GCI - Gannett Co., Inc. at Goldman Sachs Communacopia Conference

(Edited for clarity)

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Scott Wipperman - Goldman Sachs - Analyst

We are ready to get underway with our next presentation. Good morning, everyone. I'm Scott Wipperman from the Goldman Sachs fixed income credit research team. We are very excited for our next session with Gracia Martore, President and CEO of the Gannett Company. Gracia has been at Gannett since 1985, held a variety --

Gracia Martore - Gannett Co., Inc. - President and CEO

Let's not go into detail --

Scott Wipperman - Goldman Sachs - Analyst

Let's jump right in. Gracia, we are very excited to have you. Thank you again for coming. So we were just discussing, I think last year at this time, we were discussing the recently announced Belo transaction, which was undergoing the regulatory and shareholder approval process. Fast-forward 12 months, and now we are here to discuss amongst other things, the cars.com acquisition, the recent publishing broadcast separation, so pretty exciting time for Gannett.

I guess maybe just start. With a lot of things going on, how did you and the Board get comfortable with undertaking these actions, why was this the right time, particularly as the Belo integration is still ongoing?

Gracia Martore - Gannett Co., Inc. - President and CEO

You also forgot we sold three TV stations to Meredith and we bought six other TV stations in Texas. We have about 83% of the households in Texas. We are very proud of that particular acquisition, though smaller markets.

It has been a lot of activity, certainly over this last year and over the last three years. And I think the way the Board and I got comfortable is that number one, with respect to Belo, as we said when we were going to acquire it and again when we announced the acquisition, that these were tremendous stations -- rated number one or number two in their markets. They shared the same values and the same culture as we did, and a lot of the synergies that we were looking at from that acquisition were pretty mechanical in the first couple of years, related to retransmission fees under after-acquired clauses, as well as certainly in the first year the elimination of basically most of the corporate overhead that they had, about $30 million of corporate overhead.

The not so great news was we had about a six month period of regulatory reviews, so it gave us a lot of time to be really focused on Belo and have great integration plans in place so that we could hit the ground running on the very first day that we owned them on December 23. And so since then, a great group of folks in our broadcast group have been working diligently with them, and a lot of change has gone with Belo stations, but as we said at the time, fantastic people at Belo.

And a number of them, certainly all of the folks in the field stayed, but also a number of the corporate folks. Peter Diaz who ran many of their stations, stayed on board with us. So it's one of those acquisitions -- there are always going to be surprises, but all the surprises so far have been positive surprises. And so, we felt that a lot of the heavy lifting that we had to do around the integration was well under control by the broadcasting side of our business. And so, we felt very comfortable with that.
With respect to cars.com, a fantastic opportunity for us. A moment in time where the five owners of that business, we own 27% of it, all the rest of the owners were minority holders. All of us were having different strategic views on where we were headed, some wanted to monetize, some wanted to do other things.

We saw this as a great opportunity to buy just a fantastic asset that we knew extremely well, that had great growth characteristics from 2016 to 2013, 20% topline CAGR, 20% EBITDA CAGR over that same period of time. A lot of opportunities with respect to cyclical tailwinds as well as secular tailwinds, where more and more of the dollars are going to digital from a standpoint of the dealership relationships, etc.

So it was just one of those great opportunities and a business we knew very well. And we had great flexibility in our balance sheet to be able to do it. So we got very comfortable with our ability to do that. Looking back a couple of years when we announced our strategic plan back in February of 2012, we talked about the fact that there were a number of things we wanted to accomplish.

One of those was to revitalize and further stabilize our publishing business. And we have done a lot and I know we will probably talk about that in a little bit. But we've done a lot on our publishing side to do just that. And the publishing side of our business has been strengthened by all of the actions, both from a digital perspective as well as a number of the actions we have taken around our content, as well as our digital marketing services business that really appeals to small and medium-size advertisers.

So we've done a huge amount of things on the publishing side to really bolster that business. With the Belo acquisition, we have doubled our broadcast portfolio; we cover almost 1/3 of the country, so that added scale to that business, a total of 46 television stations. And with the addition of cars.com, which we will close on October 1, that doubled our digital segment and a real couple of digital powerhouses in that segment.

