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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Meredith Corporation fiscal second-quarter earnings results conference call.

(Operator Instructions)

As a reminder, today's conference is being recorded. I would now like to turn the call over to our host, Mr. Mike Lovell. Please go ahead.

Mike Lovell - *Meredith Corporation - Director of IR*

Hi. Good morning, and thanks, everyone, for joining us. On our call today we will begin with comments from Chairman and Chief Executive Officer Steve Lacy; President and Chief Operating Officer Tom Harty; and Chief Financial Officer Joe Ceryanec. Then we'll turn the call over to questions. Also on the line today to assist in the Q&A is Local Media Group President Paul Karpowicz and National Media Group President Jon Werther.

An archive of the call will be available later today on our investor website, and a transcript will follow that. Our remarks this morning will include forward-looking statements, and actual results may differ from forecasts. Some of the reasons why are described at the end of our news release that was issued earlier this morning, and in some of our SEC filings. With that, Steve will begin.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you very much, Mike, and good morning, everyone. I hope you had the opportunity to see our news release issued last night announcing affiliation renewals for four of our CBS stations, and our earnings release issued earlier this morning.

I am pleased to report record results for both the second quarter and the first half of our FY17. Earnings per share increased to $1.58 in the quarter compared to the prior-year period. Excluding special items in both periods, we increased earnings per share 63% to $1.30, compared to $0.80 in the prior-year period.

Total Company revenues grew by 9%, and total advertising revenues were up 11%, both representing all-time quarterly highs. 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 $40 million in the quarter, and $56 million in our first half.

Total Company digital advertising revenues grew 16% to a fiscal second-quarter record. National media group operating profit grew, and profit margin expanded, driven by strong growth in digital advertising revenue. Digital ad revenues grew 16%, and represented nearly 40% of total National Media Group advertising. Total ad revenues were off 2%, but were even on a comparable basis.

Consumer engagement in key target demographics expanded across Meredith's media platforms. Traffic to our digital and mobile sites averaged nearly 90 million monthly unique visitors. Magazine readership remains rock solid at 125 million, and Meredith's television stations delivered a strong November ratings book.

Finally, we renewed CBS affiliations in four of our markets, including Atlanta and Phoenix, our two largest, along with Kansas City and Flint, Michigan. When you combine these affiliation renewals with those we completed last April in St. Louis, Hartford, and Springfield, we have now secured all seven of our CBS affiliations into the year 2020. I am very pleased with the terms and conditions of these new agreements with CBS.

Now turning to the first six months of our fiscal year, earnings per share were a record $2.33. Excluding special items, EPS was also a record $2.05, up more than 50% from the first half of FY16. Total Company revenues grew 7% to a record $843 million, and total advertising revenues grew 7% to $493 million.

As we enter a new calendar year, I think it's appropriate to step back and review what we have accomplished here at Meredith in calendar 2016. From a financial perspective, we delivered 6% growth in total advertising, as ad revenues grew in both our local and our national media groups.

In our Local Media Group, 12% advertising growth was driven by a very strong political cycle. Between the primaries and the general elections, we generated a record $67 million of political advertising. We also increased net re-transmission profit contribution.

In our National Media Group, we delivered growth in ad revenues, as low double-digit growth in digital advertising more than offset low single-digit declines in print. We are very pleased to have reached this inflection point in advertising performance, with digital growth surpassing print declines.

Second, we made enhancements to many of our media brands. In our Local Media Group, we increased total news and local entertaining programming to 700 hours weekly, as we launched new newscasts in multiple markets, including Atlanta, Phoenix, and Portland.

In our National Media Group, we refreshed several of our brands, including Better Homes and Gardens, EatingWell, and Family Circle, increasing their appeal to millennial women. We launched The Magnolia Journal, a new quarterly lifestyle magazine from popular television personalities Joanna and Chip Gaines. For our Allrecipes brand, we expanded its social media functionality, increased the rate base of the Allrecipes magazine to 1.35 million, and launched an Allrecipes-branded national television show airing on the CW network to over 100 million US television households.

