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EDITED TRANSCRIPT

TGNA - Tegna Inc at Deutsche Bank Media, Telecom and Business Services Conference

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PRESENTATION

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Okay, everyone, we're going to get started here. Good morning. I'm Clay Griffin. I'm a media analyst here at DB. Very pleased to have TEGNA here today. We have Dave Lougee, President and CEO; and Victoria Harker, CFO. Welcome.

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

Good morning. Thank you.

QUESTIONS AND ANSWERS

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Why don't we just start, for those that are maybe new to broadcasting or TEGNA specifically, how should investors think about the moving parts of TEGNA's net retrans opportunity over the next couple of years?

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

Yes. I think it's continued to be sort of the least understood piece of not just us but the sector, right? And I'll kind of go back historically before answering the future and the last time, we had a big downturn, right? We all lived through it together back in '09. We were 85% advertising at the time, and it was painful. The #1 thing I'd say today is as a large market broadcaster, it's not 50% of our revenue yet, like it is some the smaller broadcast station groups, but it's very stable. And I'll talk about the pieces of that. But let's just start with the reverse piece, which I always know is of great interest. We actually have 2 little teeny Fox stations up right now, which I'll talk about later when we get to the network conversation perhaps, but they're de minimis. ABC has been our smallest piece. We have a good relationship with them. That's up at the end of this year. CBS, a larger piece, up at the end of '19. But our far biggest piece is NBC, and that's up in '21, so on that part of it. Furthermore, the beauty of the cord shaving, the OTT services, is that it's starting to free up an appropriate market reallocation of the dollars from, frankly, cable channels that got their undue number for a period of years because of a lot of market forces. So with our last round of negotiations, which were really 1.5 years ago, were easier than previous 2 or 3 years. So I think the focus needs to be on the rate, right, not just on the split. And the rates are continuing to appropriately go up, right? So whether it's in the OTT space or with the traditional MVPDs and I don't know the exact numbers now. But from a viewership standpoint, we're still more than 30% of the live-linear viewing, but probably as an industry, half of that relative to share of subscriber revenues. So that gap is now naturally being filled. There was a lot of noise about us being the problem with the consumer bills years ago, frankly, when the MVPDs thought they had a shot to get FCC to mess with the retransmission consent regime. But once that didn't happen, then they appropriately focused to what was the major piece of consumers' bills that didn't line up with the consumers' interest, which was the sports rights, because you had 80% of the country -- I always like to say, my mother in Tucson, Arizona was paying $14 a month for sports rights and didn't know it, right, and people in L.A. were paying $22. That's becoming unbundled. And so the MVPDs are able to reduce consumer bill that way, but we are core to any MVPD distribution strategy. So, we're not -- it's a very -- I don't know if you want to talk about subs now or later, but it's a -- it will continue to be a very stable and growing piece of our business. Net retrans will.

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Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure. And just the top line, just in terms of your subscriber base, how that might trend in terms of renewals over the next several years.

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

Yes. So I mean, I haven't given a number on what the revenue is, but I think we gave a guidance of about low double digits on the revenue side for this year because didn't have much subs up at the end of last year. But I think the most -- so relative to our portfolio, and we're a little different than probably other companies that have reported here, we have a lot of large market stations. And as I've said, we started noticing a very interesting trend last year before the OTT guys launched. And that was whatever sub losses we had were disproportionately in our tiny markets. They weren't a big piece of our total. So, we've started analyzing it sort of by size of market. And in our top 10 markets, which are our top 10 DMAs in which we have 4 stations, last year by the end of December -- well, actually, before the OTT subs, those were pretty stable, right? In fact, the terrestrial MVPDs were up, satellite down a little bit, and the net was about flat, but our losses we had were really in smaller markets. Then we've got more visibility into the OTT world because we have a lot of large market stations and the services launched there first. And so as I said on the earnings call last week, in that -- most of the subs in our top 10 markets, those top 10 DMAs were more than 0.5 point positive on total subs year-to-year at the end of December. So that's an early data point, but a pretty damn good one.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure. So well, what has been persistent declines in that total subscriber base sounds like you're seeing a real inflection point, at least in your mind.

