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PRESENTATION

Operator

Ladies and gentlemen, welcome to the Meredith Corporation second quarter earnings call. (Operator Instructions) I would like to turn the conference over to our host, Mr. Mike Lovell. Please go ahead, sir.

Michael Lovell - *Meredith Corporation - Director of Investor Relations*

Hi, good morning, everyone. Before Chief Executive Officer, Steve Lacy begins our presentation today, I'll take care of a few housekeeping items. In our remarks, we'll include statements that are considered forward-looking within the meaning of federal securities laws. The 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 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 statements. 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 our website and in our earnings release. A transcript of this call will be posted to our website as well. And with that, Steve will begin the presentation.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Thank you, Mike. Good morning, everyone.

Today, I'll start with some thoughts on the current state of the environment we're experiencing, describe how Meredith is responding and provide more detail on our operating performance. Joe Ceryanec, our Chief Financial Officer will go into greater depth on our financials and update our outlook. Then we'll be happy to answer any questions you may have. Joining us for the Q&A will be Jack Griffin, our Publishing Group President along with Paul Karpowicz, our Broadcasting Group President.

During the second quarter of fiscal 2009, the broader economic weakness, particularly impacted the advertising side of our business. Including categories that have long been staples of the American economy. Based on the limited information available so far in early calendar '09, we do not see near-term improvement in the advertising environment. Earnings per share were $0.28 in the second fiscal quarter including a special charge of $0.21, related to performance improvement measures we announced earlier in January. Excluding the charge, earnings per share were $0.49 compared to $0.75 last year, matching our previously-stated expectations. Revenues were $366 million compared to $396 million a year ago. Automotive advertising, the largest category in our broadcasting group was off about 40% during the quarter. In publishing, three of our top five ad categories, prescription drugs, home and direct response, experienced declines in the 30% to 40% range. However, our largest publishing category, food and beverage, experienced only a slight decline while our number two category toiletries and cosmetics grew very strongly. In addition, certain of our revenue streams not tied to advertising spend are rising, particularly our integrated marketing, brand licensing and video production activities.

I'm also pleased to note that Meredith's connection to the individual consumer continues to strengthen across our businesses and media platforms. In the most recent media mark research and intelligence reports, our total readership audience remains strong at 120 million. The average reader age declined and household income rose for our major subscription magazines including our flagship brands "Better Homes and Gardens" and "Parent". This is in sharp contrast to trends in other forms of print media. We believe it is due to the great consumer value our brands provide and the fact that our editorial content is not time sensitive in nature. In broadcasting, most Meredith television stations including key markets such as Atlanta, Portland, and Hartford, reported significant increases in news viewership in the most recent ratings book.

"Better" are daily, nationally syndicated television show produced by Meredith Video Solutions now reaches 30% of all U.S. television households. These readerships and viewership metrics are important because, of course, over time, advertising dollars follow meaningful aggregations of consumer audiences. We have media access of scale that are valuable to advertisers and marketers alike, including a broad reach to 85 million unduplicated consumers, comprehensive consumer research, targeted database marketing, custom video production, online programs and campaign management.

Surrounding all of this is our ability to deliver expert editorial content across all media platforms. In the current environment, we're keenly focused on our performance improvement plan first outlined about six months ago. Its key elements include gaining market share, growing new revenue streams and practicing aggressive expense control. Total Meredith operating expenses declined 2.6% in the second quarter and were down 2.8% for the first six months of our fiscal 2009, excluding the special charge. Excluding acquisitions and the charge, total company expenses declined 4% in the quarter and were down 4.5% for the first six months of fiscal '09. Before providing detail on our operating businesses, I think it is important to remember that Meredith possesses a strong balance sheet, modest levels of debt at a low cost of funds and adequate liquidity supported by strong operating cash flow. We're taking additional steps to strengthen our solid financial position through continued disciplined expense and cash management. We continue to believe the current downturn in advertising that we're experiencing is primarily cyclical. Linked to the recessionary economy and less tied to structural issues impacting our business. Independent research we commissioned points to the same conclusion. Our strong national and local brands growing new revenue streams and conservative financial practices I just mentioned all position Meredith well for future economic recovery.

Now, let's take a look at our operating performance beginning with publishing. Advertising revenues declined nearly 20% in the second quarter, similar to our first quarter results. While it is still too early to call it a trend, our third quarter advertising forecast is pacing down under 15%, stronger than in the first half of the fiscal year. Most of our major advertising categories experienced significant declines in the first half of the fiscal, but as I mentioned earlier, toiletries and cosmetics, our second largest category, was up in the double digits for the second consecutive quarter. Food and beverage, the top publishing ad category, generating more than 25% of the ad dollars in the second fiscal was off in the mid single digits, a marked improvement from the 30% decline witnessed in our first quarter of fiscal '09.

To better serve our clients and capture a higher share of advertising revenues in the current environment, we're working of course to maximize the efficiency of our sales force and emphasizing the broad reach and tremendous value our media portfolio offers for our advertising funds. During the second quarter, Meredith 360, our strategic sales group that typically works directly with corporate clients, won several new multi-million dollar multi-platform programs. As an example, we were awarded new business from a leading insurance company to develop a multi-platform campaign focused on parents bringing their new babies home from the hospital. Recognizing Meredith as an authority on baby care, the program spans six of our brands including "Parents" and "Better Homes and Gardens" and also includes videos online and consumer events. Fisher Price shows "Parents" and "American Baby" to launch a new branding initiative. The eight page insert ran in the November and the December issues and the campaign continues into calendar '09.

