

MEREDITH CORPORATION
Third Quarter Fiscal 2005 Earnings Conference Call
April 26, 2005

CALL OPERATOR

Ladies and gentlemen, thank you for standing by. Welcome to the Meredith Corporation Conference Call. At this time, all lines are in a listen-only mode. Later we will conduct a question and answer session, and the instructions will be given at that time. If you should require assistance during today's call, press *, then 0 on your touchtone phone. As a reminder, today's call is being recorded. I would now like to turn the conference over to our host, Jim Jacobson, Director of Investor Relations. Please go ahead.

JIM JACOBSON

Thank you, Jeannine, and good morning, everyone. I'm Jim Jacobson, Director of Investor Relations for Meredith. Bill Kerr, Chairman and Chief Executive Officer, will start today with an overview of the third quarter of fiscal 2005. Steve Lacy, President and Chief Operating Officer, will follow with a review of our two business groups and will discuss our outlook. At the conclusion of the call, Bill, Steve, Chief Financial Officer Suku Radia, Publishing Group President Jack Griffin, and Broadcasting Group President Paul Karpowicz will respond to your questions. We will refer to non-GAAP measures that, in conjunction with GAAP results, provide additional analytical tools to understand our core operations. Tables that reconcile GAAP results and non-GAAP measures have been posted to our web site. A transcript of this call will also be posted to our web site.

In our remarks today 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 the risk factors 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.

One last note. We expect to file our 10-Q for the third quarter today, and we encourage all investors to review our SEC filings. Now, Bill will begin the presentation.

BILL KERR

Thank you, Jim, and good morning, everyone. I'd like to welcome you to our conference call to discuss our third quarter results. I trust you have had a chance to review the press release issued this morning. I'll start with an overview of our performance in the quarter in the first nine months of fiscal 2005. Next, Steve will update you on both of our business groups and provide our outlook for the remainder of the year. And then the management team will respond to your questions.

We delivered the best third quarter operating profit in our 103-year history. Earnings per share increased 15 percent to 69 cents per share, total revenues grew 2 percent to \$305.5 million. Let me share a few highlights.

In broadcasting, operating profit increased 14 percent, and EBITDA rose 12 percent. EBITDA margin increased more than 3 percentage points, and revenues grew 1 percent. The Broadcasting Group also grew non-political revenues and benefited from our recently acquired stations as well as from rating gains at our existing stations.

In publishing, operating profit grew 6 percent on a 2 percent gain in revenues. Operating profit margin increased nearly 1 percentage point. This performance reflected profit growth from our circulation activities, along with our book and integrated marketing operations, partially offset by lower advertising revenues.

Both of our business groups produced strong results in the first nine months of fiscal 2005 as well. Broadcasting grew operating profit 43 percent and improved EBITDA margin more than 5 percentage points. Total revenues grew 12 percent fueled by \$18.7 million in net non-political advertising, and we grew non-political advertising revenues 4 percent.

The Publishing Group increased operating profit 11 percent and improved operating profit margin one and a half percentage points on a 2 percent increase in revenues.

I particularly want to welcome Paul Karpowicz to the call today. This is the first earnings call with Paul as the new President of our Broadcasting Group. He joined us in mid-February and has hit the ground running. As we have said before, we are excited to have such a strong addition to our management team. As you grow to know Paul better, I know you will agree.

I am pleased to report that our magazine advertising is strengthening. We expect publishing advertising revenues to increase in the mid-single digits on a percentage basis in the fourth quarter. In particular, we are seeing broad-based advertising strength across our magazines.

In summary, our third quarter performance contributed to strong financial results in the first nine months of fiscal 2005. The year-to-date earnings and earnings per share increased 30 percent before the cumulative effect of a change in accounting principle related to stock option expensing. Total revenues rose 4 percent, and total advertising revenues grew 5 percent. We are on track to produce record results for fiscal 2005. And with that, I will turn the call over to Steve.

STEVE LACY

Thank you very much, Bill, and good morning, everyone. I'll start my comments this morning with broadcasting, which continued to produce strong results in our third quarter. Operating profit grew 14 percent, and EBITDA rose by 12 percent. We increased EBITDA margin to 31.7 percent, and that's up from 28.6 percent in the year-ago period. Total revenues increased 1 percent to \$69.8 million.

While not all broadcasters have yet reported, our revenue performance appears to be at or near the top of the industry for this particular time period. We grew non-political advertising revenues by 4 percent in the quarter. Our revenue growth reflects the benefit of our new stations in both Chattanooga and Kansas City, which partially offset the absence of political advertising and the shift of the Super Bowl from CBS to FOX. In 2004 the Super Bowl aired on our six CBS stations, which are generally in larger markets. This year the game was aired on FOX, and we have four FOX affiliates, which are, generally speaking, in mid-size markets. Overall Broadcasting Group expenses declined by 2 percent in this time period.

