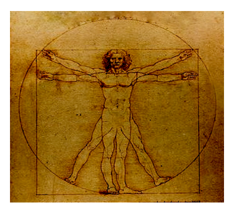
Time Inc.

Market Exploitation Opportunities

The disconnect between product features & consumer preferences in media

Time's realistic path to a $7 billion market cap in 4 years

Renaissance Partners, LLC.
The source of visionary concepts



Renaissance Studio, Ltd.
The Future of Film Making & Investment

Constructive Candor

Time Inc. ("Time") has tremendous brands, resources and capabilities that are not being employed in ways that produce earnings. Therefore, It is important to establish a baseline of constructive candor to confront the realities, consider strategies to address them and exploit opportunities.

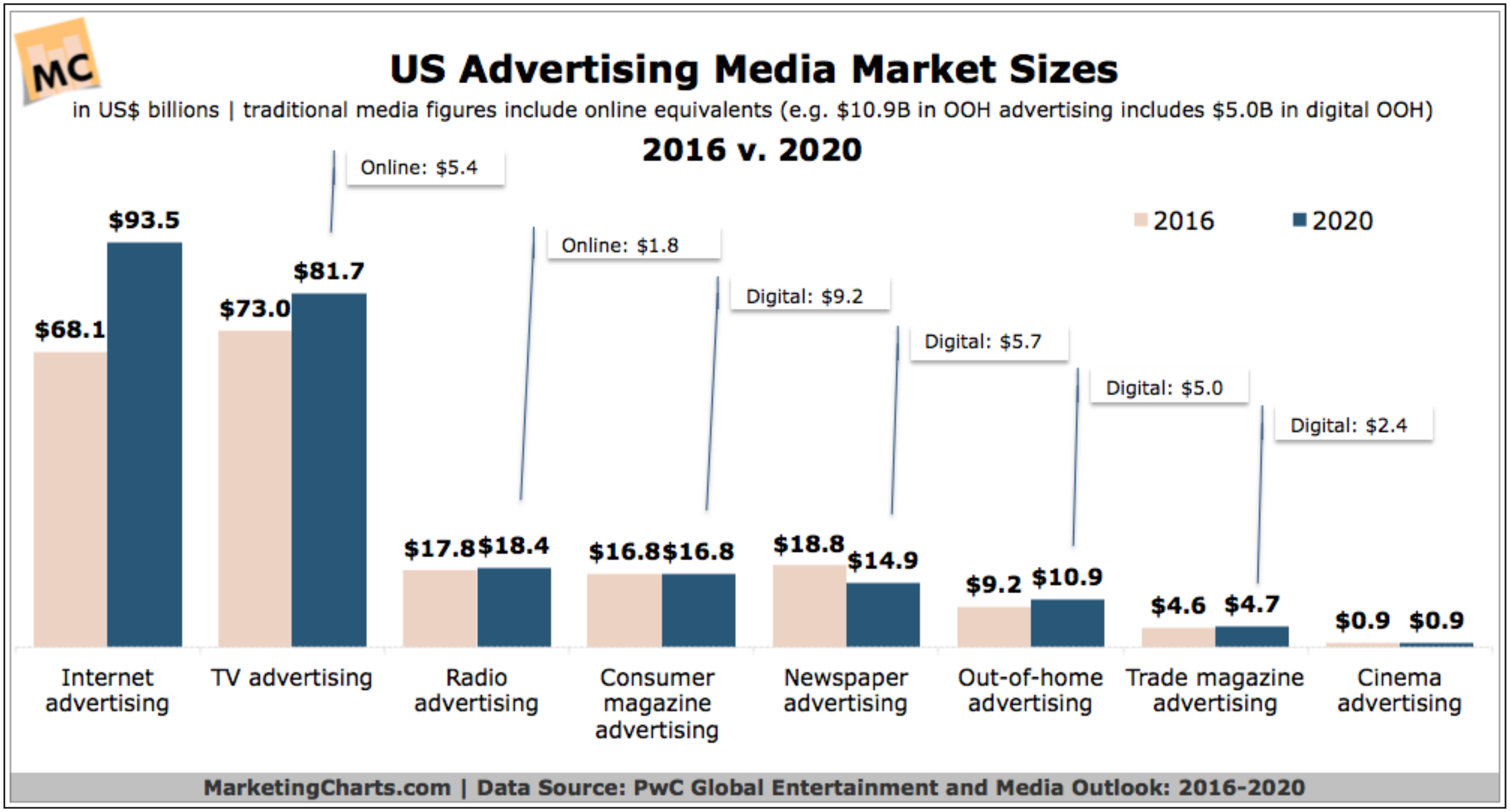
Financial & Equity Market Realities

Financial Performance	Time posted a 9% decline in revenues and a 99% decline in operating profits from 2014 to 2016.
Equity Market Performance	Time has posted a 20% decline in its share price since 3/1/2015 versus an 11% increase in the S&P 500 index over the same time period. This translates to a 31% lower ROI for Time shareholders than the S&P index investors.
Equity Valuation Metrics	Time is currently trading at 22x 2016 EBITDA and negative 38x net earnings. This points to significant market overvaluation, especially given the $1.23 billion of long term debt that is a 14x multiple of 2016 EBITDA.
Equity Market Value	Despite the 20% decline in stock value since March 2015, Time is substantially overvalued given its financial performance and future prospects within its current business models. It trades on potential rather than earnings results.

Key Business Model Realities

Brands	Time owns strong brand names but they are concentrated in the stagnant to declining print magazine markets that are being supplanted by online sources of news content. • The news media brands are competing in the over saturated "Liberal" political content markets. These brands have strong content differentiation/exploitation potential through a shift to constructive journalism and other mediums. • The non-news media brands are well established but they have limited content differentiation potential other than integration into the movie industry through the virtual movie studio.
