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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Meredith fiscal 2016 earnings -- second-quarter earnings conference call. (Operator Instructions). And as a reminder, your conference is being recorded. I would now like to turn the conference over to host, Mr. Mike Lovell, please go ahead.

Mike Lovell - *Meredith Corporation - Director of IR*

Hi, good morning, everyone, and thanks 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 Local Media Group President Paul Karpowicz and National Media Group President Tom Harty.

A transcript of today's discussion will be available later today on our Investors website. Our remarks will include forward-looking statements and actual results may differ from forecasts. Some of the reasons why are described at the end of our news release that we issued earlier today and in some of our SEC filings. And with that Steve will begin.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Mike, and good morning, everyone. I hope you have seen both of our news releases issued earlier today. We will spend the majority of our time this morning discussing our strong second-quarter earnings results and our improved outlook for the third quarter and the full fiscal year. However, I would like to take just a moment and recap our announcement earlier today to terminate our merger agreement with Media General.

In exchange for terminating the merger agreement Meredith received $60 million in cash, which is in our bank account, and an opportunity to negotiate for certain broadcast and digital assets that are currently owned by Media General.

While we still believe in the strategic and financial benefits a merger with Media General would have created, we are pleased with the financial benefits of the termination agreement and are also very confident and energized by the opportunities ahead for Meredith. We are fully committed to driving strong total shareholder return for our investors as we move forward.

The key elements of our TSR strategy include our ongoing and increasing dividend with a very attractive yield, opportunistically repurchasing our shares and seeking accretive acquisitions to grow our already very strong cash flow over time. Under the terms of our merger agreement with Media General, we were restricted from both raising our dividend and repurchasing our shares. We will revisit both of those strategies in the very near future.

Additionally, we will continue to execute our acquisition initiatives where we have recently added for local television stations and two national multi-platform media brands, and several profitable digital properties.

Meredith's balanced and diversified business portfolio positions us very well in key growth areas from broadcasting to digital to multi-platform content creation. We operate a highly successful television station group, most importantly in large and growing markets, and are poised to capitalize on the upcoming political cycle.

Our digital business is posting double-digit growth and possesses a wide range of monetization possibilities. And our diversified National Media Group includes brands with large following, serving over 100 million unduplicated consumers every month, a growing high-margin brand licensing operation and of course our prominent marketing services agency. Combine these key elements with our aggressive TSR strategy that I just outlined and we are very bullish on the outlook for Meredith going forward.

So now let's turn our attention to the very positive quarter that we just reported. We are quite pleased to report strong advertising performance for both our National and our Local Media Groups in the second quarter of fiscal 2016. Additionally, digital advertising revenues set records on a Companywide basis.

Looking at fiscal 2016 second-quarter performance in more detail, earnings per share were $0.80 compared with $1.00 in the prior year period, both excluding special items. As a reminder, our results reflect the absence of about $0.39 per share of political ad revenue as expected in an off election year.

We grew operating profit in our National Media Group by nearly 30% on 10% higher revenue. Our performance was led by over 15% growth in ad revenue including the additions of Shape and the Martha Stewart media properties along with higher brand licensing-related revenue.

Nonpolitical advertising revenue in our Local Media Group grew nearly 10% to a record $104 million. Growth was driven by the addition of television stations WALA and WGGB, along with strong performance from existing stations, KCTV in Kansas City, WGCL in Atlanta and WFSB in Hartford. Retransmission consent fees were also higher.

Total Company digital ad revenue grew more than 15% to a record high driven by both recent additions and organic growth. In our National Media Group digital ad revenues accounted for about a third of total National Media Group advertising revenue.

As we enter a new calendar year with an exciting advertising cycle ahead that includes a robust political advertising opportunity, we think it makes sense to just take a moment and step back and review what in fact Meredith Corporation accomplished in calendar 2015.

From a brand enhancement perspective we strengthened many of our existing media brands and launched some new ones. In our National Media Group this included rate base expansions for Allrecipes and EatingWell, redesigns at Family Circle and WOOD and the premieres of Eat This Not That and Parents Latina.

