MEREDITH CORPORATION
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INTRODUCTION – Matt Chesler

Welcome to the Meredith presentation. Today with me is Steve Lacy, president and CEO of Meredith. Steve joined Meredith in 1998 and has held a range of executive positions during this time, including CFO, President of Interactive and Integrated Marketing, President of the Publishing Group, COO, President of the Broadcasting Group, before being appointed to his current position as CEO about one year ago.

Also with us today is Suku Radia, CFO, and I believe Mike Lovell, IR. So thank you, and welcome back to Steve and Suku.

STEVE LACY

Thank you very much, Matt, and it is a great pleasure to be with you today. We're going to have a few opening remarks, and then we'll be happy to answer any questions that you might have.

Of course, our presentation includes some forward-looking statements and factors that could affect our business and our operations. We also have some non-GAAP financial measures that we'll make reference to, such as EBITDA. And the financial statements and those tables to reconcile GAAP to non-GAAP measures are always posted on the Meredith Web site.

For those of you who may be a little less familiar with our company, let me start with a quick overview. We have been in the media and marketing business now for a little over 105 years. Most people know us best for our magazine properties, and we do own some of the most widely read publications in the industry, including one of the industry's most-recognized brands, *Better Homes and Gardens. Better Homes and Gardens* is a real powerhouse in our business in terms of brand extension and consumer reach, and its stability and strength over long many years has really provided a tremendous foundation to expand our media and marketing footprint.

Today our reach extends to 25 subscription magazines including *Parents*, *Ser Padres*, *Fitness* and *Family Circle* – titles that we acquired from Gruner + Jahr almost two years now. We also publish another 200 special interest publications sold primarily at supermarkets and home centers across the country.

We own 13 broadcast television stations, fortunately a number of them located in some of the fastest-growing markets in the country. We operate 30 Web sites, have a retail book business that has about 400 titles in print in any given year, and operate an 85 million-name database which includes information on 7 out of 10 homeowning households in the country. And that's really our target audience – women who operate 7 out of 10 homeowning households across the U.S.

We use our expertise across all these platforms to create a variety of custom marketing programs that are sold to some of the largest corporate clients in the country. And over the last 12 to 18 months we've been actively adding online capabilities with the acquisition of three online service agencies to our existing custom marketing business. And we'll touch on that in more detail in just a few moments.

Today we're going to speak to three key elements of our growth strategy. I'll begin with an overview of our rapidly growing online media platform and discuss how we're driving revenue across a variety of Internet properties. I'll also talk about our newest business that was launched just a few weeks ago – Better.tv, which is Meredith's first broadband video network. I'll also provide an update on our core publishing and broadcasting business and some information on our financial highlights.

Over the last decade, and as Matt mentioned, I ran in the early days our Internet activity across both our publishing and our broadcasting businesses. As I mentioned, today we operate 30 Web sites, 17 based on our publishing brands and 13 in our local broadcast operation. In the last four to five years we've been very aggressive in this business, doubling our Web traffic. And today on a monthly basis we serve 10 to 12 million unique visitors, and that was compared to about 3 or 4 million back in 2002.

Online revenues on the publishing side have increased about 40 percent in the first nine months of our fiscal year, and in late March we unveiled the recently redesigned *Better Homes and Gardens* Web site. We plan to debut a newly created parenthood portal in early July. Both of these sites will allow us to continue to expand our advertising revenues and capabilities.

In addition to advertising revenues on the site, we also use the Internet to help generate subscriptions. Our Internet-based subscriptions cost about half what it does to solicit through traditional direct-mail sources. And in the first nine months of our current fiscal year we've generated a little over 2 million orders online, and that's about a 40 percent increase over what we delivered a year ago.

Broadcasting online advertising also posted strong results in the third fiscal quarter with revenue more than doubling compared to the prior-year period. Our goal is to become the local portal of choice in certain of our key locations, and we have redesigned our Web sites to increased creative and sales resources really across the group.

Our Web-based corporate marketing activity also continues to grow, and we'll get on that in a little more detail when we get into custom marketing.

Online revenues have grown rapidly in recent years, albeit from a modest base. We anticipate as we close the fiscal year they'll be about 3.5 percent of total company revenue, and they were about 1.3 percent of total company revenue two years ago at this time. We have a goal for our online revenues to reach 10 percent of total revenue by our fiscal 2010. We'll achieve that organically and through additional select acquisitions as we look to the near term.

