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Q4 2019 Tegna Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 11, 2020 / 2:00PM GMT

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PRESENTATION

Operator

Good day, and welcome to the TEGNA Fourth Quarter and Full Year 2019 Earnings 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 John Janedis, Senior Vice President of Capital Markets and Investor Relations. Please go ahead.

John Janedis ***TEGNA Inc. - SVP of Capital Markets & IR***

Thank you, Shelly. Good morning, and welcome to our fourth quarter and 2019 full year 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 the call up 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.

And before we get started, I'd like to remind you that this conference call and webcast includes 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.

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

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

Thank you, John, and good morning, everyone. As you saw in our earnings release this morning, TEGNA ended the year with significant momentum across the business as we execute against our 5 pillars of value creation. As a reminder, these are: one, being a best-in-class operator; two, aggressive yet disciplined pursuit of M&A opportunities; three, innovation and expansion into adjacent businesses; four, maintaining a strong balance sheet and rapidly delevering; and five, commitment to free cash flow generation and balanced capital allocation. The results we announced today reinforce our continued progress on each of these 5 pillars as well as the strength of all our key long-term growth drivers.

As we enter 2020 with a strong momentum, we are on track for a record year, which is reflected in our bullish first quarter and full year guidance. Beyond just this year, we have increased conviction of how our strategy will drive long-term growth and shareholder value. As Victoria will discuss in greater detail in our remarks, our preliminary outlook for 2021 shows how well positioned we are to continue to generate tremendous financial performance. As we move forward, we remain open to all avenues for creating shareholder value while always staying laser-focused on execution of our near- and long-term strategy.

2019 was a pivotal year for our company as we executed on both organic and inorganic growth. We met or exceeded all of our key financial guidance metrics for the year. For the fourth quarter, TEGNA's total revenue was $694 million, up 8% year-over-year. Revenue growth was driven by strong growth in subscription revenues and advertising and marketing services, benefiting also from the first full quarter of our recent acquisitions. This more than offset the expected reduction in political advertising compared to 2018.

Subscription revenue continues to contribute to our growth as the distribution agreements we just completed in the fourth quarter repriced half of our subscriber base. Combined with the expected repricing of an additional 35% of subs in 2020, this equates to 85% of subs having been repriced by the end of this year, increasing the predictability of our future cash flows and supporting our ability to secure top-of-market retrans rates for our portfolio of Big Four affiliates.

A final comment on the fourth quarter, and that is that our advertising and marketing services revenues continue to grow with solid demand from traditional advertisers and added dollars from new advertisers as we continue to diversify our advertiser base. This improved trend provides a solid underpinning to advertising as political begins to pick up steam. Victoria will go into more detail on our financial results later.

M&A remains a core element of our strategy, and we completed $1.5 billion of strategic acquisitions in 2019 at attractive multiples, which were immediately accretive to free cash flow and are expected to be accretive to EPS within 9 months, well ahead of schedule. Through these acquisitions, we have continued to deliberately expand our reach into markets that will benefit disproportionately from political spending in even years and further reinforce our ability to achieve top-of-market Big Four subscriber rates that I referenced earlier.

Our disciplined approach to acquiring new assets generated significant value without impacting our flexibility to acquire additional stations in the years ahead. Our recent acquisitions are expected to provide approximate annualized revenues of $500 million, adjusted EBITDA of $200 million and free cash flow of $100 million on a 2-year average basis, all while only using 3 points of headroom under the FCC household ownership cap.

Our strong free cash flow enables us to rapidly delever following transactions while continuing to pay an attractive quarterly dividend. This active management of our balance sheet includes the recent completion of 2 debt refinancings, taking advantage of low rates to reduce interest expense and improve our financial flexibility. We plan to delever to approximately 4.0x by the end of this year, enabling TEGNA to continue to play a key role as an industry consolidator in the years ahead.

We maintain a disciplined approach to M&A, acquiring high-quality broadcast assets as well as compelling adjacent businesses. We seek to acquire assets that are synergistic and expected to be accretive to earnings and free cash flow while producing attractive returns. We are well positioned to take advantage of additional consolidation and continually analyze opportunities to create shareholder value. The strength of our balance sheet, ample headroom under the ownership cap, and a reputation as a partner of choice to independent broadcasters all position us well for future M&A opportunities.

I noted earlier how the continued growth of our sub revenues helped us achieve such strong results for the quarter and full year. TEGNA has been successful in generating these durable revenues in recent years, and as our guidance reflects, we expect another strong year ahead. As a result of our success in the current subscriber fee repricing cycle, we expect to generate at least mid-20s percentage growth in 2020 in terms of subscriber revenues. And after renewing our CBS and Fox affiliate agreements in 2019, we enter the year with financial clarity of our Big Four relationships into 2021 and beyond.