In our Local Media Group we completed the integration of four great television stations, adding more than 30% to total Local Media Group revenue. Our station additions also created new duopolies in Phoenix and Springfield, meaningfully strengthening our competitive position in those markets. We also improved and expanded local news particularly in St. Louis and Mobile.

Second, we added attractive media brands and capabilities to our National Media Group portfolio through both acquisitions and long-term partnerships. We acquired the Shape brand, the leader in the women's active lifestyle category. We merged Fitness into Shape to create a category killer and increased our digital traffic by 50%.

We also acquired the right to operate Martha Stewart's media properties including Martha Stewart Living and MarthaStewart.com. These actions increased our share of US magazine advertising revenue by 150 basis points.

Third, we continue to drive rapid growth across our digital mobile, video and social platforms. We acquired leading ad technology platform Selectable Media. Its powerful native and engagement based ad products provide us with more premium digital advertising inventory and they are driving CPM growth across our digital business.

We established a leadership position in digital shopper marketing with the acquisition of [Couponix]. This technology shows shoppers, particularly those using their mobile phones, where they can buy recipe ingredients right near them including ingredients on sale. This addition immediately began generating incremental ad revenue for our food portfolio.

In our Local Media Group we continue to enhance our digital and mobile destinations, increasing monthly unique visitors by over 12% in calendar 2015. We also launched a new ad tech platform capability allowing us to sell our digital advertising across the entire station group. In its first six months this change has doubled the amount of revenue we are delivering locally from programmatic advertising.

Fourth we diversified our revenue and profit base by growing non-advertising businesses. Our Local Media Group delivered significant growth in retransmission revenue and is well positioned for increased profit contribution as we enter calendar 2016.

Brand licensing delivered excellent performance driven by strong sales of product at Walmart stores across the country. We expanded the Better Homes and Gardens real estate network through our relationship with Realogy and added promising new licensing relationships for Shape, Allrecipes and the EatingWell brands.

For the second consecutive year in calendar 2015 License Global Magazine ranked Meredith as the third largest brand licensor in the world. Meredith accelerated marketing, delivered growth in operating profit as the digital marketing agency leveraged its content marketing capabilities on behalf of clients in the automotive, casual dining, consumer package goods, managed healthcare and of course the retail industry.

Finally, it is important to note the encouraging trends we experienced in core advertising as we ended calendar 2015. Excluding the impact of acquisitions, we finished the December quarter with advertising revenues up year over year in both our National and our Local Media business, of course excluding political.

Now I will turn the conversation over to Joe Ceryanec, our Chief Financial Officer, for review of our operating performance for the quarter.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Thanks, Steve, and good morning, everybody. I'll begin with a look at our National Media Group results. Fiscal 2016 second-quarter revenues increased 10% to $267 million. Operating profit grew 29% and margins improved by nearly 200 basis points. Operating profit in our National Media business is generated from a diverse range of business activities and include brand licensing, custom marketing, digital and print magazines which include both circulation and advertising.

Advertising is our largest revenue source and hereto we continue to diversify. Total advertising revenues grew by more than 15% in the quarter led by equally strong magazine and digital performance. Results were led by the prescription drug, beauty and direct response categories and digital advertising accounted for a third of total National Media Group advertising revenues.

Circulation revenues increased 12% to $66 million driven by the additions of Martha Stewart Living and Shape magazines. We continue to expand our digital consumer marketing activities, generating more than one-third of magazine subscription acquisitions via digital sources over the last year.

Our consumer engagement continues to be strong. According to the latest Magazine Media 360 Brand Audience Report, Allrecipes has the third largest audience for all brands measured and Better Homes and Gardens ranks number five. EatingWell, Siempre Mujer and Parents each ranked among the 10 fastest-growing brands in audience growth.

I will wrap up the discussion of our National Media Group with an update on our brand licensing business, which is growing both its financial contribution and its product relationships. During the second quarter brand licensing growth was driven by sales of more than 3,000 SKUs of Better Homes and Gardens licensed products at over 4,000 Walmart stores nationwide, along with a strong holiday season performed by our brand's floral program with FTD.

One additional note about our Walmart relationship. We have begun to expand the program internationally with a modest amount of products now available in Mexico and China and we anticipate further international growth. The Better Homes and Gardens real estate network added additional franchises in the quarter bringing the number of agents to more than 10,000 across 32 states and Canada.

