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MDP - Q2 2015 Meredith Corp Earnings Call

EVENT DATE/TIME: JANUARY 28, 2015 / 4:00PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. And welcome to the Meredith Corporation fiscal 2015 second-quarter earnings call. (Operator Instructions) As a reminder, today's conference is being recorded. Now I'd like to turn the conference over to Mike Lovell. Please go ahead.

Mike Lovell - *Meredith Corporation - Director, IR*

Hi. Good morning, and thanks, everyone, for joining us. Our call this morning will begin with comments from Chairman and Chief Executive Officer Steve Lacy and Chief Financial Officer Joe Ceryanec. Then we'll turn the call over to questions. Also on the line this morning as usual is National Media Group President Tom Hardy and Local Media Group President Paul Karpowicz. An archive of today's discussion will be available later today on our investor website and the transcript will follow that. Our remarks today will include forward-looking statements. Actual results may differ from 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 and CEO*

Thank you very much, Mike, and good morning, everyone. I hope you have had the opportunity to see our news release issued earlier today that details our results.

I'm pleased to report a strong second quarter and first half of our fiscal 2015. Excluding special charges, we increased earnings per share by 45% in the quarter when compared to the prior-year period. Total revenues grew by 13% and total advertising revenues were up 25%. Results were led by our Local Media Group, which delivered all-time record performance across the board in revenue, operating profit and EBITDA. This included political-related advertising revenues of $29 million in the quarter and $42 million overall for the election cycle. Both were records.

Our National Media Group delivered an operating profit increase of 7%, and operating margins strengthened. Results were driven by higher advertising revenues, stronger performance from Meredith Xcelerated Marketing and a 4% decrease in operating expenses. Total Company digital advertising revenues grew by 45% to a fiscal second-quarter record, driven by both recent acquisitions and organic growth. National Media Group digital advertising revenues increased nearly 45%, while Local Media Group digital advertising revenues increased more than 50%.

Consumer engagement strengthened across our media platforms during the quarter. Our television stations delivered strong November ratings book. Our National Media Group grew its total audience, and traffic increased across our digital and our mobile sites.

Finally, our diverse and multi-platform business model continued to generate strong and sustainable cash flow. We generated $74 million of operating cash flow during the first half of fiscal 2015. That's more than a 20% increase over the prior-year amount. We remain committed to our total shareholder return strategy, key elements of which include a current annual dividend of $1.73 per share, a $100 million share repurchase program and ongoing strategic investments to scale our business and increase shareholder value over time.

As many of you who follow us closely know, we've executed a number of strategic investments over the last year. As I reflect back on calendar 2014, I'd like to highlight the steps we've taken to strengthen our competitive position and deliver higher revenue, operating profit and cash flow over time.

First of all, in calendar 2014, we added meaningful scale to our local media business, acquiring four strong stations. In total, we expect these acquisitions to add more than 30% to the revenues of our local media portfolio. But more than scale alone, these additions to the portfolio are also very strategic. In Phoenix, we added KTVK, one of the most successful independent stations in the country. We already own the CBS affiliate there, so KTVK gives us a duopoly in the nation's 11th largest market. In St. Louis, we added KMOV, a strong CBS affiliate with great viewership and sales momentum. Between KMOV in St. Louis and KCTV, the CBS affiliate we own in Kansas City, we are well represented in Missouri, along with neighboring Illinois and Kansas.

These are stations that consistently deliver strong political advertising dollars.

In Mobile-Pensacola, we added WALA, the market-leading Fox affiliate. This is a strong market in the Sun Belt state that gives us access to Florida political advertising dollars.

And finally, we created another duopoly in Springfield, Massachusetts, with the purchase of WGGB. This ABC affiliate has a strong news presence and also airs Fox on a digital tier. Together, our stations reach nearly 11% of US households. We now have 5 highly profitable duopolies, 7 stations in top 25 markets, and 13 of our 17 stations are in top 50 television markets.

Second, during calendar 2014 we added scale and capabilities and launched new products in our National Media Group through a series of acquisitions and long-term relationships. We announced a long-term agreement with Martha Stewart Living to operate its magazine, digital mobile and social media businesses. These are great brands with loyal audiences. Adding these attractive properties to be Meredith portfolio gives us increased reach and has already resulted in several new or expanded advertising commitments.

The agreement with Martha Stewart also includes Martha Stewart Weddings magazine and website. Combined with our recent acquisition of MyWedding.com, it provides a strong entry to the wedding media marketplace. MyWedding is a leading site for couples planning their wedding and the advertisers, retailers and service providers who want to reach them.

