MEREDITH CORP
Form 10-K
August 23, 2012

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, 2012	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 S 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 S

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 S 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 S No £

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. S

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer S   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 S

The registrant estimates that the aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant at December 31, 2011, was $1,134,000,000 based upon the closing price on the New York Stock Exchange at that date.

Shares of stock outstanding at July 31, 2012	
Common shares	35,771,147
Class B shares	8,715,877
Total common and Class B shares	44,487,024

DOCUMENT INCORPORATED BY REFERENCE

Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on November 7, 2012, 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 is the leading media and marketing company serving American women. Meredith began in 1902 as an agricultural publisher. In 1924, the Company published the first issue of Better Homes and Gardens. The Company entered the television broadcasting business in 1948. Today Meredith engages in magazine publishing and related brand licensing, television broadcasting, digital and customer relationship marketing, digital and mobile media, and video creation operations. 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. The national media segment includes magazine publishing, brand licensing, digital and customer relationship marketing, digital and mobile media, database-related activities, and other related operations. The local media segment consists primarily of the operations of network-affiliated television stations, related digital and mobile media, and video creation operations. 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 16.

Our national media segment includes leading national consumer media brands delivered over multiple platforms, brand licensing activities, and business-to-business marketing products and services. It focuses on the home and family market and is a leading publisher of magazines serving women. In fiscal 2012, we published in print more than twenty subscription magazines, including Better Homes and Gardens, Family Circle, Ladies' Home Journal, Parents, FamilyFun, American Baby, and EveryDay with Rachael Ray, and more than 120 special interest publications. The national media segment's extensive digital media presence now consists of 30 websites and mobile websites, 20 applications (apps), and 20 brands with recurring digital editions available on various digital platforms. The national media segment also includes: digital and customer relationship marketing, which provides specialized marketing products and services to some of America's leading companies; a large consumer database; brand licensing activities; and other related operations.

Our local media segment consists of 12 network-affiliated television stations located across the United States (U.S.) in mostly fast growing markets and a national video creation unit. The television stations consist of six CBS affiliates, three FOX affiliates, two MyNetworkTV affiliates, and one NBC affiliate. Local media digital media includes 20 websites and mobile websites and 30 apps focused on news, sports, and weather.

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

In July 2011, Meredith acquired the EatingWell Media Group (EatingWell), a multichannel brand focused on healthy eating. The EatingWell portfolio includes the award-winning bi-monthly magazine, a content-rich website, a robust content licensing and custom marketing program, the Healthy-in-a-Hurry mobile recipe app, and a series of high-quality food and nutrition-related books and cookbooks. In January 2012, Meredith raised the magazine's rate base from 350,000 to 500,000.

In October 2011, Meredith invested in iris Nation Worldwide Limited (iris), a leading global marketing services company. At the same time, we announced the creation of the Meredith-iris Global Network to serve the increasing global needs of our domestic clients and to open doors to international clients.

In October 2011, the Company acquired EveryDay with Rachael Ray magazine and its related digital assets. The magazine is published 10 times annually with a 7.4 million audience and a 1.7 million rate base. In addition, Meredith announced it had finalized a 10-year licensing agreement with Watch Entertainment, Inc. for the award-winning brand. The first issue of EveryDay with Rachael Ray published under the Meredith banner was February 2012, which was available on newsstands in early January.

In January 2012, Meredith completed the acquisition of FamilyFun. The acquisition included the highly popular magazine, with an audience of 6 million and rate base of 2.1 million, and its related assets, including its special interest publications, as well as the Toy Hopper and other digital magazine apps. FamilyFun targets moms with a special focus on family activities such as cooking, crafts, celebrations, and travel.

In March 2012, Meredith completed the acquisition of Allrecipes.com, Inc. (Allrecipes.com), the world's largest digital food brand. The acquisition of Allrecipes.com places Meredith first in comScore, Inc.'s (comScore) Food Community rankings, and more than doubles the audience for the Meredith Women's Network.

With these acquisitions, Meredith can now offer advertisers and marketers access to more than 100 million unduplicated American women across all media platforms.

In May 2012, the Company acquired ShopNation Inc. (ShopNation), an e-commerce technology company based in Los Angeles that owns proprietary technology that aggregates and organizes relevant data and images from retailer websites in specific product categories.

In June 2012, Meredith announced the offering of digital editions of our most popular magazines including Family Circle, EveryDay with Rachael Ray, Ladies' Home Journal, and More on Google Play. Google Play is one of several digital newsstands that give consumers the ability to purchase magazines for tablet devices. Meredith is rapidly expanding and optimizing our mobile offerings to deliver valuable, relevant experiences for women across smartphones and tablets. In fiscal 2012, Meredith launched a variety of new digital products, including tablet editions of most of our national brands, and rapidly expanded our mobile platforms in both businesses. Meredith currently has 20 brands available in tablet forms across all the major platforms, and approximately 50 mobile apps.

DESCRIPTION OF BUSINESS

National Media

National media represented 77 percent of Meredith's consolidated revenues in fiscal 2012. Better Homes and Gardens magazine, our flagship brand, continues to account for a significant percentage of revenues and operating profit of the national media segment and the Company.

Magazines

Information for our major magazine titles as of June 30, 2012, follows:

Title	Description	Frequency per Year	Year-end Rate Base (1)
Better Homes and Gardens	Women's service	12	7,600,000
Family Circle	Women's service	12	4,000,000
Ladies' Home Journal	Women's service	11	3,200,000
Parents	Parenthood	12	2,200,000
FamilyFun	Parenthood	10	2,100,000
American Baby	Parenthood	12	2,000,000
EveryDay with Rachael Ray	Women's lifestyle and food	10	1,700,000
Fitness	Women's lifestyle	10	1,500,000
More	Women's lifestyle (age 40+)	10	1,300,000
Midwest Living	Travel and lifestyle	6	950,000
Ser Padres	Hispanic parenthood	8	850,000
Traditional Home	Home decorating	8	850,000
Siempre Mujer	Hispanic women's lifestyle	6	550,000
EatingWell	Women's lifestyle and food	6	500,000
Wood	Woodworking	7	475,000
Successful Farming	Farming business	13	420,000

(1) Rate base is the circulation guaranteed to advertisers. Actual circulation generally exceeds rate base and for most of the Company's titles is tracked by the Audit Bureau of Circulations, which issues periodic statements for audited magazines.

