OVERVIEW:
TGNA reported 2Q15 total Co. revenues of over $1.5b and non-GAAP EPS of $0.65.
Good day, everyone, and welcome to TEGNA's second-quarter 2015 earnings conference call. This call is being recorded. Due to the large number of callers, we will limit you to one question or comment. We greatly appreciate your cooperation and courtesy.

Our speaker for today will be Gracia Martore, President and Chief Executive Officer; and Victoria Harker, Executive Vice President and Chief Financial Officer. At this time, I would like to turn the call over to Mr. Jeff Heinz, Vice President, Investor Relations. Please go ahead, sir.

Jeff Heinz - TEGNA Inc - VP of IR

Thanks, Erica. Good morning, and welcome to our earnings call and webcast. Today our President and CEO, Gracia Martore, and our CFO, Victoria Harker, will review TEGNA's second-quarter 2015 results. After their commentary, we'll open up the call for questions.

Hopefully, you've had the opportunity to review this morning's press release which includes our consolidated results, as our spinoff of the publishing business was completed the day following the close of the second quarter. If you have not yet reviewed a copy of the release it's available at TEGNA.com.

Before we get started, I'd like to remind you that this conference call and webcast include forward-looking statements and our actual results may differ. Factors that may cause them to differ are outlined in our SEC filings. This presentation also includes certain non-GAAP financial measures. We've provided reconciliations of those
Gracia Martore - TEGNA Inc - President and CEO

Thanks, Jeff, and let me join him in welcoming you to our earnings call this morning. As you know, on June 29, the first day of our third quarter, we completed our anticipated separation into two independent publicly traded companies; a broadcasting and digital company operating under the name TEGNA, and a publishing company that was given the name Gannett Co., Inc.

As Jeff mentioned, our second quarter earnings release includes consolidated results for the second quarter for Broadcasting, Digital and Publishing business segments. New Gannett will hold its own investor call to provide an overview of their publishing results on July 29. Our focus on this morning's call will be on the businesses that comprise TEGNA, as well as TEGNA's go-forward strategy and compelling investment thesis.

Before we cover our results for the quarter, I wanted to focus briefly on this morning's other good news. We are very pleased to share with you that we have signed a contract to sell TEGNA's headquarters building to the Tamares Group for $270 million. The deal is expected to close very late in the third quarter or early in the fourth quarter of this year. As part of the proposed deal, TEGNA will occupy space in the building for 18 months from closing rent free, however, for accounting purposes, we will need to record imputed rental expense.

Cash taxes on this transaction will be very minimal as we have a capital loss carry forward that will be utilized to offset the vast majority of the gain. We are reviewing the best alternatives for the use of proceeds from the sale, although no decisions have been finalized. As you may know, we gave a deep dive on our businesses at our investor meeting on June 22, so we'll keep today's presentation relatively brief. That said, obviously, this is an incredibly exciting time for all of us here at TEGNA, so let's get to it.

Our Broadcasting segment, now called TEGNA Media, achieved record second quarter revenues despite challenging comps. Growth in Broadcasting was driven primarily by a very strong performance across our expanded portfolio of TV stations, as the integration of our newer stations continues to unfold smoothly and exceed our expectations. Our TV footprint is expansive and our stations are strong on a variety of metrics as we continue to gain market share. As a result, core media advertising had another good quarter fueling our growing optimism about our competitive positioning as we approach the 2016 mega political season. 2012, the last presidential year, was an outstanding year for us and since that time, we've doubled our Broadcasting footprint, so, clearly, we have good reason to be excited about 2016 and beyond.

We are expecting tremendous demand in several of our markets as television advertising continues to be the go-to place for politicians in all areas of government and across all geographies in the US. On top of that, as the largest owner of NBC affiliates, the Summer Olympics in Rio should be yet another boom to our 2016 results. Another key advantage of our footprint is the opportunity it provides us in retransmission negotiations. As we've said before, we believe there is a gap between the value of the content we provide and what we are paid for that content, and we think our strength, scale, and deep local connections position us to close that gap further. That is a critical point as we will have approximately 90% of our paid subscribers up for renewal by the end of 2016.

These growth drivers also are especially beneficial as we face increased reverse retrans fees, as we have important affiliation agreements coming up in late 2015 and early 2017. Of course, this is something we've been anticipating and planning for, and as we described at our Investor Day, we are putting several initiatives in place on both the top line and on the expense line to help maintain our industry leading margins. We are confident that TEGNA Media is well positioned to more than compensate for any additional costs incurred due to this in 2016 and beyond. Along with our scale and other competitive advantages, our overall mission remains rooted in the idea that content comes first. We have award-winning local programming and a unique bond with the communities we serve. We are ratings leaders, well positioned to take market share, and TEGNA Media will continue to make outstanding programming a priority such as by investing in local news and other special programming to ensure we stay connected to our audiences wherever they want to access our content.

