

MEREDITH CORP

Form 10-Q

January 29, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

Commission file number 1-5128

MEREDITH CORPORATION

(Exact name of registrant as specified in its charter)

Iowa

42-0410230

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

1716 Locust Street, Des Moines, Iowa

50309-3023

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (515) 284-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of stock outstanding at December 31, 2013

| | |
|---------------------------------|------------|
| Common shares | 36,375,590 |
| Class B shares | 8,312,741 |
| Total common and Class B shares | 44,688,331 |

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Meredith Corporation and its consolidated subsidiaries are referred to in this Quarterly Report on Form 10 Q (Form 10 Q) as Meredith, the Company, we, our, and us.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Meredith Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

| Assets | December 31, 2013 | June 30, 2013 |
|---|----------------------|------------------|
| (In thousands) | | |
| Current assets | | |
| Cash and cash equivalents | \$25,883 | \$27,674 |
| Accounts receivable, net | 238,573 | 232,305 |
| Inventories | 25,695 | 28,386 |
| Current portion of subscription acquisition costs | 103,133 | 97,982 |
| Current portion of broadcast rights | 6,577 | 2,831 |
| Other current assets | 17,953 | 18,514 |
| Total current assets | 417,814 | 407,692 |
| Property, plant, and equipment | 467,356 | 464,255 |
| Less accumulated depreciation | (286,548) | (277,938) |
| Net property, plant, and equipment | 180,808 | 186,317 |
| Subscription acquisition costs | 99,838 | 99,433 |
| Broadcast rights | 3,069 | 3,634 |
| Other assets | 71,601 | 69,848 |
| Intangible assets, net | 577,631 | 584,281 |
| Goodwill | 788,786 | 788,854 |
| Total assets | \$2,139,547 | \$2,140,059 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Current portion of long-term debt | \$25,000 | \$50,000 |
| Current portion of long-term broadcast rights payable | 6,697 | 4,089 |
| Accounts payable | 57,950 | 78,458 |
| Accrued expenses and other liabilities | 132,079 | 132,676 |
| Current portion of unearned subscription revenues | 193,760 | 191,448 |
| Total current liabilities | 415,486 | 456,671 |
| Long-term debt | 315,000 | 300,000 |
| Long-term broadcast rights payable | 4,769 | 5,096 |
| Unearned subscription revenues | 163,204 | 163,809 |
| Deferred income taxes | 259,031 | 247,487 |
| Other noncurrent liabilities | 110,360 | 112,700 |
| Total liabilities | 1,267,850 | 1,285,763 |
| Shareholders' equity | | |
| Series preferred stock | — | — |
| Common stock | 36,376 | 36,242 |
| Class B stock | 8,313 | 8,324 |
| Additional paid-in capital | 48,808 | 50,170 |
| Retained earnings | 793,883 | 775,901 |
| Accumulated other comprehensive loss | (15,683) | (16,341) |
| Total shareholders' equity | 871,697 | 854,296 |

| | | |
|--|-------------|-------------|
| Total liabilities and shareholders' equity | \$2,139,547 | \$2,140,059 |
|--|-------------|-------------|

See accompanying Notes to Condensed Consolidated Financial Statements.

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Meredith Corporation and Subsidiaries
Condensed Consolidated Statements of Earnings
(Unaudited)

| Periods ended December 31, (In thousands except per share data) | Three Months | | Six Months | |
|--|--------------|-----------|------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Advertising | \$193,531 | \$217,094 | \$392,078 | \$424,216 |
| Circulation | 67,733 | 67,398 | 143,467 | 142,887 |
| All other | 92,784 | 76,103 | 174,955 | 147,649 |
| Total revenues | 354,048 | 360,595 | 710,500 | 714,752 |
| Operating expenses | | | | |
| Production, distribution, and editorial | 132,216 | 134,117 | 272,993 | 274,728 |
| Selling, general, and administrative | 158,341 | 158,058 | 319,413 | 314,372 |
| Depreciation and amortization | 11,590 | 10,967 | 23,385 | 22,894 |
| Total operating expenses | 302,147 | 303,142 | 615,791 | 611,994 |
| Income from operations | 51,901 | 57,453 | 94,709 | 102,758 |
| Interest expense, net | (2,555) | (3,316) | (5,268) | (7,002) |
| Earnings before income taxes | 49,346 | 54,137 | 89,441 | 95,756 |
| Income taxes | (18,777) | (18,566) | (34,831) | (35,330) |
| Net earnings | \$30,569 | \$35,571 | \$54,610 | \$60,426 |
| | | | | |
| Basic earnings per share | \$0.68 | \$0.80 | \$1.22 | \$1.36 |
| Basic average shares outstanding | 44,696 | 44,409 | 44,672 | 44,451 |
| | | | | |
| Diluted earnings per share | \$0.67 | \$0.79 | \$1.20 | \$1.34 |
| Diluted average shares outstanding | 45,619 | 44,936 | 45,499 | 44,989 |
| | | | | |
| Dividends paid per share | \$0.4075 | \$0.3825 | \$0.8150 | \$0.7650 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)

| Periods ended December 31, (In thousands) | Three Months | | Six Months | |
|---|--------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings | \$30,569 | \$35,571 | \$54,610 | \$60,426 |
| Other comprehensive income, net of income taxes | | | | |
| Pension and other postretirement benefit plans activity | 268 | 364 | 658 | 728 |
| Other comprehensive income, net of income taxes | 268 | 364 | 658 | 728 |
| Comprehensive income | \$30,837 | \$35,935 | \$55,268 | \$61,154 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
Condensed Consolidated Statement of Shareholders' Equity
(Unaudited)

