

MEREDITH CORP

Form 10-Q

April 27, 2015

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

Commission file number 1-5128

MEREDITH CORPORATION

(Exact name of registrant as specified in its charter)

Iowa

42-0410230

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

1716 Locust Street, Des Moines, Iowa

50309-3023

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (515) 284-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of stock outstanding at March 31, 2015

|                                 |            |
|---------------------------------|------------|
| Common shares                   | 37,563,004 |
| Class B shares                  | 7,024,768  |
| Total common and Class B shares | 44,587,772 |

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Meredith Corporation and its consolidated subsidiaries are referred to in this Quarterly Report on Form 10-Q (Form 10-Q) as Meredith, the Company, we, our, and us.

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

Meredith Corporation and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Unaudited)

| Assets  | March 31,<br>2015 | June 30,<br>2014 |
|---|-------------------|------------------|
| (In thousands)  |                   |                  |
| Current assets  |                   |                  |
| Cash and cash equivalents                             | \$19,658          | \$36,587         |
| Accounts receivable, net                              | 269,527           | 257,644          |
| Inventories   | 29,506            | 24,008           |
| Current portion of subscription acquisition costs     | 115,617           | 96,893           |
| Current portion of broadcast rights                   | 8,455             | 4,551            |
| Assets held for sale                                  | —                 | 56,010           |
| Other current assets                                  | 27,564            | 17,429           |
| Total current assets                                  | 470,327           | 493,122          |
| Property, plant, and equipment                        | 531,176           | 501,106          |
| Less accumulated depreciation                         | (320,910)         | (296,168)        |
| Net property, plant, and equipment                    | 210,266           | 204,938          |
| Subscription acquisition costs                        | 96,877            | 101,533          |
| Broadcast rights                                      | 2,241             | 3,114            |
| Other assets  | 69,379            | 86,935           |
| Intangible assets, net                                | 941,742           | 813,297          |
| Goodwill  | 1,037,891         | 840,861          |
| Total assets  | \$2,828,723       | \$2,543,800      |
| Liabilities and Shareholders' Equity                  |                   |                  |
| Current liabilities                                   |                   |                  |
| Current portion of long-term debt                     | \$62,500          | \$87,500         |
| Current portion of long-term broadcast rights payable | 8,942             | 4,511            |
| Accounts payable                                      | 83,661            | 81,402           |
| Accrued expenses and other liabilities                | 139,503           | 136,047          |
| Current portion of unearned subscription revenues     | 212,097           | 173,643          |
| Total current liabilities                             | 506,703           | 483,103          |
| Long-term debt  | 763,125           | 627,500          |
| Long-term broadcast rights payable                    | 3,640             | 4,327            |
| Unearned subscription revenues                        | 155,170           | 151,533          |
| Deferred income taxes                                 | 297,762           | 277,477          |
| Other noncurrent liabilities                          | 172,586           | 108,208          |
| Total liabilities                                     | 1,898,986         | 1,652,148        |
| Shareholders' equity                                  |                   |                  |
| Series preferred stock                                | —                 | —                |
| Common stock  | 37,563            | 36,776           |
| Class B stock   | 7,025             | 7,700            |
| Additional paid-in capital                            | 47,161            | 41,884           |
| Retained earnings                                     | 848,872           | 814,050          |
| Accumulated other comprehensive loss                  | (10,884)          | (8,758)          |

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|  |             |             |
|--|-------------|-------------|
| Total shareholders' equity                 | 929,737     | 891,652     |
| Total liabilities and shareholders' equity | \$2,828,723 | \$2,543,800 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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Meredith Corporation and Subsidiaries  
Condensed Consolidated Statements of Earnings  
(Unaudited)

| Periods ended March 31,<br>(In thousands except per share data) | Three Months |           | Nine Months |           |
|---|--------------|-----------|-------------|-----------|
|   | 2015         | 2014      | 2015        | 2014      |
| <b>Revenues</b>   |              |           |             |           |
| Advertising   | \$206,010    | \$182,175 | \$665,463   | \$574,253 |
| Circulation   | 96,037       | 96,078    | 221,390     | 239,545   |
| All other   | 96,132       | 89,161    | 281,415     | 264,116   |
| Total revenues  | 398,179      | 367,414   | 1,168,268   | 1,077,914 |
| <b>Operating expenses</b>                                       |              |           |             |           |
| Production, distribution, and editorial                         | 154,448      | 144,766   | 436,618     | 417,759   |
| Selling, general, and administrative                            | 182,015      | 168,386   | 521,143     | 487,799   |
| Depreciation and amortization                                   | 14,610       | 23,033    | 41,687      | 46,418    |
| Total operating expenses  | 351,073      | 336,185   | 999,448     | 951,976   |
| Income from operations  | 47,106       | 31,229    | 168,820     | 125,938   |
| Interest expense, net   | (5,179)      | (3,408)   | (14,206)    | (8,676)   |
| Earnings before income taxes                                    | 41,927       | 27,821    | 154,614     | 117,262   |
| Income taxes  | (16,671)     | (9,335)   | (60,402)    | (44,166)  |
| Net earnings  | \$25,256     | \$18,486  | \$94,212    | \$73,096  |
| <b>Basic earnings per share</b>                                 |              |           |             |           |
| Basic earnings per share  | \$0.57       | \$0.41    | \$2.12      | \$1.64    |
| Basic average shares outstanding                                | 44,549       | 44,649    | 44,497      | 44,665    |
| <b>Diluted earnings per share</b>                               |              |           |             |           |
| Diluted earnings per share                                      | \$0.56       | \$0.41    | \$2.08      | \$1.61    |
| Diluted average shares outstanding                              | 45,387       | 45,376    | 45,289      | 45,462    |
| Dividends paid per share  | \$0.4575     | \$0.4325  | \$1.3225    | \$1.2475  |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries  
 Condensed Consolidated Statements of Comprehensive Income  
 (Unaudited)

| Periods ended March 31,<br>(In thousands)               | Three Months |          | Nine Months |          |
|---|--------------|----------|-------------|----------|
|   | 2015         | 2014     | 2015        | 2014     |
| Net earnings  | \$25,256     | \$18,486 | \$94,212    | \$73,096 |
| Other comprehensive income, net of income taxes         |              |          |             |          |
| Pension and other postretirement benefit plans activity | 42           | 269      | 126         | 927      |
| Unrealized loss on interest rate swaps                  | (1,753 )     | —        | (2,252 )    | —        |
| Other comprehensive income (loss), net of income taxes  | (1,711 )     | 269      | (2,126 )    | 927      |
| Comprehensive income                                    | \$23,545     | \$18,755 | \$92,086    | \$74,023 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries  
Condensed Consolidated Statement of Shareholders' Equity  
(Unaudited)

| (In thousands except per share data)          | Common<br>Stock - \$1<br>par value | Class B<br>Stock - \$1<br>par value | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total     |
|---|------------------------------------|-------------------------------------|----------------------------------|----------------------|---|-----------|
| Balance at June 30, 2014                      | \$36,776                           | \$7,700                             | \$41,884                         | \$814,050            | \$ (8,758 )                                   | \$891,652 |
| Net earnings                                  | —                                  | —                                   | —                                | 94,212               | —   | 94,212    |
| Other comprehensive loss, net of income taxes | —                                  | —                                   | —                                | —                    | (2,126 )                                      | (2,126 )  |
| Share-based incentive plan transactions       | 946                                | —                                   | 34,526                           | —                    | —   | 35,472    |
| Purchases of Company stock                    | (833 )                             | (1 )                                | (41,123 )                        | —                    | —   | (41,957 ) |
| Share-based compensation                      | —                                  | —                                   | 10,907                           | —                    | —   | 10,907    |
| Conversion of Class B to common stock         | 674                                | (674 )                              | —                                | —                    | —   | —         |
| Dividends paid                                |                                    |                                     |                                  |                      |   |           |
| Common stock                                  | —                                  | —                                   | —                                | (49,871 )            | —   | (49,871 ) |
| Class B stock                                 | —                                  | —                                   | —                                | (9,519 )             | —   | (9,519 )  |
| Tax benefit from share-based awards           | —                                  | —                                   | 967                              | —                    | —   | 967       |
| Balance at March 31, 2015                     | \$37,563                           | \$7,025                             | \$47,161                         | \$848,872            | \$ (10,884 )                                  | \$929,737 |

See accompanying Notes to Condensed Consolidated Financial Statements.



Meredith Corporation and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| Nine months ended March 31,<br>(In thousands)                                      | 2015      | 2014      |
|--|-----------|-----------|
| Cash flows from operating activities   |           |           |
| Net earnings   | \$94,212  | \$73,096  |
| Adjustments to reconcile net earnings to net cash provided by operating activities |           |           |
| Depreciation   | 28,593    | 25,322    |
| Amortization   | 11,835    | 9,894     |
| Share-based compensation   | 10,907    | 10,402    |
| Deferred income taxes  | 24,185    | 7,862     |
| Amortization of broadcast rights   | 12,396    | 6,118     |
| Payments for broadcast rights  | (11,761)  | (7,692)   |
| Provision for write-down of impaired assets  | 3,142     | 11,447    |
| Fair value adjustment to contingent consideration                                  | (600)     | (3,400)   |
| Excess tax benefits from share-based payments                                      | (6,790)   | (4,092)   |
| Changes in assets and liabilities  | (42,824)  | (37,600)  |
| Net cash provided by operating activities  | 123,295   | 91,357    |
| Cash flows from investing activities   |           |           |
| Acquisitions of and investments in businesses, net of cash acquired                | (254,965) | (188,654) |
| Additions to property, plant, and equipment  | (19,997)  | (16,483)  |
| Proceeds from disposition of assets  | 83,434    | —         |
| Net cash used in investing activities  | (191,528) | (205,137) |
| Cash flows from financing activities   |           |           |
| Proceeds from issuance of long-term debt   | 420,000   | 386,000   |
| Repayments of long-term debt   | (309,375) | (211,000) |
| Dividends paid   | (59,390)  | (56,034)  |
| Purchases of Company stock   | (41,957)  | (67,820)  |
| Proceeds from common stock issued  | 35,472    | 54,903    |
| Excess tax benefits from share-based payments                                      | 6,790     | 4,092     |
| Other  | (236)     | (1,914)   |
| Net cash provided by financing activities  | 51,304    | 108,227   |
| Net decrease in cash and cash equivalents  | (16,929)  | (5,553)   |
| Cash and cash equivalents at beginning of period                                   | 36,587    | 27,674    |
| Cash and cash equivalents at end of period   | \$19,658  | \$22,121  |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

1. Summary of Significant Accounting Policies

**Basis of Presentation**—The condensed consolidated financial statements include the accounts of Meredith Corporation and its wholly owned subsidiaries (Meredith or the Company), after eliminating all significant intercompany balances and transactions. Meredith does not have any off-balance sheet arrangements. The Company's use of special-purpose entities is limited to Meredith Funding Corporation, whose activities are fully consolidated in Meredith's condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, which are included in Meredith's Annual Report on Form 10 K for the year ended June 30, 2014, filed with the SEC.

