OVERVIEW:
Co. reported 3Q16 total Co. revenues of $860m and non-GAAP EPS of $0.65.
Operator

Good day and welcome to the TEGNA third-quarter 2016 earnings conference call.

This call is being recorded.

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

Jeff Heinz - TEGNA Inc. - VP of IR

Thanks, Tony. Good morning and welcome to our earnings call and webcast.

Today, our President and CEO, Gracia Martore, our CFO, Victoria Harker, and members of our leadership team will review TEGNA's third-quarter 2016 results. After that we will open up the call for questions. Hopefully, you've had the opportunity to review this morning's press release. If you have not yet seen a copy of the release, it is available at TEGNA.com.

Before we get started I would 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 have provided reconciliations of those measures to the most directly comparable GAAP measures in the press release and on the investor relations portion of our website.

With that, let me turn the call to Gracia. Thanks, Jeff, and good morning, everyone.

Gracia Martore - TEGNA Inc. - President & CEO

Let me join in welcoming you to our third-quarter earnings call.
Now, I'm going to provide some updates on the developments that we announced in September as well as some highlights on TEGNA's overall performance and each of our businesses during the quarter. Then, I'm going to turn it over to our business heads Dave Lougee, President TEGNA Media, and Alex Vetter, CEO of Cars.com, for a closer look at their respective businesses. After that, Victoria will cover the financial highlights in a little bit more detail.

Overall, we had a very productive quarter on multiple fronts, so let's just get right to it. As you know, in early September, we announced our plan to separate Cars.com from TEGNA, creating two strong, industry-leading companies with the tools and resources they need to grow profitably in their targeted markets and to respond to the rapid changes taking place in the broadcast and digital sectors.

Now, as you may have seen, we filed our Form 10 on the day we announced the spin, back in September. Last evening, we filed our first amendment to that Form 10. We remain on track to complete the spinoff in the first half of 2017. Alex and we, are actively interviewing for key roles that will be integral to Cars.com as it begins trading as a publicly listed company.

We are also making progress on the strategic review process for CareerBuilder, which is now underway. We hired an investment banker and we will be reviewing a variety of alternatives. I'd have to say we are very pleased with the level of unsolicited interest we have received to date.

Turning now to our performance during the quarter, as you saw, company-wide revenue increased 14% driven by a strong performance at TEGNA Media and solid results within our Digital segment. Our adjusted EBITDA was substantially higher, and our adjusted EBITDA margin improved compared to the third quarter last year. As well, non-GAAP EPS grew 76% year over year.

TEGNA Media revenues rose substantially, as you saw, as our strong NBC footprint led to record Summer Olympic advertising revenue in the quarter. We continue to benefit from the strong growth trajectory and retransmission revenue we have seen over the past several years, and we also benefited from substantially higher political revenue, though not as much as we had hoped given our footprint and what the actual presidential footprint ended up being.

As you are all aware, this year's presidential election has been atypical to say the least. Now, Dave is going to provide some additional color on the political spending landscape in his remarks.

Turning to the rest of our growth drivers, we are focused on diversifying our revenue streams in the Media segment, particularly in the digital space. We have launched an over-the-top video advertising business, Premion, and continue to effectively link digital content with digital sales.

As we have previously discussed, there are several initiatives underway that center on enhancing core revenue, our digital marketing offerings and of course, most importantly, our content, all of which we are confident will offset the anticipated gap in net retrans in 2017. You will get a little bit more detail on those initiatives a little bit later.

Turning to TEGNA Digital, revenues there also improved in the quarter led by a strong direct revenue increase at Cars.com and another quarter of improving revenue growth a CareerBuilder. In August, we completed the acquisition of DealerRater, the leading car dealer review site.

Already, we have made significant progress on our integration plans and are hitting the ground running in the fourth quarter. We expect DealerRater to contribute to Cars.com's revenue growth meaningfully as we move through 2017.

As you are aware, digital offerings are the fastest-growing segment within the advertising ecosystem and automotive continues to be one of the top categories. As industry trends continue to evolve and digital marketing budgets for dealer groups and auto manufacturers keep expanding, we expect to gain ground and capture a larger piece of the growing pie.

We are taking steps to ensure that we are well-positioned as we head into 2017 and beyond, by implementing initiatives aimed at improving traffic and strengthening our leadership position in mobile. You'll hear more about specific growth initiatives underway at Cars.com shortly, but let me take a moment to reiterate some of the themes we've covered at the time of the spinoff announcement.

Cars.com is a strong, highly recognizable national brand with consumers and has a broad footprint in a highly attractive growing digital auto marketplace. It is the trusted source for millions of Americans in search of new and used cars as well as maintenance and repair services.

Additionally, with an EBITDA margin in the high 30%s, relatively low capex and strong reliable cash flows, it offers a unique mix of operational excellence and profitability combined with growth dynamics rivaled by few others in the industry. We continue to be confident that Cars.com will thrive as an independent Company and will benefit from even more flexibility to invest in further organic growth and to participate in the digital automotive M&A market.

Moving on to CareerBuilder. We had another good quarter spurred by larger, longer contracts and new customer wins across all of its human capital solutions as well as its new acquisitions. CareerBuilder revenues were up 4% on a constant-currency basis. At the center of this is CareerBuilder's pre-hire platform, which offers the most
comprehensive and leading-edge combination of recruitment advertising, software and services on the market. There is nothing else like it, and it's making a meaningful impact on businesses today.

What's even more exciting is that CareerBuilder is now moving into post-hire solutions with the recent acquisition of Workterra, a leading innovator in the cloud-based benefits administration and talent management space. CareerBuilder is seeing strong organic growth in its software solutions, resume database and managed services line.

