

Time Warner beats 2Q estimates; outlook steady

July 29 2009, By RYAN NAKASHIMA , AP Business Writer



In this film publicity image released by Warner Bros., Zach Galifianakis, left, Bradley Cooper, center, and Ed Helms are shown in a scene from "The Hangover." Media conglomerate Time Warner Inc. on Wednesday, July 29, 2009 beat Wall Street forecasts despite a declining advertising market, as its Turner cable networks held up better than expected and "The Hangover" was a sleeper hit at the box office. (AP Photo/Warner Bros., Frank Masi, file)

(AP) -- Time Warner Inc.'s second-quarter earnings beat Wall Street forecasts Wednesday despite a declining advertising market, as its Turner cable networks held up better than expected and "The Hangover" became a sleeper box office hit.

The New York-based media conglomerate also affirmed its projection for full-year adjusted earnings at roughly \$1.98 per share, or flat year-over-year, and confirmed its [spinoff](#) of the AOL Internet portal would occur around the end of 2009.

[Time Warner](#), which also owns the Warner Bros. movie studio, the HBO and Turner cable networks and Time Inc. magazines, earned \$519 million, or 43 cents per share, in the three months ended in June. That's down 34 percent from \$792 million, or 66 cents per share, a year earlier.

Last year's results include earnings from its recently spun-off cable unit, which Time Warner shed as it seeks to become a pure content company. Earnings from continuing operations, which exclude results from Time Warner Cable, fell 8 percent.

Excluding items, the company said it would have earned 45 cents per share in the most recent quarter. Analysts, who typically exclude items, expected 37 cents per share, according to Thomson Reuters.

Revenue fell 9 percent to \$6.81 billion, shy of the average forecast, \$6.97 billion.

"The numbers themselves were better than what we had anticipated," said analyst Alan Gould of Natixis Bleichroeder Inc., who has a "Buy" rating on the stock. He called the annual outlook "very, very conservative," and expected the company to post \$2.05 in adjusted earnings per share.

Time Warner said advertisers were holding back buying up time on its TV networks until the last minute, making it difficult to predict how the rest of the year will shape up.

"Looking at the back half of the year, we are cautiously optimistic," [Chief Financial Officer](#) John Martin said during a conference call. "But we're sensitive to the fact that we are continuing to operate in a tough and challenging environment that is somewhat limiting our visibility."

The company's networks segment, which includes Turner and HBO, held

up the best. Sales grew 5 percent to \$3 billion as higher subscription revenue offset ad sales that fell 3 percent.

Some analysts had forecast ad revenue to fall 6 percent, in line with the drop domestically for a competitor, Comedy Central network owner Viacom Inc.

Filmed entertainment tumbled 9 percent to \$2.3 billion as slow DVD sales dragged down revenue.

But standout "The Hangover," a Las Vegas buddy movie with an estimated \$35 million production budget, has grossed a surprising \$346 million worldwide so far. Film operating income grew 52 percent to \$143 million as restructuring helped lower costs.

The publishing unit took a beating from the industrywide advertising slump, with ad revenue plunging 26 percent.

AOL, which Time Warner plans to spin off into a separate company, was pummeled by ad declines as well as subscriber losses. Overall revenue at AOL dropped 24 percent to \$804 million as the company lost 510,000 dial-up Internet access subscribers during the quarter to end with 5.8 million in the U.S.

Chief Executive Jeffrey Bewkes said Time Warner is on track to complete the spinoff of AOL "around the end of the year" but hasn't decided how to capitalize the Internet portal.

On Monday, Time Warner said it bought back Google Inc.'s 5 percent stake in [AOL](#) for \$283 million to pave the way for the separation. That gave the Mountain View-based search company a \$726 million loss, which it had already written off in January.

Time Warner shares fell 39 cents, or 1.4 percent, to \$26.62 in midday trading on Wednesday.

AP Business Writer Andrew Vanacore in New York contributed to this report.

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Citation: Time Warner beats 2Q estimates; outlook steady (2009, July 29) retrieved 25 April 2024 from <https://phys.org/news/2009-07-warner-2q-outlook-steady.html>

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