The condensed consolidated financial statements as of March 31, 2015, and for the three and nine months ended March 31, 2015 and 2014, are unaudited but, in management's opinion, include all normal, recurring adjustments necessary for a fair presentation of the results of interim periods. The year-end condensed consolidated balance sheet data as of June 30, 2014, were derived from audited financial statements, but do not include all disclosures required by GAAP. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

**Retrospective Adjustments**—During fiscal 2015, we updated the purchase accounting for an acquisition that occurred in fiscal 2014. We retrospectively adjusted the provisional amounts recognized at the acquisition date to reflect fair values and, as required by the accounting guidance for business combinations, made adjustments to the June 30, 2014, Consolidated Balance Sheet. (See Note 2.)

**Derivative Financial Instruments**—Meredith does not engage in derivative or hedging activities, except to hedge interest rate risk on debt as described in Note 6. Fundamental to our approach to risk management is the desire to minimize exposure to volatility in interest costs of variable rate debt, which can impact our earnings and cash flows. In fiscal 2015, we entered into interest rate swap agreements with counterparties that are major financial institutions. These agreements effectively fix the variable rate cash flow on \$300.0 million of a combination of our variable-rate private placement senior notes and bank term loan. We designated and accounted for the interest rate swaps as cash flow hedges in accordance with Accounting Standards Codification 815, Derivatives and Hedging. The effective portion of the change in the fair value of interest rate swaps is reported in other comprehensive income (loss). The gain or loss included in other comprehensive income (loss) is subsequently reclassified into net earnings on the same line in the Condensed Consolidated Statements of Earnings as the hedged item in the same period that the hedge transaction affects net earnings. The ineffective portion of a change in fair value of the interest rate swaps would be reported in interest expense. During the first nine months of fiscal 2015, the interest rate swap agreements were considered effective hedges and there were no material gains or losses recognized in earnings for hedge ineffectiveness.

**Adopted Accounting Pronouncements**—In July 2013, the Financial Accounting Standards Board (FASB) issued guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of uncertain tax positions. Under the new

standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the unrecognized tax

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benefits. The guidance was effective for the Company in the first quarter of fiscal 2015. The adoption of this guidance did not have an impact on our results of operations or cash flows and we have updated our presentation of unrecognized tax benefits net of our deferred tax assets where applicable on our Condensed Consolidated Balance Sheets.

**Recently Issued Accounting Standards**—In April 2015, the FASB issued guidance on the presentation of debt issuance costs. The new standard requires that debt issuance costs are recorded as a reduction from the face amount of the related debt, with amortization recorded as interest expense, rather than recording as a deferred asset. The guidance is effective for the Company in the first quarter of fiscal 2017 with early adoption permitted. The guidance is to be retrospectively applied to all prior periods. Adoption of the new guidance is not expected to have a material impact on the condensed consolidated financial statements.

## 2. Acquisitions

### Fiscal 2015

On October 31, 2014, Meredith acquired WGGB, the ABC affiliate in Springfield, Massachusetts. The results of WGGB's operations have been included in the condensed consolidated financial statements since that date. The acquisition-date fair value of the consideration totaled \$53.3 million, which consisted of \$50.0 million of cash and \$3.3 million of contingent consideration. The contingent consideration arrangement requires the Company to pay contingent payments based on certain future regulatory actions. We estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model. The fair value is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in Note 9. As of March 31, 2015, the Company estimates the future payments will range from zero to \$4.0 million.

Effective November 1, 2014, Meredith completed its acquisition of Martha Stewart Living magazine and its related digital assets (collectively Martha Stewart Living Media Properties). In addition, Meredith entered into a 10 year licensing arrangement with Martha Stewart Living Omnimedia (MSLO) for the licensing of the Martha Stewart Living trade name. The acquired business operations include sales and marketing, circulation, production, and other non-editorial functions. Meredith will source editorial content from MSLO. The results of the Martha Stewart Living Media Properties have been included in the condensed consolidated financial statements since the effective date. There was no cash consideration exchanged in this transaction.

On November 13, 2014, Meredith acquired 100 percent of the membership interests in MyWedding, LLC (Mywedding). Mywedding operates mywedding.com, one of the top wedding websites in the U.S., providing couples with a complete wedding planning product suite. The results of Mywedding have been included in the condensed consolidated financial statements since that date. The acquisition-date fair value of the consideration was \$42.6 million, which consisted of \$20.0 million of cash and \$22.6 million of contingent consideration. The contingent consideration arrangement requires the Company to pay a contingent payment based on certain financial targets achieved during fiscal 2018 primarily based on earnings before interest, taxes, depreciation, and amortization (EBITDA), as defined in the acquisition agreement. The contingent consideration is not dependent on the continued employment of the sellers. We estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model. The fair value is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in Note 9. As of March 31, 2015, the Company estimates the future payments will range from \$11.1 million to \$40.0 million. During the third quarter of fiscal 2015, the provisional amounts recorded to the advertiser relationships were decreased \$0.6 million, trademark intangible assets were decreased \$1.3 million, cash consideration increased \$0.1 million due to a working capital adjustment, and a corresponding increase of \$2.0 million was recorded to goodwill based on an updated valuation report and other fair value determinations.

On December 19, 2014, Meredith acquired WALA, the FOX affiliate in Mobile, Alabama-Pensacola, Florida. The results of WALA's operations have been included in the condensed consolidated financial statements since that date. The cash purchase price, including the purchase of working capital, was \$89.9 million.

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On December 30, 2014, Meredith acquired 100 percent of the outstanding stock of Selectable Media, Inc. (Selectable Media), a leading native and engagement-based digital advertising company. The results of Selectable Media have been included in the condensed consolidated financial statements since that date. The acquisition-date fair value of the consideration totaled \$30.2 million, which consisted of \$23.0 million of cash and \$7.2 million of contingent consideration. The contingent consideration arrangement requires the Company to pay contingent payments based on certain financial targets over the next three fiscal years primarily based on revenue, as defined in the acquisition agreement. The contingent consideration is not dependent on the continued employment of the sellers. We estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model. The fair value is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in Note 9. As of March 31, 2015, the Company estimates the future payments will range from \$7.3 million to \$8.0 million.

Effective February 1, 2015, Meredith completed its acquisition of Shape, Natural Health, and Fit Pregnancy magazines and their related digital assets (collectively Shape). Shape is the women's active lifestyle category leader with content focusing on exercise, beauty, nutrition, health, fashion, wellness, and other lifestyle topics to help women lead a healthier, active lifestyle. The results of Shape's digital operations and certain expenses related to the print operations have been included in the condensed consolidated financial statements since the effective date. The print operations will publish its first issue in the fourth quarter of fiscal 2015. The acquisition-date fair value of the consideration totaled \$87.4 million, which consisted of \$60.0 million of cash and \$27.4 million of contingent consideration. The contingent consideration arrangement requires the Company to pay a contingent payment based on the achievement of certain financial targets over the next three fiscal years primarily based on operating profit, as defined in the acquisition agreement. We estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model. The fair value is based on significant inputs not observable in the market and thus represent a Level 3 measurement as defined in Note 9. As of March 31, 2015, the Company estimates the future payments will range from \$26.0 million to \$36.8 million.

As of the date of each acquisition, Meredith allocated the purchase price to the assets acquired and liabilities assumed based on their respective preliminary fair values. The Company is in the process of obtaining third-party valuations of fixed and intangible assets; therefore, the provisional measurements of fixed assets, intangible assets, goodwill, and deferred income tax balances are subject to change.

The following table summarizes the total estimated fair values of the assets acquired and liabilities assumed by segment during the nine months ended March 31, 2015:

| (In thousands)                      | Local Media<br>Acquisitions | National Media<br>Acquisitions | Total      |
|-------------------------------------|-----------------------------|--------------------------------|------------|
| Accounts receivable                 | \$4,375                     | \$4,060                        | \$8,435    |
| Current portion of broadcast rights | 1,582                       | —                              | 1,582      |
| Other current assets                | 1,437                       | 1,070                          | 2,507      |
| Property, plant, and equipment      | 13,695                      | 140                            | 13,835     |
| Other noncurrent assets             | 1,907                       | 3,063                          | 4,970      |
| Intangible assets                   | 107,518                     | 33,875                         | 141,393    |
| Total identifiable assets acquired  | 130,514                     | 42,208                         | 172,722    |
| Deferred subscription revenue       | —                           | (51,976 )                      | (51,976 )  |
| Current portion of broadcast rights | (1,582 )                    | —                              | (1,582 )   |
| Other current liabilities           | (1,718 )                    | (7,702 )                       | (9,420 )   |
| Long-term liabilities               | (5,242 )                    | (58,835 )                      | (64,077 )  |
| Total liabilities assumed           | (8,542 )                    | (118,513 )                     | (127,055 ) |
| Net identifiable assets acquired    | 121,972                     | (76,305 )                      | 45,667     |
| Goodwill                            | 17,974                      | 179,424                        | 197,398    |

|                     |            |            |            |
|---------------------|------------|------------|------------|
| Net assets acquired | \$ 139,946 | \$ 103,119 | \$ 243,065 |
|---------------------|------------|------------|------------|

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The following table provides details of the acquired intangible assets by acquisition:

| (In thousands)                                | WGGB     | Martha Stewart | Mywedding | WALA     | Selectable Media | Shape    | Total     |
|---|----------|----------------|-----------|----------|------------------|----------|-----------|
| Intangible assets subject to amortization     |          |                |           |          |                  |          |           |
| National media                                |          |                |           |          |                  |          |           |
| Advertiser relationships                      | \$—      | \$2,500        | \$2,100   | \$—      | \$3,200          | \$3,150  | \$10,950  |
| Customer lists                                | —        | 1,500          | —         | —        | —                | 2,650    | 4,150     |
| Other   | —        | —              | —         | —        | 700              | 975      | 1,675     |
| Local media                                   |          |                |           |          |                  |          |           |
| Retransmission agreements                     | 761      | —              | —         | 3,254    | —                | —        | 4,015     |
| Other   | 70       | —              | —         | 102      | —                | —        | 172       |
| Total   | 831      | 4,000          | 2,100     | 3,356    | 3,900            | 6,775    | 20,962    |
| Intangible assets not subject to amortization |          |                |           |          |                  |          |           |
| National media                                |          |                |           |          |                  |          |           |
| Trademarks                                    | —        | —              | 5,200     | —        | 300              | 7,200    | 12,700    |
| Internet domain names                         | —        | —              | —         | —        | —                | 4,400    | 4,400     |
| Local media                                   |          |                |           |          |                  |          |           |
| FCC licenses                                  | 33,116   | —              | —         | 70,215   | —                | —        | 103,331   |
| Total   | 33,116   | —              | 5,200     | 70,215   | 300              | 11,600   | 120,431   |
| Intangible assets, net                        | \$33,947 | \$4,000        | \$7,300   | \$73,571 | \$4,200          | \$18,375 | \$141,393 |

The above purchase price allocations are considered preliminary and are subject to revisions when the valuations of intangible assets are finalized upon receipt of the various final valuation reports for those assets from third party valuation experts.

