MEREDITH CORP
Form 10-K
August 29, 2017

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, 2017   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 x   No o

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 o   No x

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 x   No o

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 x   No o

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. o

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 x Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company)
Smaller reporting company o Emerging growth company o

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. o

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

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, 2016, was approximately $2.2 billion based upon the closing price on the New York Stock Exchange at that date.

Shares of stock outstanding at July 31, 2017	
Common shares	39,475,889
Class B shares	5,119,163
Total common and Class B shares	44,595,052

DOCUMENT INCORPORATED BY REFERENCE
Certain portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on November 8, 2017, 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 for 115 years. Meredith began 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. Today, Meredith uses multiple media platforms—including broadcast television, print, digital, mobile, and video—to provide consumers with content they desire and to deliver the messages of our advertising and marketing partners. 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: local media and national media. Our local media segment consists of 17 television stations located across the United States (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 applications (apps) focused on news, sports, and weather-related information.

Our national media segment includes leading national consumer media brands delivered via multiple media platforms including print magazines and digital and mobile media, brand licensing activities, database-related activities, and business-to-business marketing products and services. It focuses on the food, home, parenting, and lifestyle markets and is a leading publisher of magazines serving women. In fiscal 2017, we published in print more than 20 subscription magazines, including Better Homes & Gardens, Shape, Parents, Family Circle, Martha Stewart Living, Rachael Ray Every Day, FamilyFun, and Allrecipes, and nearly 140 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 50 websites, nearly 50 mobile-optimized websites, and nearly 20 apps. 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.

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 15.

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

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BUSINESS DEVELOPMENTS

During fiscal 2017, Meredith renewed its licensing program with Wal-Mart Stores, Inc. (Walmart). This program features more than 3,000 SKUs of Better Homes & Gardens branded products at 5,000 Walmart stores and on walmart.com. In addition, in September 2016, EatingWell-branded frozen entrées were launched through a variety of regional and national grocers. Due to the strong consumer demand for these products, additional distribution will be added in the second half of calendar 2017.

During fiscal 2017, Meredith continued to expand our reach to the consumer through magazine brand launches. In July 2016, Meredith announced a partnership with Joanna and Chip Gaines, owners of the successful Magnolia brand, to launch the Magnolia Journal, a quarterly lifestyle magazine. Due to strong demand, two weeks after its newsstand debut in October 2016, Meredith went back to press to increase the distribution from 400 thousand to 600 thousand. The title quickly became Meredith's strongest-selling launch in recent history, and is on track to become the most profitable title in the first year of operation in Meredith history. The title is now selling more than 900,000 copies each issue through both paid subscriptions and at newsstand. In addition to the Magnolia Journal launch, Meredith released a bookazine based on the House & Garden brand and a newsstand magazine based on the Forks Over Knives brand.

In fiscal 2017, Meredith debuted redesigns of our two largest subscription magazines. The September 2016 issue of Family Circle introduced a new logo with refreshed layouts, fonts, and bolder photography. This redesign allows easier navigation with more entry points, quick takeaways, and engaging story formats. The January 2017 issue of Better Homes & Gardens revealed a new logo. The new logo provides equal balance to both components and creates a cohesive brand identity across multiple platforms.

In April 2017, Meredith acquired WPCH-TV (Peachtree TV), an independent station in Atlanta, Georgia. Prior to its acquisition, Meredith had managed the day-to-day operations of Peachtree TV, including advertising sales, marketing and promotions, and technical operations. This acquisition created Meredith's fifth owned-and-operated duopoly market, as Meredith also owns WGCL, the CBS affiliate in Atlanta.

In May 2017, Meredith, in partnership with Andrews McMeel Universal, launched the Posh Coloring Studio, the first on-demand, all-access, coloring club for adults. The Posh Coloring Studio is a membership program that provides members with continuously added designs from top coloring creators, exclusive editorial features, and social community connection with other Posh Coloring Studio members.

DESCRIPTION OF BUSINESS

Local Media

Local media contributed 37 percent of Meredith's consolidated revenues and 59 percent of the combined operating profit from local media and national media operations in fiscal 2017. Information about the Company's television stations at June 30, 2017, follows:

Station, Market	DMA National Rank [1]	Network Affiliation	Expiration Date of Network Affiliation	Virtual Channel	Expiration Date of FCC License	Average Audience Share [2]
WGCL-TV Atlanta, GA	10	CBS	August 2020	46	April 2021	3.8 %
WPCH-TV Atlanta, GA	10	Independent	n/a	17	April 2021	2.0 %
KPHO-TV Phoenix, AZ	12	CBS	August 2020	5	October 2022	6.3 %
KTVK Phoenix, AZ	12	Independent	n/a	3	October 2022	3.8 %
KMOV St. Louis, MO	21	CBS	June 2020	4	February 2022	10.4 %
KPTV Portland, OR	25	FOX	December 2018	12	February 2023	5.3 %
KPDX Portland, OR	25	MyNetworkTV	September 2018	49	February 2023	1.7 %
WSMV-TV Nashville, TN	29	NBC	December 2017	4	August 2021	7.1 %
WFSB Hartford, CT New Haven, CT	30	CBS	June 2020	3	April 2023	11.3 %
KCTV	33	CBS	August 2020	5	February 2022	9.0 %

Kansas City, MO						
KSMO-TV Kansas City, MO	33	MyNetworkTV	September 2018	62	February 2022	0.8 %
WHNS Greenville, SC Spartanburg, SC Asheville, NC Anderson, SC	37	FOX	December 2018	21	December 2020	3.6 %
KVVU-TV Las Vegas, NV	40	FOX	December 2018	5	October 2022	4.8 %

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Station, Market	DMA National Rank [1]	Network Affiliation	Expiration Date of Network Affiliation	Virtual Channel	Expiration Date of FCC License	Average Audience Share [2]
WALA-TV Mobile, AL Pensacola, FL	60	FOX	December 2018	10	April 2021	6.5 %
WNEM-TV Flint, MI Saginaw, MI Bay City, MI	72	CBS	August 2020	5	October 2021	13.2 %
WGGB-TV Springfield, MA Holyoke, MA	114	ABC FOX	December 2019 December 2018	40 40.2	April 2023	8.9 % 3.8 %
WSHM-LD Springfield, MA Holyoke, MA	114	CBS	June 2020	3	April 2023	7.1 %

n/a - Not applicable
[1] Designated Market Area (DMA) is a registered trademark of, and is defined by, Nielsen Media Research. The national rank is from the 2016-2017 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 2016, February 2017, and May 2017 measurement periods.

Operations

The principal sources of the local media segment's revenues are: 1) local non-political advertising focusing on the immediate geographic area of the stations; 2) retransmission of our television signals by cable, satellite, and telecommunications service providers; 3) national non-political advertising; 4) political advertising which is cyclical with peaks occurring in our odd fiscal years (e.g., fiscal 2015, fiscal 2017) and particularly in our second fiscal quarter of those fiscal years; and 5) digital advertising on the stations' websites, mobile-optimized websites, and apps.

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 media competitors, including in-market broadcasters, and audience ratings and demographics. The larger a station's audience in any particular daypart, the more leverage a station has in negotiating advertising rates. Generally, as supply and demand fluctuate in the market, so do a station's advertising rates. Most national advertising is sold by an independent representative firm. The sales staff at each station generates local/regional advertising revenues.

Typically 40 to 50 percent of a market's television advertising revenue is generated during local newscasts. Stations are continually working to grow their news ratings, which in turn increase advertising revenues.

Meredith's 16 national network affiliations at our 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.

Programming fees paid to the networks are in essence a portion of the retransmission consent fees that Meredith receives from cable, satellite, and telecommunications service providers, which pay Meredith to carry our television programming in our markets. In addition to increases in fiscal 2016, programming fees paid to the networks increased significantly in fiscal 2017.

Stations generally also pay networks for certain programming and services such as marquee sports (professional football, college basketball, and Olympics) and news services. Most of the Company's FOX affiliates also pay the FOX network for additional advertising spots during prime-time programming. While Meredith's relations with the networks historically have been very good, the Company can make no assurances they will remain so over time.

Retransmission consent revenue is generated from cable, satellite, and telecommunications service providers who pay Meredith for access to our television station signals so that they may retransmit our signals and charge their subscribers for this programming. These fees increased in fiscal 2017 primarily due to renegotiations of expiring contracts and negotiated contract step-ups on existing contracts effective during the year.

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 one or more additional programming streams on their digital channel. Examples include: two of our markets have MyNetworkTV, three air the LAFF network, eight carry COZI TV network, and six broadcast Escape network.

The costs of television programming are significant. In addition to network affiliation fees, 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.

Competition

Meredith's television stations compete directly for advertising dollars and programming in their respective markets with other local television stations, radio stations, cable television providers, and competitors' websites and mobile-optimized websites. Other mass media providers such as newspapers and their related websites and apps, 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 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 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, satellite, and telecommunications 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. These rules, including related rules on exclusivity, good faith bargaining, and "over-the-top" carriage are subject to further review by the FCC and possible actions by Congress. We cannot predict the impact of any of these developments on our business.

The FCC proposed a plan, called the National Broadband Plan, to increase the amount of spectrum available in the U.S. for wireless broadband use. In furtherance of the National Broadband Plan, Congress enacted, and the President signed into law, 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 a follow-up auction for the newly freed spectrum. The FCC completed both auctions earlier in calendar 2017.

Even if a television licensee did 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. Earlier this calendar year, the FCC released a list of television stations that must change their facilities as part of this "repacking" process. Several of our stations are among the hundreds of stations selected for repacking of the television band. The repacking process will be ongoing for several years and may change. The FCC will reimburse us for certain repacking expenses subject to an overall $1.75 billion industry cap on the reimbursed expenses of all repacked television stations. We cannot predict whether or how this process will ultimately affect the Company or our 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. For example, the FCC is currently considering a proposal to allow the voluntary transition of television broadcasters to ATSC 3.0, known as Next Generation Television. We cannot predict whether or how this process will ultimately affect the Company or our television stations.

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 broadcasting operations.