Online Media	Time has made substantial investments in online digital/video content creation and delivery capabilities that have produced substantial increases in digital advertising revenue. However, these increases have not yet been large enough to offset declines in other revenues and the net earnings productivity of these investments is unclear.
Marketing/Advertising	Time has developed substantial marketing capabilities and advertising relationships in the print magazine realm and is focusing them on the online and TV mediums as well. The exact vision and productivity of this shift is unclear.
Time Productions	Time has entered the TV markets with "over 75 projects in production and development". While this is a potentially lucrative diversification strategy, the content vision, sourcing, development and distribution plans are unclear.

Media Advertising Realities



Key Points:

- **Online and TV advertising dominates and will consume 72% of advertising dollars by 2020 versus 7% for consumer magazines.**
- **The print media advertising revenue sources are stagnant to declining so seizing greater market share is the only way to grow.**
- **Developing the methodologies to create and project superior news content is the best way to seize <u>real</u> market share.**
- **Diversification into the online, TV, movie and radio markets is the optimum way to leverage premium content origination costs.**

News Media Dynamics

News Sources

Age Group	TV	Online	Radio	Print Newspapers
18-29	27%	50%	14%	5%
30-49	45%	49%	27%	10%
50-64	72%	29%	29%	23%
65+	85%	20%	24%	28%
All ages	57%	38%	25%	20%

Pew Research - July 2016

Ideology - Adults

Date	Liberal	Moderate	Conservative
2016	25%	34%	36%

Gallup Poll: January 2017

Weighted News Media Business Models

Date	Slant Liberal	Reality	Slant Conservative
2017	68%	12%	20%

Renaissance Partners, Ltd. 2017 - Educated estimates and weightings applied to simulate the realities.

- **Age demographic progressions are driving a significant shift towards online media sources.**
- **The "liberal" media markets are over saturated while the other 75% of the markets are underserved.**
- **There is an almost complete void of nonpartisan, constructive and solutions oriented media that matches most consumer preferences.**

American Reality Check

America has very serious problems that are being largely ignored by political and media elites. Please consider a few examples:

The Economy	The government has consumed **$30 trillion** of the wealth of Americans since 2008 to produce average GDP growth of 2%.
National Debt	The American national debt has doubled since 2008 and tripled since 2002 because the government is spending the wealth of Americans much faster than they can create it in a stagnant economy.
National Solvency	Federal debt and entitlement obligations have increased **5 times** faster than economic growth since 2008.
Non-Employment	Over 102 million American adults (40%) are not working, not paying taxes and often consuming government benefits.
Jobs	America has created and imported adults **4 times** as fast as jobs since 2008. USA companies have been importing workers and exporting jobs. This is why there are 13 million more non-employed adults & food stamp recipients in 2017 than 2008.
Education	America spends more money per capita on education than almost every other nation but does not finish in the top 20 in achievement test scores each year. This means that many Americans are unprepared to compete in the global job markets.
Human Resources	The USA has no effective system to develop its people to their full potential. It is much less expensive for taxpayers to educate, train and retrain non-employed adults to become taxpayers than to subsidize them with government benefits.
Free Enterprise	The federal government systematically suppresses all of the success factors of the free enterprise economy that is the only real source of wealth creation, economic growth and prosperity.
Entitlements	Unfunded federal entitlements are more than $100 trillion and the economy is not growing fast enough to fund them.
Social Security	American workers pay social security taxes throughout their working lives with no return on investment to the taxpayers.
Corporate Taxes	The global high corporate tax rate fosters the export of businesses, jobs, capital, and slow GDP growth. It also discourages foreign investment in the USA and incents USA firms to keep their $4 trillion of profits invested overseas.
Healthcare	Poor government and regulations have created the most costly and inefficient healthcare system in the developed world.
Geopolitics	The world is immersed in senseless terrorism and geopolitical conflicts in a nuclear age.
Trade	A strong dollar, high labor costs and high corporate taxes make it difficult for the USA to compete in global markets.

Each item above represents a major journalism exploitation opportunity.

Matching News Content With Consumer Preferences

Almost all Americans on both sides of the great ideological divide are concerned about the economy, jobs, prosperity and the costly dysfunction of the federal government. This reality is consistently reflected in polls that show a Congressional approval rating near 15% and only about 35% of adults who think the country is moving in the right direction.

Is it a coincidence that a recent Marketwatch Article indicates that 65% of Americans are losing sleep over financial issues?

Key Questions

Insightful questions can be useful in revealing realities and opportunities:

Would most Americans prefer leaders who:

1. Divide them for their own political and financial advantage and do almost nothing to address the nation's problems or
2. Set aside partisanship to work together to unite the people to reach consensus to solve the nations problems and maximize prosperity?

Would most Americans prefer media sources that:

1. Distort the news left/liberal or
2. Distort the news right/conservative or
3. Accurately report the news and foster unity rather than divisions with valuable insights on the issues and suggestions for productive solutions?

In truth, most Americans are exhausted with partisan acrimony, the gridlock in Washington and the ineffective governance and stagnant economy it produces. This represents an opportunity to fill the media void of positive, constructive, solutions oriented journalism to match consumer preferences.

Americans on all points of the ideological spectrum would welcome thought provoking, non-partisan insights and productive solutions to the problems that all Americans face together.

Assessment

Time is well positioned to develop and deliver non-partisan, issues focused and solutions oriented news content that almost all news consumers would welcome. This reality represents a lucrative opportunity for Time to lead media into the future of constructive journalism and deliver dramatic increases in its stock value to its shareholders.

The Constructive Journalism Opportunity – Lead News Media & Politics Into The Future

The relentless quest for earnings has moved the media away from objectively reporting the news to slanting, omitting or distorting the news in partisan ways to attract consumers. These predatory business and journalistic practices have contributed to the increasing severity of the partisan and ideological divides in America to the detriment of the American people.

Key Journalism Questions That Reveal The Answers & Opportunities

- Is it right for the news media to collaborate with political parties to divide America against itself?
- Should it be okay to omit relevant facts and spin the news to create a false impression for political or financial reasons?
- Is it a good idea for the media to pervasively blur the lines between facts, fake news, opinions and entertainment?
- Should the news media be in the business of promoting false or unsubstantiated narratives?
- Is relentless partisan and ideological warfare good for America or a form of self-destruction?
- Is it in our nation's best interest to insure that voters are well educated with the facts so they can make the best voting choices?
- Should accurate and adequate voter education be left to partisan political parties, educators and news media sources?
- Is it good business for news organizations to risk their credibility and/or alienate half of potential consumers by slanting coverage?

Constructive Journalism – A Much Better Business Strategy

The pervasive shift to a hyper-partisan, mercenary news culture has opened a void of honest, credible, objective, well researched, thought provoking and fact based news that almost all news consumers would value. The political parties and their politicians have shown no ability or inclination to do the hard work of objectively defining the issues to voters or developing and implementing effective, real world solutions.

Constructive journalism represents a compelling and very lucrative way to exploit the partisan news culture and the huge latent demand for honest, complete and insightful information on the news, the issues and the problems that Americans face together. This business model should include:

- Invest the capital and resources to investigate the details of the issues (See "American Reality Check" above as a starting point.), develop productive solutions and hold the politicians accountable if they ignore them.
- Convey the solutions to Congress, track their progressions and expose the feckless realities of the partisan legislative process.
- Promote a cost versus benefits analysis of every federal law, job, regulation, policy, program, procedure and department.
- Develop and promote a non-partisan reformation agenda that would address the major flaws in the partisan political and fundraising systems.
- **Deliver valuable journalistic <u>content</u> that skillfully matches the viewing preferences of the vast majority of news consumers**.