We also increased the rate base of Allrecipes Magazine by 120% to 1.1 million copies starting with the February-March issue. That's up from 500,000 at launch just a year ago. We also agreed to create a line of cookware, bakeware and kitchen accessories under the Allrecipes brand, marketing Allrecipes' first retail licensing program. We continue to be pleased with the enthusiastic response to the brand across digital and in print, and we are of course excited to add Allrecipes to our growing brand licensing activity.

Equally as exciting, earlier today announced the acquisition of the Shape print and digital brand from American Media, Inc. We will begin producing Shape with the May 2015 issue., with the current readers of Shape and Meredith Fitness receiving a new and enhanced Shape magazine. The new Shape will have a guaranteed rate base of 2.5 million; that's a 60% increase from its current level of 1.6 million. The Shape and Fitness website will continue to operate as separate digital destinations with a combined reach of almost 7 million unduplicated monthly unique visitors. The acquisition of Shape establishes Meredith as the leader in the women's active lifestyle media category. It increases our reach among millennial women and creates an unmatched opportunity for advertisers to connect with this highly valued audience across multiple media channels.

As we've done with the recent acquisitions of Everyday with Rachael Ray, Family Fun and Eating Well, we are utilizing our industry-best circulation, production and support functions to drive cost efficiencies and create synergy. This process is well underway with the Martha Stewart brand, and we'll do the same with Shape. Without a doubt, these unique strengths clearly position Meredith as the partner of choice as we pursue further media industry consolidation.

And third, during calendar 2014 we significantly enhanced our digital presence and digital capabilities. Our digital traffic is now averaging over 70 million monthly unique visitors, ranking Meredith among the top 30 digital operators in the country. Our goal is to reach 100 million monthly unique visitors and, of course, aggressively monetize this scaled digital audience.

To reach that 100 million goal, we are placing a great deal of emphasis on the mobile marketplace, creating new apps and relaunching existing products. We are also expanding our audience targeting and programmatic advertising initiatives.

And finally on the digital side, during the quarter we acquired Selectable Media, a digital advertising platform and network whose products include native and engagement-based advertising. It allows us to increase our digital inventory and drive higher advertising CPMs in our digital business. Selectable's technology is well-suited for the growing mobile marketplace as well.

When you combine our premium branded content, highly engaged consumer audience and rich first-party data drawn from our 100-million-name database, it provides a very powerful and unique advertising proposition for clients, helping us maximize our revenue opportunity going forward.

And finally, on the corporate side during calendar 2014 we grew our dividend for the 21st straight year, authorized another $100 million share repurchase program and took advantage of low interest rate environment to effectively fix $400 million of our debt at an average interest rate of 3%. All of these actions add to another year of very strong execution against our total shareholder return strategy.

As we look to the future, we will continue to look for strategic acquisitions and partnerships and investment opportunities to expand our reach and create additional shareholder value. We believe the combination of our audience reach, multi-platform expertise, strong advertising relationships and production efficiencies afford us unique, compelling and strategic opportunities to continue consolidating in the fragmented media industry.

With that overview, I'll turn the conversation to Joe Ceryanec, our CFO, for the operating performance of our two major business groups. And given our present portfolio additions, Joe will also provide you with a view of our increased financial expectations for the balance of our fiscal 2015.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Thanks, Steve, and good morning, everybody. I'll start with a look at our Local Media Group results. Fiscal 2015 second-quarter revenues increased 50% to $157 million. Excluding special charges, operating profit grew nearly 65% to a second-quarter record of $60 million, and our EBITDA margin was a very strong 44%.

Looking more closely at that performance, the primary growth drivers were our newly acquired stations in St. Louis and Phoenix, along with strong performance from our existing stations in Phoenix, Hartford and Portland. In total, non-political ad revenues were up more than 20%.

Backing out the contributions from our new stations, our core non-political ad revenues were down mid-single digits, as is expected in a quarter that had such heavy demand for political advertising. That said, non-political ad performance was approximately flat for the periods following the election.

We recorded $29 million of political ad revenues in our second quarter. And political spending was much more evenly spread out amongst our stations than we have seen in prior political cycles and was strongest in our Phoenix, St. Louis, Kansas City and Hartford markets. In the Phoenix market, with our new duopoly we captured nearly 40% of all political ad dollars in the Phoenix market. Other revenues and expenses both increased due primarily to growth in retransmission revenues we get from cable and satellite providers as well as higher programming fees paid to the networks.