In addition, not only are we the largest, most geographically diverse and often the highest rated station group, we also have the best margins in the industry, and given our operational strength and commitment to efficiency that will not change in the foreseeable future. In fact, TEGNA Media has made already some innovative moves. We entered into a partnership with Debmar-Mercury, a subsidiary of Lions Gate, to offer a preview of a T.D. Jakes-hosted mainstream headline driven one hour daytime talk show across four TEGNA Media markets this summer. In addition to his own expansive TV, radio, social, and digital media platform, T.D. Jakes will utilize TEGNA Media's large social media footprint to drive awareness of the show. This effort leverages multiple media channels making it a perfect fit with TEGNA's commitment to innovation in the multi-platform model.

Just one day following the completion of the separation, TEGNA announced its investment in The Video Call Center, a video, technology and content Company. This opportunity creates a new genre of television called video caller television in which entire programs are built with original content from video callers from anywhere in
the world. As part of this venture, TEGNA Media will use VCC's technology to create innovative, original, lower cost programming across broadcast, social, mobile, and online.

Ramping up our video capabilities has been an area of continuing focus for some time now. In April, we entered into an agreement with ViewLift, a full service provider of custom video applications, to explore the development of a new digital sports video service focused on streaming unique sports-related content and select relevant movies across multiple devices, smartphones, tablets, televisions, and PCs. Under this agreement, ViewLift will provide platform services, proprietary technology, and complementary content, and operating expertise while leveraging TEGNA's unparalleled footprint that reaches one-third of television households in America. These kinds of opportunities are very promising and they are relevant today, and we believe they will become even more significant in 2017 and beyond.

Now I'd like to turn to our Digital segment, now known as TEGNA Digital. TEGNA Digital had a strong and record second quarter with terrific revenue growth compared to the second quarter of 2014. This substantial increase was driven primarily by strong organic growth, more favorable wholesale rates built into the new affiliation agreements, signed in conjunction with the acquisition of Cars.com, as well as increases in two very important metrics, the number of dealership customers and revenue per dealer. We are also very pleased that Cars.com hit the 1 million mark for consumer-generated dealer reviews during the quarter, just four years after the site feature was launched. This transparent and honest model for generating unbiased feedback benefits all consumers and establishes their loyalty and trust, two of the reasons users come back to Cars.com time and time again.

CareerBuilder, the other primary component of TEGNA Digital, is the global leader in human capital solutions with consistently strong cash flow generation over the last several years and virtually limitless opportunities in a rapidly growing sector. While CareerBuilder is expected to perform well in 2015, we anticipate growth will accelerate significantly in 2017 and beyond as we shift our focus away from transactional business and smaller advertising-only deals and focus on more recurring software transactions and relationships, namely Software-As-a-Service solution. And as I hinted at during our Investor Day presentation, CareerBuilder is continually looking for opportunities to expand its suite of products and further its evolution into an HR Software-As-a-Service provider. This morning, CareerBuilder announced they have acquired a majority stake in Textkernel, a software company based in Amsterdam that is doing some really innovative and exciting things in semantic search and matching for the HR arena.

Employers and job seekers often use different words or phrases to describe the same thing when they type in a search box, write job descriptions, or build their resumes. The great thing about Textkernel is that it uses language patterns to decipher what the user really means. As a result, the user gets the most relevant search results. This is very big in the recruitment space today. This small acquisition has a big impact and enables CareerBuilder to enhance all of its offerings by integrating advanced semantic search and matching capabilities.

Its resume database, job search, and current and future software systems will benefit from Textkernel. It enables CareerBuilder also to do this in multiple languages which is very difficult. It also extends CareerBuilder's ability to help clients get more ROI from their internal candidate databases because Textkernel can convert any resume or social media profile into a complete and searchable profile. And finally, it expands CareerBuilder's supply and demand offering to global markets, a solution which measures the difficulty of filling a position in a particular market by comparing the number of jobs against the number of available candidates. As I noted, this is just another step underscoring CareerBuilder's evolution into a global HR Software-As-a-Service company.

Moving on to G/O Digital, we again saw strong Q2 revenue transaction year-over-year from small to medium-sized business customers. Revenue from local advertisers helped drive a substantial increase in digital growth at TEGNA Media led by increases across key product solutions including search, e-mail, and social marketing products and G/O Digital continues to expand its client roster.

As proud of we are of this past quarter, TEGNA is all about what's coming next. So before I turn it over to Victoria, who will provide a detailed review of our financial results, I'd like to articulate why our new Board and leadership team are so excited about the future. While June 29 marked the completion of the separation, the genesis of where we are today dates back more than 3.5 years ago to early 2012 when we first announced our strategic growth plan. At that time, we set out to accelerate growth in Broadcasting through added scale and expand our high potential digital businesses while remaining relentlessly focused on operating efficiency and asset optimization, all in the context of also returning capital to our shareholders and generating superior shareholder value creation.

We have made significant achievements on all of those fronts. We have thoughtfully assessed our strengths and leveraged them, and we have doubled our scale in both Broadcasting and Digital by making hugely impactful acquisitions at very attractive valuations, and have more than achieved the synergies we anticipated for each of these acquisitions. With powerful cash generating assets, a more nimble organizational and capital structure, and a singular focus on high growth businesses, TEGNA is poised to continue the strong performance we've seen over the last several quarters throughout the remainder of 2015, with the potential to accelerate that growth substantially in 2016 and beyond.

