TIME WARNER INC.
Form DEFA14A
May 19, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Time Warner Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Explanatory Note: As part of Time Warner Inc. s regular, ongoing engagement with shareholders, Time Warner is planning to have a number of in-person meetings with shareholders. The attached Proxy Statement Summary is intended to facilitate discussions at those meetings and presents information regarding the Company s businesses, performance, executive compensation programs, and governance practices taken from the Company s 2014 Proxy Statement.

2014 Proxy Statement Summary
May 2014

Table of Contents

Executive Summary
Clear Operating Strategy
Sound Corporate &
Compensation Governance
Practices
Use leading scale and brands to create the best content
Lead digital transition of our industry
Expand internationally in faster-growing territories
Focus on operating and capital efficiency
Compensation Program
Closely Aligned With
Performance
Significant emphasis on variable performance-based compensation (93% of total target pay for CEO)
Mix of performance measures across varying time horizons

Challenging financial and strategic goals set at the beginning of each performance period
Informed by shareholder perspectives; following long-standing practice of ongoing shareholder engagement, held conversations with shareholders representing > 40% of common stock in late 2013
93%
of
votes
cast
by
shareholders
in
2013
were
in
favor
of
named
executive
officer
compensation
Focused Business Model
Sustained Strong Financial
Performance
Global leader in media and entertainment with a focus on video content
Three ongoing operating divisions: Turner, HBO, and Warner Bros.
Time Inc. will be spun-off on June 6, 2014
Adjusted
Operating
Income
5-year
compound
annual
growth
rate
of
9.5%;
2013
growth
of
7.7%
to
a
record $6.6B
Free Cash Flow grew 20% in 2013, to $3.5B
Adjusted EPS 5-year compound annual growth rate of 21.6%; 2013 growth of 16.4% to $3.77
3
Board s leadership structure and composition provide effective independent oversight
Committee follows strong governance practices to determine executive compensation

Overview of Our Businesses
4
Owns and operates leading cable television networks and related digital properties in the U.S. and internationally, including TBS, TNT, CNN, Cartoon Network, Adult Swim, truTV and Turner Sports
Turner accounted for 33% of the Company s total revenues in 2013
Operates leading premium pay television services HBO and Cinemax, in the U.S. and internationally
Home Box Office accounted for 17% of the Company s total revenues in 2013
Global leader in entertainment with businesses that produce and distribute feature films, television programming, home entertainment, comic books, and
videogames, and license characters and brands for consumer products

Warner Bros. accounted for 39% of the Company s total revenues in 2013
One of the largest magazine publishers based on readership and print advertising revenues; also operates related websites and operations
Time Inc. accounted for 11% of the Company s total revenues in 2013
The Company will spin off Time Inc. to its shareholders on June 6, 2014

Our Operating Strategy
2013 Highlights
Lead digital transition of
our industry
Use leading scale and
brands to create the
best content
Expand internationally
in faster-growing
territories
Turner
o
TBS #1 ad-supported cable network in primetime among adults 18-34 and adults 18-49

o
Adult Swim #2 among adults 18-34
o
TNT aired four of the top 15 original series on ad-supported cable
Home Box Office
o
More Primetime Emmy awards than any other network for the 12th year in a row
Warner Bros.
o
#1 at the worldwide box office, with films grossing over $5 billion in 2013
o
#1 producer of primetime broadcast series with > 60 series airing for the 2013-2014 season
Continued to lead the development of new digital services and business models, such as TV Everywhere (including HBO GO), UltraViolet, Disc-to-Digital and digital magazines
HBO GO active users grew over 30% and average monthly usage grew at a double digit rate
Increased monetization of content through platforms such as subscription video on demand
Turner launched networks in Asia and Latin America, expanding to more than 150 channels in over 200 countries
Home Box

Office
launched
premium
services
in
Denmark,
Norway
and
India
and
purchased
its
partners
interests in HBO Asia, HBO South Asia and HBO Nordic
5