For the nine months, Broadcasting posted strong financial results as well. Operating profit grew 43 percent, and EBITDA increased by 32 percent. We increased Broadcasting's EBITDA margin to 34.3 percent from 29 percent in the year-ago period. Total revenues increased 12 percent to \$233 million. In the first nine months our results included \$18.7 million in net political advertising revenues, and that compares with \$2.5 million in the prior year. Non-political revenues grew 4 percent in the first nine-month period.

Those of you who may be more familiar with Meredith Broadcasting know that improving our news ratings and audience share is central to continued growth of our group. We continued to improve ratings and audience share for news at most of our stations in the most recent February ratings book. In particular, we delivered strong gains in Phoenix, Portland, Hartford, Nashville and Kansas City. I'd like to share a few highlights for the key adult demographic 25 to 54.

At KPHO, our CBS affiliate in Phoenix, we increased audience share for the late news by 14 percent. Its 6 to 7 A.M. news grew share by 75 percent, and share in its new 6:30 P.M. newscast tripled. KPTV, our FOX affiliate in Portland, grew audience share for all of its morning newscasts, and its late news was number two in the marketplace. WFSB, our CBS affiliate in Hartford and the perennial market leader, posted a 14 percent gain in its late news and strong ratings gains in its morning newscasts across the board. WSMV, our strong NBC station in Nashville, increased audience share for all of its newscasts. And KCTV, our CBS affiliate in Kansas City, continued to be the fastest-growing news station in the market. Its late news share grew by 42 percent, and the station posted strong share gains for most of its other newscasts.

In the third quarter, combined revenues for our Cornerstones, Internet sales and market-specific promotions increased to \$9.5 million. For the nine-month period, we generated approximately \$28 million in revenue from these programs. With our unique Cornerstone programs, we leverage our publishing brands and create proprietary advertising packages for local market advertisers. We're pleased with our Broadcasting Group's third quarter and nine-month performance. We'll continue to execute our growth strategies and key initiatives, increasing ratings, converting those gains to revenue growth, and generating operating efficiencies over time.

Turning our attention to publishing, the Meredith Publishing Group grew operating profit 6 percent on a 2 percent gain in revenue in the third quarter. The group improved its operating profit margin to 23.3 percent, up from 22.4 percent in the year-ago period. We also posted strong results for the first nine months of fiscal 2005 as well. Operating profit grew 11 percent on a 2

percent gain in revenue. Operating profit margin increased to nearly 18 percent, and that's up from 16.5 percent in the year-ago nine-month period.

Consistent with our previous guidance, publishing advertising revenues declined 3 percent in the third quarter. These results reflected the sale of fewer advertising pages at most of our titles, which was partially offset by higher advertising revenue per page in our mid-size magazines.

Better Homes and Gardens and *Ladies' Home Journal* increased their combined share of advertising revenues in the women's service field more than one percentage point to 45 percent for the 12 months ended with the March 2005 issues, according to Publishers Information Bureau.

More magazine continued to generate strong results in the quarter and build brand presence through major sponsored consumer events, such as the recent *More* Marathon. In September 2005, we'll increase the rate base of *More* magazine to 1.1 million.

I'm also pleased to report that our newsstand titles, particularly our special interest publications, have performed well in the quarter and throughout fiscal 2005. These magazines build and expand on our core competencies in building and remodeling, decorating, food and entertaining, and gardening and outdoor living.

We also increased circulation contribution in the quarter as a result of improved newsstand sales and continued execution against our long-term, direct-to-publisher circulation model, which continues to produce meaningful contribution and distinguish us in the magazine and publishing marketplace.

The American Baby Group, which we acquired in December 2002, continues to prove to be an excellent fit within our existing Publishing Group. It extends our reach to younger women and adds approximately 1.2 million new names to our consumer database each year. The group provides us a foothold in serving the rapidly growing Hispanic marketplace. This morning I'll share two examples that demonstrate our expertise in providing custom marketing and sampling programs for Hispanic customers.

For Johnson & Johnson, the American Baby Group is producing a bilingual sampling program that includes a magazine, product literature, coupons and product samples for 15 J&J brands. Between March and October approximately 850,000 units of the publication will be distributed at Hispanic celebrations such as Cinco de Mayo and at retail through Wal-Mart stores.

For McDonalds we're producing a mini-publication that addresses child obesity, a growing problem among Hispanic youth. The custom publication includes editorial and educational content on the dangers of obesity, and also healthy nutrition advice. It will run in *Healthy Kids en Español* throughout the year for a total of about 2 million unit circulation and distribution.

In addition, we'll leverage the American Baby Group's expertise in serving Hispanic consumers as we build Meredith Hispanic ventures. We believe that by establishing an early presence in this rapidly growing marketplace, we'll produce strong results in future years.

