

MEREDITH CORPORATION
Fourth Quarter 2007 Earnings Conference Call
July 25, 2007

CALL OPERATOR

Ladies and gentlemen, thank you for standing by, and welcome to the Meredith Corporation fourth quarter Earnings Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session with instructions given at that time. If you should require assistance during the call, please press *, then 0. As a reminder, this conference is being recorded. I'd now like to turn the conference over to our host, Mr. Mike Lovell. Please go ahead.

MIKE LOVELL

Good morning and welcome, everyone. I'm Mike Lovell, Director of Investor Relations for Meredith Corporation. Before Chief Executive Officer Steve Lacy begins our presentation this morning, I'll take care of a few housekeeping items.

In our remarks we will include statements that are considered forward-looking within the meaning of federal 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 Meredith's website. A transcript of this call will be posted to our website as well.

With that, Steve will begin our presentation.

STEVE LACY

Thank you very much, Mike, and good morning, everyone. Participating with me today on the call are Chief Financial Officer Suku Radia, Broadcasting Group President Paul Karpowicz, and Publishing Group President Jack Griffin.

I'll start with an overview of our fiscal 2007 performance, provide some comments on the recently completed fourth quarter, and update our current earnings outlook. Then we'll be happy to answer any questions that you may have.

Fiscal 2007 was another strong year for Meredith. Earnings per share rose 16 percent. Advertising revenues grew 6 percent. We generated nearly \$175 million in free cash flow, increased our dividend rate 16 percent, repurchased more than a million shares, and paid down

\$90 million in debt. Our fiscal 2007 performance reflects operational and managerial strengths that have made Meredith one of America's top-performing media companies.

During the year we continued to demonstrate that Meredith is a superior magazine publisher. *Better Homes and Gardens* surged in the second half of fiscal 2007 as initiatives implemented by the new creative and sales leadership took hold. A mid-year redesign was well received by readers and advertisers alike. Second half advertising revenues increased more than 10 percent, and overall fiscal 2007 net revenues per advertising page increased more than 3 percent.

Family Circle thrived under Meredith's ownership, regaining a prominent position in the women's service field. Its advertising revenues increased 18 percent in fiscal 2007.

More continued to be a major creative and financial success. Advertising revenues increased approximately 25 percent for the second consecutive fiscal year. Net revenues per advertising page increased nearly 10 percent, and operating profit nearly doubled. *More* was named "Magazine of the Year" by *Advertising Age*, and to *Ad Week's* Hotlist.

Special interest publications posted a strong year due to product improvements and newsstand efficiencies. Advertising revenues increased more than 10 percent, and operating profit was up significantly.

Turning to circulation, although revenues were down approximately 7 percent, our long-term direct-to-publisher subscription model continued to produce strong profit contribution in fiscal 2007. We've made good progress transitioning the titles purchased two years ago from Gruner + Jahr to a more profitable long-term circulation model. The direct-to-publisher component of the subscription file for these titles is now approximately 55 percent compared to 30 percent when they were acquired.

Meredith's Hispanic business, led by women's lifestyle title, *Siempre Mujer*, increased advertising revenues over 15 percent. While this emerging category still represents a fraction of our overall revenues, we're very encouraged by the strides we're making to reach this growing demographic.

We further expanded our reach to younger women through the acquisition of ReadyMade, an up-and-coming brand with a strong green focus.

We continue to make significant strides in realizing the margin upside at our television stations. We generated a record \$33 million in net political advertising revenue, a 75 percent increase over the prior presidential election cycle. In addition to strong performances by our NBC and CBS affiliates, we benefited from a concerted effort to court political dollars in our FOX markets as well.

In addition to political, local nonpolitical advertising revenues climbed 4 percent, thanks in part to our promotions in conjunction with Meredith's magazine brands. Revenues from these initiatives were up more than 15 percent, while revenues from market-specific promotions increased almost 25 percent.

Meredith Broadcasting has now outpaced overall industry advertising revenue growth for six consecutive years. This reflects well on the strong local news culture we've developed. Additionally, we continue to increase our presence in the morning, which is the fastest-growing time of day in terms of viewers and advertising revenue. In the past year we've launched morning newscasts in Atlanta and Greenville and added an extra hour of morning programming at our second Kansas City station, KSMO.