In addition to these major magazines titles, we published approximately 120 special interest publications under approximately 75 titles in fiscal 2012, primarily under the Better Homes and Gardens brand. The titles are issued from one to eight times annually and sold primarily on newsstands. A limited number of subscriptions are also sold to certain special interest publications. The following titles were published quarterly or more frequently: American Patchwork & Quilting, Country Gardens, Diabetic Living, Do It Yourself, Kitchen and Bath Ideas, Quilts & More, Renovation Style, and Scrapbooks etc.

Magazine Advertising—Advertising revenues are generated primarily from sales to clients engaged in consumer marketing. Many of Meredith's larger magazines offer regional and demographic editions that contain similar editorial content but allow advertisers to customize messages to specific markets or audiences. The Company sells two primary types of magazine advertising: display and direct-response. Advertisements are either run-of-press (printed along with the editorial portions of the magazine) or inserts (preprinted pages). Most of the national media segment's advertising revenues are derived from run-of-press display advertising. Meredith also possesses a strategic marketing unit, Meredith 360°, which provides clients and their agencies with access to the full range of media products and services Meredith has to offer, including many media platforms. Our team of creative and marketing experts delivers innovative solutions across multiple media channels that meet each client's unique advertising and promotional requirements.

Magazine Circulation—Subscriptions obtained through direct-mail solicitation, agencies, insert cards, the Internet, and other means are Meredith's largest source of circulation revenues. All of our subscription magazines, except American Baby, Ser Padres, and Successful Farming, are also sold by single copy. Single copies sold on newsstands are distributed primarily through magazine wholesalers, who have the right to receive credit from the Company for magazines returned to them by retailers.

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Meredith Interactive Media
National media's 30 websites provide ideas and inspiration. These branded websites focus on the topics that women care about most—food, home, and entertaining, and meeting the needs of moms—and on delivering powerful content geared toward lifestyle topics such as health, beauty, style, and wellness.

Meredith completed the acquisition of Allrecipes.com, the world's largest digital food brand in fiscal 2012. The acquisition of Allrecipes.com places Meredith first in comScore's Food Community rankings, and more than doubles the audience for the Meredith Women's Network.

Driven primarily by the acquisition of Allrecipes.com, fiscal 2012 fourth quarter unique visitors and page views more than doubled from the prior-year quarter. National media now has 20 apps focused on food, parenthood, and health. These apps had more than 5 million downloads in fiscal 2012. Also during fiscal 2012, Meredith tripled our magazine subscriptions generated online to a record 3.2 million. This represents about a quarter of our total annual subscription orders.

During fiscal 2012, we also rapidly expanded our tablet platforms. Our national brands have more than 350,000 tablet customers interacting with 20 of our brands across the six major digital newsstands. This includes our recent launch on Google Play, and a new unlimited offer with Next Issue Media that includes Better Homes and Gardens, Parents, and Fitness.

Other Sources of Revenues
Other revenues are derived from digital and customer relationship marketing, other custom publishing projects, brand licensing agreements, ancillary products and services, book sales, and licensing agreements.

Meredith Xcelerated Marketing—Meredith Xcelerated Marketing (MXM) is a digital and customer relationship marketing agency with the proven ability to create measurable programs that are focused on building customer engagement for corporate clients through the use of content and innovation. Its revenue is independent of advertising and circulation, though sometimes its services are sold as part of larger programs that include advertising components. In fiscal 2012, major clients included Kraft, Nestlé, Lowe's, Honda, Chrysler, and State Farm.

MXM's heritage lies in its more than 40 years of experience in creating custom content programs and customer relationship marketing platforms. Over the last several years, we set in motion a plan to transform MXM from a pure custom publisher into a marketing services agency, expanding MXM's marketing capabilities to digital, social media, database analytics, healthcare, and mobile media.

Today, MXM provides clients with in-depth knowledge, resources, and expertise in core areas including loyalty, consumer research, database management and analytics, mobile, campaign management, social, and digital. MXM uses these capabilities together with its top-notch editorial talent to create content that is relevant, measurable, and on-target.

MXM possesses six offices in the U.S.: New York; Los Angeles; Detroit; Des Moines; Arlington, VA; and Dallas. In fiscal 2012, Meredith invested in the global marketing company iris, which is based in London and has offices throughout the world. As part of this investment, Meredith created the Meredith-iris Global Network, serving the increasing global needs of MXM's domestic clients while also opening the doors to new clients in the European and Asia-Pacific markets.

Brand Licensing—Brand licensing consists of the licensing of various proprietary trademarks in connection with retail programs conducted through a number of retailers and manufacturers, and multiple licensing agreements that extend several of Meredith's brands internationally.

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Our Better Homes and Gardens brand licensing program continues to grow at Wal-Mart Stores, Inc. (Walmart). Currently there are more than 3,000 SKUs of Better Homes and Gardens branded products available at Walmart stores across the U.S. During fiscal 2012, Meredith extended this licensing agreement with Walmart through 2016.

We continued to expand our international reach through international licensing agreements. During fiscal 2012, Meredith began a licensing relationship with Vienna-based Liquid 7, the digital content division of Atlantic Group, to launch Sunny 7, an online network aimed at adult women. Sunny 7 integrates content from Meredith brands such as Better Homes and Gardens, Parents, Fitness, and Family Circle across digital and social media. Meredith also entered into license arrangements for Parents and Better Homes and Gardens in the Gulf States markets of Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Bahrain, and Oman, as well as for Diabetic Living in Greece and Hungary. Meredith's titles are currently distributed in nearly 60 countries - including more than 25 licensed local editions in countries such as Australia, Canada, China, Indonesia, Italy, and Turkey.

Other licensing activities include a long-term agreement to license the Better Homes and Gardens brand to Realogy Corporation, which continues to build a residential real estate franchise system based on the Better Homes and Gardens brand; a licensing agreement with Universal Furniture International, which includes a full line of wooden and upholstered furniture for living rooms, bedrooms, and dining rooms; and a partnership with Five Star Mattress for a Better Homes and Gardens mattress collection.