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

Yes, yes. And remember, whatever sub losses we had were not the same as cable channels.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure, sure.

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

I mean, cable channels have had much more precipitous declines. Ours have obviously mapped more the MVPDs. Add to that, honestly, we also have a population growth characteristic to our portfolio. We're in a lot of Texas markets and southeastern markets that population is growing, so that offsets it a little bit, but that's right. So I -- no matter how draconian a view you have about cord cutting, it's not going to be, in the near term, any kind of dramatic impact on our financials. And in fact, the point of that is that very large piece of cash flow will stay stable.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Yes. And the success that you're seeing in some of these products, most would look at them and say, they're focused on or they're highlighting local broadcast maybe to the exclusion of some others. How do you feel like that's contributing to the growth there and what that might mean, I guess, for cable?

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

Yes. No, I think it's as you and I were talking earlier, I think what has been missed about the OTT services, I mean, we've talked sometimes to investors or analysts who basically have always lived in New York or the Bay Area or something, and that's not really local news, right? When you think about what local news is really and where we are, local news often has the highest-rated programs, of anything on those channels other than big sports events. And so to the consumer, that's a must-have for them. You're not going to be an OTT service and say, "I'll go get a bunch of subs." Sling went out there, launched a large -- they've got the O&Os in some of the markets and but decided, not that they wanted it, but they decided not to do the deal to have the local services beyond those big markets. They don't have any growth there, right? And DIRECTV NOW has now got fast growth because they've got the locals. The point is the consumers are telling these distributors that, in any market in America, the highest-rated channels are the Big Four broadcasters.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Right.

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

And just to expand on that a little bit, it's not just a sub count story for us. We're neutral to it because we've got as good, if not better, rates on OTT as we do with traditional MVPDs. So it's a good news story in total.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Great. And it just sounds like you've got good visibility on both sides of this equation.

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

We do, that's right, sounds right.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

I think that's not necessarily reflected in the market view. What do you think is most misunderstood in terms of this dynamic that you have?

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

You mean with the networks or with overall?

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Well, just the net retrans and...

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

Yes. So, I think the most understood dynamic is there's a lot of huffing and puffing and blow-your-house-down conversations around network-affiliate relations. But the truth of the matter is, this has been a good thing for both of us, right? I mean, I want our networks to have more revenue from this program from this source, right, because they need to invest in program. They're competing against Netflix and all those other things. And I want high-quality programming on our channels. So I think it's a win-win. Often the focus is on sort of the battle between -- perceived battle

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between us as opposed to the good -- the net goodness that comes out of us both getting these numbers. In the past, the networks used that leverage of their own stations to build cable assets, right? But now to some extent, they've done the same thing to try to protect dying cable assets in some cases. But net-net, it's still a good thing for both of us.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Want to move to advertising, just high level. You talked about political a little bit on the call. But just how should investors think about your footprint as it relates to the '18 midterm election?

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

Yes. I mean, we're careful about not having any irrational exuberance because even without putting out numbers in '16, we got punished, right? And when -- because of the Trump effect, but there's no Trump effect here. So -- and Victoria makes me be careful, but it looks very good. I think our footprint, we've got about half the governors' races, about half the Senate seats and about half of those, about 8 of each are competitive of the gubernatorial. There'll be more -- a lot more money in governors' races per race than there was in the past for the obvious reasons. The Democrats have realized they've got to win hand-to-hand combat in the states, and there'll be a lot of spending down ballot now in state legislatures because that's what controls redistricting. But I think the most just empirical evidence is you just look at the energy that's in the system right now around the midterm election. You used to have incredibly low turnout amongst young people in the midterms, suburban moms didn't turn out that high. They're going to be a force this year, right, and the dollars are following that, right? And look at Texas yesterday. Texas had a massively record turnout in the primaries. We're in 83% of Texas. We're obviously pretty interested in that. And there's now 4 additional House seats in Texas that look like they're going to be competitive. We've got a couple of those. So maybe this is irrational exuberance. But the only thing I'm careful about is -- I'm confident that the money in the system and the money spent on broadcasting this year will be a record for a midterm. What piece of the pie we get of that, we make a point of not giving a number because we have a number of large markets, so a race goes cold or not, and we really get affected. If I had [100 tiny market stations] (corrected by company after the call), I could predict within 5% or 10% what I'd get, but I've got just a much less diversified mutual fund. We had a really great portfolio of Senate races in '14. I don't think it's that good in the Senate this year, but I think the others could certainly counter that. We've also added San Diego to our portfolio, and that's a very good political station. It's a high-rank station, and there looks to be a lot of activity in California.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

