MEREDITH CORP
Form 10-Q
January 22, 2009
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Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **December 31, 2008** 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 [X] 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 Securities Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [_]

Non-accelerated filer [_]   Smaller reporting company [_]

(Do not check if a 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 [X]

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 December 31, 2008	
Common shares	35,794,997
Class B shares	9,160,735
Total common and Class B shares	44,955,732

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Meredith Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

Assets	(Unaudited) December 31, 2008	June 30, 2008
(In thousands)		
Current assets		
Cash and cash equivalents	$ 33,359	$ 37,644
Accounts receivable, net	217,091	230,978
Inventories	40,659	44,085
Current portion of subscription acquisition costs	60,988	59,939
Current portion of broadcast rights	17,391	10,779

Other current assets	20,500	19,665
Total current assets	389,988	403,090
Property, plant, and equipment	457,469	446,935
Less accumulated depreciation	(258,292)	(247,147)
Net property, plant, and equipment	199,177	199,788
Subscription acquisition costs	60,588	60,958
Broadcast rights	6,816	7,826
Other assets	73,653	74,472
Intangible assets, net	777,309	781,154
Goodwill	531,256	532,332
Total assets	$ 2,038,787	$ 2,059,620
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 130,000	$ 75,000
Current portion of long-term broadcast rights payable	18,702	11,141
Accounts payable	67,174	79,028
Accrued expenses and other liabilities	101,589	102,707
Current portion of unearned subscription revenues	177,263	175,261
Total current liabilities	494,728	443,137
Long-term debt	325,000	410,000
Long-term broadcast rights payable	15,512	17,186
Unearned subscription revenues	160,124	157,872
Deferred income taxes	153,303	139,598
Other noncurrent liabilities	107,215	103,972
Total liabilities	1,255,882	1,271,765
Shareholders' equity		
Series preferred stock	-	-
Common stock	35,795	36,295
Class B stock	9,161	9,181
Additional paid-in capital	50,365	52,693
Retained earnings	699,948	701,205
Accumulated other comprehensive loss	(12,364)	(11,519)
Total shareholders' equity	782,905	787,855

Total liabilities and shareholders' equity	$ 2,038,787	$ 2,059,620

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months		Six Months	
Periods Ended December 31,	2008	2007	2008	2007
(In thousands except per share data)				
Revenues				
Advertising	$ 204,213	$ 239,256	$ 419,749	$ 493,591
Circulation	69,274	72,959	143,296	153,245
All other	92,753	84,030	173,633	153,482
Total revenues	366,240	396,245	736,678	800,318
Operating expenses				
Production, distribution, and editorial	165,744	166,122	338,956	341,830
Selling, general, and administrative	161,735	153,046	310,658	308,616
Depreciation and amortization	10,778	12,025	21,636	24,143
Total operating expenses	338,257	331,193	671,250	674,589
Income from operations	27,983	65,052	65,428	125,729
Interest income	107	296	227	648
Interest expense	(5,353)	(5,734)	(10,787)	(11,897)
Earnings from continuing operations before income taxes	22,737	59,614	54,868	114,480
Income taxes	10,194	24,401	23,688	45,799
Earnings from continuing operations	12,543	35,213	31,180	68,681
Income from discontinued operations, net of taxes	-	846	-	748
Net earnings	$ 12,543	$ 36,059	$ 31,180	$ 69,429

Basic earnings per share				
Earnings from continuing operations	$ 0.28	$ 0.74	$ 0.69	$ 1.44
Discontinued operations	-	0.02	-	0.02
Basic earnings per share				
	$ 0.28	$ 0.76	$ 0.69	$ 1.46
Basic average shares outstanding	44,951	47,287	45,096	47,541
Diluted earnings per share				
Earnings from continuing operations	$ 0.28	$ 0.73	$ 0.69	$ 1.41
Discontinued operations	-	0.02	-	0.02
Diluted earnings per share				
	$ 0.28	$ 0.75	$ 0.69	$ 1.43
Diluted average shares outstanding	45,072	48,325	45,219	48,576
Dividends paid per share	$ 0.215	$ 0.185	$ 0.430	$ 0.370

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(In thousands except per share data)	Common Stock - $1 par value	Class B Stock - $1 par value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2008						
						$ 36,295
						$ 9,181
						$ 52,693

$ 701,205

$ (11,519)

$ 787,855

Net earnings

-

-

-

31,180

-

31,180

Other comprehensive loss, net

-

-

-

-

(845)

