REFINITIV STREETEVENTS

EDITED TRANSCRIPT

TGNA.N - Q4 2020 Tegna Inc Earnings Call

EVENT DATE/TIME: MARCH 01, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

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

Doug Kuckelman *TEGNA Inc. - Head of IR*

Victoria Dux Harker *TEGNA Inc. - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Alexia Skouras Quadrani *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Craig Anthony Huber *Huber Research Partners, LLC - CEO, MD and Research Analyst*

Daniel Louis Kurnos *The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst*

Douglas Middleton Arthur *Huber Research Partners, LLC - MD & Research Analyst*

James Charles Goss *Barrington Research Associates, Inc., Research Division - MD*

Kyle William Evans *Stephens Inc., Research Division - MD*

Steven Lee Cahall *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Vasily Karasyov *Cannonball Research, LLC - Founder*

PRESENTATION

Operator

Good day, and welcome to the TEGNA Fourth Quarter 2020 Earnings Call. This call is being recorded. Our speakers 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 conference over to Doug Kuckelman, Head of Investor Relations. Please go ahead, sir.

Doug Kuckelman - *TEGNA Inc. - Head of IR*

Thank you, and good morning, and welcome to our fourth quarter and full Year 2020 earnings call and webcast. Today, our President and CEO, Dave Lougee; and our CFO, Victoria Harker, will review TEGNA's financial performance and 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 a reconciliation of those measures to the most directly comparable GAAP measures in the press release.

With that, let me turn the call over to Dave.

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

Thank you, Doug, and good morning, everyone. As Doug noted, Victoria and I will be discussing our fourth quarter and full year 2020 financial results on today's call, and we'll also provide our expectations for this first quarter and full year 2021, which you saw included on our earnings release this morning.

But before we turn to financials, I first want to take a moment to reflect on the incredible achievements of our TEGNA colleagues over the last year. Despite the obvious significant challenges we faced in 2020, our team remains steadfast in supporting each other and the communities we serve. Throughout the year, our local newsrooms were a lighthouse of trusted information in a sea of misinformation and disinformation. Our stations found innovative ways to deliver news and substantive content amidst the pandemic that brought clarity, context and hope to our audiences. Never before has our core purpose of serving the greater good been more relevant and needed across our markets and beyond.

Our station's journalist and production crews utilized very creative approaches to ensure the safety of themselves and others, all the while reporting on incredibly important developments related to the pandemic in their cities and states. And leading up to last year's elections, our team helped viewers sift fact from fiction and implemented comprehensive voter access programs to educate voters and combat disinformation and fraud.

And following the killing of George Floyd and other acts of racial injustice, TEGNA stations helped to create greater awareness of systemic racism through daily reporting and multiple special programs that highlighted racial inequality and social justice. And just 2 weeks ago, when Uri delivered an unprecedented winter storm in Texas, our stations stepped up providing life-saving content through our digital platforms, answering questions via text messages through our UGC platform directly from folks huddled in the cold, staring at their smartphones for information and holding state and federal officials accountable for a systemic failure of the Texas power grid. All of this was made possible through the innovative spirit and perseverance of our nearly 1,100 Texas colleagues who were going through all the same challenges of no power, heat, no water for themselves and their families. We cannot thank the team enough.

Now to turn to our performance for the most recent quarter and this past year. As you saw in the commentary of our pre-release in January and the results we posted today, we had a record-breaking year despite unprecedented macroeconomic challenges. This performance is a direct result of the years of focus in executing against our 5 pillar strategy, which included evolving our business model to increase its resiliency and expanding our portfolio of strategically located big 4 affiliate stations.

Our digital platforms have continued to grow and evolve, now with nearly 70 million average unduplicated monthly visitors to our digital properties. We have also stayed one step ahead of the content and services our viewers will increasingly expect. A few recent examples include our acquisition of Locked On, the leading podcast [network] (corrected by the company after the call) for local sports. Our new agreement with Tubi TV for OTT distribution of our station's local products, building on previous agreements with Roku and Amazon Fire. And our announcement just last week about the upcoming launch of Twist, a multicast entertainment network for women that will reach DMAs covering 70% of U.S. household when it debuts later this spring. Twist will build on the growing and existing infrastructure of our highly successful True Crime and Quest multicast networks.

Another continued area of focus for us going forward is building on the critical role we play in helping stop the spread of disinformation and misinformation through the country through VERIFY, our fact checking reporting initiative launched in 2015. In January, we announced that in addition to the VERIFY reporting we will continue to do at our local stations, we are expanding VERIFY into a stand-alone national brand. And we'll launch dedicated digital products and expand its franchise to other non-TEGNA social media platforms, like Snapchat, where we already have nearly 170,000 subscribers and 8.3 million unique viewers. VERIFY is already in high demand on our locally owned and operated digital sites growing more than 400% last year year-over-year.

Turning to Premion, our fast-growing business in the over-the-top advertising space. Premion had a record year of dollar growth, finishing with revenues of more than $145 million, up more than 40% relative to 2019 despite an overall down advertising market, as we all know. With the Gray TV partnership we announced last year, our combined TEGNA and Gray local sales forces can now directly serve -- reach and serve local advertisers in 70% of U.S. households, a distinct advantage. And with our direct Premion sales force, we can serve national advertisers by reaching OTT viewers across the entire country. We expect Premion to continue to grow at a similar pace in 2021 as it did last year, continuing the strong momentum and adoption and serving as an even stronger value proposition for advertisers, publishers and local broadcasters alike.