Software invoicing in North America was up double digits, and its Source and Screen business was up strong double digits year over year in the third quarter, after transitioning into a platform-based offering and is forecasted to accelerate in the fourth quarter. As we have noted before, job postings continue to experience pricing pressure at the unit level, and we have reflected that in our thought process and projections. We are off to an even stronger start to the fourth quarter at CareerBuilder.

Now, before I turn it over to Dave, let me remind you that due to the change in our fiscal year last year in the fourth quarter, the fourth quarter this year will actually have three days less than last year's fourth quarter. Victoria will share with you the impact that we anticipate that that will have.

Now, I'd to turn it over to Dave Lougee, who will give you a deep dive on TEGNA Media.

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Thank you, Gracia. As we forecast, TEGNA Media will have a record year and we had a record third quarter. We billed record Olympic revenue of $56 million. That's a 20% increase over the last summer games in 2012 and a 35% increase over the winter games in 2014. TEGNA also claimed four of the top-five highest rated stations and six of the top-10 across the country.

Now let's turn to the hot topic of political advertising. We billed $38 million in the third quarter, down from $55 million in 2012. There were two main factors for the decline, but they are both tied to one common cause, Donald Trump.

Compared to 2012, there was a big reduction in overall presidential money raised, and as a result, a lot less money spent on presidential overall. The donors who backed Mitt Romney for all the well-publicized reasons weren't there for Mr. Trump; neither his campaign nor his PACs were there. Additionally, Hillary Clinton and her PACs did not match President Obama's spending levels for either 2008 or 2012.

For us, TEGNA, Mr. Trump had another impact. What had been an unprecedented presidential footprint in 2012 got changed this year. For instance, he took both Colorado and Virginia out of play, two states where we have a big presence, two states that would have otherwise have seen very heavy spending like they had in the past. Hillary and her PACs went back up in Colorado and Virginia this week, but have otherwise sat out those markets for almost all of the general election season.

In the third quarter, our billing for the Senate, House and governors' races, were all up over 2012, but they could not make up for our delta on presidential. In 2012, presidential was 50% of our third-quarter political spending. This year it was 23%. For the fourth quarter, now with less than a week to go as we all know, we are now forecasting to finish with $88 million to $90 million in political dollars for the quarter.

The same political dynamics in third quarter carried through to fourth, though the Trump factor also took the Colorado Senate race out of play, which had been a big spender for us in the past and is soon to be this year. Two other big market senate races in our footprint also turned non-competitive for the big national dollars, and that's Ohio and Florida, the senate races.

The one part of our footprint that doesn't vary really at all is the number of competitive US House races we have. Since we are in a third of the country, we represent a third of those House races, and it's notable that our fourth-quarter billing for the House will exceed both 2012 and 2014, showing the continued unmatched importance of local broadcasters in reaching likely voters.

Now, let me also take a moment to address two other industry topics that have gotten some publicity lately. The first is the NFL, where there have been some year-to-year declines in national ratings. For us, there are some declines in primetime ratings from last year. Notably, on a two-year CAGR, our most important NFL franchise is flat. I'm talking about Sunday Night Football on our many NBC stations.

While they're down some from last year's record numbers, they're still at near historic levels, and that includes a Sunday night this year against one of the highly rated presidential debates. Our numbers also over index against the national Sunday night NFL ratings, and weekend afternoon NFL ratings have been less affected. I should also point out, overall demand for our NFL inventory remains up.

The other topic I want to update you on is OTT distribution of our stations. While we're not going to comment on any individual distribution deal discussions, we can reiterate with confidence what we've said in the past, and that is that OTT distributors very much value the local national broadcast channels over all others because the consumers do.
Given our scale, we have a key seat at the table in conversations with both the OTT distributors and the networks. Amongst the OTT distributors, that includes both new entrants as well as traditional MVPDs. While this new area is still sorting itself out, our value to consumers firmly positions us for positive economics in this evolving space.

Now, let me update you on the work we've been doing this year to erase the one-time hit of new reverse compensation payments next year. As a reminder, we are currently paying reverse compensation payments on all of our network affiliates accept the group of NBC stations we owned before the purchase of Belo. Those stations began paying reverse compensation to NBC on January 1 of this coming year.

As we discussed at our Investor Day last year, we've been planning for some time to offset that one-time, so called, retrans gap, and I'm pleased to report those initiatives are on track. First, we will be addressing that gap on the retransmission top line. We have multiple deals up between now and the end of this year, allowing us to reset the subscriber rates on 42% of our subs.

As indicated before, there's a continued gap between audience demand for our channels and the percentage of the overall retrans pie we receive. As we have shown in past negotiations, we are able to get the strong rates our strong stations deserve.

Separately, as we've also reported on before, we have a number of core and adjacent initiatives well underway, and they are on track to slightly exceed the $30 million EBITDA contribution for this year that we had promised. They are ramping nicely to provide the contribution we need for the full year to cover the gap next year.

In terms of core revenue, we are seeing nice revenue share gains from several of the sales transformation initiatives I previously introduced. This quarter we are seeing share gains resulting from our centralized pricing initiatives. In addition, our focus on enterprise, custom client, solutions versus transactional revenue has us on track to generate significant incremental revenue that will flow directly to our bottom line. The stations are utilizing our centralized ideation and customer solutions group in Dallas, called Hatch.