(845)

Total comprehensive income

30,335

Share-based incentive plan transactions

345

-

2,112

-

-

2,457

Purchases of Company stock

(863)

(2)

(10,327)

(10,370)

-

(21,562)

Share-based compensation

-

-

6,079

-

-

6,079

Conversion of Class B to common stock

18

(18)

-

-

-

-

Dividends paid, 43 cents per share

Common stock

	-
	-
	-
	(15,489)
	-
	(15,489)
Class B stock	
	-
	-
	-
	(3,941)
	-
	(3,941)
Tax benefit from incentive plans	
	-
	-
	(192)
	-
	-
	(192)
Adoption of EITF 06-10, net of tax	
	-
	-
	-
	(2,637)

-

(2,637)

Balance at December 31, 2008

$ 35,795

$ 9,161

$ 50,365

$ 699,948

$ (12,364)

$ 782,905

See accompanying Notes to Condensed Consolidated Financial Statements.

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3-

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

Six Months Ended December 31,	2008	2007
(In thousands)		
Cash flows from operating activities		
Net earnings	$ 31,180	$ 69,429
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	16,782	17,251
Amortization	4,854	7,159
Share-based compensation	6,079	6,404
Deferred income taxes	15,853	14,589
Amortization of broadcast rights	13,035	13,642

Payments for broadcast rights	(12,751)	(13,715)
Gain from dispositions of assets	(1,758)	-
Provision for write-down of impaired assets	5,602	-
Excess tax benefits from share-based payments	(966)	(360)
Changes in assets and liabilities	5,118	28,520
Net cash provided by operating activities	83,028	142,919
Cash flows from investing activities		
Acquisitions of businesses	(5,195)	(1,920)
Additions to property, plant, and equipment	(15,185)	(10,210)
Proceeds from dispositions of assets	636	-
Net cash used in investing activities	(19,744)	(12,130)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	120,000	90,000
Repayments of long-term debt	(150,000)	(145,000)
Purchases of Company stock	(21,562)	(77,482)
Dividends paid	(19,430)	(17,607)
Proceeds from common stock issued	2,457	9,442
Excess tax benefits from share-based payments	966	360
Net cash used in financing activities	(67,569)	(140,287)
Net decrease in cash and cash equivalents	(4,285)	(9,498)
Cash and cash equivalents at beginning of period	37,644	39,220
Cash and cash equivalents at end of period	$ 33,359	$ 29,722

See accompanying Notes to Condensed Consolidated Financial Statements.

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

1. 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 condensed consolidated financial statements as of December 31, 2008, and for the three and six months ended December 31, 2008 and 2007, are unaudited but, in management's opinion, include all normal, recurring adjustments necessary for a fair presentation of the results of interim periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

These consolidated financial statements, including the related notes, are condensed and presented in accordance with accounting principles generally accepted in the United States of America (GAAP). 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, 2008, filed with the United States Securities and Exchange Commission.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements* (SFAS 157), which establishes a common definition for fair value in accordance with GAAP, and establishes a framework for measuring fair value and expands disclosure requirements about such fair value measurements. Specifically, SFAS 157 sets forth a definition of fair value, and establishes a hierarchy prioritizing the use of inputs in valuation techniques. SFAS 157 defines levels within the hierarchy as follows:

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.

In February 2008, the FASB issued FASB Staff Position (FSP) SFAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-2 delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The partial delay is intended to provide all relevant parties additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of SFAS 157.

The Company adopted the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008. The adoption of these provisions did not have any impact on the Company's condensed consolidated financial statements, because the Company's existing fair value measurements are consistent with the guidance of SFAS 157. We are currently evaluating the impact of the provisions of SFAS 157 that relate to our nonfinancial assets and liabilities, which are effective for the Company as of July 1, 2009.

As of December 31, 2008, Meredith had interest rate swap agreements that converted $100 million of its variable-rate debt to fixed-rate debt. These agreements are required to be measured at fair value on a recurring basis. The Company determined that these interest rate swap agreements are defined as Level 2 in the fair value hierarchy. As of December 31, 2008, the fair value of these interest rate swap agreements was a liability of $3.5 million based on significant other observable inputs (London Interbank Offered Rate (LIBOR)) within the fair value hierarchy. Fair value of the interest rate swaps is based on a discounted cash flow analysis, predicated on forward LIBOR prices, of the estimated amounts the Company would have paid to terminate the swaps.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 was effective for the Company at the beginning of fiscal 2009. This statement permitted a choice to measure many financial instruments and certain other items at fair value. Upon the Company's adoption of SFAS 159 on July 1, 2008, we did not elect the fair value option for any financial instrument that was not already reported at fair value.

