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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Meredith Corporation fiscal fourth quarter earnings results conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session, instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded. I would like to turn the conference over to the host, Mr. Mike Lovell. Please go ahead.

Mike Lovell - *Meredith Corporation - Director of IR*

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; and then we'll turn the call over to questions. Also on the line this morning as usual are Local Media Group President, Paul Karpowicz; and National Media Group President, Tom Harty. An archive of our discussion will be available later today on our investor website and a transcript will follow. Our remarks today 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 was issued earlier this morning 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've had the opportunity to see our news release issued earlier today that details our fiscal 2016 results. I'm pleased to report very strong performance. In fiscal 2016 we generated record revenues of $1.65 billion and that's a 3% increase over our fiscal 2015 results. Fiscal 2016 GAAP earnings per share were $0.75, which includes special items that Joe Ceryanec, our CFO, will discuss in just a few moments. Excluding these special items, we delivered earnings per share of $3.30 matching fiscal 2015 results even though we recorded $31 million or $0.42 per share less of incremental high margin political advertising revenue in fiscal 2015. The properties we've added to our portfolio over the last two years; including the Shape and Martha Stewart brands and television station in Phoenix, St. Louis, and Mobile; are fully integrated and delivering their expected results.

As I look back on fiscal 2016, several key accomplishments stand out. First of all, we expanded our audience across media platforms and increased our reach to millennial women. Readership across our magazine portfolio grew to a record 127 million according to the Spring 2016 Mediamark Research & Intelligence Report. In addition, traffic to our digital sites increased to more than 80 million monthly unique visitors. Our reach to US millennial women grew nearly 10 percentage points to 72% of American female millennials. Meredith's multi-channel reach to American women hit an all-time high of 102 million. Additionally, our database has now grown to 125 million American consumers. In our television portfolio, nine of our stations was ranked Number 1 or Number 2 in late news and eight were ranked Number 1 or Number 2 in morning news according to the May 2016 rating book compiled by Nielsen.

These audience metrics are closely followed by our advertising clients who use them to inform advertising rates and of course their return on advertising investment across our media brands. Secondarily, we generated advertising growth across all Meredith's major business activities. National Media Group magazine advertising revenues grew in the mid-single digit range and digital advertising was up in the mid-teens. In our Local Media Group, non-political advertising revenues increased in the mid-single digit range and digital advertising was up in the mid-teens. Third, we grew our businesses that are not dependent on traditional advertising. Our brand licensing activities delivered record performance in fiscal 2016 and we're now ranked Number 2 in the world behind licensing giant Disney according to License!Global magazine.

In addition, our Local Media Group delivered growth in retransmission consent fees and contribution by renewing agreements with pay television providers. And finally, we continue to execute against our total shareholder return strategy. We grew our dividend for the 23rd straight year increasing it in February by 8% to $1.98 per share on an annualized basis. As a reminder, we paid an annual dividend for 69 straight years and it's currently yielding about 3.5%. In addition due to our continued strong cash flow, we strengthened our balance sheet by paying down $100 million in debt. As we look ahead to fiscal [2017], we expect to generate record earnings per share ranging from $3.50 to $3.80 per share driven by a robust political advertising cycle, higher retransmission revenues, and strong digital advertising revenue growth across the Company.

In our Local Media Group, our strategic priorities include continuing to strengthen our local programing and monetizing these audience gains through increased advertising revenue. Secondarily, maximizing our opportunity for political advertising. We generated a record $44 million of political advertising in our fiscal 2015. While still early in the campaign cycle, we anticipate delivering $40 million to $50 million in fiscal 2017. Third, we're monetizing our fast growing Local Media digital platforms and doing this by adding more video and focusing on monetizing our mobile traffic, which grew nearly 40% in fiscal 2016. We've tripled the ad revenue in our Local Media Group over the last few years and believe we have continued room for growth in the future. And finally, in fiscal 2017 we'll be renegotiating retransmission agreements with cable, satellite, and telecom providers.

About 40% of our subscribers are up for renewal in fiscal [2016] and since most of our major network affiliation agreement renewals come up the next year in fiscal 2018, we expect to continue to have higher retransmission contribution and margins during this period.

Now, turning to our Local Media Group. In this part of our business, our strategic priorities include ensuring that our content remains relevant and we grow our reach with the all important millennial generation. We're now reaching nearly 75% of US millennial women. The good news for Meredith is that these women are getting married, starting to have families, and buying their first home; the areas of content creation that are right in our wheelhouse. Second, growing total advertising revenues and of course increasing our share of market. In print, our share in our competitive magazine set is now at an all-time high of 41%.