If it is good business to "spin" the news in ideological and partisan ways, why is it not better to invest the resources to develop insightful content that gets to the objective truth of the major issues and offers compelling, non-partisan solutions that would benefit everyone? Is it not better to be part of the solution rather than part of the problem in America and the world?

The Online, Radio & TV Channel Opportunities

Consider the following opportunities in the online, radio and TV realms:

- The major TV news channels spin the news left and right but no one fully employs news presenters under 30 to deliver unbiased and insightful news content in ways that directly target the preferences and perspectives of people under 30. Imagine brilliant young news presenters delivering the news in honest, straight forward and thought provoking ways that challenge the spin models of traditional news media and the feckless political elites

  Imagine integrating the "American Reality Check" content above into a scenario where the "twenty somethings" challenge our failing status quo on America and the world.

  There is also a very real opportunity to exploit these same concepts and constructive journalism in the syndicated radio markets.

- No one has successfully employed advanced graphics, techniques and content strategies to create a live and online news "channel" that specifically targets the presentation and content preferences of online news consumers.
- The recent exit of the major Fox News hosts and its apparent shift away from its right tilt represents a major exploitation opportunity for new entrants to the TV and online news realm.
- Where is the stylish online women's fashion and makeup news channel?

Time Productions has launched into the TV realm and may be moving in some of these directions but the current vision remains unclear.

The Virtual Movie Studio Opportunity

Renaissance Partners, LLC. ("RPL") has been a project development platform for innovative concepts, consulting and venture capital scenarios in the tech, biotech, commercial real estate and oil and gas industries since 2006. The focus of RPL has shifted to the motion picture industry because it offers the most exceptional absolute risk adjusted IRR scenarios in the capital markets today.

Renaissance Studio, Ltd. ("RSL") was created as a virtual movie studio that is designed to exploit 1) the dysfunction and underserved markets in the motion picture industry and 2) the irrationality of 30x to 330x P/E ratios that are available in the M&A and IPO markets of the movie industry. The following key points illustrate these exploitation opportunities:

Movie Markets	No industry displays a greater disconnect between product features and consumer preferences. The viewing preferences of over 85% of movie consumers are being systematically ignored. This reality is confirmed by RSL research, MPAA statistics and the personal experience of almost everyone. This is why 90% of moviegoers see only 2 movies in theaters on average each year. Everyone is mystified that there are so few movies they want to see.
Movie Profits	No industry offers greater IRR potential or worse actual earnings performance. Over 80% of movie projects lose money for equity investors. This is not a movie demand issue. It is a pervasive quantity of quality supply problem that is rooted in poor content origination methodologies and business practices that largely ignore consumer preferences.
Movie Demographics	The viewing preferences of adult women and all people over age 30 are being largely ignored by the studios even though they comprise over 65% of the adult age market.
Equity Markets	The M&A and public equity markets offer irrational P/E multiples in the 30x to 330x range in the movie industry: • Legendary Entertainment began production in 2005 and sold in 2016 at a 30x P/E multiple for $3.5 billion. • Lions Gate Entertainment's stock value increased from $1.2 billion in 1/2012 to $5.5 billion in 9/2013 on the strength of one major franchise success – "The Hunger Games". • Netflix share price increased from about $8 per share in 8/2012 to about $142 currently. This translates to a $61 billion market cap on net earnings of only $187 million for 2016 and a P/E ratio near a 330x.
Distribution	The traditional distribution advantages of the major movie studios have eroded in the digital age. It is now possible to bypass the studios and their obsolete business practices by hiring a skilled team of global distribution professionals.

All of the above realities represent extraordinary movie market exploitation and multi billion dollar earnings opportunities for anyone who can write, develop, produce and distribute movies that skillfully match a diversity of compelling resonance elements with the viewing preference of broad spectrum international demographics.