Finally, we recently announced two new licensing programs. First, Bellisio Foods will create a line of healthy frozen food entrees under our EatingWell brand that will be in national retailers in the fall of 2016. Second, Apparel Bridge will create a line of women's clothing under our Shape brand that combines performance with fashion and comfort. This collection has already been picked up by Kohls.com, DicksSportingGoods.com, Equinox gyms and several specialty stores with more retail placements to come. We are excited about the strength of our existing licensing programs and the growth potential for new ones.

Now turning to our Local Media Group, our portfolio of 17 owned and operated stations are concentrated in large fast-growing markets. We operate seven stations in the nation's top 25 largest markets and 13 in the nation's top 50. Fiscal 2016 second-quarter revenues were $140 million and operating profit was $40 million. Results reflect the absence of $29 million of high-margin political advertising as can be expected in a non-election year. Nonpolitical ad revenues were up 8% led by growth in automotive, retail and furnishing categories. Digital advertising revenues at our TV stations were up nearly 20%.

Of particular note, comparable nonpolitical advertising revenue grew more than 10% in Kansas City and were up in the mid- to high-single-digits in Atlanta and Hartford.

The combination of strong stations and large markets leads Meredith to consistently outperform the local broadcast industry as a whole. For example, based on the most current TVB advertising data, Meredith stations have delivered organic growth of 3% so far in fiscal 2016, which is outpacing the industry as a whole by about 2 percentage points.

Other revenues and expenses both increased in the second fiscal quarter due primarily to growth in retransmission-related revenues we get from MVPDs and higher programming fees paid to the networks. During the quarter we renewed retransmission agreements with a couple of MVPDs at attractive rates and we will begin to see the benefits in calendar 2016 and beyond.

Now turning to corporate. Our total debt was $799 million at December 31 and our weighted average interest rate was 2.6% with $450 million effectively fixed at low rates. This made our overall debt to EBITDA ratio as defined in our credit agreements 2.8 to 1 for the trailing 12 months.

We continue to focus on our successful total shareholder return program and, as a reminder, key elements include an annual dividend of $1.83 per share that is yielding almost 5%. We have paid dividends for 68 consecutive years and have increased them for 22 years straight.

An ongoing share repurchase program with $94 million remaining under current authorizations and strategic investments to scale the business and increase shareholder value. And as Steve mentioned, we look forward to discussing each of these elements with our Board this coming weekend and options for augmenting our financial and competitive position.

Now turning to our outlook. Based on the delivery of solid results for our first half of fiscal 2016, and a more favorable outlook for the second half than we originally anticipated, we now expect full-year fiscal 2016 earnings per share to range from $3.05 to $3.25 excluding special items. This compares to our previous range of $2.90 to $3.25. And as a reminder we are cycling against a record $44 million or $0.59 per share in net political advertising revenues recorded by our Local Media Group in fiscal 2015.

As we look more closely at the third quarter of fiscal 2016 compared to the prior year, we expect total Company ad revenues to be up mid-single-digits, National Media Group revenues expected to be up slightly, and Local Media Group revenues expected to be up low-double-digits. We expect our fiscal 2013 third-quarter earnings -- 2016 third-quarter earnings per share to range from $0.77 to $0.82 compared to $0.56 in the prior year period or $0.71 excluding special items.

With that I will now turn it back to Steve for a few closing comments, then we will open it up for questions.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Joe. To conclude this morning, I am pleased with our strong momentum thus far in fiscal 2016. As a reminder, we continue to aggressively pursue the following key strategies. First, growing our existing businesses organically and rapidly expanding our digital and our video capabilities. Second, continuing to pursue opportunities to add to our business portfolio. Third, increasing revenues from businesses that are not dependent on a traditional advertising. Fourth, aggressively managing our costs.

And finally, as we have mentioned a couple of times this morning, continuing to execute our total shareholder return strategy as highlighted by our ongoing dividend increases and corresponding very attractive yield, our share repurchase program and seeking accretive acquisitions to grow our already strong free cash flow over time. With that we would be happy to answer any questions you might have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Eric Katz, Wells Fargo.