The Emerging Issues Task Force (EITF) reached consensus on EITF Issue No. 06-10, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* (EITF 06-10), which requires that a company recognize a liability for the postretirement benefits associated with collateral assignment split-dollar life insurance arrangements. The provisions of EITF 06-10 are applicable in instances where the Company has contractually agreed to maintain a life insurance policy (i.e., the Company pays the premiums) for an employee in periods in which the employee is no longer providing services. We adopted EITF 06-10 on July 1, 2008, at which time we recorded a liability and a cumulative effect adjustment to the opening balance of retained earnings for $2.9 million ($2.6 million, net of tax). Future compensation charges and adjustments to the liability will be charged to earnings in the period incurred.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Lives of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company will adopt this interpretation as of the beginning of fiscal 2010 and is still evaluating the potential impact of adoption.

2. Restructuring and Discontinued Operations

Restructuring

In December 2008, in response to a weakening economy and a widespread advertising downturn, management committed to additional actions against our previously announced performance improvement plan that included a companywide workforce reduction, the closing of *Country Home* magazine, effective with the March 2009 issue, and relocating the creative functions of the ReadyMade brand and Parents.com to Des Moines, Iowa. In connection with this plan, the Company recorded a restructuring charge of $15.8 million, including severance costs of $10.0 million, the write-down of various assets of *Country Home* magazine of $5.6 million, and other accruals of $0.2 million. The majority of the asset write-down charge relates to the write-off of deferred subscription acquisition costs. Severance costs relate to the involuntary termination of employees. The plan affected approximately 275 employees. The majority of severance costs will be paid out over the next 12 months.

Details of changes in the Company's restructuring accrual since June 30, 2008, are as follows:

Six Months Ended December 31,		2008
(In thousands)		
Balance at June 30, 2008	$	1,877
Severance accrual		10,010
Other accrual		182
Cash payments		(800)
Balance at December 31, 2008	$	11,269

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6-

Discontinued Operations

In April 2008, the Company completed the sale of WFLI, the CW affiliate serving the Chattanooga, Tennessee market. For fiscal 2008, the revenues and expenses, along with associated taxes, were removed from continuing operations and reclassified into a single line item on the Condensed Consolidated Statement of Earnings titled loss from discontinued operations, net of taxes. In addition, income from discontinued operations includes the effect of the reversal of a portion of the restructuring charge recorded in fiscal 2007 related to the discontinuation of the print operations of *Child* magazine. This reversal was a result of changes in the estimated net costs for vacated leased space and employee severance. It is reflected in the special items line in the following table.

Revenues and expenses related to discontinued operations were as follows:

Periods Ended December 31, 2007	Three Months	Six Months
(In thousands except per share data)		
Revenues	$ 443	$ 864
Costs and expenses	(645)	(1,227)
Special items	1,588	1,588
Income before income taxes	1,386	1,225
Income taxes	(540)	(477)
Income from discontinued operations	$ 846	$ 748
Income per share from discontinued operations		
Basic	$ 0.02	$ 0.02
Diluted	0.02	0.02

3. Inventories

Major components of inventories are summarized below. Of total net inventory values shown, approximately 48 percent and 44 percent are under the last-in first-out (LIFO) method at December 31, 2008, and June 30, 2008, respectively.

(In thousands)	December 31, 2008	June 30, 2008
Raw materials	$ 21,371	$ 24,837
Work in process	23,873	19,890
Finished goods	5,692	8,388
	50,936	53,115
Reserve for LIFO cost valuation	(10,277)	(9,030)
Inventories	$ 40,659	$ 44,085

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7-

4. Intangible Assets and Goodwill

Intangible assets consist of the following:

	December 31, 2008			June 30, 2008		
(In thousands)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Publishing segment						
Noncompete agreements	$ 480	$ (158)	$ 322	$ 3,134	$ (2,621)	$ 513
Advertiser relationships	18,400	(9,200)	9,200	18,400	(7,886)	10,514
Customer lists	9,230	(1,593)	7,637	24,530	(16,783)	7,747
Other	3,544	(1,869)	1,675	3,014	(1,555)	1,459
Broadcasting segment						
Network affiliation agreements	218,559	(95,522)	123,037	218,559	(93,076)	125,483
Total	$ 250,213	$ (108,342)	141,871	$ 267,637	$ (121,921)	145,716
Intangible assets not subject to amortization						
Publishing segment						
Trademarks			124,431			124,431
Broadcasting segment						
FCC licenses			511,007			511,007
Total			635,438			635,438
Intangible assets, net			$ 777,309			$ 781,154

Amortization expense was $4.9 million for the six months ended December 31, 2008. Annual amortization expense for intangible assets is expected to be as follows: $9.6 million in fiscal 2009, $9.4 million in fiscal 2010, $9.3 million in fiscal 2011, $9.0 million in fiscal 2012, and $6.3 million in fiscal 2013.

Changes in the carrying amount of goodwill were as follows:

Six Months Ended December 31,	2008	2007

(In thousands)	Publishing	Broadcasting	Total	Publishing	Broadcasting	Total
Balance at beginning of period	$ 449,734	$ 82,598	$ 532,332	$ 376,895	$ 82,598	$ 459,493
Acquisitions	16	-	16	40,103	-	40,103
Adjustments	(1,092)	-	(1,092)	1,050	-	1,050
Balance at end of period	$ 448,658	$ 82,598	$ 531,256	$ 418,048	$ 82,598	$ 500,646

In accordance with SFAS 142*, Goodwill and Other Intangible Assets*, and SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company is required to evaluate the carrying value of goodwill and long-lived assets for potential impairment on an annual basis or an interim basis if there are indicators of potential impairment. Due to the current economic environment, indicators emerged that led the Company to conclude that impairment testing was required during the second quarter of fiscal 2009. Accordingly, the Company performed interim tests of impairment and, based on the results of this testing, concluded that no impairment existed as of December 31, 2008. The Company will perform its annual tests for impairment during the fourth quarter of fiscal 2009.

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8-

5. Long-term Debt

Long-term debt consists of the following:

(In thousands)	December 31, 2008	June 30, 2008
Variable-rate credit facilities		
Asset-backed commercial paper facility of $125 million, due 4/2/2011	$ 80,000	$ 35,000
Revolving credit facility of $150 million, due 10/7/2010	100,000	100,000
Private placement notes		
4.50% senior notes, due 7/1/2008	-	75,000
4.57% senior notes, due 7/1/2009	100,000	100,000
4.70% senior notes, due 7/1/2010	75,000	75,000
4.70% senior notes, due 6/16/2011	50,000	50,000
5.04% senior notes, due 6/16/2012	50,000	50,000
Total long-term debt	455,000	485,000
Current portion of long-term debt	(130,000)	(75,000)
Long-term debt	$ 325,000	$ 410,000

In connection with the asset-backed commercial paper 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, book, and miscellaneous revenues to Meredith Funding Corporation, a special purpose entity established to purchase accounts receivable from Meredith. At December 31, 2008, $197.3 million of accounts receivable net of reserves was outstanding under the agreement. Meredith Funding Corporation in turn sells receivable interests to an asset-backed commercial paper conduit administered by 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 December 31, 2008, 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. The asset-backed commercial paper facility renews annually until April 2, 2011, the facility termination date.

In fiscal 2007, the Company entered into two interest rate swap agreements to hedge variable interest rate risk on $100 million of the Company's variable interest rate revolving credit facility. Under the swaps the Company pays, on a quarterly basis, fixed rates of interest (average 4.69 percent) and receives variable rates of interest based on the three-month LIBOR rate (average of 1.46 percent at December 31, 2008) on $100 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 (the long-haul method). Unrealized gains or losses on cash flow hedges are recorded in comprehensive income to the extent the cash flow hedges are highly effective. No material ineffectiveness existed at December 31, 2008. The fair value of the interest rate swap agreements is the estimated amount that the Company would pay or receive to terminate the swap agreements. At December 31, 2008, the swaps had a fair value to the Company of a liability of $3.5 million. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to the swap agreements. Management does not expect any counterparties to fail to meet their obligations.

