



## DECISION BLOCK MODELING SCENARIOS: A CASE STUDY

### BACKGROUND

The **SMARTmodel** system is widely used by our clients as a detailed circulation budgeting and planning tool. Featuring automatic data uploading directly from fulfillment sources, the system is relied on by marketing and planning executives for precise circulation budgeting and management.

Often overlooked and not fully used, however, are the complete budgeting and robust strategic planning capabilities of the system. **SMARTmodel** offers unlimited non-circulation revenue and departmental cost accounts for building a total financial plan. Furthermore, multiple circulation marketing plans can be combined with multiple financial plans (including all non-circulation revenue and cost streams) to evaluate long term business options.

Publishers can evaluate multiple strategies while keeping departmental budgets and plans separate and confidential. With this “Chinese wall” capability financial planning executives can easily build complete business models using current circulation department plans as a base for developing multiple publishing plans including advertising page, book size, frequency changes, and web-based edit scenarios. Multi-title magazine forecasts can be compared and ranked according to expected profit contribution to overall corporate financial performance. The system is also ideal for evaluating potential merger acquisition opportunities and planning new start-ups.

### CASE STUDY

A recent planning project illustrates how the system can be used to evaluate several long term “macro” scenarios. Our client’s publication---SAMPLE2010---is a monthly with an advertising rate base of 450,000. It generates an annual revenue (accrual) of about \$16.7 million and a profit of \$1.6 million. The publisher was concerned about recent softness in circulation and advertising sales performance and wanted to look at five year modeling scenarios that would:

- maintain current circulation levels while exploring cost saving options such as:
- reducing book size,
- changing issue frequency and adding a
- web-based editorial product to the circulation mix.

To keep comparative models focused on decision points price increases and cost inflation assumptions were not factored into the equation. Advertising page units and single copy sales remained constant in all models. Also, only one macro strategy variable was tested for each plan. Each succeeding plan would build on the prior plan.

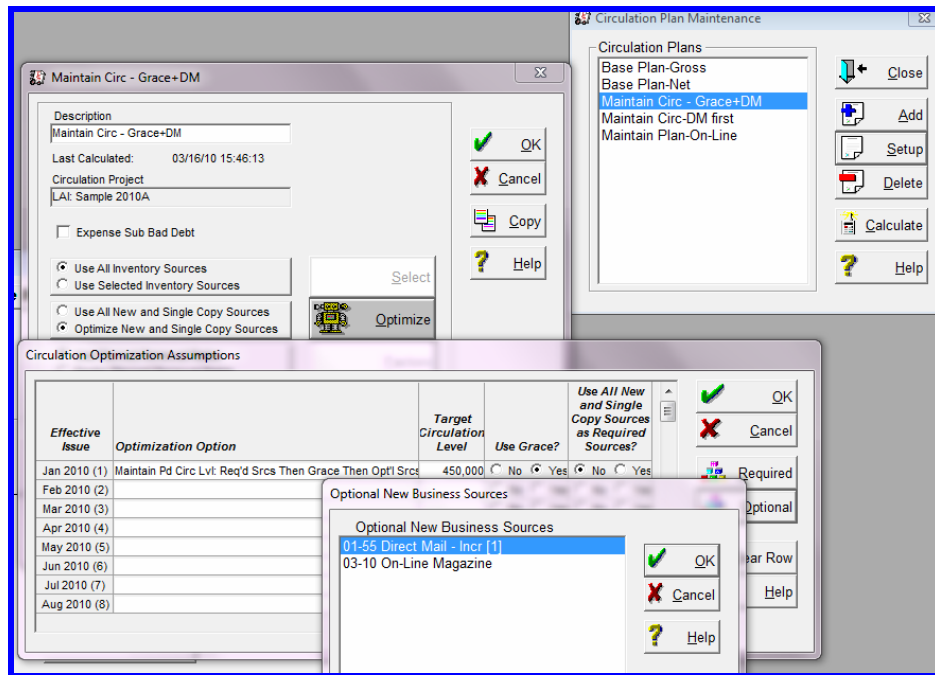
### Scenario Plan A: Base Model

First, a five year base model was built with year one circulation marketing and advertising unit sales assumptions repeated for each succeeding year in the plan. The goal of Plan A – the Base Model - was to determine a trend line for future circulation levels and financial performance (see F-1). The results summarized below indicate both a declining circulation base and profitability.

PLAN A	Year 1	Year 2	Year 3	Year 4	Year 5	Cum
Net Profit (000’s)	\$1593.2	\$1073.3	\$410.0	\$120.5	\$13.5	<b>\$3210.5</b>
Circulation (000’s)	472.0	453.3	415.0	399.9	396.7	
Freq./Average Book	12iss/120p	12iss/120p	12iss/120p	12iss/120p	12iss/120p	

**Scenario Plan B: Add Grace copies and direct mail subs to maintain 450,000 rate base**

The next step was to determine whether investing more marketing dollars in traditional circulation marketing sources to maintain a 450,000 advertising rate base would enhance profitability. Grace copies supplemented by additional direct mail promotions were specified in the Circulation Optimizer.