Eric Katz - *Wells Fargo Securities - Analyst*

So I think the obvious question is where do you go from here? I understand you are looking at some of [Mag's] assets, but outside of that how do you view the broadcast and publishing M&A landscape for Meredith going forward?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Eric, and I do appreciate the comment and the question as it relates to the merger. And I am going to get to answer your question in just a second. But first of all, I strongly believe that the original agreement we had with Media General that we announced back on September 8 made a lot of sense strategically and financially and was clearly in the best interest of our shareholders.

In addition, I believe the merger of equals proposal we made on January 7 was also in the best interest of the Meredith shareholders. And finally, while we had the contractual right to match the unsolicited Nextstar offer to buy Media General, as we analyzed that deal I am equally confident that it would not have been in the best interest of our shareholders. So we decided to collect the termination fee upfront along with the opportunity to negotiate for certain assets that Media General owns.

I think that the broadcasting landscape will be pretty quiet, Eric, as we go forward until the auction is completed, which is late in the fall. I think that gives a lot of people in the marketplace the opportunity to warm up some potential partners and I love our position with very, very low leverage and really cheap debt.

But in addition to that, we have some digital assets that we are interested in. One of them, interestingly enough, would be beneficial for our local media and our national media business. And we are going to be presenting a couple of them to our Board this coming weekend. And you know we have done a lot of deals over time and we will continue to be aggressively on the outlook.

In addition, this is the time of the year that we look at our dividend and it is already yielding, as Joe said, almost 5%. So we think that will be very attractive. And at our current share price we think our repurchase program is quite an attractive way to reinvest money in our business. So we have got a lot of levers to pull here and you are going to see us pulling them.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Yes and, Eric, it is Joe, just to pile on. As Steve mentioned, our January Board retreat is when we review the current dividend with our Board. So you will probably hear more from us in the next week or so on that. And as Steve mentioned earlier, we have not been able to buy our shares back while we have been under the merger agreement. And now that that is behind us I look forward to having that opportunity as well and expect that we will be probably more aggressive on that front than we have been.

So, in addition to what Steve mentioned on M&A and deals, I think we feel pretty good about coming out with our what we are calling TSR 2.0.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Does that answer your question, Eric?

Eric Katz - *Wells Fargo Securities - Analyst*

Yes, it does. And I am sure you will get more M&A questions going forward. So I will jump into I guess a more boring question. What was the Local and National core advertising growth in fiscal Q2 if you strip out any M&A? And how is it pacing in Q3 for both?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Joe will take that.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

So Local, Eric, on an organic basis was up I think 3% to 4% for the quarter, which I think was pretty consistent with our Q1. And frankly as we look into Q3, although it is still a little early, we are pacing about that same place. So kind of I will say 3% to 4% organic.

On the National Media side organically our print in Q2 was actually flat, which was the first time in a while that print has been flat organically, and digital was up high-single-digits. So, on a combined basis we were up a couple percent organically.

As we look into Q3, again we are a month in, we see print down probably kind of low- to mid-single-digits, digital looks strong up probably mid-teens. So from an organic basis we are probably flattish when you combine the digital and print considering digital is now, or at least this past quarter, almost a third of the ad revenue.

Eric Katz - *Wells Fargo Securities - Analyst*

Great, thank you.

Operator

Dan Kurnos, Benchmark [Capital] Company.

Dan Kurnos - *Benchmark Capital Company - Analyst*

Good morning, guys, yes so I guess I will ask a different M&A question for you. Just maybe, Steve, look before all of this ongoing saga you kind of had laid out sort of your high level thoughts on strategic transactions, acquisitions, interactions with both of the business segments.

In this particular instance you happen to be a seller. It sounds like you are going back into not unexpectedly acquisition mode near-term at least. But maybe high level can you just refresh us on how you think of unlocking strategic value between the two assets? If there is sort of an order of operations between the two businesses and maybe just start with that. Thanks.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Sure. Well again, the challenge in the M&A space is it takes a willing buyer and a willing seller, so it is not exactly like shopping for Better Homes and Gardens products at Walmart where they are all for sale. But we have a hit list and there continue to be some great opportunities for consolidation really across all of our platforms.