Meredith Video Solutions, which operates within our Broadcasting Group, launched Better.tv, our first broadband video network. Earlier this month it launched Parents.tv as well. These initiatives and others have resulted in EBITDA margin improvement from 35.8 percent in fiscal 2006 to 37.7 percent in fiscal 2007. We continue to pursue initiatives that strengthen our brands and enhance Meredith's online position as well. We expect these actions will continue to increase traffic and page views while growing advertising revenue and online magazine subscription sales.

Advertising revenues at our publishing sites increased approximately 50 percent during the year. Average monthly unique visitors were over 8 million, and average time spent on the sites increased nearly 15 percent to 11 minutes. Online subscriptions continue to grow at a robust rate. We secured over 2.8 million orders in fiscal 2007, an increase of nearly 40 percent. We relaunched BHG.com, having significant community applications, useful tools, and video anchored by Better.tv. Today the site attracts approximately 5 million unique visitors and averages 75 million page views each month.

We completed work on a new online portal, Parents.com, for our parenthood brand; it launched earlier this month. We purchased three Web-related businesses in fiscal 2007. Two of them, New Media Strategies and Genex, add meaningful new capabilities to our custom marketing business. The third, Healia, is a consumer search engine focused on making health-related searches better and faster. The Healia acquisition advances our strategy of increasing our presence in the women's health and well-being media category.

Our television station sites also experienced strong growth in average monthly page views, up more than 60 percent, and in unique visitors, up nearly 40 percent. Online revenues increased more than 130 percent over the prior year, albeit on a smaller base than our publishing sites. All of our broadcasting station sites were expanded and enhanced during fiscal 2007.

Companywide online revenues accounted for approximately 3.7 percent of Meredith's overall revenues in fiscal 2007, up from 1.7 percent last year. As mentioned at our presentation at the Mid-Year Media Review last month, we've set a goal to generate 10 percent of company revenues from online sources by 2010. We plan to achieve this goal through growth that is both organic and through select acquisitions.

With that review of our fiscal year performance, let's turn to highlights from our fourth fiscal quarter.

In Publishing we benefited from 5 percent growth in advertising revenues, led by strong performance at *More, Better Homes and Gardens*, and *Family Circle*. Strong advertising categories in the quarter included: financial services, household supplies, nonprescription

remedies, toiletries and cosmetics, along with food and beverage. Weaker categories included: consumer electronics and technology, apparel and accessories, pets and home.

The redesign of BHG.com and the recent launch of the *Parents* portal spurred a flurry of business activity for Meredith Interactive Media in the quarter. Home makeovers, BHG.com's new remodeling tool, secured more than a million dollars in incremental revenue for fiscal 2008. Sponsors include Andersen Windows, Sears, along with The Home Depot.

Target, Land Rover, JVC, General Mills, and Proctor & Gamble were category-exclusive sponsors for the launch of Parents.com. We recently agreed to a one-year, multi-million dollar cross-platform media and content licensing partnership with Target that includes advertising expenditures in *Parents* magazine and on Parents.com. Additionally, Target will license customized editorial content for Target.com.

We secured an exclusive, multi-platform contract with Charles Schwab that encompasses advertising on Parents.com and across our parenthood titles.

Meredith Integrated Marketing also had a strong quarter, driven by increased profitability in the core business and contributions from our recent online acquisitions – O'Grady Meyers, Genex, and New Media Strategies.

Noteworthy integrated marketing news included securing business with State Farm Insurance for a magazine customized for State Farm's agents. It will launch in January of 2008.

We distributed the first issue of a business-to-business magazine for DEX Yellow Pages; it's designed to help small business owners be more efficient. It also has a monthly e-newsletter component.

O'Grady Meyers, which we purchased a year ago, continued its expansion into Nestlé's emerging markets, including new business rebuilding Nestlé's Hispanic platform site.

Strong publishing fourth quarter results were partially offset by weakness at Meredith Books. As part of a comprehensive performance improvement initiative, Books is refocusing on its longstanding areas of strengths, including cooking, gardening, remodeling and decorating. Going forward, we'll put less emphasis on children's books and non-core authored titles.

