

MEREDITH CORP
Form 10-K
September 04, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2018 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1	New York Stock Exchange

Securities
registered
pursuant to
Section 12(g) of
the Act:

Title
of
class
Class B
Common Stock,
par value \$1

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant estimates that the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant at December 29, 2017, (the last business day of the most recently completed second fiscal quarter) was approximately \$2.5 billion based upon the closing price on the New York Stock Exchange at that date.

Shares of stock outstanding at July 31, 2018

Common shares 39,787,777

Class B shares 5,107,813

Total common and Class B shares 44,895,590

DOCUMENT INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on

November 14, 2018, are incorporated by reference in Part III to the extent described therein.

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Meredith Corporation and its consolidated subsidiaries are referred to in this Annual Report on Form 10-K

(Form 10-K) as Meredith, the Company, we, our, and us.

PART I

ITEM 1. BUSINESS

GENERAL

Meredith Corporation has been committed to service journalism since its inception in 1902 as an agricultural publisher. In 1924, the Company published the first issue of Better Homes & Gardens. The Company entered the television broadcasting business in 1948. On January 31, 2018, Meredith completed its acquisition of Time Inc. (Time) which is now a wholly owned subsidiary of Meredith.

Meredith uses multiple media platforms—including print, digital, mobile, video, and broadcast television—to provide consumers with content they desire and to deliver the messages of our advertising and marketing partners. Nationally, Meredith serves over 175 million unduplicated American consumers and has a readership of more than 120 million, paid circulation of more than 40 million, and nearly 135 million monthly unique visitors. Meredith’s broadcast television stations reach 11 percent of United States (U.S.) households.

The Company is incorporated under the laws of the State of Iowa. Our common stock is listed on the New York Stock Exchange under the ticker symbol MDP.

The company operates two business segments: national media and local media. Our national media segment includes leading national consumer media brands delivered via multiple media platforms including print magazines, digital and mobile media, brand licensing activities, database-related activities, affinity marketing, and business-to-business marketing products and services. Our focus is on the entertainment, food, lifestyle, parenting, and home categories, which include titles such as People, Better Homes & Gardens, InStyle, Allrecipes, Real Simple, Shape, Southern Living, and Martha Stewart Living among others. In addition to subscription magazines, in 2018 we published nearly 275 special interest publications. Most of our brands are also available as digital editions on one or more of the major digital newsstands and on major tablet devices. The national media segment’s extensive digital presence consists of more than 60 websites, nearly 60 mobile-optimized websites, and 14 applications (apps). The national media segment also includes brand licensing activities, affinity marketing, third-party marketing, a large consumer database, and other related operations.

Our local media segment consists of 17 television stations located across the U.S. concentrated in fast growing markets with related digital and mobile media assets. The television stations include seven CBS affiliates, five FOX affiliates, two MyNetworkTV affiliates, one NBC affiliate, one ABC affiliate, and two independent stations. Local media’s digital presence includes 12 websites, 12 mobile-optimized websites, and approximately 30 apps focused on news, sports, and weather-related information. In addition, the local media segment sells geographic and demographic-targeted digital and print advertising programs sold to third parties.

Financial information about industry segments can be found in Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations and in Item 8-Financial Statements and Supplementary Data under Note 17.

The Company's largest revenue source is advertising. National and local economic conditions affect the magnitude of our advertising revenues. Both national media and local media revenues and operating results can be affected by changes in the demand for advertising and consumer demand for our products. Magazine circulation revenues are generally affected by national and regional economic conditions and competition from other forms of media.

Television advertising is seasonal and cyclical to some extent, traditionally generating higher revenues in the second and fourth fiscal quarters and during key political contests and major sporting events.

BUSINESS DEVELOPMENTS

On January 31, 2018, Meredith completed its acquisition of Time for \$3.2 billion and began operating as a combined company on February 1, 2018. Time was a multi-platform media company with brands such as People, InStyle, Real Simple, Southern Living, and Travel + Leisure. This transaction transformed Meredith into the leading media and marketing company that reaches 175 million unduplicated U.S. consumers monthly. Meredith's brands now have a readership of more than 120 million and paid circulation of more than 40 million. The acquisition greatly increased our digital scale. We now reach nearly 135 million monthly unique visitors in the U.S.