Near-term the ones that we are looking at include, as I mentioned, the Media General properties and some digital properties. And I think the television M&A world, as I said, is going to be a little quiet until we get through the auction. But we have, again, really low debt. And what we look for are the assets that we think add the most to our total shareholder return strategy.

So it has mostly to do to how much cash flow do they throw off and what improvements can we make to those properties. And I think you know we have a long list of those opportunities where we have taken either an orphan property and adding it to our sort of the big machine, or we just moved into a whole other space that has created a new sales and marketing opportunity for us.

So we have been frozen out of that now for a while so we have got to get that ramped up again. But we are, I would say, kind of agnostic as long as it is accretive and as long as we feel we can add value to the property and make it better than it was standalone.

And I think if you go back a little ways, the Allrecipes acquisition was probably the best opportunity, doubled the size of our digital business, it didn't make any money when Allrecipes owned it. It makes a lot of money now. We have been able to launch a magazine out from under that brand. It is very aggressive in terms of our mobile capabilities and our shopper marketing. And those are the kind of home runs that we will continue to look for. Does that help at all?

Dan Kurnos - *Benchmark Capital Company - Analyst*

Yes. No, that is helpful. Just so turning to just the fundamentals operating business here then. Congratulations, Steve, on the licensing deals. I know that you have been talking about getting some more programs out there. Maybe if you could just give us a sense -- I know that Joe gave a little color around timing implementation, but maybe a sense of how those scale, your expectations, size of those programs and how that -- when ultimately that high-margin business will fall through to the bottom line?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes, these programs, all three of them, are very much in their infancy. And I think it is important to remember that that Walmart program that we announced several years ago, we had only 600 SKUs and not in every Walmart. So now we have got 3,000 SKUs and we will put a lot of muscle behind these programs because we can make them available to our audience and take kind of selling those product digitally, but also really push them from a brand perspective.

And a little bit like the real estate business -- it was kind of slow going in the beginning, but it is very large and very viable at this point. So probably a little early to give you a prediction, but I like more hooks in the water. And that supports Shape, it supports Allrecipes, very helpful to EatingWell, it is a whole line of business we haven't been in before. So we are really excited about those programs. And they could scale very nicely. But they are very early and we will give you more on that as it evolves, I promise.

Dan Kurnos - *Benchmark Capital Company - Analyst*

Okay. Good color. And then just last one from me, maybe on the Local side. Your guidance especially -- and thanks, Joe, for kind of the pacing commentary -- sort of implies, at least to me, that there may have been some upside to retrans in your most recent renewals, which is pretty consistent with what we have heard across the industry. But that has been sort of one of the knocks on you guys in the past. So I don't know if you care to comment on how retrans went versus your expectations on a go forward in terms of that step up. Thanks.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes, I will do that in just a second and I will have Joe do that. But, Paul, I think I would like you to comment just a bit on how you are feeling the business is pacing in the market. I know that we went through our recent revenue reviews and I would think from a ratings perspective and a performance it was probably the best set of revenue meetings with our properties that we have had at least in the time -- in the decade you and I have worked together. So you might give just a little color about how the business feels in the market and then Joe can add a little more detail on retrans, okay?

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

Sure. Yes, we did just come through our series of entitlement meetings where we review with each of the stations both their Local and their National business, not only the current quarter but then a look ahead into the next quarter.

And Steve is absolutely correct, I mean generally you go through that process and you will have a couple, three stations that are not performing at the levels where you would expect. But I will say that coming out of the last series of meetings we were almost at 99% where we were very, very pleased with the results that we were seeing across the board.

So some of our markets that had lagged a little bit traditionally have now come into fruition. And based on some very strong rating books the last cycle we have seen that performance translate into revenue. So we are feeling really -- again, I use the term a lot -- cautiously optimistic.

But you look at our primary categories of automotive and retail and restaurants and legal and telecom, and across the board we are looking at some very, very positive results. And our expectation for political continues to be pretty strong going forward too. So fundamentally we are looking at a very, very strong marketplace in the quarter ahead.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Yes, and Dan, as far as a little more color on the retransmission, I think, as you know, we have said that 40% of our subs renew in our fiscal 2016 and another 40% in fiscal 2017. Together with Paul and his team we have just completed a few contracts -- I am not going to get into who it was and I'm for sure not going to get into rates. But they did come in favorable to our internal expectations.

