

# FINAL TRANSCRIPT

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## **MDP - Q1 2009 Meredith Corporation Earnings Conference Call**

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## CORPORATE PARTICIPANTS

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*Meredith Corporation - President and CEO*

**Joe Ceryanec**

*Meredith Corporation - CFO*

**Mike Lovell**

*Meredith Corporation - Director of IR*

**Jack Griffin**

*Meredith Corporation - President, Meredith Publishing Group*

**Paul Karpowicz**

*Meredith Corporation - President, Meredith Broadcast Group*

## CONFERENCE CALL PARTICIPANTS

**Catriona Fallon**

*Citigroup - Analyst*

**Michael Meltz**

*JP Morgan - Analyst*

**Edward Atorino**

*The Benchmark Company - Analyst*

**Tracy Young**

*JP Morgan - Analyst*

**Matt Chesler**

*Deutsche Bank - Analyst*

## PRESENTATION

**Operator**

Ladies and gentlemen, thank you for staged by, and welcome to the Meredith Corporation first quarter earnings call.

I would now like to turn the conference over to Mr. Mike Lovell. Please go ahead, sir.

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**Mike Lovell** - *Meredith Corporation - Director of IR*

Hi, good morning everyone.

Before Chief Executive Steve Lacy begins our presentation this morning, I'll take care of a few housekeeping items. In our remarks we will include statements that are considered forward-looking within the meaning of federal security laws. Forward looking statements are based on management's current knowledge and expectations and are subject to certain risks and uncertainties that may cause actual results to differ materially from the forward-looking statements.

A description of certain of those risks and uncertainties can be found in our earnings release issued today and in certain of our SEC filings. The company undertakes no obligation to update any forward-looking statement. We will refer to non-GAAP measures, which in combination with GAAP results, provide additional analytic tools to understand our operations. Tables that reconcile non-GAAP measures to GAAP results are posted on Meredith's Website and in our earnings release. A transcript of this call will also be posted to our Website.

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And with that, Steve will begin the presentation.

**Steve Lacy** - Meredith Corporation - President and CEO

Thank you very much and good morning everyone. Before I begin with our formal remarks, I would like to take just a moment and introduce our new Chief Financial Officer, Joe Ceryanec. Joe started with Meredith last week and brings both strong financial and operational experience having served as Chief Financial Officer for McLeodUSA.

**Joe Ceryanec** - Meredith Corporation - CFO

Good morning, everybody.

**Steve Lacy** - Meredith Corporation - President and CEO

We're very glad that Joe has joined our team and I'm sure you'll all enjoy meeting and working with Joe as we move forward.

For our presentation today, I'll start with a brief financial recap of the first fiscal quarter of 2009, offer some thoughts on the current state of the environment, and how Meredith is responding, provide more detail on our operating performance by group, provide a financial outlook, then we will be happy to answer any questions you might have.

Fiscal 2009 first quarter earnings per share were \$0.41 and revenues were \$370 million in-line with expectations. This compares with fiscal year 2008 third quarter earnings of \$0.68 per share on revenues of \$404 million.

The weak calendar 2008 advertising environment intensified across our businesses in the first fiscal quarter, impacting revenue and profit performance. We expect this weakness to continue at least until we begin to access our customers' calendar 2009 advertising budget. It has particularly impacted ad categories that have long been staples of the American economy, including food, home, automotive, and pharmaceuticals.

These categories have consistently outpaced advertising industry growth rates, and we're confident they will serve us well over the longer term. We believe these marketplace trends are fundamentally cyclical, not structural. Data related to advertising spending and consumer media usage supports this position. As an example, consumer magazines increased their share of total advertising spending to 6.7% according to annual research recently released by Veronis Suhler Stevenson. That's the highest revenue share for magazines as an industry since calendar 2000.

Additionally, our consumer audiences continue to grow across our publishing, broadcasting, online and video platforms. In the most recent Mediamark Research and Intelligence report, magazines as an industry increased their total consumer audience by 2% over the prior year. At Meredith, we increased our total audience by 4% and eight of the 10 Meredith magazines that MRI measures increased their audience as well. In broadcasting, several Meredith television stations, including key markets, such as Phoenix, Nashville, and Kansas City, reported significant increases in news viewership in the most recent ratings book.