Overall for TEGNA, one of the key drivers of our underlying performance and the durability of our business model is the growth of our subscription revenue business. On the top line, subscription revenues finished the year up 28%, exceeding the guidance we provided prior to the pandemic in the early 2020. This growth was driven by contractual rate increases in our multiyear retrans agreements along with strong renewal step-ups. As a reminder, last year, we repriced approximately 35% of our paid subscribers and will reprice approximately 30% toward the end of this year. These agreements, combined with our multiyear affiliation agreements, provide clear visibility into net subscription growth in 2021 and for years to come.

On the expense side of our subscription revenue business, in January, we renewed our affiliation agreement with NBC, which covers 20 TEGNA markets across the U.S., including 10 of the top 25 markets for NBC. We now have network affiliation agreements in place covering 94% of our big 4 subscribers through the end of 2022.

So to the bottom line on retrans, as we said earlier this year, and we're reaffirming today, we expect our net subscription profits to increase in the mid- to high-20s percent this year.

As we discussed during our third quarter call, we had a record year with $446 million of political advertising as election year spending continues to trend higher each 4-year cycle. We were able to capitalize on an unprecedented level of spending through our strategically constructed portfolio of Big Four stations in numerous battleground states. They're not just the presidency but for the Senate and Governor's races as well. As reported, our political revenues in 2020 were almost double that of 2018 and almost 3x that of 2016, the prior presidential election year. We expect 2022 to be another extraordinary robust cycle for TEGNA.

Our portfolio will have 24 U.S. Senate races and 24 gubernatorial races. As of today, 100% of the Senate races classified as very competitive are covered by TEGNA markets, specifically, the races in Arizona; Georgia, yes, Georgia, again; North Carolina, yes, North Carolina, again; Ohio; Pennsylvania; and Wisconsin, where we get spending in neighboring Minneapolis.

In terms of competitive gubernatorial races, we have Arizona, Florida, Georgia, Maryland, Michigan, Pennsylvania, and again, Wisconsin. We remain well positioned to continue to capture these high-margin revenues with even higher margins than we had prior to 2020 as a result of our political sales efforts being brought in-house last year. Combined, our subscription and political revenues have surpassed 50% of our total 2-year revenues as we promised and are expected to comprise a greater percentage going forward.

Turning now to our non-political advertising revenues. As we have previously shared, our advertising and marketing services were the most impacted revenues by the pandemic. However, we have continued to see quarterly sequential improvement since the peak of the pandemic, finishing the quarter down only 6% year-over-year despite political displacement and the full year down just 4%. I'm pleased to say that our advertising and marketing services are expected to finish positive in the first quarter. This year-over-year AMS growth, combined with our significant subscription revenue growth, are key drivers of the first quarter and full year 2021 outlook. Victoria will provide more color on AMS revenue trends shortly.

Now turning to capital allocation. Over the past year, we have continued to be diligent in both our cost containment efforts and the thoughtful review of how we manage our capital. As we discussed last quarter, at the onset of COVID-19, we acted quickly and strategically to identify and implement expense reductions, building on efficiencies already in place prior to the pandemic. As a result, we have executed on cost and efficiency initiatives at an accelerated pace to drive out $50 million of recurring annualized expense savings within 2020, and these same initiatives and cost cuts will continue to generate expense savings in 2021. Victoria will provide more detail on these initiatives in her remarks.

The combination of our prudent expense management and strength of our revenue base led us to exceed $1 billion in adjusted EBITDA for the year. Additionally, the 2 refinancings we completed in 2020 lowered our overall interest rate and extended our maturities, with no outstanding maturities of senior notes until 2024. Our strong free cash flows have allowed us to continue to pay down debt, resulting in a less than 4x net leverage as promised by the end of 2020, which was a goal we had in place prior to the pandemic. And as you saw in our full year guidance today, we're expecting to finish 2021 with net leverage in the mid 3s.

On a 2-year basis, our free cash flow as a percentage of revenue also exceeded our pre-COVID guidance, and we accomplished this while still paying our regular quarterly dividend to shareholders. In addition to continuing our debt paydown, as always, we will continue to evaluate any and all opportunities that are presented to us, both inorganic and organic, to support the ongoing growth of our business, always through the lens of what we believe will drive the most value for our shareholders.

Further, with the recent announcement of our 3-year $300 million share repurchase renewal in January, we now have a number of tools at our disposal to return value to our shareholders. The strength of our balance sheet, coupled with this expanded toolkit, position us well to continue to create and return value both over the near and long term. To that end, following the December re-initiation of the buyback program, our Board has continued an active dialogue on capital allocation in light of our increased cash flow generation, our expectation for continued strong financial performance and faster than expected deleveraging. In light of those factors, we're carefully weighing our options to increase the amount of capital returned to shareholders through either repurchasing shares, increasing our dividend or both, all, again, through the lens of what action is most beneficial for our shareholders and makes the most sense in light of current market conditions.

Before I pass the call over to Victoria, I want to highlight one of our long-standing areas of focus here at TEGNA, social responsibility, including continued enhancements to our investor-facing disclosures. Over the last year, we have continued to strengthen our leadership and oversight over diversity, equity and inclusion at TEGNA, including through the appointment of Grady Tripp, our Chief Diversity Officer; and the identification of specific areas of oversight for our Board related to DE&I and the launch of a diversity inclusion employee working group.

We just published our 2020 social responsibility highlights report, which includes additional disclosure of our DE&I focus throughout TEGNA as well as the diversity of our workforce. We know there is room for improvement. So to hold ourselves accountable, we have also established 5-year goals to increase black, indigenous and people of color representation in our content teams, news leadership and management roles across the company. The social responsibility highlights report also reflects our enhanced ESG reporting, including the adoption of SASB disclosure standards for our industry and a preview of more detailed tracking of our environmental impact in the near term. We would encourage you to take a look-through this report, which is linked for your convenience in this morning's release and can also be found on our investor website. We look forward to continuing to share our progress in these important areas in the quarters and years ahead.

