



# RDA Holding Co.

## Third Quarter 2011 Earnings Call

Bob Guth  
President & CEO

Paul Tomkins  
Executive Vice President & CFO

November 10, 2011

Certain information contained in this document may contain “forward-looking statements” that relate to future events. These statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek” or “will.” Forward-looking statements by their nature address matters that are uncertain, and include, but are not limited to, statements regarding our expectations of the performance of our lines of business, the impact and/or future success of our strategic initiatives, including our digital transformation, cost savings, future operating results, liquidity, prospects and growth. Although we believe that the expectations reflected in these statements are based upon reasonable assumptions and estimates, we cannot give assurance that the expected results will be achieved. We refer you to our Risk Factors included in our Registration Statement on Form S-4 and the related prospectus, as declared effective on February 11, 2011 and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, filed with the Securities and Exchange Commission, for factors that could impact the Company. We assume no obligation to update or supplement any forward-looking statements except as otherwise required by law.

## Presentation

- Please refer to our Other Supplemental Information investor presentation and our November 10, 2011 press release for GAAP information and our reconciliations of any non-GAAP measures referred to in this presentation to GAAP measures. The Other Supplemental Information investor presentation is being posted to our website, [www.rda.com](http://www.rda.com), with this presentation.
- Certain quarterly amounts may not calculate exactly to LTM (last twelve months) amounts presented, due to rounding. Certain amounts are rounded to whole numbers and may not recalculate based on numbers presented to the nearest tenth. Unless otherwise stated, all numbers are in millions.
- In some of this discussion, we will discuss our business results excluding the impact of fresh start accounting. This is to allow comparability of the periods presented.



**Robert Guth** was named President & CEO of The Reader's Digest Association, Inc. in September 2011. He has served on the RDA board of directors since April 2011.

Mr. Guth was most recently President of the Business Markets Group of Level 3 Communications, an internet service provider. From 2002 to 2006, he served as President and Chief Executive Officer and from 2004-2006 Chairman of the telecommunications company TelCove. In this role, he oversaw the restructuring of the company and its sale to Level 3 Communications.

Since 2009, Mr. Guth has served as a member of the Board of Directors of Lumos Networks, and prior parent company nTelos Holdings, Corp., a regional wireless and wireline service provider. He was elected Chairman of Lumos Networks' board in November 2011. He also currently serves as a member of the board of directors of Integra Telecom, an integrated telecommunications service provider, and serves on the board of directors of Otelco, a telecommunications and local exchange carrier.

Mr. Guth has a B.S. in electrical engineering from Lehigh University.



**Paul Tomkins** was named Executive Vice President and Chief Financial Officer of RDA in May 2011.

Previously, Mr. Tomkins was the Vice President–Controller for AT&T Business Solutions, with increasing levels of responsibility since 1997.

Prior to this, Mr. Tomkins held numerous other leadership positions at AT&T during his 27-year tenure, including head of Accounting Policy and External Reporting; International CFO/Controller for AT&T Global Business Communication Systems (currently Avaya); and various other positions involving financial results, business planning, and capital budgeting.

Mr. Tomkins holds a B.S. in Commerce (Accounting) from Rider College, an MBA in Finance (with International Concentration) from Seton Hall University, and is a CPA in the State of New Jersey. He is a member of the American Institute of CPAs and the NJ Society of CPAs and is a member of the Seton Hall University Leadership Development Council.

- ▶ **Overview**
- ▶ **Summary of Results**
- ▶ **Core Business Strategy**
- ▶ **Financial Discussion**
- ▶ **Framework for Moving Forward**
- ▶ **Q&A**



# Q3 Results Highlights (Currency neutral)

\$millions	Revenue	vs. PY		Operating Profit (Loss)	vs. PY	
Total Q3, Reported	357.0	↑	4%	(63.6)	↑	25%
<b>Currency Neutral:</b>						
North America	136.9	↓	5%	(5.2)	↓	279%
Europe	124.9	↑	3%	(3.8)	↑	57%
APLA	59.2	↓	1%	3.3	↑	306%
All other segments	27.7	↓	32%	(6.3)	↓	200%
Corp Unallocated, Fair Value Adjustments and Other	(9.7)	↑	58%	(49.2)	↑	35%
<b>FX</b>	18.0			(2.4)		

## FX Drivers:

Europe

Revenue + \$11.1 million

Operating Profit + \$1.0 million

APLA

Revenue + \$6.0 million

Operating Profit N/C



*How chief operating decision maker views business:*

Realigned reporting to chief operating decision maker

- Created North America Segment
- Created Allrecipes Segment

## Prior Reportable Segments:

**U.S.  
Canada**

**Allrecipes**  
(Previously included in U.S.)

**Europe**

**Asia Pacific & Latin America (APLA)**

**Lifestyle & Entertainment Direct (LED)**

**Other** (Weekly Reader)

## Current Reportable Segments:

**North America**

**Allrecipes**

**Europe**

**APLA**

**LED**

**Other** (Weekly Reader)

# Q3 Results - North America (Currency neutral)



\$millions	Revenue	vs. PY	Operating Profit (Loss)	vs. PY
North America	136.9	↓ 5%	(5.2)	↓ 279%

## Major Drivers:

- ↓ *Every Day with Rachael Ray* advertising
- ↓ Active Customer Base (Canada)
- ↑ *Reader's Digest* and *Taste of Home* book sales
- ↑ Humana Partnership