Our digital strategy focuses on delivering premium branded content, accumulating rich and differentiated first party data, and using ad technology to put the right message in front of the right consumer at the right time. Third, we're focused on generating more profit from the individual consumer. Our major magazine circulation opportunity comes from our efforts to transition our 30 million monthly subscribers do a digital auto renewal business model, which is nearly twice as profitable as traditional direct mail based subscription sales. Today, about 15% of our subscription orders are automatic renewal so the potential benefit in the future is significant. And finally, we're focused on continuing to grow non-advertising sources of revenue including brand licensing.

This business of course is anchored by our major relationship with Walmart where we have more than 3,000 Better Homes and Gardens branded SKUs available at all 4,000 Walmart stores nationwide and of course at Walmart.com. We're expanding this program outside the United States launching in both Mexico and in China. Additionally, we have a Better Homes and Gardens branded real estate program with Realogy that continues to expand. It now includes more than 250 real estate offices across the United States and more than 10,000 individual agents. Finally, we continue to launch new programs including the Allrecipes Cookware Collection, an EatingWell frozen food line, and a line of women's fitness apparel that will be carrying our Shape brand.

Now I'll turn the discussion over to Chief Financial Officer, Joe Ceryanec, for more details on our fiscal 2016 performance and our 2017 forward-looking outlook.

Joe Ceryanec - *Meredith Corporation - CFO*

Thanks, Steve, and good morning, everybody. I'll begin with some additional color on the special items that we took in the fourth quarter of our fiscal 2016. The majority of the charge is an impairment of goodwill and intangible assets related to acquisitions that we made primarily in the 2002 to 2008 timeframe before the recession began. Approximately 70% of the charge is goodwill related to our Meredith Xcelerated Marketing business and it is tied to businesses that we acquired in the 2006 to 2008 timeframe. The remainder is primarily related to the American Baby trademark, which we acquired in 2002 and which we phased out this spring following its combination with Fit Pregnancy and created a new brand called Fit Pregnancy and Baby.

As stated in our press release earlier this morning, these special items are non-cash charge to earnings. They do not affect our liquidity, our cash flows from operating activities, or our debt covenants; and will not have an impact on our future operations. So, now let's look at our operating group performance starting with our Local Media Group. We're pleased to report fiscal 2016 revenue growth of 3% in the Local Media Group. And as you recall, our year-ago performance included a record $44 million of political advertising and it's not often that we're able to generate year-over-year revenue growth in a non-political year. We delivered growth in both retransmission and non-political related revenues and also able to deliver $13 million of political advertising, which is a record high for a non-political year led by our stations in Las Vegas. St Louis, and Hartford.

Fiscal 2016 operating profit was $158 million compared to $163 million last year. Excluding special items in both years, operating profit was $159 million compared to $169 million in fiscal 2015. Non-political ad revenues grew 5% to $374 million. Performance was led by the full year of operations of WALA in Mobile-Pensacola and WGGB in Springfield, Mass along with strong results from our existing stations in Atlanta, St Louis, and Kansas City. From a category standpoint; automotive, furnishings, and gaming were particularly strong. Digital ad revenues at our stations were up nearly 15% driven by a series of growth strategies that we started during the year to strengthen ad rates across the Group's digital business.

Other revenues and expenses both increased during the fiscal year due primarily to the growth in retransmission related revenues that we get from the MVPDs and higher programing fees paid to the networks. Now, turning to our National Media Group. Fiscal 2016 revenues increased 4% to $1.1 billion. Our GAAP results reflect a loss due to the impairment charges. Excluding these special items, operating profit grew 10%. Performance was driven by three primary business activities; advertising, circulation, and brand licensing. Total advertising grew 6%, print advertising up 3% and digital advertising up more than 15%. Results were boosted by the full year of operations of the Shape and Martha Stewart brands, strong performance by Allrecipes and EatingWell brands, and contributions from native and engagement based ad platform selectable media. From a category standpoint; prescription drugs, household supplies, and food were particularly strong.