| (In thousands except per share data) | Common Stock - \$1 par value | Class B Stock - \$1 par value | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|--|------------------------------------|-------------------------------------|----------------------------------|----------------------|---|-----------|
| Balance at June 30, 2013 | \$36,242 | \$8,324 | \$50,170 | \$775,901 | \$ (16,341) | \$854,296 |
| Net earnings | — | — | — | 54,610 | — | 54,610 |
| Pension and other postretirement benefit plans reclassifications, net of income taxes | — | — | — | — | 658 | 658 |
| Share-based incentive plan transactions | 1,325 | — | 49,308 | — | — | 50,633 |
| Purchases of Company stock | (1,202) | — | (56,996) | — | — | (58,198) |
| Share-based compensation | — | — | 7,926 | — | — | 7,926 |
| Conversion of Class B to common stock | 11 | (11) | — | — | — | — |
| Dividends paid | | | | | | |
| Common stock | — | — | — | (29,851) | — | (29,851) |
| Class B stock | — | — | — | (6,777) | — | (6,777) |
| Tax benefit from incentive plans | — | — | (1,600) | — | — | (1,600) |
| Balance at December 31, 2013 | \$36,376 | \$8,313 | \$48,808 | \$793,883 | \$ (15,683) | \$871,697 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| Six months ended December 31, (In thousands) | 2013 | 2012 |
|--|-----------|----------|
| Cash flows from operating activities | | |
| Net earnings | \$54,610 | \$60,426 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | |
| Depreciation | 16,735 | 17,202 |
| Amortization | 6,650 | 5,692 |
| Share-based compensation | 7,926 | 7,580 |
| Deferred income taxes | 10,764 | 22,277 |
| Amortization of broadcast rights | 4,437 | 5,014 |
| Payments for broadcast rights | (5,338) | (6,487) |
| Fair value adjustment to contingent consideration | (1,100) | — |
| Excess tax benefits from share-based payments | (3,866) | (1,519) |
| Changes in assets and liabilities | (30,131) | (29,802) |
| Net cash provided by operating activities | 60,687 | 80,383 |
| Cash flows from investing activities | | |
| Acquisitions of and investments in businesses | (879) | (6,047) |
| Additions to property, plant, and equipment | (11,272) | (13,659) |
| Net cash used in investing activities | (12,151) | (19,706) |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term debt | 106,000 | 40,000 |
| Repayments of long-term debt | (116,000) | (55,000) |
| Dividends paid | (36,628) | (34,129) |
| Purchases of Company stock | (58,198) | (25,471) |
| Proceeds from common stock issued | 50,633 | 12,067 |
| Excess tax benefits from share-based payments | 3,866 | 1,519 |
| Other | — | (769) |
| Net cash used in financing activities | (50,327) | (61,783) |
| Net decrease in cash and cash equivalents | (1,791) | (1,106) |
| Cash and cash equivalents at beginning of period | 27,674 | 25,820 |
| Cash and cash equivalents at end of period | \$25,883 | \$24,714 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation—The condensed consolidated financial statements include the accounts of Meredith Corporation and its wholly owned subsidiaries (Meredith or the Company), after eliminating all significant intercompany balances and transactions. Meredith does not have any off-balance sheet arrangements. The Company's use of special-purpose entities is limited to Meredith Funding Corporation, whose activities are fully consolidated in Meredith's condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, which are included in Meredith's Annual Report on Form 10 K for the year ended June 30, 2013, filed with the United States Securities and Exchange Commission.

The condensed consolidated financial statements as of December 31, 2013, and for the three and six months ended December 31, 2013 and 2012, are unaudited but, in management's opinion, include all normal, recurring adjustments necessary for a fair presentation of the results of interim periods. The year-end condensed consolidated balance sheet data as of June 30, 2013, was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

Recently Adopted Accounting Standards—In February 2013, the Financial Accounting Standards Board (FASB) issued guidance related to Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, companies are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This update was effective for us in our first quarter of fiscal 2014. The adoption of this guidance required a change in the format of presentation only and did not have an impact on our results of operations or financial position.

Recently Issued Accounting Standards—In July 2013, the FASB issued guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the unrecognized tax benefits. The guidance is effective for us in our first quarter of fiscal 2015 with earlier adoption permitted. Retrospective application of the guidance is also permitted. While the adoption of this guidance will not have an impact on our results of operations or cash flows, we are currently evaluating the impact of presenting unrecognized tax benefits net of our deferred tax assets where applicable on our Condensed Consolidated Balance Sheets.

Pending Acquisitions—On December 23, 2013, the Company entered into two separate definitive asset purchase agreements (collectively the Purchase Agreements) with Gannett Co. Inc. One of the Purchase Agreements provides for the purchase of substantially all of the assets of television station KMOV(TV) in St. Louis, Missouri. The other

purchase agreement provides for the purchase of substantially all of the assets of television station KTVK(TV) in Phoenix, Arizona and the purchase of certain broadcast assets of television station KASW(TV) in Phoenix, Arizona. These pending acquisitions are subject to regulatory approval and as of December 31, 2013, had not closed.

2. Inventories

Major components of inventories are summarized below. Of total net inventory values shown, 55 percent are under the last-in first-out (LIFO) method at December 31, 2013, and 50 percent at June 30, 2013.

| (In thousands) | December 31, 2013 | June 30, 2013 |
|---------------------------------|----------------------|------------------|
| Raw materials | \$11,229 | \$14,336 |
| Work in process | 16,443 | 16,392 |
| Finished goods | 3,045 | 2,680 |
| | 30,717 | 33,408 |
| Reserve for LIFO cost valuation | (5,022) | (5,022) |
| Inventories | \$25,695 | \$28,386 |

3. Intangible Assets and Goodwill

Intangible assets consist of the following:

| (In thousands) | December 31, 2013 | | | June 30, 2013 | | |
|--|-------------------|-----------------------------|---------------|-----------------|-----------------------------|---------------|
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Intangible assets subject to amortization | | | | | | |
| National media | | | | | | |
| Advertiser relationships | \$8,752 | \$(5,051) | \$3,701 | \$8,752 | \$(3,755) | \$4,997 |
| Customer lists | 16,257 | (12,851) | 3,406 | 16,387 | (11,242) | 5,145 |
| Other | 17,105 | (4,211) | 12,894 | 16,805 | (3,041) | 13,764 |
| Local media | | | | | | |
| Network affiliation agreements | 218,559 | (119,978) | 98,581 | 218,559 | (117,533) | 101,026 |
| Total | \$260,673 | \$(142,091) | 118,582 | \$260,503 | \$(135,571) | 124,932 |
| Intangible assets not subject to amortization | | | | | | |
| National media | | | | | | |
| Internet domain names | | | 1,827 | | | 1,827 |
| Trademarks | | | 158,146 | | | 158,446 |
| Local media | | | | | | |
| FCC licenses | | | 299,076 | | | 299,076 |
| Total | | | 459,049 | | | 459,349 |
| Intangible assets, net | | | \$577,631 | | | \$584,281 |

Amortization expense was \$6.7 million for the six months ended December 31, 2013. Annual amortization expense for intangible assets is expected to be as follows: \$12.7 million in fiscal 2014, \$10.4 million in fiscal 2015, \$7.9 million in fiscal 2016, \$6.6 million in fiscal 2017, and \$6.1 million in fiscal 2018.