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National Media

National media contributed 63 percent of Meredith's consolidated revenues and 41 percent of the combined operating profit from local media and national media operations in fiscal 2017. Better Homes & Gardens, 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 subscription magazine titles as of June 30, 2017, follows:

Title	Description	Frequency per Year	Year-end Rate Base [1]
Better Homes & Gardens	Women's service	12	7,600,000
Family Circle	Women's service	12	4,000,000
Shape	Women's lifestyle	10	2,500,000
Parents	Parenting	12	2,200,000
FamilyFun	Parenting	9	2,100,000
Martha Stewart Living	Women's service	10	2,050,000
Fit Pregnancy and Baby	Parenting	11	2,000,000
Rachael Ray Every Day	Women's lifestyle and food	10	1,700,000
Allrecipes	Food	6	1,350,000
EatingWell	Women's lifestyle and food	6	1,000,000
Midwest Living	Travel and lifestyle	6	950,000
Traditional Home	Home decorating	8	850,000
Successful Farming	Farming business	13	390,000
Wood	Woodworking	7	340,000

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 Alliance for Audited Media, which issues periodic statements for audited magazines.

In addition to these major magazine titles, we published nearly 140 special interest publications under approximately 90 titles in fiscal 2017, primarily under the Better Homes & Gardens brand. The titles are issued from one to six times annually and sold primarily on newsstands. A limited number of subscriptions are also sold to certain special interest publications. The following special interest titles were published quarterly or more frequently: American Patchwork & Quilting; Country Gardens; Diabetic Living; Do It Yourself; Eat This, Not That!; The Magnolia Journal; and Quilts & More.

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 strategic marketing capabilities, which provide clients and their agencies with access to all of Meredith’s media platforms and capabilities, including print, television, digital, video, mobile, consumer events, and custom marketing. 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. Revenue per subscription and related expenses can vary significantly by source. Some subscription sources generate lower revenues than other sources, but have proportionately lower related costs. The majority of subscription magazines 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.

Digital and Mobile Media

We have 21 of our titles available as digital editions, with an audience of approximately 1.2 million. Digital subscriptions and single copy sales collectively represent 4 percent of our total rate base.

National media's more than 50 websites and nearly 50 mobile-optimized websites provide ideas and inspiration. These branded websites focus on the topics that women care about most—food, home, entertaining, and meeting the needs of moms—and on delivering powerful content geared toward lifestyle topics such as health, beauty, style, and wellness. Our Allrecipes brand alone accounts for 19 web and mobile sites serving 24 countries in 12 languages, one app across multiple platforms, and one Skill for Amazon Alexa. Digital traffic across our various platforms averaged 77 million unique monthly visitors in fiscal 2017. Our brands have a strong social networking presence as well. In fiscal 2017, national media reached over 30 million Facebook fans, nearly 13 million Twitter followers, about 5 million Instagram followers, and nearly 6 million Pinterest followers.

Other Sources of Revenues

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

Meredith Xcelerated Marketing—Meredith Xcelerated Marketing (MXM) is a strategic and creative agency with digital expertise across multiple channels. MXM provides fully-integrated marketing solutions for some of the world's top brands, including The Kraft Heinz Co., Benjamin Moore, Allergan, TGIFridays, and WebMD. MXM's revenue is independent of advertising and circulation, though sometimes its services are sold as part of larger programs that include advertising components.

Brand Licensing—Meredith owns a portfolio of valuable registered trademarks. Meredith brand licensing generates royalty revenue through multiple long-term licensing agreements with retailers, manufacturers, and service providers benefiting through the use of those trademarks. Brand licensing extends the reach of Meredith brands into additional consumer channels in the U.S. and abroad.

For almost 10 years, Meredith has had a direct-to-retail licensing agreement with Walmart for Better Homes & Gardens-branded products sold at Walmart stores in the U.S., Walmart.com, and emerging in stores in Mexico and China. We recently extended our licensing agreement with Walmart through 2019. Meredith also has a long-term agreement to license the Better Homes & Gardens brand to Realogy Corporation, which continues to build a residential real estate franchise system as Better Homes and Gardens Real Estate, LLC. The network now includes more than 300 offices and more than 11,000 agents across the U.S., Canada, and the Bahamas. Other licensing agreements include Better Homes & Gardens floral arrangements with FTD.com and SHAPE Active, an activewear collection designed for women.

During fiscal 2017, the EatingWell branded line of healthy frozen food entrées manufactured and distributed by Bellisio Foods Inc. launched across a variety of regional and national grocers. Due to strong consumer response, these "Better For You" entrées are expected to continue to gain retail distribution in the second-half of calendar 2017.

Meredith's national media brands are currently distributed in nearly 80 countries, including a localized presence in more than 30 countries such as Australia, China, India, Mexico, Russia, and Turkey in print and digitally.

The Company continues to pursue activities that will serve consumers and advertisers while also extending and strengthening the reach and vitality of our brands.

Meredith has licensed exclusive global rights to publish and distribute books based on our consumer-leading brands, including the powerful Better Homes & Gardens imprint, to a book publisher. Meredith creates book content and retains all approval and content rights while the publisher is responsible for book layout and design, printing, sales and marketing, distribution, and inventory management. Meredith receives royalties based on sales subject to a guaranteed minimum.

Production and Delivery

Paper, printing, and postage costs accounted for 27 percent of the national media segment's fiscal 2017 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 custom publishing business. 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. In fiscal 2017, average paper prices decreased 5 percent. They declined 2 percent in fiscal 2016 and 3 percent in fiscal 2015. Management anticipates paper prices will be stable during fiscal 2018 and that fiscal 2018 average paper prices will be relatively flat compared to fiscal 2017 given no significant shifts in the current supply and demand structure are anticipated.

Meredith has multi-year printing contracts with two major domestic printers for the printing of our magazines.

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 over 80 percent of Meredith's postage costs, while other mail items—direct mail, replies, and bills—account for nearly 20 percent. The Governors of the United States Postal Service (USPS) review prices for mailing services annually and adjust postage rates periodically. In general, postage rate changes are capped by law at the rate of inflation as measured by the Consumer Price Index. The most recent rate change was an increase of less than one percent effective January 2017. With the exception of fiscal 2016, postage prices have risen in each of Meredith's last five fiscal years. In fiscal 2016, we saw a rare reduction in postage prices due to a roll-back of the temporary 4.3 percent exigent increase implemented in January 2014. While we expect postage prices to again increase in January 2018, a legislatively mandated calendar 2017 review of the existing law by the Postal Regulatory Commission could potentially result in adjustments to the current rate setting regime. The impact of any such change could be effective as early as the first quarter of calendar 2018. Meredith continues to work independently 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.

Subscription fulfillment services for Meredith's national media segment are provided by third parties. National magazine newsstand distribution services are also 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.

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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 and Chief Executive Officer (2016 - present) and a director of the Company since 2004. Formerly Chairman, President, and Chief Executive Officer (2010 - 2016). Age 63.

Thomas H. Harty—President and Chief Operating Officer (2016 - present) and a director of the Company since August 2017. Formerly President, National Media Group (2010 - 2016). Age 54.

Paul A. Karpowicz—President, Local Media Group (2005 - present). Age 64.

Jonathan B. Werther—President, National Media Group (2016 - present). Formerly EVP/President Meredith Digital (2013 - 2016) and Chief Strategy Officer (2012 - 2013). Age 48.

Joseph H. Ceryanec—Chief Financial Officer (2008 - present). Age 56.

John S. Zieser—Chief Development Officer/General Counsel and Secretary (2006 - present). Age 58.

EMPLOYEES

As of June 30, 2017, the Company had approximately 3,500 full-time and 120 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 & Gardens and Parents) and television station call letters are vital to the success of our ongoing operations and to the introduction of new businesses. 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 Ethics, 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.

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 and advertising demand may fluctuate from period to period. In fiscal 2017, 55 percent of our revenues were derived from advertising. Advertising constitutes 66 percent of our local media revenues and 48 percent of our national 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, particularly electronic media including those based on the internet, has increased the competition for advertising dollars, which could in turn reduce expenditures for magazine and television advertising or suppress advertising rates.

Circulation revenues represent a significant portion of our revenues. Magazine circulation is another significant source of revenue, representing 19 percent of total revenues and 30 percent of national media revenues. Preserving the number of copies sold 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.

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. In addition, technologies such as subscription streaming media services and mobile video are increasing competition for household audiences and advertisers. This competition may make it difficult for us to

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grow or maintain our broadcasting and print revenues, which we believe may challenge us to expand the contribution of our digital businesses.

Our websites and internal networks may be vulnerable to unauthorized persons accessing our systems, which could disrupt our operations. The Company uses computers in substantially all aspects of our business operations, and our revenues are increasingly dependent on digital products. Such increases exposes us to potential cyber incidents resulting from deliberate attacks or unintentional events. Our website activities involve the storage and transmission of proprietary information, which we strive to protect from unauthorized access. However, it is possible that unauthorized persons may be able to circumvent our protections and misappropriate proprietary information or cause interruptions or malfunctions in our digital operations. We invest in security resources and technology to protect our data and business processes against risk of data security breaches and cyber-attack, but the techniques used to attempt attacks are constantly changing. A breach or successful attack could have a negative impact on our operations or business reputation.

Evolving privacy and information security laws and regulations may impair our ability to market to consumers. Meredith's consumer database includes first-party data that is used to market our products to our customers and is also rented to or used on behalf of marketing and advertising clients. As public awareness shifts to data gathering and usage, privacy rights, and data protection, new laws and regulations may be passed that would restrict or prevent us from utilizing this data. Such restrictions could reduce or eliminate this resource for generating revenue for the Company.

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 other 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 adversely 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 5.

Loss of or changes in affiliation agreements could adversely affect operating results for our local media segment. Due to the quality of the programming provided by the networks, stations that are affiliated with a network generally have higher ratings than unaffiliated independent stations in the same market. As a result, it is important for stations to maintain their network affiliations. Most of our stations have network affiliation agreements. Seven are affiliated with CBS, five with FOX, two with MyNetworkTV, one with NBC, and one with ABC. 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. In most cases, we also make cash payments to the networks. These payments are in essence a portion of the retransmission consent fees that Meredith receives from cable, satellite, and telecommunications service providers, which pay Meredith to carry our television programming in our markets. These network relationships may also include terms regarding over-the-top distribution. 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. Furthermore, the non-renewal of any retransmission consent agreement with a major cable, satellite, or telecommunications service provider could adversely affect the economics of our relationship with the applicable network(s), advertising revenues, and our local brands. If renewed, our network affiliation agreements and our retransmission agreements may be renewed on terms that are less favorable to us. Our CBS affiliation agreements expire in June and August 2020. The

MyNetworkTV affiliation agreements expire in September 2018. Our FOX affiliation agreements expire in December 2018. Our NBC affiliation agreement expires in December 2017 and our ABC affiliation agreement expires in December 2019.

