OVERVIEW:
TGNA reported 2Q17 total Co. revenue of $489m. 3Q17 total Co. revenue is expected to decline in high-single-digits to low-double-digits vs. 3Q16.
Good day, and welcome to the TEGNA Second Quarter 2017 Earnings Conference Call. This call is being recorded. Our speaker for today will be Dave Lougee, 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.

Thanks. Good morning, and welcome to our second quarter earnings call and webcast. Today, our President and CEO, Dave Lougee and our CFO, Victoria Harker, will review TEGNA's second quarter results. After that, we'll 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's available at tegna.com.

Before we get started, I'd like to remind you that this conference call and webcast include forward-looking statements, and our actual results may differ. Factors that may cause them to differ are outlined in our SEC filings.

This presentation also includes certain non-GAAP financial measures. We 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 over to Dave.

Thanks, Jeff, and welcome, everyone. Thanks for joining us this morning. This morning, I'll comment on our financial performance at a high level and then discuss developments and initiatives inside the new TEGNA aimed at transforming our business during these dynamic times. After that, Victoria will discuss the financial highlights for the quarter in greater detail.
Before I begin, I want to say what an honor it is to serve as CEO of this great company. I’m thrilled to be leading TEGNA as we begin this dynamic new chapter as a pure-play media company. We are executing on our strategy and vision to drive and embrace change and innovation throughout our business as we discussed at our Investor Day in May, and we made good progress during the second quarter. On the financial side, revenues were up, profitability is strong.

Media revenue growth of 5% was primarily driven by new initiatives and a substantial increase in subscription revenue, which, as you know, is contractually recurring, providing us a nice diversified revenue stream and stable revenue stream to counter the cyclical swings that are endemic -- the advertising and marketing spend that are endemic to broadcasting.

Total company revenue was 3% higher year-over-year and Victoria will give more color on those adjustments later on.

Adjusted EBITDA, excluding corporate costs, was $186 million for a margin of 38%, a testament to the ongoing excellence of our best-in-class operations. We achieved these solid results while improving our balance sheet and continuing to make the necessary investments and the innovative initiatives necessary to drive our future growth. We are growing revenue share in our Advertising and Marketing Services businesses, accelerating growth in digital across all platforms, maximizing our paid subscriber revenues and investing in new businesses and business models.

We're broadening the definition of the markets we're pursuing and we're broadening the suite of products we're offering to our clients. For that reason, and as we signaled at our Investor Day and outlined in this morning's release, we are changing the way we report certain revenue numbers and categories reflecting the changing times.

Our Advertising and Marketing Services category is a reflection of the initiatives and strategies you heard us talk about at Investor Day and earlier. This category includes all of the company’s traditional and digital revenues, including Premion, Hatch, G/O Digital and other digital advertising and marketing revenues across our platforms. We go to market with all of our products across multiple platforms. This is how we run the business and how we sell our products. It all ties back to the customer who, along with the consumer, is our true north.

We're providing customers with the solutions that work best for them. We're not pushing one product or financial reporting line over another.

The second change you'll notice is that we've renamed our retrans category to subscription revenue. Our business is evolving and the subscription revenue category title better reflects the future direction of our company, especially as we're about to begin seeing revenue from OTT services from both traditional MVPDs as well as virtual MVPDs.

To that point, during the second quarter, we negotiated and signed multiple agreements with OTT providers to carry our linear signal, while at the same time completing master OTT agreements with our major network partners. These systems are just now beginning to line up and likely won't provide significant revenue in what's left of this year.

As I indicated before would be the case, the per-subscriber economics on all these OTT deals are equal to or better than per sub-economics with our traditional cable and satellite partners. And I think it's really important to note that what these industry-wide negotiations highlighted is that the combined local-national partnership of strong stations, like ours, and our strong network partners is the most valuable linear product in the ecosystem.

This has a lot of positive implications going forward about the future value of our distribution versus cable networks and the resulting economics that will flow from that consumer-driven change. It also makes us somewhat agnostic when a consumer trades out a traditional pay-TV service for an OTT streaming service carrying our channels.

Now turning to other significant developments. At the end of the second quarter, as you know, we successfully completed the spinoff of Cars.com into a publicly traded company. And yesterday, we announced that we had completed and closed the sale of CareerBuilder. Those transactions represent a key financial and strategic turning point for our company.
As a pure-play media company, we now have the dedicated resources and strategic focus to capitalize on the unique opportunities ahead of us, and we are executing on the transformation plan we started long before the spin of Cars and the sale of CareerBuilder.

Our long-term key to driving market share and growth in our Advertising and Marketing Services business is to improve our audience share and engagement across all platforms and broaden the market we are targeting. We’re doing that by making bold changes to our content strategy and innovative, data-driven investments in our go-to-market sales process. It’s worth noting that we’re making all of these investments within our usual rigorous financial discipline by reallocating expenses to these future initiatives.