So now let's turn to our largest online property and our flagship site, BHG.com. It has been ranked in the top ten online portals in the home and shelter category for some time.

We continue to enhance the site's capabilities; and, as I mentioned a moment ago, in late March we relaunched the redesigned site, really to make navigation easier and the information quicker to find. We've also added about 30 editorial blogs that are refreshed each day. There is now video on the site, anchored by the major new broadband network that we call, once again, Better.tv.

We've added other tools including a remodeling channel, a 3-D tool where you can virtually remodel your kitchen or bathroom online, and much stronger community applications than we had in the past that really allow the consumer to much more easily interact with our editors and also interact with one another on the site. Our intent is really to make the visitor to BHG.com feel that the site and the tools have really been designed and created specifically for her and for her individual and personalized needs.

As I mentioned a moment ago, we're very excited about the developing parenthood portal, which will debut in July. This site is really intended to grow and develop into one of the key online destinations for parents, and it will really leverage our parenthood content and expertise across *American Baby, Parents, Child* and the *Family Circle* brands. It will feature very, very rich community and connectivity, video applications, and of course best-in-class tools and resources. New parents are heavy users of the Web, and it's really designed to serve this growing demand and of course appeal to advertisers interested in reaching these new mothers through the parenthood site.

We also continue to develop and build our growing Internet sites in our broadcast business. Once again, our goal is to be the local portal of choice in certain of our key markets and a top destination in every market where we operate a station. We've recently redesigned all the sites, increasing creative resources and more dedicated sellers as more and more revenue is really available online in the local marketplace.

Our station sites in our three largest markets have really experienced wonderful growth in the current fiscal year. KPTV, which is our major duopoly in Portland, has doubled its page views in the current year. KPHO in Phoenix has tripled, and our Atlanta station has grown by about 30 percent.

As I mentioned, we're very focused on a local portal strategy, and this slide really shows a little bit more information on LivePDX, which is our portal in the Portland marketplace. Each individual user who comes to Live PDX can customize the site by creating their own account and choosing their own areas of interest. It features a lot of video and topics such as local business, area tours, and local entertainment, dining and movie-going. It really echoes the popularity with a lot of user-generated content available on the site, similar to what you might see if you went to YouTube. Depending upon the success of Portland, we believe that we can roll out these features in some of our other markets as well.

As I mentioned a few moments ago, over the last 12 to 18 months we've purchased three online marketing agencies, really significantly broadening the scope of our custom marketing capabilities. O'Grady Meyers is in Los Angeles, along with Genex, and New Media Strategies, which is a word-of-mouth marketing agency located in suburban Washington, DC.

These businesses really enhance our ability to help our corporate clients build their brands online. These include the capabilities of Internet strategy, cutting-edge Web development and Web 2.0 marketing tools. Our really very aggressive move into the online marketing capability adds to our traditional reputation of custom marketing and direct-mail capabilities.

But before we move into further discussion about that, I thought we'd spend a few minutes on our latest new business launch, our first-ever broadband video network. The Meredith broadband network will really include, in just a few weeks, two mega brands, *Better* and *Parents*.

Better.tv, which was announced just a few weeks ago, really draws content from *Better Homes and Gardens, Ladies' Home Journal* and the *More* brands. Original video content on the network really lives in three key places – in the Better.tv channel on the Internet as a standalone, in the video player on BHG.com, and on a local lifestyle show that we create across the broadcast stations, called Better.tv.

Parents.tv, which will launch next month, along with the parenthood portal, is backed by the authority of *American Baby, Parents, Family Circle,* and the *Child* brands. It will include and live in a variety of online permutations including: Parents.tv channel on the Internet, the video player on our Parents.com broadband, and Parents.tv on demand as well.

Meredith Video Solutions creates this broadcast-quality video and secures these outlets for distribution across a variety of platforms. It has been a great collaboration between our Publishing and our Broadcasting Groups, with Publishing contributing the brands, a lot of content, and a lot of knowledge of the consumer across these areas of interest.