The Virtual Movie Studio Value Proposition

RSL has invested many years in a comprehensive analysis of the movie industry and the development of the following intellectual property:

Business Model	A digital age business model for a virtual movie studio that avoids the pitfalls and exploits the vulnerabilities of the industry.
Business Plan	A 160 page business plan for a movie studio that will convert $50 million of equity into $5 billion of market value in 4 years.
Metrics	Effective film content evaluation metrics that avoid the over 80% of movie concepts that lose money for production equity.
Methodologies	Proprietary screenwriting methodologies that skillfully match compelling resonance elements with consumer preferences.
Risk/Controls	Financial controls and risk management techniques that safeguard investor capital and maximize earnings and IRRs.
Movie Projects	16 movie screenplays with sensational, multi dimensional characters in exciting and terrifyingly plausible modern scenarios.
Franchises	10 film franchise profiles in the action/thriller/clandestine genres that have averaged $500 million in revenues since 2006.
Pentology	A fully written "Pentology" with 5 screenplays and 700 minutes of screen time that could be adapted into a mini-series.
Financial	$30 million budget movies in genres that average $500 million in revenues and have a $1.2 billion revenue ceiling to date.
Demographics	Films that skillfully target the adult female and over age 30 demographics that are largely ignored by the movie industry.

- **Collectively, the above elements offer the most exceptional value proposition in the motion picture industry if maximizing absolute risk adjusted IRRs is the business and investment goal.**
- **They also represent a very capital and cost effective means for Time to enter the motion picture industry to exploit its vulnerabilities and the highly irrational P/E valuation multiples in the 30x to 330x range to deliver a $5 to $10 billion dollar market cap windfall to Time shareholders on an equity investment of only $50 million of primary capital.**
- **The equity appreciation end game can be achieved on a moderate risk profile. The RSL financial and risk controls are designed to safeguard investor equity until the $50 million of primary equity is returned by month 30 to eliminate primary equity risk.**
- **The RSL value proposition offers a very real opportunity to create an equity market profile by year 4 that compares very favorably to Legendary and Lions Gate and possibly position Time shareholders to experience Netflix type value appreciation.**

The Virtual Movie Studio Concept

What is the "virtual movie studio" business model? Below is a comparison of the RSL business model vs the traditional movie studios:

Element	Renaissance "Virtual" Studio	Traditional Movie Studios
Content	Write and develop superior content for self-production	Largely rely on third parties to write and develop content
Finance	Only finance RSL written and developed projects	Largely finance agency and third party developed projects
Premise	Story concept and content are 85% of financial success	"A List" talent, marketing and distribution drive success
Target	Target the 85% of adults who are largely being ignored	Target the 10% of "frequent movie goers"
Budgets	Modest budget in high average and revenue ceiling genres	Rely on huge budget "tentpoles" in high revenue genres
Production	Self produce but contract to core production partners	Rely on third party producers in most cases
Real Estate	Opportunistically lease to produce where costs are lowest	Studio owned soundstages still prevail in many instances
Distribution	Only distribute RSL projects unless no capital required	Largely distribute third party produced projects

Key Virtual Studio Business Model Advantages:

Culture	Full capitalization of the virtual movie studio allows RSL to bypass the faulty big studio culture and business practices.
Costs	RSL can operate on corporate and production budgets that are a small fraction of the big studios to enhance IRRs.
Content	RSL will use advanced methodologies to write and develop all of its projects to insure matching with consumer preferences.
Projects	RSL will only finance its own projects to maximize IRRs and avoid the 80%+ of third party projects that lose money.
Marketing	RSL will use advanced techniques to market/advertize its projects to insure the net revenue effectiveness of the expenditures.
Budgets/Genres	Modest budget movies in high average revenue genres will deliver much higher IRRs than huge budget "tentpoles".

Key Virtual Movie Studio Considerations

The news media and motion picture industries have key similarities that represent major opportunities for Time:

Markets	Both service broad spectrum global markets and demographics that require extensive distribution channels.
Content	Both must develop effective methodologies to consistently create superior media content to achieve financial success.
Product Features	Both generally do a poor job of matching their product features with the preferences of most consumers.
Target Markets	Both target small subsets of consumers and largely ignore the preferences of 75%+ of their potential consumers.
Marketing/Advertising	Both must employ effective digital age marketing, advertising and global distribution strategies to maximize earnings.
Industry Culture	Both operate within exclusionary cultural “bubbles” that seem oblivious to market preferences.
Business Practices	Both often employ ineffective and/or obsolete business practices that do not optimize their financial success potential.
Online Challenges	Both are struggling to adapt to the emergence of the online medium as a major distribution and advertising channel.
Opportunities	Both offer huge market exploitation opportunities to those who employ prescient content origination methodologies.