The useful life of the advertiser relationships ranges from three to five years, the customer lists' useful lives are two years, and other national media intangible assets' useful lives are three to five years. The useful lives of the retransmission agreements are six years and local media other intangible assets' useful lives are three years.

For all acquisitions, goodwill is attributable primarily to expected synergies and the assembled workforces. Goodwill, with a provisionally assigned value of \$172.3 million, is expected to be fully deductible for tax purposes.

Mywedding and Selectable Media are subject to legal and regulatory requirements, including but not limited to those related to taxation, in each of the jurisdictions in the countries in which they operate. The Company has conducted a preliminary assessment of liabilities arising in each of these jurisdictions, and has recognized provisional amounts in its initial accounting for the acquisitions for all identified liabilities in accordance with the business combinations guidance. However, the Company is continuing its review of these matters during the measurement period, and if new information about facts and circumstances that existed at the acquisition date identifies adjustments to the liabilities initially recognized, or any additional liabilities that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to the provisional amounts initially recognized.

During the second quarter of fiscal 2015, acquisition related costs of \$1.3 million were incurred. During the third quarter of fiscal 2015, acquisition related costs of \$0.1 million were incurred. These costs are included in the selling, general, and administrative line in the Condensed Consolidated Statements of Earnings.





## Fiscal 2014

Effective February 28, 2014, Meredith acquired KMOV. The results of KMOV's operations have been included in the consolidated financial statements since that date. During fiscal 2015, the Company finalized the determination of the fair values of the assets acquired and liabilities assumed. During fiscal 2015, the provisional amounts recorded to fixed assets were decreased \$0.5 million, network affiliation agreements intangible assets were increased \$1.0 million, other intangibles were decreased \$0.1 million, and a corresponding decrease of \$0.4 million was recorded to goodwill based on an updated valuation report and other fair value determinations. These adjustments did not have a significant impact on our Consolidated Balance Sheet as of June 30, 2014. Therefore, we have not retrospectively adjusted for these measurement period adjustments.

Effective June 19, 2014, Meredith acquired KTVK and an interest in the assets of KASW. The results of KTVK's operations have been included in the consolidated financial statements since that date. As part of the Federal Communications Commission's (FCC) approval of the transaction, Meredith was required to sell its interest in the KASW assets. Accordingly, this interest was shown on the Condensed Consolidated Balance Sheet as assets held for sale at June 30, 2014. As of June 30, 2014, the final valuation of the intangible assets acquired was not complete. As a result, the recorded intangible asset values were based on provisional estimates of fair value. The valuation of such assets was updated during the nine-month period ended March 31, 2015, and as a result the provisional amount recorded to assets held for sale were retrospectively increased \$23.0 million, partially offset by \$1.4 million of estimated costs to sell. A corresponding respective adjustment to the assets of KTVK was recorded as a \$23.9 million reduction to the FCC license and \$0.8 million reduction of goodwill, partially offset by a \$1.7 million increase in retransmission agreements. All adjustments were based on an updated preliminary valuation report. The Company is in the process of obtaining final third-party valuations of fixed and intangible assets; thus, the provisional measurements of fixed assets, intangible assets, goodwill, and deferred income tax balances are subject to change for KTVK and KASW. The sale of the Company's interest in the KASW assets was completed in the third quarter of fiscal 2015. The comparative information as of June 30, 2014, was retrospectively adjusted, as required by the accounting guidance for business combinations, to reflect the updated values assigned to each of the intangible assets.

The measurement period adjustments related to fiscal 2014 acquisitions did not have a significant impact on our Condensed Consolidated Statements of Earnings for the three and nine months ended March 31, 2015. Therefore, we have not retrospectively adjusted this financial information.

## 3. Inventories

Major components of inventories are summarized below. Of total net inventory values shown, 40 percent are under the last-in first-out (LIFO) method at March 31, 2015, and 49 percent at June 30, 2014.

| (In thousands)                  | March 31,<br>2015 | June 30,<br>2014 |
|---------------------------------|-------------------|------------------|
| Raw materials                   | \$ 19,097         | \$ 11,993        |
| Work in process                 | 12,444            | 13,398           |
| Finished goods                  | 2,162             | 2,814            |
|                                 | 33,703            | 28,205           |
| Reserve for LIFO cost valuation | (4,197            | ) (4,197         |
| Inventories                     | \$ 29,506         | \$ 24,008        |

## 4. Intangible Assets and Goodwill

Intangible assets consist of the following:

| (In thousands)                                | March 31, 2015 |                          |            | June 30, 2014 |                          |            |
|---|----------------|--------------------------|------------|---------------|--------------------------|------------|
|   | Gross Amount   | Accumulated Amortization | Net Amount | Gross Amount  | Accumulated Amortization | Net Amount |
| Intangible assets subject to amortization     |                |                          |            |               |                          |            |
| National media                                |                |                          |            |               |                          |            |
| Advertiser relationships                      | \$ 18,079      | \$(6,054)                | \$ 12,025  | \$ 8,752      | \$(6,069)                | \$ 2,683   |
| Customer lists                                | 10,220         | (5,815)                  | 4,405      | 16,257        | (14,852)                 | 1,405      |
| Other   | 18,000         | (6,572)                  | 11,428     | 17,105        | (5,608)                  | 11,497     |
| Local media                                   |                |                          |            |               |                          |            |
| Network affiliation agreements                | 229,309        | (127,755)                | 101,554    | 228,314       | (122,888)                | 105,426    |
| Retransmission agreements                     | 21,290         | (2,574)                  | 18,716     | 17,404        | (188)                    | 17,216     |
| Other   | 1,194          | (80)                     | 1,114      | 1,020         | —                        | 1,020      |
| Total   | \$ 298,092     | \$(148,850)              | 149,242    | \$ 288,852    | \$(149,605)              | 139,247    |
| Intangible assets not subject to amortization |                |                          |            |               |                          |            |
| National media                                |                |                          |            |               |                          |            |
| Internet domain names                         |                |                          | 6,227      |               |                          | 1,827      |
| Trademarks                                    |                |                          | 161,589    |               |                          | 148,889    |
| Local media                                   |                |                          |            |               |                          |            |
| FCC licenses                                  |                |                          | 624,684    |               |                          | 523,334    |
| Total   |                |                          | 792,500    |               |                          | 674,050    |
| Intangible assets, net                        |                |                          | \$ 941,742 |               |                          | \$ 813,297 |

Amortization expense was \$11.8 million for the nine months ended March 31, 2015. Annual amortization expense for intangible assets is expected to be as follows: \$17.0 million in fiscal 2015, \$19.3 million in fiscal 2016, \$16.7 million in fiscal 2017, \$13.5 million in fiscal 2018, and \$12.3 million in fiscal 2019.

Changes in the carrying amount of goodwill were as follows:

| Nine months ended March 31,    | 2015           |             |              | 2014           |             |            |
|--------------------------------|----------------|-------------|--------------|----------------|-------------|------------|
|                                | National Media | Local Media | Total        | National Media | Local Media | Total      |
| Balance at beginning of period | \$ 789,038     | \$ 51,823   | \$ 840,861   | \$ 788,854     | \$ —        | \$ 788,854 |
| Acquisitions                   | 179,424        | 17,606      | 197,030      | (68)           | 68,410      | 68,342     |
| Balance at end of period       | \$ 968,462     | \$ 69,429   | \$ 1,037,891 | \$ 788,786     | \$ 68,410   | \$ 857,196 |

## 5. Restructuring Accrual

During the second quarter of fiscal 2015, management committed to several performance improvement plans related to business realignments resulting primarily from recent broadcast station acquisitions, recent digital business acquisitions, and other selected workforce reductions. In connection with these plans, the Company recorded a pre-tax restructuring charge of \$6.7 million. The restructuring charge includes severance and related benefit costs of \$5.3 million related to the involuntary termination of employees and other write-downs and accruals of \$0.2 million, which are recorded in the selling, general, and administrative line of the Condensed Consolidated Statements of Earnings. The Company also wrote down video production fixed assets that the Company plans to



abandon for \$1.2 million, which is recorded in the depreciation and amortization line of the Condensed Consolidated Statements of Earnings. The majority of severance costs are being paid out over a twelve-month period. The plans affect approximately 140 employees.

During the third quarter of fiscal 2015, management committed to several performance improvement plans related to certain acquisition integrations, business realignments, and other selected workforce reductions. In connection with these plans, the Company recorded a pre-tax restructuring charge of \$9.9 million. The restructuring charge includes severance and related benefit costs of \$9.4 million related to the involuntary termination of employees and other write-downs and accruals of \$0.2 million, which are recorded in the selling, general, and administrative line of the Condensed Consolidated Statements of Earnings. The Company also wrote down manuscript and art for \$0.3 million, which is recorded in the production, distribution, and editorial line of the Condensed Consolidated Statements of Earnings. The majority of severance costs will be paid out over the next 12 months. The plans affect approximately 135 employees.

Additionally during the third quarter of fiscal 2015, the Company recorded a reversal of \$0.1 million of excess restructuring reserves accrued in prior fiscal years. The reversal is recorded in the selling, general, and administrative line of the Condensed Consolidated Statements of Earnings.

