

MEREDITH CORPORATION
Fourth Quarter 2008 Earnings Conference Call
July 30, 2008

CALL OPERATOR

Thank you, ladies and gentlemen, thank you for standing by. Welcome to the Meredith Corporation Fourth Quarter and Fiscal Year 2008 Earnings Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session; instructions will be given at that time. If you should require assistance during the call, press * then 0. As a reminder, this conference is being recorded. I will now turn the conference over to our host, Director of Investors Relation, Mike Lovell. Please go ahead, sir.

MIKE LOVELL – Meredith Corporation – *Director, Investor Relations*

Hi, good morning, everyone. Before Chief Executive Steve Lacy begins our presentation, 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 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 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 our Web site. A transcript of this call will also be posted to our Web site.

And with that, Steve will begin the presentation.

STEVE LACY – Meredith Corporation – *President and CEO*

Thank you very much, Mike, and good morning, everyone. Today I'll start with a brief financial recap of our fiscal 2008, offer some thoughts on the current state of the media industry and how Meredith is responding, provide more detail on Meredith's operating performance, provide an early fiscal 2009 financial outlook, and then answer any questions that you might have.

Fiscal 2008 earnings per share were \$2.83, including a special charge of 34 cents recorded in the fourth quarter. Excluding the special charge, our earnings per share were \$3.17. Fiscal 2007 earnings per share were \$3.31. Revenues in fiscal 2008 and fiscal 2007 were \$1.6 billion.

Fourth quarter 2008 earnings per share were 41 cents. Excluding the special charge, earnings per share were .76 cents. Fiscal 2007 earnings per share were \$1.05. Revenues in the fourth quarter of fiscal 2008 were \$385 million compared to \$428 million in fiscal 2007.

More details on the special charge related to a repositioning of our book operations and selected reductions in our workforce are provided in the tables accompanying the news release issued today.

Including significant increases in our paper and postage costs, along with the special charge, total company expenses increased just 1 percent in fiscal 2008, reflecting Meredith's ongoing disciplined expense management. Excluding acquisitions and the special charge, total company expenses declined 3 percent in fiscal 2008.

After strong performance in the first half of fiscal 2008, the economic slowdown impacted our full-year performance, most notably in the fourth quarter. We experienced lower advertising demand and a soft retail marketplace, resulting in weaker sales and higher-than-expected returns in our book operation, and higher input costs, particularly paper. These trends are continuing as we begin fiscal 2009, and I'll provide more detail on our early fiscal 2009 financial outlook later in the call.

We continue to believe these current marketplace trends are cyclical in nature and not tied to any structural issues for the industries in which we operate or for Meredith in particular. Data related to consumer media usage and advertising spend continue to support our position. In the just-released Spring 2008 Media Mart Research and Intelligence Report, industrywide, magazines increased their total audience by 2 percent over the prior year. More than two-thirds of measured titles reported increases. At Meredith, we increased our total audience by 4 percent.

These new MRI figures are additional positive data points in a continually increasing consumer connection for Meredith brands. During the past ten years, total readership for Meredith magazines has risen nearly 70 percent, from 80 million to more than 140 million. This increase can be attributed to organic growth, acquisition and launches of new brands.

Meanwhile, industrywide television viewership continues to grow. According to just-released Nielsen data, household television viewership is at an all-time high. The average woman in the important 18 to 54 age demographic now spends more than five hours watching television daily.

Our growing consumer audience is also reflected in Meredith's online properties. Year-over-year, monthly unique visitors to Meredith's consumer Web sites increased almost 60 percent to more than 16 million. Page views grew 16 percent to 155 million, as well. Visitors to our Web sites now view approximately 2.3 million videos every month, compared to 1.1 million a year ago. Additionally, Meredith secured more than 3.3 million online subscriptions in fiscal 2008 compared to 2.8 million in fiscal 2007.

Due to strong brands and growing audiences, both television and consumer magazines continue to maintain their share of industrywide total media spend. Television share of total media spend has increased from 30 percent to more than 32 percent over the last five years,

according to the latest data from Veronis Suhler Stevenson. It's projected to stay in the low thirties into the next decade. Consumer magazines' advertising share has consistently averaged between 6 and 7 percent, and it's forecast to remain in that range into the next decade as well.

While Internet advertising has shown tremendous growth over the last decade, it's come primarily at the expense of newspapers, which have seen their share of media spend drop from nearly 30 percent to a projected 22 percent by 2011.

In the current economic environment, it's important to have great consumer brands, sound growth strategies, and a strong financial foundation. Meredith possesses all of these elements, and they're essential to the success of the three-pronged improvement plan we're currently executing.

