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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to TEGNA's Third Quarter 2023 Earnings Conference Call. (Operator Instructions). Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Julie Heskett, Senior Vice President, Financial Planning and Analysis and Head of Investor Relations. Please go ahead.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Thank you. Good morning, and welcome to our third quarter conference call and webcast. Today, our President and CEO, Dave Lougee; and our CFO, Victoria Harker, will review TEGNA's financial performance and results and discuss TEGNA's quarter-ahead outlook. After that, we'll open the call for questions. Hopefully, you've had the opportunity to review our third quarter earnings results. 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 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 in 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, Julie, and good morning, everyone. TEGNA's third quarter results reflect our business plan centered on continuing to enhance performance, optimizing operational efficiency and driving long-term value for our shareholders. We achieved a record third quarter for subscription revenue and saw sequential improvement in advertising and marketing services revenue, driven by improving trends in key verticals such as auto and services.

In addition to these strong underlying results, we also completed our initial $300 million of accelerated share repurchases or ASR. We completed that ASR at the end of August earlier than anticipated. Despite a limited trading window, we were able to quickly purchase shares opportunistically in the open market. This increases our capital commitment this year to return nearly $800 million to shareholders. I'll talk more capital return actions and our advantaged positioning in a couple of moments.

Turning to third quarter results. Total company revenue finished in line with our guidance, down 11% year-over-year, due almost exclusively to the reduction in political revenue from the midterm election cycle last year. Excluding political, revenue was down just slightly year-over-year. As I mentioned, subscription revenue was a third quarter record and up just slightly year-over-year.

TEGNA subscription revenue continues to provide stable and predictable cash flows supported by contractual rate increases, partially offset by subscriber declines. We expect to reprice approximately 30% of our traditional subs by the end of this year, further improving visibility into our outlook. Despite broader macroeconomic challenges, advertising revenue trends were sequentially better than the first 2 quarters of the year, and that trend is continuing into the fourth.

AMS revenue finished the quarter down 3% compared to the third quarter of last year. However, underlying advertising trends were basically flat year-over-year when adjusting for the Premion national account loss we've discussed on prior calls.

Automotive, our largest category within AMS continues to improve and show strong year-over-year growth now for the fifth consecutive quarter. Auto was up 20% year-over-year in the quarter, also notably services, our second largest category, continues to be strong and was 15% year-over-year.

Looking ahead, 2024 will be a strong year of performance at TEGNA with a very favorable portfolio of stations for political advertising in next year's presidential [election](corrected by company after the call) cycle, as well as the Summer Olympic Games from Paris on our large NBC portfolio of stations, and the Super Bowl on our large CBS portfolio compared to last year's much smaller Fox portfolio.

Turning to our capital allocation. We are enthused about the go-forward opportunity at TEGNA and building on our strong track record of returning capital to shareholders. Our industry-leading balance sheet and resilient financial performance affords us the unique ability to return capital to shareholders through share repurchases and dividends, while we simultaneously pursue organic initiatives and evaluate opportunistic bolt-on M&A to further augment our attractive growth outlook and opportunities.

We're on track to surpass our previously announced capital return to shareholders. Following the completion of our initial $300 million ASR program earlier than anticipated, as I said, we repurchased an incremental $28 million of shares in the open market, shortly before entering our blackout period. These repurchases were executed under our existing $300 million share repurchase program. On our last earnings call, we announced the second ASR program of $325 million. That program is expected to commence shortly.

The completion of these four steps, the 2 ASRs, the stock transferred to satisfy the $136 million deal termination fee and our recent opportunistic purchase of shares will result in us retiring nearly $800 million worth of TEGNA shares.

Looking ahead, strong operating performance and disciplined use of free cash flow position us to continue to build on our capital return track record. As I said, we have an industry-leading balance sheet and that provides us that optionality. Even after both ASR programs and the incremental purchase of shares in 2023, we still expect to end the year with net leverage under 3x.

Our strong free cash flow generation is expected to further strengthen next year due to the political, Olympic, and Super Bowl tailwinds I mentioned earlier. This offers additional flexibility as we make capital allocation decisions across organic growth, both on M&A opportunities and returning capital to shareholders through share repurchases and our recently increased dividends.