Finally, MORE magazine celebrated its tenth anniversary during the quarter. The newly-redesigned November issue caught the eye of luxury advertisers such as Mercedes-Benz and Estee Lauder, each purchased their first advertising with "More". Since its launch in 1998, "More" has quadrupled its guaranteed rate base to $1.2 million and has built consumer events anchored by the annual model search and the "More" marathon. These wins emphasize the fact that established media brands are particularly well-suited to helping corporations strengthen their own connection to the consumer and, of course, sell more product. As I mentioned earlier, we're very pleased that Meredith brands strengthen their connection to the american consumer across many media platforms in our fiscal second quarter including print, online and through consumer products via our brand licensing activity. In addition to the factors I mentioned a few moments ago, initial direct mail response rates and renewals have exceeded our expectations. Checkout scan data estimates point to increases in market share for our major titles at newsstands, particularly "Family Circle," "Better Homes" and "More" versus competitors in the women's interest arena. We believe these indications are that the consumer recognizes the value our products offer in these difficult economic times.

Traffic on Meredith's consumer web sites increased in the second quarter compared to a year ago. The number of unique visitors rose 25% to nearly 16 million and page views averaged nearly 200 million per month during the quarter. The average time spent per visitor on our publishing sites grew to nearly 13 minutes and the number of videos viewed rose 17% to 3.2 million.

During the quarter, we announced an investment in Real Girls Media, a group of premium branded online social communities. We also launched Mixing Bowl.com a new social networking site for women who are passionate about food and recipes. Meredith is now in the top 10 online networks dedicated to women, an important market positioning in the advertising community.

Turning to integrated marketing, revenues grew about 30% during the fiscal second quarter, driven by growth in our core custom publishing activity and contributions from acquisitions made over the last several years. The capabilities we've added now allow integrated marketing to pitch for a much broader range of new business than ever before. It is important to remember that revenues in this business typically come from the client's marketing budget and assignments are worth millions of dollars and tend to span several years. This business has always been an important hedge against the month to month volatility in advertising revenue. However, our integrated marketing clients are not immune to the broader economy and currently prospective clients appear less inclined to launch major new long-term programs.

Meredith Integrated Marketing was awarded several new assignments during the quarter. These include new work developing consumer web sites for two premium Nestle brands, Coffee-mate and Taster's Choice. Led by our O'Grady Meyers team, this win respects an additional assignment within Nestle's important beverage division.

Genex won new business from Kraft to develop an iPhone application in support of our much broader custom marketing program for Kraft's multimedia food and family brand. This application was featured yesterday in the New York Times. iFood Assistant offers more than 7,000 recipes tested by Kraft, shopping lists, user reviews and instructional cooking videos.

Additionally, Genex was commissioned during the quarter to design and maintain Accura's new financial services web site. Our team at New Media Strategies expanded business with several clients including Sony Pictures, Nestle's nutrition division and Kimberly-Clark. Additionally, New Media Strategies was commissioned to begin working Internationally for Paramount Global, during our second fiscal quarter.

Brand licensing delivered another strong quarter as revenues rose 27%. We completed several licensing agreements that will extend "Better Homes and Gardens," "Parents", "More" and our Diabetic Living brands to more than 20 countries including Italy, Mexico, Brazil and other countries throughout the Middle East. With these new alliances, Meredith's global reach will expand to more than 25 agreements in 40 countries. At this point in time, revenues from most of our International relationships are relatively modest. However, we view our efforts in this space as lying an important foundation for growth, primarily driven by a growing middle class and increasing homeownerships in these developing countries. We continue to sign new franchises to the "Better Homes and Gardens" real estate service including the Masiello Group, one of the largest real estate groups in the country with 30 offices and over 600 sales associates.

And finally, sales of the "Better Homes and Gardens" branded products home at Wal-mart are meeting expectations, following the September 2008 launch of this new program. Walmart is supporting the line with the national multimedia advertising campaign that is reaching millions of American consumers. Additionally, Meredith and Walmart reached an agreement during the quarter to nearly double the size of the program to approximately 1,000 SKU's in calendar 2009.

Turning now to our broadcasting group, total revenues declined 4% during the quarter as $17 million in net political revenues helped offset double digit declines in most ad categories, including a 40% reduction in automotive advertising. For the first half of fiscal 2009, total political revenues were $23 million, meeting our earlier-stated expectations.

I'm also pleased to note that for the second fiscal quarter, our station's advertising performance outperformed the television industry according to recent data from the Television Bureau of Advertising. We were able to outperform the industry in part because of our aggressive efforts to improve ratings. We were successful in achieving viewership gains as evidenced by the November Ratings Book. Among the highlights are powerhouse Hartford CBS station continued its market leadership across all news periods. Our Nashville NBC affiliate ranked number one in all three evening newscasts. Our Portland, Oregon, Fox affiliate won in morning and late news and is the number one news station in the market place. For the first time, our Atlanta CBS affiliate was number two in the 11:00 p.m. news and our stations in Las Vegas, Kansas City, and Greenville, South Carolina, all posted strong rating gains. These rating gains are key to commanding higher revenues for advertising spots into the future.