So at that point given all that we had accomplished, the Board and I sat down several months ago and talked about the appropriate structure for our business going forward to really maximize the growth of each one of these businesses. And we looked at the fact that our publishing business would have different growth characteristics than the broadcasting and digital part of our business, which would be higher growth, higher margin part of the business. And each one deserved to have an appropriate capital structure that reflected that.

And we also felt that each one of them deserved to have the focus and attention and investment spending that was appropriate for each of those businesses. It also enabled us, frankly, to eliminate some of the regulatory obstacles that we faced into businesses that were consolidating businesses with the cross ownership rules between broadcast and publishing.

So the Board and I concluded along with the management team that this was the right moment in time. We had a scaled, highly profitable publishing business that could grow in a different way, taking advantage of all the revenue innovation as well as the expense discipline we bring. And we had a scaled broadcast and now a scaled digital business, and for all those reasons we felt that these two businesses could grow, I think, even more effectively in separate businesses. Separate companies.

**Scott Wipperman - Goldman Sachs - Analyst**

There's a lot there that I definitely want to touch on. One thing, I've always viewed Gannett as pretty uniquely positioned within local media because you had all the tools, kind of the all access content model that you are running. So is there -- dis-synergies from separating broadcast publishing and digital, and -- what actions can you take to make sure you can actually kind of keep some of the value that you had having them all under one roof. And also talking about any regulatory restraints.

**Gracia Martore - Gannett Co., Inc. - President and CEO**

That was definitely a consideration, because let's talk a little bit about our G/O Digital Marketing Services business. That's a business that appeals to small and medium-size advertisers. We have gained great traction by bringing a one-stop shop around digital solutions to the small and medium-size businesses and to have the scale of 125 local markets is very important. You need scale in that business to succeed.

And we reported in the second quarter that our revenue was up about 65% year over year in that part of the business. And so that was clearly something that was equally successful in our publishing markets as it is in our broadcasting markets. What we are able to do -- and we have thought a lot through it is -- we will have a commercial relationship, G/O Digital will reside in one of the two businesses, probably the broadcast and digital business, and we will have a commercial relationship back to the publishing business, so that they will have the benefit of all the platforms, all the scale, all of the infrastructure that we put in place.
And G/O Digital, at the same time, has the benefit of continuing to have that scale. So we've looked at that in a number of areas as well on content sharing, and so within publishing with USA Today and US Community Publishing in the same business, obviously that sharing will go on. But there has been good sharing among broadcast and our publishing business, and those things will continue going forward through arrangements that are permissible.

And there will be quite a bit of shared services where they are permissible. Obviously you have to stand up a new Board, another CEO, another CFO, etc. But Gannett has always been incredibly financially disciplined.

So, as we look at this, we are looking to minimize the level of the dis-synergies that we have. And I think we can accomplish that through a lot of the sharing arrangements that we are putting in place, and at the end of the day, the benefits we believe that are going to accrue to each of these businesses without those regulatory constraints with the right capital structures far exceed, far outweigh any small dis-synergies that could be created.

**Scott Wipperman - Goldman Sachs - Analyst**

And we started off talking about multiple actions that you've undertaken in the last 12 months. What's the Company's capacity to undertake further strategic actions in the medium-term, Cars.com closed October 1 -- for some reason I thought was a little bit later in the fourth quarter, but --

**Gracia Martore - Gannett Co., Inc. - President and CEO**

We were very fortunate we got early termination.

**Scott Wipperman - Goldman Sachs - Analyst**

That was great. Is it fair to say that nothing will likely happen between now and at least when the publishing separation happens? Or should we not view it that way?

**Gracia Martore - Gannett Co., Inc. - President and CEO**

I never say never, but we obviously have a lot of our plate right now. We are looking forward to completing the acquisition of cars.com. Fortunately there, there is not a lot of operational integration that has to go on, but really it's a focus that one owner will bring to that business, looking at opportunities to reinvest in that business to even propel the growth further.