Turning to strategic updates. In the quarter, we reached a comprehensive multiyear deal with ABC. This renews our ABC Network affiliations in 13 markets across the country, which cover 9% of the U.S., serving nearly 11 million households. Our partnership combines ABC's popular entertainment, sports and news program with our strong local stations and large audiences.

We believe our successful negotiation with ABC highlights the win-win long-term relationships we have with our programming partners. TEGNA's local stations provide irreplicable local news, which is some of the most watched and trusted within the nation. Coupled with leading programming -- from program partners like ABC, our platforms deliver scale audiences with strong engagement.

The vast and powerful reach of broadcast distribution is enjoying a growing audience reach advantage over other far more fragmented competitors in ecosystem, most specifically cable channels and cable programmers. One area that highlights that shift is what's happening now with professional sports. With the existing RSN cable model in the final innings, the move of local sports from cable to broadcast is in the first inning of a new era. Professional sports teams and leagues are more acutely aware than anyone of this seismic shift in reach and distribution and are excited about the chance to reach all consumers, not just a smaller and smaller percentage of their addressable market.

Along these lines, this quarter, we announced that KENS, our station in San Antonio will exclusively air 11 San Antonio Spurs games during this broadcast season with French sensation, a #1 draft pick Victor Wembanyama, captured attention across the country, and -- if not the globe. We're thrilled to be the Spurs broadcast partner for this year.

As the current RSN bankruptcy proceeding plays out, look for more announcements to come. Given our large portfolio of strong stations in big sports home markets, we are very, very well positioned for this shift and opportunity in local sports.

Also in the third quarter, Locked On, our leading local sports digital network with daily shows for all four pro sports leagues and major college programs hit more milestones. Its audience has now gone past 27 million listens and views per month, and we launched four local Locked On fast channels in the quarter with more slated to launch in the fourth quarter.

Daily Blast Live, our daily talk and trending topics show, entered its seventh season this September. Now with a larger distribution footprint than ever. We've added 20 Sinclair markets and an additional Hearst market to our current footprint of 16 Gray markets as well as all of the TEGNA stations in our large reach, being our total reach to more than 55% of the U.S. As the programming landscape continues to evolve, we believe Daily Blast Live's efficient production model will increasingly offer broadcasters a sustainable option for their content needs, while simultaneously delighting our audiences.

VERIFIY, our national brand to combat disinformation, ended the third quarter with approximately 467,000 followers across its various dedicated channels. Its weekly "VERIFY This" show increased for the fourth consecutive quarter with more than 2.8 million minutes watched across TEGNA stations streaming apps during the third quarter. And about those streaming apps -- our TEGNA station streaming apps now have reached 677 million minutes on streaming, a 78% increase year-over-year in the quarter. These apps are now available for all stations on Roku, Fire TV and Apple TV devices. And in the quarter, we also started rolling out our apps for Samsung, LG, Comcast and other platforms and expect to have all stations live on these platforms by year-end.

Delivering news that matters and impactful investigations that make a difference in people's lives are the center of each and every one of our newsrooms. We're very proud of the determination and resilience of our engaged employees that enables us to fulfill our mission every day.

A special congratulations and shout-out to WWL, our station in New Orleans, they recently received a national News Emmy for their investigative reporting that shines a light on the deplorable living conditions for nursing home residents after hurricane Ida. Their investigation led to much needed law changes in Louisiana. The work we do changes lives and changes laws. With that, I'll now turn the call over to Victoria.

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

Thanks, Dave. Good morning, everyone, and thanks for joining us. As you've already heard, we've achieved record third quarter subscription revenue, and we continue to deliver sequential improvement in both advertising and marketing services revenue. We also successfully achieved all of our key revenue and expense guidance provided last quarter, in line with expectations.

Before I drill down on drivers of our third quarter financial results, I'd like to reiterate both the Board and the management team's focus and commitment to continued return of capital to our shareholders, as you've seen in our ongoing execution on those plans.