Our first major initiative includes special sales incentives and new marketing programs to maximize market share in our core publishing and broadcasting brands. As an example, we recently initiated a Publishing Groupwide challenge to increase the number of in-person sales calls and visits. The goal is to enhance customer service and highlight how Meredith's consumer reach and efficiency can help our clients sell more products. In Broadcasting, we're aggressively calling on nontraditional advertisers and expanding into new sales categories, including the classifieds.

Our second initiative is around aggressive expense management, including tight control of labor and vendor costs, including eliminating approximately 5 percent of existing positions across the organization in fiscal 2008 and pursuing aggressive vendor negotiations, which have achieved approximately \$30 million in cost savings since fiscal 2007, increasing the use of digital photography and our in-house prepress operation, which has already resulted in several million dollars in ongoing savings.

The third initiative includes revenue diversification to accelerate growth of newer revenue streams, many of which are not dependent on traditional advertising.

As an example, in fiscal 2008 we acquired two leading-edge companies, Big Communications and Directive, that further expand the capabilities of Meredith Integrated Marketing. Big Communications is a leader in business-to-business healthcare marketing, and Directive possesses expertise in the highly sought-after field of database marketing.

We expanded our brand licensing activities through a new agreement with Wal-Mart for a line of more than 500 home products across multiple lines that will be available in Wal-Mart stores across the country beginning this fall. We also entered into a licensing agreement with Realogy for a nationwide real estate franchise system that launched earlier this month, and expanded our already successful licensing agreement with Universal Furniture. All three programs leverage the tremendous power and versatility of the Better Homes and Gardens brand.

We invested in new tools and platforms across our forty-plus Web sites, including the launch of the Parents.com super-portal, and enhancements to our television Web sites.

We broadened the reach of Meredith Video Solutions, our in-house video creation unit, by distributing the Better daily lifestyle show. We also created a Parents-branded video on demand channel for Comcast and launched Parents.tv, a broadband video channel.

We renegotiated several transmission agreements for our television stations, increasing fees over 50 percent when compared to the prior year.

These are just a few highlights of our ongoing performance improvement plan. More importantly, as I pointed out a few moments ago, we continue to grow our connection with consumer, be it magazine readers, television viewers or online and video users. We're accomplishing all these activities in a prudent and a profitable fashion. Our ability to aggregate and serve meaningful audiences of consumers is what advertisers seek. It's what enables Meredith to stand apart for those who need to reach American women across multiple media platforms.

Now turning to our operating performance: While overall fiscal 2008 Publishing advertising performance was comparable to the prior year, there was a marked contrast between the first half, when we posted strong 11 percent growth, and weaker results in the second half, particularly in the fourth quarter.

This shift is attributed to the challenge economic climate faced by several companies that operate in our largest advertising categories, including food, prescription and non-prescription drugs, and home. Combined advertising pages in these categories declined more than 20 percent, accounting for about 70 percent of the total fourth quarter advertising page decline. These categories are, of course, staples of the American economy and have consistently outpaced the advertising industry growth rate. We're confident that they'll serve us well over the long term.

We achieved growth in advertising revenue per page in fiscal 2008, including a 3 percent increase in the second half. We were able to maintain our price discipline, thanks to a very detailed and aggressive pricing strategy. It enables us to sell our space for the best price the market will bear for the audience we deliver, and at the same time discourages deep discounting simply to drive page growth.

Turning to circulation, profit contribution and related margin for our subscription activities increased in fiscal 2008 and the fourth quarter. Circulation revenues declined as expected, due primarily to the ongoing transition of *Parents*, *Family Circle* and *Fitness* magazines to the more profitable direct-to-publisher model.

Along with many raw materials, paper prices increased industrywide, and Meredith received three consecutive paper price increases of 6 percent or more during fiscal 2008. The price of coated ground wood, our most common paper stock, increased a total of 20 percent in fiscal 2008, and we received notice of another 5 to 6 percent increase effective August 1.

Softer retail sales and higher-than-expected returns impacted the performance of our retail book operation in fiscal 2008. We have taken a number of steps to strategically reposition our book activity in the current marketplace. These included exiting products such as children's books and noncore authored titles and focusing the scope of our book operation on titles with the

Better Homes and Gardens imprint as well as certain other licensed brands. These steps are expected to improve financial performance in fiscal 2009.

