

MEREDITH CORPORATION  
Bear Stearns – 18<sup>th</sup> Annual Media Conference  
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## INTRODUCTION

Next up will be Meredith Corp., [sic, Corporation] a diversified media company with magazine and broadcasting properties. Presenting will be President and COO Steve Lacy, Chief Financial Officer, Suku Radia, and Director of IR, Jim Jacobson. Before we get started, I need to tell you that Meredith is currently, or during the past 12 months, has been a noninvestment banking client of Bear Stearns, and Bear Stearns or one of its affiliates has received compensation from Meredith in the past 12 months. With that, Steve, please go on ahead.

## STEVE LACY

Great. Thank you very much, Michael, and it's certainly a pleasure to be here with you today. As Michael mentioned, to my right is Suku Radia, our Chief Financial Officer, and we'll have a brief presentation for those of you who don't know much about Meredith, and have really been asked to reserve most of the time for Q&A. So we'll look forward to that as well.

On the next slide is our little safe-harbor language, which I won't go through, like Michael's. Just to state that we will use some non-GAAP references during the discussion today, primarily EBITDA as it relates to our broadcasting business, and there are tables on our website that reconcile all the financial information.

For those of you who might not be as familiar with the Meredith Corporation, we've really served the needs of the American household, American families now for 103 years, primarily through service journalism. Each month we reach out to about 75 million American consumers, and we do that through our magazine business, books, the custom publishing that we create on behalf of our marketing partners, our web sites and our television stations that we own and operate.

We continue to focus around three primary business strategies. First and foremost, we're committed to continuing our strong track record of organic growth through the existing businesses that we own and operate, and that's our primary concern each and every day.

Secondarily, we will target and focus on certain key acquisitions to really fill in the gaps that we have in both of our portfolios and to expand our reach. In each case, I promise you that these transactions will have very apparent business logic; they'll be manageable in size, and they'll either be immediately, or soon after closing, accretive to the financial results of either business. The *American Baby* transaction is probably our best example of that in Publishing, and that's about two years ago now, along with the acquisition of the WB affiliates in Chattanooga and Kansas City, and that reflects execution of this strategy in our broadcasting business as well.

Third, we'll continue to grow and focus on increasing shareholder value and return excess cash to the shareholders either through dividends or our share repurchase arrangement. I think most of you know that in January our board increased the Meredith dividend by 17 percent

and authorized an additional two million shares of stock as part of our ongoing repurchase program.

A bit of history here—we've produced really strong financial results in recent years. Fiscal 2003 earnings per share grew by 35 percent and 24 percent then in fiscal 2004 to a record \$2.00 a share. On our late January conference call when we released our results for the first half, we indicated that, to the best of our estimates, fiscal 2005 earnings per share will approximate \$2.50 a share, and that would equate to a 28 percent compound annual growth rate over the time period shown on this slide.

As I mentioned a few moments ago, we will continue to focus on delivering strong financial results. Our longer-term objectives for both of our businesses include a 40 percent EBITDA margin in our Broadcasting Group, and that group has really improved significantly in recent years from 23 percent in our fiscal 2002 to 32 percent last year in our fiscal 2004; and we're making good progress in the current fiscal year as well.

Publishing has a target of 20 percent operating profit margin. We improved from 16 percent in 2002 to 18 percent last year in fiscal 2004, and I've got a high level of confidence that we'll achieve and exceed the 20 percent objective over time. We believe that earnings per share should grow in sort of the low double-digit range in nonpolitical years and in the mid-to-high teens in political years as well.

Obviously, at this point in time, we recognize the value of our shares and we've been aggressively in the market in our share repurchase program. This slide shows the forward PE and EBITDA multiple of our stock at the beginning of March for each of the last four years. Currently we're trading at the lowest multiple on both of those measures.

To date in our fiscal 2005 we've repurchased about a million and a half shares, and that compares with 750,000 shares that we purchased during all of fiscal 2004, really the whole 12-month period that ended with last June 30<sup>th</sup>.