And with that, I'll turn the call over to Victoria to cover our financials in more detail.

Victoria Dux Harker - *TEGNA Inc. - Executive VP & CFO*

Thanks, Dave. Good morning, everyone, and thank you for joining us. As Dave discussed, we had a record-breaking fourth quarter and year due to the strength of our business model and the strategic decisions we've made, not just in these most recent challenging months but really ever since becoming a pure-play broadcast company. Our disciplined M&A strategy has resulted in a strong portfolio of stations, positioning us well to capitalize on future growth. That same thoughtful approach to capital allocation has also served to strengthen our balance sheet while growing shareholder value throughout our history [as a pure-play broadcasting company] (added by the company after the call).

As a reminder, my comments today are primarily focused on TEGNA's performance on a consolidated non-GAAP basis to provide you with visibility into the financial drivers of our business trends as well as our operational results. You'll find all of our reported data and prior period comparatives in our press release.

As you saw in this morning's release, we provided key guidance metrics for the first quarter of 2021 as well. All of our full year 2021 guidance remains as we provided in our January 6 pre-release, with the addition of our nonrecurring CapEx outlook. We've also added more detail, as you've seen in our press release this morning, on the drivers of our projections for the balance of what we expect to be a very strong year. I'll touch on our outlook in more detail later in my remarks.

For the fourth quarter, total company revenue was up 35% year-over-year and up 46% compared to the fourth quarter of 2018. This was driven by record political advertising revenue and continued strength in subscription revenue, partially offset by lower advertising and marketing services, which, as Dave pointed out, continues to accelerate each quarter since the onset of COVID.

In terms of revenue stream growth, here are some additional details. Subscription revenue increased 9% year-over-year this quarter. As a reminder, it would have been up 17% but for a temporary suspension of service with AT&T DIRECTV in December. The growth reflects the impact of step-ups in retransmission rates with approximately 50% of subscribers repriced in the fourth quarter of 2019. As we said on our last earnings call, our subscription revenue growth was lower than prior quarters, having lapped our 2019 acquisitions by the start of the fourth quarter. We forecast positive net subscription profit growth in the mid- to high 20s in 2021 and growth after that as well.

Subscriber counts continue to trend as expected, with stable net subscriber counts reflected through our most recent reporting from November 2020. This continued growth in our high-margin subscription revenues, combined with our expansive political footprint, provides us with strong annuity-like EBITDA and free cash flow production. As you saw evidencd this year, this has resulted in a more resilient portfolio than ever before, indicative of the ongoing successful execution of our strategic plan.

Now turning to advertising and marketing services revenues, which have shown quarterly sequential improvement since the height of the pandemic in the second quarter of 2020. AMS also serves as a key growth driver to support our first quarter and full year 2021 guidance. AMS finished fourth quarter down 6% compared to last year. This was primarily due to core advertising displacement related to our record political revenue of $264 million in the fourth quarter. We continue to see recovery in non-political advertising in many categories and strong audience metrics on both traditional television and digital platforms.

To provide you with some further color on specific advertising category trends in the fourth quarter. As you'd expect, there was noise from political displacement among categories, specifically in October. That said, when looking at November and December trends, many categories are up over last year, including home improvement, services, banking and financing, insurance and packaged goods. Automotive improved significantly, down year-over-year only low single digits relative to November and December. And notably, automotive is pacing positive, up mid-single digits this quarter.

Not surprisingly, categories, which continue to struggle, are retail, restaurants, entertainment, and travel and tourism, given the ongoing impacts of the pandemic. Beyond these positive trends, it's also reaffirming to see advertising improvements continuing to apace this quarter as well, with AMS pacing positive over last year and expected to finish above the first quarter of last year.

Now turning to expenses for the fourth quarter. Non-GAAP operating expenses were $543 million, up 9% year-over-year, driven by programming fees, including reverse compensation with higher subscription revenues. Without programming costs, expenses increased just 3%, driven by continued investments in growth initiatives such as Premion. Without the impacts of Premion and programming, all other operating expenses were down 3% compared to the fourth quarter last year as we continued to drive permanent operating efficiencies across the company.

To provide just a bit more color on the specific cost management initiatives for the year that Dave touched on earlier. Our expense savings in 2020, of course, included reducing all non-essential costs and discretionary capital expenditures during the peak of the pandemic in order to protect the long-term health of our business. However, it's important to highlight these measures were in addition to the ongoing streamlining of our business processes and company-wide cost reduction efforts.

As we've discussed in our prior calls, these structural improvements have been underway for some time as part of our culture of thoughtful cost management through operational leverage. Example of those efforts include the successful integration of One Team TEGNA sales organization, which brought our national sales effort in-house; further upgrades to our centralized streaming center, also known as master control; and a strategic decision to reallocate investment away from commoditized digital products like paid media to focus instead on growth in video products across the portfolio, including Premion.

As a result of these cost savings and efficiencies we've gained, we are realizing our previously disclosed $50 million annual cost takeout initially targeted for the end of 2021, a full year earlier than we had planned. As you've seen reported this morning, these permanent expense reductions, coupled with revenue growth investments, produced very strong EBITDA margins and free cash flow conversion last year and well into the future.

As a result of these drivers, we achieved adjusted EBITDA for the quarter of a record $429 million, producing a 46% margin for the quarter. Adjusted EBITDA was up 87% year-over-year and up 57% compared to fourth quarter of 2018. High-margin political advertising revenue, growth in subscription as well as ongoing cost savings all contributed to these strong results [for the quarter] (added by the company after the call).