Here’s just a few of the examples of the progress we’re making. On the content side, we’ve made wholesale non-incremental transformations of our local content operations in the markets of Charlotte, Tampa and Sacramento. At those stations, we’ve created true digital-first newsrooms using data to better understand unique needs of each of those markets and creating more engaging content for all platforms. And it’s working.

In Charlotte, we are up in every newscast, with adults aged 25-54, particularly morning news, which is up 29% in May. In Tampa, ratings are up across the board in May, up 100% in the morning news, up 29% in the early evening news and up 25% in the late news.

By integrating social and digital, alongside broadcast, we’ve also seen a corresponding growth in digital visitors, which are up 41% in May. Video plays are up 48% and social interactions grew more than 300%. And in Sacramento, we announced last week that we are the first local network affiliate to partner with Cheddar, that’s right, Cheddar, a leading post-cable OTT network focused on the millennial audience. Cheddar Local will provide our station in Sacramento with premium business and tech coverage that will appeal to the younger demographic we are reaching, attracting and focusing on with our revamped morning news show there.

One of the pillars of our strategic plan is called reinventing local journalism in a digital age. And so as part of that initiative, we have organized and empowered a new generation of innovators across the company. They come up with the ideas, then we use consumer data to decide what pilots to greenlight and invest in, and it’s working.

As an example of those ideas, one of those ideas-turned-pilot-turned-reality is VERIFY, which provides unbiased fact checking on a variety of topics often submitted to stations by viewers and users through social media. And as it turns out, our innovators were visionaries because they came up with VERIFY before “fake news” ever entered the current vernacular of our country.

By design, VERIFY is platform agnostic. Segments can air during a broadcasting if it’s shared on social and mobile. And as I mentioned, viewers and users submit the issues and stories they want us to fact test.

Since we began offering VERIFY just 60 days ago, we’ve had more than 8 million page views across our platforms and millions of visitors. This data-driven, audience-centric approach extends to social where we’re launching new digital content models as well.

This quarter, we launched the first of our new digital content verticals, HeartThreads, a new national social brand dedicated to sharing the best stories about the best of us across the country. These easily shareable stories are designed specifically for Facebook, reaching new audiences and deepening connections with existing ones.

Since its launch in June, we’ve posted one video a day. Together, they produced 38 million video streams on Facebook in just 57 days.

Another key component of our content transformation strategy is the creation of unique, live and original programming to combat changing viewer habits away from non-live programming traditionally inhabited by pre-take syndicated programming and towards live event style programming. It also is talking about taking our future into our own hands when it comes to programming.

This fall, TEGNA will launch 3 new original programs, 2 daily, 1 weekly. These programs, 2 of which we’ve announced, will enable us to reach new audiences and leverage our cost across our many markets.
In September, we are launching Daily Blast LIVE, known as DBL, our groundbreaking 30-minute news and entertainment show. Produced out of our station in Denver, DBL, as it’s affectionately known, it’s first-of-its-kind format means the show is always live in every time zone, something unprecedented in TV syndication. We are producing 7 live half-hour feeds per day, while also streaming live twice a day on Facebook and for 1 hour on YouTube. Because it is live, the content comes from our viewers through what is trending at that moment on social media.

Today, almost all our audience has an internet-enabled smartphone within a few feet of them while they watch TV, and Daily Blast LIVE is programming to that return path device. And because DBL is live in every time zone, no 2 shows will be exactly alike. What is being discussed during one half-hour may completely change the next. Being constantly live also opens the door to significant sponsored content dollars not available in traditional newscast or other traditional shows we don’t own ourselves.

We also announced Sister Circle, a live, original daily talk show that’s targeted towards an audience that is currently underserved on daytime TV, African-American women, an audience we over-index and in many markets. Sister Circle will air beginning September 11 in 12 TEGNA markets and on TV One, a very successful cable network that offers a broad range of programming for a diverse audience of adult Black viewers.

TV One will air the show live to its 59 million households every morning. This is the first-time TV One has signed with a local station group to carry their original programming, and we’re pleased to have them as our distribution partner. Through our deal with TV One, and across our TEGNA household, Sister Circle will reach 60% of the U.S. TV households.

And since DBL and Sister Circle are produced by and at TEGNA stations and not in Hollywood, the cost structure is substantially lower as well as receiving tax incentives in Denver and Atlanta for our production and bringing in jobs.

The other key driver of our strategy is innovation in the technologies and marketing services we utilize to grow market share, broadly defined. Back to Premion, as mentioned in the release this morning, it’s a star. Premion is our new OTT ad services initiative that is a first mover, meeting an unmet need in the rapidly growing OTT space. Premion is the first solution to provide local and regional advertisers access to long-form OTT content. We’re capturing an entirely new source of revenue with this business.