So with that quick overview on the company taken as a whole, let's move to the publishing business where we've really focused around strong service journalism for over a hundred years now. Today we publish under 18 subscription magazines led by *Better Homes and Gardens* and *Ladies' Home Journal*. Our mid-size magazines, some of those you see here on the slide, include *MORE*, *Country Home*, *Traditional Home* and *Midwest Living*. The American Baby Group really extends our reach to younger women and gave us a toehold into the Hispanic marketplace that I'll talk more about in just a few moments.

We also have a lineup of 150 special interest publications sold primarily at retail, 350 books in print, and custom publishing and marketing relationships with some of the great companies in America, including The Home Depot, DIRECTV and Chrysler, to name just a few. We also have a significant Internet presence where we sell advertising and, most importantly, sell subscriptions to our magazines. And that's really the reason for our focus around that part of our business.

From a growth strategy in the publishing business, we continue to focus on increasing and growing the businesses that we own and operate today, and that's by increasing our advertising market share, expanding categories and growing rate base and frequency, and that's primarily in our mid-size magazines, along with our ongoing effort to continue to have very high-quality circulation and grow circulation profits year over year. We'll broaden our magazine portfolio, as I said a few minutes ago, and that's either through acquisitions or launches, expand and develop our brand franchises, and create new services and revenue streams over time.

Once again, for those of you not quite as familiar with Meredith, we are a very, very strong leader in the women's service field, and this slide shows PIB data for the combined market share of both *Better Homes and Gardens* and *Ladies' Home Journal*. And we've increased that share about a point a year each year over the last decade.

As we've talked about on a number of occasions, we really are focused on broadening our portfolio to reach out to younger women and the rapidly growing Hispanic marketplace. According to recent Census Bureau information, one in every five new homeowners over the next decade will in fact be a Hispanic family. And that market currently represents spending or buying power of about \$600 billion, and that is expected to grow to about \$1 trillion by the year 2010.

We recently announced the launch of a new business to serve the Hispanic marketplace, and this will essentially be divided into two broad initiatives. First of all, we will be launching this fall, in the fall of 2005, a lifestyle magazine focused on Hispanic women. It'll be bimonthly with an initial rate base of about 350,000.

In addition to our own database marketing activities and our newsstand distribution, we're working together in extending our marketing alliance with Home Interiors and Gifts to help grow the circulation of this new magazine property. The Home Interior sales force has a very, very strong presence in the Southwest and about 30,000 Hispanic sellers around that business activity. This Hispanic selling group for Home Interiors will in fact help us sell subscriptions to the magazine to their Hispanic customers.

The second broad initiative around Meredith's Hispanic ventures will be creating a marketing services business that really helps leverage our existing expertise in integrated marketing, in custom publishing, and in database marketing, to focus on the Hispanic population and help our major marketing partners reach out in either a one-to-one or a one-to-many marketing approach.

Procter & Gamble has, in fact, recently engaged Meredith to focus against their Hispanic initiative, and that's really the first segment that we're supporting for them as part of this new activity. We're very confident that our core competencies in the area of home building, remodeling and décor, family advice and child-rearing will be extremely relevant to the Hispanic woman and that this new business venture will in fact over time be a powerful growth vehicle for Meredith as we look to the future.

In addition to our magazine business, we operate a very aggressive marketing services business that generates revenue from sources other than traditional advertising. In the first half of

our fiscal 2005, revenues from sources other than advertising or circulation represented about 26 percent of the total Publishing Group revenues, and that's up from 24 percent a year ago in our fiscal 2004.

Inside of our integrated marketing business, we create loyalty programs, and we've really been having excellent results, both in fiscal 2004 and in the first half of 2005. Some of these major programs include the monthly programming guide for DIRECTV that you can see here on the slide, along with loyalty programs for Chrysler, Dodge and Jeep, Nestlé and Carnival Cruise Lines, to name just a few.

In addition, we're leveraging our consumer marketing expertise and database marketing expertise to help our customers reach out to the individual consumer.

For Hyundai we're providing not only our traditional loyalty programs, we're also hosting the Hyundai database on Meredith's technology. We expect to be able to add new clients to take advantage of that capability as we look to the future.