Additionally, Better our nationally-syndicated show produced by Meredith Video Solutions, has tripled its reach to 30% of all US television households. Online unique visitors and page views are on the rise across our Website and broadband channels, both up more than 15% so far in calendar '08. Additionally, the number of videos streamed and downloaded across our sites is up nearly 35% in calendar '08 as well. To capture a higher share of advertising revenues in the current environment, we put in place several new sales and marketing programs. These include cross-platform sales by Meredith 360, and branded local initiatives in our television markets including Job Connections and Better Health.

I'll provide more detail on these programs in just a few moments.

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These new activities are designed to take advantage of Meredith's vast reach to 85 million unduplicated American consumers, highlight the operational efficiency that our scale affords, and showcase our capabilities at delivering our expert content across multiple media platforms. Our message to clients is simple and straightforward using our trusted brands Meredith can effectively deliver your marketing message to large and targeted audiences at a very competitive rate.

At the same time, we continue to pursue strategies to grow our nonadvertising sources of revenue driven by continued strong performance by Meredith Integrated Marketing and our brand licensing activities.

Both of these businesses have experienced rapid growth and I'll discuss our latest initiatives in more detail in just a few moments. Given the current economic environment, we're putting increased emphasis on aggressively managing expenses across the company. Despite 22% higher paper prices, total company expenses declined 3% in the quarter. Excluding acquisitions, total company expenses declined 5%. At Meredith we have a solid balance sheet, conservative debt levels at a low cost of funds, and adequate liquidity supported by strong free cash flow. Meredith has maintained a strong financial position for years, and it's even more important in this period of economic uncertainty.

Now let's turn to operating performance beginning with our publishing activities.

As I just mentioned, businesses that operate in several of our largest endemic advertising categories, such as food and beverages, prescription and nonprescription drugs and home, have been greatly impacted by the current economic downturn. Combined, Meredith magazine advertising revenues in these categories declined over 25% in our first quarter, according to Publishers' Information Bureau data. We put increased emphasis on diversifying our advertising categories and that strategy has partially offset year-to-date weakness. According to PIB, Meredith increased advertising revenues and outperformed the industry in several noncore categories in the quarter, including beauty, travel, entertainment and apparel. Combined advertising revenues in these categories increased more than 25% in the first quarter of fiscal '09, compared to the prior-year period.

We've also achieved growth in advertising revenue per magazine page, which was up approximately 3% in the first quarter of fiscal 2009. We were able to maintain our price discipline thanks to a very detailed and aggressive pricing strategy. It enables us to sell our space at the best price in the market for the very significant audiences we deliver. Turning to circulation, profit contribution and related margin for our subscription activities increased in the first quarter. Initial direct mail response rates and renewals are either stable or growing across our portfolio of magazine titles.

Total circulation revenue declined due to softer retail sales and Meredith's plan to publish fewer newsstand only special interest titles. Meredith integrated marketing delivered another outstanding quarter where operating profit rose 30%. Results were primarily driven by strong performance in the core custom publishing business along with increased contributions from acquisitions made over the last two years. Integrated Marketing continues to thrive as clients desire more measurable returns on their marketing investments.

Our core custom publishing skills and the new capabilities we've added through acquisitions make us well-positioned to win new business and increase the scope of our existing programs over time. The latest example is the launch of a new custom marketing program for Suzuki, that includes database analytics along with direct marketing services. In addition we're creating a custom publication for Suzuki owners that will be delivered this fall. We continue to expand our important relationship with Kraft and its Food and Family service brand. We've added many new elements since winning our initial assignment of publishing a custom magazine that reaches millions of consumers. Today we're engaged in circulation consulting and database activities as well.

We're also producing digital, video and E marketing campaigns. Brand licensing operating profit rose more than 30% in the first quarter of fiscal 2009, reflecting the strength of our consumer brands and our successes at extending our brands beyond traditional media. We recently announced multiple licensing agreements to extend Parents, More and Diabetic Living brands in seven international regions, Italy, Mexico, Brazil and Thailand. These new alliances bring Meredith's global reach to more than 25 agreements in 40 countries.

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We'll continue to secure new licensing agreements for our publishing brands outside the United States, driven primarily by a growing middle class and increased home ownership in developing countries. Last month, more than 550 Better Homes and Gardens products were introduced at Wal-Mart stores across the country. The collection represents the largest extension of the Better Homes and Gardens brand to date in its history. We're pleased with the quality, presentation and scope of the merchandise to date. In addition to the significant shelf space Wal-Mart stores have dedicated to the Better Homes and Gardens brand, there will be 12 Better Homes and Gardens end caps on the main entry aisle in all stores during the key holiday retail sales period. This program is being promoted by an extensive, multi-platform marketing and advertising campaign that Wal-Mart is currently executing.