Changes in the carrying amount of national media goodwill were as follows:

| Six months ended December 31, (In thousands) | 2013 | 2012 |
|---|-----------|-----------|
| Balance at beginning of period | \$788,854 | \$733,127 |
| Acquisitions | (68) | 81 |
| Balance at end of period | \$788,786 | \$733,208 |

4. Restructuring Accrual

Changes in the Company's restructuring accrual were as follows:

| Six months ended December 31, (In thousands) | 2013 | 2012 |
|---|---------|----------|
| Balance at beginning of period | \$8,103 | \$10,644 |
| Severance accrual | — | 7,382 |
| Vacated leased space accrual | — | 463 |
| Cash payments | (2,272) | (3,921) |
| Reversal of excess accrual | — | (827) |
| Balance at end of period | \$5,831 | \$13,741 |

5. Long-term Debt

Long-term debt consists of the following:

| (In thousands) | December 31, 2013 | June 30, 2013 |
|--|----------------------|------------------|
| Variable-rate credit facilities | | |
| Asset-backed bank facility of \$100 million, due 4/24/2015 | \$75,000 | \$75,000 |
| Revolving credit facility of \$150 million, due 9/12/2017 | 40,000 | — |
| Private placement notes | | |
| 6.70% senior notes, due 7/13/2013 | — | 50,000 |
| 7.19% senior notes, due 7/13/2014 | 25,000 | 25,000 |
| 2.62% senior notes, due 3/1/2015 | 50,000 | 50,000 |
| 3.04% senior notes, due 3/1/2016 | 50,000 | 50,000 |
| 3.04% senior notes, due 3/1/2017 | 50,000 | 50,000 |
| 3.04% senior notes, due 3/1/2018 | 50,000 | 50,000 |
| Total long-term debt | 340,000 | 350,000 |
| Current portion of long-term debt | (25,000) | (50,000) |
| Long-term debt | \$315,000 | \$300,000 |

In connection with the asset-backed bank facility, Meredith entered into a revolving agreement to sell all of its rights, title, and interest in the majority of its accounts receivable related to advertising and miscellaneous revenues to Meredith Funding Corporation, a special-purpose entity established to purchase accounts receivable from Meredith. At December 31, 2013, \$158.4 million of accounts receivable net of reserves was outstanding under the

agreement. Meredith Funding Corporation in turn may sell receivable interests to a major national bank. In consideration of the sale, Meredith receives cash and a subordinated note, bearing interest at the prime rate, 3.25 percent at December 31, 2013, from Meredith Funding Corporation. The agreement is structured as a true sale under which the creditors of Meredith Funding Corporation will be entitled to be satisfied out of the assets of Meredith Funding Corporation prior to any value being returned to Meredith or its creditors. The accounts of Meredith Funding Corporation are fully consolidated in Meredith's condensed consolidated financial statements.

6. Pension and Postretirement Benefit Plans

The following table presents the components of net periodic benefit costs:

| Periods ended December 31, (In thousands) | Three Months | | Six Months | |
|--|--------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Pension benefits | | | | |
| Service cost | \$2,537 | \$2,525 | \$5,075 | \$5,050 |
| Interest cost | 1,397 | 1,228 | 2,795 | 2,456 |
| Expected return on plan assets | (2,422) | (2,366) | (4,844) | (4,732) |
| Prior service cost amortization | 80 | 90 | 161 | 180 |
| Actuarial loss amortization | 511 | 812 | 1,022 | 1,625 |
| Net periodic benefit costs | \$2,103 | \$2,289 | \$4,209 | \$4,579 |
| Postretirement benefits | | | | |
| Service cost | \$35 | \$94 | \$100 | \$188 |
| Interest cost | 116 | 153 | 247 | 306 |
| Prior service cost amortization | (105) | (134) | (230) | (268) |
| Actuarial gain amortization | (101) | — | (162) | — |
| Curtailment credit | — | — | (1,511) | — |
| Net periodic benefit costs (benefit) | \$(55) | \$113 | \$(1,556) | \$226 |

The amortization of amounts related to unrecognized prior service costs and net actuarial loss were reclassified out of other comprehensive income as components of net periodic benefit costs.

The curtailment credit was triggered by a change in the postretirement benefit plan to no longer subsidize retiree medical coverage and life insurance to future non-union retirees.

7. Earnings per Share

The following table presents the calculations of earnings per share:

| Periods ended December 31, (In thousands except per share data) | Three Months | | Six Months | |
|--|--------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings | \$30,569 | \$35,571 | \$54,610 | \$60,426 |
| Basic average shares outstanding | 44,696 | 44,409 | 44,672 | 44,451 |
| Dilutive effect of stock options and equivalents | 923 | 527 | 827 | 538 |
| Diluted average shares outstanding | 45,619 | 44,936 | 45,499 | 44,989 |
| Earnings per share | | | | |
| Basic earnings per share | \$0.68 | \$0.80 | \$1.22 | \$1.36 |
| Diluted earnings per share | 0.67 | 0.79 | 1.20 | 1.34 |

For the three months ended December 31, 2013 and 2012, antidilutive options excluded from the above calculations totaled 814,000 (with a weighted average exercise price of \$51.78) and 3,320,000 (with a weighted average exercise price of \$45.60), respectively. For the six months ended December 31, 2013 and 2012, antidilutive options excluded from the above calculations totaled 1,654,000 (with a weighted average exercise price of \$50.76) and 3,272,000 (with a weighted average exercise price of \$45.94), respectively.

In the six months ended December 31, 2013 and 2012, options were exercised to purchase 1,157,000 and 367,000 common shares, respectively.

8. Fair Value Measurements

We have estimated the fair value of our financial instruments using available market information and valuation methodologies we believe to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that we would realize upon disposition.

The fair value hierarchy consists of three broad levels of inputs that may be used to measure fair value, which are described below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following table sets forth the carrying value and the estimated fair value of the Company's financial instruments:

| (In thousands) | December 31, 2013 | | June 30, 2013 | |
|--------------------------|-------------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Broadcast rights payable | \$11,466 | \$10,872 | \$9,185 | \$8,723 |
| Long-term debt | 340,000 | 339,657 | 350,000 | 350,132 |

The fair value of broadcast rights payable was determined using the present value of expected future cash flows discounted at the Company's current borrowing rate with inputs included in Level 3. The fair value of long-term debt was determined using the present value of expected future cash flows using borrowing rates currently available for debt with similar terms and maturities with inputs included in Level 2.

9. Financial Information about Industry Segments

Meredith is a diversified media company focused primarily on the home and family marketplace. On the basis of products and services, the Company has established two reportable segments: national media and local media. There have been no changes in the basis of segmentation since June 30, 2013. There are no material intersegment transactions.

There are two principal financial measures reported to the chief executive officer for use in assessing segment performance and allocating resources. Those measures are operating profit and earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA). Operating profit for segment reporting, disclosed below, is revenues less operating costs excluding unallocated corporate expenses. Segment operating expenses include allocations of certain centrally incurred costs such as employee benefits, occupancy, information systems, accounting services, internal legal staff, and human resources administration. These costs are allocated based on actual usage or other appropriate methods, primarily number of employees. Unallocated corporate expenses are corporate overhead expenses not directly attributable to the operating groups. In accordance with authoritative guidance on disclosures about segments of an enterprise and related information, EBITDA is not presented below.