As Dave mentioned earlier, we are very pleased that nearly $800 million in cash accumulated during the pendency of our transaction has been committed to share repurchases over the past 6 months. And as you've already seen, execution on that return of capital is well underway. During the third quarter, we completed the initial $300 million accelerated share repurchase program on August 31, a few weeks earlier than we previously anticipated. The initial $300 million ASR program reduced TEGNA's outstanding share count by approximately 18 million shares.

In addition, in the second quarter, approximately 9 million shares were retired through Standard General's extinguishment of their termination fee obligation. As Dave mentioned, following the completion of the first ASR and before entering our third quarter blackout period on September 16, we opportunistically repurchased an additional $28 million or nearly 2 million shares in the open market. As a result, total share reduction as of the end of the third quarter was 29 million.

Beyond this, as announced in August, our second ASR program targeting $325 million in repurchases will kick off this week. As a result of all of these actions, since the termination of the merger agreement in late May, TEGNA is committed to nearly $800 million in share repurchases through ASRs, the settlement of the merger termination fee and opportunistic repurchases in the open market. As a result of this commitment, we expect approximately 45 million to 50 million shares to be retired by the end of March 2024 based on current market prices, reflecting more than 20% of shares outstanding prior to us undertaking these actions.

Additionally, following the termination of the merger agreement, the Board declared a 20% increase to the regular quarterly dividend, which was paid out for the first time in October. As you're also aware, we have an extremely strong balance sheet, including low leverage, and we are very well positioned to continue to return capital to shareholders through buybacks and dividends while investing in organic growth and bolt-on M&A opportunities.

We also have manageable debt, with no near-term bond maturities until March of 2026, and all of our debt is fixed rate, at a very attractive 5.2% on a weighted average basis. We ended the quarter with total debt of $3.1 billion and cash of $553 million. As a reminder, our only financial covenant is a 4.5x leverage cap that applies to our undrawn $1.5 billion revolver. Net leverage ended the quarter at 2.61x. All of these well planned and executed actions highlight the strength of our balance sheet, which provides optionality around capital allocation decisions and continues to differentiate us in this current macroeconomic environment.

Now let's take a look at the drivers of our third quarter financial performance. 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 operating results. You can find all of our reported data and prior period comps in our press release. For the third quarter, total company revenue was in line with our guidance range, down 11% year-over-year, due almost exclusively to lower political revenue when compared to the midterm election cycle last year.

Excluding political revenue, total revenue was down just slightly compared to the third quarter of 2022. Our record third quarter subscription revenue, which increased slightly year-over-year, was driven by subscriber rate increases from contractual rate escalators, partially offset by subscriber declines of mid-single digits. As we mentioned last quarter, we have an additional 30% of our traditional subs up for renewal by the end of this year.

On the reverse comp side of the equation, we had previously stated we had approximately 60% of our Big four subs up for renewal by year-end. We are pleased to announce we reached a comprehensive multiyear agreement renewal with ABC representing roughly 20% of our big four subs. We also look to renew our agreement with NBC toward the end of this year.

Now I'll unpack the drivers of AMS performance in the third quarter and the drivers. AMS revenue finished the quarter down 3% compared to the third quarter of last year. Advertising trends were basically flat when adjusting for the previously disclosed loss of a single Premion national account earlier this year. Despite macroeconomic challenges, advertising revenue trends improved in the third quarter and were sequentially better than second. These gains were driven by improving trends in key verticals such as automotive, services, insurance and packaged goods. As a reminder, the underlying advertising improvements began in second quarter and are continuing into the fourth.

Within AMS, we are thrilled to see our 2 largest advertising categories, automotive and services, continue to perform well. Automotive advertising generated growth for the fifth consecutive quarter with third quarter up double digits year-over-year. The services category was also up double digits year-over-year with the strength in home services such as HVAC, electrical, pest control and plumbing. Categories facing headwinds in the current macroeconomic environment include media, telecom, restaurants, healthcare and banking.