As a reminder, we will have another round of renewals with most of our cable and satellite providers in fiscal 2016 and fiscal 2017, which is ahead of our next major network affiliation agreement renewals.

Now turning to look at our National Media Group -- again, excluding special charges, we delivered 7% growth in operating profit, and profit margins strengthened in the quarter. Our digital advertising and brand licensing activities set fiscal second-quarter records, and Meredith Xcelerated Marketing strength in its performance considerably. We also demonstrated continued expense discipline, cutting costs 4% and improving margins 120 basis points.

As you may recall, we transitioned Ladies' Home Journal to a newsstand-only title at the start of fiscal 2015, and that's reflected in our advertising and circulation results. Without LHJ, advertising revenues would have been up mid-single digits, and circulation revenues would have been down less than half of what we reported.

Looking more closely at the fiscal second-quarter performance compared to the prior-year period, magazine ad rates grew 3% from the prior year. Digital advertising grew nearly 45% and accounted for nearly a third of total advertising revenues. Growth was led by performance at Allrecipes.com, along with the addition of MarthaStewartLiving.com in November. Brand licensing revenues grew in the low single digits, helped by sales of more than 3,000 Better Homes & Gardens branded products that are available at 4,000 Walmart stores across the US and on Walmart.com.

Meredith Xcelerated Marketing delivered strong growth and operating profit, and during the quarter we secured new assignments with Bob Evans and CVS Health. Now let's turn to our outlook.

Given the recent acquisitions we've added to our media portfolios, we now expect full-year fiscal 2015 earnings per share before special items to range from $3.25 to $3.35. This new and higher range includes expected accretion of between $0.10 and $0.15 from the Martha Stewart Media properties and the Shape brand to our National Media Group and WALA in Mobile-Pensacola to our Local Media Group.

Looking more closely at the third quarter of fiscal 2015 compared to the prior year, we expect total Company revenues to be up high single digits. We expect local media revenues to be up 25% to 35%, and we expect the National Media Group revenues to be up low single digits.

We expect our third-quarter earnings per share to range from $0.66 to $0.71. And while we expect the Shape brand to be accretive to earnings per share for full fiscal 2015, we do expect Shape to be $0.04 dilutive to earnings in the third fiscal quarter. This is due to the timing of certain expenses occurring before revenue generation. The first combined Shape/Fitness magazine will go on sale in April, which is in our fourth quarter.

Now I'll turn it back to Steve for a few closing comments, and then we'll open it up for Q&A.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you very much, Joe. In conclusion and before the Q&A period this morning, I am again pleased with our strong start to fiscal 2015. As a quick reminder, we continue to aggressively pursue the following strategies.

First, growing our existing businesses organically. And this includes, of course, our television, magazine, digital, licensing and our marketing services portfolio, Meredith Xcelerated Marketing.

Second, successfully integrating our recently acquired businesses and continuing to pursue opportunities to add to both our national and our local media group portfolio.

Third, aggressively managing our costs.

And finally, continuing to execute our total shareholder return strategy as highlighted by our ongoing dividend increases and corresponding very attractive yields. Share repurchases, while pursuing accretive acquisitions to grow our already strong cash flow over time.

With that, we'd be happy to answer any questions that you might have this morning.

Operator

(Operator Instructions) Bill Bird, FBR.

Bill Bird - *FBR & Company - Analyst*

Steve, for NMG, what was organic at growth in the December quarter? And can you give us a split-out of what the organic growth looked like between print and digital? Thank you.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Okay. Thanks, Bill. Joe is looking that up, and I think he's got that at his fingertips.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

So, Bill, for Q2, and excluding the impact of LHJ as well as Martha Stewart, total ad revenue was down 1.9%. The digital was up about 12% and the print was down about 5%.

Bill Bird - *FBR & Company - Analyst*

Okay. And can you speak to I guess each of NMG and LMG in terms of what you are seeing in terms of underlying organic growth as you look at the March quarter? Do trends look similar or are they much different?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Oh, I'd say for Q3 on the NMG side, it's looking pretty similar -- print running down, again, around 5%; digital up kind of mid-teens.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's organic, Bill.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

That's organic. On the TV side, it's a little earlier, but we are flat to up slightly is our expectation. Again, on an organic same-store sales basis.