Additionally, we've reached an agreement with Wal-Mart to expand the home product line that builds on this initial launch. It includes more bedding and bath items as well as additional outdoor and garden-related products. Items from the expanded line are expected to be in Wal-Mart stores during the balance of calendar 2009. These multiple brand extension initiatives are receiving increased national recognition. Earlier this month, the Better Homes and Gardens brand was named by the trade publication Ad Week to the number one spot on its 2008 brand leader's list. Along with the strength of the core magazine, factors that contributed to this honor included our Wal-Mart agreements, the Better Homes and Gardens license with Universal Furniture, Better Homes and Gardens branded real estate, the relaunch and continued success of the BHG.com, the Better.TV broadband channel, the expanding Better Daily syndicated television show and, of course, the increased international magazine editions.

Now let's turn to our broadcasting group performance.

Ongoing industry-wide weakness in core television advertising categories including automotive, professional services, restaurants and retail, impacted broadcasting performance in the quarter. Combined advertising revenues in these categories declined nearly 20%. Political advertising helped offset some of this weakness.

First quarter net political advertising revenues were \$6 million, as expected, compared to about \$1 million in the year-ago quarter. Unlike many of our peers, we did not significantly benefit from the summer Olympics. Our lone NBC station in Nashville generated about \$1 million in Olympic-related advertising revenues.

Meredith Broadcasting Group is also putting increased emphasis on building nontraditional and emerging categories. These include entertainment, electronics, travel and utilities. Combined ad revenues from these categories increased more than 15% in the quarter. Additionally, we continue to develop new revenue streams and share best practices across the group. For example, our stations are selling product integration in local programming, all stations are also doing sponsored live remotes from local businesses and schools. These are helping us gain more viewers and attract advertising from new to television clients.

We've implemented our successful Job Connections program across our station group, Job Connections takes advantage of the power and reach of our local stations and Websites to help local businesses recruit new employees. Better Health is a new multiplatform sales program launched this month in our Hartford, Nashville, Portland and Atlanta markets. The program combines health content from our trusted publishing brands with Internet and spot advertising, Cornerstone features and weekly segments on our Better Television show. Healthcare providers in our local markets purchase exclusive rights and serve as the featured experts on the Better Health program.

Turning to ratings, many of our stations enhanced their news position in the important adults age 25 to 54 demographic during the July book. Several stations posted gains in the evening and late news, including Phoenix, Nashville, Kansas City, and Las Vegas. Our gains in ratings and market share are key to commanding higher revenues for advertising spots. Meredith Video Solutions, while still in the investment phase, doubled revenues during the first fiscal quarter of 2009. Better, the syndicated daily television show, debuted in 30 new markets in September, and now reaches over 40 markets in total across the country.

Earlier this month, we reached agreements with stations in three top-20 markets, including San Francisco, Cleveland, and Denver. We anticipate gaining clearance for the Better show in additional markets before the end of the calendar year. Retransmission

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fees more than doubled from a year ago to \$3 million in the first quarter of fiscal '09. We have agreements with our largest carriers expiring in December of '08. We expect retransmission fees will grow to at least \$15 million annually by fiscal 2010.

Turning now to our financial structure, we're well-positioned to weather the current softness in advertising and turbulence in the financial markets, gaining advertising market share and maintaining the ability to make acquisitions and investments as opportunities arise. We have a strong balance sheet with a low level of debt and are exercising aggressive expense management across the company. Total debt was \$465 million, and the weighted-average interest rate was approximately 4.5% as of September 30th. The debt-to-EBITDA ratio was a conservative 1.6 to 1. Meredith has repurchased approximately 750,000 shares in fiscal 2009 to date, leaving 1.6 million shares remaining under existing share repurchase authorization.

Unallocated corporate expenses in the quarter declined to \$6.4 million, due primarily to the timing of management incentive accruals. Meredith expects unallocated corporate expenses to approximate \$30 million in fiscal 2009, primarily reflecting higher non-cash pension expense. Capital expenditures during the quarter increased to \$10 million, due primarily to the completion of broadcasting-related projects that were initiated in the prior year. Meredith expects capital expenditures to approximate \$30 million in fiscal 2009.