As I mentioned in my introduction, the strength of our brand was demonstrated by new and enhanced licensing agreements in fiscal 2008. Our multi-year contract with Wal-Mart is the largest brand extension in our history and features merchandise in popular home categories such as bedding and throws, bath accessories, dinnerware and kitchen textiles, along with decorative pillows. This is in addition to an existing and recently extended line of outdoor and garden products at Wal-Mart. Approximately 500 SKUs of new merchandise are expected in Wal-Mart stores across the country this fall. Additionally, we just reached an agreement with Wal-Mart for an expansion of the line deeper into bath, bedding and outdoor categories. These additional products will be available a year from now in the fall of 2009.

Our relationship with Wal-Mart is consistent with research detailing the strong overlap between the Wal-Mart shopper and the Better Homes and Gardens consumer. All products are being developed in consort with the Better Homes and Gardens editorial and creative staff and will be part of Wal-Mart's Better line of goods.

On July 1, the Better Homes and Gardens Real Estate Service was launched through a licensing agreement with Realogy Corporation, the owner of such powerful real estate brands as Century 21, Coldwell Banker and ERA. We expect this to be another growing source of revenue and profit over time.

Our Better Homes and Gardens branded line of home furniture with Universal, launched in April of 2007, has proven to be one of the most successful furniture launches in the last 20 years. Sales-to-date are double original projections. This spring, we introduced a fourth collection in the line, American Inspiration, at the High Point Furniture Market in North Carolina. It will be available in stores in August. Also, a new dining room line will launch at the Las Vegas furniture market this month and ship to retailers in the fall.

Meredith Integrated Marketing delivered an outstanding year as revenues rose nearly 50 percent to over \$150 million, and operating profit rose almost 75 percent to \$30 million. Results include increased contribution from three marketing acquisitions over the last two years – Genex, New Media Strategies, and Directive. On a comparable basis, revenues rose 25 percent, and operating profit rose more than 30 percent, due to continued growth of our custom publishing activities and strong performance from online agency O'Grady Meyers that was acquired in 2006.

During the fourth quarter, Meredith Integrated Marketing was chosen by Jenny Craig as its direct marketing agency of record. We'll provide programs that focus on bringing clients to Jenny Craig through strategic marketing support, including direct mail and email marketing. The partnership will combine Jenny Craig's reputation as one of the most trusted brands in weight management with Meredith's unique insights into women, especially in the health and wellness areas.

Earlier in fiscal 2008 Meredith Integrated Marketing won the Kraft Food and Family account, the largest custom marketing contract in the industry. Food and Family is Kraft's

service brand, reaching millions of consumers. Since winning this important account, we've grown our relationship by adding new elements, such as video production, database consulting, brand insert development, and circulation consulting as well.

We're also very excited about our recently announced acquisition of Big Communications. They've developed custom healthcare communications programs for over 20 of the world's leading pharmaceutical, biotech and managed care companies. Its programs are delivered across platforms that include print, digital and mobile, and are aimed at pharmaceutical sales forces, caregivers, medical professionals, and of course patients. Big Communications further enriches our diverse assets and our client offering.

We're now in a position to offer Big's clients Meredith's full array of content expertise, digital assets, and marketing services. Big, Meredith Integrated Marketing, and our 360 selling teams have already made numerous joint sales calls. And the early read is that our combined services are being met with excitement from our clients.

Over the past two years, we have aggressively transformed Meredith Integrated Marketing from principally a custom publisher to a comprehensive marketing services provider. The added capabilities further strengthen our competitive position and relationships with key clients.

Now let's look at our Broadcasting Group, where it was a tale of two halves as well. Nonpolitical advertising revenues increased 4 percent in the first half of the fiscal year. However, a decline in automotive advertising, combined with the economic slowdown, has impacted categories including retail and movies, and led to a 7 percent decline in nonpolitical advertising revenues in the second half of the year.

Fortunately, this decline was partially offset by growing revenues from nontraditional sources, including our unique sales programs, online activities, retransmission fees, and Meredith Video Solutions. Revenues from our branded Cornerstone and market-specific broadcasting sales promotions increased nearly 20 percent in fiscal 2008. Combined, these unique sales programs account for more than \$50 million in revenue in fiscal 2008.

In fiscal 2008, we introduced a new program called Job Connections in our Kansas City market. It takes advantage of the power and reach of our local television stations and their Web sites to help meet the employment recruiting needs of local businesses. The Kansas City pilot was quite successful, and we're now rolling this new program out across the Group, beginning with Atlanta and Las Vegas.

Our Broadcasting Web sites delivered tremendous growth, as well. Year-over-year, monthly unique visitors increased 300 percent, and page views more than doubled. Videos played increased more than 30 percent, and these increased metrics helped fuel online growth in revenue of more than 80 percent.