The following table presents financial information by segment:

| Periods ended December 31, (In thousands) | Three Months | | Six Months | |
|--|--------------|-----------|------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| National media | \$249,694 | \$249,436 | \$516,593 | \$516,406 |
| Local media | 104,354 | 111,159 | 193,907 | 198,346 |
| Total revenues | \$354,048 | \$360,595 | \$710,500 | \$714,752 |
| Operating profit | | | | |
| National media | \$28,070 | \$22,177 | \$56,146 | \$51,601 |
| Local media | 35,225 | 44,711 | 60,901 | 72,355 |
| Unallocated corporate | (11,394) | (9,435) | (22,338) | (21,198) |
| Income from operations | \$51,901 | \$57,453 | \$94,709 | \$102,758 |
| Depreciation and amortization | | | | |
| National media | \$4,783 | \$4,475 | \$9,733 | \$9,865 |
| Local media | 6,399 | 6,070 | 12,832 | 12,172 |
| Unallocated corporate | 408 | 422 | 820 | 857 |
| Total depreciation and amortization | \$11,590 | \$10,967 | \$23,385 | \$22,894 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth below under the heading "Forward Looking Statements."

EXECUTIVE OVERVIEW

Meredith Corporation is the leading media and marketing company serving American women. Meredith features multiple well-known national brands—including Better Homes and Gardens, Parents, Family Circle, Allrecipes.com, Ladies' Home Journal, Fitness, More, American Baby, EveryDay with Rachael Ray, and FamilyFun—and local television brands in fast-growing markets such as Atlanta, Phoenix, and Portland. Meredith is the industry leader in creating content in key consumer interest areas such as home, family, food, health and wellness, and self-development. Meredith uses multiple distribution platforms—including print, television, digital, mobile, tablets, and video—to give consumers content they desire and to deliver the messages of our advertising and marketing partners. Additionally, Meredith uses our many assets to create powerful custom marketing solutions for many of the nation's top brands and companies.

Meredith operates two business segments. The national media segment consists of magazine publishing, digital and mobile media, digital and customer relationship marketing, brand licensing, database-related activities, and other related operations. The local media segment consists of 12 network-affiliated television stations, related digital and mobile media operations, and video creation operations. Both segments operate primarily in the U.S. and compete against similar media and other types of media on both a local and national basis. The national media segment accounted for 73 percent of the Company's \$710.5 million in revenues in the first six months of fiscal 2014 while the local media segment contributed 27 percent.

NATIONAL MEDIA

Advertising revenues made up 48 percent of national media's first six months' revenues. These revenues were generated from the sale of advertising space in our magazines and on our websites to clients interested in promoting their brands, products, and services to consumers. Circulation revenues accounted for 28 percent of national media's first six months' revenues. Circulation revenues result from the sale of magazines to consumers through subscriptions and by single copy sales on newsstands in print form, primarily at major retailers and grocery/drug stores and in digital form on tablets. The remaining 24 percent of national media's revenues came from a variety of activities that included the sale of customer relationship marketing products and services and books as well as brand licensing, product sales, and other related activities. National media's major expense categories are production and delivery of publications and promotional mailings and employee compensation costs.

LOCAL MEDIA

Local media derives the majority of its revenues—74 percent in the first six months of fiscal 2014—from the sale of advertising, both over the air and on our stations' websites. The remainder comes from television retransmission fees,

television production services and products, and other services. Political advertising revenues are cyclical in that they are significantly greater during biennial election campaigns (which take place primarily in odd-numbered

fiscal years) than at other times. Local media's major expense categories are employee compensation costs and programming fees paid to the networks.

FIRST SIX MONTHS FISCAL 2014 FINANCIAL OVERVIEW

National media revenues were flat as compared to the prior-year period. National media operating profit grew 9 percent due primarily to the lack of a restructuring charge in the current year as compared to the prior year and as improved operating results in our interactive media and licensing operations more than offset declines in operating results in our magazine operations.

Local media revenues and operating profit decreased 2 percent and 16 percent, respectively, compared to the prior-year period. Meredith recorded \$36.7 million less in political advertising revenues in the first six months of fiscal 2014 due to the normal cyclical nature of political advertising. Partially offsetting this decline was a 7 percent increase in non-political advertising and an 86 percent increase in other revenues.

Diluted earnings per share decreased 10 percent to \$1.20 from \$1.34 in the prior-year first six months.

USE OF NON-GAAP FINANCIAL MEASURES

These condensed consolidated financial statements, including the related notes, are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Our analysis of local media results includes references to earnings before interest, taxes, depreciation, and amortization (EBITDA). EBITDA and EBITDA margin are non-GAAP measures. We use EBITDA along with operating profit and other GAAP measures to evaluate the financial performance of our local media segment. EBITDA is a common measure of performance in the broadcasting industry and is used by investors and financial analysts, but its calculation may vary among companies. Local media segment EBITDA is not used as a measure of liquidity, nor is it necessarily indicative of funds available for our discretionary use.

We believe the non-GAAP measures used in MD&A contribute to an understanding of our financial performance and provide an additional analytic tool to understand our results from core operations and to reveal underlying trends. These measures should not, however, be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

RESULTS OF OPERATIONS

| Three months ended December 31, (In thousands except per share data) | 2013 | 2012 | Change |
|---|------------|------------|--------|
| Total revenues | \$354,048 | \$360,595 | (2)% |
| Operating expenses | (302,147) | (303,142) | 0 % |
| Income from operations | \$51,901 | \$57,453 | (10)% |
| Net earnings | \$30,569 | \$35,571 | (14)% |
| Diluted earnings per share | 0.67 | 0.79 | (15)% |
| | | | |
| Six months ended December 31, (In thousands except per share data) | 2013 | 2012 | Change |
| Total revenues | \$710,500 | \$714,752 | (1)% |
| Operating expenses | (615,791) | (611,994) | 1 % |
| Income from operations | \$94,709 | \$102,758 | (8)% |
| Net earnings | \$54,610 | \$60,426 | (10)% |
| Diluted earnings per share | 1.20 | 1.34 | (10)% |

The following sections provide an analysis of the results of operations for the national media and local media segments and an analysis of the consolidated results of operations for the three and six months ended December 31, 2013, compared with the prior-year period. This commentary should be read in conjunction with the interim condensed consolidated financial statements presented elsewhere in this report and with our Annual Report on Form 10 K (Form 10 K) for the year ended June 30, 2013.