The uptick in EBITDA that we will receive from the get-go is again very mechanical similar to our retransmission after-acquired clauses, where the new affiliation agreements that will be given to the former owners will enable the amount of EBITDA that goes to cars.com and away from the owners to be quite substantial. So, that will go in place the day that we close on October 1. We feel really good about that.

There is a huge amount of work that has to be done around the spin and we take that very seriously and want to do it very, very well. We are very focused on using some of the free cash flow we have to clearly pay down debt, which we think is appropriate to do. But at the end of the day, if an opportunity comes up that we believe is a very, very strong opportunity that really can be effective in increasing shareholder value, we're going to take a hard look at that. We have the capacity, financial capacity, and bandwidth within the organization.

But we have a lot on our plate and we will be focused pretty much on that.

**Scott Wipperman - Goldman Sachs - Analyst**

Does the earlier close of cars.com help in any way with the publishing separation, or is it really, in terms of the timing, I think it was middle of 2015, or not really?

**Gracia Martore - Gannett Co., Inc. - President and CEO**

I don't think so. I think it's really kind of business as usual.
Scott Wipperman - Goldman Sachs - Analyst

And we talked about capacity to take acquisitions. I think one thing that was little left open on the last call was that you all would be refining the pro forma capital structure, capital allocation plans for both of those businesses.

I know it hasn't been very long, but is there anything you can share with us today or at least kind of frame how we should be thinking about maybe the broadcast digital kind of capital structure, capital allocation plans as well as the publishing?

Gracia Martore - Gannett Co., Inc. - President and CEO

Obviously we shared on August 5 when we announced these two actions that the debt -- that we incurred primarily as a result of the Belo acquisition, together with the debt we are incurring with respect to the cars.com acquisition -- that debt, all of that debt, will go to the broadcasting and digital side of the business. The publishing business will be virtually debt-free.

But there are some things, as you rightly point out, things like pension liabilities and lease liabilities and other things that we have to work through over these next coming months. We also said at that time that the combined dividend of the companies would be no less than the dividend that we are currently paying as the Gannett Company, which is $0.20 a quarter. That's something we're going to put appropriate capital structures in place reflecting characteristics, the growth characteristics and the cash flow generation characteristics of each of those businesses.

So, there's a lot of work that we still have to do there, and I know that we are working on that very diligently. But I think you'll find that those capital structures reflect appropriately the two businesses when we finally determine them.

Scott Wipperman - Goldman Sachs - Analyst

Has the pension historically been tied to the publishing business?

Gracia Martore - Gannett Co., Inc. - President and CEO

Every employee obviously at Gannett had a pension. We froze our pension plan back in, I think, 2008. But as you can appreciate a fair share of the pension liabilities were generated on the publishing side of the business. But all of those are things that we have to take into consideration as we think through the appropriate capital structures for both businesses.

Scott Wipperman - Goldman Sachs - Analyst

Got it. Maybe just to jump to the cars.com transaction.

You mentioned the impressive growth profile. Maybe just for investors that aren't as familiar with it because it has been kind of in this joint venture, just a few thoughts as to how the unit has thrived and what you see as maybe the next wave of opportunities. How do you keep this growth going, what are the opportunities to bring it within the broadcast business?

Gracia Martore - Gannett Co., Inc. - President and CEO

Just by way of a little bit of background, Cars.com was started in 1998 by five newspaper companies including ourselves. And we are all minority owners of that business. And when we first started it, all of the focus was on providing digital solutions to auto dealers in the markets that those five newspaper companies served at that time. And we sort of perfected that model and then we expanded across the country to today, where 80% of the revenue that cars.com generates is generated from their direct sales force outside of the newspaper-owners markets. So it is a true digital stand-alone business. Only 20% of the revenues generated from the markets that the four former owners, and we are in.
We will continue those affiliation agreements, as I said earlier, but with increased cash flow dynamics towards Cars.com and away from the affiliates on day one. It has been a tremendous -- it is the number two solution in the auto digital marketing space. They have seen 17% compound annual growth rate in unique visitors to the site. As I mentioned on the economic side, tremendous growth.

And a lot of that has come from really three sources. Number one, new product development and innovation. And that's something I think that by them being incredibly close to their customers, the auto dealers, that they have done a wonderful, wonderful job over the years.