Additionally, we continue to actively identify and pursue new revenue streams and of course, share the best practices across our station groups. These include a new viewer loyalty program called Rewards that creates incentives for viewers to watch our programming and then interact with advertisers sponsored questionnaires, games and surveys online. This program was recently featured in "Broadcasting and Cable Magazine". Our job connections program which takes advantage of the power and reach of our station and our web site to help local businesses recruit new employees and better health which captures a greater share of local healthcare advertising. The program provides sponsored content from specialists in the local medical community and also features content from Meredith's publishing brands including Helia, our web medical search engine. Additionally, Meredith video solutions, while still in the investment phase, tripled revenues during the in the investment phase, tripled revenues during the second fiscal quarter. ,The Better Show, our nationally syndicated lifestyle activity featuring content inspired by our publishing brands, is now available in more than 40 markets, representing 30% of the country. Top 20 markets including San Francisco, Cleveland and Denver cleared the program during our second fiscal quarter.

Retransmission fees have now more than doubled in the first half of fiscal '09. We recent agreed to new terms with Comcast, the largest carrier of our signal operating in eight of our ten television markets. Meredith has now successfully completed new retransmission agreements with six of the seven major cable operators across our market place. We expect retransmission fees to grow to at least $15 million annually by fiscal 2010. With that company overview and update on our operations, I'll turn the presentation over to Chief Financial Officer Joe Ceryanec who will bring you up-to-date on our financials and on our outlook.

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

Thanks, Steve. As Steve noted, earnings per share were $0.28 in the second quarter including a special charge of $0.21 per share. Thus $0.49 without the special charge and in line with our previously-stated expectations. During the second fiscal quarter, we recorded a special charge of approximately $16 million or $10 million after tax. The charge includes the cost of a companywide work force reduction of approximately 250 employees, the closure of Country Home magazine effective with the March 2009 issue, and the relocation of the creative functions of the Readymade brand and Parents. com to Des Moines. Additional information on the special charge is available in Tables one and two of today's press release and in Meredith's press release dated January 8, 2009.

For the first six months of fiscal 2009, earnings per share were $0.69 including the special charge and $0.90 without it. Fiscal 2009 first half revenues were $737 million compared with $800 million in the prior year. Fiscal 2008 first half earnings per share were $1.43. Within the publishing group, fiscal 2009 second quarter publishing operating profit was $15 million including the charge and $28 million without it compared to $45 million a year ago. Total revenues were $282 million versus $309 million a year ago. Advertising revenues were $122 million versus $153 million in the second quarter of fiscal '08 when advertising revenues had had increased 8%. For the first half of fiscal 2009, operating profit was $48 million including the charge and $61 million without it. Revenues were $582 million. For the first six months of fiscal 2008, operating profit was $100 million on revenues of $638 million. Ad revenues were $271 million compared to $333 million a year ago when advertising revenues had increased 11%. Net advertising revenues per page rose approximately 1% for the first six months of fiscal 2009 from the year ago period.

Within the broadcast group, fiscal 2009 second quarter broadcast operating profit was $22 million including the charge and $24 million without it, compared to $28 million a year ago. Total revenues were $84 million versus $88 million a year ago. Net political revenues were $17 million which matched our expectations compared to $1 million in the year ago period. For the first half of fiscal 2009, operating profit was $33 million, including the charge, and $35 million without it. Revenues were $155 million for the first six months of fiscal 2008. Operating profit was $41 million on revenues of $162 million. Net political revenues were $23 million, matching our expectations and up from $3 million in the year ago period.

Turning to cash flow and the balance sheet, Meredith generated $83 million in cash flow from operations during the first six months of fiscal 2009. Our total debt was $455 million as of December 31, 2008, down $30 million from our prior fiscal year end. And our weighted average interest rate was approximately 4.4% as of December 31, 2008. Our debt to EBITDA ratio continues to be a conservative 1.7 to 1, well under our existing debt covenants. The company has repurchased 865,000 shares in fiscal 2009 leaving 1.5 million shares remaining under our current share repurchase authorization. As Steve noted, we continue to have a strong balance sheet. Low level of debt and we are exercising aggressive expense management across the company and are well-positioned to weather the current softness in advertising and general turbulence in the financial markets.

Now, focusing on our outlook. Most of our advertising clients continue to experience a difficult economic environment. This resulting weakness will impact our revenues for the remainder of our fiscal 2009. While it is too early to predict an improving trend, fiscal 2009 third quarter publishing advertising revenues are currently down nearly 15% compared with the decline of nearly 20% in the first half of our fiscal 2009. Additionally, fiscal third quarter paper prices are moderating compared to the first half. Still, paper prices are expected to be approximately 7% higher than the third fiscal quarter of 2008.

Broadcasting advertising pacings are currently down nearly 40%, driven by a 70% decline in automotive pace. Our average tax rate is expected to be approximately 36% in the third quarter and 40% for the full fiscal 2009. Currently, we expect our third quarter earnings per share to range from approximately $0.55 to $0.60 and full-year earnings per share are expected to range from $2.00 to $2.25, excluding the special charge taken in the fiscal second quarter. And now, I'll turn it back to Steve for closing comments.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Thank you very much, Joe. To conclude this morning before the Q&A, Meredith possesses a solid foundation and is well-positioned to build shareholder value over time. We have a powerful portfolio of profitable and vibrant media brands and assets. We possess a strong and growing connection to the American consumer, particularly women who make the overwhelming majority of purchasing decisions in the American households. This is evident on the publishing side by our recent readership studies as measured by MRI and on the broadcasting side through the most recent November ratings period. Our revenue mix is balanced with approximately 60% generated from advertising sources and 40% from non-advertising sources of revenue. Many of these non-advertising sources including brand licensing and video production are experiencing rapid growth and possess more upside potential. We're continuing our aggressive expense and cash management program. We generate significant operating cash flow, have a conservative balance sheet and a modest level of debt at a low cost. At Meredith, we have a proven track record of outperforming our respective industries and growing share.