The Company continues to pursue brand extensions that will serve consumers and advertisers alike and also extend and strengthen the reach and vitality of our brands.

Meredith Books—John Wiley & Sons, Inc. (Wiley) has exclusive global rights to publish and distribute books based on Meredith's consumer-leading brands, including the powerful Better Homes and Gardens imprint. Meredith creates book content and retains all approval and content rights. Wiley is responsible for book layout and design, printing, sales and marketing, distribution, and inventory management. Wiley pays Meredith royalties based on net sales subject to a guaranteed minimum. Separate from Wiley, Meredith publishes and promotes books under licensed trademarks including The Home Depot®.

Production and Delivery

Paper, printing, and postage costs accounted for 35 percent of the national media segment's fiscal 2012 operating expenses.

Coated publication paper is the major raw material essential to the national media segment. We directly purchase all of the paper for our magazine production and our custom publishing business and a majority of the paper for book production. The Company has contractual agreements with major paper manufacturers to ensure adequate supplies for planned publishing requirements. The price of paper is driven by overall market conditions and is therefore difficult to predict. Paper prices declined in fiscal 2010. In fiscal 2011, average paper prices increased 3 percent. In fiscal 2012, average paper prices increased 3 percent as compared to fiscal 2011 paper prices. Management anticipates paper prices will rise in the low to mid-single digits during fiscal 2013 and that fiscal 2013 average paper prices will be down in the low-single digits compared to fiscal 2012.

Meredith has printing contracts with several major domestic printers for our magazines. The Company has a contract with a major U.S. printer for the majority of our book titles.

Postage is a significant expense of the national media segment. We continually seek the most economical and effective methods for mail delivery, including cost-saving strategies that leverage work-sharing opportunities offered within the postal rate structure. Periodical postage accounts for approximately 75 percent of Meredith's postage costs, while other mail items—direct mail, replies, and bills—account for approximately 25 percent. The Governors of the United States Postal Service (USPS) review prices for mailing services annually and adjust postage rates periodically. Though prices and price increases for various USPS products vary, overall average price increases are capped by law at the rate of inflation as measured by the Consumer Price Index, which was 2.1 percent. Prices have risen in six of the last seven years for Meredith, including fiscal 2012. There was no increase in fiscal 2010.

Meredith continues to work solely and with others to encourage and help the USPS find and implement efficiencies to contain rate increases. We cannot, however, predict future changes in the postal rates or the impact they will have on our national media business.

Fulfillment services for Meredith's national media segment are provided by third parties. National magazine newsstand distribution services are provided by third parties through multi-year agreements.

Competition

Publishing is a highly competitive business. The Company's magazines and related publishing products and services compete with other mass media, including the Internet and many other leisure-time activities. Competition for advertising dollars is based primarily on advertising rates, circulation levels, reader demographics, advertiser results, and sales team effectiveness. Competition for readers is based principally on editorial content, marketing skills, price, and customer service. While competition is strong for established titles, gaining readership for newer magazines and specialty publications is especially competitive.

Local Media

Local media represented 23 percent of Meredith's consolidated revenues in fiscal 2012. Certain information about the Company's television stations at June 30, 2012, follows:

Station, Market	DMA National Rank [1]	Network Affiliation	Channel	Expiration Date of FCC License	Average Audience Share [2]
WGCL-TV Atlanta, GA	9	CBS	46	4-1-2005 [3]	5.0 %
KPHO-TV Phoenix, AZ	13	CBS	5	10-1-2006 [3]	5.8 %
KPTV Portland, OR	22	FOX	12	2-1-2007 [3]	6.4 %
KPDX-TV Portland, OR	22	MyNetworkTV	49	2-1-2007 [3]	2.2 %
WSMV-TV Nashville, TN	29	NBC	4	8-1-2005 [3]	9.1 %
WFSB-TV Hartford, CT New Haven, CT	30	CBS	3	4-1-2007 [3]	10.7 %
KCTV Kansas City, MO	31	CBS	5	2-1-2006 [3]	9.9 %
KSMO-TV Kansas City, MO	31	MyNetworkTV	62	2-1-2006 [3]	1.2 %
WHNS-TV Greenville, SC Spartanburg, SC Asheville, NC Anderson, SC	37	FOX	21	12-1-2004 [3]	5.5 %
KVVU-TV Las Vegas, NV	40	FOX	5	10-1-2006 [3]	6.0 %
WNEM-TV Flint, MI Saginaw, MI Bay City, MI	68	CBS	5	10-1-2005 [3]	14.9 %
WSHM-LP	114	CBS	3	4-1-2007 [3]	7.2 %

Springfield, MA
Holyoke, MA

(1) Designated Market Area (DMA) is a registered trademark of, and is defined by, Nielsen Media Research. The national rank is from the 2011-2012 DMA ranking.

(2) Average audience share represents the estimated percentage of households using television tuned to the station in the DMA. The percentages shown reflect the average total day shares (6:00 a.m. to 2:00 a.m.) for the November 2011, February 2012, and May 2012 measurement periods.

(3) Renewal application pending. Under FCC rules, a license is automatically extended pending FCC processing and granting of the renewal application. We have no reason to believe that these licenses will not be renewed by the FCC.

Operations

The principal sources of the local media segment's revenues are: 1) local advertising focusing on the immediate geographic area of the stations; 2) national advertising; 3) retransmission of our television signal to satellite and cable systems; 4) advertising on the stations' websites; 5) station operation management fees; and 6) payments by advertisers for other services, such as the production of advertising materials.

The stations sell commercial time to both local/regional and national advertisers. Rates for spot advertising are influenced primarily by the market size, number of in-market broadcasters, audience share, and audience demographics. The larger a station's share in any particular daypart, the more leverage a station has in setting advertising rates. Generally, as the market fluctuates with supply and demand, so does a station's advertising rates. Most national advertising is sold by independent representative firms. The sales staff at each station generates local/regional advertising revenues.

Typically 30 to 40 percent of a market's television advertising revenue is generated by local newscasts. Station personnel are continually working to grow their news ratings, which in turn will augment revenues. The Company broadcasts local newscasts in high definition in six of our markets and in wide screen format in our other four markets.