Bill Bird - *FBR & Company - Analyst*

Great. Thank you.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

Just a follow-up to Bill's question there -- you commented about TV for the March quarter. I think revenue up flat to slightly organically. What is that number just for the quarter ad revenues, excluding the acquisitions?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's the number.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

That's where I was going.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's the number, Craig.

Craig Huber - *Huber Research Partners - Analyst*

That is the number? Okay. Very good.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's the organic or same-store-basis number. Flat to up slightly in TV fiscal Q3 compared to the prior year.

Craig Huber - *Huber Research Partners - Analyst*

Okay. Can you also help us with -- just ballpark for us, in the quarter you guys just finished, network compensation as a percent of your retransmission revenues? Is that roughly 50/50? Where is it just at right now, please?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Yes. It's right at 50, Craig.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

50/50 split. You got it, Craig.

Craig Huber - *Huber Research Partners - Analyst*

And then you also mentioned for fiscal 2016 and fiscal 2017, you have a large round of retrans contracts coming up for renewal. Can you just remind us what percent of your subs come up for renewal each of those two years, if you have that handy?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Give us a second.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

I don't know if we've get that right with our fingertips, but we'll look for it. And if we've got it here, I'll say it when we find it. If not, we'll call you back. Okay?

Craig Huber - *Huber Research Partners - Analyst*

And my final question -- I appreciate that -- just on auto for your TV stations, post the election, how did auto on a core basis excluding acquisitions do, say, in December year over year? How is it tracking for this first calendar quarter?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Again, I'm going to give you, excluding acquisitions so you get a feel for what we are seeing in auto, was actually down high single digits in Q2.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

We don't have pacings by category for Q3; it's just too early, Craig.

Craig Huber - *Huber Research Partners - Analyst*

Do you have a sense of how the auto did then in December just to get away from the election influence?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Paul, do you happen to know post-elections how auto performed? All our numbers are for the whole quarter.

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

Yes, it started to come back. November was down, as you indicated there. It started to come back towards the end of the year in December. We did have some bad weather in a few markets that we think slowed down the auto growth there, but it did start to come back a little bit towards, say, December 15 through the end of the year.

Craig Huber - *Huber Research Partners - Analyst*

Is your expectation for the March quarter that it's similar to your overall trend, flattish in auto?

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

What we are looking at right now is flattish to a little bit up.

Craig Huber - *Huber Research Partners - Analyst*

For auto?

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

For auto.

Craig Huber - *Huber Research Partners - Analyst*

Okay. Great. Thank you, guys.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Craig, back to your earlier question -- I think it was how many subs do we expect to renew in 2016 and 2017?

Craig Huber - *Huber Research Partners - Analyst*

What percentage or however you want to do it.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Yes, what percent. Barring some of the real small players that are in the markets, about 50% of the subs will renew in our fiscal 2016, and the other 50% will renew in our fiscal 2017.

Craig Huber - *Huber Research Partners - Analyst*

Thank you.

Operator

John Crowther, Piper Jaffray.

John Crowther - *Piper Jaffray & Company - Analyst*

So my first question is you guys obviously have delivered some great margin improvement here, driven by the growth you are driving in TV and through acquisitions as well as cost control. I think you are trending towards 20% EBITDA margins in this fiscal year. That is a level that you guys saw before the cyclical downturn. But just wondering, as you look forward here, what sort of expectations do you have for margins as we go forward? Do you guys have sort of a level in mind or sort of a level you'd like to hit each year in terms of potentially driving some expansion? Obviously given the bi-annual exposure to political?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Yes, I would say, absent the political every-other-year phenomenon, when our philosophy is take the money, I think you will be able to see us improve our margin sort of same-store basis about a point a year. A lot of that includes the benefit that we will have in the relative near term as we integrate the various acquisitions that we have. The full implementation of that oftentimes takes 12 to 18 months. But we are very optimistic about that as we look to the future. Again, absent the political cycle that, of course, we deal with every other year.