I'd like now to touch briefly on balance sheet activities and liquidity. As we previously mentioned, we've taken a series of proactive steps in the past year to further strengthen our balance sheet. As you may recall, on September 10, we successfully completed a $550 million refinancing with senior notes due March of 2026, opportunistically leveraging a historically low interest rate environment. The proceeds were used to repay the remaining balance of the $350 million of 2021 notes as well as $188 million of our 2024 notes, leaving only $137 million left due callable in 2022.

The unused borrowing capacity under our revolver stood at $1.13 billion on December 31. And at the end of the quarter, we also had cash on hand of $41 million. This resulted in total debt of $3.6 billion for the quarter, producing net leverage of 3.95x or 3.86x as defined by our revolver covenant, which excludes certain items such as stock-based compensation. The strong performance of our entire portfolio of stations as well as a very strong political cycle supported accelerated debt reduction during 2020 [to 3.9x] (added by the company after the call), reducing leverage below the 4.1x level we had targeted upon completion of the 2019 acquisitions.

Having delivered this important milestone ahead of schedule, we reinstated our $300 million share repurchase program in December. Obviously, this leaves us ample headroom under our only financial covenant related to the revolver, which caps leverage at 5.5x based on a trailing 8-quarter EBITDA calculation.

Reflecting our stronger financial results in 2020, including our reduced leverage, S&P recently affirmed our BB minus credit rating, revising their outlook to positive. We've continued to generate strong free cash flow, a testament to our financial model and ability to carefully manage our balance sheet. In the fourth quarter, we generated $350 million of free cash flow, fully 37% of total revenue, driven by record high-margin political revenue [in the quarter] (added by the company after the call).

To provide a few thoughts now on our capital allocation before I turn to first quarter and full year 2021 outlook. As has been true throughout our history, TEGNA has remained prudent and disciplined in managing our investments and liquidity, particularly critical during this recent period of uncertainty and market volatility. We've prioritized spending and continue to pay down debt while delivering our regular quarterly dividend to shareholders. As I mentioned, we also recently renewed our share repurchase program, which includes an authorization of $300 million over the next 3 years.

As a reminder, we had suspended our buyback program on March 20, 2019, upon the announcement of our acquisition of the Nexstar-Tribune divestiture stations. We have stated then that our priority was paying down debt associated with those acquisitions, and we did just that. Thanks to our strong financial position, including our significant debt paydown ahead of schedule, we were able to reintroduce buybacks as an additional opportunistic tool to return value to shareholders. As Dave mentioned, given our significant cash flow generation, we are also carefully analyzing our options for additional capital deployment, including returning additional capital to shareholders while still continuing to pay down debt and funding any organic or inorganic investment opportunities that fit our disciplined framework.

On the M&A front, each of the stations we acquired in 2019 have now been fully integrated into our portfolio and are performing well despite the impact of the pandemic. The same is true for our True Crime network and Quest multicast networks, which we also acquired in 2019. This is a true testament to TEGNA's ability to not only identify opportunities that complement our portfolio and that are accretive to EPS in less than a year and immediately free cash flow accretive but also to successfully integrate and execute on the synergies achieved by those acquisitions.

Across all of our stations and at corporate, we moved quickly in early 2020 to evaluate areas for reduced or delayed spending, scaling back on our capital expenditures for longer-term benefits while continuing to accelerate many of our operational efficiency efforts. All of these actions taken together are proving now to be an increasingly important aspect of our ongoing strategy.

Now turning to first quarter and full year 2021 guidance. In an effort to help forecast our near-term results, I'll now provide several key quarter-ahead financial guidance metrics. For the first quarter, we expect first quarter total company revenue to be up mid-single digits. We expect to see year-over-year revenue growth, both in subscription revenue as well as advertising marketing services, partially offset by record political advertising last year.

We forecast operating expense in the first quarter to increase in the mid single-digit percent driven by programming expenses. Excluding programming costs, we project expenses to be up in the low single-digit range, the majority of which is driven by Premion.

For full year 2021, we expect subscription revenue to be up mid- to high teens percent, driven by MVPD renewals completed at the end of 2020 as well as stable subscriber trends. This is proof positive of our ability to work collaboratively with our MVPD partners to complete successful agreements, which drive strong revenue and, naturally, free cash flow, both now and well into the future.

As Dave mentioned, after renewing our NBC affiliate agreement at the beginning of this year, we entered 2021 with clear visibility into the strength of our Big Four relationships, with network affiliation agreements in place covering fully 94% of our Big Four subscribers through the end of 2022. We expect growth in 2021 full year EBITDA and free cash flow, which will also continue to benefit from significant cost initiatives that have been underway for the past 24 months.

And as a reminder, here's an overview of our updated key full year 2021 guidance elements. For the year, we expect corporate expense to be in the range of $44 million to $48 million. Depreciation is projected to be in the range of $62 million to $66 million. Amortization is projected to be in the range of $60 million to $65 million. Interest expense, reduced --due to the benefit of our refinancings, is expected to be in the range of $187 million to $192 million. We expect capital expenditures to be in the range of $64 million to $69 million, which includes nonrecurring capital expenditures of approximately $20 million to $22 million, comprised mostly of UHF / VHF transitions as well as the continuation of our centralized streaming facility.

The effective tax rate is expected to be in the range of 24% to 25%. We expect to end 2021 with net leverage of mid- 3x, absent any other uses of capital beyond deleveraging.

Finally, we expect free cash flow as a percentage of 2020 and 2021 [revenue] (added by the company after the call) to be in the range of 20.5% to 21.5%. Hopefully, all of that additional color will provide greater context for you and for your modeling.