Circulation revenues increased 5%. Again growth was led by Martha Stewart and Shape as well as strong performance by EatingWell and Allrecipes, both which benefited from recent rate based increases. Brand licensing revenues continued to grow led by continued strong sales of our more than 3,000 SKUs of Better Homes and Gardens licensed products at more than 4,000 Walmart stores nationwide and at walmart.com. Now as we look at the Company-wide financial highlights, cash flow from operations grew 18% to $227 million. Since June 30, 2015 we reduced our debt balance by $100 million and our debt to EBITDA ratio as defined in our credit agreements was 2.3 to 1 for the trailing 12 months, down from our peak of 2.9 times at December 31, 2014. Importantly, we continue to successfully execute our total shareholder return strategy.

We increased our dividend 8.2% in February, which was our 23rd straight year of increases and we're excited about the prospect of becoming a dividend aristocrat, which is a company that has achieved 25 straight years of dividend increases. Now, let's turn to our outlook. As Steve said earlier, we expect full-year fiscal 2017 earnings per share to range from $3.50 to $3.80. This includes an expected range of $40 million to $50 million of political advertising at our TV stations with roughly two-thirds being booked in our second fiscal quarter. Looking more closely at the first quarter of 2017 compared with the prior year; we expect total Company revenues to be up mid-single digits, total Local Media Group revenues to be up approximately 20% with about a third of the political ad revenues in the first quarter, and total National Media Group revenues to be down in the low-single digits.

And as a result, we expect fiscal 2017 first quarter earnings per share to range from $0.70 to $0.75 compared to $0.24 or $0.52 before special items recorded in the prior year first quarter. With that, I'll turn it back to Steve to close and then open it up for questions.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Thank you very much, Joe. Let me close with our compelling investment thesis. The diverse business portfolio that Meredith owns and operates consistently produces very strong free cash flow. That cash flow is driven by a great group of television stations in large and fast growing markets, trusted national brands with an unrivaled reach to American women particularly adult millennials, a profitable and growing digital business activity, a large and vibrant brand licensing business based on our very strong national media brands, and a strong and proven management team with a very successful record of generating strong free cash flow and growing shareholder value over time.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) John Janedis, Jefferies.

Jaime Morris - *Jefferies & Company - Analyst*

It's actually [Jamie] on for John. It's always hard for us to calculate a true core growth given the ins and outs with political. From what you see, are advertisers buying differently throughout the year making the political ad dollars or the CPM increases into the political season less incremental than you've seen historically?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So, I think that depends on the market and I'll ask Paul to add on. When you're in a market that is really really hot like Las Vegas where we have really strong non-political and the political added to the mix, you see a bit of displacement in non-political because it's important remember that this is the only part of our business where we have a limited inventory of advertising for sale and of course the opportunity to really price up. In other parts of the country where maybe the advertising isn't robust, it's not quite as incremental, but obviously it continues to be very high margin and cash in advance so we love that business as well. I don't believe we have seen dramatic changes in the way the advertisers place their business. Generally in a political year, the earlier deal you cut is the best deal if you're the advertiser and in a non-political cycle with less demand, the later you place your buy the better the deal you get. What would you add to that, Paul, from just the feel of non-political in a on and off political cycle?

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

You actually hit the nail on the head. I think in a political cycle a lot of the advertisers will try and place early with the hope that their rates will hold and that their buy will hold. Overall in a non-political cycle and in a market where there's not a lot of political activity, the trend has been that buying is taking place later and later in the quarter. So, we can actually get into a quarter and not really have a pretty good handle on it and then as the quarter develops, you're seeing a lot of activity. Generally though, as Steve said, if you've got a heavy political market like Vegas, traditional advertisers have been advised that you better get in early because if you don't, you're not going to get in at all.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Does that help, Jaime?

Jaime Morris - *Jefferies & Company - Analyst*

Yes, that's very helpful. I have just one quick follow-up on sticking with political. It looks like based on your outlook the political dollars for 2017 look similar to fiscal 2015, I think you have a couple more stations today than two years ago. Can you provide us with the pro forma political number for either fiscal 2015 or maybe fiscal 2013 as well?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I think our station portfolio is consistent. I think those were in the mix at the time of the last cycle. Is that right. Joe?

Joe Ceryanec - *Meredith Corporation - CFO*

We had Springfield which we got, I think we closed that in September so we would have caught the tail end of the political cycle. We wouldn't have had Mobile, I think we closed Mobile in December of 2015. So Jaime, I'd say a little bit of Springfield additional and Mobile, which again are not real big markets and I think Paul can comment. Our range that we've been consistent on, we've had investor decks out there for six months or so saying $40 million to $50 million and that's still our best estimate. And I'll ask Paul to pile on, but we have seen as you saw in our first calendar quarter and second calendar quarter that we just reported pretty strong political advertising early in the cycle. So, it does give us some optimism. But Paul, why don't you maybe put a little more color on what you're seeing on political.