John Crowther - *Piper Jaffray & Company - Analyst*

Okay. And maybe just if I could dive down a little bit into that a little bit -- you talked about acquisition integration as being a nice step up, as you guys can drive some pretty nice cost synergies there. Are there any other specific drivers -- first, on the National Media Group in terms of the core business right now -- that is going to contribute to that going forward? Maybe talk about how production costs are trending here recently. And then on the Local Media Side, I'm assuming that that's still just leveraging a relatively fixed cost base, ex the retrans comps you have to pay out.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Well, I'll start on either side, and then I'll ask Tom and Paul to add to it. On the National Media Side, the piece that takes a while to figure out is really the circulation benefit across marketing -- as an example, Martha Stewart and Shape with our existing portfolio. And that is the rollout that really takes somewhere in the range of 18 to 24 months because you have to go through the renewal cycle and begin to test the cross-marketing opportunities. There is a revenue opportunity there and there is a cost opportunity. The more direct cost as it relates to headcount, as it relates to the fact that our printing contracts and our paper contracts are always better than any deal we have ever done. Those come in more quickly, and we realize those costs more quickly. But on the revenue side, what we do in circulation and the ability to put these properties into our Meredith buy, our corporate deal -- those things come about as those corporate deals renew.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

One other one, John, on the NMG side -- as you know, we had over 30% of the ad revenue came from digital. Now, with Allrecipes, with Martha Stewart, there's some holiday seasonality in there. But it does seem like we are starting to hit a critical mass on the digital side and able to improve the margins now that we've got significant scale. So I think leveraging the digital is helping the margin as well.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

So before we go to local, Tom, you're really in charge of all these integrations. Would you have any further thoughts on some near- and longer-term benefits we will receive?

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

I think you covered it, Steve. We target double digit savings on the cost side when we look at these businesses. As Steve mentioned, there is upside on the advertising when we go to the marketplace. Both Martha Stewart and in regard to Shape, there are certain clients that weren't buying them because they weren't part of the bigger corporate deal. And with us opening them up, they become part of the sale, and we think there is opportunity to grow advertising in both of those businesses.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

So does that answer your question on the national side, John, before we go to local?

John Crowther - *Piper Jaffray & Company - Analyst*

Yes, that's great detail. Thank you.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Okay. Now on the local side, you may recall, or you may not have been following this, but several years ago we made quite an investment in creating two very large what you might think of as back-office hubs -- one in Phoenix, and one in Atlanta. So there are some cost benefits of these acquisitions, and then there are some retransmission revenue benefits when those deals come up for renewal. And then, frankly, there are just some fundamental expense tightening opportunities because we believe that we are a best-in-class operator. And some of those are in process and some are yet to come from mostly a headcount and then a purchasing perspective. Paul, I don't know what you would add to that as you are busy integrating these recent acquisitions.

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

I think you hit on really the key elements. The only thing I would add would be with these, with two of these acquisitions this year, we are also going to have some very interesting real estate savings, to the extent that we are going to be able to consolidate facilities. So in both Springfield and in Phoenix, we are going to move out of one station and consolidate everybody into the other station, which in one case we'll save on rent; in the other case, we'll be able to sell the property. So in addition to be hubbing, the other consolidation that we are doing, in this case the real estate is also going to be a little bonus.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

And that's the duopoly aspect of that, John -- the two duopolies we created.

John Crowther - *Piper Jaffray & Company - Analyst*

Great. And maybe if I could just ask one more quick question, digital advertising on the local media group you guys said was up 50%. Wondering -- I was trying to piece through your numbers, and I didn't hear if you maybe had called out what that was on an organic basis. Wondering if you could also talk about is that seeing some benefit from the political atmosphere in this current quarter. And then sort of your thoughts on that longer-term, what percent of that -- of your total advertising is it right now? What do you think that could be over time as you try and build up those opportunities to complement the obviously constrained TV inventory?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Organic digital is very similar to what we saw organically on the National Media side -- up in the midteens -- and we see that continuing as we go into the new calendar year. Okay?

John Crowther - *Piper Jaffray & Company - Analyst*

Great. Thank you, guys.

Operator

Larry Vitanza, CRT Capital Group.

Brad Tesoriero - *CRT Capital Group - Analyst*

This is actually Brad in for Lance. First on the Local Media side, broadly speaking there is a perception in the market that the network affiliate relationship is changing, with the networks becoming much more aggressive and adversarial and pressuring the affiliates on programming compensation. I was just wondering what your comments were sort of on the network affiliate relationship and if it changed much during the year. Or if it hasn't, and if these fears are overblown.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Well, I'll start on this, and then I'll but ask Paul to comment. First of all, our major arrangements are in place and really don't come up for renewal until our fiscal 2017 and fiscal 2018. So we were not doing any major network affiliation renewal activity during this time period. But Paul, you might speak to how we think about these things going forward and our strategies as we think about longer-term.

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

Yes, we continue to work with each of the networks. And I think, to the extent that that relationship is evolving, that's always going to be the case. But I think when as affiliates we deliver great television stations in great markets with great audiences, that enables us to have meaningful discussions with the networks about how the compensation would work.

