

Meredith Corporation
CSFB Media and Telecom Week Presentation
December 8, 2004 – New York

DEBRA SCHWARTZ

Good afternoon, everyone. I'm Debra Schwartz, work with Bill Drewry on the publishing and entertainment companies. I'm very pleased to welcome Meredith Corporation here today. We have a full plate of management in front of us. I will turn it over to Bill Kerr, Chairman and CEO.

BILL KERR

Thank you, Debra, and we're delighted to be here today. I have with me on my immediate left, Steve Lacy who is the President and Chief Operating Officer of Meredith, and Suku Radia, who is our Chief Financial Officer. The first slide just states the obvious fact that we will have some forward-looking statements in this presentation. I'm not going to read the entire text, but it's important to remind you that there are a number of factors that will affect our business. And for the non-GAAP references, we have on our website reconciliation for those of you who have an interest in that.

Let me just say a couple of words of introduction, and then I'm going to turn it over mostly to Steve and Suku. But for those of you who are less familiar with Meredith, we've served the needs of American families for more than a hundred years now, largely through our service journalism. Each month we reach about 75 million American consumers through our magazines, our books, our custom publications, our websites and obviously our television stations.

Let me just give you the brief overview. I'm going to start by reviewing three of our overall business strategies, which we have enumerated before but which I will state again.

First, we are committed to continuing our strong track record of organic growth in our existing businesses. And for those of you who know our company well, this requires only a modest capital investment out of the cash we generate.

The second item on our agenda is to pursue targeted acquisitions to fill some gaps and to expand our reach. And these acquisitions, we think, will have readily apparent business logic. They will be manageable in size, and they will be immediately or at least quickly accretive to us as a company. I think some recent examples over the last couple of years – American Baby on the publishing side, and the WB affiliates in Chattanooga and Kansas City, which we acquired on the broadcasting side.

I think the third element that we're focusing on is what we do to grow shareholder value, which really flows out of the prior ones, and then also our willingness, which I think we've demonstrated, to return cash we can't use to our shareholders and do that either through share repurchases of substance or dividend increases. And Suku will talk about that after Steve has talked a little bit about strategies and direction.

You know, I think as I said, our first priority is really to deliver strong organic growth out of our existing businesses. And back in 2001 when we started the advertising downturn and we obviously saw the events of 9/11, we put into place a series of growth initiatives at Meredith in both of our businesses that were designed to put us in a good position to lead the rebound that would be coming out of that advertising recession. And I think if you look at our results over the last three years, they demonstrate that those programs have resonated well with our marketplaces.

We've got a couple of graphs here. This first one looks at broadcasting revenue and it takes our relative performance in revenue growth versus the industry per TVB data on six-month periods, going back to 2001. And you'll note, with the exception of one period during that, we have meaningfully outperformed the industry in terms of our advertising growth. And that is true of, obviously, the growth and success of our broadcasting group.

The same pattern exists even in a more pronounced fashion in our publishing side of our business, and again we have the same analysis which looks at six-month increments going back to 2001. And again, this chart demonstrates the degree to which our magazines have outperformed the PIB data for the industry.

That has contributed to a pattern of very strong earnings per share growth. Going back to fiscal 2002, which embraced the 9/11 period, we've compounded our earnings per share growth during that period to where we are now at about 27 per cent a year, which I would submit is reasonably strong performance.

That performance has reflected itself in the performance of the stock, and we have, going back over the same time period, tracking from September 21, 2001, which is when the markets reopened after 9/11, we've compounded it about 23 per cent a year with our stock value versus in this case an S&P standard of a little under 7 per cent, so three times largely that movement.

We're going to continue to focus on increasing shareholder value and doing that through a couple of ways. One is expanding the margins of our two basic businesses and doing that in a way that delivers strong earnings growth. And I just want to, before I turn this over to Steve, to restate some of the objectives that we have enumerated in this regard over the last couple of years.