Now turning to Premion. As you've heard over the prior quarters, Premion continues to strengthen its position in the convergent TV marketplace by winning additional local advertisers that are allocating larger spending dollars to streaming. During the quarter, Premion introduced programmatic selling capabilities, enabling agencies to leverage either managed service or hands-on keyboard buying workflow.

Similar to last year, Premion revenue was down year-over-year, impacted by the loss of a single large national account. However, Premion's primary focus is on the growth in local OTT revenue, where it's uniquely positioned to win. Premion local revenue was strong, up double digits year-to-date. As a reminder, the national account loss impacted AMS by 2 points in the first 3 quarters of the year, However, in the fourth quarter, the account impact will be 4 points on AMS given seasonality. We will cycle the loss of this account at the beginning of 2024.

Looking ahead, 2024 will be a strong year at TEGNA, driven by our favorable portfolio of stations in key markets benefiting from a robust presidential election cycle, the Summer Olympics, and the Super Bowl. TEGNA's high-margin subscription and political revenues produce annuity-like EBITDA and free cash flow and carries more than 50% of our total revenues on a 2-year basis.

Turning now to expenses for the third quarter. For the quarter, non-GAAP operating expenses of $576 million, finished in line with our guidance range, up 1% compared to third quarter last year, driven by higher programming fees. Excluding programming costs, non-GAAP operating expenses for the quarter also finished within our guidance range down 1% when compared to last year due to expense management and ongoing operational efficiencies. Third quarter expenses coming out of the merger termination were slightly higher than previous run rate as we increased activity around employee development, recruitment, and retention as well as our renewed strategic planning efforts.

We expect fourth quarter year-over-year expense to be lower as well. As expected, our third quarter adjusted EBITDA of $166 million was down 38% year-over-year, primarily driven by the absence of high-margin political revenue from midterm elections and higher programming costs. We continue to generate strong free cash flow of $60 million during the quarter, driven primarily by our high-margin durable subscription revenues and the thoughtful management of our balance sheet, as we've historically done.

Now turning to 2023 outlook. As you saw in today's third quarter release, we remain on track to meet all of our key guidance metrics for the full year and provide forward guidance for the fourth quarter and key financial metrics. To help you model our near-term expectations, let's walk through a few fourth quarter financial guidance metrics. As a reminder, we expect to be disproportionately impacted on a comparable basis in the fourth quarter by the absence of $179 million of high-margin political revenue from the midterm election last year.

For the fourth quarter, we expect total company revenue to be down mid- to high teens percent year-over-year, primarily driven by the absence of political revenue I just mentioned. Excluding political, fourth quarter revenue is projected to be flat. We forecast operating expenses in the fourth quarter to increase in the low single-digit percentage range compared to fourth quarter 2022 driven by increased programming expenses. Excluding(technical difficulty)programming costs, we project fourth quarter operating expenses to be down low single digit percent year-over-year.

Now turning to full year 2023. We'd like to reiterate that our full year 2023 guidance elements in ranges remain the same as announced last quarter, and we remain on track to meeting or exceeding them. As a reminder, you can find our 2022 actuals for all of these metrics in our investor presentation on our website. For the year, corporate expense is expected to be in the range of $40 million to $45 million. Depreciation is projected to be in the range of $60 million to $65 million, amortization is projected to be in the range of $53 million to $54 million. Interest expense is expected to be in the range of $170 million to $175 million.

We expect capital expenditures to be in the range of $55 million to $60 million. We forecast an effective tax rate in the range of 23.5% to 24.5%. Even after the impacts of both ASR programs and the incremental repurchase of shares in 2023, we continue to expect to end 2023 with net leverage below 3x. And with that, I'll now turn to Q&A to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Dan Kurnos with The Benchmark Company.

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

Victoria, thanks for all of the numbers around the guide, but I'm still just trying to sort of reconcile. I think sequentially -- understand a year-on-year basis with political. But you said in Q3, ad trends were relatively flat year-on-year ex the Premion national loss. And I know you called out a little bit more sequential impact due to seasonality in Q4, that's fair. We've heard that national for the local -- the broadcast group has gotten a little better and you guys talked about trends improving into Q4. Plus you have an easier comp with crowd-out and political should step up sequentially.