As I said at our Investor Day last month, TEGNA's investment thesis is simple yet powerful. We have top performing assets of scale in the high growth, high margin Digital and Broadcasting sectors. We enjoy strong, consistent and dependable cash flow which affords us ample flexibility to invest for growth, both organically and
through smart disciplined M&A opportunities, and we have a shareholder focused capital structure that enables us to return attractive value to our investors while at the same time allocating cash to invest for our future growth and to accelerate that growth, as well. With that, let me turn it over to Victoria.

Victoria Harker - TEGNA Inc - EVP and CFO

Thanks, Gracia, and good morning, everyone. We're very pleased with our second quarter financial results, a testament to the success of our strategic transformation journey that culminated with the spin at the beginning of the third quarter. As Gracia noted, my commentary this morning will focus on the Broadcast and Digital Segments.

However, before I review consolidated financial results, as well as our capital allocation efforts during the quarter, I'd like to spend a few minutes reviewing several special items which are included in our results to help provide additional context for our ongoing performance trends. The Company's ongoing efforts to consolidate and centralize functions to generate greater operating efficiencies drove workforce restructurings again this quarter, primarily within the publishing businesses. Combined with our ongoing initiatives to transform the business and a write down of a publishing investment resulted in total operating special items of $38 million with an EPS impact of $0.10 per share.

Beyond these costs, total non-operating special items totaled $7 million, with an EPS impact of $0.02 per share, driven by spin-related expenses associated with banking, legal, and audit fees, offset in part by a gain from the acquisition of the remaining interest of Texas-New Mexico Newspaper Partnerships. Beyond this, we also recognized a $7 million tax charge during the quarter, primarily related to the restructuring of our legal entities as necessitated by the spin, with an EPS impact of $0.03 per share.

Now let's briefly review the ongoing operating results for the quarter. As a reminder, although I'll be focusing on our non-GAAP performance results today, you can find all of our reported data and comparatives in our press release. With solid performances from the Digital and Broadcast Segments, we achieved earnings per share of $0.65 per share. As Gracia mentioned, the year-over-year comparisons reflect the absence of political advertising that benefited the Broadcast segment in the second quarter last year, and combined with lower results in the Publishing Segment, contributed to lower earnings per share by about $0.02 compared to the second quarter of 2014.

Total Company revenues of over $1.5 billion were up 4% year-over-year with record revenues for Digital and Broadcast Segments for a second quarter, which when combined, increased by 27% year-over-year. During the quarter, total Company operating expenses of $1.2 billion excluding special items were up 4% year-over-year reflecting the addition of Cars.com, although partially offset by lower Publishing Segment expenses. Although TEGNA did not exist on a standalone basis during the second quarter, we estimate that pro forma revenue for TEGNA on a standalone basis would have been approximately $825 million, and EBITDA would have been approximately $285 million including the impacts of the transition service agreements that we entered into on the spin date with new Gannett providing for cost recoveries. We also anticipate a recurring tax rate on a standalone basis to be in the mid-30s% given a loss of UK statutory tax benefits.

Now let's turn to a more detailed review of Broadcast and Digital Segment results for the second quarter more specifically. As mentioned, during the second quarter of 2014, we enjoyed a $14 million incremental political advertising spend in Broadcasting which provides a challenging year-over-year comparison. Despite this, we're very pleased with the Broadcast Segment revenues this quarter which were up 5% year-over-year driven by strong retransmission fees and growth in the digital advertising revenue. It's significant to note that retransmission fees continue to grow substantially, up fully 23% as a result of newly negotiated agreements at the end of last year, as well as annual increases within the existing agreements. Beyond this, Broadcast digital advertising revenues were also up 23% driven by digital marketing services which continued to gain traction across our original television stations, as well as those acquired through the Belo and London transactions.

Looking ahead to third quarter, due to the even more challenging year-over-year comparisons to $40 million in political advertising revenues during the third quarter of last year, based on current trends, Broadcast Segment revenue in the third quarter is projected to be down year-over-year percentage-wise in the low- to mid-single-digits. During the second quarter, Broadcast Segment operating expenses were up 7% year-over-year due to increased programming costs related to reverse compensation and investments in our digital sales initiatives including sales force expansion and newly launched product offerings. During the second quarter, Digital Segment revenue increased by 74% year-over-year, or up 6% on a pro forma basis, driven by the strong organic growth and new affiliation agreement economics in Cars.com which was up in the mid-20s%. This was offset in part by low-single percentage decline in revenue of CareerBuilder reflecting exchange rate conversion impacts, as well as a strategic shift in product offerings there.

As we outlined during our Investor Day call last month, CareerBuilder has begun to deemphasize transactional lower margin sourcing and screening businesses to focus on broader Software-As-a-Service offerings which provide for higher margins, longer-term relationships with clients as valued partners. This transition will impact CareerBuilder growth rates as we invest $10 million to $15 million in additional sales and distribution resources in the second half of this year. This will position CareerBuilder to grow sales including Software-As-a-Service business and accelerated double-digit pace by the end of 2017 while improving EBITDA margin and customer retention through sticky value-added offerings. Digital segment operating expenses were 4% lower compared to last year on a pro forma basis reflecting lower
lead generation costs and enhanced affiliate economics at Cars.com, as well as cost efficiencies at Cars.com and CareerBuilder as they leverage Company-wide platforms.