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 are difficult to predict and control. Paper and postage represent significant components of our total cost to produce, distribute, and market our printed products. In fiscal 2017, these expenses accounted for 19 percent of national media's operating costs. Paper is a commodity and its price can be 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. The USPS distributes substantially all of our subscription 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.

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 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 fields of broadcast stations and digital 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.

Further impairment of goodwill and intangible assets is possible, depending upon future operating results and the value of the Company's stock. Although the Company wrote down certain of its intangible assets, including goodwill and trademarks, by $5.3 million in fiscal 2017 and $155.8 million in fiscal 2016, further impairment charges are possible. We test our goodwill and indefinite-lived intangible assets 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, among many things, 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 non-cash impairment charge could be incurred. At June 30, 2017, goodwill and intangible assets totaled $1.9 billion, or 68 percent of Meredith's total assets, with $1.0 billion in the national media segment and $0.9 billion in the local media segment. The review of goodwill is performed at the reporting unit level. The Company has three reporting units - local media, magazine brands, and MXM. As of May 31, 2017, the date that management last performed our annual review of impairment of goodwill and intangible assets, there were no qualitative factors that indicated that a quantitative impairment analysis was needed for the the local media reporting unit. The fair value of the magazine brands reporting unit exceeded its net assets by more than 30 percent and the MXM reporting unit exceeded its net assets by nearly 80 percent. Changes in key assumptions about the economy or business prospects used to estimate fair value or other changes in market conditions could result in additional impairment charges. Although these charges would be non-cash in nature and would not affect the Company's operations or cash flow, they would reduce 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 44 percent of the voting power. Holders of Class B stock are entitled to ten votes per share and account for the remaining 56 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 local media segment operates from facilities in the following locations: Atlanta, GA; Phoenix, AZ; St. Louis, MO; Beaverton, OR; Nashville, TN; Rocky Hill, CT; Fairway, KS; Greenville, SC; Henderson, NV; Mobile, AL; Saginaw, MI; and Springfield, MA. The Company believes these properties are adequate for their intended use. The property in St. Louis is 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.

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 the Family Circle, Shape, Parents, FamilyFun, Fit Pregnancy and Baby, and Rachael Ray Every Day properties. Allrecipes operates out of leased space in Seattle, WA. We have also entered into leases for magazine editorial offices, MXM operations, and national media sales offices in the states of California, Colorado, Illinois, Michigan, Texas, Vermont, and Virginia. The Company believes these facilities are sufficient to meet our current and expected future requirements.

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 are not expected to have a material effect on the Company's earnings, financial position, or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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 2017			
First Quarter	$57.53	$49.17	$ 0.4950
Second Quarter	59.70	43.85	0.4950
Third Quarter	66.25	54.60	0.5200
Fourth Quarter	66.15	51.20	0.5200

	High	Low	Dividends
Fiscal 2016			
First Quarter	$53.11	$39.40	$ 0.4575
Second Quarter	47.70	38.80	0.4575
Third Quarter	48.00	35.03	0.4950
Fourth Quarter	52.49	44.80	0.4950

Meredith stock became publicly traded in 1946, and quarterly dividends have been paid continuously since 1947. Meredith has increased our dividend for 24 consecutive years. It is currently anticipated that comparable dividends will continue to be paid in the future.

On July 31, 2017, there were approximately 930 holders of record of the Company's common stock and 510 holders of record of Class B stock.

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COMPARISON OF SHAREHOLDER RETURN

The following graph compares the performance of the Company's common stock during the period July 1, 2012, to June 30, 2017, 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 S&P MidCap 400 Index is comprised of 400 mid-sized U.S. companies with a market cap in the range of $1.6 billion to $6.8 billion in primarily the information technology, financial, industrial, and consumer discretionary industries weighted by market capitalization. The peer group selected by the Company for comparison, which is weighted by market capitalization, is comprised of Media General, Inc. (until its acquisition by Nexstar Broadcasting Group, Inc.on January 17, 2017); Nexstar Broadcasting Group, Inc.; TEGNA Inc.; The E.W. Scripps Company; and Time Inc. (since June 9, 2014, the date its stock began trading).
The graph depicts the results for investing $100 in the Company's common stock, the S&P MidCap 400 Index, and the peer group at closing prices on June 30, 2012, 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, 2017.

Period	(a) Total number of shares purchased [1, 2]	(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, 2017	1,625	$ 64.26	499	$ 70,191
May 1 to May 31, 2017	40,653	53.28	40,358	68,040
June 1 to June 30, 2017	—	—	—	68,040
Total	42,278	53.71	40,857	

1 The number of shares purchased includes 499 shares in April 2017 and 358 shares in May 2017 delivered or deemed to be delivered to us in satisfaction of 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.

2 The number of shares purchased includes 1,126 shares in April 2017 and 295 shares in May 2017 deemed to be delivered to us on tender of stock in payment for the exercise price of options. These shares do not reduce the repurchase authority granted by our Board.

In May 2014, Meredith announced the Board of Directors had authorized the repurchase of up to $100.0 million in additional shares of the Company's stock through public and private transactions. The table above reflects the amounts that may be repurchased under this authorization.

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 34.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the fiscal years 2013 through 2017 are contained under the heading "Five-Year Financial History with Selected Financial Data" beginning on page 88 and are primarily 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.

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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 forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and could be affected by many risks, uncertainties, and changes in circumstances including the uncertainties and risk factors described throughout this filing, particularly in Item 1A-Risk Factors. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth under the heading “Forward Looking Statements" in Item 1-Business.

EXECUTIVE OVERVIEW

Meredith has been committed to service journalism for 115 years. Today, Meredith uses multiple distribution platforms – including broadcast television, print, digital, mobile, and video – to provide consumers with content they desire and to deliver the messages of its advertising and marketing partners.

Meredith operates two business segments. The local media segment includes 17 television stations reaching 11 percent of U.S. households. Meredith’s portfolio is concentrated in large, fast-growing markets, with seven stations in the nation’s Top 25 markets—including Atlanta, Phoenix, St. Louis, and Portland—and 13 in Top 50 markets. Meredith’s stations produce 700 hours of local news and entertainment content each week, and operate leading local digital destinations.

Meredith’s national media segment reaches more than 110 million unduplicated American women, including more than 70 percent of U.S. millennial women. Meredith is the leader in creating content across media platforms in key consumer interest areas such as food, home, parenting, and lifestyle through well-known brands such as Better Homes & Gardens, Allrecipes, Parents, and Shape. The national media segment features robust brand licensing activities, including more than 3,000 SKUs of branded products at 5,000 Walmart stores across the U.S. and at Walmart.com. MXM is an award-winning, strategic, and creative agency that provides fully integrated marketing solutions for many of the world’s top brands.

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 2017, the national media segment accounted for 63 percent of the Company's $1.7

billion in revenues while local media segment revenues contributed 37 percent.

Meredith continued to aggressively execute a series of well-defined strategic initiatives in fiscal 2017 to generate growth in revenue and operating profit, and increase shareholder value over time. These included:

- Increasing Meredith’s powerful consumer connection - Consumer engagement expanded across Meredith’s media platforms, including magazine readership, digital and mobile traffic, and sales of branded product at retail.

- Rapidly growing digital, mobile, video, and social platforms - Total Company digital advertising revenues grew 20 percent. National media digital advertising increased more than 20 percent and represented more than 30 percent of its total advertising. Local media digital advertising rose more than 15 percent. Traffic across Meredith’s digital properties averaged 86 million unique visitors per month, an increase of 8 percent over the prior year.

- Generating record political advertising revenues - Our television stations generated $63 million of political advertising revenues, an increase of 43 percent compared to the fiscal 2015 election cycle.

- Expanding Meredith’s media portfolio:

  In the local media segment, Meredith acquired Peachtree TV in Atlanta, the nation’s 10th largest market. With Peachtree TV, we created our fifth owned-and-operated duopoly. To further strengthen our competitive position, we added newscasts in Atlanta, Phoenix, Portland, Nashville, Greenville, and Flint/Saginaw.

  In the national media segment, we launched The Magnolia Journal, an extension of Joanna and Chip Gaines’ popular Magnolia brand. It quickly became the strongest-selling newsstand title in Meredith’s recent history and is currently selling more than 900,000 copies of each issue.

- Successful renewal of key strategic agreements:

  In the local media segment, we renewed our CBS affiliation agreements for our stations in Atlanta, Phoenix, Kansas City, and Flint/Saginaw into fiscal 2021. We also extended our FOX agreements in Portland, Las Vegas, Greenville, Mobile, and Springfield into fiscal 2019.

  In the national media segment, we renewed our licensing program with Walmart. In addition, we launched several new brand licensing programs, including a well-received EatingWell line of frozen entrées and a Shape line of apparel for women.

- Successful execution of our total shareholder return strategy - We increased our dividend by 5.1 percent to $2.08 per share on an annualized basis, its 24th consecutive year of dividend growth. As of June 30, 2017, our dividend yield was 3.5 percent.

LOCAL MEDIA

Local media derives the majority of its revenues—66 percent in fiscal 2017—from the sale of advertising both over the air and on our stations' websites and apps. The remainder comes from television retransmission consent fees, television production, 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. We generate additional revenues from internet activities and programs focused on local interests such as community events and college and professional sports.

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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 programming fees paid to the networks. Employee compensation represented 40 percent of local media's operating expenses in fiscal 2017. Compensation expense is affected by salary and incentive levels, the number of employees, the costs of our various employee benefit plans, and other factors. Programming fees paid to the networks represented 24 percent of this segment's fiscal 2017 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 36 percent of local media's fiscal 2017 operating expenses.

