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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Meredith Corporation FY15 first-quarter earnings conference call.

(Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the call over to Mr. Mike Lovell from Investor Relations. Please go ahead

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Mike Lovell - *Meredith Corporation - Director, IR*

Hello, good morning, and thanks for everyone for joining us. Our call this morning will begin with comments from Chairman and Chief Executive, Steve Lacy; and Chief Financial Officer, Joe Ceryanec, and then we will turn the call over to questions. Also on the line this morning are National Media Group President, Tom Harty; and Local Media Group President, Paul Karpowicz. An archive of our discussion will be available later today on our investor website, and the transcript will follow that.

Our remarks today will include forward-looking statements, and actual results may differ from our forecasts. Some of the reasons why are described at the end of our news release that we issued earlier this morning, and in some of our SEC filings. And with that, Steve will begin.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thanks, Mike, and good morning, everyone. I hope you have had the opportunity to see our news release issued earlier today detailing our first-quarter results. We are off to a solid start in early FY15.

Advertising trends are improving, particularly in the digital section. Our recent acquisitions are performing well, and most importantly our brands continue to show strong vitality with the individual consumer across media platforms.

Looking at the Company as a whole, I am pleased to report that in the first quarter of FY15, we delivered more than 20% growth in earnings per share. Our local media group had a record fiscal first-quarter in revenue, profit, and EBITDA performance.

That growth came from a combination of our new stations, political advertising, and higher net retransmission contribution. Operating profit and margins at our National Media Group were stronger. Results were driven by record fiscal first-quarter digital advertising revenue, record brand licensing performance, strong expense disciplines, and improved performance by Meredith Xcelerated Marketing.

Company-wide, we generated record digital advertising revenue. Total Company digital ad revenue grew more than 20%. Digital was up 17% in our National Media Group, and up more than 40% in the local media group.

Our brands continued to expand consumer engagement across media platforms. According to the first Magazine Media 360 Brand Audience Report, our national media brands grew their monthly audience reach 8% over the prior year, to 180 million consumers across print, digital, mobile and video. This new monthly audience report will be an important metric to demonstrate the power of magazine media brands across engagement platforms.

Digital and mobile traffic averaged approximately 60 million monthly unique visitors, ranking Meredith among the top 40 digital operators in the United States. In addition, our television station delivered strong performance in the July ratings book.

Finally, we continue to strategically expand our media portfolio. Last week we announced an agreement to acquire the rights to Martha Stewart Living and Martha Stewart Weddings magazines, and MarthaStewart.com and MarthaStewartweddings.com websites effective November 1, 2014.

Under the terms of this 10 year agreement, Meredith will lead advertising sales, marketing, circulation, production and other non-editorial functions, while Martha Stewart's creative team will continue to provide its award-winning content. We will, of course, take these popular media properties aggressively to the market, along with Meredith's leading brand portfolio.

Additionally, in August, we announced an agreement to buy the broadcast assets of WALA, the Fox affiliate in Mobile-Pensacola. This is the top 60 market, and adds to our strong position in the growing southeastern part of the United States. This acquisition is expected to close by the end of calendar 2014.

We expect both of these acquisitions will be accretive to earnings and cash flow in FY15 consistent with our very successful total shareholder return strategy. We continue to look for strategic acquisitions, partnerships, and investment opportunities to expand our reach and create additional shareholder value.

As we have discussed on previous calls, at our investor presentations, and in one-on-one meetings, we focus on long-term and sustainable growth for Meredith. We have a proven track record of outperforming our industries over the long-term. At the heart of our strategy, is a focus on very strong free cash flow, which gives us the flexibility to increase the amount of capital returned to our shareholders, and finance expansions to our media portfolio as well.

We ended fiscal first-quarter 2015 with a debt to EBITDA ratio of 2.6 to 1 leaving us with significant additional capacity. The current weighted average interest rate on our debt is 2.5%, with more than half of that debt at fixed interest rates.

We raised our dividend by 70% over the last three years, and currently our stock is delivering a dividend yield of around 4%. With that overview, I will turn the discussion over to Joe Ceryanec to review operating performance of our two major business groups, and I will be back on the line for the Q&A.

Joe Ceryanec - *Meredith Corporation - CFO*

Thanks, Stephen. Good morning, everybody. Let's start with a look at our local media group results.

Revenues increased nearly 40% to $125 million, and operating profit grew a little more than 40% to $36 million. Both were record highs for a fiscal first quarter. Our EBITDA margin was 36%.