Once again, we believe the current trends are primarily 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 an even stronger competitive position. Now, we would be happy to answer any questions you might have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)The first question comes from the line of Catriona Fallon with Citi. Please go ahead.

Dave Rose - *Citi Investment Research (US) - Analyst*

This is Dave Rose for Catriona. You talked a little bit earlier about how total expenses were down about 4.5% for the first half of the year. Do you have any idea how much the expense decline would have been if you exclude paper, postage, fuel, and non-controllable costs?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

We can certainly make that calculation. Obviously it would have been higher because the because the paper prices are up about 18% in the quarter. So, Dave, we can make that calculation and get back to you on a follow-up call. But paper prices are, up about 18%. Postage is up about 3%. And that's probably about where our printing prices are as well.

Dave Rose - *Citi Investment Research (US) - Analyst*

Ok. Well, just following on to that, your guidance for Q3 at least in terms of the advertising revenue suggests that total revenue will likely be down a little bit more in Q3 than it was for the first half of the year. Given that, and all of the cost-cutting that you've done to date, both in your recent announcement this month and then previously in June last year, where should we expect to see expenses falling for Q3 and beyond in terms of how much cost cutting you've been able to do to date?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Well, if you make the assumption of the volumes that we gave you, because that's really important, especially on the publishing side, because as ad revenue goes up or goes down, there is a relationship to all of the cost of good factors we talked about further. But you're going to see our expenses run down a little more in the back half of the year than in the front half because of the move that we made effective at the beginning of the fiscal year. Basically, assuming that the revenue assumptions we've given hold true. Of course, if revenue begins to pick up, especially on the print side, total expenses will rise, of course, because of the increased cost of paper, printing and postage. But that would be a good problem to have if you get my drift.

Dave Rose - *Citi Investment Research (US) - Analyst*

Just one more question. With regards to publishing advertising revenues, what we've seen to date in Q3 is that ad pages aren't running down as much as slightly below 15% as what you said revenues are. Are you seeing advertisers come back to you and asking for discounted ad pages? Or are you giving up a little bit on ad revenue per page? I know you said for the first half, it was up 1%. Do you see that coming down in the back half the year?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Jack, why don't you speak to what we're doing to ramp up volume and how you see the pricing scenario in the current market place.

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

In 2009, we've instituted a very aggressive share program where our overriding objective in this challenging market place is to take share aggressively from every corner and every competitor. And as you all know, the share numbers lag the financial numbers but in the early goings of the calendar year, we have reason to believe that that is succeeding. If you see in one month of data is not predictable but if you look at the February MIN numbers in pages, the total measured magazines were down about 20% and our major measured magazines were down much less than that. And we believe that's an indication that what we're doing is working. We have a very disciplined and focused senior management team in the advertising space. We have great assets to work with. We have very strong pricing function. We have a no-nonsense culture. And we believe that in this market place, what we're doing now is working. It is not without it's challenges. Many of the major marketers and you've read about this in the press, in the country have stated publicly that they wish to reduce their cost of marketing and advertising. And our team is working diligently and aggressively wherever that occurs to take pieces of volume in the partnership and we have demonstrable results to demonstrate working so far.

Dave Rose - *Citi Investment Research (US) - Analyst*

Ok, thank you very much.

Operator

Our next question comes from the line of Michael Meltz with JPMorgan. Please go ahead.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Thank you. I have about 20 questions but I'll try to keep it to three or four here. On the first question Dave asked, Steve, what should we be expecting from expenses in the second half? You said you were down 3.5% at publishing cash costs in Q2. So, you're saying down a little bit more in Q3 and Q4? Can you just quantify that? And then broadcasting costs. I'm actually more focused on what's the expectation there in the second half? And then I'll have a few follow-ups.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

As I said, Michael, the real trick is on the publishing side is I'm speaking to this basically assuming the revenue kind of assumptions that we have provided. But what I'm saying on the publishing side is our best estimate is the cost would be a couple of points lower than we experienced basically in the first half. And on the broadcast side, the costs are going to be down in the high single digit range. In the second halftime period.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Down high single digit? And that compares to flat in December which political commissions impacted?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Yes.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Okay. Can you talk about the auto pacings information? I'm sorry, the TV pacings for the March quarter? Obviously we all know it is bad, but can you talk about pacings per month and perhaps talk a little bit about other categories beyond auto? What else are you seeing?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

I don't have the pacings by month. We've got them in total by category. We can certainly get that for you, if you would like. As I mentioned before, the real driving force, and I'm going to ask Paul Karpowicz to give you a little color around this, really comes on the automotive side. If you go then to some of the other major categories, home furnishings as an example down more like the group as a whole down around 40%, if you will which is another big category. Professional services down about 30%. And fast food restaurants and that sort of thing down in the high 20s. And then some of the smaller categories actually show some upticks. But Paul, why don't you talk a bit about the timing of how we see automotive booking right now and what you see in the market place.