Turning to Broadcasting, in the May 2007 ratings book we continued to strengthen our news position with the key adult demographic 25-54. In particular, ratings and share at our stations grew significantly during our morning newscasts, as I mentioned earlier. Seven of our stations – Atlanta, Phoenix, Portland, Hartford, Nashville, Greenville, and Las Vegas – posted gains in the morning news, with Las Vegas up nearly 70 percent. Many viewers tell us it's their most important newscast of the day.

Broadcasting online revenues more than tripled in the fourth quarter. Monthly unique visitors grew more than 70 percent to 2.6 million, and average monthly page views climbed more than 80 percent to 21 million. These visitors played nearly 4 million video clips while viewing our sites.

Revenues from Cornerstone and other Meredith magazine-branded promotions increased more than 20 percent in the quarter. Advertising revenues from market-specific local promotions increased 30 percent as well.

Now turning to full company financial metrics, our total debt at the end of fiscal 2007 was \$475 million; and our weighted average interest rate was 5 percent. As I noted earlier, we generated nearly \$175 million in free cash flow in fiscal 2007. During the year we returned over \$90 million to our shareholders in share repurchases and dividends. In addition, we reduced debt \$90 million and spent \$43 million on capital expenditures, including \$20 million to build a new broadcasting facility in Hartford, Connecticut.

In the fourth quarter Meredith recorded a restructuring charge of 4 cents per share, attributable to the refocusing of our book operations, as I described a few moments ago.

The Company also recorded a net benefit of 4 cents per share related to discontinued operations including the gain on sale on Meredith's television station in Bend, Oregon, partially offset by a charge related to vacating lease space previously occupied by *Child* magazine. The operations of *Child* and the stations in Bend and Chattanooga, Tennessee, have been reclassified as "discontinued." We're in the process of selling the Chattanooga station.

To help you with your financial modeling, *Child* magazine had revenues of approximately \$25 million in fiscal 2007 and \$32 million in fiscal 2006. The stations in Bend and Chattanooga had revenues of approximately \$4 million in both years. The operating profit for *Child* was nearly breakeven in both years, and the operating loss for both stations was approximately \$700,000 in each year. If you would like quarterly data, please feel free to contact us after the call.

With that review of our business operations, let me turn to our expectations for fiscal 2008 and the first quarter.

Consistent with the outlook presented last month at the Mid-Year Media Review, Meredith expects full-year fiscal 2008 earnings per share to range from \$3.00 to \$3.55. In fiscal 2008 we will be cycling against \$33 million in net political advertising revenues recorded in fiscal 2007 and absorbing an annualized postal rate increase of more than \$13 million. As a result, fiscal 2008 earnings growth is expected to occur primarily in the back half of the year.

Excuse me for just a moment. I want to restate the full-year earnings guidance one more time:

Consistent with the outlook presented last month at the Mid-Year Media Review, Meredith expects full-year fiscal 2008 earnings per share to range from \$3.50 to \$3.55.

Looking at the first quarter of fiscal 2008, publishing advertising revenues are currently up in the mid- to high-single digits, led by our parenthood and women's service field titles. Broadcasting pacings, which are a snapshot in time and change frequently, are currently down in the low- to mid-single digits, due primarily to the absence of nearly \$9 million in net political advertising revenue recorded in the first quarter of fiscal 2007. As a result, Meredith expects

fiscal first quarter earnings per share to approximate 66 cents compared to 62 cents earned in the year-ago quarter.

A number of uncertainties remain that may affect our outlook for results in the full fiscal year and the first quarter. These include overall advertising volatility, the performance of our retail businesses, paper and postal prices.

To conclude this morning, as I reflect on my first year as chief executive officer of Meredith, I'm very pleased we delivered another strong year for our shareholders. We made investments in our core businesses and positioned ourselves for future growth through strategic acquisitions. We made a concerted effort to keep the investment community informed of our initiatives and saw our stock price increase nearly 25 percent during fiscal 2007.

We're keenly aware of the challenges and opportunity ahead as we begin fiscal 2008 and have put initiatives in place designed to maximize profitable revenue growth while controlling costs. We have an excellent team of employees at Meredith who are focused on exceeding the expectations of our consumers, marketers and investors alike. I continue to be impressed with the level of professionalism and talent here at Meredith. It's a true honor to work with this team.

