

MEREDITH CORP

Form 10-Q

April 28, 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 March 31, 2014

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 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 March 31, 2014

Common shares	36,880,023
Class B shares	7,706,363
Total common and Class B shares	44,586,386

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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	March 31, 2014	June 30, 2013
(In thousands)		
Current assets		
Cash and cash equivalents	\$22,121	\$27,674
Accounts receivable, net	240,846	232,305
Inventories	26,478	28,386
Current portion of subscription acquisition costs	104,081	97,982
Current portion of broadcast rights	5,523	2,831
Other current assets	19,201	18,514
Total current assets	418,250	407,692
Property, plant, and equipment	481,073	464,255
Less accumulated depreciation	(292,261 )	(277,938 )
Net property, plant, and equipment	188,812	186,317
Subscription acquisition costs	101,162	99,433
Broadcast rights	2,698	3,634
Other assets	74,844	69,848
Intangible assets, net	660,244	584,281
Goodwill	857,196	788,854
Total assets	\$2,303,206	\$2,140,059
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$75,000	\$50,000
Current portion of long-term broadcast rights payable	5,427	4,089
Accounts payable	60,531	78,458
Accrued expenses and other liabilities	128,982	132,676
Current portion of unearned subscription revenues	189,076	191,448
Total current liabilities	459,016	456,671
Long-term debt	450,000	300,000
Long-term broadcast rights payable	3,941	5,096
Unearned subscription revenues	155,828	163,809
Deferred income taxes	258,660	247,487
Other noncurrent liabilities	107,706	112,700
Total liabilities	1,435,151	1,285,763
Shareholders' equity		
Series preferred stock	—	—
Common stock	36,880	36,242
Class B stock	7,706	8,324
Additional paid-in capital	45,920	50,170
Retained earnings	792,963	775,901
Accumulated other comprehensive loss	(15,414 )	(16,341 )
Total shareholders' equity	868,055	854,296

Total liabilities and shareholders' equity	\$2,303,206	\$2,140,059
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See accompanying Notes to Condensed Consolidated Financial Statements.

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

Periods ended March 31, (In thousands except per share data)	Three Months		Nine Months	
	2014	2013	2014	2013
<b>Revenues</b>				
Advertising	\$182,175	\$195,243	\$574,253	\$619,459
Circulation	96,078	91,458	239,545	234,345
All other	89,161	82,914	264,116	230,563
Total revenues	367,414	369,615	1,077,914	1,084,367
<b>Operating expenses</b>				
Production, distribution, and editorial	144,766	141,605	417,759	416,333
Selling, general, and administrative	168,386	166,873	487,799	481,245
Depreciation and amortization	23,033	11,091	46,418	33,985
Total operating expenses	336,185	319,569	951,976	931,563
Income from operations	31,229	50,046	125,938	152,804
Interest expense, net	(3,408 )	(3,228 )	(8,676 )	(10,230 )
Earnings before income taxes	27,821	46,818	117,262	142,574
Income taxes	(9,335 )	(17,397 )	(44,166 )	(52,727 )
Net earnings	\$18,486	\$29,421	\$73,096	\$89,847
Basic earnings per share	\$0.41	\$0.66	\$1.64	\$2.02
Basic average shares outstanding	44,649	44,404	44,665	44,436
Diluted earnings per share	\$0.41	\$0.65	\$1.61	\$2.00
Diluted average shares outstanding	45,376	45,079	45,462	45,021
Dividends paid per share	\$0.4325	\$0.4075	\$1.2475	\$1.1725

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Periods ended March 31, (In thousands)	Three Months		Nine Months	
	2014	2013	2014	2013
Net earnings	\$ 18,486	\$ 29,421	\$ 73,096	\$ 89,847
Other comprehensive income, net of income taxes				
Pension and other postretirement benefit plans activity	269	489	927	1,217
Other comprehensive income, net of income taxes	269	489	927	1,217
Comprehensive income	\$ 18,755	\$ 29,910	\$ 74,023	\$ 91,064

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	—	—	—	73,096	—	73,096
Pension and other postretirement benefit plans reclassifications, net of income taxes	—	—	—	—	927	927
Share-based incentive plan transactions	1,429	—	53,474	—	—	54,903
Purchases of Company stock	(1,408 )	(1 )	(66,411 )	—	—	(67,820)