Our transformation initiatives are also seeing gains on the content side. We launched three new formats within the new genre and all are showing strong signs of audience adoption. Two out of the three are now the number one shows in their time periods, and one in particular is seeing double-digit rating gains compared to the newscast in the same slot one year ago.

Finally, we're very excited to talk about the new disruptive OTT ad service, the business that Gracia referenced and that we publicly announced this morning. It's called Premion, and it's our new, branded, long form OTT advertising business.

It is now out of the gate, in the market, filling an unmet need in the local marketplace. Dollars are already flowing through the technology pipeline we created. Premion connects more than 80 branded and well-known networks to TEGNA's 14,000 regional and local clients across all US DMA's.

That number 80 is this week's number, and it is growing by the week. It includes OTT distributors and programmers like Sling TV, Sony, Crackle, Zumo and 2btv. We are the first mover in this space and seeing strong results from our initial launch markets. We're positioned nicely to capture value from the rapidly growing space of OTT on-demand viewing of long-form programming, and that is what this is focused on.

We are leveraging our local sales forces and our local clients and they are both working for the form of advertising they know the best, video. In conclusion, we are finishing 2016 on a record note and are well-positioned to deliver on our promises for 2017 and beyond.

Let me turn it over to Alex Vetter from Cars.com.

Alex Vetter - TEGNA Inc. - CEO - cars.com

Thank you, Dave. We're pleased with more than 8% increase in our total revenue compared to the third quarter last year and are especially proud of the growth in our retail channels. Our retail revenues are up 11.5% year over year.

Our largest revenue gains were with auto manufacturers and major dealer change that generally have larger resources and tend to apply a more sophisticated approach to measuring digital marketing effectiveness. They understand the influence of their marketing investments more broadly than just lead generation, as well as the value of partnering with third-party sites like Cars.com to build their brands, drive traffic to their website, and motivate consumers to visit their showrooms.

As we have discussed, the local sales channel initiatives were slower to ramp in the first half of this year, and we are taking a leadership role in the industry by proving the value of automotive digital marketing beyond traditional lead metrics and demonstrating that consumer engagement with our dealers is happening in their showrooms. To help our customers look beyond traditional leads, we've been tracking the volume of shoppers using Cars.com from a mobile device on dealership lots as well as the behaviors of those shoppers for more than a year now.
Using these findings, Cars.com launched Lot Insights, the first-of-kind analytics that helps dealers better understand the activity behind the source of walk-in traffic. Our average dealers have nearly 20 people a month visiting their showrooms using Cars.com's mobile platforms, and this only captures those users who allow us to track them with geolocation services turned on. Approximately half of all mobile users do not allow us to track their geolocation, so our understanding of value we believe is conservative.

As we embark to educate the industry about the evolution of leads and the decreasing importance of e-mails and phone calls in the shopping process, we expect our sales rates and retention to improve once our value is recognized more broadly within the industry. We're working to influence the industry to adopt new metrics that matter for today's consumers, namely the majority of those who have made the shift to mobile.

On the whole, the industry is facing a SAAR that has been somewhat volatile in 2016. Although it's expected to contract slightly this year and into 2017, auto sales are expected to remain at all-time highs and dealer profitability levels continue to be strong.

We're confident in our advertising solutions promoting used vehicles and other critical areas at the dealership, including service, and these will be effective regardless of the climate. In times like these, we are extremely encouraged by the increased investment from auto manufacturers in Cars.com. These sophisticated marketers view us as highly-efficient marketing partner, critical to reaching shoppers with the intent to buy.

While total wholesale revenues from our affiliate newspapers and broadcasters were essentially flat compared to the third quarter of 2015, we are encouraged by the increases in revenue from some of our partners. This increased momentum is evidence that our individualized approach to working with these partners on their sales and marketing efforts is beginning to yield results.

We are experiencing some challenge to our traffic numbers, due in part to a comprehensive two-year site modernization effort that negatively impacted our SEO results. However, I am pleased to report that we have finished the re-platforming initiative, which will now enable our teams to focus on optimizing our experience for a faster, more efficient technology allowing us to speed our innovation without limitations from our past.

Our efforts have resulted in a responsibly designed website that enabled us to take a leadership role in the mobile industry, providing consumers with a seamless experience across all devices. A first in the automotive third-party shopping category.

To support our mobile-first strategy, we have made significant investments in our mobile platform that are also intended to boost traffic, showroom visits and leads. These efforts are coming to fruition, as seen by the recent accolade from J.D. Power in its 2016 automotive mobile website study, Cars.com was ranked highest and overall satisfaction amongst all third-party automotive sites.

This is the second time Cars.com has earned the top spot, which examines the features and content of automotive manufacturer and third-party mobile websites and their usefulness in the vehicle shopping process. J.D. Power's ranking is evidence that our efforts and investments to move to a responsive design platform has succeeded for consumers and ultimately advertisers.

As I mentioned earlier, we can be faster in creating innovative consumer focused features while quantifying the value of our service beyond traditional leads. Our success with consumers translates into improved results for advertisers.

We've also taken a leadership position in app development reaching more consumers on more devices, an important milestone that now more people are using their mobile devices to shop for cars and seek out service providers. Given that mobile users are more likely to be repeat visitors; we are seeing an uptick in traffic that matches our app investments. Our mobile app strategy is up over 8% year over year.

As a way to improve the consumer experience, we have added consumer focused features to our apps such as Price Drop Alerts, an on-the-lot VIN scanner, which allow shoppers to scan the VIN of any car on a dealer lot with their mobile device to get additional vehicle information. In addition, Urgency Indicators, which launched on the site in September, provide consumers with real-time data on the number of views, saves and contacts that have occurred on a given vehicle within the last 30 days.