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

Okay. There's a lot of uncertainty in the market as it relates to automotive. And I think what we're going to see as this quarter develops is that we're going to see orders coming in later and later and later. Anecdotally, I'm in our station in Las Vegas this morning and in meeting with the sales managers, they told me about a request that came in from Jeep Chrysler with a start date of January, 26th. Now, that's just a few days away. And I think it is a reflection of how uncertain this environment is. Where the agency literally just found out yesterday that they're going to be booking something seven days later. So, I hope that we're going to see more and more of that activity as we work our way through the quarter. But I don't want to be overly optimistic. It is just that quite frankly, I don't think these automotive guys really know what's going to happen next.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Ok. And the Comcast retrans deal, I know it was expiring. Can you talk about the impact on numbers on the back half of the year?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

The majority of the impact from a timing point of view is really in our fiscal 2010 because of the timing of the implementation. That was the largest of the contracts to be wrapped up. We still have one remaining and we feel pretty confident, you have the history. If you go back in 2006 and 2007 as an example, that was $5 or $6 million and what we're saying in fiscal 2010, it will be at least $16 million, maybe a little bit more. As we wrap all of these agreements up and get all of the implementation dates lined up, we'll continue to message how we think that revenue will play out.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

At the publishing group, the other expense, other revenues, can you just clarify there, what was the acquisition benefit and then I think you said the reported revenue growth was 9%. But you said Integrated Marketing was up 30%. Licensing was up over 10%. What's the drag there?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

I don't know if I'm exactly tracking with you but let me answer some of the parts and pieces of your question. Yes, Integrated Marketing was up about 30%. As was the licensing activity, the flip side would be the reduction in our retail book activity, down in the mid 20s, but the big change, if you're looking at the other revenue line, on the income statement, it is really growth in licensing and interactive, offset by reductions in the amount of book product we've put out at retail, compared to the prior year period.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

And the acquisitions? What did that add?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

The acquisitions would be a few million dollars difference in revenue, not a big difference on the bottom line in terms of profit.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Okay. Last question, I promise here. Jack, your comment on pricing, you're saying aggressive share program. I think we're kind of backing into a number where yields were down about 2% in the December quarter. Are you saying yields are going to be down a lot more going forward? I know you're not going to market saying that, but what's implied in your guidance?

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

I can tell you that in the early goings of 2009, we're seeing some yield erosion. But I wouldn't characterize it as a big number relative to the earlier quarter number you just talked about. And yield varies with category mix and all of the waiting and we're closing issues early in '09. We only have a couple of issues closed. So, I don't see any pricing information in those early issues that would say it is markedly different than where we've been in the recent months. On the overall pricing front going to market, what we attempt to do when we go for share is be prudent about what we do on pricing but also bundle as many as of our magazines and other assets as we can, our online programs and events. I think we're being successful doing that. So, we're not sitting here signaling that there is a major yield issue that we're seeing in the early numbers.

Michael Meltz - *JPMorgan Securities, Inc. - Analyst*

Okay. Victor just e-mailed me and said I'm asking too many questions. I'll stop it there. Thanks for your time.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Thanks, Michael.

Operator

The next question comes from the line of Edward Atorino with Benchmark. Please go ahead.

Edward Antorino - *Benchmark Capital - Analyst*

Good morning. Back to the auto situation. Sort of shocking numbers, I've never seen any numbers like that before in terms of the pacings and stuff. It was encouraging to hear that maybe there had been a long delay in auto business coming back. Could you sort of give us your thoughts on that. Talk about some of the foreign companies looking at opportunities to gain market share. Is this hole in January sort of a carry-over from the credit crisis and the difficulties in late '08. Now maybe that budgets are being put back together and the auto companies have to sell cars to avoid going out of business and television is still a pretty good way to sell cars. Could flush out what you think is going to happen in the auto side going forward. Secondly --

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Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

It all depends, Ed. Then Paul, I'll ask you to add some color. I think it all depends over what period of time that you're referring to. But for most of us, other than people who live in a major metropolitan area, you basically need a car to get to work. And it may be a different type of a car than we would have purchased historically. But the big, big, big, big declines that we're seeing in the pacings right now are really domestic manufacturer advertising. Twice as weak as import manufacturer if you will.

Edward Antorino - *Benchmark Capital - Analyst*

Yes

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

I think that makes sense based on what we would know. And if you look even at total domestics compared to total import, there is about a 20-point swing with, of course, domestic being worse than import in terms of the pacings that we have on the books at the moment, compared to a year ago. Paul, if you would like to add anything to that. Those are the numbers, Ed.

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

I would add the other thing that we're seeing locally, is there has been a weeding out process as it were, where we have seen some dealers go out of business and literally just shut their doors. However, in the aftermath of that, we've seen adjacent dealerships realizing , that this has now opened up potentially a new market for them. And have come back on the air and have essentially tried to fill that void. And reinforce the message that hey, we're still in business! We're still your Toyota dealership and we're now available or you can find us and we're in this area. So, that's the other off-shoot of the shakeout we've seen through this credit crunch where it really did.

