

Discovery Communications, Inc.
Form 10-Q
November 04, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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: 001-34177

Discovery Communications, Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	35-2333914 (I.R.S. Employer Identification No.)
---	---

One Discovery Place Silver Spring, Maryland (Address of principal executive offices) (240) 662-2000 (Registrant's telephone number, including area code)	20910 (Zip Code)
--	---------------------

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

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

Edgar Filing: Discovery Communications, Inc. - Form 10-Q

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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

Total number of shares outstanding of each class of the Registrant's common stock as of October 28, 2014:

Series A Common Stock, par value \$0.01 per share	148,491,088
Series B Common Stock, par value \$0.01 per share	6,542,457
Series C Common Stock, par value \$0.01 per share	287,302,099

DISCOVERY COMMUNICATIONS, INC.
FORM 10-Q
TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION.</u>	
<u>ITEM 1. Unaudited Financial Statements.</u>	
Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013.	<u>4</u>
Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013.	<u>5</u>
Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013.	<u>6</u>
Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013.	<u>7</u>
Consolidated Statements of Equity for the three and nine months ended September 30, 2014 and 2013.	<u>9</u>
<u>Notes to Consolidated Financial Statements.</u>	<u>10</u>
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>49</u>
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>66</u>
<u>ITEM 4. Controls and Procedures.</u>	<u>66</u>
<u>PART II. OTHER INFORMATION.</u>	
<u>ITEM 1. Legal Proceedings.</u>	<u>67</u>
<u>ITEM 1A. Risk Factors.</u>	<u>67</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>67</u>
<u>ITEM 6. Exhibits.</u>	<u>68</u>
<u>SIGNATURES.</u>	<u>69</u>

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

DISCOVERY COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited; in millions, except par value)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$376	\$408
Receivables, net	1,464	1,371
Content rights, net	379	277
Deferred income taxes	87	73
Prepaid expenses and other current assets	278	281
Total current assets	2,584	2,410
Noncurrent content rights, net	2,028	1,883
Property and equipment, net	525	514
Goodwill	8,320	7,341
Intangible assets, net	2,091	1,565
Equity method investments	667	1,087
Other noncurrent assets	158	179
Total assets	\$16,373	\$14,979
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$209	\$141
Accrued liabilities	1,040	992
Deferred revenues	304	144
Current portion of debt	995	17
Total current liabilities	2,548	1,294
Noncurrent portion of debt	6,153	6,482
Deferred income taxes	692	637
Other noncurrent liabilities	310	333
Total liabilities	9,703	8,746
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests	785	36
Equity:		
Discovery Communications, Inc. stockholders' equity:		
Series A convertible preferred stock: \$0.01 par value; 75 shares authorized; 71 shares issued	1	1
Series C convertible preferred stock: \$0.01 par value; 75 shares authorized; 43 and 44 shares issued	1	1
Series A common stock: \$0.01 par value; 1,700 shares authorized; 151 and 150 shares issued	1	1
Series B convertible common stock: \$0.01 par value; 100 shares authorized; 7 shares issued	—	—
Series C common stock: \$0.01 par value; 2,000 shares authorized; 375 and 151 shares issued	4	2
Additional paid-in capital	6,905	6,826
Treasury stock, at cost	(4,488) (3,531
Retained earnings	3,654	2,892

Edgar Filing: Discovery Communications, Inc. - Form 10-Q

Accumulated other comprehensive (loss) income	(195) 4
Total Discovery Communications, Inc. stockholders' equity	5,883	6,196
Noncontrolling interests	2	1
Total equity	5,885	6,197
Total liabilities and equity	\$16,373	\$14,979

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

4

DISCOVERY COMMUNICATIONS, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited; in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Distribution	\$748	\$651	\$2,097	\$1,896
Advertising	725	665		