

MEREDITH CORP
Form 10-Q
October 27, 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 September 30, 2016 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Edgar Filing: MEREDITH CORP - Form 10-Q

Shares of stock outstanding at September 30, 2016

Common shares	39,275,992
Class B shares	5,257,754
Total common and Class B shares	44,533,746

TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of September 30, 2016 and June 30, 2016	<u>1</u>
Condensed Consolidated Statements of Earnings for the Three Months Ended September 30, 2016 and 2015	<u>2</u>
Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended September 30, 2016 and 2015	<u>3</u>
Condensed Consolidated Statement of Shareholders' Equity for the Three Months Ended September 30, 2016	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2016 and 2015	<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>14</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>22</u>
Item 4. Controls and Procedures	<u>23</u>
Part II - Other Information	
Item 1A. Risk Factors	<u>24</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>24</u>
Item 6. Exhibits	<u>25</u>
Signature	<u>26</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	September 30, 2016	June 30, 2016
(In thousands)		
Current assets		
Cash and cash equivalents	\$ 32,128	\$ 24,970
Accounts receivable, net	273,387	273,927
Inventories	21,931	20,678
Current portion of subscription acquisition costs	133,917	133,338
Current portion of broadcast rights	14,827	4,220
Other current assets	25,525	24,023
Total current assets	501,715	481,156
Property, plant, and equipment	530,369	530,052
Less accumulated depreciation	(346,478)	(339,099)
Net property, plant, and equipment	183,891	190,953
Subscription acquisition costs	96,968	95,960
Broadcast rights	4,900	4,565
Other assets	56,984	57,151
Intangible assets, net	909,093	913,877
Goodwill	883,129	883,129
Total assets	\$ 2,636,680	\$ 2,626,791
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 75,000	\$ 75,000
Current portion of long-term broadcast rights payable	15,795	4,649
Accounts payable	74,496	82,107
Accrued expenses and other liabilities	111,094	116,777
Current portion of unearned subscription revenues	198,780	199,359
Total current liabilities	475,165	477,892
Long-term debt	622,402	618,506
Long-term broadcast rights payable	5,992	5,524
Unearned subscription revenues	130,162	128,534
Deferred income taxes	346,297	336,346
Other noncurrent liabilities	152,221	170,946
Total liabilities	1,732,239	1,737,748
Shareholders' equity		
Series preferred stock	—	—
Common stock	39,276	39,272
Class B stock	5,258	5,284
Additional paid-in capital	56,155	54,282
Retained earnings	830,247	818,706
Accumulated other comprehensive loss	(26,495)	(28,501)
Total shareholders' equity	904,441	889,043

Total liabilities and shareholders' equity	\$ 2,636,680	\$ 2,626,791
--	--------------	--------------

See accompanying Notes to Condensed Consolidated Financial Statements.

1

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

Three months ended September 30,	2016	2015
(In thousands except per share data)		
Revenues		
Advertising	\$225,889	\$218,670
Circulation	68,668	72,175
All other	105,322	93,821
Total revenues	399,879	384,666
Operating expenses		
Production, distribution, and editorial	150,228	153,178
Selling, general, and administrative	174,993	174,730
Depreciation and amortization	13,896	15,080
Merger-related costs	—	12,666
Total operating expenses	339,117	355,654
Income from operations	60,762	29,012
Interest expense, net	(4,749)	(5,313)
Earnings before income taxes	56,013	23,699
Income taxes	(22,040)	(12,670)
Net earnings	\$33,973	\$11,029
Basic earnings per share	\$0.76	\$0.25
Basic average shares outstanding	44,558	44,612
Diluted earnings per share	\$0.75	\$0.24
Diluted average shares outstanding	45,484	45,366
Dividends paid per share	\$0.4950	\$0.4575

See accompanying Notes to Condensed Consolidated Financial Statements.

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

Three months ended September 30, (In thousands)	2016	2015
Net earnings	\$33,973	\$11,029
Other comprehensive income, net of income taxes		
Pension and other postretirement benefit plans activity	537	(1)
Unrealized gain (loss) on interest rate swaps	1,469	(2,208)
Other comprehensive income (loss), net of income taxes	2,006	(2,209)
Comprehensive income	\$35,979	\$8,820

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, 2016	\$39,272	\$5,284	\$54,282	\$818,706	\$ (28,501)	\$889,043
Net earnings	—	—	—	33,973	—	33,973
Other comprehensive income, net of income taxes	—	—	—	—	2,006	2,006
Shares issued under incentive plans, net of forfeitures	317	—	12,702	—	—	13,019
Purchases of Company stock	(339)	—	(18,039)	—	—	(18,378)
Share-based compensation	—	—	6,358	—	—	6,358
Conversion of Class B to common stock	26	(26)	—	—	—	—
Dividends paid						
Common stock	—	—	—	(19,817)	—	(19,817)
Class B stock	—	—	—	(2,615)	—	(2,615)
Tax benefit from share-based awards	—	—	852	—	—	852
Balance at September 30, 2016	\$39,276	\$5,258	\$56,155	\$830,247	\$ (26,495)	\$904,441

See accompanying Notes to Condensed Consolidated Financial Statements.

Meredith Corporation and Subsidiaries
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

Three months ended September 30, (In thousands)	2016	2015
Cash flows from operating activities		
Net earnings	\$33,973	\$11,029
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	9,112	10,296
Amortization	4,784	4,784
Share-based compensation	6,358	5,850
Deferred income taxes	8,700	6,427
Amortization of broadcast rights	4,249	