We launched Premion in just the fourth quarter last year. Since then, it has surged to nearly 2,000 campaigns, serving 372 advertisers across 190 markets. Remember, we’re only in 38. Our team has put together the technology to serve ads across multiple providers and platforms, and we have a high-class problem of keeping up with the demand.

Second quarter revenue was more than double the first quarter. We’ve already got $20 million on the books for the year out of nowhere in December, and we’re well on our way to hitting or exceeding our target for full year 2017.

On the more traditional side of our business, we are rolling out that proprietary software -- pricing software we’ve been talking about this quarter. It looks great, and we’re to beginning to marry it to third-party attribution data, making it a compelling sales proposition for our stations and clients. Again, a first mover in the local broadcast space.

Lastly, before turning the call over to Victoria, I want to spend a few minutes talking about capital allocation and industry consolidation. We expect to continue returning capital to shareholders through a regular cash dividend of $0.28 per share annually. But as we outlined at our Investor Day, our first priority for the cash we generate is to invest in our business to drive profitable growth.

Our second priority is to manage our leverage levels in order to increase our financial flexibility for future investments and M&A, which brings me to the opportunities we see in the changing media landscape.

Our highly efficient, best-in-class operations, coupled with our scale and financial firepower, position us to play an active role in either the vertical or horizontal, or both, consolidation that we believe will happen over time in our industry. Thanks to our financial discipline, we have a fortress-like balance sheet that gives us the flexibility to act opportunistically.
With our track record of reaching and exceeding synergy targets ahead of schedule, we have a proven ability to create significant shareholder value through strategic, accretive M&A, whether vertical or in-market consolidation.

Both scenarios are attractive to TEGNA, not just because of a traditional revenue and cost synergies but because of the additional synergies produced by leveraging our innovative strategic initiatives across greater scale.

These are exciting times for the team at TEGNA and we intend to leverage our scale and innovation to drive growth and shareholder value for many, many years to come.

Now to discuss our second quarter results, here’s Victoria.

Victoria D. Harker Thanks, Dave. As Dave already noted, the second quarter was an eventful one for TEGNA. We completed the spinoff of Cars.com at the end of May, and just yesterday, announced that we, along with the other owners, completed the sale of CareerBuilder, retaining a 12% minority ownership stake on a fully diluted basis.

Before I cover consolidated financial results and capital allocation during the quarter, I’d like to review several special items. Given the transactions we had underway during the quarter, we recognize approximately $20 million in non-operating special items or about $0.07 a share due primarily to cost associated with the spend as well as non-cash impairment charges.

In addition, we recognized deferred tax benefits of approximately $4 million or $0.02 a share. Beyond this, during the quarter, our efforts to right-size the support cost for our ongoing business as well as creating shares, centers of excellence resulted in severance and relocation expenses that negatively impacted our operating expenses by approximately $3 million or $0.01 per share. All in, special items negatively impacted EPS from continuing operations by about $0.06 a share.

Turning now to second quarter consolidated financial results. Keep in mind, all of my comments today will be focused on non-GAAP performance from continuing operations in order to clearly provide financial insight into the drivers and the results of our ongoing business. However, as a reminder, you can find all of our reported data and comparatives in our press release.

Now turning to total company results. As you saw in the release, TEGNA will report one segment going forward, which will include Media and a remaining small digital marketing services contract that was previously reported in the Digital Segment. Beyond this, our historical financial results include the impact of a transition service agreement with Gannett, which concluded in June of this year as well as Cofactor, which was sold in December of 2016, both of which were previously reported in the Digital Segment.

These unfavorable comparisons will continue through the second quarter of 2018. Despite these impactors, total company revenue for the quarter was up 3% year-over-year, totaling $489 million. Excluding the impacts of digital marketing services and Cofactor, media revenue was up 5%, at the high-end of our prior guidance.

Total revenue growth was driven by a 24% increase in subscription revenue as well as new initiatives like Premion and Hatch. This was partially offset by lower Advertising and Marketing Services as well as political revenue.

Operating expenses were 10% higher in the quarter due primarily to substantially higher programming fees, including reverse compensation costs driven by payments to NBC for 11 of our stations that began this year as well as our continued investment in new initiatives. Net of this, operating expenses were down for the quarter.

Like the substantial increase in programming fees, a continued focus on efficient operations resulted in an adjusted EBITDA of $171 million, margin of 35%. And excluding corporate expenses, which are just over $14 million, adjusted EBITDA was $186 million, driving a very strong 38% margin.
Now, as we look forward to the third quarter, total company comparisons -- revenue comparisons will be unfavorably impacted by the absence of record Olympic revenue in 2016 and substantially lower political advertising than a year ago as well as the impact of a transition services agreement and the absence of revenue from Cofactor.