We said that we wanted broadcasting, which had an unacceptably low EBITDA margin, to grow from the 23 per cent it had back in 2002 to a level of 40 per cent by 2006. We finished fiscal 2004 at 32 per cent, and we're making good gains in what is now our fiscal 2005, and we are highly confident that we will achieve that stated program in the 2006 timeframe.

In Publishing, which we measure not on an EBITDA basis but we look at in terms of operating profit, at that time we were at a 17 per cent margin, which is a very strong margin for the magazine industry. We said we would add a point a year to get to 20 per cent over the three-year period, and we finished 2004 well over 18 per cent. So again, we have a high level of confidence that we will meet or exceed the objective we set for our Publishing Group.

That, generally we view it as translating into an earnings per share growth that you should be thinking about. In terms of political years, we think that we ought to be at least in the mid-to-high teens in terms of our performance, and we think in non-political years we should be at least in the low double digits or low teens. Clearly, our track record has been well ahead of those minimal standards that we've set for ourselves.

What I'd like to do now is turn it over to Steve, who is our President and Chief Operating Officer, and let Steve walk you through how we're going to continue that momentum and how we're going to fuel the growth of the business. Suku will then talk to you a little bit about finances, and then we'll get into some Q&A at the end of our presentation.

STEVE LACY

Thank you very much, Bill, and good afternoon, everyone. Certainly a pleasure to be here today and have the opportunity to speak to you about our two very powerful businesses.

I thought I'd start my remarks this afternoon by addressing a couple topics that, given my experience in speaking to these groups before, I think are probably top of mind.

First of all, as a follow-on to Bill's earlier remarks – How are we going to continue our track record of both top- and bottom-line growth? And let me start with my view of the limitations as it relates to those objectives.

In calendar 2004, as many of you know, we booked a significant amount of political advertising in our television stations, and that won't repeat as we look into 2005. Additionally, like the balance of the magazine industry, we continue to experience period-to-period, and even issue-to-issue, volatility in advertising patterns. I'll outline answers to this very, very important question in detail during the balance of my presentation this afternoon.

But the short version is that I believe we have in place very sound and proven business strategies and have executed against these strategies in a market-leading fashion, time and time again. As a result, I believe we'll continue to outpace our respective industries, as Bill demonstrated on the slides a few moments ago. We've also gone about creating new revenue streams in both of our businesses. In publishing, both our book and custom publishing activities are growing quite rapidly, and that reduces our dependence on magazine advertising over time. In broadcasting, as Bill mentioned once again, we added three new television stations and a radio outlet in calendar 2004.

Second, there may be some concern that the change in Broadcasting Group leadership will disrupt this momentum as we look to the future. And I really believe we're committed to and will continue to sustain and increase the momentum that you've seen in our Broadcasting Group in recent years. The search for the new group president is well underway, and we've received considerable interest for that position from some very strong candidates, and I'm confident that we'll find an outstanding leader.

In the last 45 days, I've visited each of our stations, some of them as many as three times. And let me share a couple key observations from those visits.

First, we have a very strong group of general managers in place, along with solid news and sales leadership at each station. On average, our general managers have 25 years of broadcasting experience in each of these markets.

Second, we've continued to execute very well on our proven growth strategies. In the past month and a half alone, second quarter pacings have increased by four percentage points, from the high teens to the low-to-mid-twenties. We finalized an agreement to extend our CBS affiliation agreements in certain markets through 2011, and we completed the transaction related to KSMO in Kansas City that I'll speak about in further detail in just a few moments.

So with those overall and introductory comments, let's take a closer look at our two businesses.

Beginning with Broadcast, here's a map of the station group that we own, including six CBS affiliates, four FOX, one NBC, a UPN, and a WB station. Eight of these stations are in our country's top 35 markets; and Las Vegas, which is ranked as market 51 in terms of population, actually performs as though it were number 28 in terms of revenue. Additionally, we have an AM radio station in the Flint/Bay City, Michigan, area; and we recently announced that we will be operating, and we are operating, KSMO, the WB affiliate in Kansas City, through a joint sales agreement. And we'll talk about that in further detail in just a minute.