Now we'll be happy to answer any questions that you may have.

Question & Answer Session

CALL OPERATOR

Thank you. Ladies and gentlemen, if you wish to ask a question, please press *, then 1 on your touchtone phone. You will hear a tone indicating you have been placed in queue. You may remove yourself from queue at any time by pressing the # key. If you are using a speakerphone, please pick up the handset before depressing the numbers. Once again, if you have a question to ask, please press *1 at this time. And our first question will come from the line of Barton Crockett with J.P. Morgan. Please go ahead.

BARTON CROCKETT

Okay, great. Thanks a lot. I wanted to ask you a question about your exposure to the housing market. I was wondering if you could give us any sense on how much of your revenues on the advertising or maybe in the other publishing line would be somewhat reasonably tied to that market, whether it's directly through realtors or more indirectly through advertising from people that sell things that people buy when you get a new home, like furniture or books that are maybe sold through Home Depot or Lowe's that would be focused on maybe the home improvement category. That'd be the first question. Thank you.

STEVE LACY

Okay, Barton. I'll start with sort of a high-level response to that, and then I'll ask Jack Griffin to be a little bit more granular on the exposure. First and foremost, the vast majority of our business in the home category really has more to do with remodeling and improvements to the home you already own than really being tied to the new home construction market. So, historically, although we feel the impact of those cycles, it's not the same as, as an example, of being an appliance provider to large quantities of new homes. And what would you add to that, Jack?

JACK GRIFFIN

If you look at the advertising makeup of our portfolio, I think our exposure to the home market overall is somewhat limited. This is in our rate-based titles, to give you a sense of the degree here – and this does not include our special interest publications – but home advertising as a category is less than 10 percent of our total revenue base in a given year. And, as you would remember, that's quite a bit different than it was three or four years ago before we'd taken the steps to expand our magazine portfolio into women's health and fitness and parenting. So on the advertising side, while we are concerned about the home category, the overall exposure is somewhat limited. And when you look at the rest of our business from a newsstand standpoint, I think the same percentages would apply roughly in terms of pure shelter kinds of magazines on our rate-based titles. And, notwithstanding some of the challenges in the home market, our special interest publishing business has been holding up relatively well. And I think that's related to – as Steve was talking about – in terms of our concentration against, more against remodeling and improvements than against building specifically.

BARTON CROCKETT

Okay, so to be clear... I'm sorry.

JACK GRIFFIN

Does that help, Barton?

BARTON CROCKETT

That is helpful, but just to make sure I understood what you were saying there – the mix of sales, like in the special interest titles, even factoring that in, the total newsstand sales you are looking at are less than 10 percent that you think would be directly home related?

JACK GRIFFIN

That is true on the newsstand side, yes, and I think I gave you the advertising numbers.

BARTON CROCKETT

Yeah, and then when you talk about home and advertising, is that mainly what Lacy described in terms of things that you buy for remodeling?

JACK GRIFFIN

If you look at our home advertising base, it tends to be appliances and fixtures like sinks and window treatments, so it is much more related to the remodeling and decorating aspects of home than it is to the construction aspects of home.

BARTON CROCKETT

Okay, great, great. That's very clear; I appreciate that. The other thing I was wondering about is if you could give us some sense about what you are including in the other publishing line that's implicit in your guidance for the first quarter for the year on the EPS side, some sense at least directionally because there's a lot of things that are happening there, and some sound like they're doing well and some, maybe obviously because of therestructuring... Just give us a sense of what you can tell us in terms of what we can think about for the revenue expectation implicit in your guidance on that line.

SUKU RADIA

Barton, that includes the integrated marketing business, the book business and a whole host of smaller items, you know, licensing thing in there, print advantage, things of that nature. And in the prior year... You were asking about revenues, weren't you, Barton?

BARTON CROCKETT

Yeah, just wanted to try and get a sense of – is there a lot of growth or limited growth or decline, just generally baked into your guidance in that line, going into the first quarter in the full year?

SUKU RADIA

In the first quarter part in that overall business there's probably... Keep in mind that you have... In the integrated marketing business you have two online acquisitions which we only had part of the year.

BARTON CROCKETT

Right.