NATIONAL MEDIA

National media operating results were as follows:

| Three months ended December 31, (In thousands) | 2013 | 2012 | Change |
|---|------------|------------|--------|
| Advertising | \$114,543 | \$120,133 | (5)% |
| Circulation | 67,733 | 67,398 | 0 % |
| Other | 67,418 | 61,905 | 9 % |
| Total revenues | 249,694 | 249,436 | 0 % |
| Operating expenses | (221,624) | (227,259) | (2)% |
| Operating profit | \$28,070 | \$22,177 | 27 % |
| Operating profit margin | 11.2 % | 8.9 % | |
| | | | |
| Six months ended December 31, (In thousands) | 2013 | 2012 | Change |
| Advertising | \$248,227 | \$252,797 | (2)% |
| Circulation | 143,467 | 142,887 | 0 % |
| Other | 124,899 | 120,722 | 3 % |
| Total revenues | 516,593 | 516,406 | 0 % |
| Operating expenses | (460,447) | (464,805) | (1)% |
| Operating profit | \$56,146 | \$51,601 | 9 % |
| Operating profit margin | 10.9 % | 10.0 % | |

Revenues

National media advertising revenues decreased 5 percent in the second quarter and 2 percent for the first six months of fiscal 2014. Magazine advertising revenues declined 7 percent in the second quarter and 3 percent in the first six months of fiscal 2014. Total advertising pages decreased in the mid-single digits on a percentage basis in the second quarter and in the low-single digits in the six-month period. Our parenthood titles (Parents, Family Fun, and American Baby), lifestyle titles (Fitness, More, EveryDay with Rachael Ray, and EatingWell), and men's titles (Successful Farming and Wood) reported growth in both advertising pages and advertising revenues. Advertising pages and advertising revenues for our women's service titles (Better Homes and Gardens, Family Circle, and Ladies' Home Journal), shelter titles (Traditional Home, Midwest Living, and special interest publications), and Hispanic titles (Siempre Mujer and Ser Padres) were lower. Among our core advertising categories, direct response, non-prescription drugs, and household supplies showed strength while demand was weaker for the toiletries and cosmetics, retail, and prescription drug categories. Online advertising revenues in our digital and mobile media operations grew 3 percent in the second quarter and 6 percent in the first six months of fiscal 2014.

Magazine circulation revenues were flat in the second quarter and first six months of fiscal 2014. While subscription revenues increased in the mid-single digits on a percentage basis, newsstand revenues declined in the low teens. The increase in subscription revenues is primarily due to the additional subscribers obtained through the acquisition of Parenting and Babytalk magazines. The decline in newsstand revenues is primarily due to weakness in special interest media and other titles.

Other revenues increased 9 percent in the second quarter and 3 percent in the first six months of fiscal 2014. Meredith Xcelerated Marketing (MXM) revenues increased in the low-single digits in the second quarter. They were down in the mid-single digits for the first six months of fiscal 2014. Brand licensing revenues grew more than 30 percent in the second quarter and more than 20 percent in the six-month period due primarily to continued strong sales of Better Homes and Gardens' licensed products at Walmart stores.

Operating Expenses

National media operating expenses declined 2 percent in the second quarter and 1 percent in the first six months of fiscal 2014. Employee compensation costs are down due to actions taken in the prior year. Paper, processing, and postage costs declined primarily due to the decrease in printing volumes. In addition to the decrease in the volume of paper used, paper expense also decreased due to mid-single digit declines in average paper prices as compared to the year-ago periods. Consistent with the decrease in MXM's revenues for the six-month period, customer relationship marketing production expenses also declined. MXM employee payroll and related costs also decreased primarily due to a performance improvement plan implemented in the prior year. Partially offsetting these declines was an increase in circulation expenses and paid search costs. Circulation expenses rose due to an increase in agent expenses.

In the second quarter of fiscal 2013, the national media segment recorded a restructuring charge of \$5.9 million for severance and benefit costs and a vacated lease accrual of \$0.4 million. Partially offsetting these charges was an \$0.8 million reversal of excess restructuring accrual previously recorded by the national media segment. These items were recorded as increases and decreases, as appropriate, in selling, general, and administrative expenses.

Operating Profit

National media operating profit increased 27 percent in the second quarter and 9 percent in the first six months of fiscal 2014. The increases in operating profit were primarily due to restructuring charges recorded in the second quarter of fiscal 2013 as discussed above. In addition, improved operating results in our interactive media and licensing operations basically offset declines in operating results in our magazine operations.

LOCAL MEDIA

Local media operating results were as follows:

| Three months ended December 31, (In thousands) | 2013 | 2012 | Change | |
|---|------------|------------|--------|----|
| Non-political advertising | \$78,270 | \$71,255 | 10 | % |
| Political advertising | 718 | 25,706 | (97) |)% |
| Other | 25,366 | 14,198 | 79 | % |
| Total revenues | 104,354 | 111,159 | (6) |)% |
| Operating expenses | (69,129) | (66,448) | 4 | % |
| Operating profit | \$35,225 | \$44,711 | (21) |)% |
| Operating profit margin | 33.8 % | 40.2 % | | |
| | | | | |
| Six months ended December 31, (In thousands) | 2013 | 2012 | Change | |
| Non-political advertising | \$142,622 | \$133,501 | 7 | % |
| Political advertising | 1,229 | 37,918 | (97) |)% |
| Other | 50,056 | 26,927 | 86 | % |
| Total revenues | 193,907 | 198,346 | (2) |)% |
| Operating expenses | (133,006) | (125,991) | 6 | % |
| Operating profit | \$60,901 | \$72,355 | (16) |)% |
| Operating profit margin | 31.4 % | 36.5 % | | |

Revenues

Local media revenues decreased 6 percent in the second quarter and 2 percent in the first six months of fiscal 2014. Non-political advertising revenues increased 10 percent in the second quarter and 7 percent in the first six months of fiscal 2014 as compared to the prior-year periods. Local non-political advertising revenues increased 8 percent in the second quarter and 5 percent in the six-month period. National non-political advertising increased 14 percent in the second quarter and 8 percent in the first six months of fiscal 2014. Political advertising revenues totaled \$0.7 million in the second quarter and \$1.2 million in the first six months of fiscal 2014 compared with \$25.7 million in the prior-year second quarter and \$37.9 million in the prior-year six-month period. Fluctuations in political advertising revenues at our stations and throughout the broadcasting industry generally follow the biennial cycle of election campaigns. Political advertising displaces a certain amount of non-political advertising; therefore, the revenues are not entirely incremental. Online advertising revenues grew 3 percent in the second quarter and 12 percent in the first six months of fiscal 2014.

For both the three and six months ended December 31, 2013, other revenue grew significantly primarily reflecting increased retransmission fees.

Operating Expenses

Local media operating expenses increased 4 percent in the second quarter and 6 percent in the first six months of fiscal 2014 primarily due to increased programming fees paid to the networks, higher payroll and related costs, and transaction costs related to acquisitions expected to close later in fiscal 2014 partially offset by lower legal costs.