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9-

6. Pension and Postretirement Benefit Plans

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

	Three Months		Six Months	
Periods Ended December 31,	2008	2007	2008	2007
(In thousands)				
Pension benefits				
Service cost	$ 2,181	$ 1,929	$ 4,362	$ 3,858
Interest cost	1,436	1,240	2,872	2,481
Expected return on plan assets	(2,331)	(2,463)	(4,662)	(4,927)
Prior service cost amortization	210	148	420	296
Actuarial loss amortization	155	44	310	88
Net periodic pension expense	$ 1,651	$ 898	$ 3,302	$ 1,796

Postretirement benefits				
Service cost	$ 115	$ 116	$ 230	$ 232
Interest cost	245	236	490	472
Prior service cost amortization	(184)	(184)	(368)	(368)
Actuarial loss amortization	-	5	-	11
Net periodic postretirement expense	$ 176	$ 173	$ 352	$ 347

7. Comprehensive Income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from nonowner sources. The Company's comprehensive income includes net earnings, changes in the fair value of interest rate swap agreements, and changes in prior service cost and net actuarial losses from pension and postretirement benefit plans. Total comprehensive income for the three months ended December 31, 2008 and 2007, was $11.5 million and $35.1 million, respectively. Total comprehensive income for the six months ended December 31, 2008 and 2007, was $30.3 million and $67.5 million, respectively.

8. Earnings per Share

The following table presents the calculations of earnings per share:

	Three Months		Six Months	
Periods Ended December 31,	2008	2007	2008	2007
(In thousands except per share data)				
Earnings from continuing operations	$ 12,543	$ 35,213	$ 31,180	$ 68,681
Basic average shares outstanding	44,951	47,287	45,096	47,541
Dilutive effect of stock options and equivalents	121	1,038	123	1,035
Diluted average shares outstanding	45,072	48,325	45,219	48,576
Earnings per share from continuing operations				
Basic	$ 0.28	$ 0.74	$ 0.69	$ 1.44
Diluted	0.28	0.73	0.69	1.41

For the three months ended December 31, antidilutive options excluded from the above calculations totaled 5,217,350 options in 2008 (with a weighted average exercise price of $41.41) and 461,000 options in 2007 (with a weighted average exercise price of $54.44). For the six months ended December 31, antidilutive options excluded from the above calculations totaled 4,986,200 options in 2008 (with a weighted average exercise price of $42.31) and 359,000 options in 2007 (with a weighted average exercise price of $54.25).

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In the six months ended December 31, 2007, options were exercised to purchase 180,000 shares. No options were exercised in the six-month period ended December 31, 2008.

9. Segment Information

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: publishing and broadcasting. The publishing segment includes magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing, and other related operations. The broadcasting segment consists primarily of the operations of network-affiliated television stations. There are no material intersegment transactions. There have been no changes in the basis of segmentation since June 30, 2008.

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 earnings from continuing operations before interest, taxes, depreciation, and amortization (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 attributable to the operating groups. In accordance with SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*, EBITDA is not presented below.

The following table presents financial information by segment:

	Three Months		Six Months	
Periods Ended December 31,	2008	2007	2008	2007
(In thousands)				
Revenues				
Publishing	$ 281,864	$ 308,608	$ 581,899	$ 638,130
Broadcasting	84,376	87,637	154,779	162,188
Total revenues	$ 366,240	$ 396,245	$ 736,678	$ 800,318
Operating profit				
Publishing	$ 15,241	$ 44,512	$ 48,425	$ 99,945
Broadcasting	22,329	27,564	33,025	41,141
Unallocated corporate	(9,587)	(7,024)	(16,022)	(15,357)
Income from operations	$ 27,983	$ 65,052	$ 65,428	$ 125,729
Depreciation and amortization				
Publishing	$ 4,230	$ 5,305	$ 8,058	$ 10,505
Broadcasting	6,448	6,329	12,517	12,707
Unallocated corporate	100	391	1,061	931
Total depreciation and amortization	$ 10,778	$ 12,025	$ 21,636	$ 24,143

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

EXECUTIVE OVERVIEW

Meredith Corporation (Meredith or the Company) is the leading media and marketing company serving American women. The Company also has television stations in top markets such as Atlanta, Phoenix, and Portland. Each month we reach more than 85 million American consumers through our magazines, books, custom publications, websites, and television stations.

Meredith operates two business segments. Publishing consists of magazine and book publishing, integrated marketing, interactive media, database-related activities, brand licensing, and other related operations. Broadcasting consists of 12 network-affiliated television stations, one radio station, related interactive media operations, and video related operations. Both segments operate primarily in the United States and compete against similar media and other types of media on both a local and national basis. Publishing accounted for 79 percent of the Company's $736.7 million in revenues in the first six months of fiscal 2009 while broadcasting revenues totaled 21 percent.