As a result, total company revenue is expected to decline in the high-single digits to low double digits in the third quarter of 2017 compared to the same quarter a year ago. However, on a comparable basis, excluding the impact of nearly $100 million in Olympics and political spending as well as the conclusion of the Gannett transition services agreement and Cofactor previously reported in the Digital Segment, total company revenue is expected to increase in the mid-to-high single digits year-over-year in line with second quarter.

Keep in mind, because fully half of our advertising revenue comes from our NBC stations, with the Olympics and Super Bowl, in conjunction with our strong political footprint, we have and we’ll continue to have the largest swing in even to odd year revenues amongst our pure-play peers.

Now turning to liquidity and capital structure. Excluding discontinued operations, capital expenditures totaled $8 million during the quarter reflecting investments and development in our programming and news content as well as infrastructure to improve operating efficiency.

During the quarter, we strengthened our balance sheet and enhanced our firepower as a result of the transactions we completed. Spinoff of Cars.com generated tax-free distribution of $650 million, the majority of which was used to retire the drawn amount under our revolver, driving approximately $12 million in interest cost savings in 2017, absent any new borrowings.

At the end of the quarter, long-term debt was $3.35 billion, resulting a leverage ratio of 4.4x. In addition, as Dave mentioned, yesterday, we completed the sale of CareerBuilder. Gross cash proceeds from the sale of $250 million are expected to generate approximately $220 million net of taxes and other adjustments.

With those proceeds, in October, we plan to prepay some of our fixed-rate notes due in 2020, which will reduce interest expense by $3 million per quarter through the second quarter of 2020. TEGNA also remains an ongoing partner in CareerBuilder with a 12% ownership stake on a fully diluted basis, and we’ll have 2 board seats.

Free cash flow for the quarter was $67 million. As anticipated last quarter, second quarter 2017 cash flow from operating activities and free cash flow were lower year-over-year and sequentially due to the initiation of reverse compensation payments associated with 11 of our NBC affiliates. In addition, new tax legislation moved the finance tax payment from March to April 15, which also impacted sequential cash flow comparisons.

This has been an exceptionally productive period for the company, from the spinoff of Cars.com and the sale of CareerBuilder to investments we’ve made in innovative content and sales initiatives you’ve heard from Dave. While TEGNA as a pure-play media company has evolved on a number of fronts, one thing that has not changed, and will not change, is our disciplined approach to capital allocation and our focus on operational excellence.

We remain fully committed to our strong balance sheet to ensure we have the necessary capacity to grow our business in these dynamic times. Our financial strength and flexibility continue to enable us to seize attractive opportunities within the sector while investing in innovation and initiatives, which will grow revenue and cash flows well into the future.

Now let me turn the call back to Dave for some final remarks.

**David T. Lougee** - TEGNA Inc. - CEO, President & Director

Thanks, Victoria. So we’re pleased with the results for the quarter, and as I expounded upon earlier, we’re very excited about what the future holds given the culture of innovation that’s taken hold across our company.
One final note. As a reminder, looking ahead to 2018, in addition to the acceleration of our initiatives, we have some unprecedented tailwinds, specifically a trio of big revenue events that we’ve not had in the same year in a long time that will especially benefit TEGNA in 2018 for the reasons Victoria mentioned that are very large NBC portfolio and a great political advertising footprint.

For the first time in a long time, we’ll have both the Winter Olympics and the Super Bowl on our strong large market NBC stations in the same year, and in fact, they’ll be in the same quarter, the first quarter.

With both the Olympics and the Super Bowl, our stations regularly out-index the country in ratings and revenue and that won’t change. And second, as I referenced on Investor Day, 2018 is setting up to be an unprecedented off-year election as you can probably tell from the noise.

How our footprint will line up on competitive House-Senate and gubernatorial races remains to be seen because in this political environment, 1 year is like 5 years, 10 years ago. But so far, it looks very good and we expect it will be very good for us by the end of 2018.

With that, I'd like to open it up to questions. Operator?

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) We will go first to John Janedis with Jefferies.

**John Janedis - Jefferies LLC, Research Division - MD and Equity Analyst**

Thanks for all the clarity on the initiatives. Can you talk a bit more, though, about the underlying outlook for TV ad for the rest of the third quarter? Between the changes in terms of your reporting with subscription line and the comps, it's kind of hard to tease out. And along those lines, can you speak to local compared to national?

**David T. Lougee - TEGNA Inc. - CEO, President & Director**

Yes, John, I'd just simply say that we saw marginal improvement from first to second and our advertising services were large. And we see -- we think we're also going to see marginal improvement in the third quarter, as we indicated in the guidance that Victoria gave when you factor out the noise of the Olympics, political and these other factors that we talked about. I think that, yes, there's probably -- national as we had always forecasted, hence our local initiatives, is not as the strong as local. And I would -- and that has been the case for some time.

**John Janedis - Jefferies LLC, Research Division - MD and Equity Analyst**

From your comments, is the assumption that political and Olympics, is that all incremental? Or how do you think about that when you share the numbers for the outlook?

