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PRESENTATION

Operator

Good day, and welcome to the TEGNA Third Quarter 2020 Earnings Call. This call is being recorded. Our speakers for today will be Dave Lougee, President and Chief Executive Officer; and Victoria Harker, Chief Financial Officer. At this time, I would like to turn the call over to Doug Kuckelman, Head of Investor Relations. Please go ahead.

Doug Kuckelman - TEGNA Inc. - Head of IR

Thank you, Doug, and good morning, and welcome to our third quarter 2020 earnings call and webcast. Today, our President and CEO, Dave Lougee; and our CFO, Victoria Harker, will review TEGNA’s financial performance and results. After that, we’ll open up the call for questions. Hopefully, you’ve had an opportunity to review this morning’s press release. If you have not 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 to the most directly comparable GAAP measures in the press release.

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

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

Thank you, Doug, and good morning, everyone. It’s hard to believe it’s only been 6 months since we updated you on our Q1 performance, the first quarter that we were faced with the challenges from COVID-19. And then since then, several significant events have taken place in our country, continued developments in the global pandemic, racial injustice and demonstrations related to those, severe weather, wildfires, hurricanes in many of our markets and of course, most recently, last week’s election.

TEGNA journalists have been there every step of the way in the markets we serve across this country. This includes being actively focused on building trust and combating disinformation during the voting process. One of our greatest responsibilities is being a watchdog for our citizens. And we do that and did that by educating voters through our coverage and by holding elected officials and candidates accountable so voters are armed with the truth before they head to the polls.
And last week, among a sea of misinformation, informing them about the truth regarding vote-counting rules and procedures state by state. News consumers crave, transparent, trustworthy content and want help deciphering what’s real and what’s false in their social media feeds. So this year, our journalists took part in specialized training to detect disinformation campaigns to help our audience detect and debunk misinformation surrounding the elections. We created voter access teams in all our markets to provide information on where and how to vote.

And we also expanded our VERIFY initiative by hiring additional regional fact-checkers to authenticate topics in need of fact-checking, topics submitted by our viewers and users. VERIFY content on our stations’ sites averaged 2.5 million monthly visitors and 830,000 monthly video plays in the quarter, up significantly compared to a year ago, specifically 234% for the monthly visitors and up 701% for the monthly video plays. And this audience is national with approximately 58% of our VERIFY visitors coming to get our fact-checking content from outside our markets.

And now through Snapchat, we're reaching a whole new generation with VERIFY. In just 3 months, we are up to 141,000 VERIFY subscribers on Snapchat with 6.3 million unique viewers already. We're also expanding our reach on over-the-top streaming services, like Roku and Amazon Fire TV, which comprise 70% of the U.S. market currently. We have just completed an update of all of our station apps on Roku, and we’ll launch apps on Amazon Fire TV by the end of the year. And our True Crime Network app is also now available on Roku after an initial launch on Amazon Fire and other platforms in August.

Two updates from this quarter that we are proud of are those that have expanded our commitment to diversity and inclusion, which have always been core to TEGNA's values. The first is the creation of a Chief Diversity Officer role, which has been filled by Grady Tripp. Grady reports directly to me and is working with organizational leaders across TEGNA to execute our diversity strategy.

Under his leadership, we've already held more than 25 employee town halls, established local diversity councils and mobilized an employee-led working group to help provide feedback and input to management on key diversity and inclusion initiatives. Our immediate goals are clear: address diversity in our recruitment and career-development efforts, conduct inclusive content and anti-bias training and further develop our D&I policies and practices across the company.

The second update is our signing of the CEO Action for Diversity and Inclusion Pledge and joining the more than 1,400 CEOs and business leaders who have committed to addressing this pressing societal issue. We are proud of the inclusive culture that has been a part of TEGNA's DNA for years. But know there is more work we can, should and will do to fight systemic racism. Through these 2 recent actions, we've increased our accountability to support these efforts, and we look forward to updating you on progress in this area going forward.