We did just do -- and Steve is right, it was not a big deal -- but we just did a small deal with ABC in Springfield, our first ABC affiliation agreement, and it went fine. And I think it's just being able to balance and to have a clear understanding of our relationships with the MSOs and how those payments are going to work, and then balance that against what we anticipate we are going to be paying to the networks.

So while the relationship is adjusting and evolving, we still are very happy that the networks are spending money on NFL football and the Olympics and live sports. So to the extent that we want them to continue to go out and spend on high-profile, must-see events, we think that's really positive.

Brad Tesoriero - *CRT Capital Group - Analyst*

Thanks, guys.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Does that answer your question, Brad?

Brad Tesoriero - *CRT Capital Group - Analyst*

Yes, thank you. And then just one more if I could on the National Media side, you guys did a couple of great deals that fit within your core competency of women's magazines. Do you guys have any M&A appetite outside of the women's segment?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Well, only if it would bring -- the property would bring with it a meaningful database of male names that we could add to and market to. That's the primary reason that we have generally stayed within areas of interest that focus primarily on the female audience. Because we can add the most value to those properties from a circulation perspective, and they hang together from an advertising relationship perspective.

But it's important to remember that we have a very large male audience. I was just this morning with the woman who runs the Better Homes & Gardens brand, and she was showing me some recent data confirming once again in calendar 2014 that 20% of the audience of the Better Homes & Gardens brand is men. And 25 years ago, 20% of the audience of the Better Homes & Gardens magazine was men. So it has about 40 million monthly readers; and in calendar 2014, 7.1 million of those were in fact men. Allrecipes also has a very large male audience. So while we don't market ourselves that way, we do serve men. Does that answer your question?

Brad Tesoriero - *CRT Capital Group - Analyst*

Yes. Thank you guys very much.

Operator

Barry Lucas, Gabelli & Co.

Barry Lucas - *Gabelli & Company - Analyst*

Two areas -- Steve, could you talk a little bit about either the financial terms of the Shape deal or some of the financials of Shape? And understanding that you are going to fit it into the Meredith machine, but could you size that at all in terms of revenues and circulation and advertising?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Yes, I'll talk a little bit about the terms, and then I'll have Joe give you a sense of kind of the top-line impact. So interestingly enough, Barry -- and you know us very well and you know that we have businesses that we work with for a very long time. So our first attempt at Shape is about year 2001 when the Weider properties were sold that you probably remember long ago. John Zieser and I, who heads up our development activity, were there at that time and we weren't able to make it work.

In more recent times, Tom Harty and I have worked on that because, you know, our desire is to have the number one or number two property in any field where we operate, and Shape is the number one property. So we will be making an upfront payment of $60 million, and there is a profit-sharing arrangement that is paid out at the end of our fiscal 2018, depending on how well the business performs. Our best estimate -- and of course it's a lot of estimates on revenue and cost savings and digital -- is that it's going to be around 3.5 times first-year cash flow. And we should deliver over a 20% return on investment over the timeframe as it relates to that business.

And the real reason for that is the ability to combine that with Fitness and create this new, much larger property and clearly the market leader, which Shape already was, in that category. Tom, do you want to talk a bit about your thoughts on how that's going to happen? And then we'll give you sort of a revenue horizon, Barry, on that. Tom, how you are going to take this property to market?

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

Yes, we are excited. We just announced today we are bringing the team together. So we are going to take the best of both brands from Fitness and Shape from an employee basis and also from a brand perspective and go to market with this new, enhanced Shape product that will have a 2.5 million rate base. We will be repositioning it as a category killer because it will have such a large rate base compared to any other competition in the women's lifestyle category. So we are really excited about the opportunity, and we are on the phones as we speak talking to our advertisers about this new enhanced brand for Meredith.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Hey, Barry, and for the guys on the phone that are doing -- updating their models, really won't have much revenue in Q3. As I mentioned, the first combined Shape/Fitness magazine will be the main title, which goes on sale in April. So that will be fourth quarter. We are bringing the employees over related to the Shape brand, or certain of them, in the third quarter. So that's why are saying it will be $0.04 dilutive. As we look at the fourth quarter, we would expect revenue on the combined brand to be about $20 million. For the year, we expect the accretion to be about $0.05. So as we said, dilutive $0.04 Q3, which means we should get about 9% positive pop.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

$0.09.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

$0.09. And then the $20 million in the Q4, I don't have a 2016 estimate in front of me. But offhand, it's probably 4 times that number.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Does that help, Barry? Obviously, we will give fiscal 2016 guidance when we close out fiscal 2015 and have everything integrated and a better sense of how that will play forward.