I know it's still early for next year. So just trying to sort of understand, is there some conservatism in that guide? Is it just based on trends or bookings you're seeing now and just lack of visibility because sub churn should also be maybe a little bit less sequentially in Q4 than Q3. So just trying to get a sense of how you guys are thinking about sort of the trends going into next quarter?

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

Dan, it's Dave. I'll just take the last one first around the crowd-out about political. We're not expecting any, frankly. We have a tremendous footprint for the year, but we don't have necessarily as good of a footprint, we've never had a real big primary footprint for early presidential primaries. So we don't see maybe some of those dollars otherwise. So we'll do fine, but that's not where we have the most enthusiasm about political. But I'll let Julie speak to the rest around underlying advertising.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Certainly. So I will reiterate that the sequential trends are improving, continuing into fourth quarter. And you're right, Dan, that you heard in third quarter, normalizing underlying trends would have been flat year-over-year. So that will be better in Q4, and it's included in our total revenue guide. The one impact also for your purposes is the Premion national business, which we've talked about all year long being a headwind to us, it is a bigger adjustment in fourth quarter impact, while it had been about 2 points all year long for second and third quarter is going to be more, 4 points as Victoria said, in the fourth quarter. So if you just do that math alone, right, roughly flat in Q3, you would be up mid-single digits in Q4.

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

Okay. We can talk through a little bit more of the pieces off-line, but I get it, and it's good to hear sort of, I guess, the continuation of trends. On the expense side, I think this is a little bit of a surprise just out there maybe not -- maybe just me. But I just want to get a sense -- the Q4 guide is good in terms of underlying OpEx. You just did ABC, so I don't know, David. I know you won't comment specifically on how the deal played out, but just how to think about the growth there? ABC and NBC, which you have still coming up, NBC, of course, a name coming up have been historically variable deals. So I don't know how we should be thinking about the growth in reverse. But underlying, is there more OpEx efficiencies to be driven both in Q4 and then into '24 excluding those programming costs? So just maybe take those 2 pieces would be super helpful.

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

Well, I'll just speak to overall. As Victoria also mentioned, Dan, that we do have some expense others might not have, which you referred to relative to the strategic issues of coming out of the failed acquisition. So we have been spending some dollars. It won't be a permanent run rate relative to some outside work some advisory work and the types of things that Victoria outlined. So they're a point or two relative to that number, but we'll have a little bit of that in fourth as well, but most of that should burn off rolling into next year. And I would just say, we're not guiding on expenses per se next year. And I'm not going to given that we've got our largest reverse comp deal still to go, Dan, as you know, I'm not going to comment on numbers relative to reverse comp and programming expense, but other than to say on that topic, relative to the network deals, as I signaled on our two calls ago, after we came out of the merger process that it was going to be a new dynamic relative to the realities of the business. And I just would stand by those comments.

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

Got it. Keep buying back stocks. Appreciate the color.

Operator

Our next question comes from the line of Steven Cahall with Wells Fargo.

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

Dave, maybe first, just to follow on Dan's question a little bit. So I know you and a lot of your peers have been consistent that the growth rate of reverse comp is lower than what it used to be that new paradigm that you talked about. I think what a lot of us are trying to figure out is what the key discussion points are when you're talking to a network partners, like ABC, who you just renewed or NBC that you have coming up in relation to how their streaming plans affect your business.

Disney has been pretty clear that they intend to take sports direct to consumer. That has some impact on your ABC stations and same with NBC. So wondering if you could just help us frame how you think about the future and how you're kind of defending against more especially sports content going on to streaming.

And then Victoria, you all had some discretionary Q3 share repurchases. What's your appetite to continue down that path? Are you allowed to during the upcoming $325 million ASR or is that just something that you'll kind of wait and see after the ASR, where the stock price is?