PUBLISHING

Advertising revenues made up 46 percent of publishing's first six months' revenues. These revenues were generated from the sale of advertising space in the Company's magazines and on websites to clients interested in promoting their brands, products, and services to consumers. Circulation revenues accounted for 25 percent of publishing's fiscal 2009 first six months' revenues. Circulation revenues result from the sale of magazines to consumers through subscriptions and by single copy sales on newsstands, primarily at major retailers and grocery/drug stores. The remaining 29 percent of publishing revenues came from a variety of activities that included integrated marketing services and the sale of books as well as brand licensing, and other related activities. Publishing's major expense categories are production and delivery of publications and promotional mailings and employee compensation costs.

BROADCASTING

Broadcasting derives almost all of its revenues-96 percent in the first six months of fiscal 2009-from the sale of advertising, both on the air and on our stations' websites. The remainder comes from television retransmission fees, television production services, 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. Broadcasting's major expense categories are employee compensation and programming costs.

FIRST SIX MONTHS FISCAL 2009 FINANCIAL OVERVIEW

- Both magazine and broadcasting advertising revenues were affected by a nationwide slowdown in the demand for advertising. As a result, publishing revenues and operating profit decreased 9 percent and 52 percent, respectively. Broadcasting revenues and operating profit declined 5 percent and 20 percent, respectively.
- In December 2008, management committed to a performance improvement plan that includes a companywide workforce reduction, the closing of *Country Home* magazine, and the relocation of the creative functions of the ReadyMade brand and Parents.com to Des Moines. In connection with this plan, the Company recorded a pre-tax restructuring charge in the second quarter of fiscal 2009 of $15.8 million including severance and benefit costs of $10.0 million, the write-down of various assets of *Country Home* magazine of $5.6 million, and other accruals of

$0.2 million.

- Diluted earnings per share declined 52 percent to $0.69 from prior-year first six months' earnings of $1.43.
- We spent $21.6 million to repurchase 865,000 shares of our common stock.

DISCONTINUED OPERATIONS

In April 2008, the Company completed the sale of WFLI, the CW affiliate serving the Chattanooga, Tennessee market. The station's revenues and expenses, along with associated taxes, were removed from continuing operations and reclassified into a single line item amount on the Condensed Consolidated Statements of Earnings titled income from discontinued operations, net of taxes. Unless stated otherwise, as in the section titled Discontinued Operations, all of the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations relates to continuing operations.

USE OF NON-GAAP FINANCIAL MEASURES

These consolidated financial statements, including the related notes, are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Our analysis of broadcasting segment results includes references to earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA). EBITDA and EBITDA margin are non-GAAP measures. We use EBITDA along with operating profit and other GAAP measures to evaluate the financial performance of our broadcasting segment. EBITDA is a common measure of performance in the broadcasting industry and is used by investors and financial analysts, but its calculation may vary among companies. Broadcasting segment EBITDA is not used as a measure of liquidity, nor is it necessarily indicative of funds available for our discretionary use.

We believe the non-GAAP measures used in Management's Discussion and Analysis of Financial Condition and Results of Operations contribute to an understanding of our financial performance and provide an additional analytic tool to understand our results from core operations and to reveal underlying trends. These measures should not, however, be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

RESULTS OF OPERATIONS

Three Months Ended December 31,	2008	2007	Change
(In thousands except per share data)			
Total revenues	$ 366,240	$ 396,245	(8)%
Operating expenses	338,257	331,193	2 %
Income from operations	$ 27,983	$ 65,052	(57)%
Earnings from continuing operations	$ 12,543	$ 35,213	(64)%
Net earnings	12,543	36,059	(65)%

Diluted earnings per share from			
continuing operations	0.28	0.73	(62)%
Diluted earnings per share	0.28	0.75	(63)%

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13-

Six Months Ended December 31,	2008	2007	Change
(In thousands except per share data)			
Total revenues	$ 736,678	$ 800,318	(8)%
Operating expenses	671,250	674,589	-
Income from operations	$ 65,428	$ 125,729	(48)%
Earnings from continuing operations	$ 31,180	$ 68,681	(55)%
Net earnings	31,180	69,429	(55)%
Diluted earnings per share from			
continuing operations	0.69	1.41	(51)%
Diluted earnings per share	0.69		