Details of changes in the Company's restructuring accrual are as follows:

| Nine months ended March 31,<br>(In thousands) | 2015     |   | 2014     |   |
|---|----------|---|----------|---|
| Balance at beginning of period                | \$13,545 |   | \$8,103  |   |
| Severance accruals                            | 14,670   |   | 8,549    |   |
| Other accruals                                | 285      |   | 821      |   |
| Cash payments                                 | (9,124)  | ) | (3,099)  | ) |
| Reversal of excess accrual                    | (105)    | ) | (1,356)  | ) |
| Balance at end of period                      | \$19,271 |   | \$13,018 |   |

## 6. Long-term Debt

Long-term debt consists of the following:

| (In thousands)  | March 31,<br>2015 | June 30,<br>2014 |
|---|-------------------|------------------|
| Variable-rate credit facilities                             |                   |                  |
| Asset-backed bank facility of \$100 million, due 10/23/2015 | \$80,000          | \$70,000         |
| Revolving credit facility of \$200 million, due 3/27/2019   | 105,000           | 20,000           |
| Term loan of \$250 million, due 3/27/2019                   | 240,625           | 250,000          |
| Private placement notes                                     |                   |                  |
| 7.19% senior notes, due 7/13/2014                           | —                 | 25,000           |
| 2.62% senior notes, due 3/1/2015                            | —                 | 50,000           |
| 3.04% senior notes, due 3/1/2016                            | 50,000            | 50,000           |
| 3.04% senior notes, due 3/1/2017                            | 50,000            | 50,000           |
| 3.04% senior notes, due 3/1/2018                            | 50,000            | 50,000           |
| Floating rate senior notes, due 12/19/2022                  | 100,000           | —                |
| Floating rate senior notes, due 2/28/2024                   | 150,000           | 150,000          |
| Total long-term debt  | 825,625           | 715,000          |
| Current portion of long-term debt                           | (62,500 )         | (87,500 )        |
| Long-term debt  | \$763,125         | \$627,500        |

In connection with the asset-backed bank facility, Meredith entered into a revolving agreement to sell all of its rights, title, and interest in the majority of its accounts receivable related to advertising and miscellaneous revenues to Meredith Funding Corporation, a special-purpose entity established to purchase accounts receivable from Meredith. At March 31, 2015, \$163.1 million of accounts receivable net of reserves was outstanding under the agreement. Meredith Funding Corporation in turn may sell receivable interests to a major national bank. In consideration of the sale, Meredith receives cash and a subordinated note, bearing interest at the prime rate, 3.25 percent at March 31, 2015, from Meredith Funding Corporation. The agreement is structured as a true sale under which the creditors of Meredith Funding Corporation will be entitled to be satisfied out of the assets of Meredith Funding Corporation prior to any value being returned to Meredith or its creditors. The accounts of Meredith Funding Corporation are fully consolidated in Meredith's condensed consolidated financial statements.

In February 2015, we renewed our asset-backed bank facility for an additional six-month period on terms substantially similar to those previously in place. The renewed facility will expire in October 2015. We expect to renew the asset-backed bank facility on or before its expiration date under substantially similar terms.

During fiscal 2015, the Company entered into interest rate swap agreements to hedge variable interest rate risk on the \$250.0 million floating-rate senior notes and on \$50.0 million of the term loan. The expiration of the swaps is as follows: \$50.0 million in August 2018, \$100.0 million in March 2019, and \$150.0 million in August 2019. Under the swaps the Company will pay fixed rates of interest (1.36 percent on the swap maturing in August 2018, 1.53 percent on the swap maturing in March 2019, and 1.76 percent on the swaps maturing in August 2019) and receive variable rates of interest based on the one to three-month London Interbank Offered Rate (LIBOR) (0.17 percent on the swap maturing in August 2018, 0.26 percent on the swap maturing in March 2019, and 0.26 percent on the swaps maturing in August 2019 as of March 31, 2015) on the \$300.0 million notional amount of indebtedness. The swaps are designated as cash flow hedges. The Company evaluates the effectiveness of the hedging relationships on an ongoing basis by recalculating changes in fair value of the derivatives and related hedged items independently.

Unrealized gains or losses on cash flow hedges are recorded in other comprehensive loss to the extent the cash flow hedges are effective. The amount of the swap that offsets the effects of interest rate changes on the related debt is

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subsequently reclassified into interest expense. Any ineffective portions on cash flow hedges are recorded in interest expense. No material ineffectiveness existed at March 31, 2015.

The fair value of the interest rate swap agreements is the estimated amount the Company would pay or receive to terminate the swap agreements. At March 31, 2015, the swaps had a fair value of \$3.7 million liability. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to the swap agreements. This exposure is managed through diversification and the monitoring of the creditworthiness of the counterparties. There was no potential loss that the Company would incur on the interest rate swaps if the counterparties were to fail to meet their obligations under the agreements at March 31, 2015. Given the strong creditworthiness of the counterparties, management does not expect any of them to fail to meet their obligations. Additionally, the concentration of risk with any individual counterparty is not considered significant at March 31, 2015.

## 7. Pension and Postretirement Benefit Plans

The following table presents the components of net periodic benefit costs:

| Periods ended March 31,<br>(In thousands) | Three Months |         | Nine Months |           |
|---|--------------|---------|-------------|-----------|
|   | 2015         | 2014    | 2015        | 2014      |
| <b>Pension benefits</b>                   |              |         |             |           |
| Service cost                              | \$3,043      | \$2,538 | \$9,129     | \$7,613   |
| Interest cost                             | 1,395        | 1,398   | 4,187       | 4,193     |
| Expected return on plan assets            | (2,759)      | (2,422) | (8,277)     | (7,266)   |
| Prior service cost amortization           | 56           | 81      | 168         | 242       |
| Actuarial loss amortization               | 169          | 511     | 507         | 1,533     |
| Net periodic benefit costs                | \$1,904      | \$2,106 | \$5,714     | \$6,315   |
| <b>Postretirement benefits</b>            |              |         |             |           |
| Service cost                              | \$29         | \$35    | \$87        | \$135     |
| Interest cost                             | 102          | 117     | 306         | 363       |
| Prior service cost amortization           | (108)        | (105)   | (324)       | (335)     |
| Actuarial gain amortization               | (108)        | (102)   | (324)       | (263)     |
| Curtailment credit                        | —            | —       | —           | (1,511)   |
| Net periodic benefit                      | \$(85)       | \$(55)  | \$(255)     | \$(1,611) |

The amortization of amounts related to unrecognized prior service costs and net actuarial loss were reclassified out of other comprehensive income as components of net periodic benefit costs.

The curtailment credit was triggered by a change in the postretirement benefit plan to no longer subsidize retiree medical coverage and life insurance for non-vested future non-union retirees.



## 8. Earnings per Share

The following table presents the calculations of earnings per share:

| Periods ended March 31,<br>(In thousands except per share data) | Three Months |          | Nine Months |          |
|---|--------------|----------|-------------|----------|
|   | 2015         | 2014     | 2015        | 2014     |
| Net earnings  | \$25,256     | \$18,486 | \$94,212    | \$73,096 |
| Basic average shares outstanding                                | 44,549       | 44,649   | 44,497      | 44,665   |
| Dilutive effect of stock options and equivalents                | 838          | 727      | 792         | 797      |
| Diluted average shares outstanding                              | 45,387       | 45,376   | 45,289      | 45,462   |
| Earnings per share  |              |          |             |          |
| Basic earnings per share  | \$0.57       | \$0.41   | \$2.12      | \$1.64   |
| Diluted earnings per share                                      | 0.56         | 0.41     | 2.08        | 1.61     |

For the three months ended March 31, 2015 and 2014, antidilutive options excluded from the above calculations totaled 0.6 million (with a weighted average exercise price of \$50.98) and 2.0 million (with a weighted average exercise price of \$50.02), respectively. For the nine months ended March 31, 2015 and 2014, antidilutive options excluded from the above calculations totaled 1.0 million (with a weighted average exercise price of \$50.49) and 1.7 million (with a weighted average exercise price of \$50.62), respectively.

In the nine months ended March 31, 2015 and 2014, options were exercised to purchase 0.9 million and 1.2 million common shares, respectively.

## 9. Fair Value Measurements

We have estimated the fair value of our financial instruments using available market information and valuation methodologies we believe to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that we would realize upon disposition.

The fair value hierarchy consists of three broad levels of inputs that may be used to measure fair value, which are described below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth the carrying value and the estimated fair value of the Company's financial instruments:

| (In thousands)           | March 31, 2015 |            | June 30, 2014  |            |
|--------------------------|----------------|------------|----------------|------------|
|                          | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Broadcast rights payable | \$12,582       | \$12,230   | \$8,838        | \$8,408    |
| Long-term debt           | 825,625        | 828,106    | 715,000        | 717,032    |



The fair value of broadcast rights payable was determined using the present value of expected future cash flows discounted at the Company's current borrowing rate with inputs included in Level 3. The fair value of long-term debt was determined using the present value of expected future cash flows using borrowing rates currently available for debt with similar terms and maturities with inputs included in Level 2.

The following table sets forth the liabilities measured at fair value on a recurring basis:

| (In thousands)                         | March 31, 2015 | June 30,<br>2014 |
|--|----------------|------------------|
| Accrued expenses and other liabilities |                |                  |
| Contingent consideration               | \$—            | \$50             |
| Interest rate swaps                    | 3,415          | —                |
| Other noncurrent liabilities           |                |                  |
| Contingent consideration               | 61,635         | 1,650            |
| Interest rate swaps                    | 288            | —                |

The fair value of interest rate swaps is determined based on discounted cash flows derived using market observable inputs including swap curves that are included in Level 2. The fair value of the contingent consideration is based on significant inputs not observable in the market and thus represents Level 3 measurements.

The following table represents the changes in the fair value of Level 3 contingent consideration for the nine months ended March 31, 2015.

| (in thousands)   |          |
|--|----------|
| Balance at beginning of period                                     | \$1,700  |
| Additions due to acquisitions                                      | 60,535   |
| Change in present value of contingent consideration <sup>(1)</sup> | (600 )   |
| Balance at end of period   | \$61,635 |

<sup>(1)</sup> Change in present value of contingent consideration is included in earning and comprised of changes in estimated earn out payments based on projections of performance and the amortization of the present value discount.

## 10. Financial Information about Industry Segments

Meredith is a diversified media company focused primarily on the home and family marketplace. On the basis of products and services, the Company has established two reportable segments: national media and local media. There have been no changes in the basis of segmentation since June 30, 2014. There are no material intersegment transactions.

