

Viacom 1Q earnings shredded by 'Rock Band'

February 2 2012, By PETER SVENSSON , AP Technology Writer



Pedestrians pass Viacom headquarters, Wednesday, Feb. 1, 2012 in New York. Viacom posted a 65 percent drop in net income for the latest quarter, as it took a charge related to the “Rock Band” series of video games. (AP Photo/Mark Lennihan)

(AP) -- Viacom Inc., the owner of Paramount Pictures, MTV and Comedy Central, on Thursday posted a 65 percent drop in net income for the latest quarter, as it took a charge related to the "Rock Band" series of video games.

Revenue was below [analyst estimates](#), sending its stock down.

Viacom earned \$212 million, or 38 cents per share, in the October-December quarter, down from \$610 million, or \$1 per share, a year ago.

The New York-based company took a charge of \$379 million to cover an arbitration award won by the original shareholders of Harmonix Music Systems Inc., which created "Rock Band."

The game let players take "Guitar Hero" one step further by connecting a drum-kit and a microphone to a game console, along with a guitar, and play and sing along to songs. It was hit when it came out in 2007, but its popularity faded quickly, along with that of "[Guitar Hero](#)."

Viacom had acquired Harmonix in 2006, but sold it back to its founders in 2010. The founders then sued, claiming that they were owed extra payments for the performance of "Rock Band" during its spell of popularity. They won an arbitration award of \$383 million in December. Viacom is contesting it, but has set aside the money to cover the award, reflected in the charge to earnings.

Excluding the "Rock Band" charge, earnings were \$1.06 per share in its fiscal first quarter, a penny above the average analyst estimate as polled by FactSet.

[Operating income](#) fell 2 percent as expenses outpaced revenue, which rose 3 percent to \$3.95 billion from \$3.83 billion. Analysts expected \$3.99 billion.

Viacom's B shares fell \$2.53, or 5.4 percent, to \$44.44 in premarket trading.

Results at Paramount were stable, as strong box-office results from "Paranormal Activity 3" and "Mission Impossible - Ghost Protocol" offset a drop in ancillary revenue.

For the TV networks, results were buoyed an increase in fees from [cable companies](#), while advertising, the largest single source of revenue,

decline 3 percent.

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