Our book and integrated marketing operations have also grown rapidly in recent years, reducing our dependence on magazine advertising and circulation. Meredith books delivered higher profit on lower revenue in the third quarter. This performance reflected fewer large book releases, along with lower book returns compared to the prior-year period.

In the fourth quarter, we'll be expanding our presence in the children's book marketplace, with titles related to several upcoming movies. In particular, books for Warner Brothers' *Batman Begins*, Marvel's *Fantastic Four*, and the Dream Works' animated film, *Madagascar*, are expected to be top sellers in this time period.

Meredith Integrated Marketing delivered an exceptional quarter with significant revenue and profit growth. Larger programs included established activities for DIRECTV, Chrysler and Publix, as well as newer programs for Nestlé, Century 21, Creative Memories and Hyundai. I'm also pleased to report that we recently won additional business from Hyundai. Meredith Integrated Marketing was awarded a multi-year contract to manage a significant portion of Hyundai's acquisition efforts. So in addition to our established customer loyalty, dealer communication and database programs that we provide currently, we'll now be responsible for developing print and online customer acquisition programs for Hyundai as well.

I think the Hyundai relationship is an excellent example of our ability to extend our service offering and help our corporate clients execute against their marketing strategies.

With that review of the performance of our two operating groups in the third quarter and the first nine months of fiscal 2005, let's turn to our expectations for the fourth quarter and the full fiscal year.

For the fourth quarter of fiscal 2005, publishing advertising revenue is expected to increase in the mid-single digits. And broadcasting pacings, which are a snapshot in time and change frequently, are currently up in the low single digits compared to the prior year. We expect earnings per share to approximate 83 cents in the fourth quarter, representing a 15 percent increase over the 72 cents we delivered in the prior-year quarter. These results include investment spending in publishing to launch Meredith's Hispanic ventures, incremental direct mail investment, and a mid-teens increase in paper prices on a percentage basis compared with the prior-year fourth quarter results.

We anticipate earnings per share will approximate \$2.50 for all of fiscal 2005, representing a 25 percent increase over the \$2.00 a share we earned in fiscal 2004.

Now, I'll turn the program back to Bill for some final comments. Then we'll be happy to take your questions.

BILL KERR

Thank you, Steve. Before we take your questions, I do want to share a few additional remarks. We are clearly on track to deliver record results in fiscal 2005, despite the volatility in the advertising environment. We have great people, great products and a well-developed business model with multiple products and services.

In today's world of media fragmentation, consumers are controlling when, how and through what medium they receive advertising and promotion. In response to these demands, we have developed products and services that reach target audiences efficiently and effectively. Our custom publishing, database management, interactive media, integrated marketing, cross-platform programs, along with traditional national and local advertising, are an incredibly powerful combination. This model distinguishes us from our competitors and diversifies our revenue streams beyond traditional advertising.

In closing, let me simply reiterate that both of our business groups are performing well, and we look forward to sharing more information at the Mid-Year Media Review on June 21st. And now we'll be very happy to take your questions. Operator, we're ready for the questions.

Question and Answer Session

OPERATOR

Thank you. Ladies and gentlemen, if you would like to ask a question at this time, press *, then 1 on your touchtone phone. You will hear a tone indicating that you've been placed in cue, and you may remove yourself from that cue at any time by pressing the pound (#) key. Again, if you would like to ask a question, press *, then 1 at this time. Our first question is from the line of Barton Crockett with JP Morgan. Please go ahead.

BARTON CROCKETT

Okay, good. Thank you very much. I wanted to ask you a question about the outlook for the advertising growth in publishing, where you were talking about 5 percent up for the quarter. I guess what I was wondering is that seems a little bit conservative if you look at the May issue ad page data from Media Week, which is a source that shows *Better Homes and Gardens* up 8 percent and *Ladies' Home Journal* up 17 percent. I was wondering if you could give us a little bit of color in terms of what's baked into your 5 percent growth in terms of pages and if you could also give us a little bit of color in terms of the June issue dates, which will be hitting the newsstand shortly. Thank you.

BILL KERR

Sure. I'll turn that over to Steve, and maybe Jack Griffin will want to speak too. But, Steve, you want to start it?

STEVE LACY

Yeah. Let me give you some numbers, and then I'm going to ask Jack to just give us his feel for the overall advertising marketplace. The April on sales were up in the low double digits. May on sales is more an increase in the low single digits compared to the prior year, and we really have not closed out the June on sales data yet. So that's why we said sort of a mid-single digit range, because we're making an estimate on those final issues in the quarter. But we did have very, very strong issues for the first month of the quarter. The second two months look more like a low single-digit increase rather than a low double-digit increase at this point. Jack, you want to add a little color to what you see going on in advertising at the moment compared with the last couple quarters?