Many of our largest advertisers continue to face a challenging economic environment. The resulting advertising weakness partially offset by political advertising at our television stations, will impact the company's performance at least through the second quarter of fiscal 2009. In addition, operating results will continue to be impacted by significantly higher paper prices. It's difficult to predict the duration of the current advertising downturn. It's equally difficult to forecast how advertising budgets which generally reset with the start of the new calendar year, will change as we begin to access them in calendar 2009.

Currently, fiscal 2009 second quarter publishing advertising revenues are down in the high teens compared to 8% growth in the second quarter of fiscal 2008. Broadcasting nonpolitical advertising pascings are currently down in the high 20s, compared to 6% growth in the second quarter of fiscal 2008. We expect approximately \$15 million in net political advertising revenues at our television stations in the second fiscal quarter in line with earlier expectations. Paper prices in the second fiscal quarter will be approximately 20% higher than a year ago.

Our average tax rate will approximate 41.8% in the second quarter, and 39.5% for the full fiscal 2009.

Currently we expect full fiscal year 2009 earnings per share of \$2.50 to \$2.85 per share. Second quarter earnings per share expected to range from \$0.47 to \$0.52 per share.

To conclude with our formal remarks this morning, Meredith possesses a very solid foundation and is well-positioned to build shareholder value over time. We have a powerful portfolio of highly profitable media brands and assets. We possess a strong and growing connection with the American consumer, particularly women who make the overwhelming majority of purchasing decisions in the American household.

We have a balanced revenue mix, 60% from advertising sources, and 40% from non-advertising sources of revenue. Many of our non-advertising sources including Integrated Marketing and brand licensing, are experiencing rapid growth and possess more upside potential. We're continuing aggressive expense management practices in times of uncertainty, and continue to generate significant free cash flow, have a conservative balance sheet, and modest levels of debt at a low cost of funds.

At Meredith we have a proven track record of outperforming our respective industries and growing market share. Once again, we believe the current trends are cyclical in nature, and not structural as it relates to our industry or Meredith in particular. We're confident that we'll manage through this challenging time and emerge in even a stronger competitive position.

Thank you for your attention, and now we'll be happy to answer any questions that you might have this morning.

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## QUESTIONS AND ANSWERS

### Operator

[Operator Instructions] Our first question comes from the line of Catriona Fallon.

### Catriona Fallon - Citigroup - Analyst

A little more clarity, you give the production distribution and editorial costs. What percentage of that is production? I'm trying to figure out the percentage that is actually paper costs and I think it's 20% of that total, but wanted to just get clarity.

### Steve Lacy - Meredith Corporation - President and CEO

Sure, absolutely, Catriona. If we looked at the first quarter, we'd be around 40% in total for those three categories, and you're right, paper is -- with higher prices, a hair more than half of the total. And in addition to that you sort of split the balance between the cost of postal and the cost of our printing and distribution activity.

### Catriona Fallon - Citigroup - Analyst

Okay.

### Steve Lacy - Meredith Corporation - President and CEO

Okay?

### Catriona Fallon - Citigroup - Analyst

Right and then so this year you've seen an increase in paper prices. Do you have a forecast from what you're seeing as far as future prices for paper next year?

### Steve Lacy - Meredith Corporation - President and CEO

Well, we're in kind of the final strokes of renegotiating the paper contracts, I think you remember that they are up for renegotiation at the end of the calendar year. And we're feeling that we will not get further price increases in the balance of the fiscal year, so kind of at a high level, where we've been up over 20% in the first half of the year, when you consider the paper price increases we had in the back half a year ago, by the time the full fiscal year is over, we think paper prices will be up about 15% in total.

### Catriona Fallon - Citigroup - Analyst

Okay. Does that mean, so essentially, flat for the second half of the year, but not really a

### Steve Lacy - Meredith Corporation - President and CEO

Not really a decrease at this point in where we are with the negotiations. Now, the good news is those will be finalized by probably early November, and we'll have another shot to update you on this at the December media conferences after all those contracts are, inked. But I think the good news is it doesn't appear we'll continue to experience 6% on top of 6% as we go through the balance of the year.

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**Catriona Fallon** - Citigroup - Analyst

Okay.

**Steve Lacy** - Meredith Corporation - President and CEO

Okay?

**Catriona Fallon** - Citigroup - Analyst

And then is there any change to, you previously have spoken about \$10 million to \$12 million in expected license revenue for the year, which includes, I believe, Wal-Mart as well as some other licensing deals. Is there any change to that belief?

**Steve Lacy** - Meredith Corporation - President and CEO

I think you're talking, Katrina, about the increase year-over-year, right?