Our Interactive Media Group provides traffic, sales and marketing capabilities, and the technology resources to bring this to life. Along with video solutions, then the Broadcast Group applies our production resources and our video creation expertise.

Better.tv provides over 20 channels of video information on topics that range from food to family, to fitness, remodeling, decorating, gardening and health. Video segments range from 2 to 30 minutes in length. Better.tv and Parents.tv are part of our strategy to reach out to the next generation of consumers that we think of broadly as the daughters of the Baby Boom women that we have served through our home and family content for so many years.

To get a clearer understanding of what I think is one of our most exciting developmental initiatives, let's take just a couple moments to watch Better.tv's host, Kimberly Moss, who explains our new network.

[Video transcript]

Hi everyone, and welcome to Better.tv. I'm Kimberly Maus in Better.tv's studios. You're experiencing a totally new and different Internet television network just for you. Whether you're at work, home, or wherever you take your computer, we're always on, every day.

> *Better.tv is all about home, family and life – your life. By combining the resources of your favorite magazines, like* Better Homes and Gardens, Ladies' Home Journal, Family Circle, American Baby *and many, many others, we're able to provide you with the most current, helpful and reliable information out there to help you with your day. We're here simply to make your day better. We'll provide you with new, fresh, updated videos and programs that will inspire, enrich and enhance your daily life.*
>
> *To get started, just click on one of the many channels at the top of this page. Look for the channel that you want to see, click it on, and then choose any of the interesting and informative videos right over here.*
>
> *So, welcome to Better.tv. Look around, have fun, and find ways to make your day better. I'm Kimberly Maus, and for all of us here at Better.tv, we're always here to make your home, family and life better. See you next time.*

So of course as you look at a new and growing enterprise like this, the real question is: How do we make money on the investment we're making in this broadband video network?

The business model for really monetizing Meredith Video Solutions is based primarily on advertising. First and foremost, we're selling 15-second advertising spots, and one spot plays for each three videos that the consumer watches on Better.tv. Advertisers to date on this very, very new network include: Proctor & Gamble, Kraft, Lowes, Purina, and the Florida Department of Citrus, to name just a few.

Second, and probably more interesting, we are selling both exclusive and nonexclusive sponsorships for key channels within Better.tv and the "Try This" areas. For additional premium, the sponsors can also provide product placement within the video.

And finally, Meredith Video Solutions creates custom content for certain of our clients, like we've done for many years on the Internet and also in traditional print products. A good example of that is a recent custom DVD that we did for General Electric, really featuring how changing lighting within your home can help enhance the home's quality and lifestyle.

So with that we're going to turn to our core Publishing business for a quick update there. Once again for those of you who are not as familiar with Meredith, we are in fact the leading publisher serving primarily women. We reach 75 million women each and every month, easily surpassing the female reach of our core competitors, Time Inc., Hearst and Condé Nast. From new homeowners to new mothers to affluent empty nesters, we reach the full spectrum of consumers across her entire adult lifecycle. We provide information, and more importantly inspiration, that fuels her key passions in areas of caring for her home, her family and her own health and well-being.

In *Better Homes and Gardens, Ladies' Home Journal*, *Family Circle* and *Parents*, we own four of the broadest and more-recognized brands in the industry. Many of our newer and developing titles have tremendous upside potential, including *More* magazine, *Fitness*, and *Siempre Mujer*, our new Spanish language lifestyle title.

ReadyMade, a recent acquisition, has a great opportunity to grow and is also helping us once again reach out to younger consumers in their late twenties and early thirties – very, very appealing to the advertising community.

Ad revenues are off to a stronger start in calendar 2007. Our third quarter was up about 7 percent on 5 percent growth in ad pages, so we were able to price up and improve our advertising margins as well. We're seeing the strongest performance in three key categories – DTC pharmaceuticals, food and beverage, and household supplies – in the early going of calendar 2007.

When it comes to reaching the Spanish-speaking audience in the U.S., we're clearly the leading publisher in reaching Hispanic women. Today one in every five babies born in this country is to a woman whose primary language is Spanish. In three years we believe that number will be one in every four babies born in the United States. *Ser Padres*, which we acquired from Gruner + Jahr, is the Spanish-language version of *Parents* magazine, a very well-established business with a guaranteed rate base of around 500,000.

