

# Meredith Reports Fiscal 2012 First Quarter Results

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DES MOINES, Iowa, Oct. 26, 2011  
/PRNewswire via COMTEX/ --

Meredith Corporation (NYSE: MDP), the leading media and marketing company serving American women, today reported fiscal 2012 first quarter earnings per share of \$0.48, compared to \$0.56 in the year-ago period. Revenues were \$328 million, compared to \$343 million. Meredith recorded approximately \$11 million, or \$0.15 per share, less of political advertising revenues in the first quarter of fiscal 2012 than in the year-ago period, which is expected in an off-election year.

(Logo: <http://photos.prnewswire.com/prnh/20090810/CG58830LOGO>)

"Fiscal 2012 is off to a solid start," said Meredith Chairman and Chief Executive Officer Stephen M. Lacy. "We continue to be highly confident in the strength of Meredith's diversified business model, and our ability to generate significant and sustainable free cash flow from our assets by leveraging the strength of our brands. Our new financial strategy - built on a commitment to Total Shareholder Return (TSR) and prudent capital stewardship - reaffirms this pledge to our shareholders."

Lacy noted that Meredith has executed the following strategic initiatives since the start of fiscal 2012:

- Increased the dividend on Meredith stock by 50 percent from \$1.02 to \$1.53 per share annually. The new dividend corresponds to a yield of 6.1 percent, based on Meredith's closing price of \$24.89 on October 25. It represents a dividend payout ratio of approximately 55 percent.
- Authorized a new \$100 million repurchase program of Meredith common stock.
- Launched the Meredith Engagement Dividend. This innovative product guarantees marketers a return on their advertising investment in Meredith magazines by combining The Nielsen Company's Homescan data with Meredith's 85-million name database to prove advertising in Meredith titles increases retail sales.
- Agreed to acquire the popular and award-winning Every Day with Rachael Ray magazine - which has more than 7 million readers - and its related digital assets. The agreement extends Meredith's leadership in providing best-in-class food content to consumers and advertisers alike.
- Extended its very successful brand licensing arrangement with Walmart Stores Inc. through 2016. The new contract includes an expansion of the Better Homes and Gardens branded home decor and garden program at Walmart stores across the United States and Canada.
- Unveiled a new go-to-market positioning for its marketing services arm - now rebranded as Meredith Xcelerated Marketing (MXM) - to reflect the many capabilities developed over the last five years in digital, database, social and mobile media.
- Invested in Iris, a leading global marketing company, and created the Meredith-Iris Global Network to serve the increasing global needs of MXM's domestic clients, and open

the doors to new clients in the European and Asia-Pacific markets.

"Our goal is to deliver attractive organic growth and margin expansion while remaining dedicated to a balanced Total Shareholder Return agenda," Lacy said. "The actions taken so far in fiscal 2012 reflect this commitment, and demonstrate our ongoing ability to generate strong and sustainable free cash flow, even in the current economic climate."

## OPERATING DETAIL

### NATIONAL MEDIA GROUP

Fiscal 2012 first quarter National Media Group operating profit was \$36 million, compared to \$40 million in the prior-year period. Revenues were \$259 million, compared to \$267 million. Expenses decreased 2 percent.

"Print and digital advertising revenues continue to be challenged - primarily the food and beverage and pharmaceutical categories - due to higher commodity cost pressures and fewer pharmaceutical drugs in the marketplace," Lacy said. "The remainder of our National Media Group activities posted solid performance in the quarter, including circulation, Meredith Xcelerated Marketing and brand licensing."

Total magazine and online advertising revenues were \$124 million in the first quarter of fiscal 2012, compared to \$136 million in the prior-year period. Average net advertising revenues per magazine page increased approximately 4 percent. The food and beverage and pharmaceuticals categories together accounted for the entire net revenue decline in the quarter. Revenues for Meredith's second-largest category, toiletries and cosmetics, grew 20 percent in the quarter and was Meredith's best-performing category, reflecting concentrated efforts to increase beauty advertising across its women's portfolio.

To improve national media advertising performance, Meredith introduced a new research-driven product that provides marketers a guaranteed return on their advertising investment in Meredith magazines. An industry first, the Meredith Engagement Dividend proves increased product sales at retail as a result of print advertising in Meredith brands by using The Nielsen Company's highly regarded Homescan data and Meredith's 85 million name database.