And with that, we'll now turn to Q&A to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) I will now move to our first question over the phone, which comes from Dan Kurnos from the Benchmark Company.

Daniel Louis Kurnos - *The Benchmark Company, LLC, Research Division - MD & Senior Equity Analyst*

Just maybe on just on core, just on maybe the sports gambling category. Certainly, it's been talked about a lot by the peer group in terms of becoming material. I know you guys called out a bunch of your other categories as doing well. Also nice to see auto back in the green. Just maybe some color on where you're putting that, what you're seeing there, what you think the opportunity is.

And then separately, it's funny because we all know ad tech used to be a dirty word, and now it's amazing. And Premion, you guys are obviously crushing it. So I'm just curious, Dave, maybe I really appreciate the incremental thoughts on capital allocation. I think that's going to be nice for shareholders to hear. But within sort of the Premion bucket and some of the other things you've done, adding services, expanding VERIFY, is there any way to accelerate kind of the CTV Premion aspect? Are there any kind of tuck-ins that would be nice here or incremental spending you can make to kind of continue to grow those things at even more meaningful size?

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

Yes. Thanks, Dan. I'll take the second one first on Premion. We are absolutely focused on accelerating Premion. We've got -- we were a first mover in the space. We've got a terrific brand. The team has done a fantastic job of executing. It's a fast-moving space. We're not going to get left behind. We're going to stay in front. So that absolutely could include tuck-in acquisitions, a number of organic initiatives as well. So we're not messaging anything here today suggesting that we do have anything but we're absolutely focused on whatever we need to do to grow that business. Because, again, what sets us apart in that space is that we're going to take advantage of local, right? We're doing really well with national, but it's a more competitive space than national. And to be able to connect local advertisers to this opportunity and to reach that long tail of viewers on OTT services is what's really important for us over the long term. And yes, we're laser-focused on growing that business.

As for sports betting, look, we're in the early innings. No pun intended. But yes, we're seeing, for instance, the state of Virginia just legalized mobile gambling very recently. And in the Washington, D.C. market, which now includes both Maryland and D.C., D.C. has also done it, and Maryland, I believe, is coming, if I have my memory Collect correct. So already, for instance, in the D.C. market, you can't watch a sports event on WSA without seeing advertising from one of the books, whether it's William Hill, DraftKings or Fanduel. So we do see it as -- we had always said before the pandemic that it would be a growing important local area over time.

But given the pandemic and the loss in tax revenues that local states have had, you're seeing an increased number of states moving on it, right? So we've already got Arkansas, Colorado, Indiana, Iowa, Michigan, New York, Oregon, Pennsylvania, Tennessee and D.C. We now have pending legalization coming potentially, Louisiana, Maryland, North Carolina and others. And there's other also active efforts in Connecticut, Georgia, Kentucky, Missouri, we want to be a big one for us, which is Ohio. So yes, it's going to be -- if we did nothing but just continue to produce really good content on our stations and our digital services, we would be benefiting from this ad category. But we're also looking at other ways to take advantage of it as well.

Operator

We'll now move to our next question over the phone, which comes from Steven Cahall from Wells Fargo.

Steven Lee Cahall - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

So with retrans up mid- to high single digits and net retrans up kind of mid- to high 20s in the renewal of NBC, I'm no mathematician, but it seems like you've implied that your reverse comp expense is growing slower than your gross retrans revenue growth. So maybe just help us kind of think through what's going on there. Are you at the latter end of some deals on some of the networks with modest escalators? Or is there anything else that's giving you a more flat expense growth profile this year on programming?

And then as it relates to the Supreme Court case, if they do happen to rule in favor of the FCC, I think you've said that you have some JSAs, which could each be in the 10% to 15% accretion range. Could you give us an idea of what that means in terms of total company EBITDA? And then are there some markets that are really attractive for you to look at swaps of Big Fours and non-Big Fours?

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

Thanks, Steven. So take your first question first. On retrans, look, there's always -- there's never a complete sync between when your total numbers of subs are up and when the percentage of your network subs that are up. But bottom line, your -- I wouldn't use the word flat on our reverse compensation. Obviously, we're paying more to the networks. And as together, we -- between our programming together, our investments in programming and their investments in programming, we're by far the highest few channels, especially stronger stations like we have than anything else in ecosystem, and we're appropriately getting more for wholesale right together, and then we're splitting that pie. So I think what you're seeing for us is that, obviously, we have a very strong set of assets. We have -- with both our scale and our quality, we have a lot of negotiating leverage on the top line. And we also have negotiating leverage with the networks. But those are part -- a little bit more partnership discussions, I'll call them, than the retrans than the MVPD discussions. But fundamentally, yes, we are growing net retrans by growing the top line at a percentage, at least, or it's better, than the bottom line on expenses.

I'm sorry. Now the supreme court. So look, we need to wait to see, a, what the ruling is going to be, Steven, and then how it gets leveled out and then how the FCC is going to interpret it. So unclear whether it will be available in all markets or whether there will be any kind of DOJ qualifier the combined market share 2 stations can have. I'm sort of optimistic of getting rid of that over time because that's so anachronistic, and there's been a change in administration at the antitrust division of the DOJ. But until we have more clarity on what and when, it's just not prudent of us to be giving any kind of total company EBITDA suggestions on what that -- what it could be worth. But it obviously if we're able to execute it, it will certainly be very accretive and very attractive to us specifically.

Operator

We'll now move to our next question over the phone, which comes from Alexia Quadrani from JPMorgan.