Turning now to our business and financial results. As we noted in our pre-release last month, our record third quarter results are a reflection of the continued execution against our 5-pillar strategy and our expansive portfolio of big 4 affiliates. Through our focused M&A strategy, we have added stations in attractive markets that further strengthened our portfolio and scale and created significant shareholder value. The strength of our portfolio has never been more apparent with record third quarter political revenue of $116 million, and total company revenue was $738 million, up 34% from 2019. And even when you exclude political advertising from the equation, our total revenue still increased 14% on a year-over-year basis.

As we previewed last quarter, this strategically constructed portfolio allowed us to capitalize on political spending in key battleground states, leading up to last week's presidential and Senate elections and House elections, including, but not limited to, the very high-spending states of Pennsylvania, Iowa, Arizona, Florida, Georgia, North and South Carolina, Minnesota, Michigan, Maine and Colorado.

And as you may have heard, and we're not done. We now have not one, but two, U.S. Senate runoff [elections] (added by company after the call) scheduled for early January in Georgia, where we have 2 stations in Atlanta and our strong CBS affiliate in Macon, and the spending has already begun. As I’m sure you know, these runoffs will dictate which party controls the Senate, so fundraising and spending will be significant, to say the least. Through last Tuesday's general election, we had booked $395 million year-to-date, almost 70% above our prior record in 2018 and well above our most recently updated guidance of $370 million.

Turning to our subscription business. It continues to produce a growing and a high-margin recurring revenue stream. For the third quarter, subscription revenue of $317 million was a 32% increase year-over-year, which reflects the repricing of 50% of subscribers that took place in the...
fourth quarter of last year. As a reminder, we have significant upside for continued growth into next year, with approximately 35% of subscribers that will be repriced by the end of this year and another 30% toward the end of next year.

Our rate increases are significant and have far offset sub declines for the last several years, and our large portfolio concentrated on big 4 network affiliates, positions us very well on retrans going forward relative to our peers. For the full year, we now expect subscription revenue to increase high 20s percent year-over-year and significantly, we have seen sequential improvement in subscriber trends for 3 months in a row. And as a reminder, in the fourth quarter, we’ll begin cycling against our 2019 acquisitions and the initial repricing of that 50% of our subscribers I referenced earlier.

And back to political advertising. These high-margin revenues have proven to be immune from the secular and economic headwinds and ecosystem. And our margins on political are even higher than before now that we’ve taken our political sales efforts in-house, saving us $18 million this year and counting. And given our acquisitions over the last few years, we have greater differentiation in our portfolio than in the past, making us well positioned for strong and durable political growth in upcoming even years. Our subscription and political revenues will comprise, as we’ve said before, more than 50% of total 2019/20 revenues, and we expect to see an increasing percentage thereafter.

Turning now to nonpolitical advertising. Earlier this year, we noted obvious uncertainty about the length of the recovery period for our advertising business due to the significant impact of COVID-19, which was obviously felt very much in April, starting in April. Our advertising and marketing services revenues have rebounded at an impressive pace, (corrected by company after the call) sequentially every month since April. In the quarter, we continued to gain share and generated almost $300 million of advertising marketing services revenue, which was up slightly year-over-year, a much stronger performance than many market participants predicted.

This is partially driven by the sales transformation that we implemented over the last years, including bringing our national sales in-house and the strategic benefits of this newly integrated “One Team TEGNA” sales team. Our ad revenues have also benefited from the return of live sports this fall, especially the NFL and college football. In addition, Premion, our OTT ad platform, had very strong double-digit growth in the quarter, benefiting from increased viewing on streaming services and continues to way-outperform more traditional advertising services. We continue to be thrilled with Premion’s performance and trajectory.

Turning now to capital allocation. During the third quarter, we continue to prudently manage our expenses, an extension of our ongoing cost-containment efforts that were in place well before the pandemic. We reduced our total expenses for the quarter by $28 million from the original plan and due to a decline in spending of many nonessential costs. Combined with our strong revenues and benefits of our recent acquisitions, this helped to drive 65% year-over-year increase in the third quarter adjusted EBITDA. Year-to-date, through the third quarter, our expenses are now down $79 million from our original plan.

In September, we completed our third recent debt financing, which extended our maturities, clearing our maturity profile through 2024. Together, these refinancings have also lowered our overall cost of borrowing. We’ve also made progress on our priority of accelerating our debt paydown. In the first 9 months of this year, we reduced net debt by approximately $400 million, while still continuing to return value to our shareholders through our regular quarterly dividend, all of which Victoria will cover in more detail in a moment.

