

TIME WARNER INC.
Form DEFA14A
May 15, 2015

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
(Amendment No.)

Filed by the Registrant
Check the appropriate box:

Filed by a Party other than the Registrant

Preliminary Proxy Statement

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

Definitive Proxy Statement

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):

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:

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Explanatory Note: As part of Time Warner Inc.'s regular, ongoing engagement with shareholders, Time Warner is planning to have a number of meetings with shareholders. The attached Proxy Statement Summary is intended to facilitate discussions at those meetings and presents information regarding Time Warner's businesses, performance, executive compensation programs, and governance practices taken from Time Warner's 2015 Proxy Statement.

2015 Proxy Statement Summary
May 2015

Overview

Clear Strategy

Strong Governance

Practices

Use leading scale and brands to create the best content

Use technology to enhance consumer experience, drive usage and improve Company economics

Expand internationally in faster-growing territories

Focus on operating and capital efficiency

Compensation Program

Closely Aligned With

Performance

Substantial emphasis on variable performance-based compensation (93% of target compensation for CEO)

Balanced mix of short-

and long-term performance measures that drive shareholder value
Challenging financial and strategic goals set at the beginning of each performance period
89.5% of votes cast at the 2014 Annual Meeting of Shareholders were in favor of named executive officer
compensation
Focused Business
Independent
Board
with
director
experience
in:
media,
technology,
consumer-facing
businesses;
creating
or managing large enterprises; and making complex strategic, financial and operational decisions
Policy on Board refreshment promotes good mix of Board tenure
Robust annual Board self-evaluation and ongoing director education
Long-standing
practice
of
ongoing
dialogue
with
shareholders;
engaged
with
shareholders
representing
almost 55% of shares in 2014
History of Strong
Financial Performance
Streamlined company and operations to focus on high quality branded video content
Completed
transition
in
senior
leadership,
with
new
CEOs
at
each
of
the
Company's
three
operating
divisions and a new CFO

Adjusted
EPS
increased
18%,
the
6th
consecutive
year
of
at
least
high
teens
growth
Free Cash Flow of \$3.5 billion in 2014, another year of strong growth
Total
Shareholder
Return
(TSR)
of
30%
(1-YR),**162%**
(3-YR)
and
244%
(5-YR)
at
or
near
the
top
of
Company's entertainment and media peer group in each period
2

Our Operating Strategy: 2014 Highlights & Initiatives

Use technology to
enhance consumer
experience, drive
usage and improve
Company economics

Use leading
scale and
brands to create the
best content

Expand internationally
in faster-growing
territories

Turner Broadcasting System, Inc.

Expanded HBO GO to additional platforms, including Amazon Fire, PS3 and Xbox One

Launched CNNGo, connecting subscribers to CNN's news and original programming live and on demand via a variety of digital platforms

Bleacher Report ranked as the #2 digital sports destination in 2014, with approximately 40 million average monthly domestic multi-platform unique users for the year

Announced HBO NOW, an over-the-top streaming service (launched in U.S. April 2015)

Acquired non-U.S. operations of Eyeworks Group; Warner Bros. now has local production companies in 16 international territories

Announced global kids initiative between Turner and Warner Bros.

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Home Box Office, Inc.

Warner Bros. Entertainment Inc.

TBS, TNT & Adult Swim ranked among ad-supported cable's top-10 networks in primetime among adults 18-49

Turner renewed long-term partnership with the NBA through the 2024-2025 season

Announced plans to double investment in original programming on TNT and TBS over next several years

HBO and Cinemax added a total of 2.8M domestic subscribers, the most in over 30 years

More Primetime Emmy awards than any other network for the 13th year in a row

Warner Bros. generated over \$4 billion at the global box office for the 6th year in a row; announced expanded slate of movies for 2016-2020

#1 producer of primetime series with over 60 series airing for the 2014-2015 television season

History of Strong Financial Performance*

Free Cash Flow (\$B)

Return on Invested Capital

Adjusted Operating Income (\$B)

Adjusted EPS

1-YR Growth: 18.2%

3-YR CAGR: 18.2%

4

*

On

June

6,

2014,

the
Company
completed
the
legal
and
structural
separation
of
Time
Inc.
from
the
Company
(the
Time
Separation).