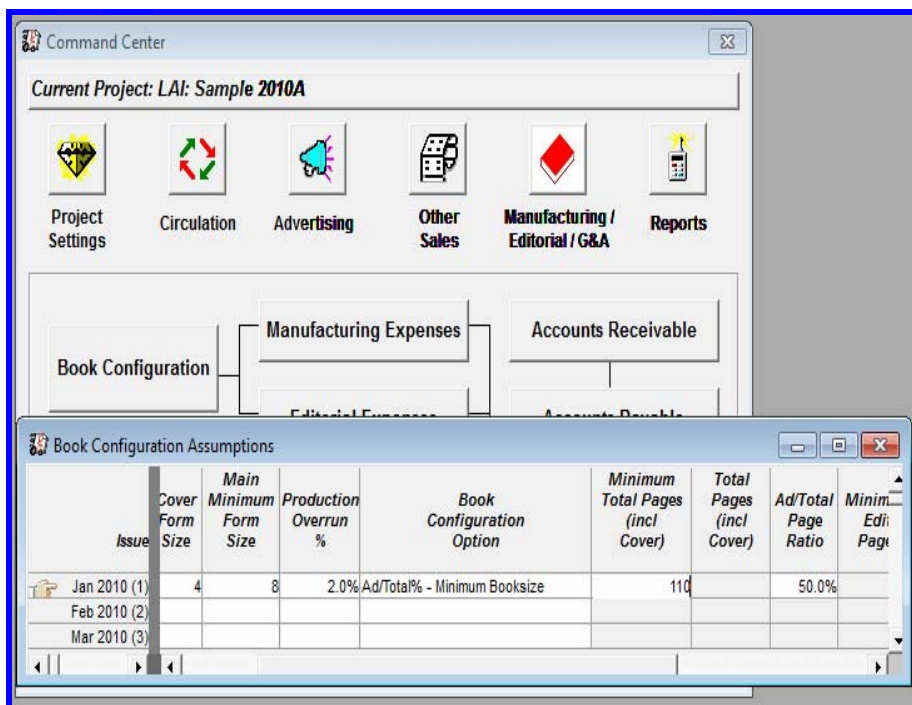


Plan B showed that maintaining a 450M advertising rate base using traditional circulation sources beginning in year 2 continued to produce declining profitability although results in year 5 provided a glimpse of a turnaround as profitable renewal orders began to kick in on the additional new business. (See F-2)

<b>PLAN B</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Cum</b>
Net Profit (000's)	\$1593.2	\$1098.4	\$(25.0)	(\$68.6)	\$95.0	<b>\$2691.0</b>
Ave. Pd. Circ (000's)	472.0	459.2	449.2	449.8	449.9	
Freq./Average Book	12iss/120p	12iss/120p	12iss/120p	12iss/120p	12iss/120p	
Grace Copies Used (000's)	0	<b>25.8</b>	<b>120.5</b>	<b>71.2</b>	<b>76.1</b>	
Incremental DM Starts	0	<b>0</b>	<b>33722</b>	<b>34372</b>	<b>23650</b>	

**Scenario Plan C – Plan B + Reduce average book size to 110 pages**

Each issue in the base model averaged a total book size of 120 pages including 40 advertising pages. A new on-line supplement had recently been developed and was provided to paid readers as bonus material. Both the publisher and the editorial director felt that reducing the average book size from 120 to 110 pages would not have a material effect on circulation and advertising sales results. Variable paper, printing, distribution and pre-press costs shown on a per M pages would be reduced proportionally. The book size assumptions are easily changed in the manufacturing module:



Plan C (reduced total book size) was combined with Plan B (Maintain 450,000 circulation base) to produce significant savings in printing and distribution costs and improve cumulative profits over the 5 year forecast.

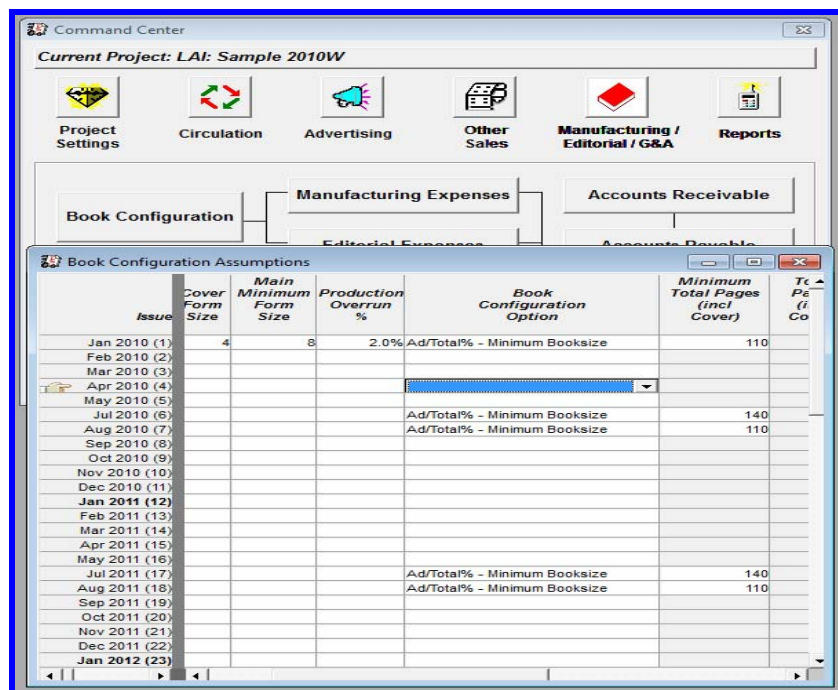
PLAN C	Year 1	Year 2	Year 3	Year 4	Year 5	Cum
Net Profit (000's)	\$1927.3	\$1424.1	\$299.9	\$257.1	\$419.9	<b>\$4328.3</b>
Circulation (000's)	472.0	459.2	449.2	449.8	449.9	
Freq./Average Book	12iss/ <b>110</b> p	12iss/ <b>110</b> p	12iss/ <b>110</b> p	12iss/ <b>110</b> p	12iss/ <b>110</b> p	

