

MEREDITH CORP

Form 10-Q

January 28, 2016

[Click here for Table of Contents](#)

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, 2015

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 December 31, 2015

Common shares	37,722,573
Class B shares	6,940,616
Total common and Class B shares	44,663,189

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## TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of December 31, 2015 and June 30, 2015	<u>1</u>
Condensed Consolidated Statements of Earnings for the Three and Six Months Ended December 31, 2015 and 2014	<u>2</u>
Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended December 31, 2015 and 2014	<u>3</u>
Condensed Consolidated Statement of Shareholders' Equity for the Six Months Ended December 31, 2015	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2015 and 2014	<u>5</u>
Notes to Condensed Consolidated Financial Statements	<u>6</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>15</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>26</u>
Item 4. Controls and Procedures	<u>27</u>
Part II - Other Information	
Item 1. Legal Proceedings	<u>27</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>28</u>
Item 6. Exhibits	<u>29</u>
Signature	<u>30</u>
Index to Attached Exhibits	<u>E-1</u>

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, 2015	June 30, 2015
(In thousands)		
Current assets		
Cash and cash equivalents	\$27,859	\$22,833
Accounts receivable, net	294,611	284,646
Inventories	23,375	24,681
Current portion of subscription acquisition costs	142,871	122,350
Current portion of broadcast rights	11,635	4,516
Other current assets	31,103	23,505
Total current assets	531,454	482,531
Property, plant, and equipment	523,847	527,622
Less accumulated depreciation	(324,293 )	(313,886 )
Net property, plant, and equipment	199,554	213,736
Subscription acquisition costs	109,008	103,842
Broadcast rights	5,303	1,795
Other assets	70,381	67,750
Intangible assets, net	962,655	972,382
Goodwill	1,000,078	1,001,246
Total assets	\$2,878,433	\$2,843,282
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$68,750	\$62,500
Current portion of long-term broadcast rights payable	12,018	4,776
Accounts payable	76,864	93,944
Accrued expenses and other liabilities	130,036	163,655
Current portion of unearned subscription revenues	222,425	206,126
Total current liabilities	510,093	531,001
Long-term debt	730,000	732,500
Long-term broadcast rights payable	6,576	2,998
Unearned subscription revenues	154,350	151,221
Deferred income taxes	352,254	311,645
Other noncurrent liabilities	161,160	162,067
Total liabilities	1,914,433	1,891,432
Shareholders' equity		
Series preferred stock	—	—
Common stock	37,722	37,657
Class B stock	6,941	6,963
Additional paid-in capital	58,989	49,019
Retained earnings	873,045	870,859
Accumulated other comprehensive loss	(12,697 )	(12,648 )
Total shareholders' equity	964,000	951,850

Total liabilities and shareholders' equity	\$2,878,433	\$2,843,282
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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 December 31, (In thousands except per share data)	Three Months		Six Months	
	2015	2014	2015	2014
<b>Revenues</b>				
Advertising	\$241,571	\$241,422	\$460,241	\$459,453
Circulation	66,351	59,468	138,526	125,353
All other	98,491	98,015	192,312	185,283
Total revenues	406,413	398,905	791,079	770,089
<b>Operating expenses</b>				
Production, distribution, and editorial	151,065	140,283	304,243	282,170
Selling, general, and administrative	180,249	175,452	367,645	339,128
Depreciation and amortization	14,986	14,308	30,066	27,077
Total operating expenses	346,300	330,043	701,954	648,375
Income from operations	60,113	68,862	89,125	121,714
Interest expense, net	(5,265 )	(4,785 )	(10,578 )	(9,027 )
Earnings before income taxes	54,848	64,077	78,547	112,687
Income taxes	(22,329 )	(24,486 )	(34,999 )	(43,731 )
Net earnings	\$32,519	\$39,591	\$43,548	\$68,956
Basic earnings per share	\$0.73	\$0.89	\$0.98	\$1.55
Basic average shares outstanding	44,640	44,483	44,626	44,471
Diluted earnings per share	\$0.72	\$0.87	\$0.96	\$1.52
Diluted average shares outstanding	45,358	45,268	45,373	45,224
Dividends paid per share	\$0.4575	\$0.4325	\$0.9150	\$0.8650

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	
	2015	2014	2015	2014
Net earnings	\$32,519	\$39,591	\$43,548	\$68,956
Other comprehensive income, net of income taxes				
Pension and other postretirement benefit plans activity	(2 )	42	(3 )	84
Unrealized gain (loss) on interest rate swaps	2,162	(1,276 )	(46 )	(499 )
Other comprehensive income (loss), net of income taxes	2,160	(1,234 )	(49 )	(415 )
Comprehensive income	\$34,679	\$38,357	\$43,499	\$68,541

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, 2015	\$37,657	\$6,963	\$49,019	\$870,859	\$(12,648 )	\$951,850
Net earnings	—	—	—	43,548	—	43,548