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

What we have seen to date is obviously just a ton of activity in a [bell ground] state like Nevada. However, beyond that, we're seeing activity in places like Missouri and now Arizona, which gives us more optimism that we will be at the higher end of the range that we have given. So if the range currently is $40 million to $50 million, again we're cautiously optimistic that we'll be trending towards the higher end of that range.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Did that help, Jaime?

Jaime Morris - *Jefferies & Company - Analyst*

Yes, very helpful. Thanks.

Operator

Marci Ryvicker, Wells Fargo.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

I'm trying to figure out the fiscal Q1 revenue guidance for Local plus 20%. If we're looking at politicals about $50 million, are you seeing or should we expect a big step-up in retrans or will core actually be positive?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Hold on just a second, Marci, Joe is looking at the numbers here.

Joe Ceryanec - *Meredith Corporation - CFO*

So Marci, I would agree with your political. Yes, we do expect to see a pretty big step-up in retrans. I'm trying to get my hand on the number. I would say and this is I think Jaime's question earlier on non-political ad buying. Again it's a little hard to tell, but we would say on an organic non-political, we'd expect to be actually down maybe low single-digits. Again that's based on our pacings where we're at right now. So retrans probably up $10 million or so, you got political and I would have non-political down a little bit.

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

And Joe, I think in the first quarter, the other element for us would be our lack of strong NBC presence with the Olympics with just the one NBC station.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Good point, Paul. Does that help, Marci?

Marci Ryvicker - *Wells Fargo Securities - Analyst*

Yes. There's been no announcement on DISH so I assume you're still negotiating with them for a retrans contract?

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

No, we're completed, we're done. We are successfully --.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

It was a couple of weeks ago, right Paul?

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

Yes. And we never actually left the air. We came very, very close. We ended up with a one hour extension and we successfully completed the deal and I think both parties are very satisfied.

Marci Ryvicker - *Wells Fargo Securities - Analyst*

And then my last question. You talked about auto for fiscal 2016. We're reading reports today that auto is not looking as robust as it was in your fiscal 2016. Any comment on auto pacing?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Early 2017 auto, Joe?

Joe Ceryanec - *Meredith Corporation - CFO*

We were up pretty strong, Marci, as I said in Q4 on auto. As we move into the second half of the fiscal, right now auto's pacing down mid-single digits.

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

The one auto issue that is out there and right now it's with one manufacturer where we've seen Ford in some of our markets moving some money over into a digital play of a broadcast. And again right now we're seeing it in just a few markets and right now it's just kind of a month by month deal. So, that's one of the factors that is impacting that auto number.

Operator

Dan Kurnos, The Benchmark Company.

Dan Kurnos - *The Benchmark Company - Analyst*

Let's look to your favorite side of the ledger here, just go over to National for a second. I know you had obviously a tough comp, you still grew this quarter. Outlook is kind of in line if not a little bit better from a revenue perspective than we were expecting in Q1. Can you just go over maybe some of the puts and takes on sort of how you see revenue pacing over the balance of the year, maybe remind us of timing of events and how rapidly digital could grow, could we see it could be a third of revenue in fiscal 2017.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I'm just kind of going to give you highlights, Joe will give you little more detail, and then we'll ask Tom for some color. We expect the digital part of the business to continue to be very robust. We've been talking about digital growth put together with print netting out to where it would be on a same-store basis up rather than down. I think we're right in that zip code and we'll have to see as the year plays forward. I think there will continue to be a lot of volatility quarter by quarter, we saw that in fiscal 2016 both in print and digital, but at the end of the day pretty darn good results overall. So on the ad side, I think we're feeling pretty good about that and the digital is really expected to be about a third of total ad revenue in that 30% range in 2017. Joe?

Joe Ceryanec - *Meredith Corporation - CFO*

Dan, I'll put a little finer point and then I'll ask Tom to put some color. Because when you look at Q4 so the quarter we're reporting, we actually had print same-store sales. Because our fourth quarter all the acquisitions now are baked in, print was actually up kind of 3% to 4% for Q4 and digital was actually flattish, which as you know is different than the trend we've been seeing. Now as we look into Q1 and we're not done, but digital is back up kind of in that low double-digit area, which is kind of our long-term thesis. All of you on the phone have heard us say that our longer-term view is print ad revenue down kind of 5%, we're actually seeing a little better than that recently, and digital up 10%ish or low double-digits.