**Catriona Fallon** - Citigroup - Analyst

Yes.

**Steve Lacy** - Meredith Corporation - President and CEO

Not about the total?

**Catriona Fallon** - Citigroup - Analyst

Right.

**Steve Lacy** - Meredith Corporation - President and CEO

That would continue to be the right thought processes on the profit contribution from licensing. So you're in good shape on that.

**Catriona Fallon** - Citigroup - Analyst

Okay. And then just to get to your guidance, it seems that I need to expect or assume that there's some kind of a recovery in the latter half of your fiscal year. Is there something that's giving you confidence that the revenue declines will taper off towards the latter half of your fiscal year?

**Steve Lacy** - Meredith Corporation - President and CEO

Well, obviously, we're as anxious about that as you are, and all of the shareholders. And here's what we have been using for a thought process to try and provide the ranges. You recall that in the first half last year we had really very, very strong results. And I'll just stick with magazines for a minute. We were up 13% in the first quarter, and up 6.5% in the second quarter. But as

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you turn to the new calendar year, or the second half of the fiscal, we were down about 4% in the third quarter and then down 14% or 15% in the fourth quarter. So we're kind of taking a two-year look at this, Catriona, and dropping in what happened in the first quarter of this year compared to the prior year, dropping in what we're giving guidance in the second quarter, and then kind of saying that the two-year differential is what we might experience for the balance of the year. Because we're up against, obviously, especially in the fourth quarter, much weaker comps than we had in the early part of the year.

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**Catriona Fallon** - Citigroup - Analyst

Okay. Thank you.

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**Steve Lacy** - Meredith Corporation - President and CEO

Does that make sense? So kind of a two-year look at what happened. And I think it will kind of get you to where our current thinking is. Obviously, by the time we release second quarter earnings, we'll have had the ability to close two issues of the magazines that access calendar '09 budgets, and that would be the February and the March issues. And of course by that point in time, we'll have some pacing data on the first calendar quarter, our third fiscal, that will become meaningful at that point. And we will, of course, update everybody on where we are at that point in time. But that's kind of the two-year look is how we're thinking bit from a range point of view at this point.

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**Catriona Fallon** - Citigroup - Analyst

Okay. Thank you.

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**Steve Lacy** - Meredith Corporation - President and CEO

Okay, thanks, Catriona.

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**Operator**

We have two Michael Meltz queued up, the first Mr. Meltz is from JP Morgan.

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**Steve Lacy** - Meredith Corporation - President and CEO

Are there two of you, Michael.

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**Michael Meltz** - JP Morgan - Analyst

God, I hope not. Actually, you probably hope not. I just have a quick question that I think Tracy is on the other line, she's going to ask a couple. Steve, I don't think I understand the expense numbers. They're much better, which is good, much better than I would have expected from the quarter. How should we think about expenses for the full year for each operating segment, can you talk about that,

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**Steve Lacy** - Meredith Corporation - President and CEO

Okay. If we think about it for the full year, there's a couple components of it, and we try to help you understand that. We've got the component which is the paper prices which are to the best of our knowledge going to be higher in the first half and a little

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bit more moderate in the second half. We also have the noncomparability because of the addition of Big Communications right at the end of the year. So -- and I'm going to stick on the publishing side by now. I think when all is said and done, even including the paper prices that you will see total expenses that will be down a bit year-over-year by the time the year is complete. Of course that includes, once again, both the addition of Big and also the paper price increases that we have experienced.

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**Michael Meltz** - *JP Morgan - Analyst*

So if you were down 2% in the first quarter, if paper moderates as we go forward and Big, I guess, is in the numbers each quarter, are you saying you expect costs to be down less than 2% or you think 2% is the run rate?

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**Steve Lacy** - *Meredith Corporation - President and CEO*

I think somewhere between one point and two points would be a good way to think about it. Once again, big determining factor will be what happens with paper. That includes the paper increase.

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**Michael Meltz** - *JP Morgan - Analyst*

Okay. And on the TV side?

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**Steve Lacy** - *Meredith Corporation - President and CEO*

On the TV side, it will be about the same, maybe down a bit more, maybe more in the range of a couple points or a little bit better than that in total.

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**Michael Meltz** - *JP Morgan - Analyst*

For the full year?

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**Steve Lacy** - *Meredith Corporation - President and CEO*

For the full year.

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**Michael Meltz** - *JP Morgan - Analyst*

Okay, got it. Thank you.