Our ongoing work to improve the reach, relevance, and vibrancy of our media assets continues to strengthen our audience connection. For example, our reach increased to nearly 75% of American female millennials. Our total multi-channel reach among un-duplicated American women now stands at an all-time high of 102 million. Our ratings performance in our Local Media Group was strong throughout the year, with nine of our stations consistently ranking as number one or number two in late news, and seven stations ranking number one or number two in the morning.

Third, as I mentioned earlier, we continued to drive rapid growth across our digital, mobile, video, and social platforms. Finally, we diversified our revenue and profit base by growing non-advertising-related revenues. Our Local Media Group delivered significant growth in re-transmission revenues by renegotiating rates with MVPDs for a large portion of our subscriber households.

In our National Media Group, we renewed our industry-leading licensing agreement with Walmart, grew our Better Homes and Gardens real estate program with Realogy, and launched new licensing programs for EatingWell, SHAPE, and Allrecipes. We're now ranked as the second-largest licensor in the world, behind Disney, according to License Global magazine. With those thoughts, I will turn the program over to President and [CEO] Tom Harty for more of our FY17 second-quarter performance.

Tom Harty - *Meredith Corporation - President and COO*

Thanks, Steve, and good morning, everyone. Let's begin our discussion with the strong performance in our Local Media Group. FY17 second-quarter operating profit grew 90% to $77 million. EBITDA grew 71% to $86 million, and EBITDA margin was a robust 47%. Revenues increased 31% to $183 million.

Total advertising revenues grew 27%, driven by record demand for political advertising. Unlike most other broadcasters, we exceeded expectations by delivering $40 million of political advertising revenue in the quarter, and $56 million in the first half of FY17. Demand was particularly robust in Las Vegas, St. Louis, Phoenix, and Kansas City markets, due primarily to very competitive down-ballot races.

Due to the strong demand for political advertising, we experienced some crowding out of non-political ad dollars, particularly in the four heavy political markets. Excluding these markets, non-political advertising revenues were down in the low-single digits.

Digital advertising revenues were up 18% compared to the prior period, as our innovative growth strategies continue to drive higher digital sales across our station group. Other revenues and operating expenses increased compared to the prior-year results, due primarily to growth in re-transmission revenues from cable and satellite television operators, partially offset by higher programming fees paid to affiliated networks.

Turning to our National Media Group, FY17 second-quarter operating profit was $34 million, excluding special items. Revenues were $259 million.

Looking more closely at FY17 second-quarter performance compared to the prior-year period, total advertising revenues declined slightly to $135 million. However, on a comparable basis, excluding MORE magazine, total advertising was even with the prior year. This performance was driven by 16% growth in digital ad revenues, which offset declines in print advertising.

Digital advertising revenues accounted for 38% of the total National Media Group ad revenues. Performance was led by Allrecipes, Parents, and SHAPE brands.

Our magazines grew their share of total industry advertising to 13.8% from 12.5%, according to the most recent data from the Publishers Information Bureau. The Family Circle, Allrecipes, and EatingWell brands posted strong performance.

Circulation revenue grew to $67 million. Newsstand performance drove overall circulation revenue growth, led by a strong debut of The Magnolia Journal, which Steve referenced earlier.

Finally, we reduced expenses 3% through operational efficiencies, again, before special items. Now I'll turn it to Joe for a look at the Company-wide financial highlights, and details on our outlook.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Thanks, Tom. As Steve mentioned earlier, calendar 2016 was a very strong year for us. We generated nearly $300 million of operating cash flow, which is an 80% increase over the prior-year amount. We also grew our dividend by more than 8% to $1.98 on an annual basis, which was the 23rd straight year of increases.