In the second quarter of fiscal 2013, the local media segment recorded a restructuring charge of \$1.5 million in severance and related benefits costs. The restructuring charge was recorded in selling, general, and administrative expenses.

Operating Profit

Local media operating profit declined 21 percent in the second quarter and 16 percent in the first six months compared with the prior-year periods. The declines are primarily due to a change in the mix of revenues from higher margin political advertising revenues to lower margin other revenues.

Supplemental Disclosure of Local Media EBITDA

Meredith's local media EBITDA is defined as local media operating profit plus depreciation and amortization expense. EBITDA is a non-GAAP financial measure and should not be considered in isolation or as a substitute for GAAP financial measures. See the discussion of management's rationale for the use of EBITDA in the preceding Executive Overview section. Local media EBITDA and EBITDA margin were as follows:

| | | | | |
|---|-----------|---|-----------|---|
| Three months ended December 31, (In thousands) | 2013 | | 2012 | |
| Revenues | \$104,354 | | \$111,159 | |
| Operating profit | \$35,225 | | \$44,711 | |
| Depreciation and amortization | 6,399 | | 6,070 | |
| EBITDA | \$41,624 | | \$50,781 | |
| EBITDA margin | 39.9 | % | 45.7 | % |
| Six months ended December 31, (In thousands) | 2013 | | 2012 | |
| Revenues | \$193,907 | | \$198,346 | |
| Operating profit | \$60,901 | | \$72,355 | |
| Depreciation and amortization | 12,832 | | 12,172 | |
| EBITDA | \$73,733 | | \$84,527 | |
| EBITDA margin | 38.0 | % | 42.6 | % |

UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses are general corporate overhead expenses not attributable to the operating groups. These expenses were as follows:

| | | | | |
|--|----------|---------|--------|---|
| Unallocated Corporate Expenses (In thousands) | 2013 | 2012 | Change | |
| Three months ended December 31, | \$11,394 | \$9,435 | 21 | % |
| Six months ended December 31, | 22,338 | 21,198 | 5 | % |

Unallocated corporate expenses increased 21 percent in the second quarter and 5 percent in the first six months of fiscal 2014 compared with the prior-year periods. In the second quarter, increases in performance-based incentive accruals and non-income tax accruals more than offset a decline in consulting expense and lower investment spending. For the six-month period, increases in performance-based incentive accruals and non-income tax accruals more than offset a favorable curtailment credit related to our postretirement benefit plan and lower investment spending.

CONSOLIDATED

Consolidated Operating Expenses

Consolidated operating expenses were as follows:

| Three months ended December 31, (In thousands) | 2013 | 2012 | Change | |
|---|-----------|-----------|--------|----|
| Production, distribution, and editorial | \$132,216 | \$134,117 | (1 |)% |
| Selling, general, and administrative | 158,341 | 158,058 | 0 | % |
| Depreciation and amortization | 11,590 | 10,967 | 6 | % |
| Operating expenses | \$302,147 | \$303,142 | 0 | % |
| | | | | |
| Six months ended December 31, (In thousands) | 2013 | 2012 | Change | |
| Production, distribution, and editorial | \$272,993 | \$274,728 | (1 |)% |
| Selling, general, and administrative | 319,413 | 314,372 | 2 | % |
| Depreciation and amortization | 23,385 | 22,894 | 2 | % |
| Operating expenses | \$615,791 | \$611,994 | 1 | % |

Fiscal 2014 production, distribution, and editorial costs declined 1 percent in the second quarter and first six months as compared to the prior-year periods. Declines in national media paper, processing, and postage expenses and customer relationship marketing production costs more than offset an increase in local media programming fees paid to the networks.

Selling, general, and administrative expenses were flat in the second quarter and increased 2 percent in the first six months of fiscal 2014. In the second quarter of fiscal 2014, increases in circulation expenses, national media paid search costs, local media acquisition transaction costs, and non-income tax accruals approximately offset declines in legal costs, payroll and related costs, and investment spending. For the first six months of fiscal 2014, increases in circulation expenses, national media paid search costs, performance-based accruals, local media acquisition transaction costs, and non-income tax accruals more than offset declines in legal costs, payroll and related costs, consulting costs, and investment spending in Next Issue Media, and a favorable curtailment credit related to our postretirement benefit plan.

In the second quarter of fiscal 2013, the Company recorded a restructuring charge of \$7.4 million for severance and benefit costs and a vacated lease accrual of \$0.4 million related to business realignments. Partially offsetting these charges was an \$0.8 million reversal of excess restructuring accrual previously recorded by the national media segment.

Depreciation and amortization expense increased 6 percent in the second quarter and 2 percent in the first six months of fiscal 2014.

Income from Operations

Income from operations decreased 10 percent in the second quarter and 8 percent in the first six months of fiscal 2014 primarily due to lower political revenues due to the cyclical nature of political advertising, lower operating profits in our magazine operations, and higher corporate expenses partially offset by improved operating results in our interactive media and licensing operations and the lack of a restructuring charge in the current year.

Net Interest Expense

Net interest expense decreased to \$2.6 million in the fiscal 2014 second quarter compared with \$3.3 million in the prior-year second quarter. For the six months ended December 31, 2013, net interest expense was \$5.3 million versus

\$7.0 million in the first six months of fiscal 2013. Average long-term debt outstanding was \$358 million in

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the second quarter of fiscal 2014 and \$356 million for the six-month period compared with \$383 million in the prior year second quarter and \$384 million in the prior-year six-month period. The Company's approximate weighted average interest rate was 3.0 percent in the first six months of fiscal 2014 and 3.6 percent in the first six months of fiscal 2013.

Income Taxes

Our effective tax rate was 38.1 percent in the second quarter and 38.9 percent in the first six months of fiscal 2014 as compared to 34.3 percent in the second quarter and 36.9 percent in the first six months of fiscal 2013. The prior year effective tax rates benefited from the resolution of state and local tax contingencies.

Net Earnings and Earnings per Share

Net earnings were \$30.6 million (\$0.67 per diluted share) in the quarter ended December 31, 2013, down 14 percent from \$35.6 million (\$0.79 per diluted share) in the prior-year second quarter. For the six months ended December 31, 2013, earnings were \$54.6 million (\$1.20 per diluted share), a decrease of 10 percent from prior-year six months earnings of \$60.4 million (\$1.34 per diluted share). The declines primarily reflected lower political revenues due to the cyclical nature of political advertising, and lower operating profits in our magazine operations partially offset by improved operating results in our interactive media and licensing operations and the lack of a restructuring charge in the current year. Both average basic and diluted shares outstanding increased slightly in the periods.

