

**Merrill Lynch Media Fall Review  
Meredith Corporation Presentation  
September 18, 2007**

**KARL CHOI – MERRILL LYNCH**

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I'm very happy to introduce the next presenting company, Meredith. They are a diverse media company with operations in magazine and book publishing, television broadcasting, as well as integrated marketing and interactive media—two areas that the Company has seen a lot of growth in the last year. Meredith actually owns some of the best magazines brands in the industry, including *Better Homes and Gardens*, *Ladies' Home Journal*, *Family Circle*. And we're very pleased to welcome Steve Lacy, Chief Executive Officer, as well as Suku Radio, CFO. Thank you.

**STEVE LACY**

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Well, thank you very much, Karl. It is a pleasure to be here this morning, and we appreciate you taking time to be with us. I'm going to start with a brief overview of the Company taken as a whole and then review the performance of our two operating groups and tell you about a series of initiatives that we have underway to create new revenue streams in addition to our longstanding core businesses.

Then Suku will provide some financial details and an update on our guidance, and we'll be happy to answer any questions that you may have.

The next slide is simply to remind you that the presentation does include certain forward-looking information and to remind you of the factors that could affect our business and its results going forward over time.

The presentation also includes some non-GAAP measures such as EBITDA, and the financial statements and tables to reconcile GAAP to non-GAAP are always posted on our Web site.

Let me begin with a quick overview of the corporation. We've been in existence now for over 105 years. And most people really know us best by our magazine portfolio, and we've produced some of the most widely read publications in the industry. We also own one of the industry's most-recognized brands in *Better Homes and Gardens*.

Meredith has evolved over the years into much more than a traditional magazine or broadcast television company.

In Publishing, our evergreen content really differentiates us from the newspaper and the newsweekly business. We continue distributing our content to the audience in whatever format and whatever media platform they desire.

In Broadcasting our local news focus and our ability to leverage our publishing brands in the local marketplace also distinguishes us from many of our competitors. We're now distributing that news content across multiple platforms from the Internet to cell phones to PDAs.

As a corporation, we have a very large consumer reach. Our 85-million name consumer database is one of the largest in the media industry, and it includes information on 75 percent of the homeowning households in the country.

Our magazines reach 75 million women on a monthly basis. And in particular we have significant expertise in serving Baby Boom women. The acquisitions that we have made in recent years have given Meredith great brands, serving the daughters of Baby Boom women as well. We have also established a leading position serving the rapidly growing Hispanic marketplace.

Our television stations reach about 10 percent of the households in the country, and our Web sites serve 12 million unique visitors on average, which is a really great base to build upon.

Starting back in the mid-1990s we built a strong Internet presence, really complementing both our core publishing and our broadcasting businesses. In 2002, we were averaging about 4 million unique visitors, and as I mentioned a moment ago, it's grown to about 12 million unique on a monthly basis at this point in time.

The Internet is also a great tool for us in terms of generating subscriptions in support of our magazine circulation activity. And Internet subscriptions cost about half as much as those from traditional direct-mail sources. We generated nearly three million orders during our last fiscal year.

As a result of our strong online businesses and brands, our online revenues and profits have been growing at a rapid rate. Operating profit from these businesses rose about 50 percent during our fiscal 2007.

As we look ahead, there are really four key areas of focus for the corporation:

- We're growing our core broadcasting businesses where we continue to focus on increasing margin.
- We're strengthening our publishing businesses and brands.
- And through the recent acquisitions and some new business wins, we're expanding our custom marketing business as well, which is our business-to-business activity inside Meredith.
- We're also expanding our online and video platforms to deliver our content across multiple media platforms.

And I'll provide a little more detail on each of these four initiatives, starting with our broadcasting operation.

Today that footprint extends to 13 over-the-air stations and two digital operations. Ten of our stations are in the country's top 50 markets. According to the latest ratings, our markets grew at an average of 2.8 percent compared to the national average of 1.3 percent. Three of our markets—Las Vegas, Atlanta and Phoenix—are ranked in the top ten in the country in terms of growth.

We recently created Meredith Video Solutions, which I'll discuss in further detail; and it operates out of three locations—New York, Des Moines and Portland, Oregon.