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**Steve Lacy** - *Meredith Corporation - President and CEO*

Thank you.

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**Operator**

And our next question comes from the line of Edward Atorino with The Benchmark Company, please go ahead.

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**Steve Lacy** - *Meredith Corporation - President and CEO*

That's the best pronunciation of your name I've ever heard.

**Edward Atorino** - *The Benchmark Company - Analyst*

That's actually pretty good.

**Steve Lacy** - *Meredith Corporation - President and CEO*

How are you?

**Edward Atorino** - *The Benchmark Company - Analyst*

Very good. First, would you repeat what you said on the cable retrans numbers, was it 3 million last quarter or the coming quarter?

**Steve Lacy** - *Meredith Corporation - President and CEO*

No, Ed, it was \$3 million in the first quarter, and that's about double what we had in the year-ago period.

**Edward Atorino** - *The Benchmark Company - Analyst*

And \$8 million for the year, did I hear that right?

**Steve Lacy** - *Meredith Corporation - President and CEO*

I don't believe that we gave a full-year number. But what we said was that by the end of fiscal 2010, that it would be \$10 million. But I'll give you -- I think your \$8 million number, Ed, is about what it was in the prior year, okay. So I think you can model that up, kind of at a 50% level year-over-year.

**Edward Atorino** - *The Benchmark Company - Analyst*

So eight for last year, 10 in '10?

**Steve Lacy** - *Meredith Corporation - President and CEO*

Maybe a little bit more than that. But once again, it hinges a bit on the big negotiation that we have with the likes of Comcast and Time Warner and those contracts, as I'm sure you recall, come up from renewal at 12/31/08. Paul Karpowicz and his team are in the throes of that as we speak.

**Edward Atorino** - *The Benchmark Company - Analyst*

Second could you break apart some of the other publishing revenues, the Integrated Marketing, what's publishing, anything in there from books?

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**Steve Lacy** - Meredith Corporation - President and CEO

I want to make sure, are you talking about me going through the "Other" line on the income statement?

**Edward Atorino** - The Benchmark Company - Analyst

Yes, the "Other" publishing. You've got ad revenues, circulation and "Other." "Other" would include the custom publishing, right, the licensing and is there still books?

**Steve Lacy** - Meredith Corporation - President and CEO

Yeah, let me help you with that a little bit. First of all, inside that "Other" about half of that revenue is related to Meredith Integrated Marketing.

**Edward Atorino** - The Benchmark Company - Analyst

Right.

**Steve Lacy** - Meredith Corporation - President and CEO

The balance of that -- hold on just a second while I get to the right page here in my materials. As I said, about half of that is Integrated Marketing.

**Edward Atorino** - The Benchmark Company - Analyst

Right.

**Steve Lacy** - Meredith Corporation - President and CEO

And you also have books and the licensing revenue in there, and they're kind of about a 50/50 split. Then there are a variety of smaller things, rental and some other.

**Edward Atorino** - The Benchmark Company - Analyst

Those three are good.

**Steve Lacy** - Meredith Corporation - President and CEO

Okay, great.

**Edward Atorino** - The Benchmark Company - Analyst

Thanks very much. Oh, one other last question. Looking out a little bit, is any change in trend between sort of the core ad categories and the other stuff, is it still coming down in the same categories? Any change that you notice anywhere? Besides getting worse?

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**Steve Lacy** - *Meredith Corporation - President and CEO*

In terms of the balance of the revenue between the categories?

**Edward Atorino** - *The Benchmark Company - Analyst*

No, the end, you said that the core category, Pharma, et cetera, down X, the other categories are doing better. Has there been any change in trend, did the ones going down get worse and the other ones get better or something like that?

**Steve Lacy** - *Meredith Corporation - President and CEO*

The only place I would say maybe that there is a disproportionate falloff, I would point to two places. In our particular case, on the publishing side, we had amazing results a year ago, as you remember, in the food category.

**Edward Atorino** - *The Benchmark Company - Analyst*

Yes.

**Steve Lacy** - *Meredith Corporation - President and CEO*

So it's a bit weaker. But the bigger one, I think, is on the broadcast side, where inside of that high 20s that we talked about, the second quarter pascings being down, Automotive is down about 40%.

**Edward Atorino** - *The Benchmark Company - Analyst*

Yeah, everybody sees that.

**Steve Lacy** - *Meredith Corporation - President and CEO*

That's on the national level.

**Edward Atorino** - *The Benchmark Company - Analyst*

Thanks much, Steve.