**Scenario Plan D – Plan B + Plan C + Change publishing frequency from 12 issues to 11.**

Next, a model was run to determine the potential savings in printing and distribution costs when the publishing frequency was changed from 12 issues to 10 issues plus a double issue served during the summer months. Plan D assumptions:

- Annual ad pages would remain the same – 480 pages over 11 issues.
- Subscription pricing would remain the same \$15/11 issues vs. \$15/12 issues...in effect, a price increase..
- Starting subscription inventory for each source would be served all copies due for the original subscription (12 or 24 issues).
- Average book size: reduced from 120 to 110 pages with 140 pages for the double issue.

These changes were made in the Manufacturing module shown below.



Although the five year projection for Plan D continue to show declining profitability a turnaround was shown beginning in Year 5 and the plan produced significant cumulative profit improvement versus Plans A, B, and C.

PLAN D	Year 1	Year 2	Year 3	Year 4	Year 5	Cum
Net Profit (000's)	\$1904.7	\$1623.5	\$708.7	\$500.41	\$653.1	<b>\$5390.4</b>
Circulation (000's)	477.38	465.2	449.6	450.0	450.0	
Freq./Average Book	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	

**Scenario Plan E – Reduce Book size and Frequency (Plans C+D). Use web magazine circulation instead of grace+direct mail to maintain 450M circ base.**

This plan assumed that circulation from the web-based magazine would provide the incremental circulation needed to maintain a 450M rate base versus using more expensive incremental grace and direct mail sources.

Total Gross Starts By Range	Jan 2010 (1) - Dec 2010 (11)	Jan 2011 (12) - Dec 2011 (22)	Jan 2012 (23) - Dec 2012 (33)	Jan 2013 (34) - Dec 2013 (44)	Jan 2014 (45) - Dec 2014 (55)
01-21 Direct Conversion	32,717	62,090	54,216	51,277	51,431
01-22 Agent Conversion	1,288	2,716	2,453	2,527	2,924
01-23 Gift Conversion	4,657	7,083	6,684	5,323	4,719
01-24 Renewals	73,629	106,327	119,412	112,364	107,643
01-25 Membership Sub	499	458	363	357	424
01-30 Advanced Renew	0	0	0	0	0
01-35 On-Line Mag Rent	189	404	3,124	13,624	18,431
Renewal Total	112,979	179,158	186,252	185,472	185,572
01-41 White Mail	9,253	9,716	10,201	10,710	11,243
01-42 Blow-ins	8,967	10,135	9,285	8,857	8,864
01-43 Bind-Ins/NS	2,667	3,626	3,805	4,002	4,181
01-45 Bind-Ins/Subs	34,946	39,342	37,285	37,206	37,320
01-46 Donor Gift DM	10,407	11,488	10,369	9,610	9,503
01-47 Inserts - Gift	289	2,311	2,179	2,170	2,170
01-49 On-Line Agents	18,000	21,600	25,920	31,104	37,320
01-51 Internet	26,700	29,364	32,304	35,532	39,096
01-53 Direct Mail	119,375	119,375	119,375	119,375	119,375
01-55 Direct Mail - Incr	0	0	0	0	0
01-57 FFT	23,600	23,600	23,600	23,600	23,600
01-58 Membership	2,100	2,310	2,538	2,796	3,072
01-59 School Plans	8,080	8,080	8,080	8,080	8,080
01-91 Free (Non-ratebar)	22,000	22,000	22,000	22,000	22,000
03-10 On-Line Magazine	0	9,683	37,168	33,557	23,466
New Business Total	286,384	312,630	344,069	348,599	349,290
Single Copy Total	0	0	0	0	0
<b>Total</b>	<b>399,363</b>	<b>491,788</b>	<b>530,321</b>	<b>534,071</b>	<b>534,862</b>

By combining a web-based magazine circulation with the print edition, reducing frequency and average book size Plan E produces the most profitable scenario.

PLAN E	Year 1	Year 2	Year 3	Year 4	Year 5	Cum
Net Profit (000's)	\$1904.79	\$1676.5	\$1629.2	\$1696.1	\$1698.0	<b>\$8604.69</b>
Circulation (000's)	477.3	465.5	450.3	451.1	453.6	
On-line Mag NB Starts	0	9683	37168	33557	23466	
On-line Mag Ren Starts	0	0	3124	13624	18431	
Freq./Average Book	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	<b>11iss/110p</b>	

## PLAN SUMMARIES AND CONCLUSIONS

Model Plan	Macro Strategy	5 <sup>th</sup> Yr. Profit	5 Yr. Cum Pft	Index
Plan A	Base Plan	\$13.5 M	\$3210.5 M	100
Plan B	Maintain 450M – Grace+DM	\$95.0 M	\$2691.0 M	84
Plan C	Plan B – 110 book size vs. 120	\$419.9 M	\$4328.3 M	135
Plan D	Plans B,C – 10+1 Dbl vs. 12 issues	\$653.1 M	\$5390.4 M	168
Plan E	Plans B,C,D – Maintain 450M – Web	\$1698.0 M	\$8604.6 M	268