So, I want to talk about your Premion business. You developed this over-the-top advertising business. It's growing nicely. Can you help us understand exactly what that is and why it's been successful?

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

Yes. Well, I mean, first of all, let me give credit to our team for what we are doing, continuing to do is that we are in 0 denial about secular change, right, in viewers and advertisers. So, a few years ago, we started this process on a number of initiatives, but this is one of them to say, let's disrupt ourselves, right? It was clear there was going to be a move to OTT in lots of forms, but the idea on where long-form programs run on OTT, it's not going to be just on DIRECTV NOW or Hulu, right? There's a whole suite of services like Sling and Roku and Crackle and all those. And the networks and the cable channels are selling their programs to those -- or providing those services, both live-linear and on-demand, to those services, but they've got no way to monetize local, right? So they've got a lot of inventory. They sell it nationally, kind of like the early days of cable, but they've got no way to monetize local. We went after it to say, "Well, wait a minute, we can do that. And unlike broadcast or cable, because of the IP technology involved, you can sit in one room here and serve ads on every one of those services across the country or the world," right? So, we jumped on it, created the right technology stack, created the right dashboard and reporting metrics for programmers and then made the circuits. And they love it, I mean, because it's found money for them. So, it's long-form programs, both linear and on-demand, that are on this long tail of different services, right? So both our partners are growing. The inventory is growing just because of consumer behavior. And so we are -- we've got a leadership position out there. We can -- we'll have big guys now joining -- they're jumping in the space, we know that, and they're trying to throw stones at

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us, we understand that. We actually talked to the programmers, and they really speak highly of us. And we're going to stay in front. And as I announced in the last earnings call, we're actually going to then veer off out of that business, use the data we're collecting and put together a data management platform that we could use for ourselves, but especially for our partners that we can sell as a service to agencies as well as programmers.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

We heard yesterday from some of your peers that there's a need to reduce some of the friction in the ad buying on the traditional TV.

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

100%.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

But there's -- are there things that you can learn from Premion that you can incorporate into doing that?

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

Yes, a great question. And we are. In fact, some on the tech side -- it's some of the same players, right? So I've given speeches about that. I'm a little quieter about those speeches because my first one was 4 years ago, and we haven't automated the TV spot business yet but absolutely we are losing money. And I'm sure my peers would say it in the same way is that unlike Premion, right, where we are a single point of entry, doing it in an office in New York, the ad agencies, the local TV media buying groups, they're labor-intensive. They got to go do buys and do make goods. It's a crazy system. It's a stupid system. And it made sense at one point in time. So there's a lot of upside in automating that part of the process. I actually think it will bring money back to local TV because also, the reporting metrics will get better. The problem is trying to get -- herd everybody together, but I can tell you, I feel the forces coming together. We and Nexstar and Sinclair and Hearst, along with the TVB, but it's all about having open sources on the APIs, so that all these different technology companies can play and nobody's going to go get some kind of monopoly position in the space. That's been very well received, and I do feel the forces coming together. The advertisers are going to be able to want to buy traditional and digital together. And I think that's the thing we got to solve for, is not to have 2 different ecosystems.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure. Want to talk about your content strategy. You guys are doing some interesting things on that side, Daily Blast LIVE, but just -- also just innovating around traditional newscast. Can you talk about specifics around TEGNA's broader content strategy and some of the results you're seeing?