We also increased retransmission fees from about \$5 million in fiscal '06 to \$8 million in fiscal '08. We have a number of agreements with the larger carriers expiring in December of 2008. We estimate retransmission fees can grow to approximately \$15 million by fiscal 2010.

During my introduction, I also mentioned the growth we're experiencing in Video Solutions. In addition to expansion of the Better Show via syndication, Parents.tv on Comcast VOD has grown in popularity with more than 600,000 videos downloaded in fiscal 2008. Our broadband channels, Better.tv and Parents.tv, are growing as well. Both are now available on Sprint cell phones and have been syndicated to digital network such as Hulu and YouTube to drive traffic.

Turning now to full-company financial metrics, we generated over \$150 million in free cash flow in fiscal 2008. We used this cash to repurchase approximately 3.2 million shares of stock, nearly triple the 1.1 million repurchased in fiscal '07. We invested in our businesses, including acquisitions of Big Communications and Directive, and once again increased our quarterly dividend 16 percent to 21½ cents per share – marking the 61st year of dividend payment and an increase of dividend every year for the last 15 years.

We accomplished these initiatives while maintaining a debt level of \$485 million. Our average cost of funds is now approximately 4.4 percent. Our debt-to-EBITDA ratio is a conservative 1.5:1.

Many of Meredith's largest advertisers continue to face a challenging economic environment; and the resulting advertising weakness, along with increased paper costs, will impact the Company's performance at least through the first half of fiscal 2009.

Currently, fiscal 2009 first quarter Publishing advertising revenues are down in the high teens, compared to the first quarter of fiscal 2008 when Meredith posted 11 percent growth in Publishing advertising revenue.

Broadcasting advertising pacings are currently down in the mid-teens. Meredith expects approximately \$20-25 million dollars in political advertising revenues at its television stations in fiscal 2009, the majority coming in our second fiscal quarter.

Meredith expects fiscal 2009 paper prices will average approximately 25 percent higher than in fiscal 2008. Meredith expects its average tax rate will be approximately 43½ percent in the first quarter and 39½ percent for the full fiscal 2009. Currently, Meredith expects full-year fiscal 2009 earnings per share to be in the \$2.50 to \$3.00 per share range, and first quarter earnings per share to be in the 40- to 45-cent range.

To conclude, Meredith possesses a solid foundation and is well positioned to build shareholder value over time. We have a powerful portfolio of highly profitable media assets and brands. We possess a strong and growing connection with the American consumer, and women in particular. We have a balanced revenue mix, 60 percent from advertising sources and 40 percent from nonadvertising sources. Many of our nonadvertising sources of revenue, including Integrated Marketing and our brand licensing businesses, are positioned for continued rapid growth.

We have a talented and deep management team that is adept at disciplined expense management practices in times of marketplace uncertainty. And we 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. I am confident we will manage through this challenging time and emerge an even stronger and more competitive company.

Now we'd be happy to answer any questions that you might have.

Question and Answer Session

CALL OPERATOR

Thank you. Ladies and gentlemen on the phone if you have a question, please depress * then 1 on your touchtone phone. You will hear a tone indicating you have been placed in queue. You may remove yourself from queue anytime by pressing the # key. If you are using a speakerphone, please pick up the handset before pressing the numbers. Once again, if you have a question, *1 at this time.

Our first question comes from the line of Matt Chesler. Please go ahead.

MATT CHESLER

Good morning. Thanks for taking my call. Just wanted to ask you, drill down into part of your new, three-pronged performance improvement plan. First of all, what was the net per page in the fourth quarter?

STEVE LACY

The improvement, Matt, you're asking in the net per page in the fourth quarter was about 3 percent.

MATT CHESLER

In the fourth quarter it was 3 percent, okay. Just wanted to understand the philosophy in your approach to selling in this environment. Is it your view that you prefer to preserve the, the long-term relationship rather than haggle over a couple points of increase in the rates such that, you know, for the time being, what you might actually see that net per page go, swing in the opposite direction until the environment improves?

STEVE LACY

I don't think, Matt, you will see a radical change in net per page, at least based on what we know about the first quarter of '09. But I would ask Jack to speak to the philosophy and how the pricing mechanism works inside the magazine activity.

JACK GRIFFITH

Sure. There's no question that this is a very difficult environment, and the way that our team operates in an environment like this is to always be focused on listening to the marketplace and being agile with respect to decision-making. If you look back now over a multi-year period, we have at Meredith been able to achieve pricing gains and margin improvement in the magazine business through a very vigilant, detailed planning and analysis activity.