And ironically as we've looked at the digital in the fourth quarter, we've got a little bit of a unique situation which we saw in our print ad revenue in Q1 and it really came down to some of our large CPG and food advertisers out with the agencies signing new deals which case a little bit of blip in spending in Q4. But I'll let Tom pile on because it was the phenomenon we saw in print in Q1. But the good news is digital's back double digits in Q1 and actually print in Q1, our expectation's on a same-store sales because we will not have more in Q1, would be down about 3%, 3.5%.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

So Tom, go ahead. Give some advertising color.

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

Just on Joe's point, I think there was a lot of static kind of in the marketplace in the last 12 months. There was about $30 billion of advertising dollars that were up for review; in other words, changing agencies. And what we saw in the beginning of the calendar year of this year or the second half of our fiscal year that a lot of these agencies, they switched and they were getting organized and there was a lot less money spent in the marketplace because of that. And that disruption now is kind of ending and a lot of these companies now are staffed up and are starting to execute buys and we're seeing the digital reverse as Joe mentioned into the first quarter of our fiscal year. We're also seeing great gains in some of what we've made huge investments in in our data related to digital and we're really making some great gains in our shopper marketing, which has been a strategy of ours for the last two years. So, we're starting to see that really kind of come to fruition.

Dan Kurnos - *The Benchmark Company - Analyst*

And then just maybe pressing little bit deeper on the digital side here and anyone I guess could answer this, maybe Tom. Can you quantify the percent of advertising that's now coming from video and can you also give us maybe a little bit more color? Could you do this on the local side, can you give us a little more color on the CPM trends?

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

I'm trying to see if I have the video number at my hand. Video is obviously growing. The biggest issue that we've had in the video area, I don't know if anyone here has the exact number, but we've had an inventory issue and we made huge investments in the last 12 months in our video production. We've got a group of about 30 individuals that are producing about 500 new pieces of digital video content on a monthly basis. So, what we're finding is that there's a lot of more money in the marketplace that we've been sold out from a video standpoint and we just need to add to our inventory in that area so it's growing. On the CPM trends overall, the marketplace and we're experiencing it too, there's a much bigger push to the programmatic buying in digital and those CPMs are a little bit lower than we've seen from the direct side. But this is a trend where the marketplace is moving to these programmatic automatic buyings happening in the marketplace and we're seeing that. We've seen our programmatic revenue grow at about 50% in the last 12 months as a percentage of our revenue.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Video's about 15% of the digital ad revenue in total.

Dan Kurnos - *The Benchmark Company - Analyst*

And then, Steve, let me ask you just one high level question. You have one of the cleanest balance sheets, you've been delevering. I know you get asked this question every call so I guess I might as well ask it again. When the spectrum auction ends, there are going to be a lot of guys left kind of either with shares they didn't want or vice versa and certainly I know that you have been interested in enhancing probably the food or some of your other national categories. So, is it fair to assume that you're keeping some powder dry here for what could be a better asset acquire environment in 2017 and then on which side of the ledger would you like to participate?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I think we're all frustrated about this lull in transaction activity on the local side, on the television side until we get through the auction and my sense is that kind of the timing of that continues to push out a bit. But absolutely our objective has been to have as much dry powder as possible and we've obviously worked to lower that leverage. It's also important to remember that our incremental borrowing rate is very very low. Joe, about what?

Joe Ceryanec - *Meredith Corporation - CFO*

About 2.7%.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

2.7%. So, you will see as very very aggressive when the opportunity presents itself. We're doing a lot of spadework right now to be ready to move ahead. And I think we're really emboldened in that initiative by the really strong success that we have had with the properties that we've invested in over the last couple of years. Really the ability for our local team to integrate those very very successfully, the ability for them to deliver on the promise that we made to ourselves and to our shareholders in terms of the financial plan. And of course as you started the conversation, our very very clean balance sheet where every time Joe goes to the market for money, we're significantly over subscribed. So, that will be a big part of what we will be pushing forward on as we get that opportunity going forward.

Operator

Kyle Evans, Stephens Incorporated.