These are the four Broadcasting Group growth strategies that we have been focused on:

We'll continue the turnaround of our existing station group by increasing our news ratings at each station and, importantly, converting those ratings to revenue and profit growth over time. We'll continue to add new revenue streams, form duopolies and regional clusters as appropriate. We're interested in acquiring stations that will expand our reach with a particular focus on targeting mid-size and growing markets. Our growth strategies are very targeted, and we have an excellent sense of execution.

So let's take a look at the strong results that we've delivered.

Overall, the Broadcasting Group has improved EBITDA margin by more than six percentage points in our fiscal 2003 and three more points in our fiscal 2004, which was a non-political year. We expect to continue that momentum and increase our EBITDA margin again in fiscal 2005.

Improving our news culture has been a very important part of the ratings growth that we have generated. This slide highlights our late news improvement, comparing household share from the November 2004 book to the November 2001 book. We've enjoyed gains in our four largest markets – including Atlanta, Phoenix, Portland and Hartford – at our CBS affiliate in Kansas City and at our FOX affiliate in Las Vegas.

I wanted to share a couple important highlights from the November 2004 book that I think demonstrate successful execution around our strategy of improving news by focusing on live, late-breaking stories. Our late news in the Kansas City market is leading the market in total for the first time since 1991. In Phoenix, our station KPHO, recorded its best overall ratings book in the station's history. In late news, we're now just one share point from being first place in the Phoenix market. Both stations have created a winning news culture and news products that are

resonating well in the individual marketplaces, and we look forward to building on this success as we look to the future.

Improving ratings is very important but only if we're able to convert those rating gains to revenue. And we've done an impressive job, as a group, of growing the top line. This graph highlights our revenue growth for the 12-month period that ends with September of 2004, compared with a number of other broadcasters and the industry average, according to TVB.

Adding new revenue streams is also an important part of our overall growth strategy. Our Cornerstone programs leverage our publishing brands by packaging content from our magazines with print ads from local advertisers. The result is a customized mini-magazine delivered to target customers in our local television markets. We've created additional revenue streams beyond Cornerstone's with programs focused on local interests and events. Revenues from these Cornerstone programs, along with additional local programs and the Internet, have increased from about \$3 million back in 2001 to approximately \$22 million in our fiscal 2004. In fiscal 2005, we expect to generate revenues somewhere in the range of \$25 to \$30 million from these programs.

We continue to expand our presence in growing and vibrant television markets. And let me tell you a bit more about our recent transaction in Kansas City. As a company, we've operated KCTV, the CBS affiliate in Kansas City, for over 50 years. Given its strong local programming, our knowledge of the market, we've been exploring ways to expand our presence in Kansas City. Recently we entered into a joint sales agreement to operate KSMO, the WB affiliate in Kansas City. This transaction positions us very well to serve advertisers who are seeking the younger WB audience, along with the very powerful CBS audience with its top-rated prime time programming, market-leading sports, and of course our award-winning local news.

As part of the agreement, we will move the KSMO staff into our KCTV facility and gain the cost efficiencies as we integrate operations such as engineering, traffic and accounting. We expect the transaction to be earnings neutral in its first year and accretive thereafter.

The KSMO transaction marks the third time in calendar 2004 that have executed against our strategy of expanding our television presence. In January, we launched a low-powered CBS affiliate in Springfield, Massachusetts, operated by our CBS station in Hartford. In August, we acquired the WB affiliate in Chattanooga, adding to our southeastern cluster, which includes our stations in Atlanta, Nashville and Greenville.

The Broadcasting Group really is in great shape. Our strategies are very much on target, we have stations in growth markets, and experienced leadership in place across the group. And we have a track record of delivering strong results.

So let's turn our attention now to our other major business, the publishing activity.

As most of you know, the Publishing Group has been a core strength of the Meredith Corporation for now over a hundred years. We publish under 18 subscription titles, led by *Better Homes and Gardens*, along with *Ladies' Home Journal*. Our mid-size magazines, which include *MORE*, *Country Home*, *Traditional Home* and *Midwest Living*, are quite successful as well. The

American Baby Group, which we acquired in December of 2002, extends our magazine portfolio to younger women and the growing Hispanic marketplace. In addition, we have a lineup of 150 newsstand-only special interest publications, approximately 350 books in print, and custom publishing relationships with some of America's leading companies, including the Home Depot, DIRECTV and Chrysler. We also have a significant Internet presence and operate 26 major web sites.