On the political front, we are more confident than ever of our expectations as the 2020 election spending cycle is off, as you can probably imagine, to a very strong start. Our portfolio has been strategically constructed to take advantage of increasing even-year political spending with new stations in many high-spend battleground states. Coupled with Premion's capability to address OTT viewers in and outside of TEGNA markets, a tool we did not have for the last presidential year, we are well positioned for 2020 and future election cycles. We had a record fourth quarter for an odd numbered year in political, and we have seen an earlier-than-anticipated level of spending this quarter, further increasing our confidence that we will generate more than $300 million in high-margin political advertising this year.

With strong momentum in both political and subscription revenues, we continue to expect the combination of these 2 revenue streams to make up approximately half of our total 2-year revenue, beginning with this 2019 and '20 2-year cycle and an increasing percentage thereafter, a key element of our durable strategy to drive shareholder value in any environment.

Now I'd like to share a couple of updates on our strategic content and program initiatives. In the fourth quarter, we continued to see growth in recognition for our high-quality content initiatives across our portfolio. A couple of examples: TEGNA's VAULT Studios launched a 5-episode podcast series titled Amy Should Be 40, another example of how the studio has leveraged local TEGNA stations' archived news libraries to create impactful, informative and entertaining true crime genre content for new distribution paths.

Producing and distributing high-quality news and information is a responsibility we take very, very seriously, which is why, in January, we announced that we have committed to training all of our journalists across the 39% of this country we serve to combat disinformation so key in this age of social media. We will identify false information and help consumers distinguish between what's fact and what's fiction in their social and digital feeds.

In summary, I'd like to highlight several key milestones that we achieved since the beginning of 2019. We announced and closed acquisitions reaching $1.5 billion that are immediately accretive to free cash flow and expected to be EPS accretive within 9 months of the close, an acceleration from the previous announced 12 months. We successfully reached multiple key distribution agreements, repricing half of our subbase at top-of-market Big Four retrans rates, extending agreements for multiyear terms and providing predictability of future cash flows. We created an integrated in-house national sales force, embracing automation for a more -- for the more commoditized side of business and creating a capability for more high-touch solutions for our national clients. And finally, we further strengthened our balance sheet and added financial flexibility by issuing $2.1 billion of senior notes and amending and extending our $1.5 billion revolving credit facility, all on very favorable terms through the repricings we did in September of 2019 and just this past January 2020.

Our commitment to executing on our long-term strategy and the specific actions we have taken to do so over the past few years are generating strong results for our shareholders. We look forward to the abundance of opportunities we see this year to execute against our strategic framework, including remaining subscriber repricing, the Summer Olympic games on our large NBC portfolio of stations and anticipated record political revenues across our entire portfolio. We're more enthused than ever about our strong positioning for the future with a clear strategy and the financial flexibility to continue building shareholder value for many years beyond.

I'll now pass the call over to Victoria to cover our financial results in more details. Victoria?

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

Thanks, Dave. Good morning, everyone, and thanks for joining us. As Dave mentioned, we're excited about all of our stations' strong operational execution again this quarter, both our legacy stations as well as those we acquired in 3 highly accretive transactions we closed late last year.

Before I cover our consolidated financial results, I'd like to review a few special items with you. For the quarter, these include noncash charges of $16 million, which were partially offset by 2 $3 million gains, one, for reimbursements for FCC spectrum repacking and the other for a write-up of a previous investment. In addition, we incurred severance and closing costs of $7 million related to our recent acquisitions and an incremental $6 million in activism defense adviser fees.

Now on to the fourth quarter consolidated financial results. Keep in mind that my comments today are mainly focused on TEGNA's performance on a consolidated non-GAAP basis to provide clear line of sight into the financial drivers of our business trends and operational results. Also, as a reminder, our fourth quarter results this year are not comparable to the same quarter last year as a result of nearly $140 million of political advertising revenue in 2018. This is also the first full quarter of contribution from our recent acquisitions, most of which closed in late third quarter. You'll find our reported data and all prior period comps in our press release.

As you saw in our release, total company revenue for the fourth quarter was up 8% year-over-year, beating our prior guidance range of up mid-single digits. This was driven by our new acquisitions, of course, as well as strong growth in subscription revenues, political advertising and the continuing strength of advertising and marketing services offerings through the year, all of which I'll talk about in more detail in a minute.

Total revenue for the quarter was up fully 33% over last year, excluding the impact of political advertising. This performance also exceeds our prior guidance of high 20s percent growth.

For the full year 2019, total revenue increased 4% to $2.3 billion, driven, again, by the continued strength of subscription revenue, growing momentum and advertising and marketing services as well as roughly 1 quarter's contribution from our new acquisitions. This was partially offset by the near absence of political revenue in 2019, an off-cycle year compared to $234 million in political advertising in 2018.