To drive our Broadcasting Group, we are investing in our local news product to grow ratings, focusing on maximizing our sales efforts and monetizing that ratings growth. We are also creating new streams of revenue, including our video operation, to capitalize on the strength of our publishing brands, along with our production expertise in our local broadcasting business. There's a lot of potential on the Web side of our business in broadcasting, and we see that as a growth opportunity as we look to the future.

Expanding and improving our local news product is very important because it drives somewhere in the range of 35 to 45 percent of our station's revenue. We're putting a lot of emphasis on our big three markets—Atlanta, Portland and Phoenix. This slide shows how important the late news is to our revenue growth and how we've monetized those rating gains over the past several years. At our Phoenix station, for example, our ad rates have tripled due to increased ratings and share.

These initiatives and others have helped us capture the margin upside that we frequently discuss as it relates to our broadcasting activity. We have produced strong EBITDA margin improvement in recent years, growing from slightly less than 29 percent in our fiscal 2003 to nearly 38 percent in fiscal 2007.

Our goal is to achieve a 40 percent EBITDA margin, and we think that's possible during the next political cycle. Part of our growth in fiscal 2007 was driven by posting record \$33 million in net political revenue during that time period.

Turning now to some of the nontraditional sources of revenue, our Cornerstone programs in the local market are quite different and unique and really cause us to be separate and distinct from our local competitors. In these activities we repurpose content from our publishing business and include it with on-air schedules for local advertisers.

Beyond these programs, we also see opportunities with retransmission consent fees. They will approximate \$6 million dollars in our current year, our fiscal 2008. Most of that revenue is coming from satellite providers. Our largest retransmission agreements run through December of 2008, when we have the opportunity to renegotiate them.

Another key component to growing our new revenue streams is Meredith Video Solutions, which produces broadcast-quality video and secures its distribution across multiple platforms. It works to include information from our major brands, including *Better Homes and Gardens* and *Parents*.

Better.tv, which is our new broadband channel, draws on content from several brands, including *Better Homes and Gardens*, *Ladies' Home Journal* and *More*. Parents.tv, the broadband channel we recently launched along with our website, is backed by the brand authority of *American Baby*, *Parents*, *Family Circle* and *Child*. Content from both can be found online and on our Better daily television lifestyle show.

Our broadband network is a collaborative activity between our Publishing and our Broadcasting Groups. Publishing contributes the brand, the content and a very deep knowledge of the individual consumer, providing promotional pages in the magazines as well.

Our Interactive Media operation brings traffic, sales and marketing, and technology resources to this new venture. And through Video Solutions, the Broadcasting Group provides its production expertise and video capability.

Both Parents.tv and Better.tv are part of our strategy to reach out to younger consumers, the daughters of the Baby Boom women we've served so successfully, and reach them with our trusted brands as they grow and develop into the future. These new products also, of course, offer our marketing partners a new opportunity to reach this very desirable demographic.

The business model for the broadband network is based clearly on advertising; and advertisers to date are really quite a blue chip list, including P&G, Kraft, GE, Kohler, along with KitchenAid. We're selling 15-second spots, and one spot runs for each three videos that the consumer views.

We're also selling exclusive and non-exclusive partnerships and sponsorships on key channels such as Better Today. For an additional premium, the sponsorship can also include product placement in the video.

And when it comes to the Better television show, we have four ways to monetize and generate revenue: local advertising, sponsorship, product placement and syndication to other groups.

Now let's take a moment and sample a brief promotional video from the Better Daily Lifestyle television program:

*[Video segment plays]*

So today our Better Lifestyle show is airing in the morning across our television station group. We also recently signed a syndication agreement with Journal Broadcasting for Better in its stations in Milwaukee, Green Bay, Wisconsin, and Ft. Myers, Florida. And we think this is a great opportunity to really bring our traditional publishing brands to life and also to syndicate them across the country as time goes on.

So with that review of our broadcasting activities, let's turn to our publishing operation.