In the current period we are doing everything possible and necessary to continue and maintain that while being sensitive to and responsive to what is a different demand environment and also a level of competitive activity that reflects lower demand overall by advertisers.

So our people and our leadership are very sensitive to changes in the marketplace. There has clearly been one over the past couple of months, and we are modifying our strategies and tactics accordingly – but I stress the word “modify.” And what you will not see, as Steve said, is a marked change in that respect.

MATT CHESLER

A question, if I may, about circulation – Revenues and declines are not unexpected; you've certainly been talking about some of your intentional changes to your circulation strategy, which, you know, result in lower circulation revenue but higher profits. The decline in the quarter was a little bit larger than the trend over the last couple quarters. Is this something that we ought to perceive playing out and continuing for the next couple quarters, or was there anything unusual in, you know, the actions that took place this quarter?

STEVE LACY

The only thing that was unusual was, looking at our newsstand special interest publication business and being careful not to put more product out in the marketplace than we perceived was supported by consumer demand. That's the part of the business that probably behaves most like our book activity, where we've seen weakness. So we are cautious in terms of our publishing plan; and any of the titles that are a bit marginal, especially when advertising is weaker, we pull back in this kind of an environment. And that is a... Really, one of the wonderful things about that business is it's very fluid and we can ramp up and pull back on the quantity of special interest publications that we put in the marketplace.

And all around, Matt, wanting to make sure that any activities that we undertake we've got a pretty high probability of having them be profitable. So in the magazine circulation business, the change in revenue was very consistent with what we would have expected. We saw a little bit less revenue than you might have anticipated really due to the activity I just mentioned.

MATT CHESLER

A question for Paul or anyone or, Steve, if, you know, if Paul is on the line, about TV. I did see the TV guidance and don't want to read too much into that beyond, you know, as relates to Olympics. So I'll just ask the question directly in terms of how are TV sales going compared to the last Summer Olympics in 2004?

STEVE LACY

Paul is on the call. Paul, do you have that information available, or do you want us to dig it out for you on the Olympics? Can you respond to that?

PAUL KARPOWICZ

Yes, I can. We just have the one NBC affiliate in Nashville, so we don't have a large base of information on it. But our Nashville station is tracking slightly behind where they have tracked in prior Olympic years, probably, say, 15 – I think right now we're at like 15 percent behind where we would have been at this point in prior Summer Olympic years.

MATT CHESLER

Thank you, thank you very much.

CALL OPERATOR

Thank you. The next question comes from the line of Michael Meltz. Please go ahead. And, Mr. Meltz, your line is open, sir. The next question comes from the line of Tracy Young. Please go ahead.

TRACY YOUNG

Hi. This is Tracy Young, actually filling in for Michael Meltz. I have two questions for you, related to your expense guidance. Can you give us any guidance on your publishing revenue decline expected for the year or the expense growth assumption that you have? – because the EPS guidance is quite wide. And also can you give us a guide, some guidance on the quarterly tax rate? Is it going to be similar to 2008 where it moves around every quarter?

STEVE LACY

Yes, let me, let me see, Tracy, if I can, if I can help you with that a little bit. The advertising guidance that we gave is for the, the first quarter of the fiscal year. And in the Publishing activity at the moment, we're pacing down in the high teens. And that, it's important to note that the first quarter of our fiscal 2008 a year ago was the strongest quarter in the year, so we got our toughest comps, and we were up about 11 percent.

In, in Broadcasting, we're right now pacing down in the mid-teens. We're anticipating in the year we would have somewhere in the range of \$20-25 million in net political. The majority of that books in the second quarter, and we have booked really very little, a couple million dollars of political, at this point in time in the first fiscal quarter.

The, the tax rate will in fact change, and we will provide information on that at each quarter, and what we have said is that for the first quarter it'll be 45... Hold on a minute. I've got... I said it earlier; I've got to get to the right place here. For the first quarter it'll be 43½ percent, and we anticipate around 39½ percent for the full year, and we'll continue to update that quarterly as we make our quarterly estimates.

TRACY YOUNG

Okay, and can you give any guidance on the expense growth that you're expecting for Publishing?

STEVE LACY

Aside from the paper price increases, which I mentioned would be in our best estimation about 25 percent, year over year I think you'll see us be very, very careful in our expense activities and find really very, very moderate increases, if any, and certainly declines when, when you see advertising performance like we're currently experiencing.