We remain committed to our total shareholder return financial strategy, and key elements include: one, a current annual dividend of $1.98 a share that we typically revisit in late January or early February of each year; two, a $100 million share repurchase program, with $74 million remaining under the current authorization; and third, ongoing strategic investments to scale our Business and increase shareholder value over time. The combination of our dividend, share buybacks, and stock price appreciation drove a total shareholder return of 45% for Meredith's shareholders in calendar 2016.

Now turning to FY17 metrics, cash flow from operations grew to $117 million from $48 million in the prior-year period. Our total debt was $674 million, and our weighted average interest rate was 2.8%, with $400 million of that debt fixed at effectively low rates. Our leverage was 1.9 to 1 for the trailing 12 months.

Then as we look at our outlook, including the special items that we reported in the second quarter in FY17, we expect FY17 full-year earnings per share to range from $3.78 to $4.08, excluding special items reported in the second quarter. We continue to expect FY17 full-year earnings to range from $3.50 to $3.80, which is what we originally communicated on January 28, 2016.

We expect FY17 third-quarter earnings per share to range from $0.75 to $0.80, with total revenues for each of our local and national media groups expected to be flat to down slightly. With that, I'll turn it back to Steve to close, and then we'll open it up for Q&A.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you very much, Tom and Joe. And just for a little clarification, as I introduced Tom, I gave him a promotion to Chief Executive Officer. Tom was made our President and COO back in August.

Again, on our guidance, it remains at $3.50 to $3.80. That's as we originally communicated it back in July of 2016 when we released fourth-quarter earnings.

As we close this morning, I continue to believe that Meredith is a compelling investment thesis for the marketplace. The diverse businesses that we own and operate consistently deliver strong free cash flow that's 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 our growing reach to the millennial generation; a profitable and growing digital business; vibrant and growing brand-licensing activities that are based on our very strong national media brands; and a strong and proven Management team with very successful record for generating growing free cash flow and shareholder value over time.

Finally, as we have consistently stated, we continue to explore opportunities to add attractive print, broadcast, and of course, digital brands to our media portfolio. We have a consistent track record of being very disciplined acquirers. But just like any other public company, we will not comment on market rumors or market speculation.

We are here this morning to discuss our financial results for the quarter and first six months, and of course, our outlook for the rest of the year. I ask that you focus your questions this morning on those topics. With that, we will be happy to answer any questions that you might have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John Janedis, Jefferies.

John Janedis - *Jefferies LLC - Analyst*

Thanks, good morning.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Hi, John.

John Janedis - *Jefferies LLC - Analyst*

Hi, Steve. Quick question for you, maybe a couple. Given small business optimism, I think the market has been a little bit surprised that local advertising demand hasn't really accelerated much to start calendar 2017. From what you're seeing, can you give us some perspective, and maybe to what extent is there evidence that dollars are shifting incrementally to digital, given the 18% growth you reported. I'm not sure to what extent there's overlap in advertisers between traditional versus digital?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

First of all, we really have not seen any meaningful shift of advertising dollars away from the traditional broadcast platform, although we have very strong growth in digital advertising in our local market. It's important to remember that we generate the vast majority of our revenue and profit from around our news day parts. It's a very hyper-local audience, and it is primarily local advertising.

If you really wanted to shift a meaningful amount of that to digital sources, there are not enough platforms locally that would even mathematically allow that to happen. That's one thing I think to remember, first and foremost -- very different than what we see on the national media side of our business.

Again, as you said, early calendar 2017 is getting started a little slower than we saw a year ago. But in all sincerity, that's not terribly unusual when there is a post-election cycle and a change in the administration. We've seen it improve as the time period has regressed. But again, on the 25th of January it's very early in calendar 2017 to have a very good grasp on advertising, really across the business for calendar 17. By the time we release earnings at the end of this quarter, we will have a much better feel for how calendar 17 is going to pace. Does that help at all?