And that is one of the real key elements of why we felt very comfortable taking call it the midpoint of the guidance range up a bit. So that will start seeing some accelerated benefit in our third quarter. As I looked at the second-quarter kind of year-over-year revenue we were up about 20% in

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that category, the other. And in the third quarter and fourth quarter that number is going to be more than 30% up year over year. So we will just -- we will start think that benefit really in the second half of this fiscal.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Does that help?

Dan Kurnos - *Benchmark Capital Company - Analyst*

Yes, it's perfect. Thanks, guys.

Operator

William Bird, FBR.

William Bird - *FBR & Company - Analyst*

Steve, I was wondering if you could just discuss your thoughts on financial leverage. And I guess specifically how you think about striking the right balance between maintaining dry powder for deals and possibly adding leverage for buybacks? Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So I am going to ask Joe to drill down a bit. But from a philosophy point of view, the great news is that we have such a strong financial position that when we add leverage we do it in a very, very favorable way. I think Joe said our overall borrowing was like 2.6% or something and we have really, really low debt. So we have a tremendous amount of dry powder.

If you recall, in the merger of equals proposal that we made we would have been comfortable. We were, as you recall, the ones going to be operating the business, getting that leverage up for a short period of time to the high fours, close to five. And I believe, again, that creates tremendous opportunity for us as long as we feel that the properties we are looking at throw off a lot of cash and we could pay that leverage down very, very quickly.

So we have a lot of room and we are just very, very careful about the deals we do and if we have to stop and walk away, we stop and walk away, so --.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Yes, I think, Bill, your question is very valid on balancing uses of capital. And we always try and look at what might be in the hopper from an M&A perspective and what need that might be, balancing that with the dividend, which is a commitment. We are 22 years straight growing it, hopefully soon-to-be 23 years, and the buybacks.

And believe me, it was killing me when we were in the 30s that we were not able to get into the market because we try to be opportunistic, when we have seen maybe somebody exiting their position and we can go in and take some shares off the market. But, you are right, it is a balance. But I think you will see us be more aggressive coming out with the TSR and the share buyback and relooking at the dividend.

But of course, we do want to maintain that kind of on an ongoing -- as we have said, we are comfortable kind of in that 2.5 running the business, we would stretch it for M&A. But you know, we're almost right there. So we can pretty much use any free cash flow for things other than debt service at this point.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Does that help?

William Bird - *FBR & Company - Analyst*

Yes, very helpful. And separately, I was wondering if you could talk about circulation revenues. And I guess anything you can share in terms of strategies for incrementing circulation revenues. Are you trying anything new to promote or bundle -- anything that you could share with us on that? Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Tom, Joe will take out the numbers and answer the question. But maybe you would give a little color on our auto renewal program from a digital perspective and the prospects we have for that as we go forward. And I think that is probably the part of circ that I am the most excited about as we look ahead.

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

Sure. Yes, I think overall the great news on the circulation side of the business is that the consumer demand for our magazines in the print form continues to be very, very strong. Response rates both in traditional direct mail and digital are performing very, very well.

And the strategies, as Steve mentioned, we're kind of working on two things. We do bundle our products and we have this tremendous database with a lot of data. So when you add in a new product like Shape or Martha Stewart, we are able to bundle those with our other titles and brands and offer them to consumers at very, very favorable rates.

And then Steve mentioned, we have talked about this before on other calls, our CRT program or our consumer revenue transformation, which is a three- to five-year program where we are really focusing in on auto renewal where consumers are giving us their credit card information and, like other products in the marketplace like Netflix, we are able to auto renew them.

And the early -- it takes a little bit of time because you have to run out how long the subscriptions are. But it is very, very favorable and the lifetime value of a auto renewal subscription compared to a traditional check payment is very substantial. So we are right in the middle of that and all of our efforts are growing very, very strong.

William Bird - *FBR & Company - Analyst*

And what percent of your subscriptions are auto renewal now and what do you think it could go to?