Here's a quick look at our publishing growth strategies. We'll continue to grow our existing businesses by increasing our advertising market share, expanding our ad categories, increasing rate base and frequency of our mid-size titles as appropriate, and continuing to grow our circulation profits. We'll broaden our magazine portfolio through acquisitions and launches, and we're particularly interested in reaching younger women and the very rapidly growing Hispanic marketplace. We'll expand our brand franchises by continuing to extend *Better Homes and Gardens*, *American Baby* and *MORE*, while creating and generating new services and revenue streams.

As Bill mentioned, our longer-term objective is to increase the Publishing Group's operating margin to the 20 per cent level by our fiscal 2006. We improved operating profit margin more than a full point in each of the past two fiscal years, and we're clearly on track to achieve that 20 per cent objective.

In terms of ad pages, our magazines have outpaced the industry for the 12-month period ending with the October 2004 issues. According to PIB, our total ad pages grew 5.4 per cent and that's nearly triple the industry average taken as a whole. Looking once again at PIB data, you can see that *Better Homes and Gardens* and *Ladies' Home Journal* have increased their combined share of the women's service field about a point each year over the past decade.

Circulation practices by some members of our magazine and the newspaper industries have certainly become a concern. Our long-term, direct-to-publisher subscription strategy really continues to differentiate Meredith in the marketplace and drive circulation profitability as well. There are three key principles to that circulation model.

First, we generate better than industry-average response rates from our direct mail, primarily due to our industry-leading consumer database and our marketing expertise as it relates to selling our editorial content.

Second, we derive the majority of our subscriptions from direct mail, insert cards and the Internet, rather than agent sources such as sweepstakes. This direct-to-publisher model results in higher renewal rates and delivers a responsive audience for our advertising partners.

Our subscription model is focused on long-term offers, generally two to three years. As a result, we generate a higher renewal rate and spend less money to acquire replacement subscribers over that period of time. This direct-to-publisher model is continuing to perform well and delivering strong circulation profit during our fiscal 2005. We're also focused on broadening our magazine portfolio through launches and acquisitions.

MORE magazine and the American Baby Group demonstrate successful execution against this strategy. *MORE* is our lifestyle title directed at affluent women age 40 and above. It was launched in 1998 and has provided advertisers with an outstanding vehicle to reach this audience. In September, we once again raised *MORE*'s rate base to one million, and this really helps us a great deal in attracting nonendemic advertising to the *MORE* magazine.

The American Baby Group has proven to be an outstanding acquisition for Meredith. It has extended our magazine portfolio in two important audiences, younger women and the rapidly growing Hispanic market. We see the 20 million women between ages 30 and 40 as an important growth opportunity for Meredith. Health, parenting and fitness are topics that attract these readers, and we're looking for the right acquisition or launch opportunity.

Our core competencies related to home décor, family advice and childrearing are highly relevant to Hispanic women. In the fall of 2005, we plan to launch a new product to serve this rapidly growing market. At this point, it's really premature to discuss it in further detail, but we believe this market holds significant growth potential as we look to the future.

In addition to our powerful magazine business, we operate other businesses that generate revenue from sources other than advertising and circulation. Integrated Marketing is primarily a custom publishing business, and it has produced excellent results in our fiscal 2004. Our larger programs include the monthly programming guide with DIRECTV, customer loyalty programs with Chrysler and Carnival Cruise Lines, just to name a few. We expect a strong second quarter in fiscal 2005 for Integrated Marketing as well.

We continue to win exciting new business, including a program for Procter and Gamble where we will provide custom content and design for direct-to-consumer marketing programs sent to specific Procter and Gamble customer segments. And the first we're working with P&G on is the Hispanic market.