Total Company adjusted EBITDA in the quarter of $388 million increased by 10% over last year. Adjusted EBITDA for Broadcast and Digital Segments improved year-over-year and combined EBITDA increased by 26%. During the quarter, we invested $36 million in capital projects with a majority of our capital investments dedicated to the development of digital products and platforms. Of that, over $20 million was spent on TEGNA-specific projects including Cars.com and CareerBuilder product offerings.

As I mentioned during the investor call last month, in order to position both TEGNA and new Gannett well post spin we made a $112 million contribution to the Gannett retirement plan during the quarter. We also repurchased over 1 million shares during the quarter for $38 million. Interest expense of $69 million was slightly higher over last year due to a higher debt balance related to the Cars.com acquisition, partially offset by lower average interest rates, primarily due to attractive low interest rates related to the debt associated with that acquisition. Additionally, as we announced recently, we extended our $1.3 billion revolving credit agreement to 2020 and entered into a new five-year $200 million term loan arrangement for TEGNA with very favorable terms and conditions. At the end of the quarter, our long-term debt was $4.45 billion and cash on the balance sheet was $219 million. Free cash flow for the quarter was approximately $156 million.

With that, I'll turn the call back to Gracia for her closing remarks prior to the Q&A. Gracia?

Gracia Martore - TEGNA Inc - President and CEO

Thanks, Victoria. TEGNA has gotten off to a great start in 2015. We are confident in our ability to deliver compelling near- and long-term returns to TEGNA shareholders just as we have done over the last several years. We feel great about where TEGNA is today and believe that we are well-positioned to build on this strong momentum and achieve high-single-digit Company-wide revenue growth over the next three years.

We appreciate your joining us this morning, and also appreciate your patience and support over the last year as we have worked through our separation and we have continued the integration of our television stations and Cars.com. It certainly has been a heavy lift, but one that is well worth it many times over and we appreciate your support.

With that, I'd like to open up the call for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

We'll go first to the line of John Janedis.

John Janedis - Jefferies & Co. - Analyst

Hi, thank you, and congratulations. Gracia, I know it's light, but we haven't seen a sequential decline in retrans revenue for a couple years. Was there some sort of true up there, maybe coming out of year-end into 2Q, or are you seeing maybe any early impact on paid TV subs related to skinny bundles or cord cutting?

Gracia Martore - TEGNA Inc - President and CEO

When you say a sequential decline in retransmission?

John Janedis - Jefferies & Co. - Analyst

I would say the total retrans dollars dipped slightly.
Quarter-over-quarter?

Correct.

Not year-over-year?

Correct.

Oh, yes, we have timing issues, John, relative to true ups and stuff like that. So we have not had any contracts up in the last few quarters that would affect rates that tend to happen more at year end. So we have some true ups with some operators occasionally that help one quarter, hurt another quarter, but it's not due to sub loss. I can tell you that.

Okay, great, thank you.

Thanks, John.

We'll go next to the line of Marci Ryvicker.

Thanks. Just on the Broadcast expenses, you said they're up 7%, partly due to Digital, partly due to reverse comp. Can you just confirm that you didn't have any reverse deals in Q2? And then can you also just break out that plus 7% by what may be reverse, what may be digital, what may be core?

Yes, Marci, I can totally confirm that we had no new reverse comp deals in the second quarter or the first quarter or the third quarter to be. With respect to breaking out expenses, I think what we would say is the vast majority of that 7.5% would be digital expenses as we ramp up, we continue to ramp up our digital sales force, and we are making some additional investments as we mentioned this morning with some new programming and new ventures that we have. We're making some investments in those. And then, reverse retrans would also be included in that, and that would reflect the ABC deal that was completed last year.
Okay. So is it safe to say that core was flat to slightly up?

**Gracia Martore - TEGNA Inc - President and CEO**

In terms of core expenses?

**Marei Ryvicker - Wells Fargo Securities - Analyst**

Yes.

**Gracia Martore - TEGNA Inc - President and CEO**

Yes.

**Marei Ryvicker - Wells Fargo Securities - Analyst**

Okay, thank you.

**Operator**

We'll go next to the site of Craig Huber.

**Craig Huber - Huber Research Partners - Analyst**

Yes, good morning. Just two questions real quick, if I could. Cars.com, what was the revenue there, Gracia, in quarter? And how much is that up if you adjust for the affiliation agreement?

**Gracia Martore - TEGNA Inc - President and CEO**

Yes, I think as we noted that revenue was up in the mid-20s percentage range.

**Craig Huber - Huber Research Partners - Analyst**

What dollar amount is that please, Gracia?

**Gracia Martore - TEGNA Inc - President and CEO**

Dollar amount, let me check. We've got some folks here that are going to look that number up for us. It's probably in the $140 million to $150 million range, Craig.

**Craig Huber - Huber Research Partners - Analyst**

What are you guys expecting that growth rate to slow to once we anniversary the affiliation agreement, October 1 like?