And that's an area that they will continue to -- we have a product, new product pipeline roadmap that we are looking at, and we would hope that we can accelerate some of that growth now that we have one owner who has a real focus on wanting to not only continue to thrive, but to accelerate the growth that we see there. The second area is opportunities to do some things in adjacent spaces like auto repair opportunities at the dealership level seeing what we can do with them.

So there are some adjacencies that we think to be very lucrative for that business. They deal with over 20,000 auto dealers across this country. So they have a very good sounding board for what kinds of things those folks are looking for in new products and in adjacencies. And then obviously the change in the affiliation agreements is very, very favorable for the Company.

Then the other two factors are both the secular and the cyclical tailwinds that they have. Auto sales this year, we keep hearing numbers anywhere from 15.5 million to 16.2 million units. That's very strong, provides a lot of dollars that the auto dealers have to spend on solutions that really drive lead generation and opportunities for them at very low in the sales funnel.

Also when we look at where digital spend for auto advertising and marketing is, back in 2002 about 5% of that auto spend was in digital. Fast-forward to 2013, about one third of that spend is now in digital. And all of the numbers that we look at, say that the dollars being spent in digital in the auto dealer sector are going to double again by 2018. So clearly it's at the right end of the secular curve, at the right end of the cyclical curve. So, lots of opportunities there. Lots of great synergies upfront that are pretty mechanical, and just a wonderful, wonderful business.

Lots of opportunities to use some of the incredible data that they have with 20,000 dealers in over 4 million cars that they have up on the site for sale between old and new cars. So just tremendous data analytics that they have that we look at and now can potentially begin to scratch the surface of around some of the other things that we do in our business.

Scott Wipperman - Goldman Sachs - Analyst

I think particularly with the broadcast business, it's got to fit in very nicely. Is the cars.com unit going to be run separately or is it going to be -- is it going to be integrated fully with the digital business?

Gracia Martore - Gannett Co., Inc. - President and CEO

It will be part of the digital segment, but it's been very successful the way it's been. So it -- certainly we would be paying a lot of attention to it. But they've done a great job of growing that business and we are going to continue to help them to do that.

Scott Wipperman - Goldman Sachs - Analyst

And the affiliate agreement change is clearly one of the more attractive pieces of the economics of the transaction. It's a five-year agreement, is that right? And then the plan is that after that is done, you will take it all in-house. Is that correct?

Do you need to hire more salespeople to do that?
Sure. Let me give a little background for some of you who may be unfamiliar with Cars.com. When it was started in 1998, there were five newspaper company owners, and as I said earlier the focus was on the markets that those newspaper owners were in. The focus also was on understanding that clearly dollars were going to morph from print auto to digital auto and we wanted to be able to capture both of those.

So when we set up the affiliation agreements when Cars.com was first started, clearly we wanted all the benefits to accrue to the operating companies, not to Cars.com where we were each the minority owner and we would get no credit for it. So we wanted those dollars to be within the operating companies where we would get credit for them. And so the affiliate agreements were very, very favorably constructed to move the EBITDA and revenues more to the affiliates and not at the Cars.com level. Again, fast-forward for today, where 80% of their revenues come from direct, the 20% still come from the local affiliates.

And so what we agreed in the purchase was that we would have new five-year affiliated agreements, and we would shift economics from being much more favorable to the operating companies to much more favorable to cars.com. Those agreements will be in place for five years, then at the end of those five years, all of that will come and be run directly by cars.com, so at that point in time clearly they will expand their sales force.

But for the next three or four years, we will continue to have salesforce expansion there, but that's being driven by the organic growth that they have. And we've put some metrics around that that as a result of the purchase of the remaining 73% of cars and the addition of the more favorable economics to cars.com, Gannett will have on its books an additional $155 million of EBITDA pro forma for 2014 estimated, assuming those new agreements have been in place at the beginning of the year and Gannett had owned 100% of it at the beginning of the year. So there's a dramatic amount of EBITDA that is shifting to cars.com, and therefore into Gannett.

I should probably know this, but in theory does the same arrangement exist with CareerBuilder, so is there this affiliate arbitrage opportunity if you were to buy in the rest of CareerBuilder?