Additionally, we're finding ways to leverage our consumer database to provide more comprehensive services for our marketing partners. For Hyundai, we're providing not only traditional customer loyalty and dealer programs but we're also hosting Hyundai's consumer database on our system, supplementing their records with data from our files, to help Hyundai target, serve and retain these customers in a more efficient fashion. We expect to add more clients and expand these relationships as a result of this tremendous database marketing expertise.

Turning now to our book business, in the second quarter we're experiencing very strong sales of the 75th Edition of the *Better Homes and Gardens Red Plaid Cook Book*. Recently we signed in our book area three new licensing agreements that will continue to strengthen our book pipeline.

For Discovery Communications, we're creating a group of home-related books developed from popular programs on the Discovery Channel, TLC, and the Discovery Home Channel as well.

For Marvel Enterprises, we'll develop a series of children's books featuring many of its popular characters, such as *Spider-Man* and the *Incredible Hulk*.

And for DC Comics we'll publish children's products based on upcoming feature films, including *Batman Begins*.

I'll close our book discussion by once again telling you that our book business is going to deliver strong results as we look at fiscal 2005 in terms of revenue and profit growth for the full year ended June 30th of 2005.

Our publishing business is in very strong shape as well. We'll continue to grow our existing businesses, broaden our magazine portfolio, with a particular focus on younger women and the Hispanic marketplace, expand our brand franchises, while creating new services and revenue streams.

With those remarks, I'll turn the program to Suku Radia for a financial update, and then we'd certainly be happy to answer any questions you may have. Thank you.

SUKU RADIA

Thank you, Steve. Let me take just a few moments to discuss our strong financial position. Currently, we have \$300 million of debt outstanding, which is our private placement debt and will be repaid in tranches through fiscal 2008. As of September 30, 2004, our debt to trailing 12-month EBITDA ratio was 1.2; our debt agreements require that this ratio be less than 3.5.

We also have access to \$400 million of additional capital, which allows us to be opportunistic with respect to strategic acquisitions. In Publishing, as you have heard, we are targeting opportunities aimed at younger women in the Hispanic market, and in Broadcasting, we will concentrate on duopolies and clusters mostly in the mid-tier markets.

As Bill stated, we will grow shareholder value and return excess cash to our shareholders. We certainly see the value in our stock and also view our share repurchase program as an intelligent way to return cash to our shareholders. And this chart highlights the cumulative amount paid for shares repurchased since fiscal 2000. To date in fiscal 2005, we have repurchased more than 900,000 shares at an approximate cost of \$47 million, which is more than 120 per cent of the total we repurchased in all of fiscal 2004.

Dividends are also another intelligent method of returning cash to our shareholders, and we have paid a dividend for 57 consecutive years and have increased the dividend for the last 11 years. Traditionally, our Board sets the dividend at its January meeting. Earlier this year we increased the dividend by 26 per cent; and, with this tax rate environment, we expect we will choose to return more cash to shareholders in the form of dividends.

With that review of our businesses and financial position, let's take a look ahead. It is our plan to update our outlook when we release second quarter earnings on January 25th. For now, let me reiterate the outlook we provided during our first quarter earnings call in late October. For our second fiscal quarter, we expect earnings per share to grow 40 to 45 per cent from the \$0.38 cents per share we earned in the prior year's second fiscal quarter. This translates into earnings per share of \$0.53 to \$0.55 cents. For all of fiscal 2005, as we stated on October 27, earnings per share of \$2.63 are achievable.

And now I'm going to turn it back to Bill for some concluding remarks. Thank you.

BILL KERR

We'll move you quickly into the Q&A, but just to wrap it up with a couple of comments here.

I think the takeaways that you should have in your mind is, we've got very strong organic growth coming out of this company, and we see that continuing. We're going to try to do some intelligent strategic acquisitions, which I think should be accretive as we do those. And to the degree we can intelligently deploy cash in those fashions, we're quite happy giving that back to the shareholder in one form or another.

From the perspective of my office, I think our business is in great shape. We've got strong leadership in this company. We have a set of products and services that are really excellent, and we're producing very strong financial results, and the challenge for this team and for our colleagues that are not here is to keep that momentum going and continue to create the returns we have been creating.