Subsequent to the acquisition of Time, Meredith completed the sale of the Golf brand in February 2018 and the sale of Time Inc. (UK) Ltd (TIUK) in March 2018. In addition, we initiated a process to sell TIME, Sports Illustrated, Fortune, Money, and affiliated brands as well as the Company's 60 percent interest in Viant Technology LLC (Viant), which were all acquired in the Time acquisition. These brands each have a different advertising base and target audience than the rest of our magazine portfolio, and therefore, we believe they are better suited for success with a new owner. We anticipate agreements to sell these businesses to be finalized in early fiscal 2019.

In March 2018, Meredith unveiled a new sales and marketing structure for national media. Meredith's new national media sales structure puts in place strategic account teams comprised of brand, corporate, and digital sellers and marketers, with a principal point of contact for each key account.

In July 2017, we sold a 70 percent interest in Charleston Tennis LLC, which operates the Family Circle Tennis Center. In May 2018, we closed the sale of Meredith Xcelerated Marketing (MXM).

The Magnolia Journal, launched in fiscal 2017 as a quarterly newsstand-only title, had continued success. In October 2017, Meredith announced an increase to the rate base to 1.2 million starting with the Spring 2018 issue. This increased rate base compares to the 400,000 initial rate base at launch in the Fall of 2016. In December The Magnolia Journal was named to Ad Age's Magazines of the Year list and in February 2018 was named Magazine Launch of the Year by the Association of Magazine Media.

We also celebrated other key milestones and achievements for other brands in fiscal 2018. Martha Stewart Living was also named to Ad Age's Magazine of the Year List. Allrecipes, the leading global digital food brand, celebrated the 20-year anniversary of its launch in July 1997. In April 2018, we launched a print edition of HelloGiggles, an extension of the popular digital brand. The print magazine is a newsstand-only bi-annual publication with an initial rate base of 500,000.

During fiscal 2018, Meredith debuted redesigns of several of our subscription magazines. The September 2017 issue of Parents contained a fresh, new look including a modern logo, lively layouts and photography, and an evolved personality that reflects the candor, humor, and confidence of today's mom. The redesign of Rachel Ray Every Day, which debuted in its November 2017 issue, includes a vibrant and elevated approach to photography and visuals, updated layouts and formats, and a revamped editorial lineup. Incorporating both new editorial content and an elevated look and feel, the new Shape debuted with its May 2018 issue. Finally, the June 2018 edition of Food & Wine included new sections, expanded content, and a bolder, more graphic cover.

Meredith entered into several new partnerships in fiscal 2018. In January 2018, Meredith announced a partnership with Lisa Lillien to create Hungry Girl Magazine, which includes healthy recipes and lifestyle tips. In November 2017, Allrecipes announced that it now features AmazonFresh as a retailer embedded within the site's top recipes. This

innovation enables home cooks to click to purchase a recipe's ingredients and, where available, have them delivered the same day through AmazonFresh home grocery delivery service. Also in November 2017, Meredith announced a partnership with Direct Wines, Inc. to launch the "Better Homes & Gardens Wine Club", which will deliver 12 bottles of wine, tailored to each member's taste, to its members every three months.

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DESCRIPTION OF BUSINESS

National Media

National media contributed 69 percent of Meredith's consolidated revenues and 34 percent of the combined operating profit from national media and local media operations in fiscal 2018. These results reflect the acquired Time business since the date of the acquisition. Better Homes & Gardens and People, our flagship brands, together account for a significant percentage of revenues and operating profit of the national media segment and the Company.

Magazines

Information for our major subscription magazine titles as of June 30, 2018, is as follows:

Title ¹	Related Websites	Description	Frequency per Year	Year-end Rate Base ²
Better Homes & Gardens	BHG.com	Women's service	12	7,600,000
Family Circle	FamilyCircle.com	Women's service	12	4,000,000
People	People.com PeopleenEspanol.com	Celebrity	53	3,400,000
Southern Living	SouthernLiving.com	Travel and lifestyle	12	2,800,000
Shape	Shape.com	Women's lifestyle	10	2,500,000
Parents	Parents.com	Parenting	12	2,200,000
FamilyFun ³	Parents.com	Parenting	9	2,100,000
Martha Stewart Living	MarthaStewart.com MarthaStewartWeddings.com	Women's service	10	2,050,000
Real Simple	RealSimple.com	Women's service	12	1,975,000
Cooking Light	CookingLight.com MyRecipes.com	Women's lifestyle and food	11	1,775,000
Rachel Ray Every Day	RachaelRayMag.com	Women's lifestyle and food	10	1,700,000
InStyle	InStyle.com	Women's lifestyle	13	1,700,000
Entertainment Weekly	EW.com	Entertainment	39	1,500,000
Allrecipes	AllRecipes.com	Food	6	