In another move designed to drive site traffic as well as walk-in traffic to dealership lots, we have increased our Q4 media spend to support a recently launched, For Every Turn add campaign. This increased spend will help raise awareness for consumers and help our advertisers garner more sales.

Following the acquisition of DealerRater in August, we have moved swiftly through our integration plans and look forward to a national launch in early 2017. We are expecting to see improved performance across all our channels, and now through the addition of our DealerRater product expansion along with our mobile-first investments tied to changes in consumer shopping behavior.

Finally, we are looking forward to becoming a pure-play, online, automotive company once we make the spin from TEGNA next year and become a stand-alone public entity. As an independent company, we will be able to focus more sharply on our key strategic priorities, which we expect to fuel continued growth. Our resources will be dedicated to opportunities specific to the evolving digital marketplace and further innovation of our market-leading products and technology.
Thank you. Now, I turn it over to Victoria for further comment.

Victoria Harker - TEGNA Inc. - CFO

Thanks, Alex, and good morning, everyone. As Gracia has already mentioned, we are very pleased to report a solid quarter results with double-digit growth in both revenue and adjusted EBITDA, driven by continued growth across the portfolio of businesses.

Before I review our consolidated financial results as well as capital allocation during the quarter, I'd like to note that there were a few operating special item charges, including a small goodwill impairment and severance expenses, largely related to the finalization of an early retirement program within the Media segment, which began earlier this year. Altogether, these totaled $18 million on a pretax basis with an associated unfavorable EPS impact of $0.05 per share.

Beyond these costs, non-operating special items totaled $16 million, impacting EPS by about $0.05 per share as well, primarily driven by expenses related to our planned spin of Cars.com as well as costs related to several recent Digital segment acquisitions.

As a reminder, although I will be focusing on our non-GAAP performance results during the presentation today, you can find all of our reported data and prior-period comparatives contained in our press release.

Now, let's briefly review the details of the operating results for the quarter. The solid performances by both Media and Digital Segments, we achieved earnings per share of $0.65, an increase of 76% over last year. Total Company revenues of $860 million were up 14% year over year, driven by revenue gains across all of our businesses. The sale of our PointRoll business last November had an unfavorable impact on year-over-year comparisons.

During the quarter, total Company operating expenses of $578 million were higher by about 7% over last year. The majority of which was due to higher programming fees as well as expenses associated with solid revenue and our ongoing investments in growth initiatives within both the Media and Digital Segments, again partially offset by the absence of PointRoll expenses this quarter.

As a result of the solid operational execution across the segments, TEGNA overall achieved strong adjusted EBITDA of $334 million this quarter, up 25% year over year. Our adjusted EBITDA margin was 39%, up 340 basis points compared to last year.

Now let's turn to a more detailed review of the Media and Digital Segment results. Media segment revenues of $502 million increased by almost 23.5% year over year, driven by a record $56 million in advertising related to Summer Olympics, substantially higher transmission revenues, and higher political advertising spending, as well as continued growth in Media digital revenue.

Retransmission revenues, boosted by agreements negotiated at the end of last year as well as annual rate increases within existing agreements, continued to increase substantially up, fully 32% this quarter. Beyond this, Media segment digital advertising revenues continue to increase up 12% driven by digital marketing services, which continue to gain traction across our television stations, driven by G/O Digital sales, extended reach networks and national digital revenues.

Now focusing on fourth quarter 2016 expectation for the Media segment. Based on current trends and our expected range of political advertising revenue for the fourth quarter, we anticipate Media segment revenue growth of 12% to 15% for the fourth quarter compared to the fourth quarter of last year, driven by retransmission revenue growth of approximately 20% to 22%. Slightly lower than this year's run rate due to the lapping of agreements negotiated during the second half of last year and $88 million to $90 million of political advertising revenue.

Please note, as we've mentioned during our previous calls, and as Gracia already noted, we converted to a calendar year after the spin-off of our publishing assets in June of last year. As a result, the fourth quarter comparative results reflect three fewer days this year, which is about a $10 million impact to Media segment revenues for the quarter.

During the third quarter, Media segment operating expenses of $279 million were up 13% year over year, primarily due to increased programming fees and investments in our strategic initiatives, including sales and content transformation projects.

During the quarter, Digital segment revenues of $359 million increased by 2% year over year. On a constant-currency basis and adjusting for PointRoll, Digital segment revenues were up by about 5% over last year, reflecting solid growth at Cars.com and higher revenue at CareerBuilder as well.

During the quarter Cars.com total revenues increased by 8%, reflecting increased market penetration in direct markets, the recent DealerRater acquisition and strong national display advertising. Wholesale revenue was flat compared to last year with mixed performance by affiliates. By contrast, Cars.com revenue sold through direct sales channels was up over 11%, reflecting the factors Alex mentioned earlier.
CareerBuilder revenues were up 4% year over year on a constant-currency basis. The growth was mainly due to higher resume database revenue, continued sales momentum of software as a service solutions and recent acquisitions, partially offset by continued headwinds on our job posting business.

For the Digital segment, operating expenses of $284 million were up 2%, reflecting accelerating investments in growth initiatives and the acquisitions within both Cars.com and CareerBuilder partially offset by the absence of expenses at PointRoll.

In terms of capital expenditures, our cap ex during the quarter was $29 million, reflecting our ongoing commitment to reinvestment in business priorities, and that includes digital development, media content, product integration and platform enhancements. These also include development of automated sales tools, workflow improvements and other critical product enhancements. Capital spending is very much in line with our full-year projections.