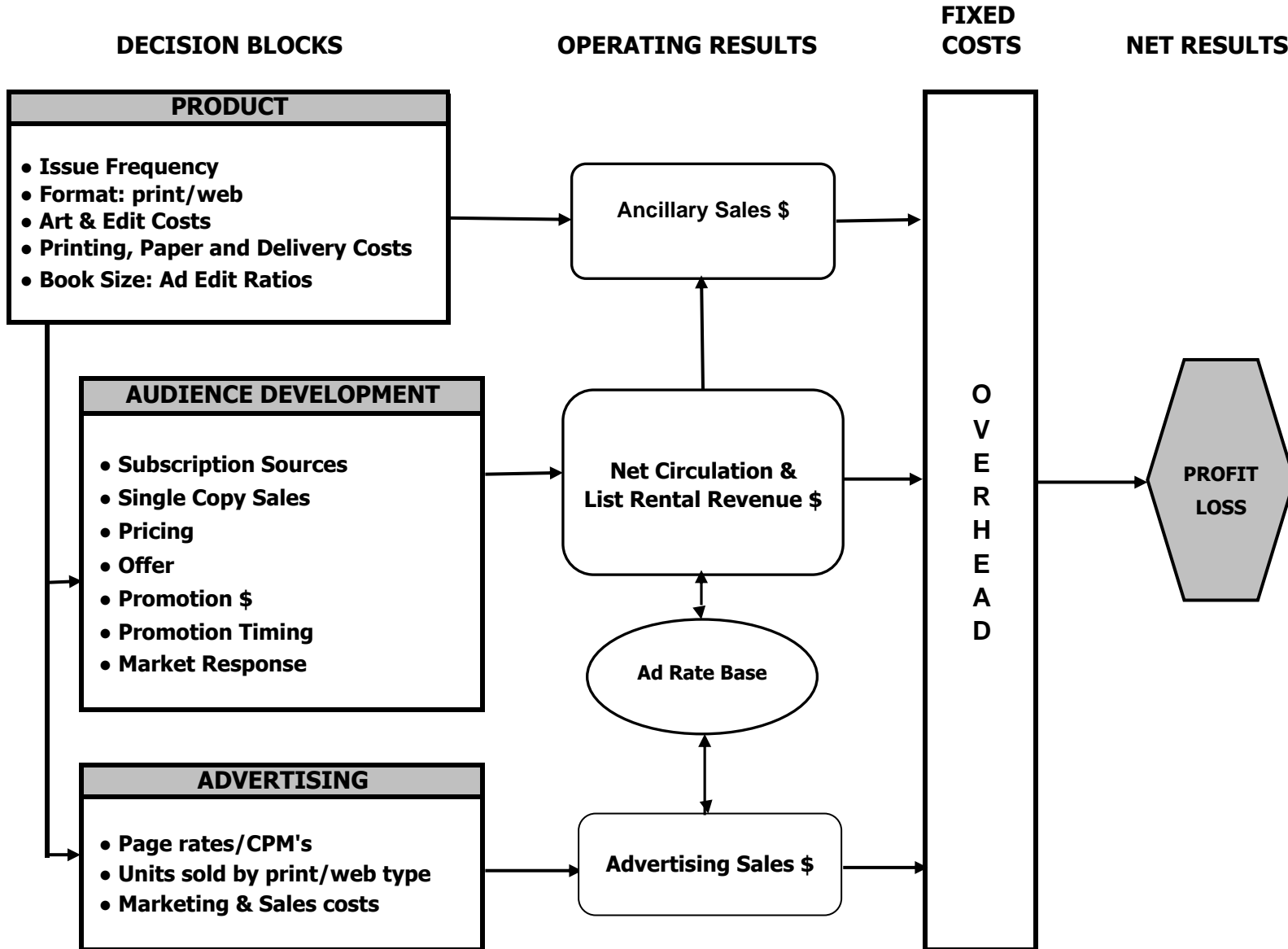
Detailed financial reports for each plan are shown on pages F-1 to F-5.

In addition to being a detailed circulation budgeting system, the **SMARTmodel** financial system can be a critical planning tool for evaluating big picture business options for magazines, newsletter, memberships and all business enterprises that feature “on-off” subscription marketing characteristics.

The system is ideal for developing business plans for start-ups, make-overs, and evaluating merger acquisition opportunities.

For more information and to schedule an on-line demo please contact your Ladd Associates, Inc. representative or email [info@laddassociates.com](mailto:info@laddassociates.com) or call 415-921-1001.

**SMART**model™ for Publications - Business Modeling Blocks



PLAN A - BASE

Publication: NEW SAMPLE  
Project: SAMPLE2010A  
Circulation Plan: Base Plan-Net  
Financial Plan: Base Plan-Net  
Reporting Profit / Loss Results.  
Financial results shown in 000s.