Today Meredith is clearly the leading publisher serving women. Our reach of 75 million women each and every month easily surpasses the female reach of Time Inc., Hearst or Condé Nast. From new homeowners to new mothers to affluent empty nesters, we reach the full spectrum of

consumers across a variety of lifestyles. We provide information and inspiration that fuels their key passions in the areas of home, family and health and well-being.

In *Better Homes and Gardens*, *Ladies' Home Journal*, *Family Circle* and *Parents*, we own four of the most recognized brands in the industry. Many of our other titles have tremendous growth potential, especially *More*, *Fitness* and *Siempre Mujer*, our recently launched Hispanic lifestyle magazine.

One of our more recent acquisitions, ReadyMade, in Berkeley, California (and actually I was there yesterday), also has a great opportunity for growth, expanding our reach to younger adults in their twenties and thirties—a very appealing demographic to the advertising community.

The Publishing Group touches consumers and serves advertisers in a variety of ways, and I'm going to focus today on three of our key growth strategies:

First, our magazine business is experiencing a resurgence in reader interest and advertising that quite frankly I haven't seen since the mid-1990s. It's particularly evident today in four of our key brands—*Better Homes and Gardens*, *Family Circle*, *Parents* and *More*.

Second, we're already an established leader in the custom marketing business, and we've added a lot of capabilities in the past 12 months to this activity, and it'll provide another great growth potential for us as we look to the future.

And finally, we're very proud of our online business activity. We've always emphasized our mantra of profitable revenue growth in the online space. And I'll give you some color around our online initiatives across the Company.

Beginning with our magazines, our flagship brand, *Better Homes and Gardens*, has a circulation of 7.6 million and a readership of nearly 40 million women on a monthly basis. It's arguably America's leading magazine, and we've made excellent progress over time in growing and developing that brand.

Since relaunching our recrafted editorial product in early calendar 2007, readership has been up somewhere in the range of 5 to 10 percent on an issue-by-issue basis. On the circulation front, year-to-date renewal rates are up about 5 percent, and comparable newsstand sales are up 8 percent. The relaunched BHG.com is doing well, as is magazine advertising revenue.

*Family Circle* is experiencing tremendous growth as well. We've hired a great sales team and fantastic editorial talent and leadership. The new, cleaner design is proving to be quite a hit. Since buying that property two years ago, we have had great success in applying our more profitable long-term, direct-to-publisher circulation model to the *Family Circle* brand. Today 60 percent of that circulation file is delivered via direct-to-publisher sources, more than double the 30 percent at the time of acquisition two years ago. Ad revenues are up about 16 percent in the first nine months of calendar 2007 compared to the prior year.

Turning to *Parents*, we've strengthened the already-powerful brand since acquiring it in 2005. We have hired a very aggressive sales leadership team and applied our proven circulation

strategies to that brand as well. Additionally, we recently launched an exciting new online property along with the broadband channel Parents.tv. We're seeing about an 11 percent gain in ad revenues so far this calendar year.

*More* magazine, which we launched in 1998, targets sophisticated women over the age of 40. We were the first media company to successfully create a business around this very attractive demographic. We have increased the rate base numerous times since its launch, and we plan to boost it again to 1.2 million in early 2008. We have extended the brand to a variety of events including an annual model search, a marathon, and this past fall it was named Magazine of the Year by *Ad Age*. *More's* ad revenues were up a very strong 22 percent in calendar 2006, and they're up another 28 percent to date in calendar 2007.

So as a whole, advertising revenues are up about 8 percent so far in this calendar year, compared to basically flat performance in the same year-to-date period in calendar 2006. I thought it might also be insightful to show how our advertising category mix has evolved over time, given the acquisitions that we've made to diversify our portfolio.

Here is a look at our top eight ad categories. On the left you can see calendar 2001, which was really the last full year before we acquired the *American Baby* business and began reshaping our magazine portfolio. In 2005 with the addition of the Gruner + Jahr titles, we further strengthened our position in food, pharmaceuticals, cosmetics—reducing our historical dependence on direct response and the home category.

So on the right you can see our calendar 2007 ad mix, which I think clearly illustrates the result of our portfolio diversification strategy.

So with that review of our publishing activity, I'd like to turn to our strategy to grow and expand our custom marketing business.