In terms of the subcategories of revenue for the quarter, subscription revenue increased 20% for the year, also exceeding prior guidance of high teens. It's worth noting again, as Dave said, with half of our subscriber base repriced during the fourth quarter, combined with another 35% that had to be repriced this year, 85% of our subscribers will be repriced by the end of 2020. These repriced subs at the top-of-market rates produce strong, annuity-like cash flows, giving us both stability and predictability of future cash flows.

Advertising and marketing services finished the year up 11%, driven by the strong performance of our acquisitions in 2019 as well as our legacy stations, reflecting growth in most categories all year partially offset by the loss of Olympics revenue.

Now on to expenses. Our operating expenses for the fourth quarter were 27% higher on a year-over-year basis, in line with our prior guidance range of mid- to high 20s. This was driven predominantly by new acquisition and higher programming fees associated with higher subscription revenue. Excluding acquisitions, programming expenses and continued investment in our revenue initiatives, operating expense was down 1%. As a reminder, programming fees include reverse compensation paid to networks. As a result, as reported, adjusted fourth quarter EBITDA was $229 million, producing a very healthy 33% margin again this year.

For the full year 2019, operating expense was up 13%, also primarily driven by acquisitions and higher programming fees associated with higher subscription revenue. Excluding programming costs and incremental expenses related to acquisitions and investments, operating expenses were down 4% for the year, reflecting our ongoing efficiency efforts. As a result, full year 2019 adjusted EBITDA was $708 million, down 9% from the prior year due to the near absence of $234 million high-margin political ad revenue in 2018.

We generated $111 million of free cash flow in fourth quarter and $376 million for the full year. For the 2018-2019 2-year period, our free cash flow as a percent of revenue was 19.1%, ahead of our recent guidance range of 18% to 19% of revenue and well ahead of the 17% to 18% range initially provided. As a reminder, we also recently increased our guidance range for the 2019-2020 2-year period to 19% to 20% as well due to the ongoing strength of the business across the board. We expect the 2-year period 2020 to 2021 free cash flow as a percentage of revenue to be in the 19% to 20% range as well.

As previously discussed, we continue to use our free cash flow and $1.5 billion revolving line of credit for investments, such as new products, initiatives as well as to fund acquisitions and reduce higher coupon debt. We also continuously focus on reducing the cost of financing our business. As you've likely read, on January 9, TEGNA successfully completed $1 billion offering of senior notes with the same covenants as our prior debt structure at 4.625% rate due in 2028, a historically low interest rate. Net proceeds were used to repay approximately $650 million of our October 2023 bonds and $310 million of our July 2020 bonds. We now have approximately $900 million drawn under our revolver, finishing the quarter with total debt of $4.2 billion.

Now turning to first quarter and full year 2020 guidance. In an effort to help forecast our near-term results, we're again providing several key quarter ahead financial guidance metrics. For the first quarter, we expect first quarter total company revenue to be up low to mid-30s. When excluding political revenue, we expect revenue growth to be in the mid-20s driven by the same factors previously discussed.

From a first quarter expense perspective, we forecast as-reported first quarter operating expense to increase in the low to mid-30s, driven by our new acquisitions, higher programming fees and investments in content and digital. Excluding programming, expenses are forecast to be up in the high 20% range, the majority of which is driven by the new acquisitions.

In terms of our full year 2020 guidance, on a reported basis, we've also further refined our prior outlook as well. On a full year 2020 basis, we expect subscription revenue to be up mid-20s based on sub trends and the timing of MVP renewals. As you may have read, spectrum was our first major agreement successfully closed in the fourth quarter of 2019, which began a process through which 50% of our subscribers were repriced in that quarter with another 35% scheduled to be repriced by the end of 2020. This is proof positive of our ability to work collaboratively with our MVPD partners to complete very successful agreements, which drives strong revenue and free cash flow, both now and well into the future. And as Dave mentioned, after renewing our CBS and Fox affiliate agreements in 2019, we enter the year with clear visibility into the strength of our Big Four relationships into 2021 and well beyond.

Beyond this, growth in 2020 full year EBITDA and free cash flow will also continue to reflect year-over-year expense improvements resulting from significant cost reduction initiatives that have been underway for the past 24 months. These efforts include: implementation of shared service support centers for all back office and transaction processing functions; burden of our company-wide financial system consolidation, which will be completed in second quarter of this year; and automation of sales support, master control as well as traffic streaming and monitoring functions.

As a reminder, here's an overview of our updated key 2020 guidance elements. Corporate expense is expected to be in the range of $41 million to $43 million. Depreciation is projected to be in the range of $66 million to $69 million, slightly below our prior estimates. Amortization is projected to be in the range of $73 million to $75 million. Interest expense, reduced due to the benefit of our refinancings, is now expected to be in the range of $220 million to $225 million.