Barry Lucas - *Gabelli & Company - Analyst*

That's great, Steve. 4 times 20, I'm capable of doing.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

You can do that, right?

Barry Lucas - *Gabelli & Company - Analyst*

A quickie -- actually for you at kind of the high level and for Paul, again (technical difficulty) beat this, but your appetite or enthusiasm in participating in any spectrum auction -- it looks like we will kind of change the rules or walk back some of the thoughts post the Greenhill report that the commission authored or developed?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

I can start and Paul can add to that. We are always open-minded regarding an opportunity that we think could be good for our shareholders. We think it's downstream a bit and maybe will be uneven depending on the market. Or said a different way, the places that we might feel we have access spectrum may not be the places that it has the greatest market value. But time will tell on that, and we'll very involved and very aggressive in trying to do best things for our shareholders. But it just feels like that can keeps getting kicked down the road a bit. And I know, Paul, if you've got any other costs on that that you would like to share.

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

No, I think that's right. As Steve said, we will keep a very close eye on it. I think the NAB lawsuit is helpful to the extent that it will help clarify the rules and make sure that the SEC follows the mandate that Congress had given them. And in that fashion be able to protect everybody who wants to participate in the auction. Given the markets where we have duopolies, we would have a number of opportunities where we very effectively could participate. So we will just wait and see, I think.

Barry Lucas - *Gabelli & Company - Analyst*

And where would you be, Paul, in terms of utilizing the spectrum yourself if some of your peers are a little bit more aggressive in pushing for a change in the broadcast standards that might allow station owners to either use the pipe themselves or rent it to third parties?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Again, I think there's still a lot of work to be done. I think there is a lot of good work that is happening right now with the various ATSC committees and the NAB technology committees that are working on a next-generation standard. So I think we are supportive of those efforts. I'm supportive of them looking at those opportunities. But I think from where we are today to the implementation of a new standard, we've got a lot of miles to go before we get there; there's a very long way to go. But I think the work has to be done. I think the research and technology have to happen first, and then we'll see where it goes.

Barry Lucas - *Gabelli & Company - Analyst*

Great. Thanks very much.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Barry, let me just clarify the comment on Shape. The number I gave is a combined Fitness/Shape. So for this fiscal year on an annualized basis, Fitness is about a $40 million top-line magazine. On an incremental basis, when we combine the incremental revenue on an annualized basis it's about $60 million. So that would be incremental to the existing Fitness revenue.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Rather than the $80 million we said earlier, okay?

Barry Lucas - *Gabelli & Company - Analyst*

Incremental. Thanks, Steve.

Barry Lucas - *Gabelli & Company - Analyst*

Thanks very much for clearing that up.

Operator

Jason Bazinet, Citi.

Jason Bazinet - *Citi Investment Research - Analyst*

I just had a quick question on the unique visitors that you cited, I think it was 70 million with a goal to get to 100 million over time. Two questions -- how long do you think it will take you to achieve that? Second, as we look at the underlying monetization of the unique visitor, is there sort of erosion under the hood where that won't -- where those unique visitors won't all flow through to the income statement? Or is it -- or would the selectable acquisition and other things you are doing, do you think there is more of a linear relationship between visitors and dollars?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

So absent additions to the portfolio, which you know we will continue to work on if they make sense, we've been historically and in the recent past able to deliver sort of low double-digit organic growth to that unique visitor portfolio.

The acquisition of Selectable will allow us to move that number more quickly. And you are right that there tends to be unmonetized digital inventory generally in the marketplace and a real strong push downward on CPMs, which is the other aspect of why we were interested in Selectable. And Tom, you might give maybe some more specifics of how we think that business will help us push not only traffic growth but also push CPM up in the right direction as we go forward on the digital side.

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

Yes. The Selectable piece for us is really a technology platform. It's an advertising technology platform that really delivers engagement, what advertisers are looking for in the area of native especially. So what Selectable does, they also bring a network that their platform is installed on, and they deliver a network even to some of our competitors.

So what you will see is an expansion of our traffic growth that Selectable brings, impression growth. And because of this engagement, advertisers really want this. So you are going to see an increase in our yield because of this platform; that's why we are really excited about the acquisition.

Jason Bazinet - *Citi Investment Research - Analyst*

Okay. Thank you.