John Janedis - *Jefferies LLC - Analyst*

That helps. Maybe a follow-up and a separate question. On the guidance, then, does that imply broadcast ad revenue declines in the mid-singles?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

John, I would say right now we are expecting broadcast non-political probably mid-to high. Now one of the points I want to make is that because the Super Bowl has shifted from CBS to Fox this year, that's about half of what we expect the decline to be. As you know, we're heavy CBS, especially in big markets. If we said overall expected mid to approaching high, probably half of that is Super Bowl. Barring the Super Bowl, it's probably low to mid for the rest of the group.

John Janedis - *Jefferies LLC - Analyst*

Okay. That's helpful, Joe, thanks. Taking a step back to your comment before related to last night, I think you may be one of the first of your peers to have a deal to be included in Hulu Live. I assume there's more to come there. Have some of your concerns been on the rate and/or rights? Is there a benefit to you from a revenue perspective relative to traditional delivery? Asked differently, will there be an impact on the net re-trans line?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Paul, would you like to give a little color on that part of the agreement?

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

Yes, well I think the important thing is to look at the agreement as a package. As we went into our negotiations with CBS, it became very important that we lock down first and foremost the affiliation -- the network affiliation agreements in those four major markets. Secondarily, we got comfortable with the renewal of CBS All Access which we now have across all seven CBS stations.

Then with Hulu, at this point the economics are such that we don't anticipate having to take our retransmission number down at all. We think over the life and the term of this particular agreement, that we should be consistent with our current retransmission numbers, and have the ability to add additional revenue based on how the Hulu subscribers grow.

John Janedis - *Jefferies LLC - Analyst*

That's very helpful. Thank you very much.

Operator

Kyle Evans, Stephens.

Kyle Evans - *Stephens, Inc. - Analyst*

Good morning.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Hi, Kyle. How can we help you?

Kyle Evans - *Stephens, Inc. - Analyst*

When I look at the Martha and Shape deals that you've done in the past, those look like a perfect fit, and they look added an element of growth with very little execution risk. Are there more targets out there that fit that mold, or is the magazine industry now so consolidated that you're going to have to do something more transformative? Along those lines, could you give us an upper limit to the leverage you would be willing to take on for magazine deals?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

I'll break that into two parts. I'll ask Tom to speak to his thoughts on what we could add to the portfolio, and then I'll ask Joe to give you our sense of leverage, which we've spoken to many times before. Tom?

Tom Harty - *Meredith Corporation - President and COO*

Yes, I think to your point, on the tuck-in acquisitions we have done with Rachel Ray, Eating Well, Martha Stewart, they have all been very accretive and very easy to actually bring into the Meredith fold. There are a lot of other titles out there. I think on a monthly basis, we have in-bound calls from different companies looking to talk. It really needs to fit our focus that's been mostly on women and millennial women. But we do believe that there are other targets out there for us to get in the future

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Joe, do you want to speak to leverage?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Kyle, each deal is unique and the components of each deal are unique. I would say to generalize, we would probably be willing to go into the fours. But that is definitely a factor of how quickly we think we could bring that down, i.e., what kind of free cash flow are we going to generate? Are there opportunities to monetize certain assets to work that leverage down? As you know, it's hard to generalize but again, we stretch into the fours for something that's strategic. That's consistent with what we've said before.

Kyle Evans - *Stephens, Inc. - Analyst*

Great. Two quick follow-ups. What was the write-down of contingent consideration payable on special items for the NMG?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

That was an acquisition we did, Kyle, I want to say maybe two years ago, that had a contingent payment. As we move through the business, we do not expect that amount will be what we initially had set up as a liability, and so we made the determination that it was time to pull that down.

Kyle Evans - *Stephens, Inc. - Analyst*

Then lastly, the release yesterday on CBS mentions other future new entrant deals. Do you expect the agreement that you had with CBS to work retroactively into DirecTV Now and Sling? Thanks.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

I would -- let me bifurcate the agreement with CBS between what I would say are traditional MVPDs and the new entrants. The agreement, as Paul said, think of it as really three key components. You have got the network affiliation renewal, you've got the renewal on the CBS All Access, and then you've got the agreement to get into Hulu.