As we look a little more closely at the performance, the primary growth drivers were our newly-acquired stations in St. Louis and Phoenix, along with strong performance from our core stations in Hartford and Phoenix including political revenue. In total, nonpolitical ad revenues were up nearly 25%.

However, if you backed out the contributions from our new stations, nonpolitical ad revenues were down 3%, which can be expected in a quarter that has heavy demand for political advertising. We recorded $13 million of the political ad revenues, and in addition to the contributions from our newly-acquired KMOV and KTVK, we generated strong political ad dollars in Phoenix and Hartford.

Other revenues and expenses both increased due primarily to growth in retransmission revenues from our cable and satellite providers, and higher programming fees paid to our affiliated networks. Retransmission revenues were up in the first quarter, even without the recent station acquisitions. And as a reminder, we will have another round of renewals with most of our cable and satellite providers between our FY15 and FY17, well ahead of our next major network affiliation agreement renewals.

Regarding our acquisition activity. Both KMOV in St. Louis and KTVK in Phoenix, the most recent additions to our portfolio continue to perform very strongly. We expect to close on our purchase of WALA, the Fox affiliate in Mobile-Pensacola when LIN and Media General receive final regulatory approval for their combination. We are looking forward to having this high-performing station located in the growing Southeast United States among our portfolio.

We are currently working through the process, and expect to close on the acquisition of WGGB, the ABC affiliate in Springfield, Massachusetts later this calendar year. When these acquisitions close, we will have 17 owned or operated stations which include five highly profitable duopoly markets.

To wrap up our local media discussion, you may have seen this morning we reached an agreement to sell KASW, the CW affiliate in Phoenix to Nexstar. As you may remember, as a condition of our purchase of KTVK, the FCC had required that we divest KASW, and we are very glad to a found a strong buyer in Nexstar, and are very pleased with the outcome.

Now let's turn to our National Media Group, where we delivered 3% growth in operating profit and stronger profit margins in the quarter. Our digital ad and brand licensing activities set fiscal first-quarter records, and Meredith Xcelerated Marketing strengthened its performance considerably. We also demonstrated great expense discipline, cutting costs 9% and improving margins by 120 basis points.

As you may recall, we recently announced the transition of Ladies' Home Journal to a newsstand-only title, and that transition is reflected in our advertising and circulation results. Without LHJ, ad revenues were down about 3%, and subscription-related revenues were about flat. Newsstand results were impacted during the quarter by both LHJ and the disruption of a wholesaler in the newsstand channel.

As we look more closely as the fiscal first-quarter performance compared to the prior year, magazine ad rates strengthened by 4%, digital advertising grew 17%, and accounted for 17% of total advertising revenues. This growth was led by Allrecipes.com, and we saw large gains from our initiative to capture programmatic-related opportunities.

Brand licensing revenues grew 8%, led by continued strong sales of the more than 3,000 Better Homes & Gardens branded products that are available for sale at the 4,000 Walmart stores across the US, as well as on Walmart.com. Consumers continue to respond favorably to our Better Homes & Gardens products at retail.

As I mentioned, MXM delivered an increase in revenue and significant growth in operating profit. This was led by expansions with Bank of America, Volkswagen and Continental Mills.

During the quarter, we increased the rate base of our Allrecipes magazine by 40% to 900,000 copies every other month. We are pleased with the enthusiastic consumer response to this branded print, as is already the world's largest digital food brand.

We have also expanded our digital consumer marketing activities on several fronts. First, we are now sourcing about a third of our net orders for print magazine subscriptions digitally.

We are also converting subscribers to our continuous serve model, where magazine subscriptions automatically renew. These initiatives are important because they lower our acquisition costs, reduce churn, and are strengthening our ability to upsell and cross-sell other products at digital checkout. As a result, we expect higher profits over the average life of a subscription.

So now let's turn to our outlook. For full FY15, we continued to expect earnings per share to range from $3 to $3.25. As we look more closely at the second quarter of FY15 compared to the prior year, we expect, one, total Company revenues to be up in the low teens.

Two, local media group revenues to be up between 45% and 50%, and this includes political ad revenues of between $22 million and $25 million. And thirdly, total national media group revenues, we expect to be down in the low to mid single-digits. As a result, we expect FY15 second-quarter earnings per share to range from $0.95 to $1, and this compares to $0.67 in the prior year second-quarter.

So now with that, I will turn it back to Steve for a few closing remarks, and then we will open it up for Q&A.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Joe. In conclusion, I am very pleased with our strong start to FY15. As a reminder, we continue to execute a series of parallel strategies.

First, growing our existing businesses organically, including television, magazine, digital licensing, and our marketing services portfolio. Second, we continue to seek additions to both our national and local media group portfolios, and third, aggressively managing our costs.