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

We could dig out the exact percentage, but we are scaling it -- again, we offer on a term perspective, we have done a lot of testing in the last 12 to 18 months. I think we will be approaching somewhere close to 10% when we get done with this fiscal year from an auto renew perspective.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

We have given two numbers in the past, about a third of our circulation transactions now are digital. And as Tom said, the auto renewal part of that now has grown to be about 10% of the file. And that is in all sincerity the greatest financial opportunity in circulation that I have seen in all the years that I have been here at Meredith.

It just eliminates the decision and causes a consumer to take a proactive step to turn it off. And it is worth a lot of hard work and investment to grow that part as we go forward because, as Tom said, our readership and all of that is very, very strong. So keeping them on the file and making more money from that part of the business is really a great future opportunity.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Bill, to give you some numbers kind of how we look at it in the P&L, from a GAAP reporting standpoint I think we were up 12%. We said that was Martha and Shape coming in because we didn't have those last year and that really was the growth.

When you look at the organic you really have to break it into both the subscription and the newsstand. And subscription for us has been quite flattish. There we really manage though to the margin. So if we can get rid of agent subscriptions and bring them online, the impact is probably lower revenue because you are getting less per copy, but you are getting a lot more profit because we are taking that to the bottom line and not paying agent commissions.

So I think of circ -- or subscription as flattish, but we are really -- we are seeing the decline. Luckily it is not a big part of our business. But that is on the newsstand, that continues to be very difficult. And so when you blend the newsstand with the subscription down a few percent is what we are seeing on an organic basis.

But I would really chalk that up to the newsstand being very challenged. And frankly, that is where we were at in Q2 and kind of our expectations as we look through the second half of the fiscal.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Okay?

William Bird - *FBR & Company - Analyst*

Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you.

Operator

Kyle Evans, Stephens.

Unidentified Participant

Hi, Steve, it is Tommy in for Kyle. First, I just wanted to double back. Joe, I think you said for [LMG] you posted 3% to 4% organic growth, was that for nonpolitical advertising exclusively?

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Yes.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Yes.

Unidentified Participant

Okay. And then shifting to National Media Group here, print flat organically versus last quarter when I think it was down somewhere in the teens.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Yes.

Unidentified Participant

Can you take us through what improved there quarter to quarter?

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Well, I will let Tom speak to it because he lives it every day. But I think at a high level -- and Tom mentioned this on the call -- we saw a lot of accounts going out for renewal with the agencies. And we think that probably had a dampening effect on Q1. That came back and we saw flattish in Q2 which is better than kind of our long-term thesis. So I think a large part of it was really timing between Q1 and Q2, but I will let Tom share his thoughts.

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

Yes, I think to Joe's point, we mentioned that in the last call that over the summer and the beginning of the year there were a lot of accounts that were up for review with agencies. So we were waiting for the agencies to be selected, which did transpire. And we saw our two biggest categories, our biggest advertising category is food. And the second one is pharma, and they were both up from the quarter. And pharma has really been driving in the last 12 months, we have been getting a lot of pharma business.

And also when we look at the calendar year period, which most of our advertisers are working on, we continue to take share. We finished calendar 2015 in our core print business up 3 basis points when you compare that to the other magazines that we compete against. And our food, which is our largest category, and pharma are both at record share heights for calendar 2015.

And we chop that up a lot to what we've mentioned before too is our print sales guarantee that we're out where we are guaranteeing sales lift. And we think that that is driving our share gains in the marketplace.

Unidentified Participant

Great, thank you for the color. Steve, if I could ask one more. Can you tell us anything more about the first look right that you will have with the Media General assets in terms of what assets, what is the timing and what is the right, what does it mean to have the first look?

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Well, Tommy, I will answer that. Basically we have -- as part of the settlement agreement we have an exclusivity period, we are not going to get into the detail on what properties. As we mentioned, it is looking at a few broadcast stations. As I am sure you are aware, there are some overlap markets that Media General and Nextstar has. And so it gives us an opportunity to look at those properties and see if we can reach a deal as well as some of the digital properties as well.

And basically it is a fair market value, if you will, negotiation. So, while we have a first look, obviously there is no pre-determined economics, so it is a deal -- if there is a deal it would have to be good for both Meredith and something that Media General and ultimately Nextstar feel is in their best interest as well. But we are looking to undertake that pretty quickly over the next 30 to 60 days.