NATIONAL MEDIA

Advertising revenues made up 48 percent of fiscal 2017 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 30 percent of fiscal 2017 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 and other media devices. In the short term, subscription revenues, which accounted for 86 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. Subscription revenues per copy and related costs can also vary significantly by subscription source. Some subscription sources generate lower revenues than other sources, but have proportionately lower related costs. A key factor in our subscription success is our industry-leading database. It contains an abundance of attributes on 125 million individuals, which represents 80 percent of American homeowners and nearly 65 percent of millennial women. 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 22 percent of national media revenues came from a variety of activities that included the sale of customer relationship marketing products and services as well as brand licensing, digital lead generation and other eCommerce sales, 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 other 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 27 percent of the segment's operating expenses in fiscal 2017. 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 adjusted rates most recently in January 2017, which resulted in an increase of less than one percent. While we expect postage prices to increase again in January 2018, a legislatively mandated calendar 2017 review of the existing law by the Postal Regulatory Commission could potentially result in adjustments to the current rate setting regime. Meredith works with others in the industry and through trade organizations to encourage the USPS to implement efficiencies and contain rate increases.

Employee compensation, which includes benefits expense, represented 27 percent of national media's operating expenses in fiscal 2017, and is affected by the same factors noted for local media. The remaining 46 percent of fiscal 2017 national media expenses included costs for magazine newsstand distribution, advertising and promotional efforts, and overhead costs for facilities and technology services.

FISCAL 2017 FINANCIAL OVERVIEW

- Local media revenues increased 15 percent and operating profit rose 36 percent reflecting increased cyclical political advertising and higher retransmission consent revenues.

- National media revenues declined 2 percent as declines in the revenues of our magazine operations of $43.0 million and our MXM operations of $6.7 million more than offset increased revenues in our digital operations of $34.2 million. Approximately 30 percent of the decline in magazine operation revenues was due to the closure of MORE magazine effective following the April 2016 issue. Operating expenses decreased 16 percent. In fiscal 2017, the Company recorded a pre-tax non-cash impairment charge of $5.3 million to reduce trademarks whereas in fiscal 2016, the Company recorded pre-tax non-cash impairment charges of $155.8 million to reduce goodwill and trademarks. Due primarily to the significantly smaller impairment charge recorded in fiscal 2017, national media operating profit increased $164.2 million in fiscal 2017. In addition, growth in the operating profit of our digital operations of $21.6 million and an increase in the reduction of previously accrued contingent consideration payable of $15.3 million more than offset declines in the operating profit of our magazine operations of $14.4 million and MXM's operations of $7.2 million.

- Due to the resolution of certain federal and state tax matters, an income tax benefit of $6.7 million was recorded in fiscal 2017.

- During fiscal 2017, management committed to several performance improvement plans related primarily to business realignments. These actions resulted in selected workforce reductions. In connection with these plans, the Company recorded pre-tax restructuring charges totaling $12.4 million, which consisted primarily of severance and related benefit costs for the involuntary termination of employees.

- Diluted earnings per share increased 455 percent to $4.16 from $0.75 in the prior year primarily due to the increase in political advertising and retransmission consent revenues, the increase in the reduction of previously accrued contingent consideration payable, and the credit to income taxes. Prior-year earnings per share was impacted by the goodwill and trademark impairments, income received from the termination of a merger, and merger-related expenses incurred by the Company.

- In fiscal 2017, we generated $219.3 million in operating cash flows, invested $84.4 million in acquisitions of and investments in businesses, and invested $34.8 million in capital improvements.

RESULTS OF OPERATIONS

Years ended June 30, (In millions except per share data)	2017	Change	2016	Change	2015
Total revenues	$1,713.4	4 %	$1,649.6	3 %	$1,594.2
Costs and expenses	1,344.1	0 %	1,341.9	4 %	1,294.3
Depreciation and amortization	53.9	(9)%	59.1	5 %	56.5
Impairment of goodwill and other long-lived assets	6.2	(96)%	161.5	n/m	1.3
Merger termination fee net of merger-related costs	—	(100)%	(43.5)	n/m	—
Total operating expenses	1,404.2	(8)%	1,519.0	12 %	1,352.1
Income from operations	$309.2	137 %	$130.6	(46)%	$242.1
Net earnings	$188.9	457 %	$33.9	(75)%	$136.8
Diluted earnings per share	4.16	455 %	0.75	(75)%	3.02

n/m - Not meaningful

OVERVIEW

Following are brief descriptions of recent acquisitions and a discussion of the trends and uncertainties that affected our businesses. Following the Overview is an analysis of the results of operations for the local media and national media segments and an analysis of our consolidated results of operations for the last three fiscal years.

Acquisitions

Meredith acquired the assets of a digital lead-generation company in the home services market in December 2016 and completed, in April 2017, the acquisition of Peachtree TV, an independent station in Atlanta, Georgia, which was operated by Meredith prior to its acquisition. The results of these acquisitions have been included in the Company's consolidated operating results since their respective acquisition dates. See Note 2 to the consolidated financial statements for further information.

Trends and Uncertainties

Advertising revenues accounted for 55 percent of total revenues in fiscal 2017. Advertising demand is the Company's key uncertainty, and its fluctuation from period to period can have a material effect on operating results. Demand for political advertising in the Company’s local media segment is cyclical in nature, generally following the biennial cycle of election campaigns with peaks occurring in our odd fiscal years (e.g., fiscal 2015, fiscal 2017) and particularly in our second fiscal quarter of those fiscal years. Other significant uncertainties that can affect operating results include fluctuations in the cost of paper, postage rates, and over time, television programming rights. The Company's cash flows from operating activities, our primary source of liquidity, is adversely affected when the advertising market is weak or when costs rise. One of our priorities is to manage our businesses prudently during expanding and contracting economic cycles to maximize shareholder return over time. To manage the uncertainties inherent in our businesses, we prepare monthly internal forecasts of anticipated results of operations and monitor the economic indicators mentioned in the Executive Overview. See Item 1A-Risk Factors in this Form 10-K for further discussion.

LOCAL MEDIA

The following discussion reviews operating results for the Company's local media segment, which consists of 17 television stations and related digital and mobile media. The local media segment contributed 37 percent of Meredith's consolidated revenues in fiscal 2017 and 59 percent of the combined operating profit from local media and national media operations in fiscal 2017.

Fiscal 2017 local media revenues rose 15 percent and operating profit grew 36 percent primarily reflecting increased cyclical political advertising and higher retransmission consent revenues.

Local media revenues increased 3 percent in fiscal 2016 as revenues from the acquisition of two television stations in fiscal 2015 and strong increases in other revenues more than offset a $30.8 million cyclical reduction in political advertising, which was expected in a non-political year. Local media operating profit declined 3 percent in fiscal 2016.

Local media operating results for the last three fiscal years were as follows:

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Revenues	$630.1	15 %	$548.4	3 %	$534.3
Operating expenses	(415.2)	6 %	(389.9)	5 %	(371.6)
Operating profit	$214.9	36 %	$158.5	(3)%	$162.7

Local Media Revenues

The table below presents the components of revenues for the last three fiscal years.

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Revenues					
Non-political advertising	$351.5	(6)%	$374.1	5 %	$356.5
Political advertising	62.5	379 %	13.0	(70)%	43.8
Other	216.1	34 %	161.3	20 %	134.0
Total revenues	$630.1	15 %	$548.4	3 %	$534.3

Local media revenues increased 15 percent in fiscal 2017. The increase was primarily due to higher political advertising related to the November 2016 elections. Political advertising revenues totaled $62.5 million in fiscal 2017 compared with $13.0 million in fiscal 2016. Fluctuations in political advertising revenues at our stations, and throughout the broadcasting industry, generally follow the biennial cycle of election campaigns. Political advertising displaces a certain amount of non-political advertising; therefore, the revenues are not entirely incremental. Non-political advertising revenues decreased 6 percent in fiscal 2017, due primarily to political advertising displacement, the Super Bowl moving to FOX from CBS, and the Summer Olympic games on NBC. Local non-political advertising revenues declined 5 percent and national non-political advertising revenues decreased 11 percent in fiscal 2017. Digital advertising increased 17 percent as compared to fiscal 2016 as a series of growth strategies continued to drive higher advertising rates across the station group.

Other revenues, which are primarily retransmission consent fees from cable, satellite, and telecommunications operators, increased 34 percent in fiscal 2017 primarily due to increased retransmission consent fees.

Local media revenues increased 3 percent in fiscal 2016. Non-political advertising revenues increased 5 percent. Non-political advertising revenues from station acquisitions accounted for almost 75 percent of the increase. Organic local non-political advertising revenues increased 1 percent in fiscal 2016 and organic national non-political advertising revenues increased 2 percent. Political advertising revenues totaled $13.0 million in fiscal 2016 as compared with $43.8 million in the prior year. Digital advertising increased 13 percent in fiscal 2016 due to the addition of digital advertising revenues from station acquisitions and organic growth.

Other revenues grew 20 percent in fiscal 2016. Incremental other revenues from station acquisitions accounted for approximately 25 percent of the increase. The remainder was primarily due to an increase in retransmission consent fees of $27.6 million partially offset by a reduction in station management fees of $2.6 million.

Local Media Operating Expenses

Local media operating expenses increased 6 percent in fiscal 2017 primarily due to higher programming fees paid to affiliated networks.

Fiscal 2016 local media operating expenses increased 5 percent. Incremental operating expenses from station acquisitions of $13.4 million, increased programming fees paid to affiliated networks of $9.7 million, and increased performance-based incentive accruals of $3.3 million were partially offset by reductions in employee compensation costs of $2.2 million. In addition, the lack of $2.3 million in acquisition and disposal transaction costs as compared to the prior year and a reduction in previously accrued restructuring costs of $2.1 million recorded in fiscal 2016 also helped offset the increases.

Local Media Operating Profit

Local media operating profit increased 36 percent in fiscal 2017 primarily reflecting the increase in higher-margin political advertising and retransmission consent revenues.

Fiscal 2016 local media operating profit declined 3 percent compared with fiscal 2015 primarily due to a change in the mix of revenues from higher-margin political advertising revenues to lower margin revenues and increased operating expenses.

NATIONAL MEDIA

The following discussion reviews operating results for our national media segment, which includes magazine publishing, digital and customer relationship marketing, digital and mobile media, brand licensing, database-related activities, and other related operations. The national media segment contributed 63 percent of Meredith's consolidated revenues in fiscal 2017 and 41 percent of the combined operating profit from local media and national media operations in fiscal 2017.

Fiscal 2017 national media revenues declined 2 percent. Costs and expenses decreased 3 percent and an impairment charge of $5.3 million was recorded. Fiscal 2017 segment operating profit was $146.5 million.