It has become survival of the fittest. We're now seeing those that have survived are starting to step up a little bit, and it has certainly not been overwhelming. We're starting to see on a local level, some of the dealers step up again and say ok, we think we've seen how the market is going to shake out. We're going to jump back

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Edward Antorino - *Benchmark Capital - Analyst*

Could you also talk about online publishing revenues and TV revenues and what were the numbers for cable retrans in the quarter?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Sure. The online activity on the publishing side from a revenue point of view looked a lot like the magazine advertising. On the broadcasting side, it was a bit stronger. It was down but down more like about 15% in the quarter. Those are the interactive advertising revenues that you were asking about. And what was the other part of your question, Ed?

Edward Antorino - *Benchmark Capital - Analyst*

The cable retrans revenues in the quarter.

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

They were about three million in the second quarter.

Edward Antorino - *Benchmark Capital - Analyst*

Okay

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

Which was about double from a year ago.

Edward Antorino - *Benchmark Capital - Analyst*

Yes That's about right. thanks.

Operator

Next question comes from the line of Brian Shipman with Jefferies & Co. Please go ahead.

Brian Shipman - *Jefferies & Co. - Analyst*

Thanks, good morning. Couple of questions. First, on the Walmart business you've been doing. Your guidance in the past has been that you would generate an incremental $12 to $15 million in revenue. Is that base business still doing that well? In other words, has the guidance there changed? And with the new SKUs you're adding to Walmart, where would those numbers go? Or would they be the same with consumers really reigning in spending. Second question on circulation. I guess are you seeing any dampening in renewal levels? Are you having to discount at all to keep people subscribing to your titles at all? If you could talk about that a bit.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

On the Walmart deal, Brian, the numbers that we mentioned when we talked about guidance were really tied very much to the guaranteed minimums that we had agreed to. The program has been in place for about 90 days and it ramps up aggressively into the new calendar year because of the big lawn and garden activity which is really, really important to the spring. So, there has been no change in our expectations regarding the Walmart program for the current year. Those additional 500 SKUs where the program doubles, really come in through calendar '09. So, we'll get certainly a positive benefit in our fiscal 2010. I think it gets back again, as you said to the consumer speaking and having a sense of what that upside opportunity might be. But, there is no change in our thinking about what the program will do certainly in about the first year of its existence. I'll ask Jack to give a little color on circulation but it is really the reason that we tried to provide more information than we normally do about the consumer side of the business because we've been very pleased with the mail that we have dropped and although the newsstands part of the business industry wide is weak, it appears that we have picked up some share and so renewals, direct response rates, all of those indicators, if you will, are really quite strong. And if you think about a subscription to "Better Homes and Gardens," it is a pretty good value. We deliver 12 issues to your door compared with a paperback book, a pizza, whatever else you might do with $20.00. So, I don't know, Jack, if you want to add anything to that.

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

I will add that on our subscription business, we're experiencing now very solid results both in our initial direct mail acquisition and in our renewal efforts. And as we talked to you about many times before, we do prediggous research from a reader's standpoint. What we're seeing in the connection with the consumer is very encouraging. We had a major redesign of "Ladies' Home Journal" effective with February and the reader feedback on that so far is very, very positive. And if you take a big step back, and look at the macro environment, our magazines at Meredith are particularly well-suited to this new mood of the country. As people deal with uncertainty and fear, they're look for things to hang on to and trusted brands and that's what we provide with magazines like "Better Homes and Gardens" and "Parents" and "More" and so forth. And I think the other piece to that is we're not a company predicated on popular culture or celebrity. We have enduring brands that really matter in people's lives, particularly when times get tough. And as tough as things are now in the consumer world, company predicated on popular culture or celebrity. People are spending more time at home, magazines are a pleasure that are affordable. And we think both of those macro circumstances are affecting our business in very positive ways.

Brian Shipman - *Jefferies & Co. - Analyst*

Ok. Thank you.

Operator

Our next question comes from the line of Barry Lucas with Gabelli and Company. Please go ahead.

Barry Lucas - *Gabelli & Company - Analyst*

Thank you and good morning.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Good morning, Barry.

Barry Lucas - *Gabelli & Company - Analyst*

Couple of questions, Steve. It looks like the share repurchase program was curtailed considerably in 'Q2 and probably understandable. Maybe you could talk about priorities for the use of cash, what's important. And how do you deploy that. I've got one or two follow-ups.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Perfect. I'll ask Joe to speak to the cash activity because he's managing it very carefully.

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

Barry, we did significantly curtail the share repurchase. I noticed there was a comment this morning that there may be more purchases than somebody had thought given where we were talking last quarter but most of the purchases in our second quarter actually occurred in October. And so I think you'll see that activity will be extremely limited. The focus is on cash as you said. The levers we're look at are minimizing our Cap Ex spend while making sure we don't do anything that will hurt the business in the long-term. Managing just general working capital inventories and the like. Dividends, we have our annual board meeting coming up at the end of the month. And so we'll be discussing dividends but that's a program we expect to continue to support. Overall, when you look over the next six months, we have payment on our term debt coming due July 1st. And our internal plan is to make that payment out of operating cash flows such that if you look June 30, '08 compared to June 30, '09, our plan is to have net debt down $100 million with that payment.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Is that helpful, Barry?