**David T. Lougee - TEGNA Inc. - CEO, President & Director**

Yes, for almost -- most of the political -- almost all the political is incremental for how we price because we've gotten really good at pricing it. There's that 6-week period between Labor Day and Election Day, John, when we do have some displacement, but a lot of their political now is spread more evenly across the year, and that's pretty much 100% incremental. I think Olympics, we vary between 50% and 55% based on the year is the number we use. It's not an exact science, but that's probably a pretty good governor.
John Janedis - Jefferies LLC, Research Division - MD and Equity Analyst

All right, that's helpful. And maybe Dave, you spoke to industry consolidation in your remarks. Is this still the plan to be a consolidator? And can you give us an update on what you're seeing in the marketplace?

David T. Lougee - TEGNA Inc. - CEO, President & Director

Look, I think, obviously, the Sinclair-Tribune deal is out there going through the regulatory pipelines of the SEC and the DOJ. I think a lot of people are waiting for clarity on the in-market rules that the FCC will likely issue and order in September. They'll probably circulate the order and people will get to see it 2 or 3 weeks before they act on it. So, I think they're waiting for clarity on that but everyone is assuming there will be some significant relaxation of the in-market rules. And obviously, the UHF discount, which is already in place, John, provides vertical opportunities. I think the thing for us, to remind you, is that 25% on a discounted basis, we still have vertical room. And as we said at Investor Day, regardless of what the rules become on in-markets, we are also -- given that we're a large market operator with a lot of a stand-alone Big Fours, we especially stand to benefit from the ability to consolidate in market -- in the markets we're in.

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO

John, and we also, just to reiterate what we said at Investor Day, we are fully preparing ourselves to be poised to act on the opportunities. We have a balance sheet that's certainly been bolstered by the transaction that we've just talked about, including doing what we said we would do on debt paydown but also increasing our firepower. I think the other, you'll note in our numbers, we had also extended the current financial covenant relative to our leverage levels, so we have capacity and the ability to act as the market opens up.

John Janedis - Jefferies LLC, Research Division - MD and Equity Analyst

And maybe if I can sneak in one more. Are there any OTT agreements left to negotiate? And Dave, can you talk about the opportunity as you think about it, meaning, ultimately, do you think that they grow the overall TV universe for you?

David T. Lougee - TEGNA Inc. - CEO, President & Director

Yes, I think that's a great question and I think there's a very good possibility. I think that there's actually 3 dynamics that are happening. It's that some cord cutters are going to over-the-air, right, so those are non-pay homes for us, not good on one hand. The flip side is, in an over-the-air home, our percentage of viewing dramatically increases. But I think that the movement, like I said earlier, from an MVPD service to an OTT service, that's -- we're agnostic on that. I think the OTT providers do believe that they're going to bring in a lot of younger consumers who, heretofore, will not pay $88 a month or whatever it is for a cable or service but will pay $30 for a skinny bundle. So there's a lot of assumptions out there that it will expand the pay marketplace, but remains to be seen.

Operator

We'll go next to Alexia Quadrani with JPMorgan.

Alexia Skouras Quadrani - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

Just a quick follow-up first on the commentary you gave about core TV advertising. I know you don't want to get too specific, and you said you're still hoping to see some improvement. I think you saw some in Q2 and you hope to see more in Q3. Do you know if it turned positive or it's likely to turn positive in Q3? And then do you think we're sort of beyond most of sort of the U-verse advertising headwind, or is that the still sort of ongoing?
David T. Lougee - TEGNA Inc. - CEO, President & Director

Actually, for us, it's not -- yes, you're right, it's U-verse, AT&T, I was thinking FiOS. We have a little more of that to go, and thanks for the question, Alexia, because that is part of the headwind we faced in second quarter, is that we're still cycling through these AT&T U-verse homes and there appears to be more of that to go. So it definitely has hurt us in the media telecom space. I think the issue on overall ad spend in the third quarter is going to be a function of automotive. Look, it's no secret that automotive has hit a cyclical slow spot. New car sales have slowed down, and that's affecting advertising. Nobody should be fooled differently for the entire industry. And so a lot will depend on how auto holds up and recovers. But long term, I'm not worried about auto because it -- television's an important part of any auto buy. Furthermore, the marketing services and initiatives we've created position us to take an increasingly larger share of the auto pie out of our markets.

Alexia Skouras Quadrani - JP Morgan Chase & Co, Research Division - MD and Senior Analyst

And then just to add one quick more question if I can. You've obviously seen a huge surge in cable news ratings since the election, which seems to be ongoing. Have you -- has that been the case for your local news as well? Have you seen a pickup in viewership? Or have you unfortunately seen more competitive pressure and if you've seen some share loss to the cable news on your local news?