National media revenues increased 4 percent in fiscal 2016. Costs and expenses increased 3 percent and impairment charges of $155.8 million were recorded in the national media segment. Due to the impairment charges, the national media operations reported an operating loss of $17.7 million in fiscal 2016.

National media operating results for the last three fiscal years were as follows:

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Revenues	$1,083.2	(2)%	$1,101.2	4 %	$1,059.9
Operating expenses					
Costs and expenses	(931.4)	(3)%	(963.1)	3 %	(937.2)
Impairment of goodwill and other long-lived assets	(5.3)	(97)%	(155.8)	n/m	—
Total operating expenses	(936.7)	(16)%	(1,118.9)	19 %	(937.2)
Operating profit (loss)	$146.5	n/m	$(17.7)	n/m	$122.7

n/m - Not meaningful

National Media Revenues

The table below presents the components of revenues for the last three fiscal years.

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Revenues					
Advertising	$520.1	(1)%	$527.1	6 %	$496.2
Circulation	322.0	(2)%	328.6	5 %	313.7
Other	241.1	(2)%	245.5	(2)%	250.0
Total revenues	$1,083.2	(2)%	$1,101.2	4 %	$1,059.9

Advertising Revenue

The following table presents advertising page information according to Publishers Information Bureau for our major subscription-based magazines for the last three fiscal years:

Years ended June 30,	2017	Change	2016	Change	2015
Better Homes & Gardens	1,043	3 %	1,009	(8)%	1,099
Family Circle	954	1 %	948	(1)%	956
Parents	885	(11)%	994	(7)%	1,074
Shape / Fitness	885	(2)%	905	26 %	720
Martha Stewart Living [1]	602	7 %	565	88 %	301
Rachael Ray Every Day	519	6 %	491	(4)%	513
Traditional Home	440	(11)%	496	1 %	493
Midwest Living	416	12 %	373	4 %	358
FamilyFun	317	(24)%	418	(5)%	441
EatingWell	305	7 %	286	11 %	257
Allrecipes	299	19 %	252	54 %	164
Fit Pregnancy and Baby / American Baby	229	(10)%	254	(18)%	309
More [2]	—	—	296	(48)%	565

[1] Since date of acquisition in fiscal 2015
[2] Closed during fiscal 2016

National media advertising revenues decreased 1 percent in fiscal 2017. Digital advertising revenues grew 21 percent in fiscal 2017. Growth in digital advertising was primarily led by native, engagement-based video, and

programmatic advertising, along with shopper marketing revenues. Magazine advertising revenues declined 9 percent and advertising pages decreased 5 percent. Approximately 20 percent of the magazine ad revenues decline and 55 percent of the ad pages decline were due to the closing of MORE magazine. Approximately 50 percent of the remaining decline in magazine ad revenues and most of the remaining decline in ad pages were due to softness in the parenting titles. Among our core advertising categories, the food and beverage, direct response, and beauty categories showed strength while demand was weaker for the finance, prescription drug, and non-prescription drug categories.

National media advertising revenues increased 6 percent in fiscal 2016. Digital advertising revenues grew 16 percent in fiscal 2016 due to acquisitions and, to a lesser extent, organic growth. Magazine advertising revenues increased 3 percent and advertising pages increased 7 percent in fiscal 2016. Excluding incremental advertising revenues and ad pages from acquisitions, magazine advertising revenues and ad pages declined in the mid to high-single digits on a percentage basis. Among our core advertising categories, demand was weaker for the toiletries and cosmetics and retail categories while the prescription and non-prescription drugs categories showed strength.

Circulation Revenues
Magazine circulation revenues declined 2 percent in fiscal 2017. Subscription revenues were down in the low-single digits on a percentage basis. Newsstand revenues declined 1 percent. Subscription and newsstand revenues were affected by the closure of MORE magazine. Newsstand revenues benefited from the strong performance of The Magnolia Journal, Meredith's new quarterly lifestyle magazine based on Joanna and Chip Gaines' popular Magnolia brand. The subscription revenues decline was also partially due to ongoing efforts to source a larger percentage of magazine subscribers from Meredith's own database instead of external agent sources. This direct-to-publisher strategy increases circulation profit but lowers revenues over time. The direct-to-publisher strategy is expected to adversely affect subscription revenues for the foreseeable future.

Fiscal 2016 magazine circulation revenues increased 5 percent. Subscription revenues increased in the mid-single digits on a percentage basis primarily due to subscription revenues from acquisitions. Newsstand revenues were flat in fiscal 2016 as increases from acquisitions were offset by overall weaker newsstand demand for most other titles.

Other Revenues
Other revenues decreased 2 percent in fiscal 2017 primarily due to a decline in MXM revenues of $6.7 million due to certain client losses and project scope reductions and a decrease in brand licensing revenues of $2.4 million. These declines were partially offset by increases in eCommerce revenues of $8.2 million.

Other revenues declined 2 percent in fiscal 2016 as a decrease in MXM revenues of $12.6 million was partially offset by increases in content and web development revenues in our magazine operations of $4.8 million and an increase in brand licensing revenues of $2.5 million.

National Media Costs and Expenses

Fiscal 2017 national media costs and expenses decreased 3 percent in fiscal 2017. An increase in the reduction of previously accrued contingent consideration payable of $15.3 million and a decline in paper expense of $10.7 million contributed to the decline. Paper expenses declined due to both a decrease in the volume of paper used and a mid-single digit decline in average paper prices as compared to fiscal 2016. Also contributing to the decline was decreases in postage and other delivery costs of $8.2 million, lower employee compensation costs of $7.6 million, decreases in processing costs of $6.1 million, and declines in non-payroll related editorial costs of $4.9 million. The closing of MORE magazine contributed to the expense declines. These declines were partially offset by higher magazine and digital-related production costs of $14.5 million and increases in circulation expenses of $5.8 million.

National media costs and expenses increased 3 percent in fiscal 2016. Incremental operating expenses from acquisitions of $65.5 million and a pension settlement charge of $3.3 million were partially offset by reductions in paper costs of $7.4 million. Paper expense declined due to both a decrease in the volume of paper used and a low-single digit decline in average paper prices as compared to the prior year. In addition, non-payroll related editorial costs declined $7.0 million, employee compensation costs decreased $5.9 million, postage and other delivery costs were down $5.5 million, and processing costs decreased $3.3 million. Consistent with the decrease in MXM revenues, MXM operating expenses declined $8.5 million.

National Media Impairment of Goodwill and Other Long-Lived Assets

During the fourth quarter of fiscal 2017, the national media segment recorded a pre-tax, non-cash impairment charge of $5.3 million related to a trademark. During the fourth quarter of fiscal 2016, the national media segment recorded a pre-tax, non-cash impairment charge of $116.9 million to reduce the carrying value of goodwill related to MXM's operations and a pre-tax, non-cash impairment charge of $38.9 million related to a trademark.

National Media Operating Profit (Loss)

Fiscal 2017 national media operating profit grew to $146.5 million. The reduction in impairment charges of $150.5 million and an increase in the reduction of previously accrued contingent consideration payable of $15.3 million in fiscal 2017 contributed to the increase. In addition, growth in the operating profit of our digital operations of $21.6 million partially offset declines in the operating profit of our magazine operations of $14.4 million and MXM's operations of $7.2 million.

National media operations resulted in a $17.7 million loss in fiscal 2016 reflecting the $155.8 million non-cash impairment charges to reduce the carrying value of its goodwill and one of its trademarks. Absent the impairment charges, national media operating profit would have been $138.1 million, an increase of 13 percent from fiscal 2015. The increase is primarily due to incremental operating profit from acquisitions of $17.8 million more than offsetting a $4.2 million decline in MXM 's operating profit.

UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses are general corporate overhead expenses not attributable to the operating groups. These expenses for the last three fiscal years were as follows:

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Costs and expenses	$51.4	7 %	$48.0	11 %	$43.2
Impairment of goodwill and other long-lived assets	0.9	(85)%	5.7	n/m	—
Merger termination fee net of merger-related costs	—	(100)%	(43.5)	n/m	—
Unallocated corporate expenses	$52.3	413 %	$10.2	(76)%	$43.2

n/m - Not meaningful

Fiscal 2017 unallocated corporate costs and expenses increased 7 percent primarily due to increases in performance-based incentive accruals of $4.2 million and consulting costs of $1.9 million. These increases more than offset a gain of $1.7 million related to the sale of an investment that had previously been written off.

Unallocated corporate costs and expenses increased 11 percent in fiscal 2016 primarily due to increases in performance-based incentive accruals of $2.9 million, consulting costs of $1.6 million, and other small increases in various expense categories.

During fiscal 2016, the Company's two corporate airplanes met the criteria to be classified as held for sale and as such were written down to their estimated fair value less costs to sell. This resulted in a $5.7 million impairment charge. An additional impairment charge of $0.9 million was taken on these corporate airplanes during fiscal 2017.

In September 2015, the Company entered into a merger agreement with Media General, Inc. This agreement was terminated in January 2016. In exchange for terminating the merger agreement, the Company received $60.0 million of cash, which was partially offset by $16.5 million in merger-related expenses.

CONSOLIDATED

Consolidated Operating Expenses

Consolidated operating expenses for the last three fiscal years were as follows:

Years ended June 30,	2017	Change	2016	Change	2015
(In millions)					
Production, distribution, and editorial	$602.9	(1)%	$611.8	2 %	$598.9
Selling, general, and administrative	741.2	2 %	730.1	5 %	695.4
Depreciation and amortization	53.9	(9)%	59.1	5 %	56.5
Impairment of goodwill and other long-lived assets	6.2	(96)%	161.5	n/m	1.3
Merger termination fee net of merger-related costs	—	(100)%	(43.5)	n/m	—
Operating expenses	$1,404.2	(8)%	$1,519.0	12 %	$1,352.1

n/m - Not meaningful

Production, Distribution, and Editorial Costs
Production, distribution, and editorial costs decreased 1 percent in fiscal 2017 as declines in paper expense of $10.7 million, employee compensation costs of $9.3 million, postage and other delivery costs of $8.2 million, processing costs of $6.1 million, non-payroll related editorial costs of $4.9 million, and MXM production costs of $4.4 million more than offset increases in programming fees paid to affiliated networks of $21.1 million and higher magazine and digital-related production costs of $14.5 million.