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

Yes. I mean, I think if broadcasters -- we all took truth serum and we're in a room, we'd say, we haven't innovated in the content side for a long -- relative to the speed of change with the consumers, and we were -- we've still been producing local newscast in a style that I like. However, I'm 59, and so I'm irrelevant to the advertising community, right? So I think we have just not been a very innovative industry around content for a long time. In the late '70s and the '80s, we were. In fact, the -- some of the top stations today were built by hugely bold innovators, that took chances and did dramatic stuff in the '80s. But then the business got mature, and we sort of -- we became sort of in a financial management mindset, and general managers stopped being leaders, and we hired managers, right? Now it's the Wild West again. Content matters, right? And it -- we have seen it where you can today, in the -- there's still a lot of linear viewing, right, not 25-year-olds, we're not after them on the traditional platform. And by the way, they weren't watching local news 100 years ago either or, I mean, or reading the newspaper. But it makes perfect sense for us to innovate on those platforms and get a younger audience, not wildly younger. I use the example of The Tonight Show. I mean, when Jay Leno was

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on it and Letterman was still on CBS, everybody thought that genre was dead, really. And then Lorne Michaels and Jimmy Fallon came in, understood that social media was a daytime marketing tool, and they doubled their audience and took the average age of the audience down 7 of 8 years. Same time period, same program name, different content attitude. So that's what I'd say about -- I think content -- it's going to be really important in an OTT world that you have relevant content that people really care about. As it relates to non-news content, some of that is simply about it's kind of the same thing, too. You want to have non-news programming exclusive to you that in your market, people have loyalty to. Furthermore, it's economically sensible for us to do it. When you have our kind of scale, right, we're in 33% of the country in large markets, it's cost-effective for me to do a program like Daily Blast LIVE out of a studio in Denver where the cost production is a lot lower and technology costs have come way down. And -- but it's not about replacing syndication per se, right. We have great syndication partners, and we've got some good shows. There's room for all of us, right? But we want to have, as part of our strategic abilities, the abilities to produce original programming, and we're -- and the beauty of doing it for ourselves is I don't have to -- oh, your ratings aren't there and your national syndication, stuff like that. Forget it. I'm going to be patient. I know it's a good show, and I can do that because I don't need national distribution on that show.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

So just switching gears a bit to industry consolidation, kind of the M&A landscape. Now we've had meaningful deregulation last year, a case-by-case review of the top -- potential top 4 duopolies. And do you think the DOJ will provide a road map that is supportive of that type of end market consolidation?

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

So let's focus on the positive first, right? 2 years ago, nobody -- when was Trump elected? So, 18 months ago, nobody thought there was really a path to local media consolidation, which is long overdue, right? And the Trump election changed that, when Pai became Chairman. The end market rules are long overdue, right? The idea that you shouldn't be able to own 2 stations in a market when you have the kind of video competition we do today. I know there's a lot of focus on the Sinclair-Tribune DOJ piece. I don't know exactly what that's going to look like, but I also don't know whether that will be really a marker for the rest of the industry or not or will be specific to that deal, right? So we'll know soon enough. But I think the theory of the case, just the empirical logic of using a definition of the market from the '80s, right, before cable existed, let alone the Internet, it intuitively makes sense that, that doesn't last over time. Whether it lasts the rest of this year, I can't speak to. But I believe, in short order, I think that, that DOJ is going to be modernizing the definition of the market.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Understood. And then you all talked specifically about quantifying the type of synergies that you would see available in a market where you can swap and things of that sort. Can you talk about what that is and what the key, I guess, assumptions would be around the synergies?