Sustained Strong Financial Performance*
Free Cash Flow ($B)
Return on Invested Capital
1-YR Growth: 7.7%
3-YR CAGR: 6.9%
Adjusted Operating Income ($B)
Adjusted EPS
1-YR Growth: 16.4%
3-YR CAGR: 15.8%
6
* See Annex A for definitions of non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures.
$4.2

$4.6
$5.4
$5.9
$6.1
$6.6
2008
2009
2010
2011
2012
2013
2008
2009
2010
2011
2012
2013
$1.42
$1.82
$2.43
$2.86
$3.24
$3.77
2009
2010
2011
2012
2013
$2.9
$2.7
$2.7
$2.9
$3.5
20%
19%
19%
2011
2012
2013

Commitment to Driving Shareholder Value
Direct Returns of Capital ($B)
Total Shareholder Return
7
~$19.7B in returns
since 2009
$2.1
$3.0
$5.6
$4.3
$4.8
2009
2010

2011
2012
2013
Share Repurchases
Dividends
48.6%
133.1%
282.3%
32.4%
56.8%
128.2%
1-YR
3-YR
5-YR
Time Warner
S&P 500

Compensation Mix Focused on Components that
Drive Performance
Chairman / CEO Pay
Pay for Other NEOs
93% Variable
81% Variable
8
7%
36%
57%
13%
19%
43%

25%
Base Salary
Target Annual Cash Bonus
Target Value of Performance Long-Term
Incentive Awards (PSUs & Stock Options)
Base Salary
Target Annual Cash Bonus
Target Value of Performance Long-Term
Incentive Awards (PSUs & Stock Options)
Target Value of Long-Term Incentive
Awards (RSUs)

Performance Measures and 2013 Results
Incentive
Component
Time
Horizon
Performance
Measure
How TWX & NEOs Performed
on the Performance Measures
2013 Outcome Linked to
Performance
Annual Cash
Bonus

1-year
Adj. Divisional Pre-Tax Income
70%
8% growth in 2013
145% financial
performance rating
(maximum
150%)
Free Cash Flow
20% growth in 2013
Annual progress on key long-term
strategic objectives
30%
Individual performance
achievements described on
pages 45-46 of the proxy
statement
Individual performance
ratings ranged from
130% to 140%
(maximum
150%)
PSUs with a
Performance
Period Ending
in 2013
3-year
TSR relative to the S&P 500
130.7% TSR (2011-2013)
91
percentile
of
the
S&P
500
182.2% payout for
2011-2013 PSUs
Stock Options
4-year
vesting
period
TWX common stock price
1-year increase
45.8%
3-year increase
116.7%
5-year increase
235.7%
Value realized
determined by long-

term stock price
performance
9
1
For PSUs, (1) TSR is calculated using the average closing price for the 30 trading days ending on the first and last days of the
from
the
S&P
500
Index
during
the
performance
period
due
to
the
decline
of
such
companies
stock
price
below
the
minimum
market
capitalization
standard
only
if
their
stock
is
no
longer
traded
on
a
national
exchange
Multiple performance measures that are important to investors
Varying time horizons
1
1
st

More
Challenging
Financial
Goals
for
2013
*
2013 Adjusted Divisional Pre-Tax Income and Free Cash Flow goals for annual cash bonuses were significantly more challenging than for 2012
Higher growth required to achieve the same rating across entire range of outcomes
Adjusted Divisional Pre-Tax Income Growth
Required for 150% Rating
Free Cash Flow

Required for 150% Rating
10
*
See
Annex
A
for
definitions
of
non-GAAP
financial
measures
and
reconciliations
to
the
most
directly
comparable
GAAP
financial
measures.
6%
9%
2012
2013
$2,565
$3,195
2012
2013

CEO Pay
The Company entered into a new five-year employment agreement with Mr. Bewkes in 2012, effective January 1, 2013. Terms disclosed in the proxy statement filed last year
Structure of the agreement reflects input from shareholders
Increase in target compensation consisted only of long-term performance-based incentive opportunity
No increase in base salary or target bonus
No upfront grant of equity awards, and no further grants of time-vested RSUs
Removed exercise tax gross-up
Stock ownership requirement increased to 8x base salary (up from
5x)
2013 CEO compensation reflects the terms of the agreement
Mr. Bewkes
2013 Compensation