**Gracia Martore - TEGNA Inc - President and CEO**
I'm not sure I would use the word slow. We are going to cycle the incredible benefit we receive from those new affiliation agreements. But I think what we can share with you is that, obviously, from -- the affiliation agreements represent maybe about 20% or 25% of our revenue in Cars.com. On a direct basis, those revenues are up in the low- to mid-teens. National revenue in the last quarter was up very nicely, 20% plus, so I think we've talked about on a long-term forecasting basis that growth at Cars.com would be in the low-teens.

**Craig Huber - Huber Research Partners - Analyst**

Would you also care just to comment, Gracia, if you would, please, just on what you're expecting for core ad revenue year-over-year, that percent change here in the third quarter?

**Gracia Martore - TEGNA Inc - President and CEO**

I'm sorry, core ad revenue --

**Craig Huber - Huber Research Partners - Analyst**

Core ad revenue for your TV stations, please, the third quarter.

**Gracia Martore - TEGNA Inc - President and CEO**

Yes, I think, as you saw, we have indicated some guidance in our press release for total revenue. We expect core revenue to be up in the third quarter in part benefiting from the fact that, obviously, last year in the third quarter we had about, Dave, $40 million of political.

**Dave Lougee - TEGNA Inc - President, TEGNA Media**

That was in September, yes.

**Gracia Martore - TEGNA Inc - President and CEO**

Yes, and most of that hit in September which means -- and it hit in certain states -- so it means that displacement was certainly a factor on core, but we expect our core revenues to be up.

**Craig Huber - Huber Research Partners - Analyst**

Great, thank you.

**Operator**

We'll go next to the site of Doug Arthur.

**Doug Arthur - Huber Research Partners - Analyst**

Yes, thanks. Victoria, the pro forma EBITDA of $285 million, I think that is what you said, that seems like a good number. Can you just talk to the implied corporate expense in that number, if you have any details on that? And I assume that does or does not include a small impact from the restructured affiliate deals with CareerBuilder?

**Victoria Harker - TEGNA Inc - EVP and CFO**
At this point, it's just the transition service agreements that we've entered into at the tail end of the quarter. We will be, on a go-forward basis, entering into the commercial agreement that we have with G/O Digital with the new Gannett, but that's not yet reflected. In terms of the core expenses, we're still working through how much would be [stranded] costs versus headquarters cost, but I think the number we gave on a full year basis of the, getting down to the mid-$50 million on a full year basis, we're currently higher than that in total. I think it's probably still a good number and we gave that a couple weeks ago at Investor Day.

Doug Arthur - Huber Re - Analyst

And in terms of some of the assets that were scraped out of the new Gannett and kept with TEGNA, such as, I guess, Clipper and Sightline, is that reflected in the pro forma EBITDA or is that still to come?

Victoria Harker - TEGNA Inc - EVP and CFO

In the pro forma for TEGNA, yes.

Doug Arthur - Huber Re - Analyst

It is?

Victoria Harker - TEGNA Inc - EVP and CFO

Yes.

Doug Arthur - Huber Re - Analyst

Okay, great, thank you.

Gracia Martore - TEGNA Inc - President and CEO

As you know, Doug, those are modest, very modest, EBITDA margin businesses.

Doug Arthur - Huber Re - Analyst

Yes.

Gracia Martore - TEGNA Inc - President and CEO

So higher revenue impact, much lower EBITDA impact.

Doug Arthur - Huber Re - Analyst

Great, thank you.

Operator

We'll go next to the site of Bill Bird.
Good morning. Just a question on CareerBuilder. When would you expect to fully cycle the transition deemphasizing transactional advertising? In other words, when do you think you'll see growth resumption again at CareerBuilder?

Yes, we would expect to see growth resume in the third quarter. That will depend on foreign exchange rates, and, hopefully, foreign exchange rates have stabilized from here. But I think Matt talked about it in our Investor Day that we did make a strategic decision to reduce our dependency on sort of that lower margin transactional advertising and focus more on the longer-term stickier recurring revenue from Software-As-a-Service. That was accelerated, I think, for the most part in the second quarter, so we expect that in the third quarter -- it will still have an impact, but it will be a more muted impact given what was done in the second quarter. So we expect to return to revenue growth in the third quarter.

But I think the more important thing from all of that is really why strategically we've done it and the pivoting of that business to more Software-As-a-Service. And we understand that it doesn't flatter the growth rate in 2015, but it sets us up incredibly well, along with the increased investment we talked about at Investor Day of $10 million to $15 million for the remainder of the year in technology and sales resources to achieve accelerated growth in 2016 and double-digit growth in revenue by the end of 2017, and certainly well into 2018 and 2019.

And do you have plans to publish quarterly pro formas?

Quarterly pro forma?

Just for TEGNA as a whole.

We would if there were things to pro forma, but, frankly, we've cycled all of the broadcasting acquisitions. Cars.com will cycle at the end of the third quarter, so absent any additional meaningful acquisitions, our reported numbers in pro forma numbers in the third quarter will pretty much, at the end of the third quarter, will pretty much be in sync.

Okay, great, thank you.

Thanks.

We'll go next to the site of Tracy Young.
Tracy Young - Evercore ISI - Analyst

Hi. Could you give us some guidance as far as how much incremental London Broadcast would have been in Q2? And then for the third quarter core, are you thinking core up 1% to 2%? Thank you.