Operator

Edward Atorino, Benchmark.

Edward Atorino - *The Benchmark Company - Analyst*

Some time ago, you did a show called Better -- sort of getting into programming. With the larger TV audience and the diversification of your magazines, is there more opportunities to, let's say, create programming of your own in your television stations?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

I would say a couple of things, Barry. I'm sorry -- Ed. I'd say a couple of things about that. There's a tremendous amount of video content opportunity. But probably the greatest moneymaking opportunity is really short-form video and very much, like Tom mentioned, tied to native advertising.

So we think Allrecipes is a very interesting and creative way to possibly move further into that television market. And within the existing Better show, there are segments that we are testing. But whether it really makes sense to go into incremental television programming on the local media side I think remains to be seen.

We make so much more money when we add additional dayparts in local news with much less organizational effort that my guess is Paul would tell you -- and I'll ask him to comment -- that our efforts might be better spent on the local side in focusing on our news inventory. And these more television opportunities probably fit better on the national side. I don't know what we would say about that, Paul.

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

Yes, I think that's correct. We still, by the way, do have the Better show on the air right now, and we anticipate running that through the rest of this season. It will be completing its eighth season. Having said that, though, we have had much more success when we create local shows. We've got a Better Connecticut, a Better Atlanta, a Better Phoenix. So we have created local shows that, quite frankly, are easier to produce. The infrastructure is simpler. So we will continue to focus really on a local level with development out of each station with things that are more germane to their market and just make more sense for what that station is trying to do. And then always continue to look for news time periods as well where we can expand our newsgathering efforts.

Edward Atorino - *The Benchmark Company - Analyst*

Food shows are very popular, and you've got the time of food stuff.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's correct. And we are doing a lot of short-form video, and the question becomes whether that over some period of time turns into a -- syndicated programming is not for the faint of heart or checkbook.

Edward Atorino - *The Benchmark Company - Analyst*

Very true. Thank you very much.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you, Ed.

Operator

David Walker, Tricadia Capital.

David Walker - *Tricadia Capital - Analyst*

Thanks for taking the question. I guess I had two broad ones. The first one -- thank you for all the detail on organic growth by division. I was curious, if we looked at the Company as a whole in the quarter what the overall organic growth was, both for revenue and EBITDA. And if possible, if you could give us particularly EBITDA excluding political.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

We are looking at a thousand numbers here. Everybody asks their questions differently. I don't know that we've quite got it put together that way, but give us about a minute.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

It looks like organically, total Company we are up low single digits on revenues and kind of mid single digits on profit, organic.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Okay?

David Walker - *Tricadia Capital - Analyst*

Okay. And that's including political, though?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

That's including political because political is organic every other year to our business. And political was $29 million in the quarter.

David Walker - *Tricadia Capital - Analyst*

Okay. But when you say organic, are you comparing it to the last political cycle or are we talking numbers?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

No, we are comparing it to last year at this time.

David Walker - *Tricadia Capital - Analyst*

Okay. So if we took out political, just round numbers I would presume you would be sort of flattish revenues and low single-digit profit, something of that nature?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

No. Because you would have to add in some non-political; that's why it gets to be a little dicey. Non-political is down because political was so strong. You can't just take political out for dollar for dollar; probably take out only about half of it.

David Walker - *Tricadia Capital - Analyst*

Understood.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Okay?

David Walker - *Tricadia Capital - Analyst*

That's helpful. And one final question, just at a high level, your stock trades at perhaps 10 times EBITDA, which is a relatively healthy evaluation compared to its constituent businesses, TV and particularly magazines, which appear to trade several turns lower. So you've got a very strong currency. I'm curious to know what your thoughts are on using that currency perhaps more aggressively, perhaps in greater size, in acquisitions since it would appear to be somewhat accretive to do so.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Yes, that's a very good point and a very good question. And, again, as it would relate to what we think of as a transformational opportunity, we would certainly open-minded to that. We -- obviously in this kind of environment where we go to the market from a debt perspective with a very, very low cost of borrowing, we are careful about using capital of that sort of value. But, in fact, if the opportunity presented itself, we would certainly be willing to work with that currency. Your point is well taken.

David Walker - *Tricadia Capital - Analyst*

Very good. Thank you.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

So thank you all for participating today. We appreciate all the questions and your ongoing support for Meredith. And if there are any further questions that we didn't cover, feel free to reach out to us for the balance of the day. And with that, I think we will let everybody get back to work. Again, thank you very much for participating.

Operator

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.