You know, there is -- there are favorable affiliate agreements with CareerBuilder, but not to the degree that they were with Cars.com. I think there is certainly that opportunity but it is less pronounced in CareerBuilder than it would be in Cars.com.

Maybe let's jump over to the broadcasting business. And the topic of retransmission which I'm sure is a favorite topic of yours. But how do you just think about the long-term I guess retransmission growth opportunity against the backdrop of proposed distribution consolidation, as well as signs that some of the broadcast networks are getting -- I don't know if more aggressive is the right word, but pushing a little bit harder in terms of making sure that they are capturing a greater pool of those for those re-trans dollars as well? How does Gannett Company kind of see this turning out the next five years?

Let me start on my favorite part of that conversation, which is re-trans. And then we will go to my -- a little slightly less favorite part of that conversation. On the retransmission fee side I think that we have, because of our scale, because of the strength of our stations, we have been very successful in our negotiations, and so this year re-trans for us is up, I think, about 67% year-over-year pro forma because we had some agreements that came due at the end of last year.

We will have an agreement or two coming due at the end of this year, and they are staggered over a period of time. I think philosophically, and in reality, what we believe is there still is a disconnect between the value that we provide to the MVPDs, and the fees that they are paying us. And so there is still that gap, and we believe as we had seen in every negotiation we've done over these last several years and will continue to see, is that we continue to want to close that gap between the value we are bringing and what others have been paying some of the regional sports networks and others who provide less distribution and less value we believe to the MVPD.
So we see that part of the pie, the retransmission pie itself will continue to grow, and given our scale and given our strength of our stations, we'll continue to take more than our fair share of that pie. So we see a very good future for retransmission fees.

With respect to reverse re-trans, I think that we have always conceptually said that it's appropriate for us to share our re-trans fees with our network partners. We are the number one NBC affiliate group, the number one CBS affiliate group non-owned and operated stations, and the number four ABC affiliate group. We believe that when our network partners use those fees, reverse re-trans fees, to do things like lock in the Olympics on NBC until 2032 and get NFL football, etc., that that makes a lot of sense for us.

We have scale; we are important partners to each one of the networks. We believe that we add value in that partnership just as the networks do. So for instance, in an event like the Olympics, our stations, we were four of the top five stations for Olympics audience in the country. And our KARE station in Minneapolis was number one NBC affiliate sign on to sign off. So we, for events, for programming like The Voice and others, NFL football and other things, we are over-indexing and providing a great audience and promoting the heck out of these events for our network partners.

So we think we bring a lot to the partnership as do the networks. The former Belo stations are now paying re-trans fees to all the networks. They were when we bought them.

ABC will start paying reverse re-trans on the original Gannett stations this year. Our agreements with CBS come up in late 2015, and with NBC, our original NBC stations are sort of the lion's share of the Gannett stations originally. Those agreements come up in early 2017.

**Scott Wipperman - Goldman Sachs - Analyst**

The NBC agreement has been fantastic for you because it's been locked in for so long.

**Gracia Martore - Gannett Co., Inc. - President and CEO**

We made a choice. We were very fortunate that we made the choice at the time to go with a 10-year agreement. Others made a different choice. Obviously that has worked out for well us and I think it's worked out well for NBC from all the good work that we do as a good partner of theirs.

**Scott Wipperman - Goldman Sachs - Analyst**

So sticking on this topic, the industry was and investors were certainly a little bit abuzz with the recent dispute between CBS and LIN media, where LIN actually lost its affiliation. I've seen it argued and I'm curious from your perspective that this may make some of the larger broadcast families think differently about consolidation opportunities. And essentially how you view the risk profile to maybe acquire smaller stations. Clearly one of the benefits is the re-trans and synergy opportunity you get if you got it with Belo, does the CBS LIN dispute change the way you think about M&A opportunities going forward about how you may price in the future acquisitions or is it a one-off situation there?