The national network affiliations of Meredith's 12 television stations also influence advertising rates. Generally, a network affiliation agreement provides a station the exclusive right to broadcast network programming in its local service area. In return, the network has the right to sell most of the commercial advertising aired during network programs. Network-affiliated stations generally pay networks for certain programming and services such as professional football and news services. The Company's Fox affiliates also pay the Fox network for additional advertising spots during prime-time programming.

The Company recently renewed our affiliation agreements for four of our six CBS affiliates. We are currently in negotiations to renew our three Fox affiliation agreements, which expired at the end of June 2012, but have been extended to August 31, 2012. Programming fees paid to CBS will increase significantly beginning in fiscal 2013. We also expect programming fees paid to Fox to increase beginning in fiscal 2013. These payments are in essence a portion of the retransmission fees that Meredith receives from cable, satellite, and telecommunications firms, which pay Meredith to carry its local television programming in their markets.

Beyond fiscal 2013, the affiliation agreement for our NBC affiliate expires at the end of December 2013. Our two MyNetworkTV affiliation agreements expire in September 2014. The affiliation agreements for our CBS affiliates have expiration dates that range from April 2016 to August 2017. While Meredith's relations with the networks historically have been very good, the Company can make no assurances they will remain so over time.

We also generate revenue from cable, satellite and internet-based television service providers who pay Meredith for access to our television station signals so that they may rebroadcast our signals and charge their subscribers for this programming. We refer to such revenue as retransmission revenue. In fiscal 2013, a majority of Meredith's retransmission agreements expire and Meredith expects to significantly increase the amount of retransmission fees it generates as it renews these agreements.

The Federal Communications Commission (FCC) has permitted broadcast television station licensees to use their digital spectrum for a wide variety of services such as high-definition television programming, audio, data, mobile applications, and other types of communication, subject to the requirement that each broadcaster provide at least one free video channel equal in quality to the current technical standards. Several of our stations are broadcasting a second programming stream on their digital channel. Our Las Vegas, Phoenix, and Hartford stations currently broadcast a weather channel, Flint-Saginaw has a MyNetworkTV affiliate, and Kansas City added Bounce TV, a network with African American focused programming.

The costs of television programming are significant. There are two principal programming costs for Meredith: locally produced programming, including local news; and purchased syndicated programming. The Company continues to increase our locally produced news and entertainment programming to control content and costs and to attract advertisers. Syndicated programming costs are based largely on demand from stations in the market and can fluctuate significantly.

Meredith Video Studios (MVS) produces our daily lifestyle television show - Better - which continues to expand its reach, and will be seen in more than 150 markets nationwide covering about 80 percent of U.S. television households.

Further, MVS is a development, production, and multiplatform distribution company that produces video for use by Meredith's television stations and our local and national media websites, and is producing custom video for clients as well. Better.tv supports the Better shows, with video information on topics including food, family, home, style, entertainment, fitness, and health. Sponsorship opportunities include video billboards, product integration, channel sponsorships, and custom videos.

Competition

Meredith's television stations compete directly for advertising dollars and programming in their respective markets with other local television stations, radio stations, and cable television providers. Other mass media providers such as newspapers and their websites are also competitors. Advertisers compare market share, audience demographics, and advertising rates, and take into account audience acceptance of a station's programming, whether local, network, or syndicated.

Regulation

The ownership, operation, and sale of broadcast television and radio stations, including those licensed to the Company, are subject to the jurisdiction of the FCC, which engages in extensive regulation of the broadcasting industry under authority granted by the Communications Act of 1934, as amended (Communications Act), including authority to promulgate rules and regulations governing broadcasting. The Communications Act requires broadcasters to serve the public interest. Among other things, the FCC assigns frequency bands; determines stations' locations and operating parameters; issues, renews, revokes, and modifies station licenses; regulates and limits changes in ownership or control of station licenses; regulates equipment used by stations; regulates station employment practices; regulates certain program content, including commercial matters in children's programming; has the authority to impose penalties for violations of its rules or the Communications Act; and imposes annual fees on stations. Reference should be made to the Communications Act, as well as to the FCC's rules, public notices, and rulings for further information concerning the nature and extent of federal regulation of broadcast stations.

Broadcast licenses are granted for eight-year periods. The Communications Act directs the FCC to renew a broadcast license if the station has served the public interest and is in substantial compliance with the provisions of the Communications Act and FCC rules and policies. Management believes the Company is in substantial compliance with all applicable provisions of the Communications Act and FCC rules and policies and knows of no reason why Meredith's broadcast station licenses will not be renewed.

The FCC has, on occasion, changed the rules related to local ownership of media assets, including rules relating to the ownership of one or more television stations in a market. The FCC's media ownership rules are subject to further review by the FCC, various court appeals, petitions for reconsideration before the FCC, and possible actions by Congress. We cannot predict the impact of any of these developments on our business.

The Communications Act and the FCC also regulate relationships between television broadcasters and cable and satellite television providers. Under these provisions, most cable systems must devote a specified portion of their channel capacity to the carriage of the signals of local television stations that elect to exercise this right to mandatory carriage. Alternatively, television stations may elect to restrict cable systems from carrying their signals without their written permission, referred to as retransmission consent. Congress and the FCC have established and implemented generally similar market-specific requirements for mandatory carriage of local television stations by satellite television providers when those providers choose to provide a market's local television signals.

The FCC has enacted a proposed plan, called the National Broadband Plan, to increase the amount of spectrum available in the United States for wireless broadband use. In furtherance of the National Broadband Plan, Congress has enacted and the President has signed into law new legislation authorizing the FCC to conduct a “reverse auction” for which television broadcast licensees could submit bids to receive compensation in return for relinquishing all or a portion of their rights in the television spectrum of their full service and/or Class A stations. Under the new law, the FCC may hold one reverse auction, and another auction for the newly freed spectrum. The FCC must complete both auctions by 2022.

Even if a television licensee does not participate in the reverse auction, the results of the auction could materially impact a station's operations. The FCC has the authority to force a television station to change channels and/or modify its coverage area to allow the FCC to rededicate certain channels within the television band for wireless broadband use. We cannot predict whether or how this will affect the Company or its television stations.