Accordingly,
the
Company
has
recast
its
financial
information

to
present
the financial condition and results of operations of its former Time Inc. segment as discontinued operations for all periods pres

See
Appendix
A
for
definitions
of
non-GAAP
financial
measures
and
reconciliations
to
the
most
directly
comparable
GAAP
financial
measures.

\$4.3

\$4.9

\$5.3

\$5.7
\$6.2
\$5.8
\$0.9
2009
2010
2011
2012
2013
2014

Adjusted Operating Income

Q314/Q414 Programming charges at Turner and restructuring & severance charges

\$1.69
\$2.14
\$2.51
\$2.94
\$3.51
\$4.15
2009
2010
2011
2012
2013
2014
\$2.6
\$2.2
\$2.2
\$2.5
\$3.1
\$3.5
2009
2010
2011
2012
2013
2014
20%
21%
22%
2012
2013
2014

Commitment to Shareholder Value

5
Committed to providing direct returns to shareholders through repurchases and dividends (\$B)
\$26.3B
cumulative
returns
2009

2014
\$2.1
\$3.0
\$5.6
\$4.3

\$4.8

1-YR

3-YR

5-YR

30%

14%

163%

75%

244%

105%

\$6.6

\$1.2

\$2.0

\$4.6

\$3.3

\$3.7

\$5.5

\$0.9

\$1.0

\$1.0

\$1.0

\$1.1

\$1.1

2009

2010

2011

2012

2013

2014

Delivered 1-year, 3-year and 5-year TSR more than double the S&P 500's TSR over the same time periods

Share Repurchases

Dividends

S&P 500

Time Warner

Compensation Mix that Links Pay to Performance

Chairman / CEO Pay*

Pay for Other NEOs*

93% Variable

80% Variable

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* The percentages in the charts reflect the base salary, target annual bonus and target annual value of long-term incentive awards, excluding matching contributions in retirement programs or personal benefits, which constitute less than 3% of each NEO's 2014 direct

Base

Salary

7%

Annual

Cash

Bonus
36%
PSUs &
Stock
Options
57%
Base
Salary
20%
Annual
Cash
Bonus
40%
PSUs &
Stock
Options
26%
RSUs
14%

Performance Metrics Align With Our Business Model
Incentive
Component
Time
Horizon
Performance
Measure
Performed
Delivered
2014 Outcome Linked to
Performance
Annual Cash
Bonus

1-year
Adj. Divisional Pre-Tax Income
(ADPTI)
70%
10% ADPTI growth in 2014
143% financial
performance rating
(maximum
150%)
Free Cash Flow
\$3.5B of Free Cash Flow
Individual progress on key long-
term strategic objectives
30%
Individual performance
achievements described on
pages 60-61 of the 2015
proxy statement
Individual performance
ratings ranged from
140% to 150%
(maximum
150%)
PSUs with a
Performance
Period Ending in
2014
3-year
Cumulative Adj. EPS
Double-digit annual growth
193% Adj. EPS rating
TSR modifier at 120%
Payout capped at 200%
TSR relative to the S&P 500
171% TSR at 91 percentile
Stock Options
4-year
vesting
period
TWX common stock price
2014 increase
28%
3-year increase
147%
5-year increase
206%
Long-term stock price
performance determines
value realized
7

1
For
PSUs,
Company
and
S&P
500
TSR
is
calculated
using
the
average
closing
price
for
the
30
trading
days
ending
on
the
first
and
last
days
of
the
performance
period.
1
st

More Challenging Financial Goals in 2014

8

Financial goals set for 2014 bonuses were even more challenging than the 2013 goals

Higher growth required to achieve the same rating across entire range of outcomes