LIQUIDITY AND CAPITAL RESOURCES

| Six months ended December 31, (In thousands) | 2013 | 2012 | Change |
|---|------------|------------|--------|
| Net earnings | \$54,610 | \$60,426 | (10)% |
| Cash flows provided by operating activities | \$60,687 | \$80,383 | (25)% |
| Cash flows used in investing activities | (12,151) | (19,706) | (38)% |
| Cash flows used in financing activities | (50,327) | (61,783) | (19)% |
| Net decrease in cash and cash equivalents | \$(1,791) | \$(1,106) | n/m |
| n/m - Not meaningful | | | |

OVERVIEW

Meredith's primary source of liquidity is cash generated by operating activities. Debt financing is typically used for significant acquisitions. We expect cash on hand, internally generated cash flow, and available credit from financing agreements will provide adequate funds for operating and recurring cash needs (e.g., working capital, capital expenditures, debt repayments, and cash dividends) into the foreseeable future. As of December 31, 2013, we have up to \$110.0 million remaining of additional available borrowings under our revolving credit facility and up to \$25.0 million of additional available borrowings under our asset-backed bank facility (depending on levels of accounts receivable). While there are no guarantees that we will be able to replace current credit agreements when they expire, we expect to be able to do so.

SOURCES AND USES OF CASH

Cash and cash equivalents decreased \$1.8 million in the first six months of fiscal 2014; they decreased \$1.1 million in the first six months of fiscal 2013.

Operating Activities

The largest single component of operating cash inflows is cash received from advertising customers. Other sources of operating cash inflows include cash received from magazine circulation sales and other revenue generating

transactions such as customer relationship marketing, retransmission revenues, brand licensing, and product sales.

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Operating cash outflows include payments to vendors and employees and payments of interest and income taxes. Our most significant vendor payments are for production and delivery of publications and promotional mailings, employee compensation costs and benefits, broadcasting programming rights, and other services and supplies.

Cash provided by operating activities totaled \$60.7 million in the first six months of fiscal 2014 compared with cash provided by operating activities of \$80.4 million in the first six months of fiscal 2013. The change is primarily due to the timing of cash receipts such as political advertising revenues and of cash payments such as income tax payments.

Investing Activities

Investing cash inflows generally include proceeds from the sale of assets or a business. Investing cash outflows generally include payments for the acquisition of new businesses; investments; and additions to property, plant, and equipment.

Net cash used by investing activities decreased to \$12.2 million in the first six months of fiscal 2014 from \$19.7 million in the prior-year period. The decrease primarily reflects more cash used in the prior year for acquisitions as well as slightly higher spending for additions to property, plant, and equipment in the prior year.

Financing Activities

Financing cash inflows generally include borrowings under debt agreements and proceeds from the exercise of common stock options issued under share-based compensation plans. Financing cash outflows generally include the repayment of long-term debt, the payment of dividends, and repurchases of Company stock.

Net cash used in financing activities totaled \$50.3 million in the six months ended December 31, 2013, compared with net cash used in financing activities of \$61.8 million for the six months ended December 31, 2012.

Long-term Debt

At December 31, 2013, long-term debt outstanding totaled \$340.0 million (\$225.0 million in fixed-rate unsecured senior notes, \$75.0 million under an asset-backed bank facility, and \$40.0 million outstanding under a revolving credit facility). Of the senior notes, \$25.0 million is due in the next 12 months. We expect to repay these senior notes with cash from operations and credit available under existing credit agreements. The weighted average effective interest rate for the fixed-rate notes was 3.41 percent. The interest rate on the asset-backed bank facility is variable based on the London Interbank Offered Rate (LIBOR) plus a fixed spread. As of December 31, 2013, the asset-backed bank facility had a capacity of up to \$100 million (depending on levels of accounts receivable). This facility expires on April 24, 2015.

The interest rate on the revolving credit facility is variable based on LIBOR and Meredith's debt to trailing 12 month EBITDA ratio, as defined in the debt agreement. The revolving credit facility has capacity for up to \$150 million outstanding with an option to request up to another \$150 million. At December 31, 2013, \$40.0 million was outstanding under the revolving credit facility. This facility expires on September 12, 2017.

All of our debt agreements include financial covenants, and failure to comply with any such covenants could result in the debt becoming payable on demand. The Company was in compliance with all financial covenants at December 31, 2013.

Contractual Obligations

On December 23, 2013, the Company entered into two separate definitive asset purchase agreements (collectively the Purchase Agreements) with Gannett Co. Inc. (Gannett). One of the Purchase Agreements (the KMOV Purchase Agreement) provides for the purchase of substantially all of the assets of television station KMOV(TV) in St. Louis, Missouri (KMOV). The cash purchase price for KMOV is \$176.9 million subject to working capital adjustment. The other purchase agreement (the Phoenix Purchase Agreement) provides for the purchase of substantially all of the

assets of television station KTVK(TV) in Phoenix, Arizona (KTVK) and the purchase of certain broadcast assets of television station KASW(TV) in Phoenix, Arizona (KASW) by the Company. The Phoenix Purchase

Agreement also contemplates the simultaneous purchase of certain other assets of KASW, including the station's Federal Communication Commission licenses, by SagamoreHill of Phoenix, LCC, an independent third-party purchaser. The cash purchase price for the assets of KTVK and KASW is \$230.6 million subject to working capital adjustment. The Company anticipates financing the acquisitions through a combination of additional bank and private placement debt. Other than these proposed acquisitions, as of December 31, 2013, there had been no material changes in our contractual obligations from those disclosed in our Form 10 K for the year ended June 30, 2013.

Share Repurchase Program

As part of our ongoing share repurchase program, we spent \$58.2 million in the first six months of fiscal 2014 to repurchase 1,203,000 shares of common stock at then-current market prices. We spent \$25.5 million to repurchase 749,000 shares in the first six months of fiscal 2013. We expect to continue repurchasing shares from time to time subject to market conditions. Effective July 1, 2013, shares that are deemed to be delivered to us on tender of stock in payment for the exercise price of options do not reduce the repurchase authority granted by our Board. Of the 1,203,000 shares of common stock purchased during the first six months of fiscal 2014, 992,000 were deemed to be delivered to us on tender of stock in payment for the exercise price of options. As of December 31, 2013, \$22.3 million remained available under the current authorization for future repurchases. The status of the repurchase program is reviewed at each quarterly Board of Directors meeting. See Part II, Item 2 (c), Issuer Repurchases of Equity Securities, of this Form 10 Q for detailed information on share repurchases during the quarter ended December 31, 2013.

Dividends

Dividends paid in the first six months of fiscal 2014 totaled \$36.6 million, or \$0.8150 per share, compared with dividend payments of \$34.1 million, or \$0.7650 per share, in the first six months of fiscal 2013.