In addition to the National Broadband Plan, Congress and the FCC have under consideration, and in the future may adopt, new laws, regulations, and policies regarding a wide variety of other matters that also could affect, directly or indirectly, the operation, ownership transferability, and profitability of the Company's broadcast stations and affect the ability of the Company to acquire additional stations. In addition to the matters noted above, these could include spectrum usage fees, regulation of political advertising rates, restrictions on the advertising of certain products (such as alcoholic beverages), program content restrictions, and ownership rule changes.

Other matters that could potentially affect the Company's broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry for viewers or advertisers, such as home video recording devices and players, satellite radio and television services, cable television systems, newspapers, outdoor advertising, and Internet delivered video programming services.

The information provided in this section is not intended to be inclusive of all regulatory provisions currently in effect. Statutory provisions and FCC regulations are subject to change, and any such changes could affect future operations and profitability of the Company's local media segment. Management cannot predict what regulations or legislation may be adopted, nor can management estimate the effect any such changes would have on the Company's television and radio broadcasting operations.

EXECUTIVE OFFICERS OF THE COMPANY

Executive officers are elected to one year terms each November. The current executive officers of the Company are:

Stephen M. Lacy—Chairman, President, and Chief Executive Officer and a director of the Company since 2004. Formerly President and Chief Executive Officer (2006 - 2010). Age 58.

Thomas H. Harty—President-National Media Group. Formerly President-Consumer Magazines (2009 - 2010) and Vice President-Magazine Group (2004 - 2009). Age 49.

Paul A. Karpowicz—President-Local Media Group (2005 - present). Age 59.

Joseph H. Ceryanec—Vice President-Chief Financial Officer (2008 - present). Prior to joining Meredith, Mr. Ceryanec served as President, Central Region for PAETEC Corporation (February 2008 - October 2008). Prior to PAETEC's acquisition of McLeodUSA, Mr. Ceryanec served as McLeodUSA's Group Vice President, Chief Financial Officer from 2005 to 2008. Age 51.

John S. Zieser—Chief Development Officer/General Counsel and Secretary (2006 - present). Age 53.

EMPLOYEES

As of June 30, 2012, the Company had approximately 3,300 full-time and 110 part-time employees. Only a small percentage of our workforce is unionized. We consider relations with our employees to be good.

OTHER

Name recognition and the public image of the Company's trademarks (e.g., Better Homes and Gardens and Parents) and television station call letters are vital to the success of our ongoing operations and to the introduction of new business. The Company protects our brands by aggressively defending our trademarks and call letters.

The Company had no material expenses for research and development during the past three fiscal years. Revenues from individual customers and revenues, operating profits, and identifiable assets of foreign operations were not significant. Compliance with federal, state, and local provisions relating to the discharge of materials into the environment and to the protection of the environment had no material effect on capital expenditures, earnings, or the Company's competitive position.

AVAILABLE INFORMATION

The Company's corporate website is meredith.com. The content of our website is not incorporated by reference into this Form 10-K. Meredith makes available free of charge through our website our Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished to the Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practical after such documents are electronically filed with or furnished to the SEC. Meredith also makes available on our website our corporate governance information including charters of all of our Board Committees, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, our Code of Ethics for CEO and Senior Financial Officers, and our Bylaws. Copies of such documents are also available free of charge upon written request.

FORWARD LOOKING STATEMENTS

This Form 10-K, including the sections titled Item 1-Business, Item 1A-Risk Factors, and Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that relate to future events or our future financial performance. We may also make written and oral forward-looking statements in our SEC filings and elsewhere. By their nature, forward-looking statements involve risks, trends, and uncertainties that could cause actual results to differ materially from those anticipated in any forward-looking statements. Such factors include, but are not limited to, those items described in Item 1A-Risk Factors below, those identified elsewhere in this document, and other risks and factors identified from time to time in our SEC filings. We have tried, where possible, to identify such statements by using words such as believe, expect, intend, estimate, may, anticipate, will, likely, project, plan, and similar expressions in connection with any discussion of future operating or financial performance. Any forward-looking statements are and will be based upon our then-current expectations, estimates, and assumptions regarding future events and are applicable only as of the dates of such statements. Readers are cautioned not to place undue reliance on such forward-looking statements that are part of this filing; actual results may differ materially from those currently anticipated. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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ITEM 1A. RISK FACTORS

In addition to the other information contained or incorporated by reference into this Form 10-K, investors should consider carefully the following risk factors when investing in our securities. In addition to the risks described below, there may be additional risks that we have not yet perceived or that we currently believe are immaterial.

Advertising represents the largest portion of our revenues. In fiscal 2012, 56 percent of our revenues were derived from advertising. Advertising constitutes almost half of our national media revenues and almost 90 percent of our local media revenues. Demand for advertising is highly dependent upon the strength of the U.S. economy. During an economic downturn, demand for advertising may decrease. The growth in alternative forms of media, for example the Internet, has increased the competition for advertising dollars, which could in turn reduce expenditures for magazine and television advertising or suppress advertising rates.

Technology in the media industry continues to evolve rapidly. Advances in technology have led to an increasing number of alternative methods for the delivery of content and have driven consumer demand and expectations in unanticipated directions. If we are unable to exploit new and existing technologies to distinguish our products and services from those of our competitors or adapt to new distribution methods that provide optimal user experiences, our business, financial condition, and prospects may be adversely affected. Technology developments also pose other challenges that could adversely affect our revenues and competitive position. New delivery platforms may lead to pricing restrictions, the loss of distribution control, and the loss of a direct relationship with consumers. We may also be adversely affected if the use of technology developed to block the display of advertising on websites proliferates.

Circulation revenues represent a significant portion of our revenues. Magazine circulation is another significant source of revenue, representing 21 percent of total revenues and 27 percent of national media revenues. Preserving circulation is critical for maintaining advertising sales. Magazines face increasing competition from alternative forms of media and entertainment. As a result, sales of magazines through subscriptions and at the newsstand could decline. As publishers compete for subscribers, subscription prices could decrease and marketing expenditures may increase.

Client relationships are important to our brand licensing and consumer relationship marketing businesses. Our ability to maintain existing client relationships and generate new clients depends significantly on the quality of our products and services, our reputation, and the continuity of Company and client personnel. Dissatisfaction with our products and services, damage to our reputation, or changes in key personnel could result in a loss of business.

