5,009.5
Inventory	4,624.2	(365.3)	2.3(2b)		4,261.2
Goodwill	56,888.9	(2,637.1)	16.1(2d)		54,267.9
Intangibles	12,492.6	(35.8)			12,456.8
Investment in Blockbuster			2,034.0(2a)	(1,983.4)	
			7.4(1)	(58.0)	
Other assets	1,929.6	(56.4)	13.1(2a)		1,886.3
Total assets	\$ 89,671.5	\$ (4,782.4)	\$ 2,815.8	\$ (2,041.4)	\$ 85,663.5
LIABILITIES AND STOCKHOLDERS EQUITY					
Current portion of long-term debt	\$ 124.2	\$ (72.9)	\$	\$	\$ 51.3
Accounts payable and accrued expenses	4,489.4	(1,016.6)	27.4(2b)	75.0	3,575.2
Other current liabilities	2,311.3	(3.3)	10.7(2c)		2,318.7
Total current liabilities	6,924.9	(1,092.8)	38.1	75.0	5,945.2
Long-term debt	9,658.9	(73.0)			9,585.9
Other liabilities	8,470.3	(211.8)	(19.8)(2c)	90.1	8,301.4
				(27.4)	
Minority interest	652.0		(472.9)(2a)		11.6
			(167.5)(1)		
Stockholders' Equity:					
Common stock	18.7	(1.8)	1.8(2a)		18.7
Additional paid-in capital	65,918.8	(6,222.8)	6,222.8(2a)		65,918.8
Retained earnings	4,398.9	2,779.2	(2,779.2)(2a)	(1,157.0)	3,211.3
				(30.6)	
Accumulated other comprehensive loss	(379.1)	40.6	(7.5)(2a)		(346.0)
	69,957.3	(3,404.8)	3,437.9(2a)	(1,187.6)	68,802.8
Less treasury stock, at cost	5,991.9			991.5	6,983.4
Total stockholders' equity	63,965.4	(3,404.8)	3,437.9	(2,179.1)	61,819.4
Total liabilities and stockholders' equity	\$ 89,671.5	\$ (4,782.4)	\$ 2,815.8	\$ (2,041.4)	\$ 85,663.5

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The accompanying notes are an integral part of this
unaudited pro forma consolidated condensed balance sheet.

Unaudited Pro Forma Consolidated Condensed Statement of Operations
Six Months Ended June 30, 2004
(in millions, except per share amounts)

	Viacom Historical	Blockbuster Historical(4b)	Pro Forma Adjustments	Effects of the Exchange	Viacom Pro Forma
Revenues	\$ 13,614.2	\$ (2,924.3)	\$ 55.0(2b)	\$	\$ 10,744.9
Operating expenses	8,141.4	(2,241.7)	50.1(2b)		5,949.8
Selling, general and administrative expenses	2,329.0	(361.3)	2.6(2b) 2.0(2e)		1,972.3
Depreciation and amortization	517.2	(120.1)			397.1
Operating income	2,626.6	(201.2)	0.3		2,425.7
Interest expense, net	(358.1)	7.2			(350.9)
Other items, net	19.8	1.0			20.8
Earnings before income taxes	2,288.3	(193.0)	0.3		2,095.6
Provision for income taxes	(782.4)	33.6	(0.9)(4a)		(749.7)
Equity in loss of affiliates, net of tax	(10.5)				(10.5)
Minority interest, net of tax	(31.1)		28.7(2a)		(2.4)
Net earnings from continuing operations before cumulative effect of accounting change	\$ 1,464.3	\$ (159.4)	\$ 28.1	\$	\$ 1,333.0