**Gracia Martore - Gannett Co., Inc. - President and CEO**

As best we can tell, and we weren't in the room negotiating it, it appears to be a one-off situation. So we try to never at our organization let one-off situations inform everything that we are going to do. Again as I said, we are important partners to CBS, NBC and ABC. We believe that, with our scale, the strength of our stations we are an important partner to them. We obviously take into account as we are looking at acquisition opportunities where folks stand with their affiliation agreements. They are not paying reverse re-trans now obviously the next time they come up, so you have to factor in the numbers into your agreements.

But I think we don't see any gating factors to looking at opportunities and if you have the right opportunity for us to participate.

**Scott Wipperman - Goldman Sachs - Analyst**

Maybe just touch on the ad environment in broadcast. We have a lot of larger players here on the national side, and I guess I would characterize the commentary so far on advertising as being not a little bit cautious to me, a couple of the big media players talk about the tough August and September is kind of wait and see approach.
Is there anything -- I know it's national versus local, but anything you can maybe share with us in terms of what you're seeing in the third quarter? I know 2Q was a little bit tougher. Doesn't sound like it's picked up dramatically so far in 3Q.

**Gracia Martore - Gannett Co., Inc. - President and CEO**

On our second-quarter earnings call we said that there were a number of factors in 2Q that sort of made it a little difficult to understand particularly on the national side exactly what the trends were. But what we said at the time was that we thought it looked like from the pacings we were seeing that national advertising and broadcast was better, not positive but better, than what it was in the second quarter. Two months into it I think that's absolutely the case. We had positive national core advertising revenue in July --

**Scott Wipperman - Goldman Sachs - Analyst**

Positive, not --

**Gracia Martore - Gannett Co., Inc. - President and CEO**

Not better, positive. Better and positive.

August -- the problem is we get more and more into the political season, especially at Gannett where we tend to generate a lot of political revenue. You now move into displacement. So I think, for sure, excluding political, national absolutely is better in the third quarter than it was in the second quarter. And even if you included political and said, let's disregard displacement and pretend it doesn't happen, it will still probably be better.

So we are seeing better results on the national side, than we clearly saw in the second quarter. Political, I have heard some noise around is it lighter, is it heavier, what's going on and is it going digital and is it going to cable.

**Scott Wipperman - Goldman Sachs - Analyst**

Maybe talk about the digital TV digital debate. Maybe in your perspective.

**Gracia Martore - Gannett Co., Inc. - President and CEO**

Let me start with political. Earlier in the week I was at a TVB Futures conference, a couple of meetings for couple of days, and we had a bipartisan panel of the political media planners and spenders. And what they said very loud and very clear is political spending, by candidates on television, is the core of what gets people elected. There are always going to be supplementary and overflow to cable, radio, to places like that. If any of the dollars are morphing to digital, they said, it's probably coming out of radio. I can't speak to that, I don't see those numbers.

So they were very forceful in their statement that political was, is and for the foreseeable future will be very dependent on broadcast television. And we see that frankly in our own numbers. And I think yesterday there was an article maybe in the Wall Street Journal blog about there's a lot of dollars going to cable. And they cited a couple of markets, Charlotte and a few others. And they said in Charlotte, cable dollars, political dollars are up 1700% or something like that. So we happen to have a TV station in Charlotte.

So I took a look at our numbers in our political numbers in Charlotte are up 125 times what we did in 2010, which is the comparison they were making so we have a number of stations. The markets in North Carolina, in Phoenix, in Arkansas where there's a contested Senate race, in Colorado are extremely strong for us politically this go-around. There's a few more hot races that we have in our markets then we did in 2010 for instance. So we are seeing a lot of it now.

There are some markets where there aren't contested races and therefore you are not seeing as much as you would have expected. So in Ohio we are hardly seeing very much in the way of political compared to 2010. So it really depends on the market, the races, but we are taking more than our fair share.
On the second quarter earnings call I talked about the fact that political would be in 2014 would be better than the last comparable year which was 2010. We are definitely seeing that at least 5% better; potentially it could be as much as 10% better than what we saw in 2010. And then when I look at 2012, which was obviously a presidential election year and we don't have a President up go round, if I take out presidential spending, which is about 35%, call it, of our political spending in 2012, our comparable spending year over year 2014 over 2012 excluding presidential, would be up double digits. Mid to high double-digit, high teens.