As we mentioned last month, ahead of announcing the Cars.com spinoff, we temporarily suspended the share repurchase program, which we anticipate resuming following the conclusion of the spin.

At the end of the quarter, our long-term debt stood at $4.2 billion, reflecting the extinguishment of $193 million in 10% senior notes, which reached their maturity earlier this year, resulting in a net reduction of annual interest expense of about $14 million. Beyond this, just yesterday we accelerated the redemption of the outstanding $70 million remaining of our 7.125% notes, which were due to mature in September 2018. The early redemption results in a total net reduction of interest expense of approximately $5 million over the next two years.

Also during the quarter, we amended our revolving credit agreement to increase it by $103 million and borrowed $300 million under a new, four-year term loan due in 2020. The interest rate on the new term loan is the same interest rate as borrowings under the revolving credit agreement. We used the proceeds of a new term loan to repay a portion of the outstanding amount under our revolving credit facility.

At the end of the quarter, cash on the balance sheet stood at $107 million. Free cash flow for the quarter was approximately $197 million.

With that, I will turn the call back to Gracia for closing remarks.

Gracia Martore - TEGNA Inc. - President & CEO

Thanks, Victoria. As you can see in today’s results, we are on track. While we are on track to complete the spin of Cars.com by the end of the second quarter next year, our focus on growing and innovating across all of our businesses is as strong as ever. We look forward to continued strong progress across all fronts through the remainder of 2016 and are excited about the prospects that lie ahead in 2017.

With that I’d like to open it up to questions. Tony?

QUESTION AND ANSWER

Operator

Thank you.

(Operator Instructions)

Doug Arthur, Huber Research Partners.

Doug Arthur - Huber Research Partners - Analyst

Two questions for Dave. Political comes and goes and we are obviously seeing that this year. But the decel and retrans growth in the fourth quarter, Victoria mentioned, tough comp there. In terms of the timing of these 42% of the subs you’re renegotiating, are those new deals expected to kick in January 1? I thought there would be more of a phasing so you get some benefit of that in the fourth quarter. Then I have a follow-up.

Dave Lougee - TEGNA Inc. - President - TEGNA Media
Yes, Doug, I understand the question, I'm going to be a little careful for negotiation purposes, and just simply say the deals last year were more at the beginning of the quarter versus the deals this year being toward the end of the quarter. So it's a one-time negative adjustment, if you will, based on the timing of the subs. Does that help answer your question?

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

Yes. You mentioned you're renegotiating with a lot of your subs now going -- is that benefit going to be from the uplift going to be more of a 2017 event? You are not going to get any residual impact in the fourth quarter?

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

That's right, at a 2017 event. Almost all.

**Gracia Martore - TEGNA Inc. - President & CEO**

The lion's share is 2017 and so with the fact of that, plus the lapping of all the deals that we did in the second half of last year, while the dollars are up, percentage-wise they're not up as much.

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

Last year, Doug, we had a major deal that we renegotiated right at the end of September and another major deal in the middle of the quarter. So we've got the benefit of those last year, but this year we're up against that and to your question, as Gracia said, the lion's share of the deals of this year are a 2017 event.

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

All right, and just a quick follow-up on broadcast margins, for a big Olympic quarter, a lot of political activity, not as much is expected obviously. Your cash costs were only up 14% which is pretty unusually low for such a big seasonal quarter. So margin, in spite of all the fears about reverse retrans, you had a nice pop in margins and as you talked about, you expect some about to continue in 2017 given your initiatives. Any comment on margins?

**Gracia Martore - TEGNA Inc. - President & CEO**

At the same time that obviously we've had reverse retrans kick in, some areas for the first time this year, and at the same time that we have walled off investments for the significant initiatives that Dave has talked about, that are now bearing very good fruit and will bear even more fruit in 2017. We continue to bring our normal discipline that we've always brought to expenses, finding new ways through new technologies and new skill sets, et cetera, to continue to be thoughtful around our cost structure, at the same time making sure we spent enough to move ahead the initiatives, while we also obviously face the reverse retrans hurdle that Dave outlined for January 1.

And that is why I think it's a combination of those two things that gives us great confidence, as Dave said, that we're going to be able to more than offset that net retrans gap next year. Because as Dave said, it's not only the top line on retrans where we are going to benefit, but it's also on the initiatives that we are spending dollars on very carefully.

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

Great. Thank you.
Okay great. Thanks for taking my question. I was curious about the ad trend ex-political in the guidance for the fourth quarter, which there is a few puts and takes, but it would seem to suggest maybe a double-digit decline ex-political. I was wondering if you could talk about what's going on there? Is it political squeezing things out or is something more fundamentally pressuring the TV ad market and what you see right now?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Well, the challenge for us at this point always, even with elections, is that this an amount of spending that will take place post-Election Day, is always a little bit invisible to the industry. So it's a little challenging to know exactly where it will end up. I can tell you it certainly is improving. Auto after the election is positive. But we do believe that there have been some dollars this quarter that said they went because of expected high political in the industry, sat out the quarter and now we're working to bring those dollars back. Even though our political is down from 2012, it's still a big piece of our total and does push a lot of dollars out and now we work to bring that back.

Gracia Martore - TEGNA Inc. - President & CEO

The other thing we would add is, remember, we have three less days in the quarter and all of that is in core. Retrans isn't impacted, it is all in core and that's about $10 million of revenue that is absent (multiple speakers).

Dave Lougee - TEGNA Inc. - President - TEGNA Media

So if I might add that -- so Victoria gave the guidance for the quarter of total net revenues being plus 12% to plus 15% for the quarter. But when you adjust for the extra three days last year, that's actually plus 15% to plus 18%. Apples to apples bases our guidance is plus 15% plus total 18% total net revenue.