Finally, we are very focused on execution of our total shareholder return strategy, as highlighted by our continued dividend increases and corresponding very attractive dividend yield, share repurchases, as well as persuing accretive acquisitions to grow our cash flow over time.

With those remarks, we would be happy to answer any questions that you might have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

William Bird, FBR.

William Bird - *FBR & Company - Analyst*

Good morning.

Steve, I was wondering what you are seeing right now in terms of like print ad page pacings as you look at November and December? And just wanted to get a sense of what's implied in NMG guidance for print ad pages for the December quarter? Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Bill.

Tom, do you have that data at your fingertips?

Tom Harty - *Meredith Corporation - President, National Media Group*

I don't have pages. Let me see if I could dig that out.

But I think what we are looking for -- again, the second quarter isn't completed closed. But we are looking at advertising being overall slightly better than what we saw in the first fiscal quarter. So when Joe gave you the guidance before for what we saw in the first quarter, we are looking at advertising pacing right now to be slightly better than that.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

And part of that, of course, is due to very, very strong digital results. But from an ad page perspective -- and again, Bill, we can check on that -- but pages are probably down in the mid-single-digit range. And then strong digital advertising will give us a little bit better results.

William Bird - *FBR & Company - Analyst*

And, Steve, are you doing anything different in digital? I think you touched on programmatic. I just want to understand what has changed and whether you think this higher growth rate is durable.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Well, that is always interesting, especially right now, Bill. As you know, this is the most difficult time of the year when we have these calls because we are looking forward into calendar 2015 without a lot of visibility. But I would say a couple things, and I would ask Tom then to add some color.

I think that we have got our digital sales and marketing operation really hitting on all cylinders. Allrecipes are performing just absolutely lights out at the moment. And we are really benefiting from that leading brand in the marketplace bringing along our other businesses. And also strong growth in programmatic, as you mentioned. It's up over 100% compared to the prior year, although off of a relatively small base.

Tom, would you have anything to add on digital ad revenue at the moment?

Tom Harty - *Meredith Corporation - President, National Media Group*

Yes. I think that we are looking at four things really driving the performance. And we are really increasing our yield overall through better monetization of all of our available traffic. So our sell-outs are much better. We have actually partnered with some third-parties to help us with that.

As Steve mentioned, the programmatic -- a year ago in this quarter, we didn't really have any programmatic. We were just getting going. Now we are participating in that marketplace.

And we are at the beginnings of a big strategy of ours, which is audience targeting. We made some significant investments over the last two years to get all of our data aligned, our party data, which we think is a real competitive advantage. So now are going to the marketplace with the ability to target against audiences online.

And then, obviously as Steve mentioned, the growth of Allrecipes continues to have the biggest food site out there. Their performance just keeps improving every quarter.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Bill, we've got a little more data on your initial advertising question. I am going to ask Joe -- he has pulled it out now, so we will go back to that real quick.

Joe Ceryanec - *Meredith Corporation - CFO*

Bill, to pile on Tom's response, for the first quarter, total NMG ad revenue was down about 6%. And as I said, if you remove the impact of LHJ, that was down about 3%. As Tom mentioned, for the second quarter we expect that to be a little bit better, say total Company down mid-single-digits. And if you remove the impact of LHJ, it is definitely down low-single-digits.

Tom Harty - *Meredith Corporation - President, National Media Group*

Yes, and the only other thing I will add on to that, which we haven't mentioned so far, is that if you went back to last year in the first quarter, the first quarter advertising last year versus the prior year was our best quarter of the year. We were actually up slightly in total advertising, and the comps got worse as we went on. So we are up against a comp last year that was very, very good.

William Bird - *FBR & Company - Analyst*

And then just at a higher level, I am just curious what you are kind of seeing out there, kind of in the magazine ad market? From your comments, it sounds like maybe the business is firming a little bit. Is there anything in particular that you see that is driving that?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Tom, would you like to speak to how you feel about the market environment?

Tom Harty - *Meredith Corporation - President, National Media Group*

Yes, I think when we -- again, on calendar year basis, which most of our clients participate in, the second half of calendar 2014 did seem to stabilize a little bit. We were off to a very, very slow start at the beginning of calendar year 2014. And I think that had a lot to do with some of the macroeconomic things that were going on.

Actually our digital business was down significantly also, kind of coming off of what happened in the last holiday season. So we kept hearing that our advertisers were -- it wasn't going to be as bad as we thought. And that really played out, so people just got started later.