Key Synergies Between Time & The Virtual Movie Studio

Markets	Almost all news media consumers are also movie consumers. Time’s well established channels can serve both.
Marketing/Advertising	The advanced digital and other marketing techniques that Time has developed can be applied to the movies.
Brands	The Time brands and profile would add tremendous visibility and credibility to the virtual movie studio.
Content	The political, geopolitical, lifestyle and entertainment content in virtual studio projects integrates well with Time.
Brand Integration	Time’s advertising relationships offer very lucrative brand integration opportunities into these modern day movies.
Integration	Movie trailers, video excerpts, interviews and photos can be integrated into the print and online magazines/channels.

Virtual Movie Studio - Capital Budgets & Earnings Projections

RSL is not in business to raise incremental funds to produce individual movies because that approach seldom produces superior risk adjusted IRRs for equity investors. RSL's strategy is to raise primary capital to build a film production and global distribution company with a compelling enterprise value profile that can exploit the irrational 30x to 330x P/E multiple in the M&A and public equity markets.

This ambitious strategy requires a significant initial capital commitment to:

- Create credibility with all counterparties, management and employees that are needed to successfully execute the business plan.
- Provide seed funding for corporate start up and final development of the initial slate.
- Fund the production, global distribution and advertising of world class movies.

Description	Amount	Comments
Production Budget	($317,500,000)	Initial eleven film slate through year 4
Less: Corporate Expenses	($35,790,000)	4 years
Less: Marketing/Advertising	($264,000,000)	Self funding to insure global distribution and maximize net revenues and IRRs
Plus: Cost Free Capital	$31,750,000	Film subsidies at 10% of production budgets
Plus: Net Revenues	$1,051,050	
Base Case RSL Income	$465,510,000	Assumes 45% of genre average revenue on average

Primary Capital Request	$150,000,000	Includes $50 million of primary equity and a $100 million debt commitment
Less: Maximum Advance	($114,000,000)	Projected maximum cash requirement in month 14 of the Base Case
Contingency	$36,000,000	Working capital

The actual maximum advance is expected to be substantially less than the $114 million because RSL will access film subsidies, international presales and other debt sources. The larger $150 million is needed for credibility. The direct involvement of Time would reduce the primary capital request by as much as $30 million.

The RSL goal would be to return the $50 million of primary equity to Time by month 26 to eliminate primary equity risk.

Summary

The Current Realities

Time owns strong brands with tremendous exploitation potential but they are currently employed in ways that are not producing earnings. This has eroded the share value of Time equity by 20% since March 2015 during a period when the S&P 500 index increased by 11%. Time has made a substantial commitment to the online and TV mediums but these emerging efforts have not yet been sufficient to produce earnings that more than offset the declines in its other business models.

Opportunities

The effort in this summary was to assess the realities and opportunities of Time from public information and to summarize strategic alternatives for Time to consider. This process has revealed very real potential to achieve a multi-billion dollar increase in the market equity value of Time. Please consider the following opportunities to achieve this goal:

News Media	Time can embrace the "Constructive Journalism" strategy and employ is across the radio, TV, online and print mediums. This would allow Time to project very strong points of positive differentiation and match the preferences of most news consumers.
Virtual Studio	Time can invest in the launch of a virtual movie studio with a digital age business model and an inventory of compelling film content and franchises that can compete successfully with the major studios in the global markets. This would allow Time to leverage its brands into the movie industry, increase Time earnings by $220 million in year 4 and exploit the 30x to 330x P/E multiples in the equity markets of the movie industry. This would deliver a multi-billion dollar windfall to Time shareholders
Integration	Integrate and advertise the virtual movie studio content across all relevant Time brands and mediums to enhance earnings.
Online/TV	Launch TV and online news platforms that target the preferences of online and under age 30 news consumers. Employ the "Constructive Journalism" strategy in ways that match the preferences of these demographics.
Movie Brand	Develop and promote a Time movie studio brand around "Making the sensational movies that everyone wants to see."
Marketing	Use Time's advanced marketing and advertising methodologies and relationships to promote the virtual studio and its movies.
Advertising	Offer multi-medium access to Time advertisers around the very positive themes of "Constructive Journalism" and "Movies that light a path to a much better world."

Timely implementation of the above strategies should deliver a $5+ billion increase in the market cap of Time in 4 years.