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

I'll take the first one first. As you can imagine we have -- as you know, as we're public about we have 1 large negotiation between now and year end. So I don't think I'm going to get into commenting on what the discussion points are because I would really sort of just simply don't want to comment during the negotiation period. But as I indicated on the last call, obviously, the exclusivity issues, now frankly, in the case of ABC, ESPN. And if ABC, obviously, ESPN has been -- that exclusivity went away some time ago relative to ABC, Disney yet it remains a value partner of ours. And so I think what I'd say is it's all part of the value equation. When you say when they're moving sports to streaming, it's not exclusive to streaming, right? They're simulcast. Sports broadcast will be the big marker for a very long time. And when you just look at the ratings that broadcast games do in the NFL.

So I would just simply say -- so the lack of exclusivity on sports that -- some of which existed before, but the newer versions that all become part of the value equation. So I know that probably is not helpful around numbers, but from a standpoint of how we think of it, it's just putting a value to what that reality is and then having a conversation that's realistic based on an ecosystem that once was all about exclusivity. And one that --when it's not, then that has a different value.

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

And to address the second portion of your question, Steven, we use the opportunity. We had a window in time in which the first ASR program finished a few weeks early, given some of the compression in the marketplace. So we have, as you know, an existing $300 million approval program to use opportunistically, so we go into the market and use that window over time and execute on $28 million of share buyback then. My expectation is that the Board will likely renew that going forward, and we use it sort of opportunistically when we can and seize those moments in time.

But the ASR program 2 which is the $325 million kicks off this week and that will be the primary initial set of buybacks during the quarter. And then what happens subsequent to that, obviously, we will then announce. But I just want to make sure we're clear on that. We have that opportunistic program. We use it when we are -- on clear days when there are windows in time that we can actually get into the market and use them in the price that's right.

Operator

Our next question comes from the line of James Goss with Barrington Research. James, your line is now open.

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

Could you move on, operator, and see if Jim comes back on after the next.

Operator

Our next question will come from the line of Craig Huber with Huber Research Partners.

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

My first question on Premion, I think you guys said last quarter it was down modestly, which I'll assume that means mid-single digits. Maybe just comment how it did in the quarter, obviously, you had the hit with the lost national account, but just sort of frame that for us, please.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Yes, Craig, it's Julie. I'll take that. The commentary would be exactly the same, while total Premion revenues are down modestly. Again, the focus is on the local side of the business. So we know that national is down year-over-year, but local is up year-to-date double digits.

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

Okay. Great. And in the past, you guys have said your retrans subs down mid-single digits year-over-year. Is that a similar trend we had in the third quarter.

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

Yes.

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

Okay. And then in your mind, you guys have obviously been very aggressive here repurchasing stock as you went through several times today. Is there anything that you're thinking differently for next year? Obviously, you have a windfall make sure all this political ad revenue next year. You're obviously arguing that your stock price is quite low on investors, would agree with that. Is there anything in your mind that you're seeing out there on the macro side of things that would maybe preclude you from buying back a ton of stock next year to continue these, I guess, rolling ASRs, however you want to think about it?

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

Craig, it's Dave. I'll just point to what Victoria said in her script, is that the Board and management's laser-focused on capital return, but because of our balance sheet, we have the optionality, as I said, to do what we need to do, that it's in the best use of return for shareholders with the ability of not foreclosing any avenue, right? But as we indicated, we are very focused on shareholder return in this environment. And we obviously like our balance sheet to be pretty strong given some uncertainty that's out there.

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

And just to expand on that a little bit, as I mentioned in my script, we don't have any maturity through 2026. Our first call option on that occurs later in the fall of '24. Given current interest rates, likely not financially wise for us to take advantage of that opportunity, but there's no reason we can't do all of that. So looking at a potential recap on future maturities, we've got the cash and the ability, the strength of the balance sheet to both manage those debt maturities recap is useful in the interest rate environment plus buyback shares and continue to do our dividend and invest organically. So all of it.

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

And then my final question, net retrans for this year, how you sort of think about that is going to shape up when we're all said and done here, down slightly modestly for the year. Net retrans.

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

Yes. Craig, we have not guided...

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

We don't guide Craig, the net retrans...

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

(inaudible) And again, we've got negotiations coming up here in the fourth quarter that may impact that. So we're not in a position to answer that at this time.