Now, as we stand here today, I think clients are making decisions later and later. We are feeling a little bit of optimism from clients. But again, we are heading into the holiday season; and we really don't have a lot of visibility into calendar year 2015. But the second half of calendar year 2014 for both magazines and digital firmed up a bit.

William Bird - *FBR & Company - Analyst*

Great.

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Steve Lacy - *Meredith Corporation - Chairman & CEO*

And just to give you, Bill, a little bit more category information, our largest category in the first quarter, food and beverage was up a little bit. DTC Pharma was very, very strong. It looks as though that is going to continue into the second quarter as well. Beauty was very strong in the quarter, and that continues as well, along with retail.

So that just gives you a little sense of some of the categories. And of course, as you know, beauty and fashion has continued to be very supportive of print all the way along.

William Bird - *FBR & Company - Analyst*

Great. Thank you, and I will let someone else ask a question.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thanks, Bill.

Operator

John Crowther, Piper Jaffray.

John Crowther - *Piper Jaffray & Company - Analyst*

Thank you.

First question, you mentioned about a third of your subscriptions are now coming through digital marketing channels. Just wondering if you could, one, remind us how that is pacing, maybe more on a sequential basis. It looked like it's up significantly year over year, but was wondering how that is going sequentially.

And then, two, how high do you think you can continue to drive that metric over time? Do you have any sort of hurdles there or goals that you are looking to achieve here over the next year or two?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you, John, for both of those questions. You're right; about a third of our orders are now from digital sources. A year ago at this time, it was about 25% of our orders. And that is one of our most significant initiatives, and it's really a two-part initiative.

First of all, it is very important from a financial perspective because these are now auto renewal orders. And as we start to go through a series of renewal cycles, we will be able to understand the persistency. Some of the early results have been very, very strong. And should this continue, it takes tremendous pressure off of circulation marketing.

But secondarily, I think you know that we are exceedingly focused as a media company on young and up-and-coming millennial women. And for that reason, it is important that we become less reliant on direct mail because they are very comfortable executing transactions online with their credit card. And so I think it's part of the evolution of the marketplace.

And we have all the technology in place to sell and upsell and cross-sell. And it's just a fabulous opportunity for us, not only from a consumer service perspective but from bottom-line results. So we are very optimistic; and I hope 36 months from now, it is the vast majority of all of our orders. But we have to go through a few renewal cycles. That make sense?

John Crowther - *Piper Jaffray & Company - Analyst*

Yes. That's very helpful.

Shifting to the TV side of the business, you mentioned that retrans negotiations will sort of start up here within the next 12 to 24 months. Just wondering maybe if you can give us a little bit of idea, or remind us again, about reverse retrans. Obviously, I am assuming that those renegotiations are tied to network affiliation agreements.

So wondering, is there any sort of fixed versus variable in those contracts when you renegotiate the retrans period? Or it all basically comes due when you do the network affiliation agreements two to year years out from now?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Well, let me take that in two pieces, John.

First of all, there are annual, what I would think of as inflation-related clauses on both the revenue side and on the reverse retransmission site. So both sets of those numbers kind of move up modestly as we go through the time period But what we were trying to signal in the remarks that Joe made was that we have purposely structured the renewal periods on the revenue side of the equation, ahead of the renewal periods on the network affiliation side.

So as an example, NBC will be renegotiated in FY18, Fox in FY18. We have got a couple stations for CBS in FY16, and then all the rest of CBS is in FY18. So we will be working hard on the revenue side before we get into big discussions again on the reverse retrans side. And that is what we were trying to message with those dates.

John Crowther - *Piper Jaffray & Company - Analyst*

Okay, great. And then just one last question here. Obviously, acquisition environment, you continue to strategically pick out deals. And the performance seems to be very strong there. I wonder if you could comment a little bit more on maybe the publishing environment in terms of the availability of titles there. What you think -- how much you continue to focus on that side versus TV. And just any general updates on how you think consolidation in that market could play out here over the next couple of years.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I would say, John, that we have a very aggressive corporate development function really on three fronts -- certainly in television and in magazines, but also we do on the digital side as well. And we continue to be very careful about how we move forward with these, making sure that they fit the portfolio and they are additive.

And as an example, along with the Martha Stewart opportunity, we are very excited, for the first time ever, to be in the wedding space. And she has some amazing properties there, print and digital. And we will look to build that part of our portfolio out, very much like we did our parenthood assets over a period of time, adding relevant brands and creating a whole new business.

But we tend to operate better when we go in, in a select and a private way. We tend not to come out so well in big auctions because there tend to be parts and pieces of the portfolios we don't really like very well. So we have a hit list, and our development folks work on those very, very regularly.