Gracia Martore - TEGNA Inc - President and CEO

Yes, with respect to the contribution of London, as we said on our earnings call last quarter, it is a very, very small transaction. So it had -- certainly, it generated some revenue dollars, but in the big scheme of the broadcasting business, it was very negligible in terms of trending and all the rest. As to the third quarter, Dave?

Dave Lougee - TEGNA Inc - President, TEGNA Media

It's early to say, and September will be dynamic because of the political displacement, that issue that Gracia said earlier, it will be positive, but it's a little too early for us to put an exact narrow range on it. But it is, I'll also add, it is trending better in key categories than in Q2, as well.

Tracy Young - Evercore ISI - Analyst

And would you say anything about auto? Thanks.

Dave Lougee - TEGNA Inc - President, TEGNA Media

Yes, auto and retail both, which did not have great quarters in the second quarter, are somewhat significantly better on a pacing basis, especially in the early part of the quarter I'd point out, which is not affected by political last year, so they are significantly better.

Gracia Martore - TEGNA Inc - President and CEO

Yes, and I would add to what Dave said in the second quarter, banking and finance entertainment, home improvement, packaged goods categories were all very strong categories in the quarter. So you sort of see the various variables.

Tracy Young - Evercore ISI - Analyst

Okay, thank you.

Operator

We'll go next to the site of Kannan Venkateshwar.

Kannan Venkateshwar - Barclays Capital - Analyst

Thank you. So basically, just, there's been some news flow in terms of the SEC looking at treating some of the linear over the top providers as MVPDs, and then there has also been news flow about Apple wanting the networks to renegotiate their deals on behalf of all of the affiliates and so on. Strategically when you look at what's going on with the ecosystem, how are you thinking about some of these variables going forward? Are you comfortable with others renegotiating some of these deals for you, and how do you look at the news coming out of the SEC?

Gracia Martore - TEGNA Inc - President and CEO
Yes, let me start the conversation, and I'll ask Dave to, obviously, jump in since he's much closer to it. What I would say is what matters the most to us is obtaining the appropriate value for the content and the distribution that we provide. In some cases, given our scale and all the rest, we believe that our being actively involved in those discussions will ensure that we achieve the appropriate value, but to the extent that we can be comfortable that we can achieve that value with the help of others we are always happy to have that help. But, Dave, why don't you add on.

**Dave Lougee - TEGNA Inc - President, TEGNA Media**

Yes, Gracia said exactly correct about getting the appropriate value. As we said, the new entrants, especially new entrants into the OTT space, as we said at Investor Day, are an opportunity for us to reset together with the networks the appropriate value for our collective linear stream. And that would be what I would focus on as our collective linear stream, that is of tremendous value to consumers regardless of the platform and has shown to be historically so.

What I would -- in preparation for the types of deals that Mike has struck, what I would divorce from it a little bit is non-linear playing of network programs. That's not a new issue, right? Whether it's been Apple TV or Netflix or other things, but as we said at Investor Day, for us, network primetime programming, excluding sports, now represents less than -- well less than 20% of our core spot revenue. So that's going to be almost less than 10% of our total net revenue.

So what we're focused on is the appropriate value for the aggregate linear stream. It's in the networks' interest to do that with us and it's our interest to do that with the networks. And I won't talk about whose negotiating with who, but there's a lot of conversations taking place. And in the markets that the networks don't own, they need the participation of the affiliates to get where the provider and the network wants to go.

**Kannan Venkateshwar - Barclays Capital - Analyst**

All right, thank you.

**Operator**

We'll go next to the site of Alexia Quadrani.

**Alexia Quadrani - JPMorgan - Analyst**

Yes, my question is just on the distribution agreements upcoming. Gracia, I think you made a comment earlier that 90% of your deals, I think, will be up for renewal by the end of 2016, if I got that correctly.

**Gracia Martore - TEGNA Inc - President and CEO**

Right.

**Alexia Quadrani - JPMorgan - Analyst**

I guess my question is, roughly what percentage is up in 2016? And any color on what we should expect when you have cycled through those renewals about what kind of growth we may be able to envision?

**Gracia Martore - TEGNA Inc - President and CEO**

I think it's about evenly split between the end -- by the end of 2015, maybe a little bit more by the end of 2015, and then another chunk by the end of 2016, but not hugely differentiated between the two years. I don't think I want to sit here today and comment on what our revenue expectations are, both from a negotiating standpoint and variety of other standpoints. What I can suggest to you, though, is that as both Dave and I have said, we fully expect that these renegotiations will, again, give us an opportunity to further close that gap between what we are paid for our content and distribution and what others are paid for their content and distribution. So we feel very good about the strength. We feel particularly good about the strength of our stations which we believe is an important dynamic in all of those kinds of
conversations, and we also believe the scale we have is, obviously, beneficial, as well. So we expect to do what is appropriate going forward on those numbers, and we will achieve, we feel, very good results.

Alexia Quadrani - JPMorgan - Analyst
I guess to put it another way, there's no reason we should assume that once you've gone through this renewal cycle you've sort of reset and that you are kind of where you are going to end up? There could still be growth ahead once these resets have been done?

