

NEWS CORP
Form 10-Q
February 10, 2017
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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 December 31, 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 001-35769

NEWS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of

46-2950970
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

1211 Avenue of the Americas, New York, New York
(Address of Principal Executive Offices)

10036
(Zip Code)

Registrant's telephone number, including area code (212) 416-3400

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

As of February 3, 2017, 381,860,792 shares of Class A Common Stock and 199,630,240 shares of Class B Common Stock were outstanding.

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NEWS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; millions, except per share amounts)

	Notes	For the three months ended December 31,		For the six months ended December 31,	
		2016	2015	2016	2015
Revenues:					
Advertising		\$ 748	\$ 816	\$ 1,418	\$ 1,551
Circulation and subscription		595	621	1,216	1,260
Consumer		450	429	824	821
Real estate		185	160	357	305
Other		138	135	266	238
Total Revenues		2,116	2,161	4,081	4,175
Operating expenses					
Selling, general and administrative		(665)	(688)	(1,343)	(1,338)
Depreciation and amortization		(120)	(123)	(240)	(244)
Impairment and restructuring charges	4	(356)	(22)	(376)	(39)
Equity (losses) earnings of affiliates	5	(238)	15	(253)	23
Interest, net		15	11	22	23
Other, net	14	123	(6)	140	(1)
(Loss) income from continuing operations before income tax benefit (expense)					
		(251)	155	(252)	207
Income tax benefit (expense)	12	32	(49)	33	42
(Loss) income from continuing operations					
		(219)	106	(219)	249
(Loss) income from discontinued operations, net of tax	3		(24)		22
Net (loss) income					
		(219)	82	(219)	271
Less: Net income attributable to noncontrolling interests		(70)	(19)	(85)	(33)
Net (loss) income attributable to News Corporation stockholders					
		\$ (289)	\$ 63	\$ (304)	\$ 238
Basic and diluted (loss) earnings per share:					
(Loss) income from continuing operations available to News Corporation stockholders per share		\$ (0.50)	\$ 0.15	\$ (0.52)	\$ 0.37
(Loss) income from discontinued operations available to News Corporation stockholders per share			(0.04)		0.04

Net (loss) income available to News Corporation stockholders per share	\$ (0.50)	\$ 0.11	\$ (0.52)	\$ 0.41
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**NEWS CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

(Unaudited; millions)

	For the three months ended December 31,		For the six months ended December 31,	
	2016	2015	2016	2015
Net (loss) income	\$ (219)	\$ 82	\$ (219)	\$ 271
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(347)	89	(291)	(356)
Unrealized holding gains (losses) on securities, net ^(a)	7	9	(19)	(16)
Benefit plan adjustments, net ^(b)	20	10	31	25
Share of other comprehensive income (loss) from equity affiliates, net ^(c)	9	(3)	11	2
Other comprehensive (loss) income	(311)	105	(268)	(345)
Comprehensive (loss) income	(530)	187	(487)	(74)
Less: Net income attributable to noncontrolling interests	(70)	(19)	(85)	(33)
Less: Other comprehensive loss (income) attributable to noncontrolling interests	9	(3)	7	4
Comprehensive (loss) income attributable to News Corporation stockholders	\$ (591)	\$ 165	\$ (565)	\$ (103)

(a) Net of income tax expense (benefit) of \$2 million and \$5 million for the three months ended December 31, 2016 and 2015, respectively, and income tax (benefit) expense of (\$8) million and (\$7) million for the six months ended December 31, 2016 and 2015, respectively.

(b) Net of income tax expense of \$5 million and \$2 million for the three months ended December 31, 2016 and 2015, respectively, and income tax expense of \$8 million and \$6 million for the six months ended December 31, 2016 and 2015, respectively.

(c) Net of income tax expense (benefit) of \$4 million and (\$1) million for the three months ended December 31, 2016 and 2015, respectively, and income tax expense of \$5 million and \$1 million for the six months ended December 31, 2016 and 2015, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**NEWS CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Millions, except share and per share amounts)

	Notes	As of December 31, 2016 (unaudited)	As of June 30, 2016 (audited)
Assets:			
Current assets:			
Cash and cash equivalents		\$ 1,564	\$ 1,832
Restricted cash			315
Receivables, net	14	1,528	1,229
Other current assets	14	499	513
Total current assets		3,591	3,889
Non-current assets:			
Investments	5	1,932	2,270
Property, plant and equipment, net		1,981	2,405
Intangible assets, net		2,298	2,207
Goodwill		3,791	3,714
Deferred income tax assets		549	602
Other non-current assets	14	385	396
Total assets		\$ 14,527	\$ 15,483
Liabilities and Equity:			
Current liabilities:			
Accounts payable		\$ 240	\$ 217
Accrued expenses		1,121	1,371
Deferred revenue		404	388
Other current liabilities	14	560	466
Total current liabilities		2,325	2,442
Non-current liabilities:			
Borrowings	6	268	369
Retirement benefit obligations	11	315	350
Deferred income tax liabilities		40	171
Other non-current liabilities		331	349
Commitments and contingencies	10		
Redeemable preferred stock		20	20

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Class A common stock ^(a)		4	4
Class B common stock ^(b)		2	2
Additional paid-in capital		12,451	12,434
Retained earnings		(213)	150
Accumulated other comprehensive loss		(1,289)	(1,026)
Total News Corporation stockholders' equity		10,955	11,564
Noncontrolling interests		273	218
Total equity	7	11,228	11,782
Total liabilities and equity		\$ 14,527	\$ 15,483

(a) **Class A common stock**, \$0.01 par value per share (Class A Common Stock), 1,500,000,000 shares authorized, 381,774,810 and 380,490,770 shares issued and outstanding, net of 27,368,413 treasury shares at par, at December 31, 2016 and June 30, 2016, respectively.

(b) **Class B common stock**, \$0.01 par value per share (Class B Common Stock), 750,000,000 shares authorized, 199,630,240 shares issued and outstanding, net of 78,430,424 treasury shares at par, at December 31, 2016 and June 30, 2016, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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NEWS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; millions)

	Notes	For the six months ended December 31,	
		2016	2015
Operating activities:			
Net (loss) income		\$ (219)	\$ 271
Less: Income from discontinued operations, net of tax			22
(Loss) income from continuing operations		(219)	249
Adjustments to reconcile (loss) income from continuing operations to cash provided by operating activities:			
Depreciation and amortization		240	244
Equity losses (earnings) of affiliates	5	253	(23)
Cash distributions received from affiliates			30
Impairment charges	4	310	
Other, net	14	(140)	1
Deferred income taxes and taxes payable	12	(102)	(98)
Change in operating assets and liabilities, net of acquisitions:			
Receivables and other assets		(131)	(97)
Inventories, net		(9)	72
Accounts payable and other liabilities		52	(32)
NAM Group settlement			