But we look at the same sort of metrics and what sort of return on invested capital will it provide for our shareholders. Does it fit strategically? If it is television, Paul has very key criteria -- larger markets, Big 4 affiliation, number one or number two in ratings.

And so I think there are opportunities in all of those spaces. It is very difficult to be a standalone media property, regardless of platform.

John Crowther - *Piper Jaffray & Company - Analyst*

Okay. Great. Thank you for the color and congrats on the good quarter.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

Yes, good morning. I have a few questions.

I guess my first one I want to touch on was the publishing costs you mentioned. They are down about 9% year over year. How would that number have looked if you took out the Ladies' Home Journal?

And then also, was this wholesale distribution disruption, as you call it -- was that material to that number as well? Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Okay, we are getting to the right data here. Just give us a second.

Joe Ceryanec - *Meredith Corporation - CFO*

Craig, 9%, about half of that, was LHJ; and about half of it was actions we took. Last year paper prices are down, et cetera. So half I would say ongoing, half was LHJ.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

And then from a newsstand perspective, that would have been in there as well. But that is only a few million dollars. It is not a big piece of it. Okay?

Craig Huber - *Huber Research Partners - Analyst*

Okay. And then also, can you talk about your TV advertising pacings? How they are looking after the election and maybe adjusting for the acquisitions? Just looking at legacy stations, how is the advertising pacings looking after the election, please?

Joe Ceryanec - *Meredith Corporation - CFO*

Craig, right now as you might imagine, October and early November with strong political, we continue nonpolitical pacing down. As we look post-political cycle into the second half, if you will, we expect that will be flattish to maybe down a little bit when it's all said and done for the quarter. And a lot of what we are seeing, and I think you are probably hearing this from our peers, is it's much more the national ad than it is the local side of the business.

Craig Huber - *Huber Research Partners - Analyst*

I'm sorry, but to parse that further, just looking at just the advertising pacings after the election adjusting for acquisitions, does that -- ?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Craig, we have only got pacings for the quarter here. I don't have them broken before and after the election. We look at them for the whole quarter.

Craig Huber - *Huber Research Partners - Analyst*

Okay. All right. Then could you comment at all on the auto category for television? Do you have any sense of how that is doing?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

In the quarter we just reported, it was down just a little bit, a few points. And that's about what it's pacing right now in total for the second quarter.

Craig Huber - *Huber Research Partners - Analyst*

Okay. Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Craig Huber - *Huber Research Partners - Analyst*

I'm sorry. I have one more question, Steve, if you don't mind.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Sure.

Craig Huber - *Huber Research Partners - Analyst*

The Martha Stewart deal, obviously very unique. Can you just help give us some sense on how we should model that from a revenue perspective and what the impact would be to EBITDA?

Joe Ceryanec - *Meredith Corporation - CFO*

Yes. Craig, I will give you the first part. We are not ready to give you a second part. As we look at Martha -- and frankly, you could go back to the historical Martha Stewart earnings releases and look at their publishing segment which they broke out, which is effectively the business we are taking on. I think for the first six months of calendar 2014, they did about $43 million or $44 million of revenue. And so on an annual basis, that is somewhere mid-$80 millions call it, which would be our expectation going forward on an annual basis.

For the quarter we are in, the second quarter, there will be very minimal impact on our P&L. But as we move into the second half of our fiscal year, we would expect to get about half of an annual run rate of mid $80 million. So put low to mid $40 million in the second half.

But as far as earnings and EBITDA, because our first title on the print side is not until the February issue, and as you may see when you look at Martha's historical results, they were actually showing a loss in that business. So we are comfortable saying it will be accretive. But until we start giving guidance to the second half of the fiscal year, we are not ready to provide earnings or EBITDA guidance.

Craig Huber - *Huber Research Partners - Analyst*

Thank you. If you don't mind me asking, how does the fact that Martha Stewart's companies can provide the editorial going forward, how should we think about how that works through all the numbers from your perspective?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes. We have an agreement to pay for the content, Craig. It will show up in our income statement just like we were doing it, but we are going to be buying it from them. Think of it like Meredith Xcelerated Marketing custom publishing in reverse. It's very straightforward, very simple.

Craig Huber - *Huber Research Partners - Analyst*

Okay, very good. Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Income statement will look just like it always did except right now we buy printing; we buy paper; we buy postage. Well, we are going to buy content. And it will plug into the right line on the income statement. Okay?

Craig Huber - *Huber Research Partners - Analyst*

Great. Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Great. Thank you.

Operator

Jason Bazinet, Citi.