Gracia Martore - TEGNA Inc - President and CEO
We feel very strongly about that. And it's one of the reasons why we've done shorter-term, two- to three-year deals rather than five or more, is that we believe that each one of these negotiations offers us an opportunity to reset the dynamics. And we believe that while we will continue to close the gap in 2015 and 2016, there will still be a gap, and we will continue to work with the strength of our stations to achieve that. But I believe that will take a few more rounds of discussion.

Alexia Quadrani - JPMorgan - Analyst
Thank you very much.

Gracia Martore - TEGNA Inc - President and CEO
Thanks, Alexia.

Operator
We'll go next to the site of Jim Goss.

Jim Goss - Barrington Research - Analyst
Thanks. Given the new programming joint venture you just announced, I was wondering if you could scale your ambitions in terms of content creation and ownership and talk about how that could potentially affect your revenue mix maybe away from advertising and toward more dependable sort of dollars?

Gracia Martore - TEGNA Inc - President and CEO
Yes, I think that in what we're looking at it will be some blend of the two, but I think it will continue to be predominantly for the time being a more advertising driven model. But, Dave, if you want to add anything?

Dave Lougee - TEGNA Inc - President, TEGNA Media
Yes, that's right. In the near term, it will still be advertising driven. But to your point, as, our goal is to create more engaging, more valuable content of value in our local time periods, not just on the traditional TV platform, but like the VCC Call Center that Gracia referenced, we can do a show that is ubiquitous across all platforms simultaneously. Down the line, we actually see a potential ecosystem around eCommerce related to some of these local programs, and to your point, if the shows become valuable enough to consumers it also gives us additional leverage in subscriber negotiations regardless of the platform.

Jim Goss - Barrington Research - Analyst
Okay. And one final thing, the digital share of your broadcasting revenues, you used to give that and it might complement the digital-only dollars.
Are you asking for a digital share of revenues in TEGNA?

Within the broadcasting group.

Okay.

-It's growing by the day and it's approaching 15%. Relative to our total revenue.

But, Jim, you've hit the nail on the head. That is an area that we expect to see very outsized growth in well into the future because, not only are we looking at the advertising pie there, through G/O Digital, marketing services, and other areas, we are looking at the opportunity to take dollars from the marketing pie, which is a much bigger and I believe will be a faster growing pie than the advertising pie. So I think our digital opportunities, and particularly with the separation and a distinct dedicated focus to digital for our media properties, I think that we will -- you'll see very strong outsized digital growth coming from TEGNA Media.

Thanks very much.

Thank you.

We'll go next to the site of Barry Lucas.

Thanks, and good morning. I was hoping for a little bit more detail on the auto performance and how you see that going forward in a world of -- what are we looking at -- $17 million SAR rate. What's the opportunity or even potential loss in secular changes in the advertising world?

The interesting thing about the TEGNA portfolio is that we own two incredible assets that will continue to be incredibly relevant from a traditional media side to auto advertisers, and I think some recent research that we saw about the effectiveness and the ROI on television advertising continues to be very strong and continues to be leading. And then we also have Cars.com, which I think is the beneficiary, and will continue to be the beneficiary of a lot of dollars coming from other sources like print and radio and outdoor, et cetera, that will be morphing into the digital side of it. But since I have the two leaders of both of those fabulous businesses here with me, Dave, why don't you comment a bit on broadcast? And Alex Vetter, who runs Cars.com for us is also here, so he will chime in a little bit about cars.
Dave Lougee - TEGNA Inc - President, TEGNA Media

I think as we've seen over the last six or seven years relative to auto and digital, that money gets moved into digital for rational reasons, but it goes out of TV and then comes back to TV because TV works. Now as it relates to some secular change with Tier 2 what I would suggest is that we have an opportunity with the centralized marketing group that Gracia referenced earlier that is not just creative people but also data analysts, et cetera. We are going to have the ability to bring product offerings on the broadcast side to Tier 2 regional groups, and especially Tier 3 dollars across our portfolio that we, frankly, haven't brought to market before, so where we can increase our market share significantly of auto in those markets. And I'll let Alex talk about it from his perspective.

Alex Vetter - TEGNA Inc - President and CEO, Cars.com

So on the Cars.com front, I think, obviously, we see continued secular improvements in the shift towards digital advertising, particularly against away, some of the more static traditional forms of media, as Gracia pointed out, newsprint, outdoor advertising, radio. But even on the strong new car sales side that we're seeing this year, we're also seeing growth in the used car market and online marketplaces that really help consumers narrowly find exactly what they're looking for. Our traffic is surging in the robust auto market and the auto industry realizes this is a very efficient way to capture incrementality in the market. So we see the good robust new car sales market as a strength and then continued interest in the used car side of the market, as well, making that market more efficient.

Gracia Martore - TEGNA Inc - President and CEO

You might also speak to mobile.