Our book business shipped about 650,000 copies of the 75<sup>th</sup> Edition that you see there on the slide, during the Christmas selling season and during the first half of our fiscal 2005. We've recently signed new licensing agreements with Discovery Communications, with Marvel Enterprises and DC Comics that will allow us to continue to strengthen the pipeline of new books that we bring to retail through our very broad distribution network.

In closing out on the publishing business before we turn to broadcasting, our book and integrated marketing businesses have really performed very well over the last two years, and I believe that they'll continue to grow and develop over time, and that lessens our dependence on magazine advertising as we look to the future.

Once again, for those of you not quite as familiar with Meredith, we own and operate six CBS affiliates, four FOX stations, an NBC, a UPN and a WB affiliate. Eight of these stations are located in the country's top 35 markets, and Las Vegas, which is in fact market 51, operates as market 28 in terms of advertising revenue for broadcast television. In total, our group reaches about 10 percent of the TV households across the country. We also have an AM radio station in Bay City, Michigan, and we operate KSMO, which is the WB affiliate in Kansas City, through a joint sales agreement that we just put in place in November of 2004.

Paul Karpowicz was recently named the new president of the Meredith Broadcasting Group. He's a very, very highly respected 30-year veteran of the television business and most recently operated the 23 LIN stations in 14 markets across the country, and he was with LIN for about 15 years. He has very, very strong and proven experience in creation of a wonderful news product in the local market and monetizing that and taking a disproportionate share of revenue as it relates to the news ratings. He's got an extensive background not only in news but also in programming, sales and in broadcasting transactions. And we really look forward to Paul's leadership in taking our broadcasting business to the next level.

There's really four major themes that we focus on as it relates to our growth strategies, and I don't see any change in these as we look to the relative near term. We're continuing the

turnaround of our existing station group by increasing our news ratings and focusing very aggressively on converting those rating into increased revenue and profit growth. We'll continue to create new revenue streams in this business as well, focus on duopolies and regional clusters as they're available, and acquiring additional stations to fill out our portfolio and expand our reach. These targeted acquisition strategies are very well in position, and, as I said a moment ago, I believe we'll continue to focus very successfully around these strategies and grow our business as we look to the future.

Increasing our news ratings has been a very big part of our recent success. This slide really highlights our audience share for late news, and this compares the November 2004 book to where we were in November of 2001 in our eight largest markets. As you can see, we really produced impressive gains across the board.

In addition to that, our CBS affiliate in Kansas City posted really a tremendous book in November. Its Monday through Friday late news led the market for the first time since 1991. It was one of the highest-rated late newscasts of all CBS affiliates across the country in that particular book. The station also produced very strong results in all of the other major newscasts, including morning, noon, late afternoon and also early evening. And KCTV led in sign-on to sign-off ratings as well in the marketplace.

We're really creating what I believe is a strong and winning news culture and news products that seem to be resonating very well in the market, and we look forward to continuing to build on that as we look to the future.

Obviously, increasing ratings are only important if we're able to convert those ratings to revenue gains. I think we've done an impressive job on the topline as well. This graph compares our spot advertising revenue growth with the industry average as reported by TVB over the past two years. We've continued that strong performance as recent as January 2005 where our revenue growth was in the mid single-digit range, which is substantially better than the companies that at least I've seen report their results for that particular month.

Adding new and nontraditional revenue streams is also an important part of the turnaround success that we're experiencing in our broadcast business. Our Cornerstone programs, where we leverage our publishing brands, really create a wonderful differentiating factor for us in the local marketplace. We leverage those brands by packaging content from our magazines, along with print ads for local advertisers and customize mini-magazines that are delivered to targeted markets in the local DMA.

Revenues from these Cornerstone programs and other market-specific promotions and Internet sales have really increased significantly from about \$3 million back in 2001 to approximately \$22 million in our fiscal 2004. In fiscal 2005 we expect these to generate somewhere in the range of \$25 to \$30 million by the time the fiscal year ends on June 30<sup>th</sup>.

With that brief overview of both of our business segments, I wanted to take just a moment and call out the outlook that we talked about on our January conference call. And then, of course, we'd be happy to take any of your questions.