Capital Expenditures

Investment in property, plant, and equipment totaled \$11.3 million in the first six months of fiscal 2014 compared with prior-year first six months investment of \$13.7 million. Current year and prior year investments primarily relate to assets acquired in the normal course of business. We have no material commitments for capital expenditures. We expect funds for future capital expenditures to come from operating activities or, if necessary, borrowings under credit agreements.

OTHER MATTERS

CRITICAL ACCOUNTING POLICIES

Meredith's critical accounting policies are summarized in our Form 10 K for the year ended June 30, 2013. As of December 31, 2013, the Company's critical accounting policies had not changed from June 30, 2013.

At December 31, 2013, goodwill and intangible assets totaled \$1.4 billion with \$968.8 million in the national media group and \$397.7 million in the local media group. As of May 31, 2013, the date that management last performed its annual evaluation of impairment of goodwill and intangible assets, the fair value of the local media group significantly exceeded its net assets and the fair value of the national media group exceeded its net assets by approximately 20 percent. The determination of fair value requires us to estimate the future cash flows expected to result from the use of the assets. These estimates include assumptions about future revenues and estimated costs. Changes in key assumptions about the national media and local media businesses and their prospects or changes in market conditions could result in an impairment charge. See Item 1A. Risk Factors, in our Form 10-K for the year ended June 30, 2013, for other factors which could affect our assumptions.

ACCOUNTING AND REPORTING DEVELOPMENTS

There were no new accounting pronouncements issued or effective during the fiscal year which have had or are expected to have a material impact on the consolidated financial statements. See Note 1 to the condensed consolidated financial statements for further detail on applicable accounting pronouncements that were adopted in the first quarter of fiscal 2014 or will be effective for fiscal 2015.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These statements are based on management's current knowledge and estimates of factors affecting the Company's operations. Readers are cautioned not to place undue reliance on such forward-looking information. Factors that could adversely affect future results include, but are not limited to, downturns in national and/or local economies; a softening of the domestic advertising market; world, national, or local events that could disrupt broadcast television; increased consolidation among major advertisers or other events depressing the level of advertising spending; the unexpected loss or insolvency of one or more major clients; the integration of acquired businesses; changes in consumer reading, purchasing and/or television viewing patterns; increases in paper, postage, printing, syndicated programming or other costs; changes in television network affiliation agreements; technological developments affecting products or methods of distribution; changes in government regulations affecting the Company's industries; increases in interest rates; and the consequences of acquisitions and/or dispositions. Meredith's Form 10 K for the year ended June 30, 2013, includes a more complete description of the risk factors that may affect our results. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Meredith is exposed to certain market risks as a result of our use of financial instruments, in particular the potential market value loss arising from adverse changes in interest rates. The Company does not utilize financial instruments for trading purposes and does not hold any derivative financial instruments that could expose the Company to significant market risk. Readers are referred to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in the Company's Form 10 K for the year ended June 30, 2013, for a more complete discussion of these risks.

Interest Rates

We generally manage our risk associated with interest rate movements through the use of a combination of variable and fixed-rate debt. At December 31, 2013, Meredith had \$225.0 million outstanding in fixed-rate long-term debt. There are no earnings or liquidity risks associated with the Company's fixed-rate debt. The fair value of the fixed-rate debt (based on discounted cash flows reflecting borrowing rates currently available for debt with similar terms and maturities) varies with fluctuations in interest rates. A 10 percent decrease in interest rates would have changed the fair value of the fixed-rate debt to \$226.4 million from \$224.7 million at December 31, 2013.

At December 31, 2013, \$115.0 million of our debt was variable-rate debt. The Company is subject to earnings and liquidity risks for changes in the interest rate on this debt. A 10 percent increase in interest rates would increase annual interest expense by \$0.1 million.

Broadcast Rights Payable

There has been no material change in the market risk associated with broadcast rights payable since June 30, 2013.

Item 4. Controls and Procedures

Meredith's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that Meredith files or submits under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to Meredith's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. There have been no significant changes in the Company's internal control over financial reporting in the quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to the Company's risk factors as disclosed in Item 1A, Risk Factors, in the Company's Form 10-K for the year ended June 30, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Repurchases of Equity Securities

The following table sets forth information with respect to the Company's repurchases of common stock during the quarter ended December 31, 2013.

| Period | (a) Total number of shares purchased ^{1, 2, 3} | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced programs | (d) Approximate dollar value of shares that may yet be purchased under programs (in thousands) |
|------------------------------------|--|---|---|---|
| October 1 to October 31, 2013 | 56,385 | \$ 51.23 | 12,982 | \$ 25,115 |
| November 1 to November 30, 2013 | 82,056 | 52.75 | 15,638 | 24,277 |
| December 1 to December 31, 2013 | 40,756 | 49.61 | 39,021 | 22,344 |
| Total | 179,197 | | 67,641 | |

¹ Total number of shares purchased includes the purchase of 330 shares of Class B common stock in November 2013.

² The number of shares purchased includes 3,718 shares in October 2013, 10,108 shares in November 2013, and 339 shares in December 2013 delivered or deemed to be delivered to us in satisfaction of tax withholding on option exercises and the vesting of restricted shares. These shares are included as part of our repurchase program and reduce the repurchase authority granted by our Board. The number of shares repurchased excludes shares we reacquired pursuant to forfeitures of restricted stock.

³ The number of shares purchased includes 43,403 shares in October 2013, 66,418 shares in November 2013, and 1,735 shares in December 2013 deemed to be delivered to us on tender of stock in payment for the exercise price of options. Effective July 1, 2013, these shares are no longer included as part of our repurchase program and thus they do not reduce the repurchase authority granted by our Board.

In October 2011, Meredith announced the Board of Directors had authorized the repurchase of up to \$100.0 million in additional shares of the Company's stock through public and private transactions.

Effective July 1, 2013, shares that are deemed to be delivered to us on tender of stock in payment for the exercise price of options do not reduce the repurchase authority granted by our Board. Shares delivered or deemed to be delivered to us in satisfaction of tax withholding on option exercises and the vesting of restricted shares continue to reduce the repurchase authority granted by our Board.

For more information on the Company's share repurchase program, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Share Repurchase Program."

Item 6. Exhibits

- 2.1 Asset Purchase Agreement among Gannett Co., Inc. and Meredith Corporation in respect of Television Stations KTVK(TV), Phoenix, Arizona and KASW(TV), Phoenix, Arizona and Related Assets dated as of December 23, 2013.
- 2.2 Asset Purchase Agreement among Gannett Co., Inc. and Meredith Corporation in respect of Television Station KMOV(TV), St. Louis, Missouri and Related Assets dated as of December 23, 2013.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEREDITH CORPORATION
Registrant

/s/ Joseph Ceryanec
Joseph Ceryanec
Vice President - Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: January 29, 2014

INDEX TO ATTACHED EXHIBITS

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