**Steve Lacy** - *Meredith Corporation - President and CEO*

Thank you.

**Operator**

Next on the line is Tracy Young with JP Morgan, please go ahead, you're open.

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**Tracy Young** - *JP Morgan - Analyst*

Hi there. Just a follow-up on the comments on Q4. What other categories, can you talk about the other categories like Retail, and how they're pacing and also how the months are pacing, October, November, December, Paul? Then also, can you talk about your online ad revenues for publishing?

**Steve Lacy** - *Meredith Corporation - President and CEO*

Okay. Let's take these one at a time. You're talking about second quarter broadcast pacings by category, is that your first question, Tracy?

**Tracy Young** - *JP Morgan - Analyst*

Well, actually, if you could give some color on this past quarter, how the top three categories fared, and also looking at how the months look ahead.

**Steve Lacy** - *Meredith Corporation - President and CEO*

Okay. All right. So that's two different questions from a data point of view. So hold on just a he second while I get to the right place in the chart. In our first quarter, okay, automotive was down about 25%.

**Tracy Young** - *JP Morgan - Analyst*

Okay.

**Steve Lacy** - *Meredith Corporation - President and CEO*

Professional Services, Restaurants, and Retail were all down somewhere in the range of 10% to 12%. Those are the top five categories.

**Tracy Young** - *JP Morgan - Analyst*

Okay.

**Steve Lacy** - *Meredith Corporation - President and CEO*

All right? Now, if we look at the second quarter pacings for Broadcast, I mentioned before that automotive was down approximate 40%, and those other categories, Professional Services, as an example, and Restaurants and Retail are down more like in the 20% range.

**Tracy Young** - *JP Morgan - Analyst*

Okay. Thank you.

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**Steve Lacy** - Meredith Corporation - President and CEO

Okay?

**Tracy Young** - JP Morgan - Analyst

Great. And then if you could just talk a little bit about your online ad revenues for publishing?

**Steve Lacy** - Meredith Corporation - President and CEO

Sure. One of our objectives has been to have our online revenues as a percentage of the total, get to 10% by the time we finished fiscal 2010. A year ago at this time, we were at 5%, and now we're at about 6.5%. From a revenue point of view, from the publishing website, the revenue is down about 12% compared to the prior year. So the growth is really coming in the Integrated Marketing online activities, and on the broadcast side.

**Tracy Young** - JP Morgan - Analyst

Great, thank you very much.

**Operator**

We have on the line Matt Chesler with Deutsche Bank, please go ahead, you're open.

**Matt Chesler** - Deutsche Bank - Analyst

Good morning, Steve.

**Steve Lacy** - Meredith Corporation - President and CEO

How are you doing?

**Matt Chesler** - Deutsche Bank - Analyst

I'm doing real well. Can you talk about the experience that you had with your advertiser base as the economy went through, strains in September, what type of reactions did you get or change in behaviors or spending patterns as a result of what we've been going through, as opposed to the, you know, sort of the ongoing challenges that the business is facing?

**Steve Lacy** - Meredith Corporation - President and CEO

So you're talking sort of when the financial markets had their significant difficulties a month or so ago?

**Matt Chesler** - Deutsche Bank - Analyst

What issues were you working on when that happened? And, yes, exactly, that's what I'm talking about.

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**Steve Lacy** - Meredith Corporation - President and CEO

Yeah, I'll give you sort of an overall, then I'm going to ask both Jack and Paul to comment. I think in both of our businesses we kind of had a week or 10 days where we weren't able to move the needle at all. Then on the broadcasting side, we experienced cancellations, especially in Automotive that really followed that time period. But Jack, why don't you talk about where we were in the issues, then we'll come back to Paul.

**Jack Griffin** - Meredith Corporation - President, Meredith Publishing Group

So that memorable weekend in September, we were getting ready to close our December monthlies, and there was a seven-day period subsequent to that weekend where very little happened at all. So we're still in the process of closing some of those issues. But it clearly had an impact on the momentum in finishing up those issues, as we have gotten on to our January '09 issues, we're seeing better results than what we saw around that September weekend, and the declines have lessened relative to the most recent experience in October, November, December. So I think the net of it is that there was clearly an acute reaction on the part of advertisers and agencies to that storm. It seems to have mitigated a bit in our own experience, but it's still a very uncertain environment with limited visibility.

**Steve Lacy** - Meredith Corporation - President and CEO

Paul, do you want to speak to that time period on the broadcast side, please?