1

2013 Goals adjusted to reflect Time Separation; see the 2015 proxy statement for additional information.

Adjusted Divisional Pre-Tax Income Growth

Required for 150% Growth Rating

Free Cash Flow (\$B)

Required for 150% Growth Rating

9%

11%

2013

2014

\$2.8

\$3.4

2013

2014

1

1

Compensation Decisions in 2014 and Early 2015

Compensation Committee reviewed enterprise-wide incentive programs

Conducted to ensure incentive programs continue to meet the following key objectives:

- o Support long-term financial and strategic performance expectations

- o Appropriately reflect competitive peer practices

Compensation Program Review

Employment Agreement Renewals

Renewed

employment

agreements

with

all
NEOs

other
than
the
CEO

in
2014
and
early
2015

o
Secured benefit of executives
continued service

o
Recognized their strong ongoing performance

o
Majority of compensation increase provided via long-term (equity) compensation to enhance shareholder alignment

o
Continue to reflect best practices (*e.g.*, no gross-ups)

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o
Identified opportunities to increase alignment with shareholder interests and more effectively support Company's long-term goals via greater emphasis on equity compensation

Concluded
programs
are
generally
well-structured
and
aligned
with
peer
practices

Best Practices in Compensation Governance
Pay-for-Performance
Multiple Performance Metrics and Time
Horizons
Share Ownership and Retention
Requirements
Regular Engagement with Shareholders
Limited Personal Benefits
Policy Limiting Equity Dilution
Annual Compensation-Related Risk
Review
Clawback Policy
Independent Compensation Consultant

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What We Do

What We Don't Do

No Targeting Specific Percentiles

No Guaranteed Bonuses

No Excise Tax Gross-Ups

No Change in Control Agreements

No Tax Gross-Ups for Personal Benefits

No Repricing or Buyouts of Stock

Options

No Hedging or Pledging by Executives

No Excessive Overhang

Limits on Pension Credits and

Calculations

Strong Governance Practices

Board

Independence:

All

directors,

other

than

the

CEO,

are

independent

and

each

Board
committee
consists
solely
of
independent directors

Director
Qualifications:

Diverse
skills
and
broad,
relevant
experience;
annual
self-evaluation
process
and
robust
ongoing director education program

Board
Refreshment

Policy:
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; non-employee directors will not be eligible for nomination for a term during which they will reach age 75

Board
Leadership
Policy
with
Lead
Independent
Director
Currently

in
Place:
Role

involves
significant
authority
and responsibilities, including authority over meeting agendas; Board Leadership Policy requires consideration of Board
leadership
at
least
annually,
with
disclosure
to
shareholders
on
factors
reviewed
(see
2015
report
posted
at
www.timewarner.com/leadership)
Strong Shareholder Rights in Place:
All directors elected annually; majority vote standard in uncontested director
elections; no supermajority vote provisions in charter or by-laws; right of shareholders holding 15% of shares to request
a special meeting
Long
History
of
Shareholder
Engagement:
Engaged
with
shareholders
representing
almost
55%
of
common
stock
in
2014
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Highly Experienced and Diverse Board of Directors

Key Skills and Qualifications

Application of Key Skills and Qualifications

Leadership and Senior Management

Support development, implementation and oversight of execution of business plans and strategies; ability to identify and develop leadership qualities in others

Media, Communications or Technology

Business

Understanding of Company's business, strategy and long-range plans; insights regarding new technologies and business models

Finance, Investments, Banking or M&A

Understanding and evaluation of Company's capital structure, financing / investment activities and financial statements; provide relevant perspectives and support for strategic decisions in an increasingly complex business environment

Consumer-Focused Business

Insights regarding the marketing and distribution of content to consumers worldwide

Legal, Regulatory and Government Relations

Insight into working constructively with governments around the world and addressing public policy matters

International Operations/Global Economic Policy

Provide useful business and cultural perspectives regarding international operations

The Board is comprised of directors who possess deep experience in all key areas that are important to our business