As I think everybody is aware, the FASB recently finalized its option expensing standard, and, consistent with earlier remarks that we have made, we are an early adopter of that particular standard, in the second quarter of our fiscal year, and actually the time period ended, December 31 of 2004. So for all of our fiscal 2005, we stated earlier that option expense would reduce our earnings per share by approximately 14 cents a share. Given that accounting adjustment, we anticipate option adjusted earnings per share to be around \$2.50 for our fiscal 2005.

In the third quarter, we stated earlier that broadcasting pacings, which of course are a snapshot in time, were running up in the low single-digit range. We expect publishing operating profit to grow in kind of the mid-to-high single-digit range and publishing advertising revenue to be down in the low single-digit range. And all of that is our third quarter outlook.

Expensing options will reduce earnings per share by about 4 cents in each of the third quarter and the fourth quarter of fiscal 2005. Once again, given that accounting adjustment, we anticipate earnings per share to be in the range of 67 to 69 cents a share in our third fiscal quarter, obviously, the period ending March 31, 2005.

So with that, Michael, I'll turn it back to you, and we'd be happy... And Suku will be involved in answering any questions that anybody might have.

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## Q&A Session

Q Just to clarify a statement you made at the outset, the targets for the two segments in terms of profitability, those have been targets you've had for a few years. Are those still '06 targets? You had referred to them as long-term targets. I just want to clarify.

Lacy The targets certainly in Publishing, I believe, is '06. I think for Broadcasting it's probably an 18- to 30-month target, the 40 percent.

Q So is that F '07?

Lacy Probably F '07.

Q And would you expect improvement in Broadcasting in F '06, though?

Lacy Yes, I would. We've got about \$19 million, Suku, in political advertising?

Radia Right

Lacy \$19 million in political advertising, and we did a very good job two years ago in replacing every dollar of that and actually even showing some revenue gain. And I believe we will see progress on the bottom line in terms of EBITDA even in '06. But we've got, you know, a good hurdle to overcome, and, you know, I think that's a good challenge for us and we're focused on it.

Q Can you also...

Radia One point of clarification – as you take a look at those targets, keep in mind that when we at first articulated those targets, it was before anything was even out about option expensing. We expense options at the group level, so as Steve just mentioned these targets, so the targets that you just saw from Steve, are after the option expense – just need to keep that in mind.

Q Can you speak a little bit about magazine ad trends? Have you seen any improved visibility over the past month?

Lacy The ad trends that we see... I'll just go back and give a little history of that. Always as you begin a new calendar year – and if you think about magazines that come into your home, the January issues are really quite thin. Part of that, of course, is the post-Christmas retail selling cycle, and part of it is the challenge of getting the advertising budgets released and getting the new year started. My sense is that as an industry it has taken us a little bit longer to get things going in calendar 2005 than we had experienced historically. We still see very, very strong volatility issue to issue, and obviously we'll have a lot more information when we release our results at the end of April. But my sense is, anecdotally, more than anything else, that it's strengthening a bit right now.

Q From within the past month?

Lacy Yes.

Q Thank you.

Q I think you have benefited in publishing from the problems of competitors, so I just kind of wanted to get an update on what you thought about Martha Stewart getting out of jail and...

Lacy Well, I'm happy for Martha Stewart to get out of jail. No. There's two big things that happened in the business if you go back over about a 30-month period. First of all, you had the demise of the *Rosie's/McCall* magazine, and we did obviously benefit from that, and I think to a lesser extent we benefited as well from Martha but not as much – because we're such a dominant player in the women's service field. When we lose one entire competitor, I think we benefited on the circulation side and on advertising. I think it's almost important to remember that, you know, Martha's persona was really a little bigger than her business was. At her peak the rate base of *Martha Stewart Living* was two and a half million. You know, *Better Homes and Gardens* is 7.6 million. And *Martha Stewart Living* is down now to, I think, to a 1.9 million. Part of that has to do with real weakness at newsstand, but part of it also was, you know, they just lowered the rate base. I think that she will come back in a very strong fashion, and I think that that business will be quite viable as we look to the future. And when I used to be asked this question, I would always say, "Well, it really depends on whether the American consumer walks away from Martha and quits buying her sheets and towels at Kmart and quits buying the magazine. And by and large, they didn't. So, you know, she'll be back. And what that

means is that, you know, they'll just take some dollars off the table. It doesn't mean that the advertising pie gets bigger. But it's not a tremendously huge issue for us all to deal with. And it really affects all of us that have women's magazines. Did that help? Kevin.