In September of 2005 we launched *Siempre Mujer* and while still in the investment phase is performing very well, especially from an advertising point of view. Together with *American Baby*'s Spanish-language titles, we reach about four million adult Hispanic women on an annual basis.

In addition to our magazine activity, we own and operate a very powerful and fast-growing custom marketing business that we call Meredith Integrated Marketing, where we serve primarily corporate clients. We create customer relationship loyalty programs that are really designed to cause the consumer to interact over and over again with one of our client brands.

Our traditional print capabilities and direct-marketing skills are now augmented by our recent acquisitions in the areas of Web design and online marketing solutions as well. In just over a year with the three online acquisitions that we've made, we've really transformed Meredith Integrated Marketing into a comprehensive marketing service provider with really cutting-edge capabilities in the online arena. We have also had the opportunity to add over 200 highly skilled employees across the country, giving us creative resources and expertise that we need to serve these corporate clients.

We're beginning to cross-sell between a variety of the new clients that these acquisitions have brought to bear, and we think that this is going to be a wonderful growth opportunity for Meredith as we look to the future.

On the broadcasting side of our business, as I mentioned, we operate 13 stations across the country, and our group reaches about 10 percent of the TV households. We've created a very strong news culture across the operation, and we continue to have tremendous growth in both profitability and ratings.

You can see on the next slide our EBITDA margin and revenue growth over recent years, reaching over 35 percent in fiscal 2006 and continuing to grow to 36.3 percent in the first nine months of fiscal 2007. This was driven by record political advertising in the first half of our fiscal year where we reached $33 million in net political advertising, a record ever in the history of the Meredith broadcasting business.

The expansion of local news and improved ratings and the ability to monetize those ratings continues to drive the core business. Local news represents 35 to 45 percent of our revenue, and we've grown the number of hours in recent years from about 150 to now over 300.

We have had particular growth and strong performance at our three largest markets that you see on this slide – Atlanta, Phoenix and Portland. Interestingly, in Phoenix as an example, over the last five years this ratings growth has allowed us to grow our advertising rates for our late newscasts a little over 50 percent.

Over time we've also been quite successful at growing nontraditional revenue in our broadcast operations in a variety of areas, especially what we call our Cornerstone programs where we use our publishing brands to create marketplace promotions for local advertisers.

The combined revenues of these activities were a little over $40 million in fiscal 2006. We've already surpassed $37 million in the first nine months of fiscal 2007, almost a 25 percent increase over that nine-month period of time.

We're beginning to see revenues from retransmission fees in the local market. In fiscal 2007 those fees will be around $5 million, and most of them come from satellite providers. The majority of our retransmission agreements run through December of 2008 and we'll be renegotiating those as we get into that particular timeframe.

So a quick touch on our financial performance. This chart really shows a long-time, strong track record of generating very strong cash flow. Over the past decade we have generated a little over a billion dollars in free cash flow, defined here as net earnings plus depreciation, amortization less capex and excluding any sort of special items that happen during that time period. On a typical year our free cash flow is about 115 percent of our net earnings.

We've completed $1.1 billion of acquisitions during this time period. We continue targeting accretive acquisitions like *American Baby* and Gruner + Jahr. We've invested a little over $300 million in capital expenditures, and the majority of our digital build-out is complete.

We have a consistent track record of returning capital to our shareholders through both our share repurchase and our dividend program. We increased our repurchase activity very substantially in fiscal 2005 and 2006 and are on track to deliver another strong year in our buyback program. We've repurchased a little over a million shares to date in our fiscal 2007.

As a company, we've paid dividends for a consecutive 60-year time period. As you can see, we've increased our dividends pretty dramatically in the last three years – 16 percent in January of this year, 14 percent in fiscal 2006, on top of 17 percent in fiscal 2005. We plan to sustain a dividend payout ratio ranging somewhere between 20 and 25 percent of net earnings.

Our current debt is paid down now to $485 million with an average cost of around 5 percent. Our trailing 12-month EBITDA ratio is 1.4:1, giving us really plenty of opportunity for acquisition, given that our debt covenants allow 3.75:1. Even with healthy share repurchases and continued dividend payments, we have retired around $80 million in debt so far in our fiscal 2007.