Barton Crockett - FBR Capital Markets - Analyst

Okay and just to beat a dead horse here a little bit. There is lot of noise, but is there anything that you see that would suggest that the TV ad market is weakening or troubled excluding all of this noise or do things look okay?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

I can't make that assessment actually, third-quarter looked to be very strong. I just think that political does create noise for us too and understanding the underlying fundamentals and it does push people out. So, we don't have any evidence, especially with third quarter being fairly decent, that there is any major change.

Gracia Martore - TEGNA Inc. - President & CEO

In the third quarter, we virtually -- literally every category was up. Now we benefited obviously from incremental dollars around the Olympics, but the dollars are there around the events.

Dave Lougee - TEGNA Inc. - President - TEGNA Media

And our core for third quarter ended up being stronger than we thought for (multiple speakers) quarter.

Gracia Martore - TEGNA Inc. - President & CEO

Right.

Barton Crockett - FBR Capital Markets - Analyst

And then on a similar vein on the Cars.com revenue trend, that's skewed a little bit by the acquisition, which you said will be a material contributor into 2017. Can you tell us what the cars revenue growth trajectory was, excluding the 1.5 months or so you had of the DealerRater?

Alex Vetter - TEGNA Inc. - CEO - cars.com
Sure, Barton, actually the DealerRater revenues were negligible for the third quarter and we don't see that having a material impact until 2017. The most of the revenue that we're reporting here today are reflective of the organic business.

**Gracia Martore - TEGNA Inc. - President & CEO**

And just to refresh memories, Barton, recall that when we announced the DealerRater transaction, we talked about the fact that DealerRater brought reviews and it brought a technology platform but it didn't have a sales force. And the wonderful synergy for Cars is the fact that it brings its incredibly successful army of sales people to sell this product to dealers and to include it in the package.

And so there's a period -- we just bought it a few months ago, there's a period of integration with respect to the sales force at cars.com but I know, Alex, you feel very good about the progress they're making and that's why we definitely see DealerRater as a 2017 event. All of our acquisition modeling, et cetera, shows a very nice ramp in revenues because we're bringing the power of the cars sales force to bear at that point.

**Barton Crockett - FBR Capital Markets - Analyst**

Okay and just to put a finer point on that, you see that really ramping in 2017 but not in the fourth quarter of 2016? It's really a next year event?

**Alex Vetter - TEGNA Inc. - CEO - cars.com**

Correct.

**Barton Crockett - FBR Capital Markets - Analyst**

Okay and then just one final thing on the expense side, on the media networks part of it, into the fourth quarter, is there any puts or takes? There's a lot of noise in the third quarter expenses, is there anything we should think about in terms of the trend for the fourth quarter?

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

You're talking about for media?

**Barton Crockett - FBR Capital Markets - Analyst**

Yes.

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

Yes, expense run rate, there's no big variations.

**Barton Crockett - FBR Capital Markets - Analyst**

Okay. Great. Thank you.

**Operator**

Kyle Evans, Stephens.

**Kyle Evans - Stephens Inc. - Analyst**

Thanks we'll start off with some Cars.com questions. The quarter's -- the growth rates so far this year have been 6%, 6% and 8% -- you guided to second half of the year growth of 9%. First off are you holding that guide? And second off, what is going to be done next year to get that back to double digits?
Gracia Martore - TEGNA Inc. - President & CEO

Kyle, I'm going to interject only because literally we just, as I mentioned earlier, filed the amendment to our form 10 last evening and we've been advised we have to be careful about giving any additional numbers around Cars going forward because it's been filed. But short of that --.

Alex Vetter - TEGNA Inc. - CEO - cars.com

I would just say just for 2017, Kyle, as you know, the majority of our revenues are a collection of dealerships across the country. Our experience has been, it takes time for them to embrace new technology and understand the changes in consumer behavior. In almost every media category, consumer behavior moves first and advertising dollars tend to lag consumer behavior.

When we look at the shift of our mobile business and the changing consumer behavior, we know it's going to take us some time to get the dealers to understand the evolution of the shopping journey. But we've been at it now for a year, I think we are getting very strong acceptance from the industry that mobile is changing the game.

You see that in our manufacturer and major dealer account spending both up in high double-digit growth rates year-over-year because they're faster to adjust their media attribution models but we are going to continue to stay at it at the local level and we expect 2017 to be a strong year.

Kyle Evans - Stephens Inc. – Analyst

Could you provide an update on the affiliate contribution to overall revenue and then maybe dive down into the flat affiliate revenue in the quarter? How is that progressing?

Alex Vetter - TEGNA Inc. - CEO - cars.com

You know we are really pleased with some of the progress of our affiliates. In fact, two of our five not only posed gains over the quarter, but sequential quarter growth - year-over-year growth as well as sequential quarter growth. Unfortunately that's only two of the five. What it does affirm is that our individualized approach to working with each of our media partners, to work on their sales and marketing plans and bear fruit.

I think importantly we've also seen that the three media partners that haven't performed well are examining and studying the two that are growing well quarter-over-quarter and they are sharing best practices and we expect and hope to see those two turn the other three that haven't performed on par with the two that have. So, we are pleased and we expect the affiliate channels to move from flat to down growth to positive growth heading into 2017.

Kyle Evans - Stephens Inc. – Analyst

And the contribution from the affiliates?

Alex Vetter - TEGNA Inc. - CEO - cars.com

The affiliate revenue represents about 25% of our total revenues.