We expect capital expenditures to be in the range of $62 million to $66 million, which includes nonrecurring CapEx of approximately $20 million to $24 million. And just to unpack that further, this is comprised of repacking as well as $15 million of nonrecurring CapEx for development work in key projects, such as our new master control, traffic streaming and monitoring platform as well as our ERP implementation, both of which are well underway. The consolidation and modernization of these systems allows us to not only continue to reduce significant operating costs in the future but also to seamlessly integrate new acquisitions at little to no incremental cost.

The effective tax rate is expected to be in the range of 23.5% to 24.5%. And beyond this, as we've previously disclosed, we're currently planning no additional share repurchases until we delever later this year.

As you know, TEGNA follows a disciplined capital allocation framework that balances our desire to enhance our growth profile through strategic, accretive acquisitions with our commitment to a strong balance sheet, organic growth and return of capital to shareholders through dividends and delevering. Capital allocation decisions are always tightly aligned with maximizing shareholder value, and we dynamically allocate capital to the options that offer the highest returns as we and our Board regularly analyze all opportunities to generate long-term value.

As Dave noted, we were very active participants in industry consolidation in 2019. The $1.5 billion in transactions we closed last year we acquired at or below market trading multiples of approximately 7.8x or 6.7x on a tax adjusted basis. As reflected in our outlook, these transactions are expected to provide annualized revenue of approximately $500 million, adjusted EBITDA of $200 million and free cash flow of $100 million on a 2-year average basis. And we only used 3 points of our national cap room to achieve this.

Also, all of these transactions were immediately free cash flow accretive and are well on track to being EPS accretive within 9 months of close, several months earlier than anticipating. This reflects our strong capacity to leverage opportunities that are both a financial and strategic fit.

As we've previously discussed, we have ample capacity under the cap to execute on our strategy due to the efficiency of our buying power and continue to actively pursue assets that are fit for us within current industry regulatory constraints. As a result of our recently completed acquisition, leverage temporarily increased at the end of fourth quarter to 4.9x. Accelerated political free cash flow is currently being used to reduce that debt, decreasing net leverage to approximately 4x later this year.

Beyond the $1 billion refinancing, we've already retired an incremental $50 million in debt this quarter already, providing increased firepower and further positioning us to benefit as a long-term consolidator.

Now just to put the strength of our ongoing business performance into perspective. While there's a lot of understandable exuberance within the broadcast sector due to 2020 political advertising, here at TEGNA, we're even more excited about the future of our business beyond this year as a result of the smart capital allocation decisions we've made over the past 3 years. Our investments in strategically and financially transformative M&A as well as operational excellence are providing us with enormous operating leverage, which is clearly reflected in the throughput of our business going forward.

To that end, let me give you some early insight into several key 2021 financial metrics. Keep in mind that while we remain actively engaged in exploring further consolidation opportunities, this preliminary glimpse into 2021 does not any -- assume any additional M&A or more than our current $300 million political revenue guidance floor for 2020.

For 2021, we're very confident in mid- to high 20s revenue growth in '21 compared to 2019, driven by our newly renegotiated top book market retrans rates; strong, accretive acquisitions; and ongoing Premion growth. And while the strength of these drivers not only creates great cyclical odd-year revenue growth comparisons, what's even more remarkable is this: given the strength of projected 2021 subscription and AMS revenue performance, we forecast that these revenues will all but offset 2020 political revenues. As a result, political and subscription revenue combined will exceed 50% of total revenue on a 2-year 2020 to 2021 basis, providing for even stronger cash flow trends, improved visibility into future results and a more recession-proof business than ever.

Likewise, 2021 EBITDA margins are expected to be in line with 2019 margins driven by the strength of subscription revenue growth and AMS as well as roughly $25 million in incremental cost savings from the expense initiatives already underway. This will also drive free cash flow generation for the 2020-2021 period to 19% to 20% of revenue as well. That's a pretty awesome metric, too, clearly reflecting the benefit of increased operating leverage we've built into this business and the monolithic impacts of our retrans agreements that have flowed from our ongoing operational performance.

To give this further context, as we previously discussed, by the start of 2021, leverage will be back to our preacquisition levels of 4x or below given our accelerated delevering during 2020. This provides for significant firepower to continue to invest in our business initiatives, repurchase shares and opportunistically pursue equally strong new acquisition opportunities.

And on that front, just as a reminder, we currently enjoy 7 points under the FCC ownership cap or 14 points below the cap with UHF discount and have more than sufficient capacity to continue to invest in M&A efficiently and accretively, as we've done over the past 3 years. So just to calibrate the math for you, a hypothetical $750 million acquisition in 2020 with similar financial characteristics to our most recent deals, including a buyer multiple of roughly 8x, would add approximately $300 million in revenue and $100 million in annualized adjusted EBITDA through 2020-2021 without constraining our remaining cap space or debt capacity in any way. And all of our platforms, systems and organizational streamlining work done to date allows us to integrate any new acquisition with speed and ease, adding little to no cost even during the transition, as shown in the fourth quarter of 2019.