**Paul Karpowicz** - Meredith Corporation - President, Meredith Broadcast Group

Sure. As Steve indicated, from the broadcast perspective, it was primarily an Automotive issue. We were already getting signals from General Motors that they were going to be pulling back, but really after we went through that period, not only did we see all the major domestics pull back, but we also, surprisingly, saw some of the imports pull back as well. And shortly after that, we saw cases where individual dealers in specific markets literally locked their doors and went out of business, which resulted in obviously a lot of cancellations. So we have, I think, gone through the worst of that relative to the cancellations on the automotive side. Anecdotally, we're seeing cases in markets where if a Chevy dealer closes his doors, we're seeing cases where another Chevy dealer is stepping up, adding to his advertising to fill that void. But I think there's still some shake-out there, but I think the worst, at least in terms of the broadcast side in terms of cancellations is probably over.

**Matt Chesler** - Deutsche Bank - Analyst

And both of the businesses, how long did it take? Here we are at the end of October. How long did it take before you felt the business started to grind again?

**Steve Lacy** - Meredith Corporation - President and CEO

Jack, would you start, please?

**Jack Griffin** - Meredith Corporation - President, Meredith Publishing Group

As I said previously, I think that the acute reaction lasted about a week, and the pace and the general sort of rhythm of business after that week or so has returned to, while difficult, it's returned to a more normative state. So I think our judgment is that it was a short window of time that there was what I guess you could call an interruption and we are back to business as usual in a challenging environment.

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**Paul Karpowicz** - Meredith Corporation - President, Meredith Broadcast Group

I would say on the broadcast side, we're still looking because we operate on a much closer timeline than they do on the magazine side, so I think we're not completely out of the woods yet to the extent that we're seeing some other categories look towards the end of the calendar year as an opportunity to maybe pull back on the advertising and try and improve their bottom lines. Again, we think we're through the worst of it, but I just don't want to say that we're back to normal just yet.

**Matt Chesler** - Deutsche Bank - Analyst

A follow-up question, Steve, for you. Earlier in the year when you took actions to go after the cost base, what type of scenario in terms of extent and duration in terms of an ad slowdown did you have at that time?

**Steve Lacy** - Meredith Corporation - President and CEO

Well, as we have moved forward with this, obviously the severity of the ad decline has deepened, if you will. So we've had a couple iterations, I would say, Matt, in our thinking of that, and at this point in time, what we're trying to do is say all right, here's where we are year-over-year in our second quarter, which to date is the weakest performance in the core businesses, if you leave political aside, and we're sort of assuming that year-over-year for the two-year time period, that that kind of differential continues. And using those sort of metrics on the top line, fortunately offset by the excellent performance that continues in Integrated Marketing and licensing, and the solid performance of circulation, really establishing some targets for expense reduction that we have done as much as we could have around holding and deauthorizing open positions and the paper price negotiations that we mentioned. But then, of course, there have been some position eliminations, if you will, and of course there have also been a lot of discretionary expense cuts across the board we've done it in a couple waves as we have felt the environment has changed.

**Matt Chesler** - Deutsche Bank - Analyst

To what extent are you further considering actions such as reducing frequency of titles? I know you've done one additional one. And I understand that the TV business has a high fixed cost base. What types of, what's left to do there to preserve EBITDA in the broadcast side?

**Steve Lacy** - Meredith Corporation - President and CEO

Well, I would say on both sides of the business we have contingency plans that are already baked. If we would begin to access those calendar '09 budgets and they would be weaker than our current anticipation. Those would include decisions that we would consider, as you say, that would have to do with frequency and rate base and that sort of things and some of the weaker publications, but it would also include some of the discretionary things that are still in place within the forecast and we are being very, very cautious even at the moment with any positions that open that are not revenue-related. And being very cautious on our CapEx and also doing everything we can to conserve cash. So I really think of this as more of an ongoing process, but we know what buckets are available and where to go after them.

**Matt Chesler** - Deutsche Bank - Analyst

Thanks a lot.

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**Operator**

And speakers, no one else is in queue, please continue with any further remarks.

**Steve Lacy - Meredith Corporation - President and CEO**

Thank you all for participating this morning. We'll be available for the balance of the day for follow-up questions that anybody might have, and we appreciate everyone's participation and your questions this morning. Thank you very much.

**Operator**

And ladies and gentlemen, that does conclude your conference for today. Thank you for your participation. You may now disconnect.

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