There are two principal financial measures reported to the chief executive officer for use in assessing segment performance and allocating resources. Those measures are operating profit and EBITDA. Operating profit for segment reporting, disclosed below, is revenues less operating costs excluding unallocated corporate expenses. Segment operating expenses include allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff, and human resources administration. These costs are allocated based on actual usage or other appropriate methods, primarily number of employees. Unallocated corporate expenses are corporate overhead expenses not directly attributable to the operating groups. In accordance with authoritative guidance on disclosures about segments of an enterprise and related information, EBITDA is not presented below.



The following table presents financial information by segment:

| Periods ended March 31,<br>(In thousands) | Three Months |           | Nine Months |             |
|---|--------------|-----------|-------------|-------------|
|   | 2015         | 2014      | 2015        | 2014        |
| <b>Revenues</b>                           |              |           |             |             |
| National media                            | \$275,298    | \$269,680 | \$764,005   | \$786,273   |
| Local media                               | 122,881      | 97,734    | 404,263     | 291,641     |
| Total revenues                            | \$398,179    | \$367,414 | \$1,168,268 | \$1,077,914 |
| <b>Segment profit</b>                     |              |           |             |             |
| National media                            | \$23,460     | \$13,614  | \$78,462    | \$69,760    |
| Local media                               | 31,420       | 26,696    | 122,718     | 87,597      |
| Unallocated corporate                     | (7,774 )     | (9,081 )  | (32,360 )   | (31,419 )   |
| Income from operations                    | 47,106       | 31,229    | 168,820     | 125,938     |
| Interest expense, net                     | (5,179 )     | (3,408 )  | (14,206 )   | (8,676 )    |
| Earnings before income taxes              | \$41,927     | \$27,821  | \$154,614   | \$117,262   |
| <b>Depreciation and amortization</b>      |              |           |             |             |
| National media                            | \$4,369      | \$15,622  | \$11,481    | \$25,355    |
| Local media                               | 9,816        | 7,009     | 28,926      | 19,841      |
| Unallocated corporate                     | 425          | 402       | 1,280       | 1,222       |
| Total depreciation and amortization       | \$14,610     | \$23,033  | \$41,687    | \$46,418    |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth below under the heading "Forward Looking Statements."

## EXECUTIVE OVERVIEW

Meredith Corporation has been committed to service journalism for more than 110 years. Today, Meredith uses multiple distribution platforms—including broadcast television, print, digital, mobile, tablets, and video—to provide consumers with content they desire and to deliver the messages of its advertising and marketing partners.

Meredith operates two business segments: local media and national media. The local media segment includes 17 owned or operated television stations reaching 11 percent of U.S. households. Meredith's portfolio is concentrated in large, fast-growing markets, with seven stations in the nation's Top 25 markets—including Atlanta, Phoenix, and Portland—and 13 in Top 50 markets. Meredith's stations produce approximately 650 hours of local news and entertainment content each week, and operate leading local digital destinations.

Our national media segment reaches a multi-channel audience of more than 220 million consumers monthly, including 100 million unduplicated women and 60 percent of American millennial women. Meredith is the leader at creating content across media platforms in key consumer interest areas such as food, home, parenthood, and health through well-known brands such as Better Homes and Gardens, Parents, Allrecipes and Shape. The national media segment features robust brand licensing activities, including more than 3,000 SKUs of branded products at 4,000 Walmart stores across the U.S. Meredith Xcelerated Marketing is a leader at developing and delivering custom content and customer relationship marketing programs for many of the world's top brands.

Both segments operate primarily in the U.S. and compete against similar media and other types of media on both a local and national basis. The national media segment accounted for 65 percent of the Company's \$1.2 billion in revenues in the first nine months of fiscal 2015 while the local media segment contributed 35 percent.

## LOCAL MEDIA

Local media derives the majority of its revenues—76 percent in the first nine months of fiscal 2015—from the sale of advertising, both over the air and on our stations' websites and apps. The remainder comes from television retransmission fees, station operation management fees, television production services and products, and other services. Political advertising revenues are cyclical in that they are significantly greater during biennial election campaigns (which take place primarily in odd-numbered fiscal years) than at other times. Local media's major expense categories are employee compensation costs and programming fees paid to the networks.

## NATIONAL MEDIA

Advertising revenues made up 47 percent of national media's first nine months' revenues. These revenues were generated from the sale of advertising space in our magazines and on our websites and apps to clients interested in promoting their brands, products, and services to consumers. Circulation revenues accounted for 29 percent of national media's first nine months' revenues. Circulation revenues result from the sale of magazines to consumers

through subscriptions and by single copy sales on newsstands in print form, primarily at major retailers and grocery/drug stores, and in digital form on tablets and other media devices. The remaining 24 percent of national media's revenues came from a variety of activities that included the sale of customer relationship marketing products and services and books as well as brand licensing, product sales, and other related activities. National media's major expense categories are production and delivery of publications and promotional mailings and employee compensation costs.

#### FIRST NINE MONTHS FISCAL 2015 FINANCIAL OVERVIEW

Meredith completed several strategic acquisitions during the first nine months of fiscal 2015 including the October 2014 acquisition of WGGB, the ABC affiliate in Springfield, Massachusetts; the November 2014 acquisitions of the Martha Stewart Living media properties and related digital assets and of mywedding.com; the December 2014 acquisitions of WALA, the Fox affiliate in Mobile, Alabama-Pensacola, Florida and of Selectable Media; and the February 2015 acquisition of the Shape brand and related digital assets.

In October 2014, the Company entered into a \$100.0 million note purchase agreement. Proceeds were used primarily to fund the WALA acquisition.

Management committed to several performance improvement plans related primarily to business realignments from recent broadcast station acquisitions, business realignments from recent digital business acquisitions, and other selected workforce reductions. In connection with these plans, the Company recorded pre-tax restructuring charges totaling \$16.6 million. The restructuring charges include severance and related benefit costs of \$14.7 million related to the involuntary termination of employees, the write-down of video production fixed assets that the Company plans to abandon of \$1.2 million, and other write-downs and accruals of \$0.7 million.

Local media revenues increased 39 percent and operating profit rose 40 percent compared to the prior-year period reflecting the acquisition of two television stations in the second half of fiscal 2014, the acquisition of two television stations in the second quarter of fiscal 2015, and increased cyclical political advertising.

National media revenues declined 3 percent as compared to the prior-year period as declines in the revenues of our magazine operations of \$69.8 million more than offset revenues from acquisitions of \$38.0 million and increased revenues in our interactive media operations of \$8.8 million. Approximately 45 percent of the decline in revenues of our magazine operations was due to the prior year conversion of Ladies' Home Journal from a monthly subscription magazine to a newsstand-only special interest publication. National media operating profit increased 12 percent as the lack of a \$10.3 million intangible impairment charge as recorded in the prior year, improved operating results in our digital and mobile operations of \$8.5 million, operating profit from acquisitions of \$3.9 million, and increased operating profit in our customer relationship marketing operations of \$3.5 million more than offset a decline of magazine operating results of \$14.5 million.

Diluted earnings per share increased 29 percent to \$2.08 from \$1.61 in the prior-year first nine months.



## RESULTS OF OPERATIONS

| Three months ended March 31,<br>(In thousands except per share data) | 2015        | 2014        | Change |   |
|--|-------------|-------------|--------|---|
| Total revenues   | \$398,179   | \$367,414   | 8      | % |
| Operating expenses   | (351,073 )  | (336,185 )  | 4      | % |
| Income from operations   | \$47,106    | \$31,229    | 51     | % |
| Net earnings   | \$25,256    | \$18,486    | 37     | % |
| Diluted earnings per share   | 0.56        | 0.41        | 37     | % |
| <br>   |             |             |        |   |
| Nine months ended March 31,<br>(In thousands except per share data)  | 2015        | 2014        | Change |   |
| Total revenues   | \$1,168,268 | \$1,077,914 | 8      | % |
| Operating expenses   | (999,448 )  | (951,976 )  | 5      | % |
| Income from operations   | \$168,820   | \$125,938   | 34     | % |
| Net earnings   | \$94,212    | \$73,096    | 29     | % |
| Diluted earnings per share   | 2.08        | 1.61        | 29     | % |

The following sections provide an analysis of the results of operations for the local media and national media segments and an analysis of the consolidated results of operations for the three and nine months ended March 31, 2015, compared with the prior-year periods. This commentary should be read in conjunction with the interim condensed consolidated financial statements presented elsewhere in this report and with our Annual Report on Form 10-K (Form 10-K) for the year ended June 30, 2014.

## ACQUISITIONS

During the first nine-months of fiscal 2015, Meredith completed several strategic acquisitions including the October 2014 acquisition of WGGB and the December 2014 acquisition of WALA in our local media segment, and the November 2014 acquisitions of the Martha Stewart Living media properties and related digital assets and of mywedding.com, the December 2014 acquisition of Selectable Media, and the February 2015 acquisition of the Shape brand and its related digital assets in our national media segment. In the second half of fiscal 2014, Meredith completed the acquisitions of KMOV, the CBS affiliate in St. Louis, Missouri, and KTVK, an independent station in Phoenix, Arizona. The results of these acquisitions have been included in the Company's consolidated operating results since their respective acquisition dates. See Note 2 to the condensed consolidated financial statements for further information.