SUKU RADIA

New Media and Genex and Helia, so actually three. So, yeah, there is a certain amount of... There's reasonable growth planned in that, obviously, year over year, not just from the fact that we have those acquisitions for the full year, but we also have growth in the integrated marketing business, the legacy business.

BARTON CROCKETT

Okay, so that would more than offset what was happening in the book business that prompted the restructuring?

SUKU RADIA

Right, uh huh.

BARTON CROCKETT

Okay, all right. I'll leave it there. Thank you very much.

CALL OPERATOR

Thank you, and our next question will go to the line of Paul Ginocchio with Deutsche Bank. Please go ahead.

MATT CHESLER

Good morning, thank you. It's Matt Chesler for Paul. Question is – I know on circulation that to a degree the circ decline is self-inflicted, but it does seem that at least in the quarter that the decline got bigger, not smaller. Can you discuss of any of the declines are due to reduction of draw at the newsstand, titles such as *Family Circle*, or is it really just more opportunity that you're seeing to call some unprofitable circulation?

STEVE LACY

Thanks, Matt. Let me start with that, and then I'll ask Jack to add a little bit more color. From an overall point of view, we continue to see good results in the newsstand sales, especially for our rate-based titles. And a lot of that has to do with improvements that we've made in managing the draw and improving the efficiency, and also some new retail outlets. The majority of the differential that we see period over period has to do with some decisions that were made a year ago to reduce the rate base of a couple of the titles which impact newsstand sales and also the impact of the conversion of the Gruner + Jahr titles to the long-term direct-to-publisher model. I don't know, Jack, if you'd have anything to add to that.

JACK GRIFFIN

The other thing that I would add to that is – over the past 12 to 15 months we have undergone a vigilant effort to manage the draw levels of the magazines that we're selling at retail, and we've engaged our distribution partners and our wholesalers to direct copies distributed to the locations where they sell the best. And that's been a new effort here and has contributed to what we think, relative to the industry, are pretty strong newsstand results. The other part of circulation revenue decline, of course, is the big migration that's taken place with the Gruner + Jahr titles going from the higher-revenue agent sources of circulation to lower revenue but higher margin sources of circulation that are direct-to-publisher that, as I think you all know, are the underpinnings of our circulation business. So there are a number of things going on, but I think you can characterize them all as strategic and directed toward improving margin in the fundamentals of the respective businesses.

MATT CHESLER

Okay, so the direct-to-publisher component of those Gruner + Jahr titles is now 55 percent – how high can we expect that portion of the circulation component to go to, and how long do you think it will take you to get there? And then just to follow up on the draw – has there been a note reducing the draw as positive for profitability at the newsstand? Has there been a decline or larger-than-expected decline in newsstand sales as a result of implementing that initiative?

JACK GRIFFIN

There has not been an impact on sales that we would characterize as negative. In fact, when you get access to the ABC (Auto Bureau of Circulation) publisher's statements that will be released any day now and you look Meredith's rate-based titles in the second quarter of the calendar year of 2007, you're going to see some very nice increases in newsstand sales. Not only have we been very assiduous with directing draw but we've opened a whole new series of channels of distribution for our magazines from Sam's Club to Dollar Tree stores and other direct outlets. So when you see the public data on the ABC statements, I think you'll see actual sale results that are quite encouraging with respect to overall newsstand copy and dollar performance.

STEVE LACY

And, Matt, from an overall point of view, if you would look at the traditional Meredith titles that we've run on the long-term direct-to-publisher model for long many years, we'd be closer to a 70 percent direct-to-publisher sort of a mix. And that's where we would be heading with the Gruner + Jahr titles, and I would say that's probably another 24-month activity from where we are today.

MATT CHESLER

Okay, great. One last question regarding your licensing of your titles internationally – it seems like a great way to extend your brand at low risk and cost to Meredith. Now that you've got 20 of these titles up and running or planned to be published, how big of a business is this growing on an annualized basis? Where do you see it going? I imagine it's not very significant at this point, but where do you see it going?

STEVE LACY

At this point in time, so many of those have just started. We're talking about something that is a few hundred thousand dollars at this point in terms of total revenue. Our belief is, if we roll that out over a three- to five-year period of time, it should be a nice revenue stream, I would think somewhere in the range close to \$5 million in operating profit that would look like the profit results from one of our smaller magazine titles.