Unidentified Participant

Great, thank you. That is all for me.

Operator

Barry Lucas, Gabelli & Company.

Barry Lucas - *Gabelli & Company - Analyst*

Joe, it looked like you booked about $3.5 million of merger-related transaction costs in the quarter. So I guess I am wondering how much more did you spend in January and what would the net after-tax at $60 million look like?

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Well, Barry, I haven't (laughter), I'm not really looking forward to this, but started accumulating what we would have spent so far in January. Obviously you can look at what we called out in the first quarter and the second quarter. And I think combined it is probably close to $16 million in those two quarters. We will have some more in January, but it is really going to be just legal fees, which I don't think will be that much.

So hopefully we have now capped that around call it maybe $17 million if there is another $1 million this quarter. Again, I haven't -- we haven't asked the attorneys for their final bills yet. The $60 million will be taxable, so I would just assume what our effective rate is will come off of that. And then if you take the fees out of it, although a lot of those have already been paid in cash.

In the first quarter with the signing of the contract we had some banker fees that were payable, we had the fairness opinion that was delivered that was payable. So a lot of that cash has actually already been paid. But to answer your question, if you want to try and net the $60 million down, take the tax effect and then say $16 million or $17 million of expenses, many of which have been paid, but would be netted against that amount.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Does that help, Barry?

Barry Lucas - *Gabelli & Company - Analyst*

Sure, thanks, Joe. Appreciate that.

Joe Ceryanec - *Meredith Corporation - VP & CFO*

Barry, one last question because I got this on a call earlier and I just wanted to clarify. I think you guys would realize this, but the $60 million we will book in our third-quarter, it will be below the line, we will call it out, obviously it is non-operating. But the question I got was, did you take the bottom end of your guidance up because of that $60 million? And the answer is absolutely not. I mean, we will exclude that from the guidance, it is really the ongoing business that allowed us to take that guidance up.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks for clarifying that, Joe. I am looking at the performance in the National Media business maybe over the longer term, Steve and maybe Tom can talk about this a little bit. What do you see in the way of cost pressures? And given the contribution of digital advertising coming up to a third now and some pretty high-margin licensing business, when do we really see that -- begin to see that manifested in EBITDA or operating income margins for the National Media Group?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So let me take kind of a kind cut at that, Barry, and then certainly would ask Tom to add color. First of all, you are right about the ongoing growth of the digital business. And we are not a long ways away from that growth exceeding the print declines, if you sort of kept it in kind of the mid-single-digit range, which it has been for either four or five years in a row now. And obviously that is a big part of why we have been building out these multi-platform businesses.

And then the other two major drivers, one of them we already talked about was the auto renewal, the circulation business, that helps us get less dependent on agents and direct mail sources. It also helps us get younger because they are digital. And then the other part of it is the continued growth of our licensing, which you know is very, very high margin business.

So all that comes together and I think gives us a lot of confidence about the National Media business as we go forward. And Tom, whatever you would like to add to that -- I mean we are not, Barry, yet in a position to give fiscal 2017 guidance or anything like that. But obviously Joe wouldn't have tightened the range and pulled up the guidance without confidence really about both of the major businesses that we operate at this point. So, Tom, anything else you want to add to that?

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

I would just add that we are balancing -- we are always balancing investments in our digital business also. We just went through a re-platforming of our Allrecipes website, which was not insignificant to really gear that up for the changes in consumer habits really going mobile.

And we are starting to see those results where they had -- the month of December Allrecipes had an all-time high in traffic and actually had an all-time high for any food site on the Internet. And that took significant investment for us to re-platform that brand on the website. So I just would add that we are always balancing organic investment in our brands from a digital perspective.

Barry Lucas - *Gabelli & Company - Analyst*

Great, thanks for that color, Tom.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Anything else, Barry?

Barry Lucas - *Gabelli & Company - Analyst*

No, I am good, Steve, thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Well, we have kept all of you for nearly a full hour, so we are going to wrap the call at this point in time. And appreciate everyone's interest and continued support. And as always, Joe and I are available for follow-on calls. And otherwise we are all going to get back to work. So have a great day and thank you for participating.

Operator

Thank you. And, ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference. You may now disconnect.