Alexia Skouras Quadrani - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Just a couple of things. First, just following up on your color you gave on advertising trends. Great to see auto stronger. But could you ballpark real roughly kind of how big your revenues are in terms of exposed to obvious lagging categories like restaurants where we haven't recovered yet but could still see improvement later this year.

And my second question is just on the NFL. I know it's just press reports at this point, but it seems to be pretty consistent. Does the reported step up a little bit larger than I think people expected to have an impact on you in terms of maybe having a different outlook in terms of what your reverse comp will be? And then the inclusion of ABC on some games in Super Bowl, does that impact you in the sense where you have to invest more in promoting those games?

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

Thanks, Alexia. So let me talk about AMS first. So if I -- let me try to understand your question. You're sort of looking to understand kind of what the outlook on some of the weaker categories from COVID, you're saying, like retail and restaurants?

Alexia Skouras Quadrani - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Yes. I'm trying to get a sense of -- yes. You've seen like nice recovery in so many areas, and I'm trying to see what the opportunity is still ahead for further recovery in areas that -- how big are the areas that are still sort of lagging and so when looking forward to how they can recover and what kind of momentum that will be.

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

Yes. I get it. So restaurants have nowhere to go but up for obvious reasons, right? I think now the fast food has done pretty well. Fast food is -- when you break out the restaurants category, fast food is actually, I think, in the first quarter, now up, but restaurants are really dragging. So -- but I will tell you, writ large, on these categories, consumer categories, just take auto, retail and restaurants together. I think we are very optimistic. If you -- the story the journal had last week about the money in this system, on one hand, you have 1% of the population that has been keeping their jobs, working from home and saving a lot, have a lot of pent-up expenses in their savings accounts. I think we think that bodes very well for auto and retail as well as restaurants.

And then you have another big part of the population that's likely about to get $1,400 checks. So when you think about all that money when the -- as the vaccines come around and we do open up this economy, which we're also very optimistic about based on the news in the last few weeks, we can imagine a pretty robust recovery in all of those categories. And with the exception -- retail has improved some and auto has definitely improved, but there are categories, like you say, like restaurants that are dragging us down. So despite that, we're still going to have an up quarter year-over-year. So we're very optimistic on, obviously, in the back half of the year, we'll have false comps to 2020, especially in the second quarter given how low that was, but we're very optimistic about where these numbers may end up relative to 2019.

As it relates to the NFL, look, we'll wait to see how the deals come out. First of all, the NFL returning to broadcast, which we're very, very optimistic about, will be a very good thing for the ecosystem. The devil is in the details as it relates to -- and we're not going to comment on the terms of our -- each of our individual relationships. But obviously, there will be issues contemplated relative to what the streaming part of those deals are relative to any network services, et cetera, like that, and we will individually and then collectively, through our affiliate boards, work through the implications of those with our network partners. But -- so -- and yes, games -- if games end up on ABC, 10 years ago, when we were a 60% NBC household company, that wouldn't have been very good for us. But now we're at a much larger ABC portfolio. So we're somewhat diversified and a little bit agnostic on that, although we'd obviously like to see them stay on NBC given our continued size of NBC. And Alexia, I want to make sure I answered your question on advertising. Did I get them all, all your answers in there?

Alexia Skouras Quadrani - *JPMorgan Chase & Co, Research Division - MD and Senior Analyst*

Yes. No. That was really helpful.

Operator

We'll now move to our next question over the phone, which comes from Kyle Evans from Stephens.

Kyle William Evans - *Stephens Inc., Research Division - MD*

A few political questions. How much of political in this cycle came from presidential? What do you think the percentage point brackets were for displacement in the fourth quarter? And I understand that requires guessing on your part.

And then given the setup you detailed for us, what are the odds that '22 could be even better than '20? And then I've got a follow-up.

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

All right. Let me take -- well, Julie and our team here pulls the presidential information again. Let me give you the displacement. So first of all, understanding, Kyle, displacement is an art, not a science. And we also had uniqueness, and we had a massive amount to displace one of our larger markets in Atlanta in November and December. But I think if we had to eyeball -- if we had to put a number to it, I'd say somewhere in maybe high single digits in terms of what it would have been relative to AMS for the quarter. But again, that's an art, not a science. So that would have put us in low single digits positive for the quarter. But again, I caution, it's an art.

As for presidential, so of our total spend in '20, 22% was presidential, okay? Now I will say, to your question about what it means for '22 is that, we've seen in the past, presidential actually does bring some dollars in the system, but it is worth noting that on a -- even on a pro forma basis, if you look at us, we did, not as reported, but we did $209 million in '16 a presidential year and then $280 million in '18. And that's not counting acquisitions but performing it on the prior company. So it -- we think -- the way we look at it is this, Kyle. There will be -- we see there's going to be -- continue to be significant growth on every 4-year cycle, right, in terms of the money and the system. But if you take 22% of that out, then you'd have to get to the numbers we had this year, you'd have to get to an even higher level of fundraising for race. But that said, at this moment in time, we've never had a Senate and governor portfolio like in any past elections like at the moment, it looks like we'll have in '22. And as -- I don't know -- I think I answered your displacement question.

Kyle William Evans - *Stephens Inc., Research Division - MD*

Yes. You did. Quick question on sub counts. Could you give us -- if you gave the 2020 number, I missed it. And it sounded like you had stable sub count build into the '21 guide. I just wanted to affirm that.

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

Yes. We -- so we have been very conservative every year in what our -- in what we model, just to make sure we're right. So -- but you're right. In -- since -- again, we're 3 months in arrears on our sub count strike because of the billing cycles. But when you -- right now, starting with July, we have seen no acceleration and, in some months, an improvement from the previous month. So it has definitely flattened out. I think you've heard saying we've had about mid-single digits. And so that's where we are, and it looks very, very stable at the moment. So I think we're looking at -- I think we're looking at continued stabilization throughout '21 as well.