TRACY YOUNG

Okay, and then for Paul – if you could give us any thoughts on TV ad trends and what auto is doing currently?

PAUL KARPOWICZ

Well, auto has been, obviously, the biggest challenge that we've faced this past year. I think we're at a point now where we're starting to see the bottom, quite frankly, relative to where GM and Jeep Chrysler are. You know, they have reduced their budgets significantly, and it's forced us to find other categories to offset that. You know, I guess as I indicated, we see the auto spending down, and we think we have hit the bottom so that we won't be impacted as dramatically by the auto cancelations as we might have been last quarter.

TRACY YOUNG

Okay. Thank you very much.

STEVE LACY

Okay, thank you.

CALL OPERATOR

Thank you. The next question comes from the line of Katrina Fallon. Please go ahead.

CATRINA FALLON

Yes, hi. Thanks for taking the question. What percentage of the total costs in Publishing are paper today?

STEVE LACY

Catrina, as we've talked many times before, the combination of paper and postage and printing is about 40 percent of the cost of running the magazine activity, and paper is about half of that 40 percent.

CATRINA FALLON

Okay, so it is about 20 percent for the paper, okay. And, you know, in the 2000-2001 downturn, the worst quarter that I have on record was a 12 percent decline in publishing revenue after September 11th, and we've seen relatively close to that now. Other than that, most months were down, or most quarters were down closer to 4 to 5 percent. What do you think is different this time in that we haven't seen the same type of cataclysmic event and yet we've still had publishing revenue down in the 11 to 12 percent range? What's different this time, and how long do you expect it to continue in this type of a decline?

STEVE LACY

Well, I think you answered the question by the way, by the way you asked it. I mean, what went on in the 2000 and 2001 time period where we had that one, you know, mid-teens quarter where we were off was really based on an event that was in fact a shock to the system. It was not, in fact, based on any sort of a broad economic set of circumstances or slowdown. And the industry, and Meredith in particular, rebounded very, very quickly.

I'm not an economist or certainly an expert, but I think the current circumstance is very different than that 2000-2001 time period, because there are a number of macro factors that are at play that end up impacting some of our advertising companies and sometimes in the short run, such as the rapid escalation in raw material input costs while they readjust their retail pricing, which I'm sure you've been reading a lot about, especially in the food category. And some of them are more long term when you think about what's going on on the broadcast side where we have a great deal of it tied to historically automotive and a lot of it tied to what goes on in the retail activity and what the consumer is doing and, you know, consumer demand driven.

So I don't really think that the 2000 and 2001 time period is a very good predictor. I wish I were smart enough to project when, you know, when the circumstance was going to level out and improve. But, what we try very hard to do is be extremely transparent on what we do know and what we understand, but we really leave those kind of projections to people who do that for a living.

CATRINA FALLON

Okay, and I guess I was a little surprised to see other revenue down 6 percent. How much of that was due to the book business?

STEVE LACY

The vast majority of that was due to the book business, really partially offset by the nice growth that we continue to have in our integrated marketing activity.

CATRINA FALLON

Okay, so if that's a restructuring then of the book business, should we expect, basically we shouldn't expect the double-digit types of increases that you've expected for the other business going forward – so that, that guidance is changing then?

STEVE LACY

What's that again?

CATRINA FALLON

Well, I guess previously you've talked about mid-teens or double-digit growth in other publishing revenue, and I'm wondering if that is revised now that the book business is seeing such weakness?

STEVE LACY

Well, I don't know that we've ever given particular guidance on that, on that one line item. What I will certainly say is that our best attempt has been to size the book activity to where the revenue that we generate is at the right level and is profitable. And we really focus a lot more on, on the bottom-line activity than we do on the, on the absolute revenue.

And as I think you remember, there are a series of other things in that line, including our custom work and our list rental activity and our licensing business as well. So, you know, the level of guidance that we're providing really, you know, relates to the whole segment. But we're going to continue... You know, we're going to have nice growth in licensing and integrated marketing as we go into the new year.

CATRINA FALLON

I guess just to get to the guidance that you're providing of the \$2.50 to \$3.00, I really need to assume that EBITDA margin on publishing comes down quite a bit, maybe 300 basis points or so. And I'm just wondering if that's mostly due to the decline in circulation, the increase in paper costs, or if there's also a decline in some of the online businesses.

STEVE LACY

Catrina, the only variation in, in the guidance that we're provided really has to do with, you know, broader estimates of advertising performance. Because I think as you remember, our fiscal year really bifurcates the advertising cycle, and we had a barnburner calendar 2007; and of course half of that was in fiscal 2008. We turned a corner into a fiscal 2008 cycle that is weaker;

and really to firm up and tighten up that sort of a range, we need to begin to access calendar 2009 advertising budgets – and that’s really where, where the variation is, is in the core broadcasting revenue and the core magazine activity across the four quarters.