In summary, both our 2020 guidance and 2021 key metrics reflect the transformation of our business over the past 3 years through operational excellence and our ability to acquire and integrate financially and strategically strong assets into our existing portfolio. Well beyond political, these drivers have an outsized impact on the strength and predictability of TEGNA shareholder wealth creation into the future.

Before we open up for questions, I'd like to turn it over to Dave.

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

Thank you, Victoria. Before we begin the Q&A, I want to refer you to our January 21 letter to shareholders, which addresses a number of topics, including Standard General, a topic we will not be discussing today. For today's Q&A, we ask that you keep questions to the company's performance and outlook.

With that, we'll take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Vasily Karasyov from Cannonball Research.

Vasily Karasyov ***Cannonball Research, LLC - Founder***

I have a couple. First, do you mind giving us an update on how ad sales are pacing in key categories so far this quarter? And then the second question I had is on the successful renewals that you had. So could you please give us a little more detail on the drivers of the first year step up? And then how do these new deals compare to your historical deals in terms of duration as escalators in second, third years, and things like that? Anything that you think will be useful for us to dimensionalize this?

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

Sure. Vasily, let's start with ad pacing. Advertising pacing is well. We continue to see sequential incremental improvement from quarter-to-quarter now for 4 quarters. And in the first quarter -- and keep in mind, for us, we have one of the biggest deltas on the Super Bowl year-to-year because it was on Fox last -- CBS last year, for which we have sizable number of stations, and Fox this year, for which we don't have a lot of households. So that's about a $6 million incremental bogey year-to-year. But even not adjusting for Super Bowl, our pacing looks pretty good. Automotive is up for the first time in a while for us, and that's driven in part by Premion, which has really expanded our advertiser base in auto. Media and telecom is up very nicely. Home improvement is up. Travel and tourism is up a lot. Medical, dental, optical, up nicely. Banking and finance, up. Entertainment, up. Auto aftermarket, up. Retail, slightly down in low single digits; and services category continues -- is about flattish for us, but that's because we had a couple large whale, we'll call them, advertisers last year that aren't in this quarter, but we've actually continue to expand that base and that continues to be a very strong category. So we're pacing up even adjusted for the Super Bowl. And actually, when -- and when you adjust for Super Bowl, we're pacing even better. But it -- we're very pleased with the outlook on advertising.

As it relates to the renewals of our subs, to your question, if I think I've got them all, so the first year step-ups are significant. I'll leave it at that. I think just -- there's a bit of commentary for -- we have a very -- not just a very concentrated portfolio of Big Four stations, what I mean by that is very few CWs are my networks but they're also very strong, large-market Big Fours and a lot of them. And as we referenced in my script, we've even added more stations like that through M&A. The benefits of stations like KFMB in San Diego and THR in Indianapolis and BNS in Columbus are very strong stations that are very important to the MVPDs. So we come to those negotiations from appropriate position of strength.

The first year step-ups you ask about are very, very strong. Second and third year step-ups into double digits. Duration of the deals vary, but we intentionally don't do very long deals because the market continues to move appropriately in our direction because there's still, as I talked about in previous calls, still a gap between the viewership of Big Four affiliates generally and the overall cable marketplace in general.

Operator

We'll take our next question from Alexia Quadrani with JPMorgan.

David Karnovsky ***JP Morgan Chase & Co, Research Division - Analyst***

This is David Karnovsky on for Alexia. Assuming the year goes to plan and TEGNA exits the 4x leverage that you laid out, David, how do you see the pipeline for potential M&A at that point? Are there still large station groups that are available for deals? Or do you think at that point, you might have to look at more smaller targets?

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

Look, I'd answer the question this way, we are -- we know all the players in the industry, and we are opportunistic on deals that make sense for our portfolio under the financial metrics that -- and discipline that Victoria and I have outlined today and other calls. So it's not a large or small criteria, we can do both, but all under the methodology we've talked before. If you think about our space under the ownership cap, we want to maximize EBITDA, given every point we have underneath the ownership cap, which as Victoria also mentioned, academically, if we bought all, UHF stations would be 14%. So really, it's that criteria. That's the most important criteria along with location, network affiliation, all those types of criteria.

David Karnovsky ***JP Morgan Chase & Co, Research Division - Analyst***

Okay. And then maybe a little early to ask this question, but given the NFL may go into negotiations for television rights this year, is this something that is coming up in your discussions at this point with either your network partners or distributors?