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

Yes. So I mean -- and to be candid right now, until we get more updated guidance from the DOJ, so that marker has been 40% broadcast share. You can't go above that. Even if the DOJ stays with that anachronistic definition, we have a lot of opportunities today. Because you could have -- you might have a strong station, but there might be another really weak Big Four and 2 where you might have 2 medium-strength ones. And we are having active conversations about those, okay? Now butt to that M&A piece, that doesn't mean we won't do vertical M&A because vertical M&A actually gives you more opportunity to do in-market M&A, right? So you can imagine getting bigger relative to the cap, and then you do swaps, and you get smaller under the cap, but you actually get stronger and more fortressed because the more you have 2 stations in a market as the characteristic of your portfolio, the better. It's not going to happen overnight, we've said that from the beginning. We're in it for the long haul. But I think when we talk to long-term investors, and they -- the industrial logic of this is so obvious, right, on the mechanical efficiencies and synergies of putting 2 stations together. And it just is -- there's a lot of financial goodness in it for the industry.

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Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure. And not to say -- there's obviously not a particular point in time that you can point to, but just broad thoughts around how you see this playing out, what catalyzes the industry to move forward on this...

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

Yes. I think it's starting now, right? So you have -- I mean, you had the FCC announce the rules in November. They were going into effect like last month, right? We all knew they'd be sued. So there's a demarcation point of uncertainty as would the court stay the rules, right? And there was a lot of people who thought there's a pretty good chance they would, and they didn't. So that -- all of a sudden, that was like, okay, right? Pass that demarcation point. And now they're hearing a case, and they'll come up with a ruling later this year. But I just think, as you look at it from a regulatory standpoint, it continues to go well, right? But I think some groups probably look for more certainty around the rules, but I think others have -- they're assuming it's going to happen. Again, the FCC, and by the way, I should mention this, people have asked us about, well, what does this mean about this case-by-case thing and when you at the FCC are looking at Big Fours. And that's the kind of language they had to write to make it more bulletproof on appeal. But we believe TEGNA has a pretty damn

(technical difficulty)

that is the kind of company that they are going to want to allow to consolidate.

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

And then just to expand on that, we're uniquely positioned from a horizontal consolidation perspective because we have not done a lot of M&A over the last several years, really post-Belo, Midwest aside. But we also have a very good opportunity mechanically and otherwise. I think we've talked about 10% to 15% kind of range of opportunity in horizontal consolidation.

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

On the acquired station.

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

On the acquired station. So we've got capacity, firepower, and we've got the ability to actually leverage a pretty good day 1 set of...

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

And to that point, when you look at our portfolio, a lot of our peers did this roll-up of the small markets years ago, right, so they're under the DOJ radar because of the size of the transactions. We are -- we got 47 stations, 39 markets. The majority of those are in the top 50, right? And so with one exception, every one of those markets, we own a single Big Four. So you have some markets we -- pending a change in the DOJ's definition, we won't be able to do it, but we could do it in more than half our markets today.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

I see.

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

And that will be our intention.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure. And you talked about broadening the footprint. You just closed an acquisition of a CBS affiliate in San Diego. Love to get some more color on that transaction. And do you see those type of opportunities, kind of more tuck-in acquisitions as part of your...

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

Yes. I don't think there's going to be a lot of those available, we actually had our eyes on that for a long time. But for us, that was a perfect fit to our portfolio because it's a kind of station we know how to run well. We have tremendous synergies with it, based on our top-of-market retrans, as well as other centralization efforts and things that we have in scale and the products we bring to bear, like Prem and others that they don't have. Tthere's not a lot of those available out there on that kind of basis, right? And so it really is a one-off in that regard, but a very attractive one.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Sure.

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

And the financial metrics worked very well for us. Aside from the social and all of the revenue characteristics...

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

Quickly accretive.

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

Quickly accretive. It was 6.6x tax adjusted because of the low tax basis, and it still was lower -- significantly lower, than our own multiple even after that. So I think from a financial perspective, it was the right deal for us to do as well.