MATT CHESLER

Okay. It's generally just sort of all margin?

STEVE LACY

Yes. The revenue and the margin are pretty much the same because we have very little human capital against making those things happen.

MATT CHESLER

Okay. Thank you very much.

STEVE LACY

Okay, Matt. Thank you.

CALL OPERATOR

Thank you, and next we'll go to the line of Michael Meltz with Bear Stearns. Please go ahead.

MICHAEL MELTZ

Great, thank you. I have two quarter questions and two follow-ups. Can you talk a little bit about – what was the acquisition contribution to revenues in the quarter? And also what was G+J EBITDA margin in the quarter?

STEVE LACY

Okay. We're digging around for those numbers at the moment. Did you have a couple more things, Michael, and we'll come back? Oh, Suku's got it. Hold on here. Quicker than I thought he was.

MICHAEL MELTZ

Yeah, he's quick.

SUKU RADIA

Michael, the EBITDA margin on the Gruner + Jahr titles was in the low twenties in the quarter.

MICHAEL MELTZ

Okay. Low twenties for the quarter?

SUKU RADIA

Yes, sir.

STEVE LACY

Yeah, just for the quarter.

SUKU RADIA

Just for the quarter. Keep in mind that there's still a fair amount of amortization in there, so that's why the EBITDA margin is that much higher than the operating profit margin.

MICHAEL MELTZ

Well, that's great. And do you have that M&A contribution?

SUKU RADIA

The M&A contribution, and when you ask for the M&A, are you talking about the online pieces only?

MICHAEL MELTZ

I'm talking about whatever you bought at the publishing group that added versus the prior year.

SUKU RADIA

And that's in the quarter?

MICHAEL MELTZ

Yes.

SUKU RADIA

The M&A contribution was... Just what was acquired in this year – that would be Genex, New Media, ReadyMade and Helia... Oh... quarter but the year. Are you talking about... Do you want me to include O'Grady Meyers, or do you just want me to include what was acquired in the quarter only?

MICHAEL MELTZ

I'm not sure when O'Grady cycled I'm just asking what was incremental this year from those.

STEVE LACY

The noncomparable piece.

SUKU RADIA

All right. The incremental piece was about \$1.3 million before tax.

MICHAEL MELTZ

Okay.

STEVE LACY

That would be the noncomparable piece, Michael.

SUKU RADIA

Yeah, and that would be the number in the border, Michael.

MICHAEL MELTZ

That's pretax EBIT. What were revenues?

SUKU RADIA

The incremental revenues would have been about \$9 million.

MICHAEL MELTZ

Okay, okay. Can you tell us... Implicit in your guidance for 2008, can you talk about margins for the two segments? How shall we be thinking of those? And I'd say, care to quantify versus the 19 percent and 37.7 percent in the full year 2007?

SUKU RADIA

Michael, there will definitely be growth in the publishing segment, and in the operating profit margin for the current year in publishing – sorry, next year, would be about 18.2, 18.3 percent. That will be for the overall publishing segment.

MICHAEL MELTZ

Okay.

SUKU RADIA

The EBITDA margin in Broadcasting would be slightly down.

MICHAEL MELTZ

Okay.

SUKU RADIA

Slightly below 37.

MICHAEL MELTZ

Okay. One follow up three. On capex, do you expect it to come back to the mid-twenties in 2008?

SUKU RADIA

Right. That is correct because we are fully done with the Hartford building. The digital buildout is done. We don't have much in the way of news studios. So we expect capex to be somewhere in that \$30 million dollar range probably because we have some technology-type investments. So it might be 30 to 35 probably, the better number. We'll try and manage that down, but I think realistically that's a better number than the traditional 25 to 30 we provide.

MICHAEL MELTZ

Okay, all right, and last one from me, I promise, here, is – Jack, you mentioned the draw, and I know there's three, there's several of the major distributors have been significantly cutting back their draw that they're, or however, whatever the term is, the titles they're putting out. Can you talk about – if you look out this year or next year, how much cost savings can Meredith generate from just printing less titles? Is there a dollar figure you can give us?