As we look forward to the end of this year, and I know many people are looking forward to the end of this year, we hope to see a continuing improvement of both the broader macroeconomic backdrop and hopefully, a strong national plan that gets COVID under control. I’m sure you all saw the promising news just this morning about a possible vaccine from Pfizer that’s well under production that’s waiting FDA approval. Our strategic positioning prior to the impact of the pandemic and the thoughtful decisions we have made to adapt and thrive have resulted in the strong performance we shared with you today. This year has been clear proof of the durability of our business model and how it will continue to drive shareholder value and serve us through any similar challenges we may face in the future.

Now I’ll turn the call over to Victoria to cover our financials in more detail. Victoria?
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Victoria Dux Harker - TEGNA Inc. - Executive VP & CFO

Thanks, Dave. Good morning, everyone, and thank you for joining us. As Dave discussed, we had a record-breaking third quarter on many fronts due to the strength of our business model and the strategic decisions we have made, not just in these recent challenging months but really since becoming a pure-play broadcast company in 2017. Our diligent M&A strategy has resulted in a very strong portfolio of stations, positioning us well to capitalize on future growth. And the same thoughtful approach to capital allocation decisions has also served to strengthen our balance sheet while growing shareholder value throughout.

Now turning to the third quarter consolidated financial results. As a reminder, my comments today are primarily focused on TEGNA’s performance on a consolidated non-GAAP basis to provide you with visibility into the financial drivers of our business trends as well as our operational results. As a reminder, you'll find all of our reported data and prior period comparatives in our press release. As you saw in our third quarter earnings pre-release a few weeks ago, we've also updated expectations for a few of our key metrics for the balance of this year to help you with forecasting. I'll expand on our outlook in more detail later in my remarks.

For the third quarter, total company revenue was up 34% year-over-year. This was driven by record 2020 political advertising revenue, continued strength in subscription revenue and continued significant sequential improvement in advertising and marketing services revenue. As a reminder, this quarter, our comps benefited from the acquisitions that closed on different dates during the third quarter last year. Excluding the impact of political advertising, total revenue was up 14% year-over-year.

In terms of the subcategories of revenue, the breakdown was as follows. Subscription revenue increased 32% year-over-year, reflecting growth from both our business -- base business and subscription revenue synergies achieved through our recent acquisitions. As a reminder, we had step-ups in retransmission rates for approximately 50% of subscribers, which repriced in the fourth quarter of 2019. Echoing what Dave said previously, subscribers have also been trending better than expected, with 3 straight months of sequential subscriber trend improvement.

Note that for the fourth quarter of this year, our net retrans growth will be lower sequentially as we have lapped our 2019 acquisitions. However, we do expect to see positive net retrans growth next year and going forward. This continued growth in our high-margin subscription revenues, combined with our expansive political footprint, provides us with strong annuity-like EBITDA and free cash flow production. As you saw evidenced by our financial results this year, this has resulted in a more resilient portfolio than we've ever had before, further indication of the ongoing successful execution of TEGNA's strategic plan.

In spite of the impact of COVID-19, advertising and marketing services revenue finished the quarter slightly up compared to last year. This was primarily due to TEGNA stations' great performance in growing market share, recovery in nonpolitical advertising in many categories and the return of live sporting events. We also had the partial benefit of acquisitions that closed on different dates during the third -- last year's third quarter. I'd also note that our advertising, marketing services revenues have shown sequential positive improvements since the onset of the pandemic in April.

To provide some further color on specific advertising category trends. As you'd expect, home improvement, services, banking and financing, medical and fast food were all up above last year. Automotive and retail are improving. I'll note, while they were still down relative to last year, they were sequentially better than last quarter. Not surprisingly, the categories that continue to struggle this quarter were entertainment, travel and tourism.