Kyle William Evans - *Stephens Inc., Research Division - MD*

Got it. So '21 is just a continuation of the mid-single that you saw in '20, if I'm recapping?

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

That's right.

Operator

We'll now move to our next question over the phone, which comes from Doug Arthur from Huber Research.

Douglas Middleton Arthur - *Huber Research Partners, LLC - MD & Research Analyst*

Yes. 2 questions. Dave, any thoughts on what you're hearing via the Olympics in Japan this summer? I mean, you have a fairly high exposure there. And then Victoria, on the $50 million achieved early, any thoughts on kind of next cost moves programs in place that could be incremental to '21, '22?

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

I'll take the first one, Doug, on the Olympics. Look, I think the point about the -- so the answer is no. I don't have any crystal ball about -- optimistic about the Olympics being taken place this summer. But I -- you've seen probably what we've seen a little bit of chaos and ahead of the organizing committee over there in Japan. But I think the thing I would say for us is that as we've gotten larger and we've diversified our portfolio, that the Olympics now, on a good year, are maybe just north of 0.5 point of our total company revenue, the incremental part of the Olympics. Because once again, now that we're not so -- we have a minority of our homes that are NBC. So while it's great for NBC homes, it's a negative for all of our non-NBC homes. So across our portfolio, the incremental isn't what it once was as a percentage of either our advertising base or especially our total revenue, now that our other total revenues have grown. So I don't know about the planning of the games. Would love to have it. It's a great marketing vehicle for us. Frankly, I think it would be good for the country. But from a business standpoint, we're not terribly concerned.

Victoria Dux Harker - *TEGNA Inc. - Executive VP & CFO*

And in terms of finishing the swing on your question relative to the cost initiatives, I don't -- I think it'd be premature to size them. But I can tell you, just in terms of qualitatively what's underway, for incremental savings beyond the $50 million that we've already identified. So we have the second phase of our ERP implementation, which is going underway this year, allowing us to do more on the financial transformation that we started 2 years ago. We have automation of certain back office and sales support order processing types of function. The second and third phases really relative to our -- some of the efforts that we have in terms of our -- some of our monitoring and traffic systems. So all of those are still going to be delivering on cost savings beyond 2021. But it would be premature to say sort of sizing incremental to the $50 million, what that will be worth.

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

And we'll be consolidating, Doug, also some non-station real estate we've used for some back end issues that the pandemic has taught us that we can live without.

Operator

We'll now move to our next question over the phone, which comes from Vasily Karasyov from Cannibal Research.

Vasily Karasyov - *Cannonball Research, LLC - Founder*

My question is about Premion. I wanted to ask you to talk about what you're seeing in terms of where the budgets are coming from. The growth is very impressive. Are you winning budgets from TV or online. So would appreciate color on that. And then is my understanding correct that at this point, all of the advertising days sold directly. And if so, I was wondering if you have plans to introduce programmatic or does it fit with the premium -- with the business model that Premion has?

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

Thanks, Vasily. So we have very much avoided being much of a programmatic platform. I can't speak to whether there's ever any -- some kind of programmatic there may be here and there. But our proposition and uniqueness to the advertisers is that we directly source the publishers' content, and then the advertiser can be absolutely comfortable and safe in what your advertising -- what kind of environment it plays in. But the other part about the budgets, what we're seeing is, certainly, over time, more and more of the budgets are coming out of discrete digital budgets at the large agencies. And certainly, it was -- there's certainly some TV budgets, too, but they're not coming at our expense. They're not coming necessarily out of just specifically TEGNA spend. But over time, it is absolutely shifting from TV to digital. Locally, that will take a little bit -- probably a little bit more delay, but that's happening at the local level, too where it is discrete digital budget. So it's a combination of both with the trend moving from -- definitely from TV to discrete digital budgets.

Vasily Karasyov - *Cannonball Research, LLC - Founder*

And did you see the change in the rate of that reallocation in 2020? Or is it just the continuation of what you saw in '19?

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

I think, and I have to go back and double check. We -- and the kind of we'll probably get back to you on this, but definitely think there was more from the digital side. And just -- and it makes sense just given that TV budgets fell way lower than digital. And Premion way outperform traditional.

Operator

We'll now move to our next question over the phone, which comes from Craig Huber from Huber Research.

Craig Anthony Huber - *Huber Research Partners, LLC - CEO, MD and Research Analyst*

The impressive growth you guys had in Premion, I think you said 40% plus last year. Was that even higher than that in the fourth quarter? Or was that up, please?

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

Hang on, Craig. I'll get to that in just -- yes, I'm sorry. I got it. Yes, the answer is yes.

Craig Anthony Huber - *Huber Research Partners, LLC - CEO, MD and Research Analyst*

But you say materially better than up 40% in the fourth quarter, exit rate sort of?

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

Well, we can debate the definition of material, but it was definitely higher. Definitely higher.

Craig Anthony Huber - *Huber Research Partners, LLC - CEO, MD and Research Analyst*

Okay. I appreciate that. Sports Betting day, do you think in the coming few years, say, 3 years, sports betting could be a top 5 advertising category for your TV stations?

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

Yes. I don't have a hard time to imagine that at all. Again, the variable will be how many states is actually legalized, but I think you're going to see an acceleration of that. But I say yes, because it's by -- all by definition, going to be a hyperlocal advertising issue. And I also think you'll see stations -- you'll certainly see our stations doing things to get a larger share of that pie.

Craig Anthony Huber - *Huber Research Partners, LLC - CEO, MD and Research Analyst*

Then my last question, Dave, about your changes with your advertising sales force. Can you just update us on a little bit further what changes you made there? And was it more to help drive the top line and also save costs?