STEVE LACY

I think that the reduction in draw that you were just referencing we have pretty much cycled through. That's gone on over about the last 15 months. And we've been heavily engaged with the wholesalers and our national distributors to manage that process. So I can't give you the exact results for what it's done to the business so far, but it has contributed to an overall improvement in our newsstand contribution performance inside of circulation. But I don't think it's the kind of phenomenon you can expect to see going on indefinitely into the future. We have our draw levels to the levels where we think they're prudent and we think that our wholesalers, and for the most part our retailers, agree. And the efficiency levels of sales are in the neighborhood of what we're comfortable with, and that's our game plan for at least the next year.

MICHAEL MELTZ

Okay, understood. And so are sell-through rates now, are they above industry averages, do you think?

STEVE LACY

It's really hard to generalize about industry averages. I think you really have to look at it by category.

MICHAEL MELTZ

If I said 40 percent or 35 percent?

STEVE LACY

I think most of our magazines are at or above that.

MICHAEL MELTZ

Okay, thank you.

STEVE LACY

Okay.

CALL OPERATOR

Thank you, and next we'll go to the line of Edward Atorino with Benchmark. Please go ahead.

EDWARD ATORINO

Hi, good morning. Two questions. One, could you talk about the future of your book business, since you took a cutback there? And I didn't hear – maybe I missed it – on the performance of the integrated marketing business in the quarter and what you see for the coming year.

STEVE LACY

Okay, Ed. I can quickly take integrated marketing because I did speak to that.

EDWARD ATORINO

I must have missed that. I apologize.

STEVE LACY

No, it's okay. And then I'll ask Jack to speak in a little more detail to the book activity. The core business in integrated marketing – which would be our traditional, more custom publishing business – had a strong quarter; and that was even further bolstered by the acquisitions that Suku was giving some more detail on a few moments ago. And we believe that the marketing services opportunities both online and offline will continue to be a nice growth generator for us in that we have added some capabilities that will in fact allow to take advantage of those marketing opportunities. And, Jack, why don't you speak a little more to the strategy in Book.

JACK GRIFFIN

I think the best way to characterize our book strategy is to talk about it as aligned much more closely with the core content areas that Meredith is known for.

EDWARD ATORINO

Got'cha.

JACK GRIFFIN

Cooking, decorating...

EDWARD ANTORINO

Yup.

JACK GRIFFIN

Do-it-yourself, gardening, home design. And we've taken a number of steps from the standpoint of staffing and direction and marketing and our publishing schedule to get the business aligned in

that direction. And we were engaged in some businesses outside of that core, for example the children's business.

EDWARD ATORINO

Yup.

JACK GRIFFIN

Some author-agent business that I think didn't play to the strengths of Meredith from both a content/creation standpoint and a distribution standpoint. And we have taken it back to the core. We have a focused team that is vigilant about this, and we're optimistic in the coming year that our book business is going to be a solid performer.

EDWARD ATORINO

I think that's a good idea, actually. So you really earned \$1.06 in the quarter if you add that back – right? You had a three-cent charge on top of \$1.03 – right?

JACK GRIFFIN

Well, Ed, it was a four-cent charge.

EDWARD ATORINO

A four-cent charge, whatever, okay. Oh, four-cent charge – I must have done my math wrong.

SUKU RADIA

So we get to the \$1.05.

EDWARD ATORINO

Okay. I must have done...

SUKU RADIA

That's okay. It's on page 11 of the tables.

EDWARD ATORINO

Okay.

STEVE LACY

Go to the tables with the press release and we have it.

SUKU RADIA

You'll see a reconciliation.

STEVE LACY

You'll see a reconciliation there that we wanted to provide everyone to be helpful.

EDWARD ATORINO

Okay. Yup, there is – how about that. Sorry.

STEVE LACY

Okay, thank you. Anything else this morning, Ed?

EDWARD ATORINO

No, no. Fine.

STEVE LACY

Okay. Thanks for your questions.

CALL OPERATOR

Thank you, and next we'll move to the line of Karl Choi with Merrill Lynch. Please go ahead.

KARL CHOI

Hi, good morning. I jumped on a little bit late, so I apologize if you have already covered this. But in your discussions about circulation, any sense you can give us about what you think circulation revenues will actually do in fiscal 2008? Sounds like you're still doing, navigating a migration. Should we be looking for mid-single digit decline? [inaudible]...