Report: FR-06: Profit / Loss - Summary  
Date: 03/16/2010  
Time: 14:56:22

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<b><u>INCOME</u></b>						
01 Subscription Revenue	\$6193.2	\$5945.6	\$5398.4	\$5155.1	\$5079.3	\$27771.6
02 Single Copy Revenue	\$755.4	\$755.4	\$755.4	\$755.4	\$755.4	\$3776.8
03 List Rental Revenue	\$315.1	\$301.9	\$274.9	\$264.2	\$262.0	\$1418.1
04 Advertising Revenue	\$9260.1	\$8893.2	\$8141.4	\$7845.6	\$7782.2	\$41922.6
09 Miscellaneous Revenue	\$156.2	\$182.5	\$182.2	\$179.1	\$179.5	\$879.5
<b>INCOME</b>	<b>\$16680.0</b>	<b>\$16078.6</b>	<b>\$14752.3</b>	<b>\$14199.3</b>	<b>\$14058.3</b>	<b>\$75768.6</b>
<b>CUM INCOME</b>	<b>\$16680.0</b>	<b>\$32758.7</b>	<b>\$47510.9</b>	<b>\$61710.2</b>	<b>\$75768.6</b>	
<b><u>EXPENSE</u></b>						
01 Subscription Expenses	\$3749.5	\$3923.9	\$3848.9	\$3802.9	\$3806.9	\$19132.1
02 Single Copy Expenses	\$46.0	\$46.0	\$43.5	\$43.5	\$43.5	\$222.7
03 List Rental Expenses	\$62.2	\$59.6	\$54.2	\$52.1	\$51.7	\$279.8
04 Advertising Expenses	\$2372.2	\$2298.3	\$2126.8	\$2067.1	\$2054.4	\$10918.7
05 Manufacturing Expenses	\$6008.7	\$5818.7	\$5410.1	\$5255.7	\$5230.7	\$27723.8
06 Art & Edit Expenses	\$1723.9	\$1723.9	\$1723.9	\$1723.9	\$1723.9	\$8619.5
07 G&A Expenses	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$5401.1
09 Miscellaneous Expenses	\$44.2	\$54.7	\$54.6	\$53.4	\$53.5	\$260.5
<b>EXPENSE</b>	<b>\$15086.8</b>	<b>\$15005.3</b>	<b>\$14342.2</b>	<b>\$14078.8</b>	<b>\$14044.8</b>	<b>\$72558.1</b>
<b>CUM EXPENSE</b>	<b>\$15086.8</b>	<b>\$30092.2</b>	<b>\$44434.4</b>	<b>\$58513.3</b>	<b>\$72558.1</b>	
<b>NET PROFIT</b>	<b>\$1593.2</b>	<b>\$1073.3</b>	<b>\$410.0</b>	<b>\$120.5</b>	<b>\$13.5</b>	<b>\$3210.5</b>
<b>CUM NET PROFIT</b>	<b>\$1593.2</b>	<b>\$2666.5</b>	<b>\$3076.5</b>	<b>\$3197.0</b>	<b>\$3210.5</b>	

<b><u>Circulation Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Subscriptions	446,576	427,875	389,555	374,475	371,246
Single Copy Sales	25,433	25,433	25,433	25,433	25,433
Average Ratebase	472,010	453,308	414,988	399,909	396,679
Advertising Ratebase	472,009	453,308	414,988	399,908	396,678

<b><u>Financial Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Renewal Sub Starts	121,533	176,333	176,691	163,590	156,734
New Bus. Sub Starts	177,434	189,731	191,512	196,648	204,790
Total (Paid) Sub Starts	298,967	366,064	368,203	360,238	361,524
Avg. Sub Copy Rate	\$1.206	\$1.215	\$1.221	\$1.227	\$1.232
Renewal Rate	42.41%	41.94%	43.29%	42.90%	41.91%
SCS Sales/Draw %	39.18%	39.18%	39.18%	39.18%	39.18%
Circ. Exp/Rev Ratio	0.53	0.58	0.61	0.63	0.64
Circulation Profit	\$3406.0	\$2973.4	\$2482.0	\$2276.1	\$2194.5
Ad Pages Sold	480.00	480.00	480.00	480.00	480.00
Ad Revenue Per Page	\$19,292	\$18,528	\$16,961	\$16,345	\$16,213
Net Ad CPM	\$40.87	\$40.87	\$40.87	\$40.87	\$40.87
Adv. Exp/Rev Ratio	0.26	0.26	0.26	0.26	0.26
Advertising Profit	\$6887.9	\$6595.0	\$6014.7	\$5778.5	\$5727.9

**PLAN B - MAINTAIN 450M BASE**

Publication: NEW SAMPLE  
 Project: SAMPLE2010A  
 Circulation Plan: Maintain Circ - Grace+DM  
 Financial Plan: Maintain Circ - Grace+DM  
 Reporting Profit / Loss Results.  
 Financial results shown in 000s.