Meredith's brands continued to resonate strongly with American consumers in the first quarter of fiscal 2012, compared to the prior-year period, as demonstrated by:

- Growth in circulation revenues, driven by gains in both subscription and newsstand revenues. Additionally, online subscription orders more than doubled to 400,000.
- An increase in readership of Meredith's magazines, which stood at 111 million according to the most recent data from Mediabank Research and Intelligence.
- Higher traffic to Meredith's branded websites. Monthly unique visitors rose 25 percent to 24 million, and page views increased 35 percent to 300 million. Of note, approximately 5 percent of visitors to Meredith's sites came via mobile devices.
- Expansion of Meredith's electronic tablet issues and capabilities, including new subscription offerings for the Apple iPad and Barnes & Noble NOOK Color.

Brand Licensing revenues increased more than 10 percent, led by sales of Better Homes and Gardens-branded products at Walmart. Meredith recently extended its program at Walmart through 2016, including an expansion of the product line, reaffirming the importance of the Better Homes and Gardens brand to Walmart's retail home business.

Meredith Xcelerated Marketing continued to deliver revenue and operating profit growth in the first quarter of fiscal 2012. MXM's new market positioning reflects its ability to create comprehensive marketing programs using a data-driven strategic process that significantly builds customer value and loyalty across multiple channels. "Additionally, our new relationship with Iris now allows us to provide these services on a global scale," Lacy added.

### LOCAL MEDIA GROUP

Fiscal 2012 first quarter Local Media Group operating profit was \$11 million, compared to \$17 million in the prior-year period. Total revenues were \$69 million, compared to \$76

million. Meredith recorded approximately \$11 million less of political advertising revenues in the first quarter of fiscal 2012.

Looking more closely at non-political advertising performance in the first quarter of fiscal 2012, compared to the prior-year period:

- Revenues rose 3 percent to \$59 million, the eighth-consecutive quarter of year-over-year improvement. Performance was strongest at Meredith's stations in Portland, Hartford/Springfield and Las Vegas.
- Automotive increased 4 percent, on top of 40 percent growth in the prior year quarter.
- All of Meredith's five-largest categories grew revenues.
- Digital revenues increased more than 25 percent.
- Meredith outperformed the industry as a whole, according to Television Bureau of Advertising data.

"We were able to leverage our strong news ratings to drive advertising growth across our largest categories and markets, and once again prove local television's unique power to drive consumers to retail," Lacy said.

The Local Media Group also continued to strengthen Other Revenues - up 40 percent - during the first quarter of fiscal 2012. The increase reflected Meredith's management of Peachtree TV (WPCH-TV) in Atlanta, which began on March 28, 2011. This strategic partnership provides Meredith access to a larger share of the growing Atlanta advertising marketplace; an expanded lineup of sports programming; and increased inventory.

Additionally, Meredith Video Studios posted solid revenue growth. During the quarter, the daily Better syndicated television show increased its carriage to approximately 140 markets reaching more than 80 percent of U.S. television households. In September, Better launched in New York City - the nation's largest television market - and it now airs in nine of the country's Top 10 markets.

#### OTHER FINANCIAL INFORMATION

For the trailing 12 month period ended Sept. 30, 2011, Meredith:

- Generated more than \$190 million in cash flow from operations.
- Repurchased approximately 1 million shares.
- Reduced debt to \$250 million. The weighted average interest rate on Meredith's debt was 4.4 percent, and the debt-to-EBITDA ratio was 1 to 1 at Sept. 30, 2011.

In addition, total Company expenses declined 2 percent in the first quarter of fiscal 2012, the fifth consecutive sequential quarter of year-over-year expense reductions.

All earnings per share figures in the text of this release are diluted. Both basic and diluted earnings per share can be found in the attached Condensed Consolidated Statements of Earnings.

#### OUTLOOK

With nine weeks remaining in the second quarter of fiscal 2012, compared to the prior year period:

- Meredith expects second quarter National Media Group advertising revenue performance similar to what it has experienced so far in calendar 2011, which has been down in the 8 to 12 percent range. Meredith is cycling against its strongest quarter of fiscal 2011 advertising performance (+4 percent).
- Local Media Group non-political advertising revenues are currently pacing up in the mid single-digit range.