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

We do talk about it with our network partners very much so all the time, and you didn't ask me the question but I'll give you the answer to a question you didn't ask me, I do believe the NFL will stay strongly on broadcasting. I think at the end of the day, the erosion of cable subs has more than ever shown the benefit the NFL gets from being on the broadest possible distribution mechanism. And while I'm -- no doubt that the digital players will probably be brought into the negotiations as leverage, I feel highly confident that in the end, we'll end up with a very strong portfolio of NFL games on our -- there may be some shifts between networks, there may be some changes in the structure, but given our portfolio and our network affiliations, I'm very confident the NFL will be a big part of our future going forward, which is a good thing.

Operator

We'll take our next question from Dan Kurnos with Benchmark Company.

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

Dave, a pretty healthy look at Q1 here. Obviously, political rather topical. Maybe if you can either frame up either directionally or specifically how you're thinking about political in Q1. And I know given history, you're unlikely to be pigeonholed into giving us a number other than the floor for the full year, but at least help us think about sort of the variability that Bloomberg is bringing to the race. And maybe order of magnitude on a pro forma basis that you could achieve this year?

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

Yes. I mean as for the full year, no change to our guide, Dan. And at this point, obviously, it is going to be a very robust first quarter, but I do need to remind you what's still going to end up being true, as it has in every other even-year election cycle, is it will -- the total revenue will be completely back half loaded to the end of the third and especially into the fourth. So I actually think you may see a little bit of a pull-through forward from second quarter to first this year because so many primaries have moved up. Many of our states move from the second quarter to the first quarter. So between Super Tuesday alone, half of our markets are participating in that. And then in the remainder of March, the whole rest of -- most of our other markets will be participating. So I think you'll see first quarter will be more robust than in years past on a percentage basis but also on a just a true level spending basis. I mean even without Bloomberg, I think first quarter would be very, very strong. And so Bloomberg, obviously, has been additive to the primaries. I think if you -- good thing about Bloomberg going forward, if Bloomberg stays in the race, or let's imagine Bloomberg became a candidate, the one thing to keep in context is I think things would still end up near the same because Bloomberg would have a lot of money to spend on his own but I don't think he'd be getting money from small donors, right? So the -- so he wouldn't have, I don't think, the same impact on the general election that he is having on the primary season. Does that answer your question, Dan?

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

Yes. No, that's really helpful. And then thanks for all the color guys on 2021. Just housekeeping quickly, Victoria. Can you just give us a sense of when, you gave the margin number, was that on an as-reported or pro forma basis flat with '19? And I'm assuming the growth that you gave was as reported. And for Dave, just, obviously, you have NBC coming up in 2021, can you just help us frame sort of your view on net retrans?

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

In terms of the pro forma -- in terms of the margin, it is pro forma, but as reported is largely in the same neighborhood. So it's not materially different.

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

And on NBC, Dan, yes. What -- everything we've modeled for '21 encompasses the new negotiation we'll have with NBC, and we have a very good idea where that will end up. And a reminder, NBC is 42% of our subs, but we'll reprice 85% of our paying subs by the end of next year. And look, we'll certainly have some -- our revenues are going up on retrans, so will -- their revenues well up too, but the share is a different discussion, right? I think -- so the bottom line is net retrans will continue to grow very nicely.

Operator

We'll take our next question from Steven Cahall with Wells Fargo.

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

A couple of questions on your subscription revenue. I was wondering if, first, you could discuss maybe the shift from traditional MVPDs to virtual MVPDs. Is that negative or neutral or positive to your subscription revenue growth longer term? And what kind of sub declines have you baked into the mid-20s percent subscription revenue growth that you've got this year? And just as it relates to it, are you seeing an increase in viewership at your OTA assets? And you mentioned seeing auto driven on Premion. So as we do see a bit more of a pickup in cord cutting and a shift to more of these alternative distribution models, are you seeing kind of a back end benefit from your other businesses?

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

Okay. I'll start with subs. So subs have been down low to mid-single digits. Our finance team has done an awesome job over the last 2 years on modeling literally by month where subs are going to end up, and I'm talking about net subscribers, right, losses in traditional offset by positives in virtual. Virtual, it's not a one-for-one replacement. I think numbers out there are about -- marginally around half is sort of the current rate. I actually am somewhat optimistic -- not predicting, but a little bit optimistic that, that conversion rate will continue to improve because I think the early users -- I mean the early cord cutters were probably the least loyal television viewers. But now, I think, as older viewers and more -- it becomes more commonplace, more easier, the kids come home at Thanksgiving and explain to mom and dad how to do it, et cetera, et cetera, that I think you're going to see now the cord cutting on a go-forward basis being more traditional viewers who will seek out another virtual -- a virtual MVPD to make sure they have their local channels as a service. So we're -- that low to mid-single digits is what we're modeling with some very moderate acceleration through the year. So we've got very realistic numbers built into our model.