David T. Lougee - TEGNA Inc. - CEO, President & Director

No, I think only in a handful of markets, and it's really a morning news issue. I think there are people waking up to the cable news 24-hour offering of Trump, and certainly, there's a hard-core group of those, more in some markets and others like you might expect like D.C. or Seattle, places like that. But overall, no. I mean, our ratings are -- local news ratings remain the highest-rated shows in our market, and in our case, very much so. So yes, I think it's chopped into a little bit, the mornings, but it's got unusual circumstances for obvious reasons.

Operator

We'll go next to Barton Crockett with FBR Capital Markets.

Barton Evans Crockett - FBR Capital Markets & Co., Research Division - Analyst

I wanted to ask a little bit more about the pace of potential kind of rule change and that showing up in your M&A kind of approach. And I guess, a couple of things. One is, you gave us a sense of when we might see a rule kind of circulated and addressed at the FCC. What's your sense of how long it would take after that in a base kind of scenario to actually have a rule change effect such that you're actually able go on and start doing market consolidation? Is this a multi-year process or something that can move pretty quickly?

David T. Lougee - TEGNA Inc. - CEO, President & Director

No, it can -- the order -- this is not a quadrennial review, where there'll be an NPRM, and then there's months and months of comments. It's a petition for reconsideration of the previous quadrennial review. So the order can go on place right away. But to be frank, Barton, I think it -- you would assume that public interest groups will likely appeal it, and then the case -- then the issue will be is there a stay or not? If there's a stay -- the bad news about a stay that will delay the M&A. Maybe the good news is a stay pushes the legal process through faster. If there's not a stay, I think you start to see deals go through. And remember, it's not just necessarily acquisitions, it can be swaps. And I think that once there's clarity about the in-market rules, a lot of groups that maybe are semi-engaged right now in the in-market consolidation will become much more engaged, some already are.
Barton Evans Crockett - FBR Capital Markets & Co., Research Division - Analyst

Okay. That’s helpful. And I guess switching gears a little bit — following up on Alexia’s question about the U-verse and TV ad trends. One thing you had a flagged is you had thought that the ramp-up of some of the SVOD services over the top, I think, in particular, the YouTube TV was something that could drive some incremental ad spend and competitive responses. We’ve now seen YouTube TV go into more markets. Is that playing out what you expected, or is that still kind of on the come?

David T. Lougee - TEGNA Inc. - CEO, President & Director

Yes, actually, I mentioned in my script too, I think it’s on the come just because — and they’re later — they’re all later to market than they intended to be both because of, frankly, they had to have us and there’s also — it’s not — they’re using difficult — different and difficult technologies. There’s no uniform technology being used. I mean, YouTube is building out receivers in every local market, others are going through encoders that are placed at stations that won’t go into the weeds. I don’t think you’ll — I just don’t think there’s time left in the year for them to get enough subs to have a meaningful impact on our numbers. But I do — clearly, what it will be in 2, 3, 4 and 5 years, but again, we feel like, to the earlier question, it will be agnostic to positive at worse for us on our subscription economics.

Barton Evans Crockett - FBR Capital Markets & Co., Research Division - Analyst

Yes. But to be clear, I mean, was asking about ad spend. You were talking about those guys marketing their services. Are you seeing that? And any competitive marketing response?

David T. Lougee - TEGNA Inc. - CEO, President & Director

I apologize, Barton. I misunderstood the question, I apologize. Not yet but we expect it. They’re not — they’re still — I know from our own contracts, and we — we’re amongst the first markets to go because it’s the large markets that are going to go first and clearly, whether some of them, I don’t know when they’ll go to smaller markets, but they’re not lit up yet. So once they’re lit up, we’ll see. And just like a lot of those types of dollars, we don’t get a lot of transparency ahead of time on when they’re coming. But I — it just makes intuitive sense to us that TV will be the place to market TV.

Operator

We’ll go next to Dan Kurnos with The Benchmark Company.

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD

Dave, can you talk a little bit more about Premion? I’m just curious — and sort of a different OTT question, other side — obviously, it’s been 6 months and you’re seeing some traction there. So maybe just give us some color on how you’re seeing that ad market develop and remind us where you’re at on the programmatic initiative there.

David T. Lougee - TEGNA Inc. - CEO, President & Director

So, yes, glad to talk about Premion. I mean, again, we were a little delayed to get to market last year just because of the not small challenge of putting together the appropriate technologies, but our team really did an incredible job in a small amount of time. And a year ago in July, we had one campaign. And as I told you, we’ve got these couple thousand campaigns and $20 million, so pretty nice run rate. And it’s nothing but up because we’re adding program providers and OTT providers like Pluto, Crackle, Xumo, PlayStation Vue, Sling. Even if we didn’t add another programmer, that inventory on those services is going up every day because of consumer changes. So the inventory has gone up and we will add more services. We’ve created a tremendous amount of credibility. I’ll tell you one buy I’ll take you through if I can find it here in my notes, a story I
love. I won't give the name of the advertiser, but it's a Tier 2 automotive company. And we've closed the deal in January of '17 for $3.1 million -- so a local salesperson in one of our large markets got through a regional agency, sold the proposition. That person had influence over multiple markets. We've sold $3.1 million for 115 markets. By the end of the quarter, we had 98.5% success on the delivery of that campaign, which was our largest fear, given the technology. And then that advertiser added another $1.4 million in 15 markets in May based on our credibility and the results that they were seeing. And that same Tier 2 advertiser changed agencies. In the old world, when an agency would change, oops, there goes the business. That agency said, "Please, add more markets."