So we are seeing very strong political because we happen to have a good footprint. We are very much looking forward to 2016 because we always have a fantastic presidential footprint in Florida and Ohio and a variety of states. So we are just not seeing that phenomenon.

Now you think about Obama in the last campaign, he was brilliant in the way he is digital. But he used a lot of the digital for information analytics from fundraising, but he spent more in broadcast than anybody before him, any Presidential candidate before. So broadcast continues to be the anchor to place where people politicians go to be reelected.

Scott Wipperman - Goldman Sachs - Analyst

I have a bunch more questions but maybe I'll pause and see if there's any questions in the audience. We have a microphone, gentleman right here and maybe the gentleman right over there.

QUESTION AND ANSWER

Unidentified Audience Member

On the reverse re-trans issue in CBS, does what happened to LIN in Indianapolis, not just affiliation change but whatever Tribune paid, and the fact that LIN signed all their other CBSs right away, affect what you think you'll have to pay for reverse when your CBS stations come up?

Gracia Martore - Gannett Co., Inc. - President and CEO

I think each one of these is on a case-by-case basis, and it depends on the strength of your stations, your portfolio, etc. So we pay attention to everything that goes along, but, frankly, we will have that negotiation, we'll do it in private and we will move on.

Scott Wipperman - Goldman Sachs - Analyst

Gentleman over there please.

Unidentified Audience Member

Thanks. I've got a couple of brief ones. What was your re-trans revenue outlook for the year, pro forma Belo? Like as if you'd owned it since the beginning of 2013?

Gracia Martore - Gannett Co., Inc. - President and CEO

I believe we had said it was going to be around $335 million to $340 million. Jeff, if that's not right, speak up. And obviously, we're doing better than that, we are about $87 million or $88 million for each of the first two quarters.

Unidentified Audience Member

Thank you. And you spoke about what Cars.com does to your EBITDA line, round numbers looks like you paid about 15 times for it so I guess you're figuring that EBITDA is going to grow pretty quickly.
Gracia Martore - Gannett Co., Inc. - President and CEO

Actually, if you think about the fact that we are gaining $155 million of EBITDA to Gannett, and we paid $1.8 billion pro forma, we paid $1.8 billion for that $155 million actually the multiple would be 11.7 times. That puts the value of the entirety of Cars at $2.5 billion but we already own 27% of that.

Unidentified Audience Member

Right. My question is basically given your outlook for digital advertising for car dealers, what sort of a growth rate are you thinking of that you'll be able to produce with the Cars.com EBITDA?

Gracia Martore - Gannett Co., Inc. - President and CEO

As I mentioned, they've had a revenue CAGR of about 20% from 2006 to 2013. We will obviously get a bump up on that growth rate because of the new affiliation agreement, and we would hope that with the kind of new product development and other opportunities that I talked about, that we will certainly sustain that level of growth and look for ways to do even better.

Unidentified Audience Member

And then finally, you spoke a bit about the television ad revenue. How is the newspaper ad revenue looking these days? I've heard some somewhat negative comments from peers of yours.

Gracia Martore - Gannett Co., Inc. - President and CEO

I think on the second-quarter earnings call we talked about the fact that we thought that the third quarter would look -- from a year-over-year comparison basis, a better comparison in third quarter than the second quarter. And so far that seems to be holding. Obviously September is the biggest month of the quarter for publishing revenues, so we'll have to see how September plays out. But certainly have seen a little bit of an improvement on the advertising side. Thanks.

Unidentified Audience Member

Just one quick one as you are talking about political. Could you just give us a general idea if that growth in political, what the benefit is either from like single races as he said, or kind of increase in caps on donations to political action committees, etc.?

Gracia Martore - Gannett Co., Inc. - President and CEO

You know, all of that plays a role. I think in a nonpresidential year it clearly is going to be dependent -- a lot of it is going to be dependent on the hot races and where our contested races are and things like that. So if you have a really strong portfolio of stations where there are contested races, you're going to do well, because you are not only getting the increased volume but you are also getting better pricing. It drives pricing up, so it's a combination of those two factors.