Fiscal 2016 production, distribution, and editorial costs increased 2 percent. The addition of expenses of acquired businesses of $31.0 million and increases in programming fees paid to affiliated networks of $9.7 million, more than offset declines in paper expenses of $7.4 million, non-payroll related editorial costs of $7.0 million, postage and other delivery costs of $5.5 million, and processing costs of $3.3 million.

Selling, General, and Administrative Expenses
Fiscal 2017 selling, general, and administrative expenses increased 2 percent as increases in MXM selling and general expenses of $8.4 million, higher circulation expenses of $5.8 million, increased employee compensation costs of $4.7 million, higher performance-based incentive accruals of $3.9 million, and the write-down of investments of $3.6 million, were partially offset by an increase in the reduction of previously accrued contingent consideration payable of $15.3 million.

Selling, general, and administrative expenses increased 5 percent in fiscal 2016. The addition of expenses from acquired businesses of $43.0 million, increased performance-based incentive accruals of $6.3 million, and a pension settlement charge of $5.6 million more than offset declines in employee compensation costs of $12.8 million, lower severance and related benefit accruals of $4.9 million, and an increase of $3.1 million in the credit to expense for reduction in previously accrued restructuring accruals.

Depreciation and Amortization
Depreciation and amortization expense declined 9 percent fiscal 2017 primarily due to decreases in depreciation in our local media segment.

Depreciation and amortization expense increased 5 percent in fiscal 2016 due primarily to increased depreciation and amortization from acquisitions of $4.9 million partially offset by certain intangible assets related to prior acquisitions becoming fully amortized.

Impairment of Goodwill and Other Long-lived Assets
The impairment charge recorded in fiscal 2017 related to a pre-tax, non-cash impairment charge of $5.3 million related to a trademark in the national media segment. During fiscal 2016, the national media segment recorded a pre-tax, non-cash impairment charge of $116.9 million to reduce the carrying value of goodwill related to MXM's operations and a pre-tax, non-cash impairment charge of $38.9 million related to a trademark. In addition, in fiscal 2016, the Company's two corporate airplanes met the criteria to be classified as held for sale and as such were written down to their estimate fair value less costs to sell. This resulted in an impairment charge of $5.7 million.

Merger Termination Fee Net of Merger-related Costs
In September 2015, the Company entered into a merger agreement with Media General, Inc. This agreement was terminated in January 2016. In exchange for terminating the merger agreement, the Company received $60.0 million of cash, which was partially offset by $16.5 million in merger-related expenses.

Operating Expenses
Employee compensation including benefits was the largest component of our operating expenses in fiscal 2017. Employee compensation represented 34 percent of total operating expenses in fiscal 2017, compared to 31 percent in fiscal 2016, and 34 percent in fiscal 2015. National media paper, production, and postage combined expense was the second largest component of our operating costs in fiscal 2017, representing 18 percent of the total. In fiscal 2016, these expenses represented 18 percent and in fiscal 2015, they were 20 percent. In fiscal 2016, the impairment of goodwill and other long-lived assets was the third largest component representing 11 percent of total operating expenses. Absent the impairment charges, employee compensation including benefits represented 34 percent and national media paper, production, and postage combined expense represented 20 percent of total operating costs.

Income from Operations

Income from operations increased 137 percent in fiscal 2017 primarily due to the non-cash impairment charges of $161.5 million recorded in fiscal 2016. Absent the impairment charges, income from operations increased 6 percent in fiscal 2017 primarily due to higher operating profits in our local media segment of $59.5 million, a reduction of $16.5 million in merger-related expenses, and an increase in the reduction of previously accrued contingent consideration payable of $15.3 million partially offset by the absence of the $60.0 million received by the Company in fiscal 2016 in conjunction with the termination of the merger agreement.

Income from operations decreased 46 percent in fiscal 2016 primarily due to the non-cash impairment charges of $161.5 million described above, merger-related expenses of $16.5 million, lower operating profits before acquisitions in our local media segment of $16.4 million due primarily to the cyclical nature of political revenues, and a decline in MXM's operating results of $4.2 million. Partially offsetting these decreases were the receipt of merger related fees of $60.0 million, incremental operating profit from acquisitions of $24.2 million, and the reduction in the severance and benefits accrual of $4.9 million.

Net Interest Expense

Net interest expense was $18.8 million in fiscal 2017, $20.4 million in fiscal 2016, and $19.4 million in fiscal 2015. Average long-term debt outstanding was $678.1 million in fiscal 2017, $766.4 million in fiscal 2016, and $780.3 million in fiscal 2015. The Company's approximate weighted average interest rate was 2.8 percent in fiscal 2017, 2.7 percent in fiscal 2016, and 2.5 percent in fiscal 2015. The weighted average interest rates include the effects of derivative financial instruments.

Income Taxes

The Company's effective tax rate was 34.9 percent in fiscal 2017, 69.2 percent in fiscal 2016, and 38.6 percent in fiscal 2015. The fiscal 2017 effective tax rate was primarily impacted by a credit to income taxes of $6.7 million related to the resolution of certain federal and state tax matters recorded in fiscal 2017. In fiscal 2016, the Company recorded an impairment of goodwill of $116.9 million, of which approximately 20 percent was deductible for income tax purposes.

Net Earnings and Earnings per Share

Net earnings were $188.9 million ($4.16 per diluted share) in fiscal 2017, up 457 percent from $33.9 million ($0.75 per diluted share) in fiscal 2016, primarily due to the increase in political advertising and retransmission consent revenues, the reduction in previously accrued contingent consideration payable, and the credit to income taxes. Prior-year earnings per share was impacted by the goodwill and trademark impairments recorded by the Company in fiscal 2016. Both average basic and diluted shares outstanding increased slightly.

Net earnings were $33.9 million ($0.75 per diluted share) in fiscal 2016, down 75 percent from $136.8 million ($3.02 per diluted share) in fiscal 2015. The decrease in net earnings was primarily due to the impairment charges and a higher effective tax rate due to the limited tax deductibility of the goodwill impairment. Both average basic and diluted shares outstanding increased slightly.

LIQUIDITY AND CAPITAL RESOURCES

Years ended June 30,	2017	2016	2015
(In millions)			
Cash flows from operating activities	$219.3	$226.6	$192.3
Cash flows from investing activities	(117.7)	(31.5)	(206.8)
Cash flows from financing activities	(104.3)	(193.0)	0.7
Net cash flows	$(2.7)	$2.1	$(13.8)
Cash and cash equivalents	$22.3	$25.0	$22.8
Total long-term debt	700.6	695.0	795.0
Shareholders' equity	996.0	889.0	951.9
Debt to total capitalization	41%	44%	46%

OVERVIEW

Meredith's primary source of liquidity is cash generated by operating activities. Debt financing is typically used for significant acquisitions. Our core businesses—television broadcasting and magazine advertising—have been strong cash generators. Despite the introduction of many new technologies, we believe these businesses will continue to have strong market appeal for the foreseeable future. As is true in any business, changes in the level of demand for magazine and television advertising or our other products as well as changes in costs can have a significant effect on operating results and cash flows.

Historically, Meredith has been able to absorb normal business downturns without significant increases in debt and management believes the Company will continue to do so. We expect cash on hand, internally generated cash flow, and available credit from financing agreements will provide adequate funds for operating and recurring cash needs (e.g., working capital, capital expenditures, debt repayments, and cash dividends) into the foreseeable future. At June 30, 2017, we had up to $115.0 million available under our revolving credit facility and up to $25.0 million available under our asset-backed bank facility (depending on levels of accounts receivable). While there are no guarantees that we will be able to replace current credit agreements when they expire, we expect to be able to do so.

SOURCES AND USES OF CASH

Cash and cash equivalents decreased $2.7 million in fiscal 2017; they increased $2.1 million in fiscal 2016 and decreased $13.8 million in fiscal 2015. Over the three-year period, net cash provided by operating activities was used for acquisitions, debt repayments, dividends, stock repurchases, and capital investments.

Operating Activities

The largest single component of operating cash inflows is cash received from advertising customers. Advertising accounted for more than 50 percent of total revenues in each of the past three fiscal years. Other sources of operating cash inflows include cash received from magazine circulation sales and other revenue transactions such as retransmission consent fees, customer relationship marketing, brand licensing, and product sales. Operating cash outflows include payments to vendors and employees and payments of interest and income taxes. Our most significant vendor payments are for production and delivery of publications and promotional mailings, network programming fees, employee benefits (including pension plans), broadcast programming rights, and other services and supplies.

Cash provided by operating activities totaled $219.3 million in fiscal 2017 compared with $226.6 million in fiscal 2016. The decrease in cash provided by operating activities is primarily due to the receipt, in fiscal 2016, of a net $43.5 million reflecting the merger termination fee less merger-related expenses. This onetime receipt of cash is included in cash provided by operating activities in fiscal 2016.

Cash provided by operating activities totaled $226.6 million in fiscal 2016 compared with $192.3 million in fiscal 2015. The increase in cash provided by operating activities is primarily due to increased net earnings (excluding the impact of non-cash impairment charges). The increase in net earnings reflects the merger termination fee less merger-related expenses and associated taxes.

Changes in the Company's cash contributions to qualified defined benefit pension plans can have a significant effect on cash provided by operations. During fiscal 2017, we contributed $10.0 million to the defined benefit pension plans. During fiscal 2016 and fiscal 2015, we made a $5.0 million contribution in each fiscal year. We do not anticipate a required contribution in fiscal 2018.

Investing Activities

Investing cash inflows generally include proceeds from the sale of assets or a business. Investing cash outflows generally include payments for the acquisition of new businesses; investments; and additions to property, plant, and equipment.

Net cash used in investing activities rose to $117.7 million in fiscal 2017 from $31.5 million in fiscal 2016 primarily due to increased cash outflows for acquisitions of businesses in the current year.

Net cash used in investing activities decreased to $31.5 million in fiscal 2016 compared to $206.8 million in fiscal 2015 primarily due to fewer acquisitions of businesses in fiscal 2016.

Financing Activities

Financing cash inflows generally include borrowings under debt agreements and proceeds from the exercise of common stock options issued under share-based compensation plans. Financing cash outflows generally include the repayment of long-term debt, repurchases of Company stock, the payment of dividends, and the payment of acquisition-related contingent consideration.