Barry Lucas - *Gabelli & Company - Analyst*

Yes, it is very helpful. Thank you, Steve. I know that payment is coming up. But maybe you could touch on another item and that is given the difficult that some of your peers are having, whether it is publishing or broadcast, and the strength that Meredith has both on the balance sheet and on an operating basis in terms of generating cash, what do you see out there in M&A land? Is there anything attractive? What would be your preferences if there was something available?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Well, at the moment, I think it is pretty quiet space. I was on with a couple of bankers yesterday along with Joe and I think it is fairly quiet. But we have a pretty disciplined development activity that really goes across and I'll break it four ways for you. We have a target list of national magazine brands that we are very focused on that would be very much in line with the portfolio that we have built up over time. And really focused on areas as it relates to helping women take care of their children, take care of their home and the family's health and well-being. And the companies that own those brands know of our interest and we have active dialogue back and forth between those entities. On the broadcasting side, we also have a target list of properties that would fit in very well and allow us to create some efficiencies in the market place. A simple example would be, we have a very strong CBS affiliate in Phoenix. And if we could have a station in Tucson, you've got all of Arizona covered. We have that list that we work on. On the custom marketing side on integrated marketing where we've been most active in recent years, there are also some new platform areas that we are interested in and we will be having some discussions and teeing some of those activities up at the board meeting later in the month. Joe spoke, too. Also on the interactive side to add to our scale, once again, in the same types of areas where we always played and not in the areas that Jack mentioned that would be maybe more, flash in the pan, sorts of topics. So, you'll see us stay pretty close to our knitting but in those four platforms, we know exactly what we're after and so do the people that own those businesses. That's one of the reasons we want to be aggressive on the debt reduction, to have the maximum amount of drive power available. We think one of our biggest challenges over the next 18 to 24 months will be sorting out where we can invest scarce capital.

Barry Lucas - *Gabelli & Company - Analyst*

Ok. Last question. If I may. For Paul. Since we're seeing the materialization of retrans fees and f got a handle on them into next year, maybe you could talk a l about OMVC and what happened in Vegas and what happened at NATPE and can that an meaningful contributor in 2011, 2012?

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

I definitely think it can be a contributor. Meredith is a member of OMVC and have been supportive of the trials here in Las Vegas. We actually house the van that they used here at the station and we're very helpful in the testing which turned out to be very positive. This is really the development of mobile video. And our ability to transmit our signal or an off-shoot of our signal via mobile devices. We've indicated two OMVC and I think they released it at the CES show that we will probably make our station in Atlanta available as a test market. So that would give us another opportunity to see exactly how much vibrancy there might be in that market place. Whether it is 2011, 2012, I think that's very difficult to try to predict. But for right now, of all of the uses that we've seen for the use of our additional digital spectrum, I'm probably the most excited about the mobile application versus any of the other things that have come to pass so far. We will continue to be very involved in that process and you can see as these tests go forward across the country, some of the markets that they will be in, Meredith will be involved in those trials.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks very much, Paul. If I can ask just one more. February 17, 2009. what's the handicap now. Do you think we're going to go digital or not on February 17?

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

That's a great question. I was in Washington a week ago and at that time, I would have said 90% we were not going to go. 10%, we would go. The fact that the Senate held it off really unexpectedly. I was shocked that that happened because it looked like that had so much momentum that once the Obama transition team had signaled that they wanted a delay, I thought this thing was full speed ahead. It does look like the House is going to back off now and wait to see if Senator Rockefeller can move it through the Senate. If he can, I think then it is a done deal. But we're running out of time! We are coming right down to the last minute, if, in fact, they're going to do a delay. Our preference would be that we just go ahead. I think the broadcasters have done an excellent job in creating awareness and preparing the American public for the fact that this is going to happen. It would certainly be easier for us if it did but obviously we have to comply with what the Congress says.

Barry Lucas - *Gabelli & Company - Analyst*

There has been almost no uproar of any kind out of Hawaii.

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

Not at all. That's a great example where they just went ahead and did it. And in fact, we may, in some markets, if, in fact, the delay is implemented, we may ask to just go ahead and make the transition ourselves. In certain instances.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks very much, Paul.

Operator

Our next question comes from Matt Chesler with Deutsche Bank. Please go ahead.

Matt Chesler - *Deutsche Bank - Analyst*

Good morning. How are you? Good afternoon now. Just wanted to understand better how you're going to get to your stated high single digit cost decline in the broadcasting division. Apart from consolidating functions across the affiliate network, how much can you cut programming costs from here and what percentage of the cost base in the divisions does that represent?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

We can dig out the percentage that is programming but nothing that we have done, Michael. I think this is an important thing to note that we've been, as Joe mentioned earlier, very, very careful on the content creation side. None of the cost reductions have anything to do with programming. And what I was making reference to was really sort of the full year impact of some of the decisions that had already been made and implemented. And on the broadcast side, there are a few levers that can be pulled. But most of it has to do with some of the centralization activities that we're going to be deploying and also some of just the careful expense control measures really across the board. But it's not related to programming.

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

I guess, Matt, it is Joe, one thing that might help you guys model a little bit is that the action that we announced about two weeks ago, the $16 million charge, roughly $6 million of that was write-off of deferred costs and some other assets related to Country Home. $10 million was primarily severance and out-placement. Our expectation is that we would have about a six-month pay back on that charge. As you're looking at our second half, you can expect that we should get that charge back in cost savings. And that will be, as we said, companywide. So, there will be impact on publishing and broadcasting as well as corporate.