Meredith Integrated Marketing is the business-to-business arm of the Company. We have a very strong heritage in custom publishing, which we're expanding by adding customer relationship marketing capabilities, focused on increasing the loyalty of our clients' individual consumers, helping our clients boost the amount of products and services their customers purchase, helping our clients find new customers and promoting their brands, and helping these corporate clients with a very measurable return on their marketing investment.

As I will illustrate on coming slides, we have been quickly transforming this business to strengthen our traditional activities and position Meredith to capture new revenue dollars. The benefit to Meredith, beyond strengthening our ties to some of America's largest corporations, is delivering a growing and profitable revenue source not dependent on advertising budgets and dollars.

Meredith has offered custom communication services to corporate clients for over 40 years. We recently were selected to handle the custom publishing work for Kraft Food and Family. This account is comprised of a custom magazine delivered five times a year to ten million consumers. It also includes weekly outbound email marketing as well. This is without question the largest

custom publishing opportunity in the country and maybe in the world, and we'll publish our first issue in the summer of 2008.

Over the last 18 months, in addition to this core custom publishing capability, we have purchased three online marketing companies to significantly broaden the scope of services that we can offer our corporate clients. Two of the three are based here in Los Angeles, and we'll be spending time with our employees from those operations tomorrow morning.

The first company is O'Grady Meyers, which has very great strength in online publishing and marketing, particularly in the ECRM strategy and branding for consumer packaged goods companies such as Nestlé.

Genex adds strength in Web site architecture and application development specifically relevant to clients in the automotive and financial services arena.

And New Media Strategies, our most recent acquisition, is enhancing our capability in the developing category of word-of-mouth and viral marketing. This gives us opportunities across all our clients, and in fact we're using their capabilities for our own businesses as well.

These transactions have brought Meredith meaningful new client relationships, as you can see on the slide, and we've been winning business from our existing clients as well.

As a quick example of the deep services that we can now deliver, here is a snapshot of the work that we do for Nestlé right here in Los Angeles in support of their Very Best Baby brand. We create and drop some 20 million pieces of mail to pregnant and new moms, versioned by age and lifestyle of their baby. O'Grady Meyers creates a complementary Web site to enhance the value of the program and secure special offers for consumers and for other national brands.

We also create content in other platforms, such as videos, DVDs, and drive sampling at retail through promotion. The program is measured based on check redemption, and we've been able to increase redemption rates in the double-digit range over the past several years.

Our ability to deliver best-in-class communication disciplines in an integrated way creates many strategies, synergies and higher returns on investments for our corporate clients such as Nestlé.

With that review of our customer relationship marketing program, let's turn our efforts to our online development. There are really four key strategies driving our Web business today:

- Strengthening our position in our areas of core expertise;
- Using our brands and expertise to expand into new categories that are complementary to our traditional areas of focus, such as women's health and well-being;
- Continuing to develop and execute initiatives to increase the number of visitors to our sites, taking steps to cause repeat business, and applying these initiatives across our portfolio;

- Finally, of course, focusing on strategies to increase revenue and operating profit.

Our flagship site, BHG.com, has been ranked in the top ten online portals in the home and shelter category for quite some time. Earlier this year we took the first step in renewing our strategy by relaunching the site, and we've seen progress across the board.

In fiscal 2007, our last year, we averaged 75 million page views on a monthly basis, compared with 65 million in the prior year. Time spent per visit, which is a new metric that Nielsen has recently adopted, is up about 12 percent. And since the debut of Better.tv, our broadband channel, video streams have increased from 25,000 a month to about 650,000 a month. Ad revenues on BHG.com were up 50 percent in the fourth quarter of our last fiscal year.

In July we launched a new parenthood portal designed to be the leading online destination for moms and parents. New parents are very heavy users of the Web, and Parents.com is really the launch site for all of our online parenting activities, including our broadband channel, Parents.tv.

Advertisers are responding well, and we recently signed a one-year, multimillion-dollar cross platform media and content licensing partnership with Target, which includes advertising spending in *Parents* magazine and on Parents.com. Other sponsors of the launch include Landrover, JVC, General Mills, and Proctor & Gamble.