Kyle Evans - Stephens Inc. – Analyst

Okay, and lastly for Dave or Gracia, could you please provide an update on your retrans sub count? Thank you.

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Our retrans sub count is stable. It various month-to-month seasonality but it is overall stable.

Gracia Martore - TEGNA Inc. - President & CEO

I think we have the normal seasonality this quarter of the summer which we've seen.
Dave Lougee - TEGNA Inc. - President - TEGNA Media

And our billing is 60 to 90 days in arrears of the actual month so it doesn't match up necessarily with MVPD quarters and et cetera, but they are stable.

Kyle Evans - Stephens Inc. - Analyst

Could you be more specific on the normal seasonality? What is that?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

For instance, we've got markets like Tampa and Phoenix where people detach when they go back north for the winter, et cetera, so we've got, inside our footprint, a lot of anomalies. And they also don't line up with the actual moment the events happen because the billing from the MVPD's come 60 to 120 days later, et cetera.

Kyle Evans - Stephens Inc. - Analyst

Okay, thank you.

Jim Goss, Barrington Research.

Jim Goss - Barrington Research - Analyst

Thanks. It did seem that car ads in the third quarter were above expectations. It seemed like they filled in the gap where political was somewhat absent relative to expectations. Did the crowded out advertisers seem to jump back in one political slip? Did you create any incentives for that to occur?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

As we are in the fourth quarter, I think you're right, so it's slightly less inventory than we had bought was being utilized so we were able to pull some back in. But mostly -- actually the demand was more than we thought and we were able to exceed our expectations on the Olympics. For us, we planned for strong growth but we exceeded that. So for us, a large driver which was the Olympics and that wasn't related much to political.

Jim Goss - Barrington Research - Analyst

Now we were talking internally about the whole political issue with not only Trump not spending a lot of money but Clinton spending less than Obama had, as I think you observed earlier. And I'm wondering if there is any structural change to the whole political dynamic?

Is there any chance that there is a new normal since the presidential races get covered pretty well on a national basis and there is a lot of social media aspect to it that didn't exist earlier? Does it expose maybe a vulnerability to some of the bump that you have traditionally been able to get, in the presidential years anyway?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Yes, I will take that one. No I don't think so. I think at the end of the day, the well-publicized, lack of enthusiasm about both candidates, which has been a record lack of enthusiasm, right, by all statistical polling counts, has translated into the same on presidential spending. It's notable, the money they have left this week it is all going to television. I mean they are throwing it at it.

What I would point to is -- just take a look at the Senate races and the House races and the Governor's races. You broadcast, we could make the same argument about using Twitter to win those races and in fact we are seeing spending level increases. So I do think there is lots of 360 data that points to this really being an anomaly relative to this presidential election.

Jim Goss - Barrington Research - Analyst
I guess the silver lining is you won't have as much of a relative slippage in a couple of years (multiple speakers).

Dave Lougee - TEGNA Inc. - President - TEGNA Media

There you go (laughter).

Jim Goss - Barrington Research - Analyst

One last thing, CareerBuilder with the hiring of bankers and examining options I was wondering if you might get any added thoughts, Gracia, about time frames or variety of options you are willing to consider? And also, on a related basis what share of business has moved to the SaaS type model versus more of the traditional spend?

Gracia Martore - TEGNA Inc. - President & CEO

Let me answer the last question first, I think we're at about 20% to 25% of the Business has moved to SaaS and that is obviously growing at a faster rate than the rest of the Business. So we anticipate that we'll continue to see that evolution over the next few years as well. Some of the acquisitions that CareerBuilder has done most recently, particularly with Workterra, and those numbers actually don't even include Workterra, that and some other things that they have done, have moved them even more toward software as a service. We expect that evolution is going to pick up and it will be a much more significant part of the pie in the next couple of years.

As to timing, as with everything we are proceeding as we always do, very diligently and as quickly as is prudent, making sure that we look at everything. At the end of the day, we would never rule out any alternative. We are here to create the maximum shareholder value so we will be looking at a variety of things. But it is interesting, as I said in my remarks, that there has been an amazing amount of inbound interest with respect to the asset and I think that's just a reflection of the great job that Matt and his team have done.

And really transitioning and transforming that Business and it's been a little painful for us over these last several quarters. But the really fantastic job they have been doing in transforming and transitioning that business away from the jobs board aspect of it, obviously that continues to be a piece of the pie. But away from just being a pure play jobs board to a really full pre-hire and now with the acquisition of Workterra, a post-hire platform. So, couldn't be more pleased with the progress being made there. Victoria?

Victoria Harker - TEGNA Inc. - CFO

And just to expand on this a little bit further, and you probably remember this from a prior call that SaaS-based business is two to three years contractually. So on average, we are amortizing the revenues across that period of time. So, it's not apples to apples when you look at the job board translation based revenue which is recognized in the month. So, it may muddy the water a little bit in terms of what you're looking at but it's the growth from an ongoing bigger piece of the business.

Gracia Martore - TEGNA Inc. - President & CEO

And it also takes time to ramp up those versus transactional business if you're reporting revenues right away.

Jim Goss - Barrington Research - Analyst

All right, thanks to all of you.

Gracia Martore - TEGNA Inc. - President & CEO

Thank you.
Good morning, thank you. Just a few basic questions. You’re up 3.1% reported number for CareerBuilder, year-over-year. I was just curious what that number is excluding the two small acquisitions?