Jason Bazinet - *Citi Investment Research - Analyst*

I was wondering if I could ask a piece of advice from you all, given that I think both the buy and sell side used to use the page count numbers from the MPA. As we all migrate to this 360 report, what would you suggest we do or not do with those numbers?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Well, there is a reason that we are going away from the page count -- because it was pretty flawed. Because a page in Better homes and Gardens doesn't equal a page in Midwest Living or a page in Real Simple or a page in Cosmo.

Jason Bazinet - *Citi Investment Research - Analyst*

Right.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So I think what the smartest thing to do would be to take the guidance that we give you and compare it to the audience as it moves up or down because that is really how we generate ad revenue. It's not based on circulation or based necessarily on page count. So I think you will be just fine, because you are going to get the information you need from Time Inc. or from us or from Martha Stewart.

And we are the only ones that report publicly anyhow. And the audience is really more of aligning us with the way that all the other media outlets report their audience.

Jason Bazinet - *Citi Investment Research - Analyst*

Let me ask this clarifying question. I mean, do you think we should be using the web and mobile and video as a proxy for your digital growth?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes. Absolutely.

Jason Bazinet - *Citi Investment Research - Analyst*

That's the right way to think about it?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

That's the right way to think about that. And we try to give you both of those perspectives so you can model those a little different, because they don't have the same cost components.

Jason Bazinet - *Citi Investment Research - Analyst*

Okay. Thank you very much.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Great. Thanks, Jason.

Jason Bazinet - *Citi Investment Research - Analyst*

You bet.

Operator

Lance Vitanza, CRT Capital Group.

Lance Vitanza - *CRT Capital Group - Analyst*

I had a couple questions. The first is, of the $13 million of political on the TV side, can you tell us how much was from the acquired stations versus the stations that you had owned previously.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

We are digging. Give us a second.

What's your second question, Lance?

Lance Vitanza - *CRT Capital Group - Analyst*

Well, the second question, I really appreciated you calling out the years in which your network affiliation agreements are up for renewal. I was wondering if you could give us some similar data points on the retrans distribution side, when you have got some big contracts coming up, and with who, and so forth.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes, they actually start -- and we are getting that information you want on political -- we actually start with some of the smaller negotiations in calendar 2015. And then it's really heaviest in 2016 and 2017, and there is a little that trails in 2018. But it's ahead of the network affiliation agreements nicely. So we will have a have a sense of our revenue horizon, if you will.

Lance Vitanza - *CRT Capital Group - Analyst*

Terrific, thanks.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Joe Ceryanec - *Meredith Corporation - CFO*

Lance, it is Joe.

I will call them the core stations. Historical stations, $10 million; the newly-acquired stations, $3 million.

Lance Vitanza - *CRT Capital Group - Analyst*

Okay. And the reason I ask is I am trying to put in context the commentary regarding the core, ex political, being down 3%. And I understand obviously crowding out usually make the big impact there. But is it possible to figure, or how should be thinking about what the true, kind of underlying core, ex political trends, are in the business? I would think if you did $10 million of political on a down 3, versus $62 million, it could be that your core would have otherwise perhaps been up couple of points. Is that fair, or is it too aggressive?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

No, no, no, it's not too aggressive. That is right way to think about it.

Lance Vitanza - *CRT Capital Group - Analyst*

All right. Thanks.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Operator

Barry Lucas, Gabelli & Company.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks very much and good morning. Joe, maybe you could just remind us when we actually cycle past the Ladies' Home Journal effect, if you will -- if you want to call it that?

Joe Ceryanec - *Meredith Corporation - CFO*

I think, Barry, it is pretty much going to be all year. I think we still had LHJ in Q4 2014.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes. our last issue, Barry, was the July issue, which is in our fourth quarter.

Barry Lucas - *Gabelli & Company - Analyst*

Right.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So it is a full fiscal impact.

Barry Lucas - *Gabelli & Company - Analyst*

And could you touch base a little bit more about this wholesaler? Was this a bankruptcy of a wholesaler who went out? And what is the longer-lasting effect on deliveries to newsstands?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

As you recall -- and, Barry, you know us very well for many years -- we are not nearly as newsstand-dependent as the industry taken as a whole. When you look at our subscription part of our business, it is about 2% or 3%m depending on the quarter of our revenue.

But, yes, one of the wholesalers went out of business. Those contracts have now all been reassigned. But there was a period of time industry-wide, and it was even called out on People's releases last quarter, where copies just didn't get where they were supposed to get. They didn't get on the newsstand where their retailer or the individual consumer could access the product.