SUKU RADIA

Sure, Karl. Probably look at about a decline in the mid-single digits at the most, keeping in mind that the way in which we manage circulation, as we've talked about before, is just basically trying to manage a spread. So when you're done, the contribution margin will continue to be very strong. And as we continue migrating to the direct-to-publisher model, you would expect to see some suppression in revenues. And as we cycle through the rate-base reduction to *Ladies' Home Journal* and *Family Circle*, that's how you get to that mid-single digit decline in revenues. It'll probably be 4 or 5 percent at the most, Karl.

KARL CHOI

And does that include the... I'll follow up with that. As far as the book business is concerned, should we expect any revenue impact from your repositioning, at least in the interim?

STEVE LACY

Yes, yes, you will see some impact, but I don't think it's going to be hugely material in the grand scheme of the \$1.3 billion-dollar publishing business – somewhere in the range probably of \$10-20 million dollars.

KARL CHOI

For the whole year.

STEVE LACY

For the whole year – \$20 million bucks probably would be probably at the higher end of the \$10-20 million-dollar range when all is said and done. And of course a lot of that has to do with how successful we are with a lot of the fall promotions and the business that is playing out.

KARL CHOI

I presume it will be much less on a profitability standpoint since they probably were not the most profitable titles?

STEVE LACY

Yeah, that's correct. And really, you know, that was really kind of the decision at the end of the day. There was a lot. You added all the numbers up, and they didn't add much to the bottom line. And you've got quite a lot of business risk there involved with whether they're going to be successful.

KARL CHOI

And lastly on the TV side can you talk a little bit about the category performance, what you're seeing out there and especially in the auto category?

PAUL KARPOWICZ

Yeah. Obviously, automotive continues to be our largest category; and while in our fiscal fourth automotive was down a bit, we're actually seeing some positive signs from the domestic automotive category. We continue to be encouraged by the foreign automotive. But recently, as we've just seen some buys come in on the domestic side, it's been a more positive picture. Retail continues to look okay. We actually do anticipate a little bit of political in the quarter. We're starting to see a smattering of some political advertisers come in, and there is an expectation that, as the year progresses and we get closer to the primary dates, that that political revenue number will increase. Beyond that, we don't see anything dramatically different. I guess the other category that has been a little soft for us has been the movie category. At some of our FOX

stations it has not been as strong as we would have hoped. But I guess overall the biggest concern, and the thing that we watch the closest, is automotive.

KARL CHOI

Right. Thank you very much.

STEVE LACY

Thanks, Karl.

CALL OPERATOR

If there are any additional questions, please press *, then 1. And we do have a follow up from Barton Crockett with J.P. Morgan. Please go ahead.

BARTON CROCKETT

Just a very quick one: You guys had in your release that your local TV station revenue ex-political, was up 4 percent, I think, for the year. But I was wondering if you'd tell us what the national data – I presume it was weaker, just given the consolidated number there – but if you could tell that, that'd be great.

STEVE LACY

We're digging that out, Barton. Just give us a second.

BARTON CROCKETT

Okay.

SUKU RADIA

For the year, Barton?

BARTON CROCKETT

Yeah, just to match up to the local number...

SUKU RADIA

For the year it was down about 3 percent, national nonpolitical.

BARTON CROCKETT

Okay, all right, great. Thank you.

STEVE LACY

Thanks.

CALL OPERATOR

And at this time there are no additional questions. Please continue.

STEVE LACY

Well, we appreciate everyone's participation today and your continued support of Meredith. And we'll get back to work on fiscal 2008 and the first quarter. Thank you for your support.

CALL OPERATOR

Ladies and gentlemen, this conference will be available for replay after 1:30 PM Central Time today until August 8, 2007, at midnight. You may access the AT&T Executive Playback service at anytime by dialing 1-800-475-6701 and entering the access code 879299. International participants, please dial 1-320-365-3844. Those numbers again are 1-800-475-6701 and 1-320-365-3844, and entering the access code 879299. That does conclude our conference for today. Thank you for your participation and for using the AT&T Executive Teleconference. You may now disconnect.