And as I said, we try to be very transparent and helpful, but this is amazingly early in the process, because we’ve closed two issues of the magazines, and we have in fact booked none of the political that we anticipate, and I gave you that sort of a range. And in this kind of environment, as I said, we’re trying to be helpful but also trying to put some ranges out there that we think are reasonable.

CATRINA FALLON

Okay. Thank you so much.

CALL OPERATOR

Thank you. The next question, it’s a follow up from the line of Matt Chesler. Please go ahead.

MATT CHESLER

Another question regarding the paper costs, just to understand that, that you’re looking for prices to increase at 25 percent in fiscal 2008, and my understanding of the increases that you’ve incurred so far – I don’t get quite the 25 percent, based on the November ‘07 increase, the February ‘08 increase, and now this upcoming one here in August.

STEVE LACY

You missed one, Matt – there’s four.

MATT CHESLER

When was that? Okay, that’s probably why.

STEVE LACY

There’s four sixes in a row, basically, just in rough, not exactly, but in rough numbers – and one effective August 1. And so when you put all that together, basically, about 25 percent. And once again, we’ll continue to talk about this. You do recall, Matt, that they reset quarterly; and history would say that after a period of, you know, weak demand (and we’ve got all kinds of charts on this that I think we’ve shown before when we’ve spoken about this publicly) the pricing in about a six-month lag follows a bit. But that remains to be seen. So what we’re talking about is what we know at this point.

MATT CHESLER

Right.

STEVE LACY

So we've got three more quarters, and of course the further out in the year you go, the less a particular quarter impacts the current year but the more important it is to how we look at the year after.

MATT CHESLER

Certainly. And when was that fourth increase that I missed? I'm just trying to get a sense for how the pressure on prices varies as you progress throughout the year.

STEVE LACY

You must have missed the May one.

MATT CHESLER

May, okay. And can you comment on how your online magazine business is performing in this environment? Did online revenue grow? Are we to presume growth this quarter? What's sort of the interplay that happens? You know, as, as the core business trails off, does that have a correspondingly, a corresponding impact on online sales?

STEVE LACY

Yes. I can ask Jack to speak a little bit more to the environment. But what's interesting about our online business (and you might remember, Matt, that that was a business that I ran day-to-day when I first moved into the operating activity), our advertisers have always been the very same clients that we have dealt with in our traditional media. And what is different in the most recent period is, of course, historically we've had really, really, really strong growth, which we had strong growth in the full year, but in the fourth quarter it was basically flat compared to the prior year – and that's both in the sites that are branded with our publishing brands and the sites that are branded in the local market. But although year-over-year when you put all that together, it was way up because of the good strength we had in the early goings of the year. And I don't know, Matt, or Jack, if you'd want to add to that in any way.

JACK GRIFFIN

I would underscore again the fact that our online branded destinations rely on the same mainstay ad categories that our magazines do, so we've seen that weakness. But I would add to that a series of activities on the Web that are, I think, sorting themselves out presently, which is the explosion of social media and advertising networks that are taking dollars at very low CPMs out of digital budgets and finding their way into what's been written about widely as the "long tail." And CPMs in those activities that are very low, and advertisers I think now are starting to scratch their heads, wondering how effective is that.

So in the quarter, as Steve said, our online business was basically flat from a revenue standpoint, traffic was up, and as we look to the new year, we're cautiously optimistic. That business closes much later; we're just still working on July there, so we'll update you next time we talk.

MATT CHESLER

Thanks, Jack. Just, you guys gave the revenue growth for integrated marketing for the year. Can you tell us what it was for the fourth quarter, either on a reported and/or organic basis?

STEVE LACY

Okay. Integrated Marketing was up almost 50 percent in revenue in the fourth quarter and about 35 percent on the profit line in the fourth quarter, and that's in total. And, Matt, I'd have to dig out the comparable; but, you know, the ratios would be pretty darn similar to what we said for the full year.

MATT CHESLER

Okay, appreciate it.

STEVE LACY

Yes, yes, pretty similar.

MATT CHESLER

Okay.

STEVE LACY

Okay, thanks, Matt.

MATT CHESLER

Thank you.

CALL OPERATOR

Next question, it comes from the line of Barry Lucas. Please go ahead.