Matt Chesler - *Deutsche Bank - Analyst*

Ok. Good. So that's companywide. And then just help me understand the affected employee base stemming from your recent action. If you think about the 250 people and 40 or so probably coming from Country Home and I imagine others from the publishing division and corporate, what percent and how many does that leave on the broadcasting division to be affected. What was the total cost base employee count in that division at the beginning of the year?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Matt, we can dig out those numbers. I can give you kind of the total company numbers. There were about 3500 employees a year ago at this time. We have taken about, not quite, a 10% reduction more or less in head count over a couple of actions. Part of it was the decision to really tighten up in book that I think you remember. And then Country Home would be the next largest decision on the broadcast side, it is important to remember that we're in 12 stations in ten physical locations. So, it is not a huge number of people in any one spot. But that kind of 10% number is basically where it all netted out across each of the segments when all was said and done.

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

I guess I would add in the broadcast stations, again, it is not as if any one segment of -- or any one department in a station was impacted. It was pretty much whether it was sales, technical, news, promotion or the business office. It really just ran the gamut.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Matt, it is a matter of an exercise that the broadcast leadership did where you lay all of these stations out, side by side and station X can run traffic with four people, why do we have five at station Y? And that sort of systematic process.

Matt Chesler - *Deutsche Bank - Analyst*

Steve and Paul, I understand you have very vigilant about cost in that division and you already had a number of programs in early stages. I mean can you give us a sense for the rate of change for your emphasis on those programs as you head back, in the back half of the year?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

When you say rate of change, I'm not sure.

Matt Chesler - *Deutsche Bank - Analyst*

I was understanding that a number of these programs are already underway such as the centralization of functions.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Right. That's correct. Go ahead, Paul.

Paul Karpowicz - *Meredith Corporation - President - Meredith Broadcasting*

Well, yes. Those are very much in process. Those are ongoing. And we're looking right now at exactly how each of those will be implemented. We do have it laid out in a number of phases. And we anticipate getting to phase one very quickly. And then phase two will follow a couple of months behind that and subsequently phase three. So, we do have a plan laid out. We haven't announced it yet. But we have a very clear idea of how that consolidation plan will take place.

Matt Chesler - *Deutsche Bank - Analyst*

Great. In terms of paper, I guess you're expecting the price to be down 7% year-over-year in the third quarter. Can you state in absolute terms, Is it for rounded, what the absolute price is for paper and do you have an expectation for how you see the pricing market trending over the next six months, given the demand environment?

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

What I had said Matt was that paper prices, we expect to be 7% higher in the third quarter of this fiscal year than the prior fiscal year.

Matt Chesler - *Deutsche Bank - Analyst*

Ok.

Joseph Ceryanec - *Meredith Corporation - Chief Financial Officer*

However, we have seen in the first half of our fiscal, we had seen significant increases and we've effectively seen that level off. But quarter over quarter, third and third, we expect to be about 7% higher.

Matt Chesler - *Deutsche Bank - Analyst*

Have you seen the market prices decrease yet or are we at that point in the cycle or are we at a level environment?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

No, no. They're still higher, Matt, than they were. Remember, we got as high at one point as almost 25%. Earlier in the fiscal.

Matt Chesler - *Deutsche Bank - Analyst*

Right. They're still increasing year-over-year but what's the sequential trend look like?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Are you talking about like Q3 over Q2? About 4% less in Q3 than in Q2. Ok?

Matt Chesler - *Deutsche Bank - Analyst*

Can I squeeze one more in here? Can you comment on the recent press coverage of two large wholesalers indicating they're interested in raising their price per copy delivered.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Yes, Matt. We did receive notice from one of our distributors that they would like to make some modifications to our existing terms. We've not received notice from any of the other distributors that we work with and just some background, because we really haven't historically talked much about this. We have contractual agreements in place with all of our distributors that would require us to mutually agree to any amendments that might happen to those arrangements. We do just in the normal course of dealing with newsstands, have those kinds of issues with the distributor and really as we do with all of our newsstand matters, we manage this process through Time-Warner who we hired as our national distributor, if you will. You probably know because you follow the industry for awhile that the whole distribution model, it has been inefficient in some areas for quite a period of time. And obviously as part of any of these processes, we work with Time-Warner and potentially some of our largest retail customers for alternate distribution if that need would arise but we're just not to that point yet.

Operator

Our next question comes from the line of Edward Atorino with Benchmark. Please go ahead.

Edward Antorino - *Benchmark Capital - Analyst*

Hi. You announced Meredith Online Network, this brand name.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Yes.

Edward Antorino - *Benchmark Capital - Analyst*

I understand this is not a portal that allows viewers to go in. It is just of a brand name. Viewers have to go to the individual portals. Have you thought about linking the main megaportal so that people could log on to Meredith online networks and then pick and choose where they go? I know that's technically feasible. Have you thought about doing that?

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Ed, if you step back from it and Jack if you want to add to this, you can, from a consumer point of view, Meredith is not a household consumer brand. And "Better Homes and Gardens" and "Parents" and now Real Girls, those are really the consumer brands. The Meredith network that you're referring to is really scaling all of those assets together from an advertising and marketing point of view. Not really from a consumer connection point of view. If you type in Meredith. com, you get our IR web site. If you get my drift.

Edward Antorino - *Benchmark Capital - Analyst*

Thank you.

Operator

With that, we have no other questions. Please continue.

Stephen Lacy - *Meredith Corporation - Chief Executive Officer and President*

Thank you all for participating today. We are certainly available for follow-on calls if anybody has any other questions. We appreciate your participation.