The last slide here reiterates our earnings guidance that we provided on our third-quarter conference call, which was on April 25. In fiscal 2006 we earned $2.86 a share. We expect to grow earnings approximately 14 percent to $3.26 as we close out fiscal 2007 on June 30. This is consistent with the guidance that we have provided throughout fiscal 2007. Fourth quarter earnings per share from continuing operations are expected to be $1.04 compared to 97¢ a year ago.

In summary, we are aggressively increasing our online presence with a goal of these activities delivering about 10 percent of overall Meredith revenue by the year 2010. We're continuing to develop new businesses and new revenue streams such as the recent introduction of our first-ever broadband channel on our broadband video network. We're strengthening our core publishing and continuing to boast the margins in our Broadcasting Group. We continue to be committed to delivering strong financial results and increasing shareholder value over time.

We'd certainly be happy to answer any questions that you might have at this point in time. And thank you very much. Any questions? Yes, please.

Question & Answer Session

QUESTION

In terms of acquisitions, are you a hundred percent focused only upon online acquisitions? Are you open to increasing your TV stations' exposure or magazine titles?

STEVE LACY

We are, in our development group, very interested in all three of those areas. We're interested in any opportunity to add to our scale or our capabilities in the online arena, and if another wonderful magazine opportunity like Gruner + Jahr came about, we would be very, very aggressive and interested in that as well, or additional brands that we can build on. We get basically every deal in the broadcast arena that comes on the market, but we think that the pricing has been a little heady at this point in time, and generally we're sort of in the first round and we don't make it in the second round. But we've got certain key markets where we'd love to have a duopoly, and some growth markets that we're very interested in. But we're not going to do a tremendously dilutive acquisition in that particular area.

QUESTION

[inaudible] women's titles…

STEVE LACY

Primarily. Unless there would be a male title that would have enough scale that would really allow us to begin to develop a male-oriented database. Because from a circulation point of view, the 85 million names we have are primarily women's names, and so it's more difficult for us to add value from a circulation point of view to a male title unless we get a pretty good size one that would have some scale with it.

QUESTION

Is there in your mind a blurring between the differences of your publishing business and what an advertiser does, talking about the custom marketing, and to what extent that is naturally evolving into an actual advertising agency. Is that not an accurate way to think about it?

STEVE LACY

Well, I think the only place I would correct you there is that we don't place media. So the agencies that we have acquired were really custom marketing agencies. So we are not competing head to head with the agencies that we solicit for advertising. We are competing in all sincerity with parts and pieces of the holding company level in some of the custom marketing work that we do. And we have done that – we've been in this custom marketing for about 40 years now. But we don't place media within Meredith Integrated Marketing. Any other?

QUESTION

I'll take one. I'll just jump right in there. It's been about a year now since Ad Trend and the performance of the parenting category dips a bit, and what we've heard from you in the past is that your core advertisers themselves are seeing increases [inaudible]. [inaudible] through a period of time and suffer along with them. Now that we're somewhat well into that, can you give us an update on any. Are you seeing those pressures continuing?

STEVE LACY

Suku, do you want to give a little update on the parenthood advertising, and then I'll give maybe after that sort of a little broader view of what I think is going on in the space. Thanks, Matt.

SUKU RADIA

…advertising, you know, we've signaled for the last three quarters that the category itself, while we have been able to gain share, the reality is that in that particular space we saw declines in the number of pages. And to put things in perspective, *Parents* magazine was down about 20 pages at the same time as *Parenting* was down more like 300 pages. So we didn't take a lot of solace from the fact that we were gaining share when the whole parenthood category was down primarily, as Matt pointed out, the inputs. And primarily what we are referring to here is of course so many of the endemic products are petroleum based, whether it's diapers or ointments or creams, etc. So we saw that when the price of fuel went up as much as it did, we saw an overall decline in the overall parenthood categories. Basically what we saw earlier in the year was a steeper decline, and it subsided quite a bit in the third fiscal quarter.

Steve So the industry is recovering a bit from that. And the other side of it, and the reason we've been at work for about 18 months on this parenthood portal, is that younger women, the new mothers coming into the marketplace use print products, but they aggressively use Internet and use video. And we really need to be there on all platforms and serve here where and when she wants to access the content. And we've been content starved from an online point of view in the parenthood space. So the launch of the parenthood portal under Parents.com will help us quite a bit in that regard as well. Any other questions? Yes, please.