Report: FR-06: Profit / Loss - Summary  
 Date: 03/16/2010  
 Time: 15:23:40

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<b><u>INCOME</u></b>						
01 Subscription Revenue	\$6193.2	\$5946.4	\$5510.8	\$5507.0	\$5484.4	\$28641.9
02 Single Copy Revenue	\$755.4	\$755.4	\$755.4	\$755.4	\$755.4	\$3776.8
03 List Rental Revenue	\$315.1	\$306.0	\$299.0	\$299.4	\$299.5	\$1519.1
04 Advertising Revenue	\$9260.1	\$9007.9	\$8813.5	\$8824.4	\$8826.6	\$44732.5
09 Miscellaneous Revenue	\$156.2	\$182.6	\$188.8	\$189.1	\$189.9	\$906.6
<b>INCOME</b>	<b>\$16680.0</b>	<b>\$16198.4</b>	<b>\$15567.5</b>	<b>\$15575.3</b>	<b>\$15555.7</b>	<b>\$79577.0</b>
<b>CUM INCOME</b>	<b>\$16680.0</b>	<b>\$32878.4</b>	<b>\$48445.9</b>	<b>\$64021.2</b>	<b>\$79577.0</b>	
<b><u>EXPENSE</u></b>						
01 Subscription Expenses	\$3749.5	\$3933.6	\$4535.3	\$4562.5	\$4386.6	\$21167.4
02 Single Copy Expenses	\$46.0	\$46.0	\$43.5	\$43.5	\$43.5	\$222.7
03 List Rental Expenses	\$62.2	\$60.4	\$59.0	\$59.1	\$59.1	\$299.7
04 Advertising Expenses	\$2372.2	\$2321.4	\$2262.2	\$2264.4	\$2264.8	\$11485.0
05 Manufacturing Expenses	\$6008.7	\$5881.7	\$5831.0	\$5853.0	\$5844.9	\$29419.3
06 Art & Edit Expenses	\$1723.9	\$1723.9	\$1723.9	\$1723.9	\$1723.9	\$8619.5
07 G&A Expenses	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$5401.1
09 Miscellaneous Expenses	\$44.2	\$54.8	\$57.3	\$57.4	\$57.7	\$271.3
<b>EXPENSE</b>	<b>\$15086.8</b>	<b>\$15102.0</b>	<b>\$15592.4</b>	<b>\$15644.0</b>	<b>\$15460.8</b>	<b>\$76886.0</b>
<b>CUM EXPENSE</b>	<b>\$15086.8</b>	<b>\$30188.8</b>	<b>\$45781.3</b>	<b>\$61425.2</b>	<b>\$76886.0</b>	
<b>NET PROFIT</b>	<b>\$1593.2</b>	<b>\$1096.4</b>	<b>(\$25.0)</b>	<b>(\$68.6)</b>	<b>\$95.0</b>	<b>\$2691.0</b>
<b>CUM NET PROFIT</b>	<b>\$1593.2</b>	<b>\$2689.6</b>	<b>\$2664.6</b>	<b>\$2596.0</b>	<b>\$2691.0</b>	

<b><u>Circulation Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Subscriptions	446,576	433,723	423,812	424,367	424,479
Single Copy Sales	25,433	25,433	25,433	25,433	25,433
Average Ratebase	472,010	459,156	449,245	449,800	449,912
Advertising Ratebase	472,009	459,156	449,244	449,799	449,912

<b><u>Financial Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Renewal Sub Starts	121,533	176,333	176,793	169,344	166,926
New Bus. Sub Starts	177,434	190,028	208,047	215,925	220,471
Total (Paid) Sub Starts	298,967	366,361	384,840	385,269	387,397
Avg. Sub Copy Rate	\$1.206	\$1.216	\$1.222	\$1.227	\$1.232
Renewal Rate	42.41%	41.94%	43.28%	42.70%	41.99%
SCS Sales/Draw %	39.18%	39.18%	39.18%	39.18%	39.18%
Circ. Exp/Rev Ratio	0.53	0.58	0.71	0.71	0.69
Circulation Profit	\$3406.0	\$2967.9	\$1927.3	\$1896.8	\$2050.1
Ad Pages Sold	480.00	480.00	480.00	480.00	480.00
Ad Revenue Per Page	\$19,292	\$18,767	\$18,361	\$18,384	\$18,389
Net Ad CPM	\$40.87	\$40.87	\$40.87	\$40.87	\$40.87
Adv. Exp/Rev Ratio	0.26	0.26	0.26	0.26	0.26
Advertising Profit	\$6887.9	\$6686.6	\$6551.3	\$6560.0	\$6561.8

Publication: NEW SAMPLE  
 Project: SAMPLE2010A  
 Circulation Plan: Maintain Circ - Grace+DM  
 Financial Plan: Maintain Circ - Grace+DM  
 Reporting Profit / Loss Results.  
 Financial results shown in 000s.

Report: FR-06: Profit / Loss - Summary  
 Date: 03/16/2010  
 Time: 15:26:21

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
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01 Subscription Revenue	\$6193.2	\$5946.4	\$5510.8	\$5507.0	\$5484.4	\$28641.9
02 Single Copy Revenue	\$755.4	\$755.4	\$755.4	\$755.4	\$755.4	\$3776.8
03 List Rental Revenue	\$315.1	\$306.0	\$299.0	\$299.4	\$299.5	\$1519.1
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<b><u>EXPENSE</u></b>						
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04 Advertising Expenses	\$2372.2	\$2321.4	\$2262.2	\$2264.4	\$2264.8	\$11485.0
05 Manufacturing Expenses	\$5708.2	\$5587.6	\$5539.7	\$5560.9	\$5553.5	\$27950.0
06 Art & Edit Expenses	\$1690.3	\$1690.3	\$1690.3	\$1690.3	\$1690.3	\$8451.5
07 G&A Expenses	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$5401.1
09 Miscellaneous Expenses	\$44.2	\$54.8	\$57.3	\$57.4	\$57.7	\$271.3
<b>EXPENSE</b>	<b>\$14752.7</b>	<b>\$14774.3</b>	<b>\$15267.6</b>	<b>\$15318.3</b>	<b>\$15135.8</b>	<b>\$75248.7</b>
<b>CUM EXPENSE</b>	<b>\$14752.7</b>	<b>\$29527.0</b>	<b>\$44794.6</b>	<b>\$60112.9</b>	<b>\$75248.7</b>	
<b>NET PROFIT</b>	<b>\$1927.3</b>	<b>\$1424.1</b>	<b>\$299.9</b>	<b>\$257.1</b>	<b>\$419.9</b>	<b>\$4328.3</b>
<b>CUM NET PROFIT</b>	<b>\$1927.3</b>	<b>\$3351.4</b>	<b>\$3651.3</b>	<b>\$3908.4</b>	<b>\$4328.3</b>	

