

CBS CORP  
Form 10-Q  
November 04, 2008

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

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**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, 2008

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 001-09553

**CBS CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**04-2949533**  
(I.R.S. Employer Identification No.)

**51 W. 52<sup>nd</sup> Street, New York, New York**  
(Address of principal executive offices)

**10019**  
(Zip Code)

**(212) 975-4321**

Registrant's telephone number, including area code

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 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

Number of shares of common stock outstanding at October 31, 2008:

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Class A Common Stock, par value \$.001 per share 57,744,091

Class B Common Stock, par value \$.001 per share 621,844,118

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

## CBS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|------------|------------------------------------|-------------|
|  | 2008                                | 2007       | 2008                               | 2007        |
| Revenues   | \$ 3,375.7                          | \$ 3,281.4 | \$ 10,423.5                        | \$ 10,314.1 |
| Expenses:  |                                     |            |                                    |             |
| Operating  | 2,050.2                             | 1,855.0    | 6,398.8                            | 6,092.8     |
| Selling, general and administrative  | 680.8                               | 668.8      | 1,930.1                            | 1,967.8     |
| Restructuring charges  | 5.9                                 |            | 53.4                               |             |
| Impairment charges (Note 4)  | 14,117.2                            |            | 14,117.2                           |             |
| Depreciation and amortization  | 139.7                               | 111.8      | 380.9                              | 336.5       |
| Total expenses   | 16,993.8                            | 2,635.6    | 22,880.4                           | 8,397.1     |
| Operating income (loss)  | (13,618.1)                          | 645.8      | (12,456.9)                         | 1,917.0     |
| Interest expense   | (134.8)                             | (141.7)    | (407.8)                            | (427.0)     |
| Interest income  | 6.4                                 | 30.0       | 39.2                               | 103.1       |
| Other items, net   | (41.3)                              | (8.3)      | 83.4                               | (5.5)       |
| Earnings (loss) from continuing operations<br>before income taxes, equity in loss of investee<br>companies and minority interest | (13,787.8)                          | 525.8      | (12,742.1)                         | 1,587.6     |
| Benefit (provision) for income taxes   | 1,332.1                             | (172.5)    | 947.9                              | (610.4)     |
| Equity in loss of investee companies, net of tax   | (6.0)                               | (13.0)     | (14.4)                             | (19.8)      |
| Minority interest, net of tax  | (.5)                                | (.1)       | (.9)                               | .3          |
| Net earnings (loss) from continuing operations   | (12,462.2)                          | 340.2      | (11,809.5)                         | 957.7       |
| Discontinued operations:   |                                     |            |                                    |             |
| Loss from discontinued operations before<br>income taxes   |                                     | (17.0)     |                                    | (17.0)      |
| Benefit for income taxes   |                                     | 20.1       |                                    | 20.1        |
| Net earnings from discontinued operations  |                                     | 3.1        |                                    | 3.1         |
| Net earnings (loss)  | \$ (12,462.2)                       | \$ 343.3   | \$ (11,809.5)                      | \$ 960.8    |
| Basic net earnings per common share:   |                                     |            |                                    |             |
| Net earnings (loss) from continuing<br>operations  | \$ (18.58)                          | \$ .48     | \$ (17.64)                         | \$ 1.32     |
| Net earnings from discontinued operations  | \$                                  | \$         | \$                                 | \$          |
| Net earnings (loss)  | \$ (18.58)                          | \$ .49     | \$ (17.64)                         | \$ 1.32     |
| Diluted net earnings per common share:   |                                     |            |                                    |             |

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|  |            |        |            |         |
|--|------------|--------|------------|---------|
| Net earnings (loss) from continuing operations               | \$ (18.58) | \$ .48 | \$ (17.64) | \$ 1.30 |
| Net earnings from discontinued operations                    | \$         | \$     | \$         | \$      |
| Net earnings (loss)  | \$ (18.58) | \$ .48 | \$ (17.64) | \$ 1.30 |
| <b>Weighted average number of common shares outstanding:</b> |            |        |            |         |
| Basic  | 670.9      | 707.1  | 669.4      | 728.0   |
| Diluted  | 670.9      | 715.4  | 669.4      | 736.5   |
| Dividends per common share                                   | \$ .27     | \$ .25 | \$ .79     | \$ .69  |

See notes to consolidated financial statements.