## LOCAL MEDIA

Local media operating results were as follows:

| Three months ended March 31,<br>(In thousands) | 2015      | 2014      | Change |    |
|--|-----------|-----------|--------|----|
| Non-political advertising                      | \$87,752  | \$69,796  | 26     | %  |
| Political advertising                          | 279       | 532       | (48)   | )% |
| Other  | 34,850    | 27,406    | 27     | %  |
| Total revenues                                 | 122,881   | 97,734    | 26     | %  |
| Operating expenses                             | (91,461)  | (71,038)  | 29     | %  |
| Operating profit                               | \$31,420  | \$26,696  | 18     | %  |
| Operating profit margin                        | 25.6      | % 27.3    | %      |    |
|  |           |           |        |    |
| Nine months ended March 31,<br>(In thousands)  | 2015      | 2014      | Change |    |
| Non-political advertising                      | \$262,914 | \$212,418 | 24     | %  |
| Political advertising                          | 42,564    | 1,761     | 2,317  | %  |
| Other  | 98,785    | 77,462    | 28     | %  |
| Total revenues                                 | 404,263   | 291,641   | 39     | %  |
| Operating expenses                             | (281,545) | (204,044) | 38     | %  |
| Operating profit                               | \$122,718 | \$87,597  | 40     | %  |
| Operating profit margin                        | 30.4      | % 30.0    | %      |    |

## Revenues

Local media revenues increased 26 percent in the third quarter and 39 percent in the first nine months of fiscal 2015. The increase in the third quarter was primarily the result of revenues from acquisitions. The nine month increase was due primarily to acquisitions and higher political advertising related to the November 2014 elections. Political advertising revenues totaled \$0.3 million in the third quarter and \$42.6 million in the first nine months of the current fiscal year compared with \$0.5 million in the prior-year third quarter and \$1.8 million in the prior-year nine-month period. Political revenues from acquisitions accounted for almost 25 percent of the increase in political advertising revenues in the first nine months. Fluctuations in political advertising revenues at our stations and throughout the broadcasting industry generally follow the biennial cycle of election campaigns. Political advertising displaces a certain amount of non-political advertising; therefore, the revenues are not entirely incremental. Non-political advertising revenues increased 26 percent in the third quarter due primarily to the addition of \$20.2 million of non-political revenue from acquisitions and 24 percent in the first nine months of fiscal 2015 due primarily to the addition of \$58.5 million of non-political revenue from acquisitions. Local non-political advertising revenues grew 21 percent in the third quarter and 22 percent for the first nine months of fiscal 2015. National non-political advertising increased 34 percent as compared to the prior-year third quarter and 25 percent for the first half of fiscal 2015. Online advertising for the third quarter and first nine months of fiscal 2015 increased 31 percent and 42 percent as compared to the prior-year periods, respectively, primarily due to the addition of the acquisitions.

Other revenues increased 27 percent in the third quarter primarily due to the addition of \$6.0 million from acquisitions and increased retransmission fees of \$3.5 million. They grew 28 percent in the nine-month period primarily due to the addition of \$16.1 million from acquisitions and increased retransmission fees of \$8.9 million.

## Operating Expenses

Local media operating expenses increased 29 percent in the third quarter of fiscal 2015 primarily due to the addition of acquisition operating expenses. Local media operating expenses increased 38 percent in the first nine months of fiscal 2015. Approximately 75 percent of the increase was due to the addition of acquisition operating expenses. In



addition, programming fees paid to the networks increased \$10.2 million and legal services expense increased \$2.4 million, while the Company incurred severance and related benefit accruals of \$2.3 million and write-downs on video production fixed assets of \$1.2 million related to recent performance improvement plans.

#### Operating Profit

Local media operating profit increased 18 percent in the third quarter of fiscal 2015 and 40 percent in the first nine months compared with the prior-year periods reflecting the increase in political advertising revenues as well as the addition of the acquisitions.

#### NATIONAL MEDIA

National media operating results were as follows:

| Three months ended March 31,<br>(In thousands) | 2015       | 2014       | Change |
|--|------------|------------|--------|
| Advertising                                    | \$117,979  | \$111,847  | 5 %    |
| Circulation                                    | 96,037     | 96,078     | — %    |
| Other  | 61,282     | 61,755     | (1) %  |
| Total revenues                                 | 275,298    | 269,680    | 2 %    |
| Operating expenses                             | (251,838 ) | (256,066 ) | (2) %  |
| Operating profit                               | \$23,460   | \$13,614   | 72 %   |
| Operating profit margin                        | 8.5 %      | 5.0 %      |        |
| Nine months ended March 31,<br>(In thousands)  | 2015       | 2014       | Change |
| Advertising                                    | \$359,985  | \$360,074  | — %    |
| Circulation                                    | 221,390    | 239,545    | (8) %  |
| Other  | 182,630    | 186,654    | (2) %  |
| Total revenues                                 | 764,005    | 786,273    | (3) %  |
| Operating expenses                             | (685,543 ) | (716,513 ) | (4) %  |
| Operating profit                               | \$78,462   | \$69,760   | 12 %   |
| Operating profit margin                        | 10.3 %     | 8.9 %      |        |

#### Revenues

National media advertising revenues increased 5 percent in the third quarter. They were flat for the first nine months of fiscal 2015. Magazine advertising revenues and ad pages declined 4 percent in the third quarter. Excluding advertising revenues and page declines due to the conversion of Ladies' Home Journal from a monthly subscription magazine to a newsstand-only special interest publication, ad revenues and pages increased 2 percent in the third quarter primarily due to the addition of ad revenues and pages from acquired magazines. For the first nine months of fiscal 2015 magazine advertising revenues and ad pages declined 8 percent and 12 percent, respectively. Excluding advertising revenues and page declines from the conversion of Ladies' Home Journal from a monthly subscription magazine to a newsstand-only special interest publication, ad revenues and pages decreased 3 percent and 7 percent, respectively, in the nine-month period primarily due to declines in our parenthood titles. Among our core advertising categories, prescription drugs showed strength while most other categories were weaker. Online advertising revenues in our digital and mobile media operations increased over 60 percent in the third quarter and 40 percent in the first nine months of fiscal 2015 primarily due to acquisitions and strong performance at Allrecipes.com.



Magazine circulation revenues were flat in the third quarter. They decreased 8 percent in the first nine months of fiscal 2015. Subscription revenues increased in the low-single digits on a percentage basis in the third quarter but were down in the mid-single digits for the nine-month period. For the third quarter, subscription revenues from acquisitions of \$10.5 million more than offset a decline in subscription revenues of \$6.6 million from the conversion of Ladies' Home Journal from a monthly subscription magazine to a newsstand-only special interest publication. The fluctuation in subscription revenues for the nine-month period was primarily due to the conversion of Ladies' Home Journal. Newsstand revenues declined in the mid-to-upper teens on a percentage basis in the third quarter and first nine months of fiscal 2015. The declines in newsstand revenues were primarily due to overall weaker demand and a wholesaler disruption in the newsstand channel.

Other revenues decreased 1 percent in the third quarter primarily due to declines in revenues in our customer relationship marketing operations. Other revenues decreased 2 percent in the first nine months of fiscal 2015 primarily due to declines in list rental revenues in our magazine operations.

#### Operating Expenses

National media operating expenses decreased 2 percent in the third quarter and 4 percent in the first nine months of fiscal 2015.

For the third quarter, the conversion of Ladies' Home Journal from a monthly subscription magazine to a newsstand-only special interest publication reduced operating expenses by \$13.5 million. In the prior-year third quarter, an intangible assets impairment charge of \$10.3 million was recorded. Circulation expenses decreased \$3.5 million. These decreases were partially offset by the addition of expenses from acquisitions of \$24.1 million.

For the first nine months of fiscal 2015, the conversion of Ladies' Home Journal reduced operating expenses by \$35.3 million. In the prior-year, an intangible assets impairment charge of \$10.3 million was recorded. Circulation expenses declined \$8.9 million. Paper costs declined \$6.5 million primarily due to the decrease in printing volumes. In addition to the decrease in the volume of paper used, paper expense also decreased due to a mid-single digit decline in average paper prices as compared to the prior-year period. Editorial costs decreased \$3.5 million. These declines were partially offset by expenses from acquisitions of \$34.1 million.

#### Operating Profit

National media operating profit increased 72 percent in the third quarter primarily due to the lack of a \$10.3 million intangible impairment charge recorded in the prior-year third quarter. In addition, a decline of magazine operating results of \$6.5 million partially offset by operating profit from acquisitions of \$3.7 million contributed to the change in third quarter operating profit. National media operating profit grew 12 percent in the first nine months of fiscal 2015. The lack of a \$10.3 million intangible impairment charge as recorded in the prior year, improved operating results in our digital and mobile operations of \$8.5 million, operating profit from acquisitions of \$3.9 million, and increased operating profit in our customer relationship marketing operations of \$3.5 million more than offset a decline of magazine operating results of \$14.5 million.

#### UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses are general corporate overhead expenses not attributable to the operating groups. These expenses were as follows:

| Unallocated Corporate Expenses<br>(In thousands) | 2015    | 2014    | Change |
|--|---------|---------|--------|
| Three months ended March 31,                     | \$7,774 | \$9,081 | (14 )% |
| Nine months ended March 31,                      | 32,360  | 31,419  | 3 %    |



Unallocated corporate expenses decreased 14 percent in the third quarter. They increased 3 percent in the first nine months of fiscal 2015 compared with the prior-year period. The third quarter decrease was primarily due to a decrease in consulting expenses. The increase in the first nine months of fiscal 2015 was primarily due to an increase in charitable contributions partially offset by a decrease in consulting expenses.

## CONSOLIDATED

### Consolidated Operating Expenses

Consolidated operating expenses were as follows:

| Three months ended March 31,<br>(In thousands) | 2015       | 2014       | Change |
|--|------------|------------|--------|
| Production, distribution, and editorial        | \$ 154,448 | \$ 144,766 | 7 %    |
| Selling, general, and administrative           | 182,015    | 168,386    | 8 %    |
| Depreciation and amortization                  | 14,610     | 23,033     | (37) % |
| Operating expenses                             | \$ 351,073 | \$ 336,185 | 4 %    |
| Nine months ended March 31,<br>(In thousands)  | 2015       | 2014       | Change |
| Production, distribution, and editorial        | \$ 436,618 | \$ 417,759 | 5 %    |
| Selling, general, and administrative           | 521,143    | 487,799    | 7 %    |
| Depreciation and amortization                  | 41,687     | 46,418     | (10) % |
| Operating expenses                             | \$ 999,448 | \$ 951,976 | 5 %    |

Fiscal 2015 production, distribution, and editorial costs increased 7 percent in the third quarter and 5 percent in the first nine months as compared to the prior-year periods. For the third quarter, the addition of acquisition expenses of \$19.6 million was partially offset by a reduction in Ladies Home Journal expenses of \$6.6 million. For the first nine months of fiscal 2015, the addition of acquisition expenses of \$41.1 million and increases in programming fees paid to the networks of \$10.2 million were partially offset by a reduction in Ladies Home Journal expenses of \$16.8 million and declines in paper expense of \$6.5 million and editorial expenses of \$3.5 million. In addition, customer relationship marketing expenses declined \$7.5 million in the nine-month period primarily due to a change in product mix.

Selling, general, and administrative expenses increased 8 percent in the third quarter and 7 percent in the first nine months of fiscal 2015. For the third quarter, the addition of acquisition expenses of \$21.2 million and increases in performance-based incentive accruals of \$1.5 million, more than offset a reduction in Ladies Home Journal expenses of \$6.9 million and a decline in circulation expenses of \$3.5 million. For the first nine months of fiscal 2015, the addition of acquisition expenses of \$43.8 million, increased severance and related benefit accruals of \$6.2 million, increases in performance-based incentive accruals of \$2.1 million, and charitable contributions of \$1.5 million more than offset a reduction in Ladies Home Journal expenses of \$18.5 million and a decline in circulation expenses of \$8.9 million. Customer relationship marketing expenses increased \$5.2 million in the nine-month period primarily due to a change in product mix.