So with that, Debra, we're ready for a Q&A, however you want that to work.

DEBRA SCHWARTZ

Great. Actually, I'd like to start it off if I can.

BILL KERR

It's your meeting. I guess you get to do that.

DEBRA SCHWARTZ

Thanks. Throughout the past two days we've been hearing some mixed signals on broadcast, so I'm just wondering if you could comment on what you're seeing right now in the core broadcast business, if there are any categories pulling you in either direction.

BILL KERR

Sure. Steve, do you want to take the lead on that one?

STEVE LACY

Well, obviously we have come off of a very strong political time in the year, and I think we're trying to get our bearings as it relates to calendar 2005. The categories that continue to be strong, of course, vary from market to market. But on balance it's automotive in the local marketplace, it's obviously what goes on at the local movie theater and fast food. And it seems solid out there, from what I can tell at this point in time.

BILL KERR

Suku, do you have anything you want to add to that?

SUKU RADIA

Yes. One other category, professional services...

BILL KERR

You know, I think I would just remind you that, as Steve said earlier in his comments, when we did our earnings release at the end of October, we were pacing up in the high teens and we are now saying we're pacing up in the low twenties. So that has been a strengthening. And it's not just some political impact in the last few days. Any other questions?

QUESTION

Also relating to the M&A market in the magazine business. What's it like right now? ... Are there any properties available that are attractive to you?

BILL KERR

Steve, you give your view on this, too. There's not a huge flow of deals, attractive or unattractive, in the publishing M&A market, and there's not an awful lot right now in the broadcasting marketing either. But, Steve, you may have a little different take on that... at least not attractive from my perspective at this stage.

STEVE LACY

I'm going to give a little bit longer time horizon. I would say in the last twelve months the only properties that have come available in the market have been in the very earliest stages of startup. And the issue that you look at when dealing with a magazine acquisition is, let's say for the sake of the conversation, that the guaranteed rate base to the advertiser is at 350,000. Well, the important thing is to look inside of that 350,000 and see if there are any renewable sources on the file. Otherwise, in all honesty, there isn't anything to buy, because you're buying, generally speaking, a brand that doesn't exist and a group of people who create the magazine and attempt to sell it. And that's really been the challenge. None of the major properties that we would really be interested in have clearly come available on the market within the past twelve months. And the things that have been available have been startups in the very earliest stages that have tried to either monetize the early investment or realized that they couldn't keep it going without an infusion of capital. But there really hasn't been, as Bill said, really anything to buy.

BILL KERR

Well, I think as you look out over the next few years, and you know this is speculating, obviously, but there are two or three fairly substantial publishing activities that may come into the marketplace. Let's say ... American Media is a financial play and you've got the private

equity money in there, and it's either going to go private, or it's going to get monetized in some other fashion, so that may come into play at some point in time. On the trade side of the business, Hanley Wood is another one where you've got a financial player in there, and they've had it for three or four years, and certainly our experience and those of you out here who are in the financial business or so inclined in knowledge, usually people want to flip those in a four or five-year timeframe. That I would not be surprised if it comes on the market sometime in the next couple of years. I think no one knows how successful Bertlesmann or Gruner and Jahr will be in sorting out the mess they have in that operation in the United States. And we don't wish them ill, but if they're unsuccessful in that, I think one would speculate that might be something that gets put on the market in some size. But that's speculation looking out, and that's kind of a reasoned opinion as opposed to somebody sitting here with a lot of inside information about those circumstances. I think on the broadcasting side there's been a lot of hesitancy in the down, in the slower markets. A lot of people, I think, play the game that they're going to get the political year behind them, and that's going to inflate their cashflow, and then they're going to get paid for a higher multiple because of that. But most of us can count the fact that politics do bump it up in that year. So I think we'll see what happens there.

Yes, I see you have the microphone.

QUESTION

So you're showing you are actually outperforming your competition in terms of advertising pages, so I'd like to know your opinion about what you are doing right, compared to competitors. And what kind of magazines would be more vulnerable to shift to the Internet as well as to single copies have and why. Thanks.