As it relates to OTA, you're right. So when homes -- OTA viewership is increasing. I don't think it's completely accurately captured by Nielsen, there's kind of a lag there. But you're absolutely right. When a home goes to OTA, by definition, it has less channels and they're all broadcast, right? So the share of viewing an OTA homes increases for us when that happens.

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

Great. And then maybe a quick follow-up. I was wondering if you could maybe give us the cadence of your programming expense growth for the year.

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

All right. Give us a minute on that, if you would, Steve. You're talking about the pace of growth from '19 to 20?

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

Just maybe what like the quarters look like in 2020 in terms of what programming expense or reverse compensation expense looks like through that period.

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

Yes. They're not going to vary much at all. They'll be related to the top line. And because we don't -- we aren't going to be renegotiating other subs until the back half of the year, there won't be much variability on that until -- actually the sub renewals will be almost all in the fourth quarter, so that's the only time we'd probably see any significant change in that number.

Operator

We'll take our next question from Jim Goss with Barrington Research.

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

I've got a few also. One related to political. With your emphasis on Texas, your dominance of that market, normally, I would tend to think that much exposure to 1 state isn't necessarily advisable, but maybe it's warranted by the political opportunity as the tides tend to turn in that state. I wonder if you could talk about that.

And then also sort of not political, but the Olympic bump in the third quarter this year along with the early surge in political after the conventions might balance out Q3 and Q4 a little bit more than it would, do you think? Those are starters.

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

Okay. Let me take -- yes, Jim, let me take those in order. So Texas has not historically been a huge political spending space -- state, especially in generals, because it's been so Republican historically, but that did change some with the senate race in '18. And now this year, first of all, starting with the primaries, obviously, every state that has a primary matters, right, for delegates. And Texas has moved -- is now the exact -- they're a Super Tuesday state, so we've seen significant spending in Texas on the primary. As for the general, I -- we are not modeling that it'll be a contested election for presidential in the general, but there's some significant house seat races in big markets for us. So some Republicans have left their seat and are not running, so there's some -- and house spending will have -- contested house races will have a lot of spending, and we have a lot of those races in Texas. And to that point, one of the strategies behind heading up in Texas from the beginning, going back to when we bought Belo in '13 is that the obvious changing of the demographics of Texas will make it a purple state, and by all accounts, it will be by '24. So by 2024, we think presidential spending in that state could be very large. And you're right, with exposure to 87% of the state, we'll take advantage disproportionately.

On the Olympics, Jim, I think -- yes, the Olympics -- realize, though, that even though the Olympics are a nice bump for us, we're not as heavied up on NBC as we once were. Through our acquisitions, we are more diversified than we once were. So for every NBC station where dollars get added, and especially in large markets on CBS, ABC stations, money gets taken out of the market, so it's a negative. So there's kind of a -- it's not a wash, but the incremental gets watered down a little bit on a percentage basis. So no, it -- and to your question about evening out the quarters, frankly, a lot of the Olympic inventory will get used for political, right? Because, obviously, it's a very high-profile place for political advertisers to be. So that kind of muddies the water a little bit. So yes, it might even out a little bit, and it does on summer Olympic years. A little bit, the third, fourth quarter delta, but still the amount of political on a real basis in fourth quarter will still completely consume both political and Olympics in the third.

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

Okay. And to the extent that you've been talking about your capacity and capability to acquire additional properties. Will this help in terms of scale? Are there any more significant synergies or benefits to be gained from additional acquisition aside from those specific properties you could potentially acquire?

And since Nexstar has gotten bigger into larger markets, though they would need real changes to acquire aggressively, does that change the mix in terms of -- or the competitive situation in that acquisition opportunity?

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

Yes. To your second question, no, Nexstar being in some larger markets doesn't have any impact on our M&A strategy or opportunities. I think, look, as -- a couple of comments about scale. We don't need additional scale to achieve a lot of what we need to achieve, right, but scale does matter. And we obviously -- given our scale already and the -- all of the back end efficiencies that we bring to any acquisitions as well as how they can help all of our other -- so acquisitions continue to be a good opportunity for us to continue to drive value, but we're in no need to do one at any moment in time. We're going to be disciplined to pick up the right opportunities at the right time. We do not -- we're under no pressure to do something to hit our numbers. We're fine. But obviously, as our record has shown, opportunistic M&A at the right prices and the right assets works very well for us and our shareholders.

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

Okay. And lastly, with regard to the FCC, duopoly is probably the key meaningful opportunity with clear economic benefits. We have the election undergoing -- underway, of course. Do you need to move quickly before elections? Or is there anything that could be done to prod anything along at this stage? And does the dynamic change a lot if Democrats take over?