Turning now to expenses for the third quarter. Our non-GAAP operating expenses for the third quarter were 21% higher on a year-over-year basis driven by the impact of acquisition that closed on different dates last year during the same quarter as well as programming fees, which included reverse compensation associated with higher subscription revenues. Excluding acquisitions and programming expenses, non-GAAP operating expenses were flat driven by increases in Premion cost of sales tied to revenue, offset by reductions in operating expenses.

As we discussed last quarter, at the onset of COVID-19, we acted quickly to implement cost-containment measures, building on efficiencies already in place prior to the pandemic, including reducing all nonessential costs, such as reduced T&E and holding off on hiring of all nonessential positions. Note that these measures were in addition to the continued streamlining of our business processes and company-wide efficiency efforts, such as our One Team TEGNA sales force transformation, further centralization of master controls and implementation of our financial ERP platform, all of which have been underway for quite some time.
As a result of all of these drivers, reported adjusted EBITDA for the quarter was $259 million, producing a healthy 35% margin this quarter, up 65% year-over-year. High-margin political advertising revenue, growth in net subscription profits and ongoing cost-savings efforts all contributed to these strong results for the quarter.

I’d like now to touch on balance sheet and liquidity. As we previously mentioned, we’ve taken a series of proactive steps to strengthen our already resilient balance sheet, both before the current market volatility and over the past several months. On September 10, we successfully completed a $550 million refinancing with senior notes due March of 2026. The proceeds were used in October to repay the entire $350 million of our 2021 notes as well as $188 million of the $325 million 2024 notes, leaving just $137 million due in 2024. The unused borrowing capacity under our revolver stood at $950 million on October 31.

At the end of the quarter, we also had $165 million of total cash on the balance sheet, which is now being used to reduce debt. This resulted in total debt of $3.94 billion for the quarter, producing net leverage of 4.5x or 4.38x as defined by our revolver financial covenant. As a reminder, our revolver has our only financial covenant, which caps leverage at 5.5x based on a trailing 8-quarter EBITDA calculation that also credits cash on hand and other noncash-based items, like stock-based compensation.

As you’ve seen, we’ve continued to generate strong free cash flow, a testament to the strength of our financial model, which focuses on carefully managing our balance sheet while investing in strong EBITDA and cash-flow-producing opportunities. In the third quarter, we generated $153 million of free cash flow, fully 21% of total revenue. Despite high-margin political revenue, which is paid up-front, third quarter free cash flow as a percentage of revenue was lower due to deferred tax payments from the second quarter due to CARES Act as well as significant cash interest payments.

Now to provide a few closing thoughts on capital allocation before I turn to our full year outlook. As you’ve seen in recent months and throughout our history, TEGNA has continued to carefully manage our capital and liquidity to provide shareholder value. We have prioritized investments and subsequently restarted accelerated debt reduction while continuing to deliver our regular quarterly dividend to shareholders. We’ve also remained diligent in evaluating areas for reduced or delayed spending were needed and prudent.

As I mentioned before, many of our operational efficiency efforts were underway well before the onset of the pandemic, proving now to be an increasingly important part of our ongoing strategy. We shared with you last quarter that we will continue to monitor economic conditions and carefully evaluate whether to reinstate our forward-looking guidance. With recent increases in COVID-19 cases, the full impact of the pandemic still remains uncertain, as you’re all well aware. However, there are a few areas I’d like to provide more color on regarding our outlook for the rest of this year and reaffirm what we’ve already announced in our pre-release on October 15.

First, as Dave shared earlier, we now expect subscription revenue growth of high 20s for the full year, an improvement from our prior outlook of up mid-20s. Second, we exceeded our prior political guidance of at least $370 million through Election Day with $395 million already on the books last week. With runoff races, we will finish higher yet. These strong results were supported by the expanded competitive footprint in presidential, U.S. Senate and U.S. House races.

Third, we continue to project full year total capital expenditures of $45 million to $50 million for the full year, including approximately $20 million of nonrecurring spend. And approximately $17 million reduction from our prior guidance of $62 million to $66 million. Fourth, we’re increasing our free cash flow as a percentage of combined 2019/2020 revenue to be 20% to 21%, an improvement over the high end of our pre-COVID 2020 guidance of 19% to 20%.