Most of that has worked its way through at this point in time. There will be a little of that in the quarter we are in now. But the good news, as we get into more of the holiday time period, we feel pretty good that all of our products is where it is supposed to be. And so we will have a modest impact in this quarter, end of December; but it has pretty well worked its way out. But those contracts all had to be reassigned. And then the product, of course, was in all sorts of various places. And some of it just didn't get to where it was supposed to get.

Joe Ceryanec - *Meredith Corporation - CFO*

And, Barry, it had a bigger impact on our newsstand-only titles, our SIPs, than it did, as Steve mentioned, on our subscription-based titles.

Barry Lucas - *Gabelli & Company - Analyst*

Right. Okay. If we could --

Steve Lacy - *Meredith Corporation - Chairman & CEO*

It started around Memorial Day weekend, so this has been going on a while. And so it has pretty well resolved itself at this point. Okay?

Barry Lucas - *Gabelli & Company - Analyst*

Right, thanks, Steve.

If we could switch gears to TV, I have got a couple of things there. And maybe broadly, either from you or from Paul, how are you thinking about, one, the spectrum auction and, two, the numbers that Greenhill -- the FCC published in their assessment of market values for stations?

And I am just in particular thinking about a market where you have doubled up in Phoenix, where they say the medium in value in the station is $34 million, while your stations in Hartford and Springfield might be worth a multiple of that?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Paul, would you like to speak to your thoughts and spectrum at this point?

Paul Karpowicz - *Meredith Corporation - President, Local Media Group*

Sure. I think the auction is going to happen. I don't think there is any question about that. It is really going to be a question of when and how quickly the FCC can really get it together and be able to pull this thing off. It is fascinating, relative to the valuations that we saw in that FCC report that -- you are right -- that Phoenix would be at one level and then Springfield, for the two signals in that market. would represent like $210 million. But it does speak to the congested parts of the country.

So if someone is trying to create a coast-to-coast network and you have got to go through Springfield, and you have got to go through the very congested Hartford area and Providence and Boston and so forth, it does sort of make some sense that those markets where there are limited signals and they are in congested areas could go for a much higher rate.

At this point, we really haven't determined how much or how little we are going to participate in the auction, because there's still so much to be seen relative to how it is going to work and what the parameters of the auction are going to look like. But I think that report was very interesting. And honestly, even if the values were half of what they were suggested in that FCC report, it does make it a little bit interesting.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Now, Barry, I am going to add my personal perspective to this. I wouldn't be holding my breath for us to be carrying large bags of money into the front door of the Meredith Corporation. I would be surprised that any of this happens during my working career.

Barry Lucas - *Gabelli & Company - Analyst*

(Laughter). Okay, Steve, that's interesting.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

(Laughter). You can do the math on that.

Barry Lucas - *Gabelli & Company - Analyst*

Thank you for that.

And how should be thinking here, given your activity buying, both buying -- well, the sale of the Phoenix CW was required. But should we be taking a really high degree of optimism, despite what has been going on at the FCC? There have been a number of smaller deals, certainly nothing more meaningful. But what does that say about the further consolidation in the broadcast space?

Joe Ceryanec - *Meredith Corporation - CFO*

Barry, it's Joe.

I think there are several deals that are working their way through the FCC, some of the bigger deals -- Media General, LIN, et cetera. And I think the next -- frankly, this is me speaking and Paul can pile on -- but we have seen definite waves of where this consolidation happened. I mean, it really started with some of the private equity guys who have done the roll-ups, all of a sudden seeing higher multiples, divesting their portfolios.

Then the second wave was some of the larger peer play broadcasters getting together. And now we are seeing maybe a little bit of jockeying and right-sizing of portfolios, coupled with what has come out of the FCC on GSA requirements, et cetera. So I think the third wave you will see -- and it gave us the opportunity on Mobile-Pensacola -- but the station groups right-sizing, getting their markets where they want to be, where they can create duopolies et cetera. So I think wave three will be a little more cherry-picking among the station groups.

Paul Karpowicz - *Meredith Corporation - President, Local Media Group*

Yes, this is Paul. I think we just stick with our strategy of being very selective. We like our portfolio. We like the types of stations that we have been acquiring. And if we just stick with our criteria relative to market size and position in the market, I think we'll be fine. And as Steve indicated before, we tend to stay out of auctions; and our best success has been dealing directly with other owners.

So I think we could just continue to be selective and targeted in the properties that we look at. And there will continue to be opportunities out there where somebody might have one or two stations and they come to the realization that it is time to cash out. And I think that becomes a perfect opportunity for us.

Barry Lucas - *Gabelli & Company - Analyst*

Great. Last one for me if I may, and I am going to slip this in one more time.