Alex Vetter - TEGNA Inc - President and CEO, Cars.com

Absolutely. From Cars.com's vantage point, in addition to the strong growth in our overall traffic, the majority of our business now is accessing vehicle information through mobile devices. Over half our traffic is coming in through mobile devices. We're the leader in the mobile marketing arena, and we're seeing enormous engagement in mobile devices, even while consumers are standing on dealer lots. So there presents an enormous opportunity we see in the coming years to help the auto industry realize the power of mobile and we look forward to rolling out solutions that will help them capitalize on that last mile of shopping behavior.

Barry Lucas - Gabelli & Company - Analyst

Great, thank you.

Gracia Martore - TEGNA Inc - President and CEO

Thanks, Barry.

Operator

We'll go next to the site of Davis Hebert.

Davis Hebert - Wells Fargo Securities - Analyst

Hi, good morning. Thanks for taking the question. Just wondering if you could give us a leverage number, pro forma for the spinoff. Thank you.

Gracia Martore - TEGNA Inc - President and CEO

Pro forma for TEGNA for the spinoff, I think it's in the mid-4s.
Victoria Harker - TEGNA Inc - EVP and CFO

About 4.3.

Davis Hebert - Wells Fargo Securities - Analyst

4.3, thank you.

Operator

We'll go next to the site of Tracy Young.

Tracy Young - Evercore ISI - Analyst

Yes, just a follow-up on the headquarters. Is there anything that we should be reflecting the income statement, some kind of gain, or as you mentioned, your rent free, is there anything we should be expecting in terms of expense? Thanks.

Gracia Martore - TEGNA Inc - President and CEO

Yes, first off, it probably isn't going to close either until very late in the third quarter or early in the fourth quarter, so there will be virtually no impact, we anticipate, in the third quarter. As I mentioned earlier, with respect to the fact that we will be here for 18 months rent free, while that is absolutely the case from a cash perspective, from an accounting perspective, and Victoria can go into the nuances of that, we do have to impute rental expense even though we are actually paying no cash rental expense. But that will begin probably at the beginning of the fourth quarter and beyond. There will be a gain that we will isolate. Again, that won't be triggered until we actually close on the transaction which, again, as we said, is either very, very late in the third quarter or early in the fourth quarter. And we'll give everyone all of those dynamics as we make decisions around, as well, the use of the cash coming from the building sale.

Tracy Young - Evercore ISI - Analyst

Okay, thanks.

Gracia Martore - TEGNA Inc - President and CEO

I think we have time for one more question?

Operator

Great. We'll take our final question from Dan Kurnos.

Dan Kurnos - Benchmark Capital - Analyst

Great. Thanks, good morning. Just, Gracia, since you brought it up with regards to cars, could you just remind us quickly how much of traffic to cars is driven organically? And then I'd like to follow-up on that from a mobile perspective.

Alex Vetter - TEGNA Inc - President and CEO, Cars.com

Sure, this is Alex. About half of our traffic is coming in organically and then the remainder via paid channels.
Dan Kurnos - Benchmark Capital - Analyst

So to that point, we've seen some pretty aggressive pushes by some ancillary players like TrueCar with a mobile first strategy, and so I'm just curious how you guys think about maintaining your market leading position? Particularly for mobile, what the impact is on your customer acquisition costs and how you're thinking about leverage or deleverage in the marketing channels? Thanks.

Alex Vetter - TEGNA Inc - President and CEO, Cars.com

Sure. Well, mobile advertising remains a new frontier for a lot of players, so we think there's tons of room and opportunity. I think when we look at our relative position in mobility, we tend to look at the time spent numbers in terms of how much time consumers are using our mobile device vis-a-vis the competitive set, and the number of overall downloads, and the number of quality rankings that you can publicly measure in things like the app store. And Cars.com has far exceeded the entire category in terms of the volume of people downloading our apps and our mobile devices. When we look at the time spent, Cars.com average shoppers are spending north of 12 minutes per visit and they are coming back more than 2.5 times per month vis-a-vis some of the sites that are positioned more as a buying service, or a broker model where it's very transactional, very low time spent and used almost as a point-of-sale tool. We think the research and marketplace opportunity is much bigger if we can play up funnel in helping consumers decide what to buy and where to buy it, and that's where the advertising dollars tend to fight hardest. And that's really the different segment that we play in that we think is a bigger opportunity than just the pricing side of the business.

Gracia Martore - TEGNA Inc - President and CEO

And I think you're also sort of an independent voice rather than trying to get in between the relationship.

Alex Vetter - TEGNA Inc - President and CEO, Cars.com

That's correct. Exactly right. As Gracia pointed out, we've always been an open platform that doesn't try to prioritize one activity over the other, and we allow our retail network, which grew handsomely in the second quarter where over 20,000 retailers subscribing to our model, and it's largely we believe because we don't force them to do business a certain way. We keep our platform open and allow consumers to help direct who they believe are the better retailers in the market, or the best offerings in the market, and so we're not trying to force anybody down through a specific funnel to drive a monetization model and more rely on an open subscription model that's more agnostic to how retailers want to compete.

Gracia Martore - TEGNA Inc - President and CEO

Good. Thank you very much. And thank you all for joining us today. If you have any further questions, please give a call to Jeff Heinz at 703-854-6917. Have a fantastic day. Thank you.

Operator

I'd like to thank everybody for their participation on today's conference call. Please feel free to disconnect your line at any time.