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD

And on the programmatic -- it's helpful. On the programmatic side, do you have that in place yet? I know that Jim was talking about developing some demand side stuff.

David T. Lougee - TEGNA Inc. - CEO, President & Director

Yes. So he is working on programmatic for his platform, where at large, we are spending time and effort on a programmatic answer to video advertising writ large, which means giving the advertisers the ability to buy both television and digital video through a platform. That's an ecosystem issue that's larger than TEGNA. We are looking at it as a potential business, just we're, frankly, as I'm sure some others are too, but we are bullish on solving for the agency's needs and the friction points that the old style of selling creates. So we're not as far along as we would like to be on that because there's a lot of cooperation that needs to happen in the industry, but I think there's a clear understanding between our peers and especially the agency that needs to be there. So when there's a need, I think it'll happen.

Daniel Louis Kurnos - The Benchmark Company, LLC, Research Division - MD

Great. And then just one housekeeping question. Victoria, you restated Q2, up by about $18 million, thanks to the digital shift, obviously, Cofactor and the marketing services agreement. Is that kind of -- what's the Q3 base? Is that a similar run rate for, call it, $2.7 million for Cofactor, the remainder for marketing services? Is that incremental to Q3, and we should think of that as a Q3 base?

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO

Yes, that's about the same on a run-rate basis.

Operator

We'll go next to Marci Ryvicker with Wells Fargo.

Marci Lynn Ryvicker - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

There are so many moving pieces, Dave and Victoria. Can we talk about how we should think about your prior annual guide that you gave on your Investor Day in the context of the updated revenue base of, I think, $2.04 billion in '16?

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO

Sure, sure. And I guess the -- keep in mind, obviously, we've been talking about total company. We have the moving parts, as you mentioned, relative to digital, but I think it's important to keep in mind some of the comments that Dave made earlier as we've indicated so far, the second quarter ad trends improved somewhat over the first quarter. But through the first half of the year, they're softer than we had forecasted them. So
moving to the back half, we're seeing some marginal improvement in ad trending as well as some accelerating performance in the initiatives that Dave also referred to, but it's really too early to tell if the overall consumer and ad spending is going to match the full year expectations.

Marci Lynn Ryvicker - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

Okay. So in terms of the absolute numbers you gave, are those restated? Or I guess, how are those -- are you reconfirming those? Just trying to figure out.

David T. Lougee - TEGNA Inc. - CEO, President & Director

Marci, we are not restating. What we're saying is that we are -- given what's happening in auto and others, we're going to have to see how the third quarter develops to provide clarity on that.

Marci Lynn Ryvicker - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

Okay. And then curious why you're keeping a 12% interest in CareerBuilder, why not just sell the whole thing?

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO

I think as we walked through the puts and takes relative to the negotiation of the value, relative to where CareerBuilder is, the pivots of business on the Software-as-a-Service, we felt there was upside opportunity for us as an equity holder. Obviously, it's a distraction from our core business now, but we felt it was worth continuing an ongoing stake and to return from that business as it grows over time.

Marci Lynn Ryvicker - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

Okay. And then the last question is on the OTT stuff. I'm assuming that there really is nothing OTT-related in the subscription line at this point.

David T. Lougee - TEGNA Inc. - CEO, President & Director

No, they're 0 right now in our revenues to date. We recognized 0 at this point, Marci. We'll probably -- we will recognize some in the back half of this year. But to the earlier question, it won't be material for this year.

Operator

And we'll go next to Kyle Evans with Stephens Investment.

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research

What's the third quarter base number that we should use for Advertising and Marketing Services? And how do you see that trending in the current period?

David T. Lougee - TEGNA Inc. - CEO, President & Director

I think what we said -- what we said, Kyle, was that when you factor out the noise of political and Olympics and the Cofactor and the other stuff, that on a -- take a media base that you're looking at, we're looking at mid-to-high single digits.
Victoria D. Harker - TEGNA Inc. - Executive VP and CFO
Which is in line with the second quarter.

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research
Okay. I was asking for the third quarter '16 base number.

David T. Lougee - TEGNA Inc. - CEO, President & Director
You mean the dollar number?

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research
Yes.