Meredith currently expects fiscal 2012 second quarter earnings per share to range from \$0.65 to \$0.70. Meredith recorded approximately \$22 million, or \$0.30 per share, in political advertising revenues in the second quarter of fiscal 2011.

Meredith continues to expect fiscal 2012 earnings per share to range from \$2.40 to \$2.80.

A number of uncertainties remain that may affect Meredith's outlook as stated in this press release for the second fiscal quarter and full year of fiscal 2012. These uncertainties are referenced below under "Safe Harbor" and in certain filings with the U.S. Securities and Exchange Commission.

#### CONFERENCE CALL WEBCAST

Meredith will host a conference call on October 26, 2011 at 8:00 a.m. EDT to discuss first quarter fiscal 2012 results. A live webcast will be accessible to the public on the Company's website, [www.meredith.com](http://www.meredith.com), and a replay will be available for two weeks. A transcript will be available within 48 hours of the call at [www.meredith.com](http://www.meredith.com).

#### RATIONALE FOR USE AND ACCESS TO NON-GAAP RESULTS

Management uses and presents GAAP and non-GAAP results to evaluate and communicate the performance of the Company. Non-GAAP measures should not be construed as alternatives to GAAP measures. EBITDA is a common supplemental measure of performance used by investors and financial analysts. Management believes that EBITDA provides an additional analytical tool to clarify the Company's results from core operations and delineate underlying trends. Meredith does not use EBITDA as a measure of liquidity or funds available for management's discretionary use because they include certain contractual and non-discretionary expenditures.

Reconciliations of non-GAAP to GAAP measures are included in the attached tables. The attached condensed consolidated financial statements and reconciliation tables will be made available at [www.meredith.com](http://www.meredith.com).

#### SAFE HARBOR

This release contains certain forward-looking statements that are subject to risks and uncertainties. These statements are based on management's current knowledge and estimates of factors affecting the Company and its operations. Statements in this announcement that are forward-looking include, but are not limited to, the statements regarding advertising revenues and investment spending, along with the Company's revenue and earnings per share outlook for the second fiscal quarter and full year fiscal 2012.

Actual results may differ materially from those currently anticipated. Factors that could adversely affect future results include, but are not limited to, downturns in national and/or local economies; a softening of the domestic advertising market; world, national or local events that could disrupt broadcast television; increased consolidation among major advertisers or other events depressing the level of advertising spending; the unexpected loss or insolvency of one or more major clients; the integration of acquired businesses; changes in consumer reading, purchasing and/or television viewing patterns; increases in paper, postage, printing, syndicated programming or other costs; changes in television network affiliation agreements; technological developments affecting products or methods of distribution; changes in government regulations affecting the Company's industries; unexpected changes in interest rates; and the consequences of acquisitions and/or dispositions. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

#### ABOUT MEREDITH CORPORATION

Meredith Corporation (NYSE: MDP; [www.meredith.com](http://www.meredith.com)) is the leading media and marketing company serving American women. A hallmark of Meredith's business model and financial profile is its ability to consistently generate substantial free cash flow by leveraging the strength of its multi-platform portfolio. Meredith features multiple well-known national brands - including Better Homes and Gardens, Parents, Family Circle, Ladies' Home Journal, Fitness, More and American Baby - along with local television brands in fast-growing markets. Meredith is the industry leader in creating content in key consumer interest areas such as home, family, health and wellness and self-development. Meredith uses multiple distribution platforms - including print, television, online, mobile, tablets, and video - to give consumers content they desire and to deliver

the messages of its advertising and marketing partners. According to the Advertising Industry Reports (AIR) survey of over 1,500 agency and marketing professionals, Meredith is the nation's "Highest Rated Media Company." Additionally, Meredith uses its many assets to create powerful custom marketing solutions for many of the nation's top brands and companies. Meredith has significantly added to its marketing solution capabilities in recent years through the acquisition of cutting-edge companies in areas such as digital, mobile, word-of-mouth, social and database marketing.

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