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

As you know, obviously, we got a lot of subs up and a large reverse comp deal. So we're not going to, in the middle of negotiations, comment on anything on that.

Operator

(Operator Instructions) Our next question comes from the line of James Goss with Barrington Research.

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

Okay. Sorry about that last thing. I wanted to ask about a couple of things. One, about the streaming apps. Obviously, this is a great way to try to offset the risk to some of the economics with the traditional cable and satellite platform. I'm wondering in terms of the various outlets you used between Roku or YouTube, there will be different types of economic implications. I wonder if you could talk a little more about how you're viewing that and how things are developing along those lines.

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

Let's say, Jim, it varies, right? Because a lot of our major usage comes off of our own apps and our own pool without going to any third-party platform. So it really varies on the platform if it's our own, it's obviously 0 share. And then those deals look very different based on them. Some of them we feel good about, some of them we don't love for the long term. But we go on for distribution in the short term to get it out there. Some of them we've not done for -- and baked into the question you've asked. But I think that over time, it will become a scale play, and we will be big. And then I think we'll look for opportunities to get even bigger over time. I'm not signaling anything relative to anything big until 2024. But as you point out, it's a good opportunity for us. And frankly, the programming cost is all pretty much incremental marginal cost of our existing operations. So it's a win-win.

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

Okay. A couple of other things. One with DBL. It's gaining increased traction at 55% of the country. Is there any consistency of the time slots it's applying? And can you talk about the economic level that you're able to get with that particular effort?

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

I'm sorry, Jim, you broke up, could you just say that last part again?

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

Yes. With DBL gaining increased traction to 55% of the country. Can you talk about the consistency of the time slots that typically gets put into and what the economics are in terms of your value as you deal with other broadcasters. And distributing that service.

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

I mean, mostly, what we value -- (inaudible) take the last part of that first, Jim, is we value the distribution as that distribution gets us audience and eyeballs which then we can monetize over time. So but as it relates to time slots, they're almost exclusively right now in the afternoon time slot. They vary across markets. It varies a lot based on the makeup of that market, the strength of that station. So I wouldn't say any 1 time period. We have success stories in every time period. And in every time period, there's some places where we don't do as well.

But bottom line is it's a great model for us because we produced that in Denver on a much lower cost model than lower if we did that in Hollywood. And it's all additional distribution is gravy for us off of a pretty much a fixed expense run rate. So it's a good play for us, and we haven't talked a lot about it in recent years, but it's been a great thing for us that's continued to keep on giving.

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

Okay. One last thing that (inaudible) talked about ATSC 3.0. Even though the broadcasters seem pretty enthused about it, I think a lot of the TV sellers do not seem so enthused because they might have competing products and they may not want to have incur the additional costs. And maybe the FCC could mandate inclusion. And I'm just wondering how you are looking at what your expectations are in terms of how it might fit in with you, in particular, with TEGNA.

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

Yes, I can't speak to what or why people say what they say. Other people say what they say. But I would simply speak for ourselves and consistent with what I've said in the past, Jim, is that -we very much believe it's opportunistically important for that new standard to be made accessible to the American people and that we're believers in that. But from a pure business model standpoint, I think we would be a bit from our perspective, a bit not true to our word, if we were too enthusiastic into any near-term business models because we have stayed close to it. We've been very much a, frankly, one of the founding fathers, if you will, of Pearl. The consortium that has looked at that. I mean we continue to do good work for us in the industry.

But from a TEGNA perspective, we're not talking about putting up points on the board near term relative to economics. And frankly, I think in terms of strategic options, as I said before, we look at it like the iPhone as a platform. So if you think of ATSC 3 as a platform, just like the iPhone, it was other third parties who wrote the programs and the applications that made money off the iPhone. And I'm still bullish that over time, that can happen with ATSC 3.0 as well, but I just can't -- we don't any see thing on the near-term horizon that we as TEGNA put a lot of financial stock in it at this time.

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

Do you think the FCC will have to mandate it as a way to get it done? Or do you think the broadcasters will eventually -- or rather the TV makers will eventually agree (inaudible) worthwhile.