Kyle Evans - *Stephens Inc. - Analyst*

Could you give an update on your Phoenix stations that caused a slight tick up not that long ago, I just wondered how they're doing now?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Paul, why don't you go ahead and give us a little bit of color on what's going on in the Phoenix marketplace?

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

The Phoenix marketplace is a very difficult environment right now and it's primarily because a year ago at this time the market was experiencing really some tremendous growth in terms of some major insurance companies and some major accounts that were in there. Our situation we benefit by having two television stations in Phoenix. We have one, that KTVK independent that is performing very very well and is actually beating the market; and then on the other hand, we have KPHO, the CBS affiliate which is underperforming the market a little bit. So, we have a little bit of a balance there. But the Phoenix market overall has not been a healthy market for the past few quarters and our expectation is it's starting to get better on non-political. We also are starting to see some significant political coming into that market, which will I think help drive demand and help drive the cost per thousands there. So again we're looking for improvement in the Phoenix market, but it has been tough and it actually impacted our fourth quarter results, a little bit because without Phoenix, our performance as a group would have been much better.

Kyle Evans - *Stephens Inc. - Analyst*

I believe you guys gave a pacing non-political core ad for the LMG. Did you give one for the fourth quarter?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Actual non-political in Q4. Joe has that in a minute. Just got to get to the right page here.

Joe Ceryanec - *Meredith Corporation - CFO*

Down about 4%.

Kyle Evans - *Stephens Inc. - Analyst*

Okay. And while you're on that page, you guys are talking more about LMG digital growth. Could you please size that for us?

Joe Ceryanec - *Meredith Corporation - CFO*

We will in a second.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

All the books are flipping here, just give us a second, you can hear the pages.

Joe Ceryanec - *Meredith Corporation - CFO*

Kyle, jump to your next question and I'll come back for that one.

Kyle Evans - *Stephens Inc. - Analyst*

Okay. But that's probably a completely different part of the book, I'm back over to --.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I know the core digital was up 10%. You're trying to get a sense of how big that is in relation to total advertising, is that? We'll get that for you in a second, but it was up about 10%.

Kyle Evans - *Stephens Inc. - Analyst*

Circulation looked good year-over-year. Could you help me think a little bit more clearly about the volume and pricing dynamics in there on a same magazine basis if you can?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

There was some increase in volume because we took the rate base up on a couple magazines and there's really no closure of more impact in the current year. We also had surprisingly I guess good results in our newsstand only business and those all came through from the holiday season, but they finalized really in the second half of the year as everything gets taken out of retail and the returns all got calculated. So, those were what I would say abnormalities that made the circulation revenue performance be higher than what you guys had been guessing and higher than what we had been guessing when we were putting our numbers together. So, some of those issues will reverse as we get into the new year and it just takes a while to figure that out because there is month-to-month and quarter-to-quarter volatility in the retail part of the business although I know you're aware that that's a lesser factor than for some of our other activities.

And then as we close out the calendar year, we always take a hard look at all the different rate bases to figure out if there's an opportunity to raise them or if there's some that in fact should be lowered. And then kind of the final point that I would say is that this auto renewal activity continues to grow and so we're continuing to do investment spending around that, and we don't know the exact amount of this, but we'll let you know because we put the pedal down as hard as we can in that space, which really has a short-term negative financial implication. But we have a really strong belief that the more and more of these subscriptions we get to auto renewal, where in fact we kind of don't ask the consumer if they want to continue to receive one of the products, that it has major financial benefit for us down the road. So, we will be spending as aggressively as we can around that model as we go forward.

Joe Ceryanec - *Meredith Corporation - CFO*

Kyle, I'll circle back to the Local Media digital. So for the fourth quarter of 2016 as a percent of non-political ad revenue was a little over 6% and as we look at the year-ago so the fourth quarter of 2015, it was a little over 5%. So, it is growing similar to digital on the NMG side and so for the year for fiscal 2016 it was a little over $20 million of the non-political local media.

Operator

Jason Bazinet, Citi.

Jason Bazinet - *Citigroup - Analyst*

I guess back in I think it was 2014 or 2015 you guys were issuing sort of floating rate notes. And I was just wondering given how low the rate environment is, do you think it's likely that you'll flip that into fixed rate? That's my first question.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Joe can take that one.

Joe Ceryanec - *Meredith Corporation - CFO*

We actually already did, Jason. We bought interest head contracts for some of that variable rate private placement. So, you'll see I think we disclosed in the earnings release that about 60% of our debt is fixed and that is because of the rate locks on some of that variable rate stuff.