Yes, first of all Workterra had virtually almost zero impact on the quarter because it was done so late in the quarter then it takes time to do some things. With respect to Aurico, again that's another situation where we looked at that asset and said again, great technology platform, great little business, but what we need to do is we need to bring the sales force of CareerBuilder to bear on that Company. And that's exactly what Matt is doing and we are already seeing some early successes. But really what we have modeled in and what we anticipated was that we would see a much steeper ramp in those revenues into the first quarter, and beyond, of 2017.

The growth at CareerBuilder is a variety of pieces as I said earlier. It's a little bit from the acquisitions, it's also from the two pieces that I mentioned earlier, and then jobs piece is down. So, when you combine all of those pieces they registered the growth that they did. So, it's no one thing that has caused the growth of the Company.

And keep in mind these are modules that are being sold within a product suite so it's going to be contributing to growth of the overall revenue numbers over time being in the bags that are in within the sales force. So, it's not a separate Company, it's not a separate tracking that we are doing subsequent to that.

Just to be clear, I'm sorry. Are you saying if you exclude the two small acquisitions, that the number still is roughly 3.1%?

No, that's not what we're saying. What we're saying is that it had a small contribution. Probably the bigger contributions were from other areas that I mentioned that were both up double digit growth, but then we had an offset with, as we have been saying for the last few quarters, the jobs postings part of it.

Can I just ballpark it then, Gracia, it's held by maybe 100 to 200 basis points of growth rate?

I don't have that with me, but I'm going to conclude it by saying that we had growth in most parts of the Business, a little bit from the acquisition, quite a bit from the two things that I mentioned. But then we obviously had to offset the jobs boards piece which is -- pricing is done under pressure and we've talked about that for virtually the last three or four quarters. Thanks, Craig.

Can I ask you guys, of the December TV placings, please, and given it's about a month out, how is that looking year-over-year? You touched on it a little bit, how is December, the month of December looking for TV advertising?
Craig, it's choppy. It's early so it's obviously the best of the quarter as it always will be, but that's what I was mentioning earlier, it doesn't really present itself until after Election Day and so, beginning next week, it's the best month of the quarter and it continues to improve.

Craig Huber - Huber Research Partners - Analyst

And also what's your take, please, on NFL ratings? You touched on it but what has changed in the last 12 months and why they're down 10% plus here, what's your thought on that?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

You know what, I think everybody's got opinions we know the election did some but I would say about -- it's again, if you look at it on a graph, it's a one-year decline against an incredible ramp-up. Sports, in general, I think, is incredibly valuable. Just look at the current World Series ratings compared to a year ago and I think it's probably more a little bit about the games, the actual matchups and some of the election competition, et cetera, is not something of great concern to us. Thank you.

Gracia Martore - TEGNA Inc. - President & CEO

Thanks, Craig I think we literally have time for one more question since, it's about to be 12 o'clock.

Operator

Great. John Janedis, Jefferies.

John Janedis - Jefferies & Co. - Analyst

Thank you. Maybe a couple for Dave. First, you spoke to positive economics from OTT distribution. Can you remind us to what extent you're negotiating directly with the distributors rather than the network on your behalf? And is it your expectation that all future OTT players will include local stations in the base package?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Thanks, John. Let me start with the second question first. What is absolutely, and incredibly, positive news for us, is fundamentally and the OTT entrance, when you speak with them directly, will tell you without being asked is that, the integrated broadcast national, local channel, is by far the base package of what they want. It is the foundation of any bundled service and their inability frankly to get those yet as fast as they want is what's delayed the rollout of a lot of the skinny bundles.

To your first question, yes to both. It's a three-way renegotiation. I think there had been, certainly maybe a handful of people and a handful of networks that have wanted to make that be just simply a negotiation with the networks, but we're having good conversations with our network partners and directly with the OTT distributors that matter.

Dave Lougee - TEGNA Inc. - President - TEGNA Media

We obviously have a lot of scale that matters and the markets that matter because in our particular case the rollout of the services will not be uniform across the country. It will be the large markets first, so that gives us -- when you look at our footprint, John, is sort of a unique seat at the table in those conversations.

John Janedis - Jefferies & Co. - Analyst

Got it, thanks. And then maybe a couple of quick follow-ups. First is, can you remind us how the NFL has sold? Meaning, do you guarantee the ratings and was most of the season pre-sold so the financial impact maybe minimal on a practical level? And then back to political. Understanding this was a unique year, was there any evidence of dollar shifting to local cable, national or digital?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

Let me again take the second one first. I think on local cable, just because broadcast does so well with Presidential. And the House is something that, when you think about it, House races being so hyper local, that cable has always had a better share of House races than they have of others, simply because of the fact that the House
will be a bigger percentage of the overall tie, John, because of presidential coming down. That will bring up their share and so I think they will have a slightly larger share shift. But the lion's share will continue to be broadcast and I apologize your first question?

John Janedis - Jefferies & Co. - Analyst

Is NFL sold on a guaranteed basis and was a lot of it pre-sold so the financial impact's actually minimal?

Dave Lougee - TEGNA Inc. - President - TEGNA Media

It's a combination of both but most of it is not pre-sold and the other thing is our ratings are strong. The point is even though the headline is relative to last year, is that we've still got numbers that exceed, in many cases two years ago, so it is not like a make good problem for us on any type of scale at all.

John Janedis - Jefferies & Co. - Analyst

Okay, great. Thanks a lot.

Gracia Martore - TEGNA Inc. - President & CEO

Thanks very much for joining us. And if you have any questions, please call Jeff Heinz at 703-854-6917. Have a great day.

Operator

Thank you. This does conclude today's conference. You may disconnect at any time and have a great day.

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