<b><u>Circulation Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Subscriptions	446,576	433,723	423,812	424,367	424,479
Single Copy Sales	25,433	25,433	25,433	25,433	25,433
Average Ratebase	472,010	459,156	449,245	449,800	449,912
Advertising Ratebase	472,009	459,156	449,244	449,799	449,912

<b><u>Financial Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Renewal Sub Starts	121,533	176,333	176,793	169,344	166,926
New Bus. Sub Starts	177,434	190,028	208,047	215,925	220,471
Total (Paid) Sub Starts	298,967	366,361	384,840	385,269	387,397
Avg. Sub Copy Rate	\$1.206	\$1.216	\$1.222	\$1.227	\$1.232
Renewal Rate	42.41%	41.94%	43.28%	42.70%	41.99%
SCS Sales/Draw %	39.18%	39.18%	39.18%	39.18%	39.18%
Circ. Exp/Rev Ratio	0.53	0.58	0.71	0.71	0.69
Circulation Profit	\$3406.0	\$2967.9	\$1927.3	\$1896.8	\$2050.1
Ad Pages Sold	480.00	480.00	480.00	480.00	480.00
Ad Revenue Per Page	\$19,292	\$18,767	\$18,361	\$18,384	\$18,389
Net Ad CPM	\$40.87	\$40.87	\$40.87	\$40.87	\$40.87
Adv. Exp/Rev Ratio	0.26	0.26	0.26	0.26	0.26
Advertising Profit	\$6887.9	\$6686.6	\$6551.3	\$6560.0	\$6561.8

Publication: NEW SAMPLE  
 Project: SAMPLE2010I  
 Circulation Plan: Maintain Circ - Grace+DM  
 Financial Plan: Maintain Circ - Grace+DM  
 Reporting Profit / Loss Results.  
 Financial results shown in 000s.

Report: FR-06: Profit / Loss - Summary  
 Date: 03/16/2010  
 Time: 15:32:13

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<b><u>INCOME</u></b>						
01 Subscription Revenue	\$5926.0	\$5913.0	\$5469.0	\$5426.1	\$5378.6	\$28112.6
02 Single Copy Revenue	\$692.8	\$758.7	\$795.3	\$831.4	\$869.3	\$3947.5
03 List Rental Revenue	\$317.5	\$308.5	\$296.7	\$296.0	\$295.0	\$1513.6
04 Advertising Revenue	\$9344.2	\$9107.3	\$8802.8	\$8809.9	\$8810.1	\$44874.3
09 Miscellaneous Revenue	\$150.8	\$181.7	\$188.7	\$190.2	\$192.5	\$903.9
<b>INCOME</b>	\$16431.3	\$16269.2	\$15552.4	\$15553.5	\$15545.5	\$79352.0
<b>CUM INCOME</b>	\$16431.3	\$32700.5	\$48252.9	\$63806.4	\$79352.0	
<b><u>EXPENSE</u></b>						
01 Subscription Expenses	\$3776.0	\$4029.1	\$4423.8	\$4577.0	\$4417.8	\$21223.7
02 Single Copy Expenses	\$44.7	\$46.2	\$44.5	\$45.4	\$46.3	\$227.0
03 List Rental Expenses	\$62.6	\$60.9	\$58.5	\$58.4	\$58.2	\$298.6
04 Advertising Expenses	\$2389.1	\$2341.4	\$2260.0	\$2261.5	\$2261.5	\$11513.6
05 Manufacturing Expenses	\$5468.9	\$5371.2	\$5257.6	\$5311.8	\$5309.1	\$26718.5
06 Art & Edit Expenses	\$1662.7	\$1662.7	\$1662.7	\$1662.7	\$1662.7	\$8313.5
07 G&A Expenses	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$5401.1
09 Miscellaneous Expenses	\$42.2	\$54.1	\$56.3	\$56.3	\$56.6	\$265.4
<b>EXPENSE</b>	\$14526.5	\$14645.8	\$14843.7	\$15053.2	\$14892.4	\$73961.5
<b>CUM EXPENSE</b>	\$14526.5	\$29172.3	\$44015.9	\$59069.1	\$73961.5	
<b>NET PROFIT</b>	\$1904.7	\$1623.5	\$708.7	\$500.4	\$653.1	\$5390.4
<b>CUM NET PROFIT</b>	\$1904.7	\$3528.2	\$4236.9	\$4737.3	\$5390.4	

<b><u>Circulation Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Subscriptions	451,830	437,308	420,417	419,451	418,070
Single Copy Sales	25,448	27,869	29,210	30,537	31,930
Average Ratebase	477,278	465,177	449,627	449,989	450,000
Advertising Ratebase	477,277	465,177	449,627	449,988	450,000

<b><u>Financial Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Renewal Sub Starts	110,653	175,178	179,177	167,580	164,274
New Bus. Sub Starts	174,102	187,478	199,894	210,990	216,160
Total (Paid) Sub Starts	284,755	362,656	379,071	378,570	380,434
Avg. Sub Copy Rate	\$1.313	\$1.323	\$1.329	\$1.335	\$1.340
Renewal Rate	42.10%	41.91%	43.57%	43.12%	42.17%
SCS Sales/Draw %	39.18%	39.13%	39.11%	39.06%	39.01%
Circ. Exp/Rev Ratio	0.56	0.59	0.69	0.71	0.69
Circulation Profit	\$3052.9	\$2844.0	\$2034.0	\$1872.7	\$2020.7
Ad Pages Sold	480.00	480.00	480.00	480.00	480.00
Ad Revenue Per Page	\$19,467	\$18,973	\$18,339	\$18,354	\$18,354
Net Ad CPM	\$40.79	\$40.79	\$40.79	\$40.79	\$40.79
Adv. Exp/Rev Ratio	0.26	0.26	0.26	0.26	0.26
Advertising Profit	\$6955.0	\$6765.9	\$6542.8	\$6548.4	\$6548.6