Jason Bazinet - *Citigroup - Analyst*

My second question maybe a little bit complicated. But on the balance sheet you have the unearned subscription revenues, which I guess is revenues you've received for magazines that you haven't shipped to consumers.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

We love that line item, that cash in advance of delivery.

Jason Bazinet - *Citigroup - Analyst*

When I look at the mix between the current liability versus the longer-term liability, 10 years ago or so they were almost at parity and now there's a lot more current, which implies I think that you could look at that one away and say the subscription length if you will of an average Meredith magazine customer is shortening. But then I wonder if this is really just another way of saying you're making progress on auto renewal and that just by definition means you're sort of on a 12-month contract until that auto renews and therefore it gets captured as a current liability so it's really a good thing. I guess that's my question.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

It's really both so you're right and I don't have the exact split, but we could figure it out. But the bottom line is what we've been doing is working really hard to get more money from the consumer as we have found ways to make that happen. So, we have been raising prices and shortening the term, but more importantly working really hard on that auto renewal which today especially those tied to credit card is a one-year transaction. So, actually it's both.

Operator

Barry Lucas, Gabelli & Company.

Barry Lucas - *Gabelli & Company - Analyst*

So, two areas. One, political's gotten a lot of focus and I hate to beat this dead horse, but --.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

No, that horse is very alive so it's fine.

Barry Lucas - *Gabelli & Company - Analyst*

So speaking of two particular horses, what have you seen in the way of interest and/or placements by the two nominees at the top of the ticket?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Paul, do you want to handle that?

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

We've actually seen money from the Clinton campaign. We've seen expressed interest from the Trump campaign, but we've yet to see any dollars from that side. I would point out though that as we talk about politicals and we went back and did a review on this, all of the political that we generate and just based on where our stations are in the battle ground states and so forth; of our total, we only do about 15% of our total political revenue comes from the Presidential race. So, most of our political money comes from down ballot races and issue money. So while Trump has really not been there for us yet, it's really not the end of the world. So, our expectation is that eventually he will have to come in whether it's through the RNC or through [PACs] or whatever, but again in the Meredith portfolio the presidential only represents that 15%.

Barry Lucas - *Gabelli & Company - Analyst*

One more on this particular subject and since you were talking up Arizona, if that is a sense that the McCain race is now competitive and that's where you're seeing the incremental dollars?

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

Correct. Historically John McCain has had a lock on Arizona in his Senate race, but I think in this kind of unusual political environment that we're in now, he has stepped up and has started spending money very early in the process, which we're not used to, but we certainly appreciate. And I think we're going to see that across the country where candidates that have in the past not had to have been so aggressive given the environment, probably feel that they need to get out there and make sure that they get their share of voice. And there are a lot of those down ballot races that can't count on I think the top of the ticket bringing out voters. So, guys like McCain are going to be spending money to make sure that they get out their voters.

Barry Lucas - *Gabelli & Company - Analyst*

Just switching gears, Steve. If we look at the other category on National Media, a good piece of which is brand licensing, but the segment was down in the quarter and down in the year and I was hoping you could address that issue and then maybe even broaden your commentary on brand licensing in particular?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

You're right, brand licensing and the agency MXM are in that line item along with some other things and the brand licensing, as we said on the call, continues to perform very well. And I'll ask Tom to talk about the go forward, but there's always a churn in an agency business as you know and we would traditionally count on revenue churn of maybe 6% to 8% and we have many long years of history that would say that is sort of the norm. At the end of the prior year actually we lost two major accounts more or less at the same time, which is unusual and they were different circumstances that are really not relevant as part of this call, but the churn was about twice what we would normally anticipate and although we had a pretty decent year of new business generation, it just wasn't enough to in fact make up the difference. But Tom, why don't you talk about the move that you have made to get this topline going back in the right direction and maybe if you wanted to highlight a couple early wins that would be fine as well.

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

Just to pile on so in the other category. So licensing just to confirm wasn't down, it was MXM that was down in the segment, the agency business as Steve said. Licensing had a very good year with some new launches, there's some new categories of merchandise related to our Shape and Allrecipes and great growth from our Walmart licensing program. Walmart product sales actually in the last 12 months for Better Homes and Gardens on a comparable basis was up 13% from Walmart. As Steve said, we're addressing the MXM issues we had at the end of fiscal 2015 to kind of account losses of major accounts for a variety of reasons mostly dealing with personnel changes at the client side and that was just too much for us to make up in fiscal 2016. In the second half of the year, we actually made a leadership change and we have a new leader running MXM in Georgine Anton and we're seeing great progress and feel confident about our growth going into fiscal 2017 to get that growth back on track. But it was a year that we were up against those declines in those two accounts.