Base Salary
No change
Annual Cash Bonus
No change in target bonus
Financial criteria:
o
Committee approved a 145% financial performance rating
Individual performance:
o
Committee approved a 140% individual performance rating
Long-Term Incentive
Awards
Target annual value of long-term incentive awards increased
Awards entirely performance-based, with 50% of target value in PSUs and 50% in stock options
11

Best Practices in Compensation Governance

Regular engagement with shareholders, with input reflected in compensation plan design

Emphasis on variable compensation with multiple performance metrics

Substantial share ownership and retention requirements

Limited personal benefits

Limit on annual equity dilution

No gross-ups, including for change-in-control

Clawback policy

Use of independent compensation consultant

Annual compensation-related risk review and disclosure

12

Sound Corporate Governance
Lead Independent Director
has robust authority, including authority over meeting agendas
Board Leadership Policy requires consideration of Board leadership at least annually, with disclosure to shareholders on factors reviewed (see 2014 report posted at *www.timewarner.com/leadership)*
Stephen Bollenbach has served as Lead Independent Director since
May 2012
Director
Qualifications:
The
Board
believes
that

the Company is best served by a board of directors consisting of individuals who have a variety of complementary skills, professional experience, and backgrounds, and who bring diverse viewpoints and perspectives to the Board
Board Independence:
All directors, other than the CEO, are independent and each Board committee consists solely of independent directors
Board Refreshment:
The Board believes it is well-served by having non-employee directors with a mix of tenures and expects that average tenure will generally not exceed 10 years
Director Accountability:
Board is elected annually (no classified board) under a majority-vote standard
Special Meeting Rights:
Shareholders have the right to request special meetings (15% threshold)
ESG Disclosure:
The Company keeps the investment community informed on activities relating to environmental, social and governance matters, including through updates on corporate social responsibility (additional details at www.timewarner.com/citizenship)
13

Non-GAAP Financial Measures -
Definitions
A-1
Annex A

Adjusted Operating Income (Loss) is defined as Operating Income (Loss) excluding the impact of noncash impairments o goodwill, intangible and fixed assets; gains and losses on operating assets (other than deferred gains on sale-leasebacks); gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external co related to mergers, acquisitions or dispositions, as well as contingent consideration related to such transactions, to the extent su costs are expensed; and amounts related to securities litigation and government investigations.

Adjusted Divisional Pre-Tax Income is defined as Adjusted Operating Income plus Income (loss) from equity method investments.

Adjusted EPS is defined as Diluted Income per Common Share from Continuing Operations attributable to Time Warner In common shareholders excluding noncash impairments of goodwill, intangible and fixed assets and investments; gains and losse operating assets (other than deferred gains on sale-leasebacks), liabilities and investments; gains and losses recognized in connection with pension and other postretirement benefit plan curtailments or settlements; external costs related to mergers, acquisitions, investments or dispositions, as well as contingent consideration related to such transactions, to the extent such cos are expensed; amounts related to securities litigation and government investigations; and amounts attributable to businesses classified as discontinued operations, as well as the impact of taxes and noncontrolling interests on the above items.

For periods ending on or after July 1, 2012, **Free Cash Flow** is defined as Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), exter costs related to mergers, acquisitions, investments or dispositions, to the extent such costs are expensed, contingent considerati payments made in connection with acquisitions, and excess tax benefits from equity instruments, less capital expenditures, prin payments on capital leases and partnership distributions, if any. For periods ending prior to that date, Free Cash Flow is def Cash Provided by Operations from Continuing Operations plus payments related to securities litigation and government investigations (net of any insurance recoveries), external costs related to mergers, acquisitions, investments or dispositions, to t extent such costs are expensed, and excess tax benefits from equity instruments, less capital expenditures, principal payments c capital leases and partnership distributions, if any. A change to the definition of Free Cash Flow for periods prior to July 1, 201 adjust for contingent consideration payments made in connection with acquisitions would have had no impact on the reported F Cash Flow for such periods.