Paper and postage prices may be difficult to predict or control. Paper and postage represent significant components of our total cost to produce, distribute, and market our printed products. In fiscal 2012, these expenses accounted for 26 percent of national media's operating costs. Paper is a commodity and its price has been subject to significant volatility. All of our paper supply contracts currently provide for price adjustments based on prevailing market prices; however, we historically have been able to realize favorable paper pricing through volume discounts and multi-year contracts. The USPS distributes substantially all of our magazines and many of our marketing materials. Postal rates are dependent on the operating efficiency of the USPS and on legislative mandates imposed upon the USPS. Although we work with others in the industry and through trade organizations to encourage the USPS to implement efficiencies that will minimize rate increases, we cannot predict with certainty the magnitude of future price changes for paper and postage. Further, we may not be able to pass such increases on to our customers.

World events may result in unexpected adverse operating results for our local media segment. Our local media results could be affected adversely by world events such as wars, political unrest, acts of terrorism, and natural disasters. Such events can result in significant declines in advertising revenues as the stations will not broadcast or will limit broadcasting of commercials during times of crisis. In addition, our stations may have higher newsgathering costs related to coverage of the events.

Our local media operations are subject to FCC regulation. Our broadcasting stations operate under licenses granted by the FCC. The FCC regulates many aspects of television station operations including employment practices, political advertising, indecency and obscenity, programming, signal carriage, and various technical matters. Violations of these regulations could result in penalties and fines. Changes in these regulations could impact the results of our operations. The FCC also regulates the ownership of television stations. Changes in the ownership rules could affect our ability to consummate future transactions. Details regarding regulation and its impact on our local media operations are provided in Item 1-Business beginning on page 9.

Loss of or changes in affiliation agreements could adversely affect operating results for our local media segment. Our broadcast television station business owns and operates 12 television stations. Six are affiliated with CBS, three with Fox, two with MyNetworkTV, and one with NBC. These television networks produce and distribute programming in exchange for each of our stations' commitment to air the programming at specified times and for commercial announcement time during the programming. The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the affiliate network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and/or which may not be as attractive to our audiences, resulting in reduced revenues. The Company recently renewed our affiliation agreements for four of our six CBS affiliates. The expiration dates for our CBS affiliation agreements have expiration dates that range from April 2016 to August 2017. We are currently in negotiations to renew our three Fox affiliation agreements, which expired at the end of June 2012, but have been extended to August 31, 2012. The affiliation agreement for our NBC affiliate expires at the end of December 2013. Our two MyNetworkTV affiliation agreements expire in September 2014. In conjunction with these renegotiations, the television networks are seeking arrangements with their affiliates to change the structure of network compensation, including seeking payment from affiliates for the network’s programming. Programming fees paid to CBS will increase significantly beginning in fiscal 2013. We also expect programming fees paid to Fox to increase beginning in fiscal 2013.

Acquisitions pose inherent financial and other risks and challenges. As a part of our strategic plan, we have acquired businesses and we expect to continue acquiring businesses in the future. These acquisitions can involve a number of risks and challenges, any of which could cause significant operating inefficiencies and adversely affect our growth and profitability. Such risks and challenges include underperformance relative to our expectations and the price paid for the acquisition; unanticipated demands on our management and operational resources; difficulty in integrating personnel, operations, and systems; retention of customers of the combined businesses; assumption of contingent liabilities; and acquisition-related earnings charges. If our acquisitions are not successful, we may record unexpected impairment charges. Our ability to continue to make acquisitions will depend upon our success at identifying suitable targets, which requires substantial judgment in assessing their values, strengths, weaknesses, liabilities and potential profitability, as well as the availability of suitable candidates at acceptable prices, and whether restrictions are imposed by regulations. Moreover, competition for certain types of acquisitions is significant, particularly in the field of interactive media. Even if successfully negotiated, closed, and integrated, certain acquisitions may not advance our business strategy and may fall short of expected return on investment targets.

Impairment of goodwill and intangible assets is possible, depending upon future operating results and the value of the Company's stock. We test our goodwill and intangible assets, including FCC licenses, for impairment during the fourth quarter of every fiscal year and on an interim basis if indicators of impairment exist. Factors which influence the evaluation include the Company's stock price and expected future operating results. If the carrying value of a reporting unit or an intangible asset is no longer deemed to be recoverable, a potentially material impairment charge could be incurred. Although these charges would be non-cash in nature and would not affect the Company's operations or cash flow, they would adversely affect stockholders' equity and reported results of operations in the period charged.

We have two classes of stock with different voting rights. We have two classes of stock: common stock and Class B stock. Holders of common stock are entitled to one vote per share and account for approximately 30 percent of the voting power. Holders of Class B stock are entitled to ten votes per share and account for the remaining 70 percent of the voting power. There are restrictions on who can own Class B stock. The majority of Class B shares are held by members of Meredith's founding family. Control by a limited number of holders may make the Company a less attractive takeover target, which could adversely affect the market price of our common stock. This voting control also prevents other shareholders from exercising significant influence over certain of the Company's business decisions.

The preceding risk factors should not be construed as a complete list of factors that may affect our future operations and financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Meredith is headquartered in Des Moines, IA. The Company owns buildings at 1716 and 1615 Locust Street and is the sole occupant of these buildings. The Company believes these facilities are adequate for their intended use.

The national media segment operates mainly from the Des Moines offices and from a leased facility in New York, NY. The New York facility is used primarily as advertising sales offices for all Meredith magazines and as headquarters for Family Circle, Ladies' Home Journal, Parents, FamilyFun, American Baby, EveryDay with Rachael Ray, Fitness, More, and Siempre Mujer properties. Allrecipes.com operates out of leased space in Seattle, WA. We have also entered into leases for magazine editorial offices, customer relationship marketing operations, and national media sales offices in the states of California, Illinois, Massachusetts, Michigan, Texas, Vermont, and Virginia. The Company believes these facilities are sufficient to meet our current and expected future requirements.

The local media segment operates from facilities in the following locations: Atlanta, GA; Phoenix, AZ; Beaverton, OR; Rocky Hill, CT; Nashville, TN; Fairway, KS; Greenville, SC; Henderson, NV; Springfield, MA; Saginaw, MI; and New York, NY. The Company believes these properties are adequate for their intended use. The properties in Springfield and New York are leased, while the other properties are owned by the Company. Each of the broadcast stations also maintains one or more owned or leased transmitter sites.