On the broadcasting side, our goal is to become the local portal of choice in each of the markets where we operate. We've made a lot of enhancements in the last few months, investing in technology, redesign, more dedicated content creators, and online sellers.

The results have been quite encouraging, and our three largest markets are experiencing strong growth in both unique visitors and page views. Additionally, over a million video clips were downloaded across the group over the last 12 months. We were able to convert this success into increased revenue. Online revenues more than doubled over the prior year, although off a smaller base than our publishing sites.

As a result of our activities, revenues and profits are growing across the board. Our revenue is highlighted on the graph on the left side of the slide, indexed to our fiscal 2005. We've grown revenue 50 percent annually and operating profit really at a much more aggressive rate over this time period.

Our stated goal is to have 10 percent of total company revenue coming from online sources by the end of our fiscal 2010.

So with that review of our business operations, I'm going to turn the podium over to Suku Radia, our Chief Financial Officer, for some financial highlights and our guidance. And then we'll be happy to answer any questions that you may have. Thank you.

Thank you, Steve. As you can see from this slide, we continue to produce outstanding earnings growth. Over the past five years, our earnings per share has delivered a compound annual growth rate of 20 percent.

We also have a very strong record of generating free cash flow, and we believe we have used that cash well to grow our business and reward our shareholders. Over the past decade we have generated more than \$1.1 billion of free cash flow, which is defined as net earnings plus depreciation and amortization less CAPEX and excluding any special items. In a typical year, our free cash flow runs at about 115 percent of net earnings.

We have also completed \$1.2 billion in net acquisitions, and we want to continue executing accretive acquisitions similar to *American Baby* and Gruner + Jahr every few years. We also have a strong track record of returning capital to our shareholders through share repurchases and dividends, to which I'll speak in a moment.

Our current debt is at \$460 million, and the average cost is 5 percent. Our debt-to-trailing 12-month EBITDA ratio is 1.3, which provides plenty of opportunity for acquisitions. Our existing debt covenants allow a debt-to-EBITDA ratio of 3.7:1. In the fiscal year ended on June 30 of fiscal 2007 we retired \$90 million of debt.

We have paid dividends for 60 consecutive years and increased our dividend for 13 straight years. Over the last ten years we have increased the dividend at an 11 percent compound annual growth rate. In January we raised our quarterly dividend rate 16 percent, which was on top of a 14 percent increase in the prior fiscal year, and a 17 percent increase in the year before that.

In terms of returning capital to shareholders, we increased our share repurchase activities substantially in recent years, and in fiscal 2007 we repurchased over one million shares. As you are well aware, there has been a fair amount of volatility in the market in recent weeks, and since touching the high-water mark of over \$63.00 on June 5, our shares have been off between 10 and 15 percent. And looking at that from a forward price-to-earnings multiple, we see a significant discount from our average over the past few years. So we have viewed that as a buying opportunity and have acquired almost 900,000 shares in our first fiscal quarter.

And now let me turn to our fiscal 2008 outlook. Since the outlook presented at our July 25 Conference Call, fiscal first quarter publishing revenues have strengthened, as Steve mentioned, while broadcasting revenues have weakened.

Currently, publishing revenues are expected to be up in the low double digits for the first quarter, and broadcast pacings at this time are down in the mid- to high-single digits. As a result, we expect first quarter earnings per share to be approximately \$0.67, up a penny from the earlier guidance provided on our July 25 Conference Call.

In the first quarter of fiscal 2007 we earned \$0.52 per share; and, consistent with the outlook we presented at our July 25 Conference Call, we expect full fiscal 2008 earnings to range from \$3.50 to \$3.55 per share. Keep in mind that in fiscal 2008 we are cycling against \$33 million of net

political advertising revenues and are absorbing an annual postal increase which translates into more than \$13 million in this fiscal year.

As a consequence of all of that, fiscal 2008 earnings growth is expected to occur primarily in the back half of the year. And as outlined in the Safe Harbor statement, I want to remind you that a number of uncertainties still remain that can affect our results.

That concludes my portion, and we'll be happy to take some questions.