QUESTION

In looking at your fiscal year 2008 or your fiscal year '09 there's some [inaudible] what we might expect from the political arena. As you think about how you're managing your business, how are you taking that into account?

STEVE LACY

Well, there's a couple key things, and I appreciate the question. First of all, in the first half of fiscal 2007 we had net political advertising, as I mentioned earlier, of about $33 million. The other major issue that is coming to bear is the recent postal rate increase, which happened in May. And in simple dollars, it costs us a little over a million dollars a month, a little over 13 million for the year taken as a whole.

So we are obviously working aggressively to replace the political advertising and working from a cost point of view to deal with postal. And that's really the reason that when we released earnings in April, we signaled that we give guidance for fiscal 2008 earlier than we normally do. And so when we're at the mid-year media review, I guess just in a couple weeks from now, we're going to provide some early guidance about how we see advertising trending and a sense of how we see fiscal 2008 playing out and then also a sense of how that'll play out between the first half and the second half of the year because of the really heavy political that we had in the first half of our current fiscal.

SUKU RADIA

I'll comment if I may. On the broadcasting front, when we talk about the loss of political, the local revenue still, you know, if you chart us back maybe to the last eight, ten years, we were, national was about 65 percent and the local was about 35 percent – now that's flipped. So the local business continues to be very, very strong, and generally intuitively the belief is that the automobile is down significantly – it ranges from 25 to 30 percent in any given quarter. And as an example, in our third fiscal quarter we were still up in the auto category; while we were down in domestic, we've done very well on the import side. And of course that is a local market phenomenon also, and that still tends to work very well for us.

QUESTION

That kind of leads into my next question. It's striking to look at the difference between your fortune versus the newspaper business. At least on a [inaudible] level, you would think that some of the same pressures that are in the print publications or newspapers would affect you more than they have. Why do you think that isn't the case, and obviously then going forward what would you think…

STEVE LACY

Well, I appreciate the question, because we're often brushed with the newspaper brush, and our business is radically different. If we were in the news weekly business, such as *Time* magazine and *Newsweek* and the others, we would have similar issues. But the way to think about our business is really twofold. First and foremost, we're in a monthly publication activity, not a weekly or a daily. And the content that we create is by and large evergreen – we're doing decorating, gardening, remodeling, cooking, how to take care of an infant, how to take care of a toddler. And although they're variations on a theme, it is not at all like the content that comes out in the daily newspaper or in a weekly news magazine. Young people, broadly speaking, tend not to get their news in print, and the circulation dynamics and the advertising challenges around that, I think, are pretty well known. So we are in the print business, but we're in a very, very different print business than the newspaper business. Does that make sense? … Yes, please.

QUESTION

Just wondering on the broadcasting business, TV multiples have been so high, 12 to 16 times, appreciate that you're not able to get in the second rounds, even probably wasting your time in the first round. And 8 times, 10 times leverage, you're not fighting the same fight when you're talking about covenants allow you 3.25, 3.75. Is there something to do – maybe just review the tax basis again for us on the television stations – is there something you could do to create a separate vehicle, maybe put the TV stations separately and lever that up, just to make it more of a fair fight? If you're going to try to acquire, you probably can't, and the other point then is, you know, is there a way that you can sell? And I think the tax leakage is a problem. So is there some structure that you can create to try to separate that.

STEVE LACY

Yeah. Well, you're right about the tax leakage. Our basis is what?

SUKU RADIA

About half a billion.

STEVE LACY

Yeah, in the whole group taken as a whole. And we have over the years looked at a variety of structures. And there's lots of black books that we have from lots of investment bankers. And really at the board level we’ve never felt that there was anything that was compelling enough to really go through that process. And I don't know, Suku, if you would add anything to that.

SUKU RADIA

Yeah. Even if you were able to do some sort of a double mortgage trust type of transaction and get the group spun out, from a freestanding standpoint, what do you really have when you have that type of an entity. And even at that, even if you were able to get more leverage into that because of the spinout, at some of these rich multiples, you still, the transaction just absolutely has to make economic sense, even after you factor in the leverage. And we just haven’t been able to get to those types of multiples and justify doing that.