ITEM 3. LEGAL PROCEEDINGS

There are various legal proceedings pending against the Company arising from the ordinary course of business. In the opinion of management, liabilities, if any, arising from existing litigation and claims will not have a material effect on the Company's earnings, financial position, or liquidity.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION, DIVIDENDS, AND HOLDERS

The principal market for trading Meredith's common stock is the New York Stock Exchange (trading symbol MDP). There is no separate public trading market for Meredith's Class B stock, which is convertible share for share at any time into common stock. Holders of both classes of stock receive equal dividends per share.

The range of trading prices for the Company's common stock and the dividends per share paid during each quarter of the past two fiscal years are presented below.

	High	Low	Dividends
Fiscal 2012			
First Quarter	$32.10	$21.16	$0.2550
Second Quarter	33.14	21.10	0.3825
Third Quarter	35.00	30.52	0.3825
Fourth Quarter	32.98	26.89	0.3825

	High	Low	Dividends
Fiscal 2011			
First Quarter	$34.26	$28.92	$0.2300
Second Quarter	36.15	32.61	0.2300
Third Quarter	37.51	33.00	0.2550
Fourth Quarter	36.10	29.38	0.2550

Meredith stock became publicly traded in 1946, and quarterly dividends have been paid continuously since 1947. Meredith has increased our dividend in each of the last 19 years. It is currently anticipated that comparable dividends will continue to be paid in the future.

On July 31, 2012, there were approximately 1,275 holders of record of the Company's common stock and 650 holders of record of Class B stock.

COMPARISON OF SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock during the period July 1, 2007, to June 30, 2012, with the Standard and Poor's (S&P) MidCap 400 Index and with a peer group of companies engaged in multimedia businesses primarily with publishing and/or television broadcasting in common with the Company. The peer group was revised this fiscal year to include Martha Stewart Living Omnimedia, Inc. and remove The McGraw-Hill Companies, Inc. The graph includes both the revised peer group (New Peer Group) and the peer group used in prior years (Old Peer Group).

The S&P MidCap 400 Index is comprised of 400 mid-sized U.S. companies with a market cap in the range of $1.0 billion to $4.4 billion in the financial, information technology, industrial, and consumer discretionary industries covering approximately 7 percent of the U.S. equities market and is weighted by market capitalization. The New Peer Group selected by the Company for comparison, which is also weighted by market capitalization, is comprised of Belo Corp.; Gannett Co., Inc.; Martha Stewart Living Omnimedia, Inc.; Media General, Inc.; The E.W. Scripps Company; and The Washington Post Company. The Old Peer Group, which is also weighted by market capitalization, is comprised of Belo Corp.; Gannett Co., Inc.; The McGraw-Hill Companies, Inc.; Media General, Inc.; The E.W. Scripps Company; and The Washington Post Company. The McGraw-Hill Companies, Inc. was removed from the New Peer Group as it is no longer in the same lines of business as the Company.

The graph depicts the results for investing $100 in the Company's common stock, the S&P MidCap 400 Index, the New Peer Group, and the Old Peer Group at closing prices on June 30, 2007, assuming dividends were reinvested.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to the Company's repurchases of common stock during the quarter ended June 30, 2012.

Period	(a) Total number of shares purchased [1]	(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 the programs (in thousands)
April 1 to April 30, 2012	74,879	$29.97	74,879	$95,189
May 1 to May 31, 2012	192,156	28.80	192,156	89,656
June 1 to June 30, 2012	83,300	30.24	83,300	87,137
Total	350,335	29.39	350,335	

1 The number of shares purchased includes 938 shares in April 2012 and 10,308 shares in May 2012 delivered or deemed to be delivered to us on tender of stock in payment for the exercise price of options and shares reacquired pursuant to 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.

In May 2008, the Board of Directors authorized the repurchase of up to 2.0 million additional shares of the Company's stock through public and private transactions. In November 2011, repurchases under this authorization were completed.

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

For more information on the Company's share repurchase program, see Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Share Repurchase Program" on page 35.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the fiscal years 2008 through 2012 is contained under the heading "Five-Year Financial History with Selected Financial Data" beginning on page 80 and is derived from consolidated financial statements for those years. Information contained in that table is not necessarily indicative of results of operations in future years and should be read in conjunction with Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8-Financial Statements and Supplementary Data of this Form 10-K.

ITEM 7. 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) consists of the following sections:

MD&A should be read in conjunction with the other sections of this Form 10-K, including Item 1-Business, Item 6-Selected Financial Data, and Item 8-Financial Statements and Supplementary Data. MD&A contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by many risks and uncertainties including the uncertainties and risk factors described throughout this filing, particularly in Item 1A-Risk Factors.

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—with 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, 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. In fiscal 2012, the national media segment accounted for 77 percent of the Company's $1.4 billion in revenues while local media segment revenues contributed 23 percent.

In fiscal 2012, Meredith executed a series of well-defined strategic initiatives designed to generate growth in revenues, operating profit, and cash flow - with an overall goal of increasing shareholder value over time. These initiatives included:

- Implementation of a total shareholder return strategy. Key elements of the strategy include: (1) a current annual dividend of $1.53 per share, (2) a $100 million share repurchase program, and (3) ongoing strategic investments to scale the business and increase shareholder value over time.

- Acquisition of Allrecipes.com, doubling Meredith's digital audience and revenues. The acquisition makes Meredith the No. 1 digital food media company, and moves it into the Top 3 in the digital women's lifestyle category, according to data from comScore.
- Launch of tablet editions and mobile platforms. Meredith has 20 national brands available across the iPad, NOOK Tablet/NOOK Color, Kindle Fire, Samsung Galaxy, and Google Play platforms. National media now has 20 apps focused on food, parenthood, and health. Local media has 30 apps focused on news, sports, and weather.
- Purchases of the EatingWell, EveryDay with Rachael Ray, and FamilyFun brands. These acquisitions helped increase Meredith's share of the U.S. magazine industry advertising revenues to 11.8 percent, according to the most recent data from Publishers Information Bureau.
- Extension of Meredith's very successful brand licensing arrangement with Walmart for the Better Homes and Gardens line of products through 2016. There are currently more than 3,000 SKUs of Better Homes and Gardens branded products available at Walmart stores across the United States.
- Expansion and monetization of local media video content through an increase in local news programming, along with more national video content creation.