Also on the licensing side, we're pleased to let everyone know that we actually just renewed and extended our Walmart contract for another three years. So, our Walmart deal will extend through fiscal 2019 and we just got that completed this month.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Did that help, Barry?

Barry Lucas - *Gabelli & Company - Analyst*

Yes, it does, Steve, staying with brand licensing. So you've got BHG products in Walmart, you've got the food products connected to Allrecipes, and I guess it's athletic wear out of Shape. There's a hole that strikes me and I'm just wondering in terms of how you look at it. You've talked about HomeHearts and Children. Is there an area in that Children what has replaced American Baby to fill additional branded product or is that deal just too competitive?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

No. We know for a fact and I'll ask Tom to give a little color around the magazine product that we sell at retail. We know that this is an audience and our parenthood business is about a third of the National Media Group activity. This is an audience really starved for service journalism in a very multi-platform way and we know that if we could break the code that especially our parents brand would serve very very well at retail. The trick in that particular category, a little different than what we did in Home at Walmart, is that we at Walmart when we put Better Homes in were replacing a series of Walmart's store brands if you will, their private label. And when you go into a major retailer where you would buy those children or baby products, it's really a matter of replacing another national brand.

And we've been to that altar a few times and I'll ask Tom to comment on that and we've not given up on that. But I also want to make sure everybody remembers and I love to chuckle about this that I sat in meeting after meeting for almost 10 full years to get our Better Homes product started at Walmart. So, it takes a while and the merchants change a lot. So we know it is a hole, we know or believe it would work really well. We've got to have an opportunity and get it started and we'll stay after it because we don't give up on these things. But Tom, you've been involved in it, what else would you add to that?

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

So, Steve's right because it's frustrating for us. We've been very close on a couple retailers and then had some personnel changes at our retail client were a CMO left the company. But what we do with this cycle is we usually have to do a lot of consumer research to actually prove to the retailing partners that there's power in the brand and we can actually lift sale. So in the parent space, we actually have some great research that shows that we can do that and it's just getting the right partner, but it's a long lead time to kind of sell these things in. One other area that we did announce earlier this year was we did announce a licensing agreement for EatingWell with Bellisio Foods. Bellisio Foods is I think the largest or one of the largest private label food companies in the country and we signed a deal with them last fiscal year and the EatingWell line of healthy frozen foods are in production right now and actually going to start hitting store shelves in September. So, we're very very excited about getting that going.

Operator

Tracy Young, Evercore ISI.

Tracy Young - *Evercore ISI - Analyst*

And following up again on the core guidance and the implications for political. When you gave the down mid-single digits for guidance for core, does that assume that political is 100% incremental?

Steve Lacy - *Meredith Corporation - Chairman & CEO*

I would never say that political is 100% incremental. But depending on the marketplace, it certainly can be as much as 30% to 50% incremental rather just depending on how loss or how tight the marketplace is. That's kind of a tricky question because we have to do it market by market.

Tracy Young - *Evercore ISI - Analyst*

And then in terms of your retail category, could you talk a little bit about how that performed across the different properties? Thank you.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

Retail advertising, are you talking about?

Tracy Young - *Evercore ISI - Analyst*

Retail advertising, I'm sorry.

Joe Ceryanec - *Meredith Corporation - CFO*

Tracy, I'm looking at we chart out the top five best performing categories and the five worst performing categories in both businesses Local and National and I'm not seeing --.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

It's up about 3% on a year-to-date basis and it varies. Hold on a minute. On the NMG side it's flat and I just gave you the Local side.

Joe Ceryanec - *Meredith Corporation - CFO*

That's why it's not on my worst five or top five.

Steve Lacy - *Meredith Corporation - Chairman & CEO*

We appreciate everyone joining us on the call today and certainly appreciate the Q&A and we're available the balance of the day for any follow-on discussions anyone might have. We're excited about starting fiscal 2017 and are aggressively working to deliver those record results that we highlighted in the release and on the call. Thank you very much.

Operator

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation and for using AT&T Executive Teleconference Service. You may now disconnect.