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

Yes. So thanks for the question, Craig. It's actually -- it's a multipronged approach, which all was a virtual circle. So we used to hack our national sales, including our political sales to an outside firm that did a very good job for us. But over time, especially with Premion and others, it became clear that we needed to take ownership of that and really integrate the experience with our national clients so that we could provide the right platform. And frankly, we also knew we'd save a tremendous amount of money, especially in our political advertising. So even on our traditional national TV business, we now have a lower expense rate.

But the other thing we, frankly, have been doing, Craig, intentionally is that, given that we're in a lot of large markets, we call -- we do have local people calling on major agencies in major markets, call it, Dallas, Atlanta, Houston, et cetera, which is really like a national business. And so we've been able now, with our own in-house sales team, to move some of those accounts to our in-house national sales team so that our local assets in the sales arena can be totally focused on nontraditional new business, very innovative ideative selling as opposed to just doing request for proposal business. And so we're in the process of doing that, give the credit -- the team a massive amount of credit for doing it during a very difficult year. And -- but it's been very, very effective.

Operator

We'll now move to our next question over the phone, which comes from Jim Goss from Barrington Research.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

A little bit more on Premion. One thing, as you've talked about, streaming as the vehicle to enable growth beyond core broadcasting, and there are more and more streaming services. I wonder if you could talk about that whole process. Also talk about -- or if you're willing to give any guidance as to sort of the CAGR on Premion over the next 3 to 5 years and also discussing profitability aspects because I think for some time, you were just trying to establish the business. By now, it looks like you've been doing well enough that you are probably in the black. And I wonder if you could talk about that process as well.

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

Yes. Sure. Thanks, Jim. So in terms of streaming services, there's multiple services, right? It's almost -- so we're all aware of the Netflix' and the Disney Pluses and the stuff. But on top of that, just take a look at the amount of traffic on Roku because Roku, in itself, is a distribution service or Sling. All -- you have a long tail of services where it all adds up to a tremendous amount of viewing and growing viewing. It was growing at very high CAGRs prior to the pandemic, and it only accelerated during the pandemic. So obviously, this is a absolutely critical and massively growing form of distribution forever, right? And so as a company, we are all in on it.

So remember, we had deals with publishers, in some case, Jim. So if a publisher puts their streaming channel, a cable channel, let's say, like that on some of these services, then we are, our ads, their are ads, that we've sold for them in their inventory will appear often in those services depending on what they are. And then we have deals with many other services. So it's a long tail of services where our inventory is but it's not just about our deals with the services. It's about the publishers' deals with the services. So we're trafficking ads and selling ads for them that, in some case, is silent to the services themselves.

As it relates to profitability, we are profitable. Obviously, we had a -- we had a revenue goal in 2020 that, despite our massive growth, we were short of our plan because of how bad the advertising environment was. So that had impacted our margin a little bit. But we're profitable. We're going to stay profitable. And we're -- we will scale it up over time. But to the earlier question somebody asked me, if we've got the opportunities to invest to grow that business, it's such a big growth space for years to come, we're going to invest for the long term.

As it relates to a CAGR, I couldn't tell you exactly what it was. But just look at the overall CAGR for what OTT advertising revenue is going to be in the company, ret large, and it's pretty enormous what the size of the opportunity is. So it will be up to us to figure out what share of that pie we can take.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Okay. And one other area I thought I'd bring out is Twist. It seems like True Crime Network, for example, your first effort in that area, was sort of a repurposing of some of the actual content your news group is creating. Twist does not sound like that. It looks like it really created content to various types focused on women's entertainment. And you're getting more active in this whole programming area. And I wonder if you could talk a little bit more on the economics of what you plan to do there, how that syndication would be handled, anything you'd like to characterize for its relative importance to revenues and profitability.

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

Yes. Thanks, Jim. So you're right, True Crime Network does leverage some local content. But at the moment, very little. We're in the very early stages of that. And we're working on cost-effective ways to build that up over time, and we will. We're already pulling out digital archives of unsolved crimes across the -- all of our TV stations, which cover nearly 40% of the country and leveraging those into stories. Right now we pretty much got them on podcast, those stories, under our Vault Studios brand, which often are at the top of the True Crime genre on podcasting. But soon, we'll be moving those over to video off. And those will show up on True Crime.

But the fact of the matter is, on all 3 of those multicast networks, True Crime, Quest and now Twist, it's almost all off-the-shelf library content, Jim, from large studios that don't have enough ways to monetize that content. So it's a virtual -- it's a win-win for both of us. And so for a period of time, that programming is going to come from the libraries. And there's enough of it out there. And We can get it into cost to mix the channels profitable from almost day 1.

Operator

It appears there are no further questions queued at this on this time. I'd like to turn the call back over to our speakers for any additional or closing remarks.

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

All right. Thank you, everyone. Thanks for taking the time to join us today. And as you've heard from Victoria and me, we are more confident than ever that the decisions our Board and management have been made over the last several years and especially this past year during this incredible environment have positioned the company to be resilient in our business model, no matter what we face, consistently strong in our operations and critical to our communities and customers across the country. We look forward to all that we have ahead of us in 2021, with a lot of optimism for both our business and our country and as well as what's beyond 2021, as we continue to focus on creating value for our shareholders and to live up to our purpose of serving the greater good of the communities we serve. If you have additional questions, please reach out to Doug Kuckelman at (703) 873-6764. And again, thanks for your time today. Have a good day.

Operator

Ladies and gentlemen, this does conclude today's call. Thank you very much for your participation. You may now disconnect.