In addition, consumer engagement strengthened across Meredith's media platforms in fiscal 2012. Magazine readership rose to a record 116 million. Meredith's local television station group delivered strong ratings in the important sweeps periods. Also, unique visitors per month to Company websites approximately doubled in fiscal 2012 to reach a record high.

Fiscal 2012 was a year of significant achievements. However there were challenges as well. Total national media advertising revenues decreased. Prescription drug advertising continued to be the biggest factor, accounting for half of the declines. MXM revenues also declined.

To address these challenges, Meredith has initiated a multi-faceted improvement strategy that includes:

- Increasing our emphasis on the important food category. Today Meredith is the clear No. 1 player in print with approximately 20 percent of monthly magazine food advertising pages. With Allrecipes.com's leadership position in digital food advertising, Meredith can now offer clients unmatched reach to American women in grocery aisles. Additionally, Meredith is ramping up initiatives to increase share in other fast-growing advertising categories such as beauty, retail, financial, and automotive.
- Introduction of the Meredith Sales Guarantee. This innovative program provides clients proof that advertising in Meredith titles increases retail sales. Currently, more than a dozen brands are participating in the program including ones from Johnson & Johnson, Kimberly-Clark, and Tyson Foods.
- Strengthening our focus on bringing all of Meredith's media assets to bear to deliver more comprehensive programs for our clients. This includes print, digital, video, social, mobile, research, and consumer insights.
- At MXM, Meredith lowered its cost structure, bolstered its senior leadership team, and is putting increased emphasis on its chief competitive strength of delivering branded content, mobile, social, and strategic analytics.

Meredith has a strong commitment to our shareholders, and a history of returning a meaningful portion of our cash flow from operating activities to our investors in the form of dividends and share repurchases. Going forward, Meredith is focused on four key strategic initiatives designed to accelerate revenue growth and increase operating profit margins and cash flow over time. These include:

- Growing the connection between Meredith's brands and consumers,
- Aggressive expansion of the Company's digital activities,
- Strengthening Meredith's core magazine and television businesses, and
- Extending Meredith's key brands and editorial capabilities to new products and services.

NATIONAL MEDIA

Advertising revenues made up 46 percent of fiscal 2012 national media 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. Changes in advertising revenues tend to correlate with changes in the level of economic activity in the U.S. Indicators of economic activity include changes in the level of gross domestic product, consumer spending, housing starts, unemployment rates, auto sales, and interest rates. Circulation levels of Meredith's magazines, reader demographic data, and the advertising rates charged relative to other comparable available advertising opportunities also affect the level of advertising revenues.

Circulation revenues accounted for 27 percent of fiscal 2012 national media 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. In the short term, subscription revenues, which accounted for 78 percent of circulation revenues, are less susceptible to economic changes because subscriptions are generally sold for terms of one to three years. The same economic factors that affect advertising revenues also can influence consumers' response to subscription offers and result in lower revenues and/or higher costs to maintain subscriber levels over time. A key factor in our subscription success is our industry-leading database. It contains approximately 100 million entries that include information on about three-quarters of American homeowners, providing an average of 800 data points for each name. The size and depth of our database is a key to our circulation model and allows more precise consumer targeting. Newsstand revenues are more volatile than subscription revenues and can vary significantly month to month depending on economic and other factors.

The remaining 27 percent of national media 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. MXM offers integrated promotional, database management, relationship, and direct marketing capabilities for corporate customers, both in printed and digital forms. These revenues are generally affected by changes in the level of economic activity in the U.S. including changes in the level of gross domestic product, consumer spending, unemployment rates, and interest rates.

National media's major expense categories are production and delivery of publications and promotional mailings and employee compensation costs. Paper, postage, and production charges represented 35 percent of the segment's operating expenses in fiscal 2012. The price of paper can vary significantly on the basis of worldwide demand and supply for paper in general and for specific types of paper used by Meredith. The printing of our publications is outsourced. We typically have multi-year contracts for the printing of our magazines, a practice which reduces price fluctuations over the contract term. Postal rates are dependent on the operating efficiency of the USPS and on legislative mandates imposed on the USPS. The USPS increased rates most recently in January 2012. At this time, the USPS has not proposed any future rate increases. Meredith works with others in the industry and through trade organizations to encourage the USPS to implement efficiencies and contain rate increases.

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Employee compensation, which includes benefits expense, represented 26 percent of national media's operating expenses in fiscal 2012. Compensation expense is affected by salary and incentive levels, the number of employees, the costs of our various employee benefit plans, and other factors. The remaining 39 percent of fiscal 2012 national media expenses included costs for magazine newsstand and book distribution, advertising and promotional efforts, and overhead costs for facilities and technology services.

LOCAL MEDIA

Local media derives the majority of its revenues—88 percent in fiscal 2012—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 other services.

The stations sell advertising to both local/regional and national accounts. 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. MVS produces video content for Meredith stations, non-Meredith stations, online distribution, and corporate customers. We have generated additional revenues from Internet activities and programs focused on local interests such as community events and college and professional sports.

Changes in advertising revenues tend to correlate with changes in the level of economic activity in the U.S. and in the local markets in which we operate stations, and with the cyclical changes in political advertising discussed previously. Programming content, audience share, audience demographics, and the advertising rates charged relative to other available advertising opportunities also affect advertising revenues. On occasion, unusual events necessitate uninterrupted television coverage and will adversely affect spot advertising revenues.

Local media's major expense categories are employee compensation and depreciation and amortization. Employee compensation represented 52 percent of local media's operating expenses in fiscal 2012, and is affected by the same factors noted for national media. Depreciation and amortization represented 11 percent of this segment's fiscal 2012 expenses. Sales and promotional activities, costs to produce local news programming, and general overhead costs for facilities and technical resources accounted for most of the remaining 37 percent of local media's fiscal 2012 operating expenses.

FISCAL 2012 FINANCIAL OVERVIEW

- Meredith completed several strategic acquisitions including the July 2011 acquisition of the EatingWell brand, the October 2011 acquisition of Every