Year Ended December
31,
2013
2012
2011
2010
2009
2008
Adjusted Operating Income
$
6,599
$
6,126

$
5,864
$
5,400
$
4,618
$
4,193
Asset impairments
(140)
(186)
(44)
(20)
(85)
(7,213)
Gain (loss) on operating assets, net
142
9
7
70
(33)
(3)
Other
(1)
4
(31)
(22)
(22)
(30)
(21)
Operating Income
$
6,605
$
5,918
$
5,805
$
5,428
$
4,470
$
(3,044)
Non-GAAP Financial Measures -
Reconciliations
A-2
Reconciliation of Adjusted Operating Income to Operating Income
(In millions; Unaudited)
(1)
For 2013 and 2012, the definition of Other includes gains and losses recognized in connection with pension and other postretir

mergers,
acquisitions
or
dispositions;
and
amounts
related
to
securities
litigation
and
government
investigations.
For
2011,
the
definition
of
Other
includes
external
costs
related
to
mergers,
acquisitions or dispositions; and amounts related to securities litigation and government investigations. There were no pension
2011. For
2010, 2009 and 2008,
the
definition
of
Other
includes
only
amounts
related
to
securities
litigation
and
government
investigations.
Reconciliation of Adjusted EPS to Diluted Income Per Common Share from Continuing Operations
(Unaudited)
Year Ended December
31,
2013
2012
2011
2010

2009
2008
Diluted income per common share from continuing operations
$
3.77
$
3.00
$
2.71
$
2.27
$
1.74
$
(4.27)
Less Impact of items affecting comparability on diluted income per common share from continuing operations

(0.24)
(0.15)
(0.16)
(0.08)
(5.69)
Adjusted diluted income per common share from continuing operations
$
3.77
$
3.24
$
2.86
$
2.43
$
1.82
$
1.42

A-3
Reconciliation of Cash Provided by Operations from Continuing Operations to Free Cash Flow
(In millions; Unaudited)
Year Ended December
31,
2013
2012
2011
2010
2009
Cash provided by operations from continuing operations
$
3,716

$
3,476
$
3,448
$
3,314
$
3,386
Add payments related to securities litigation and government investigations

3
8
22
30
Add
external
costs
related
to
mergers,
acquisitions,
investments
or
dispositions and contingent consideration payments
232
33
14

21
Add excess tax benefits from equity instruments
179
83
22
7
1
Less capital expenditures
(602)
(643)
(772)
(631)
(547)
Less principal payments on capital leases
(9)
(11)
(12)
(14)
(18)
Free Cash Flow
$

3,516
$
2,941
$
2,708
$
2,698
$
2,873
Non-GAAP Financial Measures -
Reconciliations

A-4
Non-GAAP Financial Measures -
Reconciliations
Reconciliation of Return on Invested Capital (ROIC)
(In millions; Unaudited)
Reconciliation of Operating Income to NOPAT
Year Ended December 31,
2013
2012
2011
Operating Income
$
6,605

$
5,918
$
5,805
Asset impairments
140
186
44
Loss on Operating Assets
(142)
(9)
(7)
Other operating income items
(4)
31
22
Adjusted Operating Income
6,599
6,126
5,864
Add Amortization expense
251
248
269
Adjusted Operating Income before amortization expense
6,850
6,374
6,133
Less
Income
taxes
(1)
(2,261)
(2,167)
(2,024)
Add equity loss, net of taxes
(152)
(183
)
(79)
Adjust for items affecting comparability relating to equity
method investments
30
94
1
NOPAT
(2)
$
4,467
$

4,118
$
4,031

A-5
Reconciliation of Total Assets to Capital Employed
Non-GAAP Financial Measures -
Reconciliations
(1)
Calculated
using
the
Company s
adjusted
effective
tax
rate

33%
for
2013,
34%
for
2012
and
33%
for
2011.
The
Company s
adjusted
effective
tax
rate
reflects
the
impact
of
the
items
affecting
comparability on the Company s Income from continuing operations as set forth as set forth below.