And this is not to suggest that you need to follow the herd. But over the last several years, we have had separations and spinoffs of print and television going back to below Media General, Graham Holdings and now more recently, Scripps and Gannet. What do you really see are the benefits are holding those two business units in the same vessel if you will? Are you really getting benefits through the silos? And are we, as investors, better served if you were to separate them out?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

This is Steve. And, Barry, you and I have talked about this many, many times. And I certainly appreciate your point of view. And we have had lots of work done on this potential opportunity.

And I would say that we are not opposed to it. But I think we would need to feel that there was a larger opportunity on one side of the house that would, in fact, create value for all of you as shareholders rather than simply separating for the sake of separating, which in fact we share a lot of cost functions. We go to the market together in a number of areas. And we would want to make sure that we weren't doing something that, in fact, caused shareholder value to decline.

But we are not like locked in stone. And as you recall, although we are in absolutely no conversations with Time Inc., and have not been. But we were absolutely going to separate the businesses when we were going to combine the National Media Group with Time Inc. And we thought that made a tremendous amount of sense. But again, separation for the sake of separation, up to this point in time has not been something that we have determined would create shareholder value.

Barry Lucas - *Gabelli & Company - Analyst*

Great. Thanks very much.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Operator

[Brady Williams], [Apollo].

Brady Williams - *Apollo - Analyst*

Hello, thanks for taking the question. And I'm sorry if I missed this, but I was wondering if you could provide any 2Q guidance regarding the TV broadcast business?

Joe Ceryanec - *Meredith Corporation - CFO*

What we said earlier, Brady, was that -- we gave specific guidance on political. What we said, our expectations on nonpolitical are flat to down slightly.

Brady Williams - *Apollo - Analyst*

All right. Thank you so much.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Operator

Tracy Young, Evercore

Tracy Young - *Evercore Partners - Analyst*

Yes, hello. Just on the local media side, can you remind us of a general split between national and local revenues? And then also on political, are you seeing strength in certain markets, on certain races? Thanks very much.

Joe Ceryanec - *Meredith Corporation - CFO*

Tracy, the split is about two-thirds local, about one-third of the revenue comes through the national channel.

Paul Karpowicz - *Meredith Corporation - President, Local Media Group*

In terms of races, we have got really competitive races in Phoenix. We are seeing great activity in Hartford. There are some competitive races in Atlanta. Greenville has some good races.

So across the board, it's not like we have any huge breakout race like we have had in the past, where we had Linda McMahon in Connecticut or the Harry Reid race in Las Vegas. But now we are seeing some pretty consistent activity across all of our markets.

Tracy Young - *Evercore Partners - Analyst*

Okay. Thank you.

Operator

Ed Atorino, Benchmark

Edward Atorino - *The Benchmark Company - Analyst*

Hello. I am going to ask a rather silly question. I got on the call late. I know there is a replay. Would you mind giving me the replay number? I apologize -- you have one?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Ed, we will call you and give you that in just a couple of minutes, okay? (Multiple Speakers).

Edward Atorino - *The Benchmark Company - Analyst*

I apologize, but I missed the beginning of the call. Thank you very much.

While I have got you on, the magazine business seems to be sort of a good business/bad business month to month. Are any categories standing out as having some upside, and are any categories sort of really getting clobbered?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes, we had a really good quarter in Food and in Pharma and in Beauty and Fashion. And that continues as we go into the second quarter. Business and Finance was weak, but it's category number 10. I think what was good and what we are seeing is that the top four or five categories are a lot stronger than we have seen in recent quarters. And some of the smaller categories are a little bit weaker, Ed.

Edward Atorino - *The Benchmark Company - Analyst*

It sounds like the stuff is coming in your sweetspot.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Edward Atorino - *The Benchmark Company - Analyst*

Okay. Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

We will get you that number. Thank you, Ed.

Edward Atorino - *The Benchmark Company - Analyst*

I appreciate that. I apologize.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Well, listen, we appreciate everybody joining us on the call today. And as always, we are available for the balance of the day for follow-up questions that you might have. And we certainly appreciate your continued interest in, and support of, the Meredith Corporation. Thank you very much for participating.

Operator

Ladies and gentlemen, this conference will be available for replay today after 1 PM through November 6, 2014, at midnight. You may access the AT&T replay system at any time, by dialing 1-800-475-6701 and entering the access code 338912. International participants, dial 320-365-3844. Those numbers again are 1-800-475-6701 and international, 320-365-3844. And the access code is 338912.

That does conclude our conference for today. Thank you for your participation and for using AT&T telephone conference. You may now disconnect.