Really it provides a framework for the next over-the-top platform, whether that's a Google, an Amazon, fill in the blank. What it does not set the framework for are the traditional what I will call MVPD products that are now moving into an OTT. Whether that's DirecTV Now, whether it's Dish Sling, those are deals that we will continue to negotiate on our own as Meredith, not with CBS.

Hopefully that's clear, but there's a difference between the traditional MVPDs movement into over-the-top versus the new entrants. Paul, I don't know if you want to add anything to that?

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

No, that's exactly right. Any entity that we currently have a relationship relative to DirecTV Now and Dish, we will continue to incorporate those negotiations in with our normal retransmission discussions with them.

Secondarily, what we have done with CBS is we have created a framework so as those new entrants come on line -- and as Joe said, we don't even know who that is yet. But we have a framework, we have an understanding with CBS that we'll work together to come up with a fair deal there.

Kyle Evans - *Stephens, Inc. - Analyst*

Great, thank you.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you.

Operator

Dan Kurnos, Benchmark Company

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Good morning, Dan. How can we help you?

Dan Kurnos - *The Benchmark Company - Analyst*

Good morning, Steve. I'll start with national, and maybe for new CEO Tom Harty here, although Steve, feel free to chime in. Can you give us a sense, ad was a little bit weaker than we expected. Maybe just give us the print ad down in the quarter. I think I missed that.

Circ was stronger. I think that trend will probably switch in the next two quarters based on the timing of events, maybe ad returning to flat and circ down a little bit more significantly. I don't know if I've factored everything in. Can you give me a sense if I'm thinking about that correctly?

Then on Other, how much of the shortfall was in MXN, and when does that segment return to growth?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Tom, do you have those data points or do you want -- Joe can do them.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

I'll start, Tom, and you can pile on. Dan, for the quarter, for the second quarter, ad revenue was down about 2%. But as Tom mentioned on a comparable basis, so normalizing for more, we were actually up. I think the print was down mid-single, and digital was up low double, which brought the organic, if you will, actually favorable.

On the Other line, I would say about half of the decline was MXM, and the other half was licensing. As we've talked about before, with the renewal of Walmart we modified a little bit how that royalty would work. We expected the first half to be a little behind, but we expect the second half to be ahead.

To answer your question, Q2 about half MXM, half licensing; but as we look at Q3, we expect that licensing to turn around and be up. We expect that some of the e-commerce activities that we have been involved to pick up, as well. We actually expect that Other line to turn around and grow in Q3.

Tom Harty - *Meredith Corporation - President and COO*

Yes, just to pile on a little bit, I think looking out at the third quarter, to Joe's point, on a comparable basis in the second quarter, we were down in print comparably without more 7.5%. When we look out to the third quarter it's early, but we're looking at it to be slightly better than that. On a comparable basis, we will be down mid-single digits. Digital will be up again in the low double digits. On a comparable overall basis, our trending right now is showing us flat to down slightly as we look at the third quarter, which is relatively about the same as the second quarter.

Dan Kurnos - *The Benchmark Company - Analyst*

Perfect, that's helpful. Then just shifting back to local, just first on core. Maybe if we could get a little bit of insight into -- you posted pretty significant political up side, and local core was still about in line with our expectations, so a little bit surprised there wasn't more incremental crowd-out there. I don't know if that was benefits from duopolies, if you have any color there? On the pacing's commentary for Q1, if you could give us a little bit of color on categories that are performing well or under-performing, that would be helpful?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

First of all, we did have significant crowd-out in markets like Las Vegas; but in other places, obviously we were able to accommodate all of that political advertising, which is good. What I would say in all sincerity this early in the year, I don't think the pacing numbers by categories are particularly meaningful. As I've looked at them, I don't think they really give any meaningful trends. But again, when we get into releasing earnings at the end of March, we will have a lot better sense and can give you what we think is going to happen in 2017, I think.