Net cash used in financing activities totaled $104.3 million in fiscal 2017, compared with $193.0 million in the prior year. The change in cash flows from financing activities is primarily due to a net $5.6 million of debt issuances in the current year compared to a net $100.0 million of debt being paid down in the prior year.

Net cash used in financing activities totaled $193.0 million in fiscal 2016, compared with net cash provided by financing activities of $0.7 million in fiscal 2015. The change in cash flows from financing activities is primarily due to a net $100.0 million of debt being paid down in fiscal 2016 compared to a net $80.0 million of debt issuances in fiscal 2015.

Long-term Debt

At June 30, 2017, total long-term debt outstanding was $700.6 million ($240.6 million under a term loan, $250.0 million in floating-rate unsecured senior notes, $50.0 million in fixed-rate unsecured senior notes, $75.0 million under an asset-backed bank facility, and $85.0 million outstanding under a revolving credit facility).

During fiscal 2015, the Company entered into interest rate swap agreements to hedge variable interest rate risk on the $250.0 million floating-rate senior notes and on $50.0 million of the term loan. The expiration of the swaps is as follows: $50.0 million in August 2018, $100.0 million in March 2019, and $150.0 million in August 2019. Under the swaps the Company will pay fixed rates of interest (1.36 percent on the swap maturing in August 2018, 1.53 percent on the swap maturing in March 2019, and 1.76 percent on the swaps maturing in August 2019) and receive variable rates of interest based on the one to three-month London Interbank Offered Rate (LIBOR) (1.21 percent on the swap maturing in August 2018, 1.28 percent on the swap maturing in March 2019, and 1.20 percent on the swaps maturing in August 2019 as of June 30, 2017) on the $300.0 million notional amount of indebtedness.

During fiscal 2017, Meredith amended and restated its credit agreement that provides a revolving credit facility of $200.0 million and a term loan facility of $250.0 million, which now expires on November 30, 2021. Other than extending the expiration date, the terms of the amended and restated credit agreement are substantially the same as those previously in place. The amended and restated credit agreement replaced our prior revolving credit facility and term loan. The interest rate under both the revolving credit facility and the term loan is variable based on LIBOR and Meredith's debt to trailing 12 month EBITDA (earnings before interest, taxes, depreciation, and amortization as defined in the debt agreement) ratio. As of June 30, 2017, the weighted average interest rate was 2.49 percent for the revolving credit facility and term loan, after taking into account the effect of outstanding interest rate swap agreements. The term loan is payable in quarterly installments based on an amortization schedule as set forth in the agreement. At June 30, 2017, $240.6 million was outstanding under the term loan and $85.0 million was outstanding under the revolver. Of the term loan, $12.5 million is due in the next 12 months. We expect to repay this with cash from operations and credit available under existing credit agreements.

The floating-rate unsecured senior notes are due in December 2022 and February 2024. The weighted average effective interest rate for $150.0 million of the floating-rate unsecured senior notes was 3.26 percent at June 30, 2017, after taking into account the effect of outstanding interest rate swap agreements. The weighted average effective interest rate for $100.0 million of the floating-rate unsecured senior notes was 3.03 percent at June 30, 2017, after taking into account the effect of the outstanding interest rate swap agreement. None of the floating-rate senior notes are due in the next 12 months.

The $50.0 million fixed-rate senior note, which carries an interest rate of 3.04 percent, is due on March 1, 2018. We expect to repay this senior note with cash from operations and credit available under existing credit agreements.

In connection with the asset-backed bank facility, we entered into a revolving agreement. Under this agreement, we currently sell all of our rights, title, and interest in the majority of our accounts receivable related to advertising and miscellaneous revenues to Meredith Funding Corporation, a special-purpose entity established to purchase accounts receivable from Meredith. At June 30, 2017, $179.6 million of accounts receivable net of reserves were outstanding under the agreement. Meredith Funding Corporation in turn sells receivable interests to a major national bank. In consideration of the sale, Meredith receives cash and a subordinated note that bears interest at the prime rate, 4.25 percent at June 30, 2017, from Meredith Funding Corporation. As of June 30, 2017, the asset-backed bank facility had a capacity of up to $100.0 million (depending on levels of accounts receivable). The interest rate on the asset-backed bank facility is variable based on LIBOR plus a fixed spread. The interest rate was 2.08 percent as of June 30, 2017. The current term of the asset-backed bank facility ends in October 2017. We expect to renew this facility on or before its expiration date under substantially similar terms or refinance it with available borrowing capacity.

We believe our debt agreements are material to discussions of Meredith's liquidity. All of our debt agreements include financial covenants, and failure to comply with any such covenants could result in the debt becoming payable on demand. A summary of the most significant financial covenants and their status at June 30, 2017, is as follows:

	Required at June 30, 2017	Actual at June 30, 2017
Ratio of debt to trailing 12 month EBITDA[1]	Less than 3.75	1.93
Ratio of EBITDA[1] to interest expense	Greater than 2.75	19.30

[1] EBITDA is earnings before interest, taxes, depreciation, and amortization as defined in the debt agreements.

The Company was in compliance with these and all other financial covenants at June 30, 2017.

Contractual Obligations

The following table summarizes our principal contractual obligations as of June 30, 2017:

	Payments Due by Period				
Contractual obligations (In millions)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Total long-term debt	$700.6	$62.5	$46.8	$341.3	$250.0
Debt interest[1]	73.0	15.4	26.3	21.8	9.5
Broadcast rights and network programming	484.5	173.0	288.3	20.4	2.8
Contingent consideration[2]	35.9	4.0	27.2	4.7	—
Operating leases	134.6	18.4	33.4	27.4	55.4

Purchase obligations and other [3]	32.7	17.8	8.9	2.4	3.6
Total contractual cash obligations	$1,461.3	$291.1	$430.9	$418.0	$321.3

1 Debt interest represents semi-annual interest payments due on fixed-rate senior notes outstanding at June 30, 2017, and estimated interest payments on variable-rate term loan and variable-rate private placement senior notes outstanding at June 30, 2017. Interest payments on variable-rate debt is estimated using the effective interest rate including projected payments related to interest rate swaps as of June 30, 2017.

2 While it is not certain if or when these contingent acquisition payments will be made, we have included the payments in the table based on our best estimates of the amounts and dates when the contingencies may be resolved.

3 Purchase obligations and other includes expected postretirement benefit payments.

Due to uncertainty with respect to the timing of future cash flows associated with unrecognized tax benefits at June 30, 2017, the Company is unable to make reasonably reliable estimates of the period of cash settlement.

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Therefore, $22.6 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See Note 7 to the Consolidated Financial Statements for further discussion of income taxes.

Purchase obligations represent legally binding agreements to purchase goods and services that specify all significant terms. Outstanding purchase orders, which represent authorizations to purchase goods and services but are not legally binding, are not included in purchase obligations. We believe current cash balances, cash generated by future operating activities, and cash available under current credit agreements will be sufficient to meet our contractual cash obligations and other operating cash requirements for the foreseeable future. Projections of future cash flows are, however, subject to substantial uncertainty as discussed throughout MD&A and particularly in Item 1A-Risk Factors beginning on page 11. Debt agreements may be renewed or refinanced if we determine it is advantageous to do so. We also have commitments in the form of standby letters of credit totaling $1.2 million that expire within one year.

Share Repurchase Program

We have maintained a program of Company share repurchases for 29 years. In fiscal 2017, we spent $53.4 million to repurchase an aggregate of 941,000 shares of Meredith Corporation common and Class B stock at then current market prices. We spent $31.1 million to repurchase an aggregate of 651,000 shares in fiscal 2016 and $46.8 million to repurchase an aggregate of 924,000 shares in fiscal 2015. We expect to continue repurchasing shares from time to time subject to market conditions. In May 2014, 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. As of June 30, 2017, $68.0 million remained available under the current authorizations for future repurchases. The status of the repurchase program is reviewed at each quarterly Board of Directors meeting. See Item 5-Issuer Purchases of Equity Securities of this Form 10-K for detailed information on share repurchases during the quarter ended June 30, 2017.

Dividends

Meredith has paid quarterly dividends continuously since 1947 and we have increased our dividend annually for 24 consecutive years. The last increase occurred in January 2017 when the Board of Directors approved the quarterly dividend of 52.00 cents per share effective with the dividend payable in March 2017. Given the current number of shares outstanding, the increase will result in additional dividend payments of approximately $4.5 million annually. Dividend payments totaled $91.9 million, or $2.030 per share, in fiscal 2017 compared with $86.1 million, or $1.905 per share, in fiscal 2016, and $80.0 million, or $1.780 per share, in fiscal 2015.

Capital Expenditures

Spending for property, plant, and equipment totaled $34.8 million in fiscal 2017, $25.0 million in fiscal 2016, and $33.2 million in fiscal 2015. Spending for all fiscal years primarily related to assets acquired in the normal course of business. The Company has a $14.1 million commitment to purchase a corporate airplane in fiscal 2018. We have no other material commitments for capital expenditures. We expect funds for future capital expenditures to come from operating activities or, if necessary, borrowings under credit agreements.

CRITICAL ACCOUNTING POLICIES

Meredith's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Our significant accounting policies are summarized in Note 1 to the consolidated financial statements. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Some of these estimates and assumptions are inherently difficult to make and subjective in nature. We base our estimates on historical experience, recent trends, our expectations for future performance, and

other assumptions as appropriate. We reevaluate our estimates on an ongoing basis; actual results, however, may vary from these estimates.
The following are the accounting policies that management believes are most critical to the preparation of our consolidated financial statements and require management's most difficult, subjective, or complex judgments. In addition, there are other items within the consolidated financial statements that require estimation but are not deemed to be critical accounting policies. Changes in the estimates used in these and other items could have a material impact on the consolidated financial statements.

GOODWILL AND INTANGIBLE ASSETS

The Company has a significant amount of goodwill and indefinite-lived intangible assets that are reviewed at least annually for impairment. At June 30, 2017, goodwill and intangible assets totaled $1.9 billion, or 68 percent of Meredith's total assets, with $1.0 billion in the national media segment and $0.9 billion in the local media segment. The impairment analysis of these assets is considered critical because of their significance to the Company and our local media and national media segments.