**PLAN E - PLAN D USING WEB MAG SUBS**

Publication: NEW SAMPLE  
 Project: SAMPLE2010W  
 Circulation Plan: Maintain Plan-On-Line  
 Financial Plan: Maintain Plan-On-Line  
 Reporting Profit / Loss Results.  
 Financial results shown in 000s.

Report: FR-06: Profit / Loss - Summary  
 Date: 03/17/2010  
 Time: 12:00:16

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<b><u>INCOME</u></b>						
01 Subscription Revenue	\$5926.0	\$5942.0	\$5750.4	\$5706.3	\$5690.0	\$29014.7
02 Single Copy Revenue	\$692.8	\$758.7	\$795.3	\$831.4	\$869.3	\$3947.5
03 List Rental Revenue	\$317.5	\$308.7	\$297.1	\$296.7	\$297.3	\$1517.3
04 Advertising Revenue	\$9344.2	\$9113.4	\$8816.6	\$8831.7	\$8881.0	\$44986.9
09 Miscellaneous Revenue	\$150.8	\$185.6	\$201.3	\$203.8	\$205.1	\$946.6
<b>INCOME</b>	<b>\$16431.3</b>	<b>\$16308.5</b>	<b>\$15860.6</b>	<b>\$15870.0</b>	<b>\$15942.8</b>	<b>\$80413.0</b>
<b>CUM INCOME</b>	<b>\$16431.3</b>	<b>\$32739.7</b>	<b>\$48600.3</b>	<b>\$64470.3</b>	<b>\$80413.0</b>	
<b><u>EXPENSE</u></b>						
01 Subscription Expenses	\$3776.0	\$4029.5	\$4042.6	\$4077.9	\$4099.8	\$20025.8
02 Single Copy Expenses	\$44.7	\$46.2	\$44.5	\$45.4	\$46.3	\$227.0
03 List Rental Expenses	\$62.6	\$60.9	\$58.6	\$58.5	\$58.7	\$299.3
04 Advertising Expenses	\$2389.1	\$2342.6	\$2262.8	\$2265.9	\$2275.8	\$11536.3
05 Manufacturing Expenses	\$5468.9	\$5354.3	\$5018.6	\$4921.5	\$4959.6	\$25722.8
06 Art & Edit Expenses	\$1662.7	\$1662.7	\$1662.7	\$1662.7	\$1662.7	\$8313.5
07 G&A Expenses	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$1080.2	\$5401.1
09 Miscellaneous Expenses	\$42.2	\$55.6	\$61.3	\$61.8	\$61.6	\$282.6
<b>EXPENSE</b>	<b>\$14526.5</b>	<b>\$14632.0</b>	<b>\$14231.4</b>	<b>\$14173.8</b>	<b>\$14244.7</b>	<b>\$71808.4</b>
<b>CUM EXPENSE</b>	<b>\$14526.5</b>	<b>\$29158.5</b>	<b>\$43389.9</b>	<b>\$57563.7</b>	<b>\$71808.4</b>	
<b>NET PROFIT</b>	<b>\$1904.7</b>	<b>\$1676.5</b>	<b>\$1629.2</b>	<b>\$1696.1</b>	<b>\$1698.0</b>	<b>\$8604.6</b>
<b>CUM NET PROFIT</b>	<b>\$1904.7</b>	<b>\$3581.2</b>	<b>\$5210.4</b>	<b>\$6906.6</b>	<b>\$8604.6</b>	

<b><u>Circulation Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Subscriptions	451,830	437,624	421,118	420,566	421,692
Single Copy Sales	25,448	27,869	29,210	30,537	31,930
Average Ratebase	477,278	465,493	450,329	451,104	453,622
Advertising Ratebase	477,277	465,492	450,328	451,103	453,622

<b><u>Financial Summary</u></b>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Renewal Sub Starts	110,653	175,178	182,509	181,930	182,064
New Bus. Sub Starts	174,102	197,149	227,904	230,970	229,821
Total (Paid) Sub Starts	284,755	372,327	410,413	412,900	411,885
Avg. Sub Copy Rate	\$1.313	\$1.317	\$1.306	\$1.308	\$1.315
Renewal Rate	42.10%	41.91%	43.50%	43.14%	43.06%
SCS Sales/Draw %	39.18%	39.13%	39.11%	39.06%	39.01%
Circ. Exp/Rev Ratio	0.56	0.59	0.61	0.61	0.61
Circulation Profit	\$3052.9	\$2872.9	\$2697.0	\$2652.6	\$2651.8
Ad Pages Sold	480.00	480.00	480.00	480.00	480.00
Ad Revenue Per Page	\$19,467	\$18,986	\$18,368	\$18,399	\$18,502
Net Ad CPM	\$40.79	\$40.79	\$40.79	\$40.79	\$40.79
Adv. Exp/Rev Ratio	0.26	0.26	0.26	0.26	0.26
Advertising Profit	\$6955.0	\$6770.8	\$6553.7	\$6565.9	\$6605.2