QUESTION

Okay. Then just a follow-up question. Having covenants these days is quite old-fashioned. … [inaudible] like things for the private-entity companies. Is there something that you can do to renegotiate your terms. In view of a lot of benefits in the publishing business in terms of free cash flow, I would imagine covenants would be something you’d try to negotiate away and possibly lever up your entire business more.

STEVE LACY

We don't feel in any way, shape or form that we’re constrained by those covenants. And when we did the Gruner + Jahr transaction, how much money did we need?

SUKU RADIA

We needed to borrow $300 million for that particular transaction. The transaction was $350 million, and we needed to borrow $300 million. And we were over-subscribed; subscriptions were $1.2 billion, so we just simply went back and got more favorable rates. And that’s the reason why we have a 5 percent overall fixed cost structure right now. And the covenants, as Steve said, have never really been a constraint.

STEVE LACY

I think if there’s any constraint, once again in all sincerity we tend to be pretty conservative, and we tend not to get ourselves over-levered. And we tend to want to have the capital available to continue to invest properly in our business. And so I don't think you would see us treat our balance sheet the way a private-equity firm would. It’s just not our philosophy.

QUESTION

What does the acquisition pipeline look like for marketing services assets?

STEVE LACY

There are some really interesting things. If you think about the capabilities that we like to take to market, we've got pretty broad scale in the custom publishing side of that business. We have added quite a bit to the online capabilities. The place where we're doing a lot of work right now is in the database marketing. One of the phenomenas that we run across in every one of the deals that we do from a custom marketing point of view is that our customers have a very hard time getting their list to be clean and accurate. And so we think that there is an opportunity there, and we're doing quite a bit of work right now in the database marketing area as an additional complement. We run a very large and very aggressive database for ourselves, but we don't oftentimes market those services.

We are the database provider, as an example, for Hyundai, and we maintain all the information on our technology for their entire installed base. We recently took on a new assignment from Suzuki to do a similar activity. But most of our database skills are really for our own capabilities, and so, Matt, we're looking in that area right now pretty aggressively. Any other questions from anyone?

MATT

Got one right here in front.

STEVE LACY

Oh, I'm sorry, okay.

QUESTION

Steve, one last question. On G + J how do you feel about where you are with the margin improvement and just the integration of that business and whether that experience has increased your potential appetite for any other title or group of titles that may or may not become available in the future?

STEVE LACY

And, Suku, correct me if I'm wrong on this. When we bought those businesses, really in the first year the margin was sort of high single digits – is that right?

SUKU RADIA

Yes, maybe, yeah, mid to high single digits.

STEVE LACY

Yeah, and we said that we thought over the relative near term that we could get to the mid to high teens, and we're about halfway there at this point in time. And we're really encouraged with *Family Circle*, as an example, in terms of the way it has performed and really encouraged with how well the Meredith consumer database has worked for those businesses. We knew, as an example, that the *American Baby* list was the very best list for parents, because we were already renting them the names. But I wasn't quite sure what would happen with *Family Circle*, which is such a major property, and we've been very successful there.

We are quite interested. The challenge is that so many of the properties that would make a lot of sense for us from a portfolio point of view are probably not properties that will come on the market. I'm sure that you all saw the recent transaction from Prime Media, and those are just businesses of very, very small scale that would not make sense for us from a portfolio point of view.

But I think in answer to your broader question, I think we're quite confident in our ability to acquire and integrate. But it needs to be something that not only our database supports but from a content point of view it needs to be something that fits with our capabilities – and not too far afield. You wouldn't se us probably go into beauty and fashion and that sort of thing, which, you know, Hearst and Condé Nast are experts at. If we had something that really tied in more to the women's health and well-being part of our portfolio, we'd be very interested. We've got plenty of shelter and we've got plenty of parenthood, but sort of the other big area – you know, taking care of children, taking care of the home, and then of course taking care of herself and the extended well-being of the family is another role that most of our female consumers take on in their adult lives.

SUKU RADIA

On the Gruner + Jahr front, just to give you some more perspective – Steve talked about the margin when we took it on – and in the first nine months of fiscal 2006 the EBITDA margin was in the low double digits. In the first nine months of fiscal 2007 that was in the mid-teens.

MATT

Okay, thank you very much, Steve, Suku, and Mike in the back.