Management is required to evaluate goodwill and intangible assets with indefinite lives for impairment on an annual basis or when events occur or circumstances change that would indicate the carrying value exceeds the fair value. In reviewing goodwill for impairment, the Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Fair value is determined using a discounted cash flow model which requires us to estimate the future cash flows expected to be generated by the reporting unit or to result from the use of the assets. These estimates depend upon assumptions about future revenues (including projections of overall market growth and our share of market), estimated costs, and appropriate discount rates where applicable. Our assumptions are based on historical data, various internal estimates, and a variety of external sources and are consistent with the assumptions used in both our short-term financial forecasts and long-term strategic plans. Depending on the assumptions and estimates used, future cash flow projections can vary within a range of outcomes. Changes in key assumptions about the local media and national media businesses and their prospects or changes in market conditions could result in an impairment charge. See Item 1A.-Risk Factors for other factors which could affect our assumptions.

As of May 31, 2017, the date that management last performed our annual review of impairment of goodwill and intangible assets, there were no qualitative factors that indicated that a quantitative impairment analysis was needed for the local media reporting unit. At May 31, 2017, management elected to perform the quantitative goodwill impairment test for the magazine brands reporting unit and the MXM reporting unit. The first step of this test is to compare the fair value of a reporting unit to its carrying value. In reviewing other indefinite-lived intangible assets for impairment, the Company compares the fair value of the asset to the asset’s carrying value. The fair value of the magazine brands reporting unit exceeded its net assets by more than 30 percent and the MXM reporting unit exceeded its net assets by nearly 80 percent.

In fiscal 2017, the Company recorded a pre-tax non-cash impairment charge of $5.3 million to write-off the national media segment's Mywedding trademark. In fiscal 2016, the Company recorded a pre-tax non-cash impairment charge of $116.9 million to reduce the carrying value of MXM's goodwill. Additionally, in fiscal 2016, the Company recorded a non-cash impairment charge of $38.9 million on the national media segment's American Baby trademark. See Note 4 to the consolidated financial statements for additional information.

BROADCAST RIGHTS

Broadcast rights, which consist primarily of rights to broadcast syndicated programs and feature films, are recorded at cost when the programs become available for airing. Amortization of broadcast rights is generally recorded on an accelerated basis over the contract period. Broadcast rights valued at $29.7 million were included in the

Consolidated Balance Sheet at June 30, 2017. In addition, we had entered into contracts valued at $21.7 million not included in the Consolidated Balance Sheet at June 30, 2017, because the related programming was not yet available for airing.

Broadcast rights are valued at the lower of unamortized cost or net realizable value. The determination of net realizable value requires us to estimate future net revenues expected to be earned as a result of airing the programming. Future revenues can be affected by changes in the level of advertising demand, competition from other television stations or other media, changes in television programming ratings, changes in the planned usage of programming materials, and other factors. Changes in such key assumptions could result in an impairment charge.

PENSION AND POSTRETIREMENT PLANS

Meredith has noncontributory pension plans covering substantially all employees. These plans include qualified (funded) plans as well as nonqualified (unfunded) plans. These plans provide participating employees with retirement benefits in accordance with benefit provision formulas. The nonqualified plans provide retirement benefits only to certain highly compensated employees. Meredith also sponsors defined healthcare and life insurance plans that provide benefits to eligible retirees.

The accounting for pension and postretirement plans is actuarially based and includes assumptions regarding expected returns on plan assets, discount rates, and the rate of increase in healthcare costs. We consider the accounting for pension and postretirement plans critical to Meredith and both of our segments because of the number of significant judgments required. More information on our assumptions and our methodology in arriving at these assumptions can be found in Note 8 to the consolidated financial statements. Changes in key assumptions could materially affect the associated assets, liabilities, and benefit expenses. Depending on the assumptions and estimates used, these balances could vary within a range of outcomes. We monitor trends in the marketplace and rely on guidance from employee benefit specialists to arrive at reasonable estimates. These estimates are reviewed annually and updated as needed. Nevertheless, the estimates are subjective and may vary from actual results.

Meredith will use a long-term rate of return on plan assets of 8.0 percent in developing fiscal 2018 pension costs, the same as used in fiscal 2017. The fiscal 2017 rate was based on various factors that include but are not limited to the plans' asset allocations, a review of historical capital market performance, historical plan performance, current market factors such as inflation and interest rates, and a forecast of expected future asset returns. The pension plan assets earned 15.4 percent in fiscal 2017 and 1.0 percent in fiscal 2016. If we had decreased our expected long-term rate of return on plan assets by 0.5 percent in fiscal 2017, our pension expense would have increased by $0.7 million.

Meredith will use a weighted average discount rate of 3.41 percent in developing the fiscal 2018 pension costs, up from a rate of 2.98 percent used in fiscal 2017. If we had decreased the discount rate by 0.5 percent in fiscal 2017, our pension expense would have increased by $0.6 million.

Assumed rates of increase in healthcare cost levels have a significant effect on postretirement benefit costs. A one-percentage-point increase in the assumed healthcare cost trend rate would have resulted in an increase of $0.4 million in the postretirement benefit obligation at June 30, 2017, and no increase in the aggregate service and interest cost components of fiscal 2017 expense.

SHARE-BASED COMPENSATION EXPENSE

Meredith has a stock incentive plan that permits us to grant various types of share-based incentives to key employees and directors. The primary types of incentives granted under the plan are stock options and restricted stock units. Share-based compensation expense totaled $12.7 million in fiscal 2017. As of June 30, 2017, unearned compensation cost was $5.3 million for restricted stock units, $2.1 million for stock options, and $0.1 million for restricted stock. These costs will be recognized over weighted average periods of 1.5 years, 1.4 years, and 0.9 years, respectively.

Restricted shares and units are valued at the market value of traded shares on the date of grant. The valuation of stock options requires numerous assumptions. We determine the fair value of each option as of the date of grant using the Black-Scholes option-pricing model. This model requires inputs for the expected volatility of our stock price, expected life of the option, and expected dividend yield, among others. We base our assumptions on historical data, expected market conditions, and other factors. In some instances, a range of assumptions is used to reflect differences in behavior among various groups of employees. In addition, we estimate the number of options and restricted stock units expected to eventually vest. This is based primarily on past experience.

We consider the accounting for share-based compensation expense critical to Meredith and both of our segments because of the number of significant judgments required. More information on our assumptions can be found in Note 11 to the consolidated financial statements. Changes in these assumptions could materially affect the share-based compensation expense recognized as well as various liability and equity balances.

INCOME TAXES

Income taxes are recorded for the amount of taxes payable for the current year and include deferred tax assets and liabilities for the effect of temporary differences between the financial and tax basis of recorded assets and liabilities using enacted tax rates. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Income tax expense was 34.9 percent of earnings before income taxes in fiscal 2017. Net deferred tax liabilities totaled $384.7 million, or 22 percent of total liabilities, at June 30, 2017.

We consider accounting for income taxes critical to our operations because management is required to make significant subjective judgments in developing our provision for income taxes, including the determination of deferred tax assets and liabilities, any valuation allowances that may be required against deferred tax assets, and reserves for uncertain tax positions.

The Company operates in numerous taxing jurisdictions and is subject to audit in each of these jurisdictions. These audits can involve complex issues that tend to require an extended period of time to resolve and may eventually result in an increase or decrease to amounts previously paid to the taxing jurisdictions. Any such audits are not expected to have a material effect on the Company's consolidated financial statements.

ACCOUNTING AND REPORTING DEVELOPMENTS

ADOPTED OR PENDING ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements issued or effective during the fiscal year which have had or are expected to have a material impact on the consolidated financial statements in fiscal 2017 or fiscal 2018. See Note 1 to the accompanying consolidated financial statements for information related to our adoption of new accounting standards and for information on our anticipated adoption of recently issued accounting standards.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Meredith is exposed to certain market risks as a result of our use of financial instruments, in particular the potential market value loss arising from adverse changes in interest rates. The Company does not utilize financial instruments for trading purposes and does not hold any derivative financial instruments that could expose the Company to significant market risk. There have been no significant changes in the market risk exposures since June 30, 2016.

Interest Rates

We generally manage our risk associated with interest rate movements through the use of a combination of variable and fixed-rate debt. At June 30, 2017, Meredith had $50.0 million outstanding in fixed-rate, long-term debt. In addition, Meredith has effectively converted the $250.0 million floating-rate senior notes and $50.0 million of the term loan to fixed-rate debt through the use of interest rate swaps. Since the interest rate swaps hedge the variability of interest payments on variable-rate debt with the same terms, they qualify for cash flow hedge accounting treatment. There are no earnings or liquidity risks associated with the Company's fixed-rate debt. The fair value of the fixed-rate debt (based on discounted cash flows reflecting borrowing rates currently available for debt with similar terms and maturities) varies with fluctuations in interest rates. A 10 percent decrease in interest rates would have changed the fair value of the fixed-rate debt to $50.2 million from $50.1 million at June 30, 2017.

At June 30, 2017, $650.6 million of our debt was variable-rate debt before consideration of the impact of the swaps. The Company is subject to earnings and liquidity risks for changes in the interest rate on the portion of this debt that is not hedged by interest rate swaps. A 10 percent increase in interest rates would increase annual interest expense by $1.0 million.

The fair value of the interest rate swaps is the estimated amount, based on discounted cash flows, the Company would pay or receive to terminate the swap agreements. We intend to continue to meet the conditions for cash flow hedge accounting. However, if hedges were not highly effective in offsetting cash flows attributable to the hedged risk, the changes in the fair value of the derivatives used as hedges could have an impact on our consolidated net earnings.

Broadcast Rights Payable

The Company enters into broadcast rights contracts for our television stations. As a rule, these contracts are on a market-by-market basis and subject to terms and conditions of the seller of the broadcast rights. These procured rights generally are sold to the highest bidder in each market, and the process is very competitive. There are no earnings or liquidity risks associated with broadcast rights payable. Fair values are determined using discounted cash flows. At June 30, 2017, a 10 percent decrease in interest rates would have resulted in a $0.2 million increase in the fair value of the available broadcast rights payable and the unavailable broadcast rights commitments.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Meredith Corporation:

We have audited the accompanying consolidated balance sheets of Meredith Corporation and subsidiaries (the Company) as of June 30, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2017. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule, Schedule II-Valuation and Qualifying Accounts. We also have audited the Company's internal control over financial reporting as of June 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A (Controls and Procedures). Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meredith Corporation and subsidiaries as of June 30, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP
Des Moines, Iowa
August 29, 2017

REPORT OF MANAGEMENT