BILL KERR

There are two questions. Why are we beating the pants off most of the magazine industry, if I can state it in those terms, and where do we see substitution taking place on the Internet. And Steve, who has been the architect, over the last few years, of so much of our magazine success, I'm going to let him toot the horn of his people for a couple minutes. And if he's not ... enough, I'll add a couple of words to that too.

STEVE LACY

I think as it relates to our success in the magazine business, it's very straightforward, and there are really three important key areas. First of all, it really starts with editorial product very, very simply. And we do a tremendous amount of consumer research to make sure that our product is fresh and it resonates with, generally speaking, the women who subscribe to and buy our magazines, either through a subscription or on the newsstand. So that is always number one.

Secondarily, we have a longstanding Meredith corporate philosophy that we operate the circulation side of our business with tremendous integrity, but we also operate the circulation side of our business to make money. As a result of that, as some of our competitors have come under tremendous fire from the advertising community, we have used this as an opportunity to create a point of distinction for Meredith and invite whatever scrutiny about wants to have

around our circulation, because it's absolutely squeaky clean. And I know that that has helped us in some ways.

I would say, in addition to that, we do have a very, very strong and talented sales and marketing operation; and for the magazine business, it's generally based here in New York. With so many of our competitors in disarray for a variety of reasons, we really have become an employer of choice on the sales and marketing side in New York. And Bill, I'm sure, has his own point of view because he has a much longer tenure with the company, but I think that our team is probably more talented than it's ever been. And very frankly it's been easier to recruit people when you've got all kinds of problems at Gruner and Jahr, you've got most people who lost all their equity value who were at Time Warner because of the AOL transaction, and you've got Martha Stewart with her whole set of issues. So lots of people have looked to Meredith, and we have really upgraded our staff. So I think it's those three fundamental factors.

BILL KERR

Yeah. I would just add, I would agree with all of that, and I would simply add that I think Steve and the leadership team that he created in the Publishing Group is in my judgment exceedingly strong, certainly the strongest I've worked in with, I guess, now close to 30 years of history in this industry. I think that's very important.

I think there are two other things, too, that have helped us a lot. I think we are much better than many of our competitors in being able to work across lines of our organization, between magazines and indeed between magazines and broadcasting. You saw that \$25 to \$30 million of revenue that comes out of the Cornerstone products in the broadcasting industry. That kind of cooperation between publishing and broadcasting just doesn't go on at too many organizations, and I think that's part of our culture.

I would say another thing that's been very helpful to us in that regard is, when you think of our database capabilities and our Integrated Marketing activities, they have allowed us to move beyond, in many instances, with customers, simply selling them incremental pages but being able to provide for them marketing solutions and longer-term marketing programs that get you not only advertising dollars but get you into marketing department dollars, promotion dollars, get you multiple-year deals. And I think that's helped our business substantially.

Your other question, which related to publications and the Internet, I don't think of it so much as, is the Internet going to knock these publications off. I believe that intelligent Internet applications are critical and vital to any publication today. I cannot imagine launching a new magazine without it having a major Internet component with it. The Internet for us has become one of our single largest sources of conventional circulation to our magazines. It has become and will become a clearly important advertising vehicle for us, and it is one that we are learning increasingly how to use as a tool, to bond the consumer more closely to us in terms of how they interact with the publication. So I think it's a question of how you embrace, and the real issue is serving a consumer; and whether you serve him electronically or you serve him in print, that's kind of a question of choice and what works the best way. I think, though, when you do look at the issue of substitution, I think, clearly, those things that are more amenable to a transaction and

an instant monetary value have, I think, better opportunity to create revenue streams or separate revenue streams. But that's just my philosophy on it.

Any other questions? I do not know. How are we doing on time? My... ran over, so I'll take it out of his hide later, but we'll try to get finished on time.

DEBRA SCHWARTZ

Okay.

BILL KERR

Okay. Well. Thank you very much. It was a pleasure to be with you.