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

Right. And I also think there's social metrics to that, too. The social aspects of that is that some of these -- in some of the larger companies, too, are family owned or family controlled, whether it's a lot of family members or a couple of family members, but those companies care, in many cases, who they sell to because they've -- those have been there. They've got a lot of emotional investment and it's making these high-quality ones. And so they're very invested in trusting the caretaker.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

I see. I want to just circle back in terms of your content -- the content you produce. We're all pretty familiar with the challenges that we've seen and kind of the national network ratings. Can you talk about just the performance of your ratings over time? We don't -- I guess investors don't see that as much, I think, in terms of...

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

Yes. And it's difficult for us to give you sort of one number because we -- given our size, we actually -- Nielsen has 3, now 4 different methods of looking at ratings -- local ratings depending on the size of your market. I mean, we've got local people meters in the top 25 markets, and then there's a hybrid, and now they're putting coders. And they all pump out very different results. But I would say, look, as I like to say, I got in the business in 1981. Linear viewing has been going down ever since I got in the business, right? There's no cause and effect I hope, but the point being that we're continuing to see declines in linear viewing. But linear -- but local news is more stable than network programming, right? And it's not the kind of thing people do on demand, right? So in that way, it's -- because it's perishable, it's a little bit more bulletproof. I think the challenge for the networks in the scripted entertainment business is that, obviously, there's so much competition now with Netflix and everything else. And unless it's an event, right, a non-scripted event like The Voice or Dancing with the Stars or shows like that, that are water-cooler events the next day -- and I think This is Us has sort of become that this year with NBC, too. They're going to be time-shifted a lot, right, which is not actually great for their economics either. So that's a concern. That said, for us, network prime revenue, absent sports, is less than 12% of our total revenue.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Understood. Well, on your (inaudible) backed by that, okay.. I'd love to get your thoughts, we're -- you're hearing people, again, continue to talk about the opportunities around ATSC 3.0. Love to get just your broad thoughts around what those opportunities might look like, how you think it will play out from here and just (inaudible).

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

Yes, yes. It's funny, I think about ATSC 3.0 like I think about media ownership. I remember about 5 years ago, I was on the Executive Committee of the NAB with some of our peers, and we're talking about ownership, and everybody was saying what couldn't happen. And there were all these obstacles in the way to getting it changed. And I think people talk about that. There's some of that with 3.0 today. I think where there's a will, there's a way. And I think -- so I do think it'll be rocky on the transition piece and figuring that out and figuring out with our network partners. But we're involved right now in an experiment in Phoenix, and we're part of -- actually a founding member of the Pearl initiative. We did actually start that with Hearst and then Belo, which we now tucked-in. And we're living and learning about it. Here's what I think about it: I think that -- I think it's got a great opportunity for broadcasters long term on a 3- to 6-year horizon. Transition is going to take a while. Everybody's got a different point of view. My view is, as fast as the world is changing that if we were -- try to pick what we think is the winning business model for today, I'd probably be wrong. But the way I like to think about it, Clay, is that -- as our Head of Strategy says this -- I think it's really good. The way we think about 3.0 is that -- I don't have my phone on me, so I don't have my prop, but -- is it's like building a national app, a national platform. Think of it as the iPhone. And then -- and it's a game-changing platform, so it's IP, Internet, return path, nationally distributed, rural roads, everything, right? And I think a whole bunch of innovation and other companies will write the winning business model apps for that application. And I think maybe private equity, maybe innovators and -- but those of us that hold the distribution will be in a good position to be monetized out there. But it's like -- and I always like to use the example, so if driverless cars happen faster than we think, entertainment in that car will go from audio to video. And what would be better suited to serve that than a built-out IP distribution system of TV towers across America? So -- and that's an example. I mean, I don't -- but I can't put a number to it, but I can definitely see the opportunity. And I do think broadcasters will collaborate and cooperate. And consolidation makes that easier.

Clayton Keever Griffin - *Deutsche Bank AG, Research Division - Research Associate*

Understood. Well, with that, I think we'll leave it there. We're out of time. Thank you so much for coming.

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

Thank you. Thank you.

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