Depreciation and amortization expense decreased 37 percent in the third quarter and 10 percent in the first nine months of fiscal 2015. In the third quarter of fiscal 2014, an impairment charge of \$10.3 million related to trademarks and customer lists was recorded. No such impairment charge has been taken in fiscal 2015. The decrease in depreciation and amortization expense due to the lack of an impairment charge in the current fiscal year was partially offset by increased depreciation and amortization from acquisitions of \$3.7 million in the third quarter and \$8.7 million in the first nine months of fiscal 2015.





### Income from Operations

Income from operations increased 51 percent in the third quarter and 34 percent in the first nine months of fiscal 2015. The increase in income from operations in the third quarter was primarily due to a \$10.3 million impairment charge taken in the prior year and the addition of acquisition operating profit of \$9.5 million partially offset by declines in the operating results of our magazine operations of \$6.5 million. For the first nine months of fiscal 2015, the addition of acquisitions operating profit of \$28.8 million, higher operating profits in our local media segment of \$13.2 million, improved operating results in our national media digital and mobile operations of \$8.5 million, and increased operating profits in our customer relationship marketing operations of \$3.5 million were partially offset by declines in the operating results of our magazine operations of \$14.5 million.

### Net Interest Expense

Net interest expense increased to \$5.2 million in the fiscal 2015 third quarter compared with \$3.4 million in the prior-year third quarter. For the nine months ended March 31, 2015, net interest expense was \$14.2 million versus \$8.7 million in the first nine months of fiscal 2014. Average long-term debt outstanding was \$839.2 million in the third quarter of fiscal 2015 and \$772.8 million for the nine-month period compared with \$428.8 million in the prior-year third quarter and \$386.9 million in the prior-year nine-month period. The Company's approximate weighted average interest rate was 2.5 percent in the first nine months of fiscal 2015 and 3.0 percent in the first nine months of fiscal 2014.

### Income Taxes

Our effective tax rate was 39.8 percent in the third quarter and 39.1 percent in the first nine months of fiscal 2015 as compared to 33.6 percent in the third quarter and 37.7 percent in the first nine months of fiscal 2014. The fiscal 2014 third quarter effective tax rate was primarily impacted by our lower pretax earnings due to the impairment and restructuring charges recorded in the third quarter of fiscal 2014.

### Net Earnings and Earnings per Share

Net earnings were \$25.3 million (\$0.56 per diluted share) in the quarter ended March 31, 2015, up 37 percent from \$18.5 million (\$0.41 per diluted share) in the prior-year third quarter. For the nine months ended March 31, 2015, net earnings were \$94.2 million (\$2.08 per diluted share), an increase of 29 percent from prior-year nine months earnings of \$73.1 million (\$1.61 per diluted share). The increases in net earnings were primarily due to the growth in income from operations as discussed above reduced by increased interest expense and higher taxes. While average basic shares outstanding for the third quarter and nine-month period and diluted shares outstanding for the nine-month period decreased slightly, diluted shares outstanding increased slightly in the third quarter.

## LIQUIDITY AND CAPITAL RESOURCES

| Nine months ended March 31,<br>(In thousands) | 2015        | 2014       | Change |    |
|---|-------------|------------|--------|----|
| Net earnings                                  | \$94,212    | \$73,096   | 29     | %  |
| Cash flows provided by operating activities   | \$123,295   | \$91,357   | 35     | %  |
| Cash flows used in investing activities       | (191,528 )  | (205,137 ) | (7     | )% |
| Cash flows provided by financing activities   | 51,304      | 108,227    | (53    | )% |
| Net decrease in cash and cash equivalents     | \$(16,929 ) | \$(5,553 ) | 205    | %  |

## OVERVIEW

Meredith's primary source of liquidity is cash generated by operating activities. Debt financing is typically used for significant acquisitions. We expect cash on hand, internally generated cash flow, and available credit from financing agreements will provide adequate funds for operating and recurring cash needs (e.g., working capital, capital

expenditures, debt repayments, and cash dividends) into the foreseeable future. As of March 31, 2015, we had up to \$95.0 million of additional available borrowings under our revolving credit facility, and up to \$20.0 million of

additional available borrowings under our asset-backed bank facility (depending on levels of accounts receivable). While there are no guarantees that we will be able to replace current credit agreements when they expire, we expect to be able to do so.

## SOURCES AND USES OF CASH

Cash and cash equivalents decreased \$16.9 million in the first nine months of fiscal 2015; they decreased \$5.6 million in the first nine months of fiscal 2014.

### Operating Activities

The largest single component of operating cash inflows is cash received from advertising customers. Other sources of operating cash inflows include cash received from magazine circulation sales and other revenue generating transactions such as customer relationship marketing, retransmission consent fees, brand licensing, and product sales. Operating cash outflows include payments to vendors and employees and payments of interest and income taxes. Our most significant vendor payments are for production and delivery of publications and promotional mailings, broadcasting programming rights, employee benefit plans (including pension plans), and other services and supplies.

Cash provided by operating activities totaled \$123.3 million in the first nine months of fiscal 2015 compared with \$91.4 million in the first nine months of fiscal 2014. The change is primarily due to increased net earnings and an increase in deferred income taxes.

### Investing Activities

Investing cash inflows generally include proceeds from the sale of assets or a business. Investing cash outflows generally include payments for the acquisition of new businesses; investments; and additions to property, plant, and equipment.

Net cash used by investing activities decreased to \$191.5 million in the first nine months of fiscal 2015 from \$205.1 million in the prior-year period. While more cash was spent on acquisitions in the current year than in the prior year, that amount was partially offset by proceeds received from the sale of assets in the current year.

### Financing Activities

Financing cash inflows generally include borrowings under debt agreements and proceeds from the exercise of common stock options issued under share-based compensation plans. Financing cash outflows generally include the repayment of long-term debt, the payment of dividends, and repurchases of Company stock.

Net cash provided by financing activities totaled \$51.3 million in the nine months ended March 31, 2015, compared with net cash provided by financing activities of \$108.2 million for the nine months ended March 31, 2014. The change in cash provided by financing activities is primarily due to a net \$110.6 million of debt being issued in the current year compared to a net \$175.0 million of debt being issued in the prior year.

### Long-term Debt

At March 31, 2015, long-term debt outstanding totaled \$825.6 million. The balance consisted of \$240.6 million under a term loan, \$150.0 million in fixed-rate unsecured senior notes, \$250.0 million in floating-rate unsecured senior notes, \$80.0 million under an asset-backed bank facility, and \$105.0 million outstanding under a revolving credit facility.

During fiscal 2015, the Company entered into interest rate swap agreements to hedge variable interest rate risk on the \$250.0 million floating-rate senior notes and on \$50.0 million of the term loan. The expiration of the swaps is as follows: \$50.0 million in August 2018, \$100.0 million in March 2019, and \$150.0 million in August 2019. Under the swaps the Company will pay fixed rates of interest (1.36 percent on the swap maturing in August 2018, 1.53 percent

on the swap maturing in March 2019, and 1.76 percent on the swaps maturing in August 2019) and receive variable rates of interest based on the one to three-month London Interbank Offered Rate (LIBOR) (0.17 percent on

the swap maturing in August 2018, 0.26 percent on the swap maturing in March 2019, and 0.26 percent on the swap maturing in August 2019 as of March 31, 2015) on the \$300.0 million notional amount of indebtedness.

The revolving credit facility has a capacity of up to \$200.0 million. Both the revolving credit facility and the term loan have a five-year term which will expire in March 2019. The interest rate under both the revolving credit facility and the term loan is variable based on LIBOR and Meredith's debt to trailing 12 month EBITDA (earnings before interest, taxes, depreciation, and amortization as defined in the debt agreement) ratio. The term loan is payable in quarterly installments based on an amortization schedule as set forth in the agreement. At March 31, 2015, \$240.6 million was outstanding under the term loan and \$105.0 million was outstanding under the revolver. Of the term loan, \$12.5 million is due in the next 12 months. We expect to repay this with cash from operations and credit available under existing credit agreements.

Of the fixed-rate unsecured senior notes, \$50.0 million is due in the next 12 months. We expect to repay these senior notes with cash from operations and credit available under existing credit agreements. The weighted average effective interest rate for the fixed-rate notes was 3.04 percent at March 31, 2015. The floating-rate unsecured senior notes are due in December 2022 and February 2024. The weighted average effective interest rate for \$150.0 million of the floating-rate unsecured senior notes was 3.26 percent at March 31, 2015, after taking into account the effect of outstanding interest rate swap agreements. The weighted average effective interest rate for \$100.0 million of the floating-rate unsecured senior notes was 3.03 percent at March 31, 2015, after taking into account the effect of outstanding interest rate swap agreement. None of the floating-rate senior notes are due in the next 12 months. The interest rate on the asset-backed bank facility is variable based on LIBOR plus a fixed spread. As of March 31, 2015, the asset-backed bank facility had a capacity of up to \$100.0 million (depending on levels of accounts receivable). In February 2015, we renewed our asset-backed bank facility for an additional six month period on terms substantially similar to those previously in place. The renewed facility will expire in October 2015. We expect to renew the asset-backed bank facility on or before its expiration date under substantially similar terms.

All of our debt agreements include financial covenants, and failure to comply with any such covenants could result in the debt becoming payable on demand. The Company was in compliance with all financial covenants at March 31, 2015.

#### Contractual Obligations

The following table summarizes our principal contractual obligations as of March 31, 2015, that have materially changed from those disclosed in our Form 10 K for the year ended June 30, 2014:

| Contractual obligations<br>(In millions)              | Total   | Payments Due by Period |              |              |                  |
|---|---------|------------------------|--------------|--------------|------------------|
|   |         | Less than<br>1 Year    | 1-3<br>Years | 4-5<br>Years | After 5<br>Years |
| Long-term debt  | \$825.6 | \$62.5                 | \$146.8      | \$366.3      | \$250.0          |
| Debt interest <sup>1</sup>                            | 83.1    | 12.5                   | 23.9         | 19.3         | 27.4             |
| Broadcast rights and network programming <sup>2</sup> | 246.0   | 70.1                   | 137.1        | 36.8         | 2.0              |
| Contingent consideration <sup>3</sup>                 | 71.9    | —                      | 3.7          | 68.2         | —                |

<sup>1</sup> Debt interest represents semi-annual interest payments due on fixed-rate senior notes outstanding at March 31, 2015, and estimated interest payments on variable-rate term loan and variable-rate private placement senior notes outstanding at March 31, 2015. Interest payments on variable-rate debt is estimated using the effective interest rate as of March 31, 2015.