Q Please, I was just wondering if you could comment on the integrated marketing and book business that you've done a great job in recent years of growing organically. Have you ever had a chance to look at acquisitions in that business, or would you consider acquisitions and kind of grow that into a natural third operating line?

Lacy Yeah, and we really do think... I'm just going to go back for a second here. We really do think of our publishing business actually in three pretty good-size chunks. One is the traditional consumer magazine that we own and operate, and then we've got this major retail business, which includes our books and our special interest publications, and then we've got this marketing services activity. In the book business, Kevin, we have looked at several different acquisition opportunities that have come along. Unfortunately, the ones that we've seen had licensed properties inside, and we had some problems with securing that license for the longer term. But absolutely we would be interested, especially if it was, you know, primarily a consumer retail-based business, because that's really what we bring to the party. Absent our ability to do that, we've gone out and licensed in other brands that we publish under – The Home Depot's brand, all the work that we do for HGTV, which is an interesting bedfellow for us to be with. But you know, we produce all their books, and they're quite successful, because we've got the editorial expertise, but more importantly we've got the retail distribution channel where we can deliver the product. We do all the Ortho books. And so that's been a better way for us to grow that business, is to license in other brands other than to try and make acquisitions.

In the marketing services area, what we're really doing is pushing our footprint out to take on new products and services beyond traditional loyalty magazines. And I think the Hyundai example is the best example where not only are we doing the loyalty magazine, we're doing all the e-marketing and the traditional direct mail marketing. We're doing their dealer communication program, and we're also housing their database on our technology. And that's the kind of activity that we're trying to replicate – where we take the marketing dollars, which are spread out over maybe five or six vendors, and we try and get a larger share of that business.

The other good thing – and I really appreciate you bringing this up, Kevin – is that those programs tend to be very sacred within the companies. They don't tend to be canceled or shaved when there's a weak quarter and need to pull back on advertising. And it has been a very good growth business for us, and we continue to focus there. And I think you're going to see us put some additional resources against that in the near term.

Q One of the other smaller group broadcasters is trying to get paid by the cable companies for their local broadcast, and at least one other one is dreaming about it, I think. Are you getting paid, first of all, by the satellite companies? And do you have any prospects of getting paid by the cable companies?

Lacy Only today, Jerry, in a couple markets, and it's not anything material. It is one of the major initiatives that we talk about significantly. I can't really tell you today that we've got the right lever to pull to make, you know, really all that happen. And it's really kind of a market-by-market issue for us. But I think there is possibly some opportunity down the road and possibly an opportunity as it relates to creating a second channel in certain markets that might be a 7/24 news or that sort of thing and really partnering up with the cable operator. But it's not a meaningful part of what we do today.

Q Quick question on, couple of questions on the broadcast side. One, you mentioned as far as – and you've talked about this for a while now – as far as getting the margins up to 40 percent as a goal. Could you sort of touch on, 'cause you seem to have more confidence as far as the timeframe of when that may take place – could you sort of talk about maybe is that mainly coming from a programming cost standpoint, where those levels are to get the margins up? Also on the broadcasting side, you're in a position where you have [inaudible] to get exposure. Could you maybe talk about maybe some of the benefits as far as the ratings and things that are taking place there? And finally on the news side of things, especially late news, could you maybe sort of talk about the benefits or lack of benefits as far as the lead in and ratings and what that's doing for you on your newsroom?