Now at the same time there is displacement of the normal core advertising, because those advertisers will have seen rates higher, are going to say, “You know what, I'm going to hold off, I'll wait until after the races, after the elections and spend more of my advertising dollars.” And we tend to see that happen fairly frequently. Presidential races, obviously depending upon how the primaries go and whether that is an active slate, and in 2016 where you don't have an incumbent President, we would expect there is going to be hopefully some robust primaries for a bunch of presidential candidates.

So that will help in the spring, and then obviously as you get to September, October, November, the numbers go through the roof.

In 2012, with the combined Belo and ourselves, we did about $196 million of political revenue. So that was the most robust year we've ever had. And for us to be exceeding the nonpresidential revenue in 2014 is a very good omen, and speaks to the great portfolio of properties we have in markets that matter.
Unidentified Audience Member

I think as we look at online listings generally as a business you see over a multiyear period, you move from a listing model to a pay per lead model to a pay per close model and if you do that the software that you have to provide to whoever it is, the seller, that becomes either something you package in for free or maybe it's something you charge for kind of the software solution there. I'm not that familiar with the cars.com asset and how -- where they fall in that spectrum of pay to list to pay per close.

So I'd love to understand kind of -- and also the software component that's needed at the dealer level in this case. I'd love to understand where they fit in terms of revenue model and how you see the broader auto industry or auto listing industry evolving over time.

Gracia Martore - Gannett Co., Inc. - President and CEO

Sure. Let me try to take the first part of that question. I think that at its base, cars.com is a listing model. But it is so much more than that.

It really in many ways runs the digital operations for the dealers. And it's more on a subscription model than a pay per listing model, so it's much more of a subscription model for the dealer.

And so it was interesting when Cars.com first started, send us a note, and email, and we will get you a price from four or five dealers. And we would go and talk to dealers and dealers would say no, we didn't get any leads from that. We say, are you sure about that? And we didn't have anybody that was actually dedicated to digital leads at that time. Fast-forward to today when we go in there, they have all the metrics around okay, you provided X number of leads from Desktop, from mobile, etc. The engagement on Cars.com sites is 109 minutes per visit on Desktop, and I think it's 69 minutes per visit on mobile.

And it's probably one of the few places where everybody talks about a lot of audience on mobile, and that is absolutely true. Audiences just have expanded. The question has always been the monetization of that. The great thing in this space and with cars.com is that the dealers can see through mobile leads generated, closes, etc., and so we have actually been able, interestingly in this space, to monetize that mobile experience that we are providing for the dealers.

So I think it's much beyond just the pure listing. And it's really helping them solve a lot of their digital marketing issues. On more of a subscription basis.

Unidentified Audience Member

Quick follow-up, take rates. So if you think about on a given transaction what percentage you guys are taking of the revenue generated, I guess one of the cars sale but secondly the revenue generated by the dealers on a given transaction, what's your effective take rate on the transaction?

Gracia Martore - Gannett Co., Inc. - President and CEO

I've got to get back to you, it's going to vary market by market. So let us -- Jeff is right behind you, he will get your card and we will come back to you. But it's not one simple answer.

Unidentified Audience Member

Just following up on that, why would someone pick auto trader versus cars.com, what's the churn on these subscriptions and how do you think about the opportunity you have to improve the business?

Gracia Martore - Gannett Co., Inc. - President and CEO
When I look at the number of dealers that we have, I think back in five or six years ago we had about 12,000 dealers. We now have about 20,000 dealers. And you have to recall that's in the time when dealerships have been consolidating. So I think the cars.com, through the product suite, through listening to their clients, has really come up with new product innovation and all those things to really increase the number of dealers that they are doing business with.

In the affiliation agreement, the new affiliation agreements that we've put in place, with the former owners, there are some performance standards around the number of dealers that do business, etc. So I think that clearly cars has from an engagement metrics I talked about, the number of dealers that we now have versus what we have just several years ago, the visits to the site, etc., I think the cars.com has really positioned itself extremely well. I think probably cars has an edge on the new cars versus probably Auto Trader is a little bit more in the used car part of the market. But clearly a very, very strong number two.

Scott Wipperman - Goldman Sachs - Analyst

Great. That's all the time we have, thank you very much, Gracia.