<sup>2</sup> Commitments for broadcasting rights and network programming consist of future rights to broadcast television programming and future programming costs pursuant to network affiliate agreements. Broadcast rights include \$21.2 million owed for broadcast rights that are not currently available for airing and are therefore not included in

the Condensed Consolidated Balance Sheet at March 31, 2015.

3 These amounts include contingent acquisition payments. While it is not certain if and /or when these payments will be made, we have included the payments in the table based on our best estimates of the amounts and dates when the contingencies may be resolved.

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### Share Repurchase Program

As part of our ongoing share repurchase program, we spent \$42.0 million in the first nine months of fiscal 2015 to repurchase 834,000 shares of common stock at then-current market prices. We spent \$67.8 million to repurchase 1,408,000 shares in the first nine months of fiscal 2014. We expect to continue repurchasing shares from time to time subject to market conditions. Shares that are deemed to be delivered to us on tender of stock in payment for the exercise price of options do not reduce the repurchase authority granted by our Board. Of the 834,000 shares of common stock purchased during the first nine months of the current fiscal year, 609,000 were deemed to be delivered to us on tender of stock in payment for the exercise price of options. As of March 31, 2015, \$97.5 million remained available under the current authorization for future repurchases. The status of the repurchase program is reviewed at each quarterly Board of Directors meeting. See Part II, Item 2 (c), Issuer Repurchases of Equity Securities, of this Form 10 Q for detailed information on share repurchases during the quarter ended March 31, 2015.

### Dividends

Dividends paid in the first nine months of fiscal 2015 totaled \$59.4 million, or \$1.3225 per share, compared with dividend payments of \$56.0 million, or \$1.2475 per share, in the first nine months of fiscal 2014.

### Capital Expenditures

Investment in property, plant, and equipment totaled \$20.0 million in the first nine months of fiscal 2015 compared with prior-year first nine months investment of \$16.5 million. Current year and prior year investment spending primarily relate to assets acquired in the normal course of business. We have no material commitments for capital expenditures. We expect funds for future capital expenditures to come from operating activities or, if necessary, borrowings under credit agreements.

## OTHER MATTERS

### CRITICAL ACCOUNTING POLICIES

Meredith's critical accounting policies are summarized in our Form 10 K for the year ended June 30, 2014. As of March 31, 2015, the Company's critical accounting policies had not changed from June 30, 2014.

The Company has a significant amount of goodwill and indefinite-lived intangible assets that are reviewed at least annually for impairment. At March 31, 2015, goodwill and intangible assets totaled \$2.0 billion with \$1.2 billion in the national media group and \$0.8 billion in the local media group.

Management is required to evaluate goodwill and intangible assets with indefinite lives for impairment on an annual basis or when events occur or circumstances change that would indicate the carrying value exceeds the fair value. In reviewing goodwill for impairment, the Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. At May 31, 2014, the date the Company last performed its annual evaluation of impairment of goodwill, management elected to perform the two-step goodwill impairment test for all reporting units. The first step of this test is to compare the fair value of a reporting unit to its carrying value. In reviewing other indefinite-lived intangible assets for impairment, the Company compares the fair value of the asset to the asset's carrying value. No impairment was recorded as a result of the review.

Fair value is determined using a discounted cash flow model which requires us to estimate the future cash flows expected to be generated by the reporting unit or to result from the use of the assets. These estimates depend upon assumptions about future revenues (including projections of overall market growth and our share of market), estimated costs, and appropriate discount rates where applicable. Our assumptions are based on historical data, various internal estimates, and a variety of external sources and are consistent with the assumptions used in both our short-term financial forecasts and long-term strategic plans. Depending on the assumptions and estimates used, future cash flow projections can vary within a range of outcomes. Changes in key assumptions about the local media and



national media businesses and their prospects or changes in market conditions could result in an

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impairment charge. See Item 1A. Risk Factors, in our Form 10-K for the year ended June 30, 2014, for other factors which could affect our assumptions. Also see Note 4 to the consolidated financial statements in our Form 10-K for the year ended June 30, 2014, for additional information. The impairment analysis of these assets is considered critical because of their significance to the Company and our local media and national media segments.

#### ACCOUNTING AND REPORTING DEVELOPMENTS

There were no new accounting pronouncements issued or effective during the fiscal year which have had or are expected to have a material impact on the consolidated financial statements. See Note 1 to the condensed consolidated financial statements for further detail on applicable accounting pronouncements that were adopted in the first nine months of fiscal 2015 or will be effective for fiscal 2016.

#### FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These statements are based on management's current knowledge and estimates of factors affecting the Company's operations. Readers are cautioned not to place undue reliance on such forward-looking information. Factors that could adversely affect future results include, but are not limited to, downturns in national and/or local economies; a softening of the domestic advertising market; world, national, or local events that could disrupt broadcast television; increased consolidation among major advertisers or other events depressing the level of advertising spending; the unexpected loss or insolvency of one or more major clients; the integration of acquired businesses; changes in consumer reading, purchasing and/or television viewing patterns; increases in paper, postage, printing, syndicated programming or other costs; changes in television network affiliation agreements; technological developments affecting products or methods of distribution; changes in government regulations affecting the Company's industries; increases in interest rates; and the consequences of acquisitions and/or dispositions. Meredith's Form 10 K for the year ended June 30, 2014, includes a more complete description of the risk factors that may affect our results. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

#### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Meredith is exposed to certain market risks as a result of our use of financial instruments, in particular the potential market value loss arising from adverse changes in interest rates. The Company does not utilize financial instruments for trading purposes and does not hold any derivative financial instruments that could expose the Company to significant market risk. Readers are referred to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in the Company's Form 10 K for the year ended June 30, 2014, for a more complete discussion of these risks.

##### Interest Rates

We generally manage our risk associated with interest rate movements through the use of a combination of variable and fixed-rate debt. At March 31, 2015, Meredith had \$150.0 million outstanding in fixed-rate long-term debt. In addition, Meredith has effectively converted the \$250.0 million floating-rate senior notes and \$50.0 million of the term loan to fixed-rate debt through the use of interest rate swaps. Since the interest rate swaps hedge the variability of interest payments on variable-rate debt with the same terms, they qualify for cash flow hedge accounting treatment. There are no earnings or liquidity risks associated with the Company's fixed-rate debt. The fair value of the fixed-rate debt (based on discounted cash flows reflecting borrowing rates currently available for debt with similar terms and maturities) varies with fluctuations in interest rates. A 10 percent decrease in interest rates would have changed the

fair value of the fixed-rate debt to \$153.1 million from \$152.5 million at March 31, 2015.

At March 31, 2015, \$675.6 million of our debt was variable-rate debt before consideration of the impact of the swaps. The Company is subject to earnings and liquidity risks for changes in the interest rate on this debt. A 10 percent increase in interest rates would increase annual interest expense by \$1.1 million.

The fair value of the interest rate swaps is the estimated amount, based on discounted cash flows, the Company would pay or receive to terminate the swap agreements. We intend to continue to meet the conditions for hedge accounting. However, if hedges were not to be highly effective in offsetting cash flows attributable to the hedged risk, the changes in the fair value of the derivatives used as hedges could have an impact on our consolidated net earnings.

#### Broadcast Rights Payable

There has been no material change in the market risk associated with broadcast rights payable since June 30, 2014.

#### Item 4. Controls and Procedures

Meredith's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10 Q, that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that Meredith files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to Meredith's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. There have been no significant changes in the Company's internal control over financial reporting in the quarter ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

#### Item 1A. Risk Factors

There have been no material changes to the Company's risk factors as disclosed in Item 1A, Risk Factors, in the Company's Form 10 K for the year ended June 30, 2014.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## (c) Issuer Repurchases of Equity Securities

The following table sets forth information with respect to the Company's repurchases of common stock during the quarter ended March 31, 2015.

| Period                             | (a)<br>Total number of<br>shares<br>purchased <sup>1, 2, 3</sup> | (b)<br>Average price<br>paid<br>per share | (c)<br>Total number of shares<br>purchased as part of<br>publicly<br>announced programs | (d)<br>Approximate dollar value<br>of shares that may yet<br>be purchased under<br>programs<br>(in thousands) |
|------------------------------------|--|---|---|---|
| January 1 to<br>January 31, 2015   | 3,362  | \$53.47                                   | 415   | \$98,121  |
| February 1 to<br>February 28, 2015 | 80,781   | 54.44                                     | 7,821   | 97,697  |
| March 1 to<br>March 31, 2015       | 22,097   | 54.40                                     | 3,950   | 97,483  |
| Total                              | 106,240  |   | 12,186  |   |

<sup>1</sup> Total number of shares purchased includes the purchase of 12 shares of Class B common stock in March 2015. The number of shares purchased includes 316 shares in January 2015, 5,529 shares in February 2015, and 3,926 shares in March 2015 delivered or deemed to be delivered to us in satisfaction of tax withholding on option exercises and the vesting of restricted shares. These shares are included as part of our repurchase program and reduce the repurchase authority granted by our Board. The number of shares repurchased excludes shares we reacquired pursuant to forfeitures of restricted stock.

<sup>2</sup> The number of shares purchased includes 2,947 shares in January 2015, 72,960 shares in February 2015, and 18,147 shares in March 2015 deemed to be delivered to us on tender of stock in payment for the exercise price of options. These shares do not reduce the repurchase authority granted by our Board.

In May 2014, Meredith announced the Board of Directors had authorized the repurchase of up to \$100.0 million in additional shares of the Company's stock through public and private transactions.

For more information on the Company's share repurchase program, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Share Repurchase Program."

Item 6. Exhibits

- 10.1 Amendment No. 2 to First Amended and Restated Receivables Purchase Agreement dated as of February 18, 2015, among Meredith Funding Corporation (a wholly-owned subsidiary of Meredith Corporation) as Seller, Meredith Corporation, as Servicer, Falcon Asset Securitization Company LLC, The Financial Institutions from time to time party hereto and JPMorgan Chase Bank, N.A., as Agent.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEREDITH CORPORATION  
Registrant

/s/ Joseph Ceryanec  
Joseph Ceryanec  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: April 27, 2015

INDEX TO ATTACHED EXHIBITS

| Exhibit<br>Number | Item   |
|-------------------|--|
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