2013
2012
2011

Actual
Adjustments
As Adjusted

Actual
Adjustments
As Adjusted
Actual
Adjustments
As Adjusted
Income from continuing
operations before
income taxes
5,303
39
5,264
4,448
(335)
4,783
4,359

(201)
4,560
Income tax provision
(1,749)
(34) (1,715)

(1,526)
100
(1,626)
(1,477)
43
(1,520)
Effective Tax rate
33%
87%
33%
34%
30%
34%
34%
21%
33%
Year Ended December
31,
2013
2012
2011
2010
Total Assets
$
67,994
$
68,089
$
67,801
$
66,732
Less:
Deferred tax assets
(447)
(474
)
(663
)
(581)
Total current liabilities of continuing
operations less debt due within one year
(8,317)
(9,050)
(8,899

)
(8,800
)
Excess cash
(3)
(362)
(1,341)
(1,976
)
(2,163)
Capital employed
58,868
57,224
56,263
55,188
Less Purchase Price Adjustments
(34,888)
(35,060)
(35,292)
(35,528)
Capital employed excluding PPA
$
23,980
$
22,164
$
20,971
$
19,660
Average Capital Employed
(5)
$
58,046
$
56,744
$
55,726
Average Capital Employed excluding PPA
(5)
$
23,072
$
21,568
$
20,316
ROIC
(6)
8%
7%
7%

ROIC excluding PPA
(6)
19%
19%
20%
(4)

A-6
Non-GAAP Financial Measures -
Reconciliations
Year
Ended
December
31,
2013
2012
2011
Items Affecting Comparability
Asset impairments
$

(140)
$
(186)
$
(44)
Gains on operating assets, net
142
9
7
Other
operating
income
items
(a)
4
(31)
(22)
Gains (losses) on investments
61
(30)
(136)
Other
Amounts related to separation of Time Warner Cable Inc.
3
4
(5)
Amounts related to separation of Warner Music Group
(1)
(7)

Items affecting comparability relating to equity method investments
(30)
(94)
(1)
Total other
(28)
(97)
(6)
Total of above items affecting comparability
39
(335)
(201)
Income
tax
impact
of
above
items
(b)
(34)

100
43
Impact of items affecting comparability on income attributable to Time Warner Inc.
shareholders
$
5
$
(235)
$
(158)
(a)
For 2013 and 2012, the definition of Other operating income items includes gains and losses recognized in connection with per
settlements; external costs related to mergers, acquisitions or dispositions; and amounts related to securities litigation and gove
operating income items includes external costs related to mergers, acquisitions or dispositions; and amounts related to securitie
(b)
For the year ended December 31, 2012, includes $42 million that reflects the reversal of a valuation allowance related to the us
2013 sale of the Company s investment in a joint venture in Japan. The sale of such investment closed in the first quarter of 2
(2)
Net operating profit after taxes (NOPAT) represents the Adjusted Operating Income before amortization expense, net of tax
(loss), net of taxes
from
investments
accounted
for
under
the
equity
method
adjusted
for
the
Company s
share
of
items
affecting
comparability
relating
to
such
equity
method
investments.
(3)
Excess cash represents the amount of cash in excess of $1.5 billion.
(4)
Purchase Price Adjustments (PPA) reflect the net outstanding goodwill and intangible assets recognized in connection with
America Online,
Inc.
(now

known as Historic AOL LLC) in 2001 and the restructuring of Time Warner Entertainment Company, L.P. in 2003.

(5) Average Capital Employed and Average Capital Employed excluding PPA are calculated using the respective amounts at Dece

(6) Return on Invested Capital (ROIC) is calculated as NOPAT divided by Average Capital Employed and ROIC excluding PPA is calculated as NOPAT divided by Average Capital Employed excluding PPA.