Lacy Sure. Well, we have been about for a number of years now, trying to get better control of our destiny by creating more news and putting our investments there and being very, very tight and careful about the programming that we buy. There was a period of time, if you go back probably 36 or maybe 40 months now, that we were overbought in a number of our markets, and we made some bad decisions on programming. And I think we've got a very, very well-defined approach to that, and I think we've done a better job. It's not a huge part of what has caused our performance to improve, but it has allowed us to re-invest some of that money into expansion of local news work. At least in my view, we're in better control of our own destiny over some period of time. But the real reason that we have been able to show the improvements in the bottom line have been much more around the growth in the ratings of the late news and the ability to monetize news in general in the local market. Clearly, we have been a beneficiary in the recent past, of CBS prime, and certainly that helps us a great deal at our tremendous station that we own in Hartford certainly has been a beneficiary and for our activities in Kansas City and also in Phoenix where we've shown tremendous improvement. Obviously, in the recent past, very recent past, FOX has not been helping us significantly in that regard. And we just have the one NBC station in Nashville, which is such a powerhouse, but, you know, we tend to sort of ride through the ratings there because it's really, you know, a dominant station in that particular market.

I will tell you, though, that we still lose audience in every one of our CBS stations between prime and transition to late evening news. So we've still got some work to do and still got some upside there as well, as it relates to our own product and the audience. But, you know, the future, I think, has a lot more to do with our own news expansion and our own ratings than it does with basically anything else that can go on. We talk about network comp, the lack of network comp, all those other things. Really being the number one or the number two station in the local market has a lot to do with being *Better Homes*

*and Gardens* compared with *Rosie's McCall* in the women's service field. You know, you get the lion's share of the revenue, and when the budgets get cut, you're more protected. And that has to be our strategy.

Q Are you completely done on your digital build-out?

Radia Yes, we are completely done with that, absolutely.

Lacy Yeah.

Radia Just adding a couple of points to your earlier question on the cost side as we look out. Steve mentioned that we've been a lot more intelligent about buying programming, and as I take a look at the rest of the cost structure, it's probably a low to mid single-digit increase type of environment. And on the news, at one time FOX didn't really have any news. I can recall a time when we did as a group, about 90 hours a week of news, and now we're at about 235 to 240 hours. So the news build-out is complete also, and of course we continue to improve the ratings. You know, in some markets we still have some work left.

Lacy That's the good news, that we still have some work left.

Q [inaudible] LIN Broadcast is an extraordinary group. To hire Paul Karpowicz, you've really got a combination of a man who is known for being honorable and brilliant, great operator. I'm just speaking for, you know, our investments, which we know... [inaudible] speak so well for you guys [inaudible] to hire him. Great hire.

Lacy Yeah, well, I really appreciate you saying that. And I really firmly believe this, and it's been a great opportunity for me since the first of November to have these 14 general managers working directly for me. I think what we really need at this point in time – and I think Paul brings it – not only the high ethics and the great reputation, which will help us recruit the kind of talent, but we need very consistent execution against these strategies. And that's what he does. And I've been... We're doing a series. This is his third week, and I'm going to Atlanta as soon as we finish here, and we're going to meet with five station groups there. I've watched how he operates, and he's got a formula, and a series of metrics that he looks at and, you know, tells them, "Do your thing." So I feel really good about it. I really appreciate your remark.

Q One last question—Can you talk about the circulation issues in the magazine industry and how that has affected you?

Lacy You know, it is really a frustrating and disappointing situation because all of you who are in the selling business know that the buyer is always looking for an excuse not to buy. And it has caused us as an industry to spend time on an issue that doesn't affect all of us. Certainly in our case, as we've stated many, many times, our circulation numbers are absolutely squeaky clean, and our rate bases are quite secure with what we've focused against for a long, long period of time, which is a long-term direct-to-publisher strategy. The real issues have to do with either inappropriately reporting trends in newsstand or

agent sources of circulation where there are problems with those agents. And that's not been our circulation strategy, and so those are not our issues. I think there are some in the industry that are taking the opportunity to clean up some other weak sources that they might have, and that's probably okay for us all, longer term. But we don't have any issues like that to deal with.

Q [inaudible]

Lacy You keep telling me to stop. Is it okay to answer this?

Q [inaudible]

Lacy Well, obviously, you know, I can't speak on behalf of the Meredith family, although I do have a lot of day-to-day association with them. And I don't see any change, at least in behavior, as it relates to their long-term support of the business. They never put pressure on us for dividends or for anything else. They understand the business really well and are very supportive of our growth initiatives. I certainly haven't seen any change in them.

All right. Thank you all for being here. I really appreciate the comments.