## Focus:

- Master Brand strategy
- Leverage brands across multiple sale channels
- Lower overheads
- Expand partnership potentials

# Q3 Results – Europe / APLA (Currency neutral)



\$millions	Revenue	vs. PY		Operating Profit (Loss)	vs. PY	
Europe	124.9	↑	3%	(3.8)	↑	57%
APLA	59.2	↓	1%	3.3	↑	306%

## Major Drivers:

- ↑ Success in targeted promotions in Germany & Central Europe
- ↓ Lower Active Customer Base
- ↓ Curtailment of Australia Time Life DRTV

## Focus:

- Efficiency and effectiveness of promotional efforts
- Responsive products and services
- Lower overheads



# Q3 Results – LED (Currency neutral)



\$millions	Revenue	vs. PY	Operating Profit (Loss)	vs. PY
Lifestyle & Entertainment Direct	18.2	↓ 41%	(5.1)	↓ 355%

## Major Drivers:

- ↓ Decision not to market fitness products
- ↓ Lower entertainment product sales
- ↓ Lower Active Customer Base

## Focus:

- Consider strategic alternatives

# Q3 Results – Allrecipes (Currency neutral)



\$millions	Revenue	vs. PY	Operating Profit (Loss)	vs. PY
Allrecipes	6.7	↑ 10%	0.1	↑ 200%

## Major Drivers:

- ↑ Monthly page views, 268 million
- ↑ Monthly unique visits, 36 million
- ↑ 17 websites with visitors from over 230 countries
- ↑ 10 Apps with over 9 million downloads in 91 countries

## Focus:

- Announced potential sale
- Continue to grow the business

## North America

### Master Brands include:

#### Average Circulation as of June 30, 2011\*

<i>Reader's Digest</i> , US Edition	5.65 million
<i>Taste of Home</i>	3.24 million
<i>The Family Handyman</i>	1.12 million

\*Audit Bureau of Circulation , June 2011 YTD figures



## International

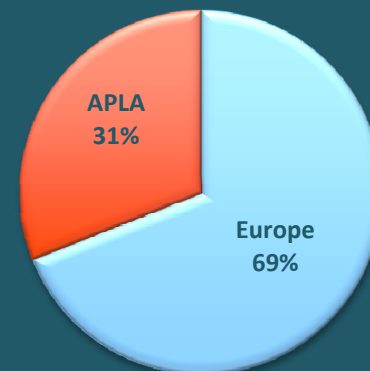
### Direct Marketing:

Europe Active Customer Base	3.4 million**
Asia Pacific and Latin America Active Customer Base	1.6 million**

\*\*Statistics are YTD from the RDA International Database Marketing Group, Active Customer Base (ACB) = customers with purchasing activity within the last 12 months

#### Revenue by Region

9/30/11 YTD  
\$585.4 million



# Focus on Core Businesses\*

\$millions	Revenue Neutral Currency			Operating Profit (Loss) Neutral Currency		
	Q3 2011	Q3 2010	Change	Q3 2011	Q3 2010	Change
Selected Components of our Business						
North America	136.9	143.4	(6.5)	(5.2)	2.9	(8.1)
<i>Every Day with Rachael Ray</i> results	10.0	14.5	(4.5)	(6.4)	(0.8)	(5.6)
North America, excluding EWRR	126.9	128.9	(2.0)	1.2	3.7	(2.5)
Europe	124.9	120.9	4.0	(3.8)	(8.9)	5.1
Asia Pacific & Latin America	59.2	59.9	(0.7)	3.3	(1.6)	4.9
<b>Total</b>	<b>311.0</b>	<b>309.7</b>	<b>1.3</b>	<b>0.7</b>	<b>(6.8)</b>	<b>7.5</b>
<b>Change, quarter over quarter</b>			<b>0.4%</b>			<b>110.3%</b>

\*Pro forma basis

# Cost Rationalization Initiatives – 2011 Actions

	2011 Estimated Savings <sup>1</sup>	Annualized Estimated Savings <sup>1</sup>	Cost to Execute <sup>2</sup>		
			Q3 2011	Q2 2011	Q1 2011
\$millions					
Right-sizing of Workforce					
North America	1.2	2.9	2.1	0.1	-
Project DIG (Digital & International Growth)	2.5	7.7	6.8	0.6	1.8
Other actions	0.7	0.7	-	-	1.3
Contract Terminations	0.1	0.6	(0.4)	1.3	0.6
Total	4.5	11.9	8.5	2.0	3.7

<sup>1</sup>Represents estimated cost savings for these specific actions only. Does not take into account expectations regarding any other revenues or expenses.

<sup>2</sup>Actual cash outlay may differ due to changes in estimates; further eligible U.S. severance may be funded by the U.S. Pension Plan.

In addition to the above, we expect to reduce annual operating costs by approximately \$40-50 million, based on initiatives to be announced in Q4 2011 and Q1 2012.



## Rebuild Our Financial Foundation

- ▶ Reduce cost structure
- ▶ Divest or end underperforming businesses
- ▶ Evaluate cash needs and drivers
- ▶ Focus on execution of our plan into 2012

## Picture a New Reader's Digest Association

- ▶ Evaluate assets and align resources to our two core businesses
- ▶ Assess International Direct Marketing opportunities
- ▶ Simplify organizational structure



## Questions and Answers