BARRY LUCAS

Thank you. Good morning, Steve. Couple of quickies if we could. Given what Jack just said on increasing competition in the online space from social networking, maybe you could talk a little bit more about, about market share in general. I was just looking at the Martha Stewart numbers – so within your competitive set, how do you look at the business, and what's happening in share?

STEVE LACY

I'm going to take that in a couple, a couple levels, Matt. If you look at the full industry, the full magazine industry, and you look at the performance for the full year, our share is about the same as it was a year ago. It gained, we gained in the first part of the year, and then in the third quarter we were about flat, and we lost a little bit in the fourth quarter. And there's a lot of dissecting that can be done, you know, in terms of putting competitive titles together, and that data I don't have right here at my fingertips. And, you know, maybe I would just ask Jack, without numbers, to sort of talk about how that is in, you know, a couple of the big areas where we compete, if you would, Jack.

JACK GRIFFIN

So when you think about market share in magazines, it's very important to look at categories. And as we have talked to you before, Meredith over-indexes in a few big categories – food being the largest, the drug category, pharmaceuticals and non-pharmaceuticals, and the home category. So we're basically, relative to the overall industry, over-indexing at about two to one. Both categories were very strong for Meredith in calendar year 2007 and led to share gains and very strong performance for our company during that period.

Now in calendar 2008, those categories are weak. For example, last year in the current period food was up about 30 percent, and now it's down 25-30 percent. So we're experiencing the flip side of the category phenomenon that we experienced in 2007. On the broad-based paging numbers, the share stories are very different '07 to '08.

Notwithstanding that, our strategy is very focused and very vigilant about maximizing the available share in those bellwether categories for Meredith and diversifying our category mix outside of those categories. And our team is vigilantly focused on that, and we maintain, as I said earlier, our emphasis on pricing, which is essential in this kind of cost environment with paper and postage doing what they're doing. And we continue to develop selling models to be responsive to the environment. We continue to talk and execute on cross-platform programs. Our Meredith 360 activity is being emulated across the industry. And we continue to align our structure to be in keeping with what's going on in the marketplace.

We're very focused on share. We are disadvantaged presently by our category rating, but over the long term we think it is a construct that makes for a winning business over an extended period of time.

STEVE LACY

Just once again to summarize that, Barry, I'm looking at some data here now for the full fiscal year, so it's the July through June issues; and our share is basically almost exactly what it was a year ago. But we had gained in the early period, and if you looked at the fourth quarter as a standalone, we gave some of that back.

BARRY LUCAS

Okay.

STEVE LACY

Okay?

BARRY LUCAS

That's helpful, Steve. And in light of the more somber outlook, how would you prioritize the uses of free cash flow, which, you know, probably down a couple million dollars from where it was in FY '08?

STEVE LACY

I think that in the current environment the same, the same mix that we have followed as a strategy, Barry, for a number of years – that over the longer haul (and then I'll speak to the short term), but over the longer haul, we work very hard to find activities that expand our platform, and we would really be hopeful that we could reinvest about half of that free cash flow into those sort of additions to our business.

In the shorter run you will see us continue to be aggressive in the share repurchase activity, and I would anticipate that when we reevaluate our dividend, which is always at the January timeframe, that we would move that up again and kind of balancing off, returning about half of that free cash flow over time to the shareholders through the repurchase and the dividend activity.

We're obviously going to be very, very careful on capital expenditures and do the things that are appropriate but certainly be careful in that part of our expense management activity. And of course that's the other place where some of that free cash flow goes.

BARRY LUCAS

Great, thank you.

STEVE LACY

Thank you.

CALL OPERATOR

Well, the last question in queue, it comes from the line of Tracy Young. Please go ahead.

TRACY YOUNG

Hi. This is a question for Paul, another question – if he could give me any idea of some metrics in the retransmission deals, the number of subscribers in your markets? And are these mostly cable deals coming up in December? Thank you.

STEVE LACY

I think I can help with that because I, I... Tracy, I think I've got some data here. Once again, the majority of our major activities come up at the end of calendar '08, which would be the major cable providers. As a result of that, we will get a half-year benefit of those renegotiations in fiscal '09 and the full benefit and the guidance, you know, that we provided somewhere in the range of \$15 million in next year in fiscal 2010 when we get the full-year benefit.

TRACY YOUNG

Okay, thank you.

CALL OPERATOR

Thank you. We have no further questions at this time. Please continue.

STEVE LACY

All right. Thank you all for participating. We appreciate your ongoing support, and we'll get back to work, so thank you again.

CALL OPERATOR

Thank you, ladies and gentlemen. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.