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

No, I think given the FCC and TEGNA this year, I'm not going to opine on the FCC, I'll leave that be, but I would simply say that -- I would say broadcasters have done a pretty good job voluntarily of getting transitions done til date. We have more stations we're transitioning. But I think it remains to be seen how the future plays out relative to the manufacturers and public policy. I think it's a good question.

Operator

Our next question comes from the line of Craig Huber with Huber Research Partners.

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

A couple of follow-ups, guys. You mentioned 4Q ad trends improving sequentially versus what you saw in the third quarter here. I'm curious like categories, are there any categories in the current quarter that are significantly doing better this quarter than what you saw in the third quarter. But maybe you could also touch on national in particular.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Yes. So -- did you just say national, in particular, Craig, let me just double check on what you asked.

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

Yes. Yes, what I'd like to hear what categories are doing materially better than this quarter so far versus what you saw in the third quarter.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Fourth versus third?

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

Yes. I think the trends are pretty similar, Craig. We looked at those yesterday. I don't think the bottom line with those performers in -- third of the performance and fourth, I'm not certainly seen any major variances to speak up.

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

Okay. Great. My other question, given the two strikes in Hollywood ones still ongoing here. I'm just curious the lead-in that you guys have your late-night news, is there any impact there on your ad revenues there materially at all that you've seen so far?

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

No. Good question, Craig. No, because really, the scripted drama has a good lead into the late news sort of went away a few years ago with time shifting. So our economics have not been based on. Network Prime is a very small piece of our total company revenue. And for a lead-in standpoint, there's really two worlds. On the East and West Coast, where the majority of our stations in revenue is not what the majority of other companies are probably that's an 11:00 news period, and that's been affected some time ago where that 11:00 news might have been a big number 20, 30 years ago, that's been sort of eaten away gradually over the last 50 years, probably accelerate over the last 5 to 10. So that's not in our model.

Our 10:00 news cast in our Central and Rocky time zones think all of Texas and in the Midwest in Minneapolis and Saint Louis and those markets and in the Rocky Mountains, think of Phoenix and Denver, et cetera. Those are the 10:00 time period, and that's not affected by time shift basically, people are up and awake. So even though a scripted show may or may not be watched in a linear fashion, where our news is strong, we still get good ratings. So no, there's really no trend there relative to that. So to your question about the strike, even if scripted shows are in reruns in the night, you call it, the 9:00 time period in the Central and 10:00 time period in the East and West, I don't think that's going to have much effect on us per se.

And I think it will also put the networks to getting more generally speaking, I won't talk about any specific more innovative around more -- the type of program that works better on linear like sports does, but also event-type programming, think the Voice over the years or Dancing with the Stars, call it, reality/event programming that's less susceptible to time shifting that people like to watch as an event, which is really a specific hallmark continues to be a broadcast.

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

And my final question, network of prime time, what percent of your ad revenue is that maybe coming into this year?

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

Hold on, on that.

Julie Heskett - *TEGNA Inc. - SVP of Financial Planning & Analysis*

Prime-time revenue for the total company, Craig, is about 4%, if you're talking just advertising, it would be in the low teens percent.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Dave Lougee for closing remarks.

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

Thank you. And one final note as we close here. As we indicated last quarter, Victoria will be stepping down at year's end as CFO, and Julie will be stepping into that seat after years of preparation. While Victoria will be CFO through the end of the year and will be helping with the transition through spring of next year this will be her last earnings call with us, and I want to take this public opportunity to thank her for all she's done here at TEGNA and for our shareholders over many, many years.

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

Thank you, Dave. And it's been my pleasure to serve and support Gannett and TEGNA, for almost 12 years, 70 earnings calls later over my career. This is a momentous occasion for me, but I am very, very confident and proud of the team, Julie in particular, but the rest of the finance team. And I'll be around clapping from the stands.

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

Thanks, Victoria. With that, thanks, everyone, for taking the time to join us today and listening in, if you have additional questions, please reach out to Julie at (703) 873-6401. Thanks, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.