Dan Kurnos - *The Benchmark Company - Analyst*

All right, fair enough. Just one more question, if I could Steve, on the CBS deal.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Sure.

Dan Kurnos - *The Benchmark Company - Analyst*

Two pieces of it. One, now that you've got all of your CBS renewed, just your thoughts on net re-trans growth going forward? Then I know you guys talked a lot about having this as a package deal and having all future entrants be covered by the OTT negotiations. Some of your peers have talked about taking the power in those negotiations back from the network in order to improve their economics. How do you guys view that? Most of the CBS All Access deals end in 2018. I don't know if you've pushed it beyond that. Can you think about your strategy in working with the network on OTT front? That would be helpful.

Joe Ceryanec - *Meredith Corporation - VP and CFO*

Dan, let me take the first, which is with the CBS stations locked down what are our expectations into the future, and then I'll let Paul pile on his view on negotiating with CBS or negotiating on our own. As we've been saying for quite a while, our FY16 and FY17 were 40% of our MVPDs renewed in 2016 and 40% in 2017. We've got one large MVPD yet to negotiate, which will be later this spring.

We knew we would enjoy nice growth on the top line, and that would fall to the profit line. Then we knew as we got into 2018 and 2019 when the four CBS stations and then the Fox stations that we would see the cost line.

We also said that our hope or goal was that as we moved into 2018 and the network affiliations renewed, we would be able to at least maintain, if not slightly grow, that operating profit. Now that we have basically CBS done into well into 2020, I think we feel a lot better about what we would say was hope or goal, I would call now expectations that for 2018 and beyond, we will be able to maintain and grow that operating profit from net re-trans.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Does that clarify that piece?

Dan Kurnos - *The Benchmark Company - Analyst*

Yes, that's helpful. Then on the OTT side?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Paul?

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

Yes, on the OTT side, and again I want to reiterate that this was all part of a package deal. At the core of it was the renewal of those four major markets for us for their network affiliation deals. Relative to how we view All Access, we are comfortable with that deal. We like the structure. We are good with that out until 2020.

I know there are some groups that are looking to negotiate their own deals with other OTT providers. That's why, again, with the people that we currently have relationships with, whether it's DirecTV Now or Dish, we will be doing those as Meredith. As new entrants come on the scene, based on our size and scale, we think there is a benefit to us having that framework in place with CBS to negotiate the best deal that we can.

Dan Kurnos - *The Benchmark Company - Analyst*

All right, great. Thanks and nice quarter, guys.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you.

Operator

Barry Lucas, Gabelli and Company

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Hi Barry, how are you?

Barry Lucas - *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

I am well, Steve. Thank you. I hope everything is good out there in middle-of-country land. Maybe a couple more I would say bigger-picture questions with the change in the administration. Thinking about inflationary statistics seem to be moving up a little bit higher, and hoping maybe you and or could talk a little bit about your ultimate advertising clients, especially CPG's, where you've seen very little pricing power -- where they've seen very little pricing power, and what you think rising inflationary environment does for Meredith? Is it a net positive, neutral negative? How do you think about those things?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

We have done over the years, Barry, a tremendous amount of research. In all sincerity, the best correlation of advertising spend in the marketplace is GDP. If there would be a little leap of faith that an inflationary environment and maybe a bit of a stronger economic circumstance would push GDP, there should be a positive impact on advertising.

Having said all of that, all the predictions are out there for the year. We have them all summarized by source. Most would say that calendar 2017 will be a low single-digit growth in advertising. That of course is not equal by category. Tom, you might want to give some early CPG color. Do you want John to pile on in terms of some of the negotiations for calendar 17? That would be fine, as well.