JACK GRIFFIN

Sure, as Steve mentioned, in publishing we're still closing the quarter, so these results aren't final. How I would characterize magazine advertising overall in the quarter is we're seeing a significant strengthening on a broad-based basis. The first quarter of the calendar year, which would be the Meredith third quarter, the magazine advertising marketplace got off to a pretty slow start. In the quarter prior to that, so our fiscal second quarter, we were up against fairly substantial comparables from the prior year. So as we look to our fourth quarter, which we're still closing, we're seeing strengthening, we're seeing it broad-based in terms of categories. It is still a work in process, but it is certainly encouraging.

BARTON CROCKETT

Okay, great, and if I could follow up, can you give us a little bit of color in terms of categories that look strong and those that look less strong among your key categories, magazines at this point?

JACK GRIFFIN

I can give you some color around our performance. The industry data by category is only available through March issues. And again we're still closing this quarter, but some of the up categories are fashion and automotive and food and cosmetics and travel, a flattening out in DTC and continuing modest performance in the home category, and we've seen that now not just in Meredith but across the industry. If you look at home advertising in the January through March time period in the magazine industry, you're going to see home advertising off double digits. But in our quarter, our Q4, again still working on it, but we see many more categories up than down.

BARTON CROCKETT

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

BILL KERR

Thank you.

CALL OPERATOR

Ladies and Gentlemen, as a reminder, if you would like to ask a question, press *, then 1. And we'll go now to the line of Karl Choi with Merrill Lynch. Please go ahead.

KARL CHOI

Good morning.

BILL KERR

Good morning, Karl.

KARL CHOI

Hi. On the TV side I wonder if you can go through some of the major category performances in the quarter as well. And going back to the publishing segment, if you can quantify the amount of investments that you notice in the fourth quarter. And also lastly, about your outlook for paper prices for the remainder of calendar 2005.

BILL KERR

Okay, Karl. Why don't we start with the discussion. We'll just take them in the order that you put them on the table. Start with the discussion of categories that we see in the television side,

STEVE LACY

I'm just flipping here to get the right data. Hold on just a second. We saw really good strengths in this particular time period, interestingly enough, although a smaller category in the home area on the broadcasting side, which is not what we're seeing in the publishing. Also, in food, in education and in media, which is the movie marketplace, along with professional services. And, Paul, I don't know if you want to add any sort of color around that, just in terms of what you see going on in advertising in the marketplace, to give Karl a little bit of a point of reference.

PAUL KARPOWICZ

Okay, thank you. Really the biggest category for broadcast continues to be automotive, and in the third quarter automotive was a little bit down, just a little soft. Going forward and as we look ahead into the fourth quarter, we anticipate automotive to be flat to up just a tick. As we have looked, as Steve indicated, some of the other categories that we did particularly well in – professional services were up, and furnishings were up really pretty dramatically. So the key really for us is going to be the strength of automotive.

I guess the other thing I would mention is simply that on the national side, we have seen a little bit of softness, but on our local and regional side, we are seeing a little bit of strength as we go forward.

KARL CHOI

Thanks. And on the publishing side?

BILL KERR

The question was on the investments in the fourth quarter. Suku is going to do that.

SUKU RADIA

Hi, Karl. The total amount on those investments, as we pointed out – the three categories being the Hispanic ventures, paper, and increase in direct mail in circulation – the total amount, Karl, would be somewhere in the \$6 to 7 million range, and paper, of course, as Steve pointed out, being in the mid-teens, will be about half of that.

KARL CHOI

And paper prices for the remainder of calendar 2005?

SUKU RADIA

They'll be in the mid-teens for the remainder, for the fourth quarter year-over-year comparison.

STEVE LACY

Up, up in the mid-teens year-over-year.

KARL CHOI

Right, and also in the second half calendar 2005 as well then?

BILL KERR

Well, you know, Karl, those all reset on a quarterly basis, so the best we can really tell you is where we see it right now. And at the end of each calendar quarter they have the opportunity to change. We do feel upward pressure in the paper market at this point in time, and we have probably for the last, probably about three quarters.

SUKU RADIA

Karl, in the third quarter, we're up in the mid-to-high single digits.

KARL CHOI

Thank you.

CALL OPERATOR

Speakers, at this time I'm showing no additional questions. Please continue.

BILL KERR

If we have no more questions, we will wrap up the call. Thank you for being with us.

CALL OPERATOR

Ladies and Gentlemen, today's conference will be available for replay beginning at 1:30 P.M. Central Time this afternoon and running through May 3rd at midnight. You may access AT&T's playback system by dialing 1-800-475-6701 or international participants, dial 320-365-3844, and for either number enter the access code 759567. Those numbers again are 1-800-475-6701, or 320-365-3844, with the access code 759567. That does conclude our conference for today. Thank you for your participation and for using AT&T's executive teleconference service. You may now disconnect.