## **Question & Answer Session**

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KARL CHOI

Okay. I'll kick off the session here. One is, I wonder if you can size the retransmission opportunity. You mentioned you expect to generate \$6 million in revenues. How much further can you go in a couple years once you start renewing the retrans agreements with the MSOs?

And second, I wonder if you can talk also about the, what you think the odds are for another postage rate increase early 2008.

STEVE LACY

I'll take the comment on postal, or the question, Karl's question on postal. And then I'll ask Suku to speak to the retransmission activity. I just spent a day last week, a full day, with the Direct Marketing Association—and I have served on that board for quite a period of time—and that includes all the big catalog mailers and the like.

There are really two things that can happen, at least the way we understand it at this point. The Postal Service may try to push through another rate increase under the old guidelines, which would result in a pretty substantial increase in rates for magazine catalogers and the like. The other option, should rules under the new arrangement be approved, by the end of this calendar year there would be more or less a cost-of-living increase, which would probably happen sort of in the April or May time period.

And, Karl, I think it's up in the air a bit which direction this is going to go. Obviously, the mailing community is working aggressively with Potter and the Postal Service to try and get those rules written and agreed to so that we would go to the new cost-of-living increase mechanism for the next rate increase as opposed to fighting another major postal rate increase in the early calendar 2008 time period.

And I'll ask Suku to speak to retransmission opportunities for us down the road.

SUKU RADIA

In fiscal 2007 we had approximately \$5 million in retrans consent fees, mostly from satellite. And as Steve indicated, this year we've had a few agreements come on board, so it's going to be about \$6 million or slightly above \$6 million in this fiscal year. As Steve also pointed out, the biggest of the agreements don't come up for renewal until the end of calendar 2008. And given our fiscal year, the first full 12-month period when we will feel the effect of all of that will be our fiscal 2010. And at this stage I expect that number to range from about \$15 to \$17 million dollars. So I mean on the high end it could triple from where it might be this year; that would be the high end.

#### QUESTION

Could you just give us some color on what you're seeing so far in political advertising? There's been some talk that some of that spending might shift into 2007 calendar year versus 2008. And then just give us kind of an update on where you stand in regards to the broadcast operations in regards to digital transition for 2009.

#### STEVE LACY

Sure. We really have seen at this point in time very little political advertising in the local market. Do you have a sense, Suku, of how many dollars have been booked up to this point?

#### SUKU RADIA

[inaudible]

#### STEVE LACY

About a million dollars in the latest booking. We had our monthly operating meeting with the broadcast leadership last week, I guess Friday, yeah, Friday afternoon. Yeah, a little bit over a million at this point in time. I think there are a number of places where it really could pop, but the timing and the dollar amount for that are really pretty difficult to determine at this point in time.

And as it relates to the digital transmission, you know, quite a period of time ago we made all the investments necessary for digital pass-through of the signal. We are now in the process, over probably the next three-to-five-year period of time of actually adding capability to create our own production activities in digital from our largest markets to our smaller. But as it relates to our ongoing capital and the way there would be modeling as it relates to CAPEX, I don't think there's going to be a significant change as a result of that, because over quite a period of time all the equipment we've been buying has been digital equipment; and it will really be more or less part of our ongoing replacement program, which results in capital for the Company in the range of...?

#### SUKU RADIA

About 30 to 32. In any given year we try to manage it down to about \$30 million, and typically, you know, with some technology investments—I'm not just talking about broadcast; I'm talking

enterprise-wide—we'll try to manage that down to about \$30 million. However, if you were to take a look at us in fiscal 2007, we were at about \$43 million; and that was only because we had to build a station facility in Hartford. We won't have any other station facilities that need to be built out, nothing in the way of news expansion that would result in a new news studio or anything. So just adding inflation, you know, we used to say that CAPEX was about \$25 to \$30 million, and I would probably tell you it's probably in the \$30 to \$32 million range at our run rate. In other rates, a full digital build-out, the initial pieces have all been taken care of.

QUESTION

[inaudible]

STEVE LACY

Yes.

QUESTION

Are you currently offering HD in those three markets too?

STEVE LACY

Oh, yeah, yeah.

QUESTION

Okay.

KARL CHOI

Great. I think we're running short of time, so thank you very much.