## CBS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except per share amounts)

|   | At<br>September 30, 2008 | At<br>December 31, 2007 |
|---|--------------------------|-------------------------|
| <b>ASSETS</b>   |                          |                         |
| Current Assets:   |                          |                         |
| Cash and cash equivalents   | \$ 553.1                 | \$ 1,346.9              |
| Receivables, less allowances of \$139.1 (2008) and \$141.3 (2007) | 2,780.4                  | 2,678.0                 |
| Programming and other inventory (Note 5)                          | 781.5                    | 971.9                   |
| Deferred income tax assets, net                                   | 316.5                    | 273.7                   |
| Prepaid expenses and other current assets                         | 770.7                    | 751.3                   |
| Current assets of discontinued operations                         | 15.6                     | 9.1                     |
| <b>Total current assets</b>                                       | <b>5,217.8</b>           | <b>6,030.9</b>          |
| Property and equipment:   |                          |                         |
| Land  | 335.1                    | 334.6                   |
| Buildings   | 690.9                    | 647.7                   |
| Capital leases  | 187.3                    | 215.7                   |
| Advertising structures  | 1,907.2                  | 1,808.9                 |
| Equipment and other   | 1,800.7                  | 1,676.5                 |
|   | 4,921.2                  | 4,683.4                 |
| Less accumulated depreciation and amortization                    | 1,890.6                  | 1,761.9                 |
| <b>Net property and equipment</b>                                 | <b>3,030.6</b>           | <b>2,921.5</b>          |
| Programming and other inventory (Note 5)                          | 1,552.4                  | 1,548.5                 |
| Goodwill (Note 4)   | 8,897.1                  | 18,452.0                |
| Intangible assets (Note 4)  | 6,980.8                  | 10,081.3                |
| Other assets  | 1,401.2                  | 1,297.4                 |
| Assets of discontinued operations                                 | 93.8                     | 98.6                    |
| <b>Total Assets</b>   | <b>\$ 27,173.7</b>       | <b>\$ 40,430.2</b>      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                       |                          |                         |
| Current Liabilities:  |                          |                         |
| Accounts payable  | \$ 387.0                 | \$ 352.3                |
| Accrued compensation  | 292.4                    | 401.5                   |
| Participants' share and royalties payable                         | 878.0                    | 612.5                   |
| Program rights  | 819.5                    | 1,009.7                 |
| Deferred revenue  | 415.9                    | 378.8                   |
| Income taxes payable  | 110.4                    | 39.6                    |
| Current portion of long-term debt (Note 7)                        | 15.8                     | 19.1                    |
| Accrued expenses and other current liabilities                    | 1,729.5                  | 1,574.0                 |
| Current liabilities of discontinued operations                    | 23.7                     | 17.1                    |
| <b>Total current liabilities</b>                                  | <b>4,672.2</b>           | <b>4,404.6</b>          |
| Long-term debt (Note 7)   | 7,084.3                  | 7,068.6                 |
| Pension and postretirement benefit obligations                    | 1,706.2                  | 1,695.9                 |
| Deferred income tax liabilities, net                              | 573.4                    | 1,947.2                 |
| Other liabilities   | 3,671.9                  | 3,534.2                 |
| Liabilities of discontinued operations                            | 289.6                    | 305.8                   |
| Commitments and contingencies (Note 11)                           |                          |                         |
| Minority interest   | 2.6                      | 1.5                     |

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### Stockholders' Equity:

|  |                 |                 |
|--|-----------------|-----------------|
| Class A Common Stock, par value \$.001 per share; 375.0 shares authorized; 57.8 (2008) and 59.5 (2007) shares issued     | .1              | .1              |
| Class B Common Stock, par value \$.001 per share; 5,000.0 shares authorized; 733.4 (2008) and 727.1 (2007) shares issued | .7              | .7              |
| Additional paid-in capital   | 43,651.5        | 44,089.6        |
| Accumulated deficit  | (30,734.3)      | (18,924.8)      |
| Accumulated other comprehensive income (loss) (Note 1)   | (51.1)          | 10.1            |
|  | 12,866.9        | 25,175.7        |
| Less treasury stock, at cost; 120.3 (2008) and 114.7 (2007) Class B Shares   | 3,693.4         | 3,703.3         |
| <br>Total Stockholders' Equity   | <br>9,173.5     | <br>21,472.4    |
| <br>Total Liabilities and Stockholders' Equity   | <br>\$ 27,173.7 | <br>\$ 40,430.2 |

See notes to consolidated financial statements.

## CBS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

|  | <b>Nine Months Ended<br/>September 30,</b> |                |
|--|--|----------------|
|  | <b>2008</b>                                | <b>2007</b>    |
| <b>Operating Activities:</b>   |  |                |
| Net earnings (loss)  | \$(11,809.5)                               | \$ 960.8       |
| Less: Net earnings from discontinued operations  |  | 3.1            |
| Net earnings (loss) from continuing operations   | (11,809.5)                                 | 957.7          |
| Adjustments to reconcile net earnings (loss) from continuing operations to net cash flow provided by operating activities: |  |                |
| Depreciation and amortization  | 380.9                                      | 336.5          |
| Impairment charges (net of tax of \$1,423.2)   | 12,694.0                                   |                |
| Write-down of investments (net of tax of \$22.3)   | 34.1                                       |                |
| Net gain on dispositions   | (135.4)                                    | (20.8)         |
| Stock-based compensation   | 110.5                                      | 80.8           |
| Equity in loss of investee companies, net of tax and distributions   | 20.2                                       | 24.7           |
| Minority interest, net of tax  | .9   | (.3)           |
| Change in assets and liabilities, net of effects of acquisitions   | 418.0                                      | 512.5          |
| Net cash flow provided by operating activities from continuing operations  | 1,713.7                                    | 1,891.1        |
| Net cash flow provided by operating activities from discontinued operations  |  | 4.8            |
| <b>Net cash flow provided by operating activities</b>  | <b>1,713.7</b>                             | <b>1,895.9</b> |
| <b>Investing Activities:</b>   |  |                |