David T. Lougee - TEGNA Inc. - CEO, President & Director
Okay. Let's get back to you. And do you have a second question? We'll get that...

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research
Yes, I've got 2 more. Yes, 2, if that's all right. At the conference late last year, you guys talked about OpEx guide for the Media Segment of up 20% year-over-year. Has that guide changed in our mind on the reclassification? Or is that how we should still be thinking about operating expense?

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO
You're talking about operating expense inclusive of programming?

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research
Yes, inclusive.

David T. Lougee - TEGNA Inc. - CEO, President & Director
Full year OpEx?

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research
Yes.

Victoria D. Harker - TEGNA Inc. - Executive VP and CFO
Yes, no, I think...
David T. Lougee - TEGNA Inc. - CEO, President & Director

Yes, I think it looks like, probably, when you take out programming expenses -- no, actually, no with program expenses it’s actually going to be lower than that now. Probably closer to 10 than 20.

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research

Okay. Lastly, Dave, you talked about $100 million in new initiative revenue this year at the Investor Day. It sounds like you’ve some good momentum on Premion so far. Is that $100 million still the goal? And how much of that came through in the first half of ’17 just on the new initiatives?

David T. Lougee - TEGNA Inc. - CEO, President & Director

It is the goal. We’ve got some puts and takes. Look, the one thing I’d say about our initiatives, the good news is we’ve learned that the strategic thesis of all of them is good, so we’re on the right track, but some are performing than others. Premion is really performing well, a couple others are a little behind. But yes, net-net, we’re still looking at $100 million. And your earlier question, with the -- you were looking for total company revenue last year in the third quarter?

Kyle William Evans - Stephens Inc., Research Division - MD and Associate Director of Research

I’m looking for the newly defined Advertising and Marketing Services line a year ago.

David T. Lougee - TEGNA Inc. - CEO, President & Director

I’m not sure we have that right now. We will call you back to make sure. Because it’s new to us too, we want to make sure we give you the right number.

Operator

We’ll take our last question from Doug Arthur with Huber Research.

Douglas Middleton Arthur - Huber Research Partners, LLC - MD and Research Analyst

Victoria, just continuing on a familiar theme here. If you look at Advertising and Marketing Services in Q2, it was down 5.6%. You say in the footnote, adjusted for various transitions in digital is down 3%. I guess, first question is how much of the non-Cars classified digital, the former Digital Segment, is actually in this number? How does the Gannett transition agreement impact it, or how did it impacts in the second quarter? You said it was terminated in June. And if you could quantify that impact ballpark for the third quarter on the Gannett transition.

David T. Lougee - TEGNA Inc. - CEO, President & Director

For the third quarter, Doug?

Douglas Middleton Arthur - Huber Research Partners, LLC - MD and Research Analyst

Both Q2 and Q3.
Victoria D. Harker - TEGNA Inc. - Executive VP and CFO

There's a table on -- I guess, it's Table 6, talking about the various impactors relative to Cofactor, as you pointed out, lapping in December. The TSA terminated in June, so it was partially in the quarter but also subsequent. And then we also had digital marketing services, a piece of it was remaining in the Digital Segment. Now that we're only reporting one segment is obviously moving over to it. But it's a fairly small piece of the business.

David T. Lougee - TEGNA Inc. - CEO, President & Director

So I think we've got the numbers here, Doug, to your question. Doug, I think the numbers that had been -- have gone away that weren't in media last year, but that were still -- so now that we're full "TEGNA" we're cycling against, we're about $16.5 million in the third quarter.

Douglas Middleton Arthur - Huber Research Partners, LLC - MD and Research Analyst

Okay. Any ballpark on the impact of the transition with Gannett in the third quarter? I mean, you sort of talked to the percentages.

David T. Lougee - TEGNA Inc. - CEO, President & Director

That's the number I'm giving you. I'm sorry, are you talking about the impact of the discontinued Gannett services?

Douglas Middleton Arthur - Huber Research Partners, LLC - MD and Research Analyst

Yes, that's the number you gave me.

David T. Lougee - TEGNA Inc. - CEO, President & Director

You mean, insight? I don't have the breakout. But the bottom line is the net of Cofactor and Gannett and the discontinued former Gannett-related services total up to $16.5 million.

Douglas Middleton Arthur - Huber Research Partners, LLC - MD and Research Analyst

Okay, great. I'll follow up with Jeff.

David T. Lougee - TEGNA Inc. - CEO, President & Director

Okay. It is confusing, and we've got 4 quarters to cycle through this, so we'll work our best to provide clarity every quarter.

Okay. Thank you, everyone. Appreciate it. My first call as our new company CEO. We look forward to answer more of your questions. As always, you can call Jeff Heinz with questions, and you -- I think you all have this number. Thank you, operator.

Operator

Thank you. This does conclude today's conference call. Thank you for your participation. You may now disconnect.