Tom Harty - *Meredith Corporation - President and COO*

I think to confirm what Steve said, the correlation on the advertising, we've run regression analysis on that over the years. It's very strong related to GDP. What we're seeing is our CPG, our food category, which obviously we have a very large footprint in both digitally and in print, continues to show growth for us, especially in the first half of the fiscal year.

The other category that we have saw continued growth in has been DTC pharmaceutical advertising. Overall, it's hard to crystal ball it. It's hard to crystal ball what the administration is saying about future growth. But if there is growth in the economy, it's guaranteed that we would see an increase in advertising expenditures.

Barry Lucas - *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

Great, thank you. Maybe just extend that into a tax discussion. It's pretty much full -- very taxpayer. What are you hoping for actually comes out in terms of corporate side?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

On the corporate side, Barry, we are a full taxpayer. Since we have very limited foreign operations, there are not a lot of mechanisms for us to come up with basically paying the statutory rates. A lowering of the rates would be very much positive for us. We would have, obviously, a big throw-back on our deferreds, and it would benefit us significantly going forward. We very much would welcome an overall lowering of the corporate rate.

Barry Lucas - *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

Thanks. Last item for me, actually for Paul. Paul, when do you think you would actually be able to talk about the Spectrum auction, and participation, lack thereof, what you see going on?

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

I think very quickly. Obviously we are not allowed or supposed to talk about it at this point, but as you can see in all the press reports, this thing looks like it's really winding up and coming to a close. It appears they've hit the benchmarks that they needed to declare it a successful auction. I think very soon. I think certainly within the next week to 10 days, they will probably declare it over, at which point we can talk more freely about what our participation was and so forth.

Barry Lucas - *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

Great. Thanks very much.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Thank you, Barry.

Operator

Eric Katz, Wells Fargo

Eric Katz - *Wells Fargo Securities, LLC - Analyst*

Good morning.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Hi, Eric, how are you?

Eric Katz - *Wells Fargo Securities, LLC - Analyst*

Doing well. I had one other follow-up on the CBS renewal. Is that expected to kick in in FY18, or is that an immediate deal?

Joe Ceryanec - *Meredith Corporation - VP and CFO*

The renewal on the station affiliation, Eric, was up in August. Even though we renewed the contract, the rates will not kick in until August of 2017, which would be in our FY18.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Does that make sense, Eric?

Eric Katz - *Wells Fargo Securities, LLC - Analyst*

Absolutely. Also, I know you're in negotiation with [Altice] for a station. I'm not sure if you're willing to discuss expectation for resolution or points of contention there, but would you be willing to share how much re-trans revenue or what percent of your footprint that represents?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Paul, do you want to speak to that?

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

Actually, the number of subs in the DMA that we're talking about I believe is like 45,000 subs, so it's a relatively small -- it's a small number.

Eric Katz - *Wells Fargo Securities, LLC - Analyst*

Okay. Then lastly, I know there's been a bit of sluggishness in the past in the Phoenix market, and in some auto areas. I was wondering if maybe you can talk to there -- there's been any improvement there?

Steve Lacy - *Meredith Corporation - Chairman and CEO*

It wasn't really auto. It was a lot of very heavy spend in --

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Joe Ceryanec - *Meredith Corporation - VP and CFO*

It was telecom and insurance.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Telecom and sort of an insurance war, an HMO war, if you will. As we get a little further into the calendar year, we begin to sort of lapse that kind of unusual activity that was actually a calendar 2015 bump. A little later in the year that begins to lap. Really, Phoenix doesn't -- we're not seeing a dramatic change in Phoenix at the moment compared to the prior year.

Eric Katz - *Wells Fargo Securities, LLC - Analyst*

Okay, great. Thank you.

Steve Lacy - *Meredith Corporation - Chairman and CEO*

Okay. Listen, I appreciate everybody's interest and your questions. As always, Joe and Mike and I will be available for the balance of the day for calls. Several of those are already scheduled. We appreciate your continued support and interest in the Meredith Corporation, and hope everybody has a really good day. Thank you very much for participating.

Operator

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