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

Yes. No, good question, Jim. So on the issue of duopolies or in-market consolidation of 2 Big Fours, that's not actually a political issue, right? That's not an FCC problem. It's a court problem, right? It's the Philadelphia court. So those judges have been tough on the FCC on a number of things historically, and that's -- the FCC was on our side on that. So that issue is sidelined for a while. Although, I think at a certain point in time, and I'll get to the ownership cap in a minute, but on both topics, you are starting to see younger staffers both on the hill and the FCC starting to realize, okay, this may be nuts, right? These outdated rules on broadcasters and what actually brought to the fore was when the DOJ actually went a little bit backwards on their definitions in the video marketplace and even held a public hearing about it, and all the participants in the hearing, broadcasting, cable and the digital world, all agreed that the video marketplace is now fungible. So the -- both the DOJ and the FCC are operating, more the DOJ, with an outdated definition in the video marketplace. And I have some confidence, over time, that will take care of itself. I think the ownership cap, probably there is no changes prior to the election. And I'm not -- I think, frankly, there's uncertainty both ways. Yes, you're right. If a Democrat wins the White House, probably extends the time in which the cap may get lifted, although, I think, again, common sense will prevail. But I'm not entirely clear what a Trump reelection would look like as to who President Trump would put in to run the FCC. So hard to predict on all that. But I think in our case, what's really worth noting is we've got 14 points under the cap when you consider UHF, and there's ways we can do some shuffling to be able to do that. So we don't need the rules to change in the near-term to have upside.

Operator

We'll take our next question from Kyle Evans with Stephens.

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

You've already touched a little bit about -- on the NBC renewals beginning of next year, but could you back up and just kind of characterize network relations right now? CBS and Fox were saying some scary things in '16 and '17, and we had a little bit of noise around the Peacock dreaming moving Late Night forward. Just kind of step back and tell us kind of where we are as you go into your renewals with the networks in '21 and '22 and '23?

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

Yes. Well, look, we've already renewed CBS and Fox, so that's behind us, right? So we're out several years with both of them. And the answer is relations are a little different with each network. But the one that matters the most to us is NBC, and we have a very strong relationship with NBC. So they're important to us but we're important to them when you look at the delivery of our stations on an aggregate basis and how it actually lifts their overall NTI rating index. And we value them enormously. We think their Sunday Football is the best sports asset in the entire TV ecosystem in the way they produce it and the way they've executed against it. So we feel very good about our particular aggregate relationship with the networks and especially given that NBC is the most important to us because we have a strong relationship with our second largest provider, CBS, as well.

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

Great. It was not that long ago that everybody was running around afraid of Locast as the new existential threat that was originally Aero. It seems like that has absolutely fallen off the map. Could you give us your kind of updated views on Locast or any other kind of pending threat to the broadcast ecosystem?

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

It's -- I guess, my answer to that question, Kyle, is haven't even thought about it lately. I mean I think they just -- as we predicted early on, just we were talking in preparation for the call, in my time in the broadcast space, the number of theoretical existential threats that turned out to be nothing, whether it was the retransmission consent regime was going to go away or Aereo or Locast and many, many others, and last I heard they're just -- they're dialing for dollars for donations. But they have been a nonfactor to our business, and I don't see -- we see no scenario where they're going to become one.

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

Great. Well, crappy products usually go away. Last question, market size differences in retrans. Sub trends is something you've talked a little bit about in the past. I wondered if you had any kind of updated thoughts on what you're seeing in your large versus your small markets on sub counts.

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

Yes. For our portfolio, that's pretty much evened out. That gap, the distinction we saw between large and small has sort of evened out, not really quite there as much. The difference is really between MVPDs, as you've probably heard from others. I mean there's a significant difference between, we'll just say generally, large cable companies and large satellite companies.

Operator

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

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

Victoria, I may have missed this in the release. There's been a lot going on this morning. But is -- the acquisitions, is it fair to say they added somewhere between $100 million and $105 million of revenue in the quarter? Is that a ballpark number?

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

We're not -- we didn't break it out on a pro forma basis, and I'd have to get back to you because we've actually got them all integrated within our financial systems today. But I think it's -- but ballpark, I think you saw in terms of -- we showed what it was going to be -- in terms of 2020 additive and a 2-year basis, revenue is about $500 million and EBITDA is about the [$200 million] (corrected by company after the call). So I think that's a pretty clear number in terms of annualized for 2020.

Operator

We have no more questions in the queue at this time.

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

All right. Thank you for taking the time to listen to our call today to conclude. We're thrilled with the execution against our organic and M&A strategies and excited by the opportunities ahead this year and beyond. If you have additional questions we were unable to cover today, please reach out to John Janedis at (703) 873-6222. Thank you, again, and have a great day.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.