In terms of net leverage ratio, we now expect to be 4.2x or less by year-end, which is well below our financial covenant leverage cap. And as a reminder, we have only debt that is unsecured. This, we have reaffirmed and expect full year interest expense to be in the range of $210 million to $215 million. Finally, we project our effective tax rate will remain in the range of 23.5% to 24.5%. Hopefully, that additional color will provide greater context for your modeling and forecasting.

And with that, we’ll now turn to Q&A to take your questions.
QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Dan Kurnos with The Benchmark Company.

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

Nice to see kind of the positive continuation of results here. I have 2 kind of higher-level questions, Dave, sort of top of mind here. First, just on the M&A environment, just kind of love to see how you're thinking about that going into '21 post-election. Do you think things start to spur? What do you think the impact the potential you see Supreme Court win would mean whenever that gets heard sometime next summer?

And then you've had a very long string now of positive connected TV announcements here. You've got Premion doing particularly well still. And I think the narrative is starting to shift around how broadcasters can start to improve yields especially as they shift to connected TV. I'd just love to hear some more color on some specifics there. Maybe any granularity on percentage of revenue now or within the next year or 2 that you think comes from connected TV, how you're starting to see yields improve, the growth rates there. Just any more strategy color you could give around that would be helpful, too.

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

All right. Thank you, Dan. Look, let me take those in reverse order, just so I can make sure I cover them all. Look, we're still not in a position to giving numbers on Premion, per se. I think we'll exit the year at a double-digit margin. That doesn't mean for full year, we're saying we'll exit the year at that. Obviously, the second quarter impacted that business, like it did all advertising business, but it's got a very, very nice growth rate.

But we've got -- we've also got other lines in the pond, fishing lines in the pond relative to OTT, connected TV revenues, right? Like I've made -- announcements I made about putting our OTT apps out there on Roku and Amazon Fire. We're part of NewsON, a coalition news cap. That's an app that's already on Roku, and we will continue, I would call it, a long tail of OTT video applications and strategies that will continue to start to be growth in the aggregate.

But obviously, we do benefit immensely from being almost a first-to-market player on the advertising side to take advantage of it. So what the yield on that per se is not something we're willing to quantify at this point, but just to say it will be improving. Obviously, on our own OTT apps, while the numbers will be small initially, the margins are much higher. On those things that we own outright.

As it relates to M&A and the FCC -- look, as it relates to the M&A, just the story is really the same as what we said last time, right? As Victoria talked about capital allocation, we are -- we have the firepower and the kind of balance sheet to be opportunistic if the right opportunity comes along. But our -- at the moment, our priority continues to be debt payback, as we had promised before. But obviously, we're in any and every conversation that's out there.

The Supreme Court is actually a very promising ruling for TEGNA specifically. Again, just to remind everybody on the call what that issue is about. It's not about the ownership cap, it's about the in-market consolidation issue, where the current commission had put new rules in place that would allow in-market consolidation of 2 big 4s on a case-by-case basis and then not got held up by the Philadelphia court.

We actually did not think the Supreme Court would necessarily take the case because they take so few cases, but they did, obviously. And we expect the ruling actually, I think, hopefully, by June or July. And where that goes, if they rule in our favor, and frankly, I think we're inclined to think they -- this is not a case where they're looking at differences between 2 lower courts' opinions. I think the thought is they took this case because they disagree with the opinion of the 1 court that's ruled on it.
But one option would be they throw it back to the Philadelphia court and that would delay things perhaps another 8 months to a year or they directly just throw it out completely and send it back to the FCC and say, “Put the rule in place.” So timing of it, Dan, is really unknowable other than the fact we believe, over time, the industrial logic of this, allowing broadcasters’ consolidation makes sense. And given our portfolio, which is almost comprised of not having 2 big 4s in a market almost other than just a small handful of that, I think we stand based on our size of our portfolio as potentially the largest beneficiary of that regulatory change if it comes to pass. So we’re very enthused about the developments on that so far.

Operator

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

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

I’m going to follow-up a little bit on that, Supreme Court and in-market opportunity. Dave, you sized that up, it was many years ago, but I think you sized it up at north of $100 million in incremental EBITDA. Your station footprint was much smaller at the time. Safe to assume that, without asking you to update that number specifically, that, that number is higher today if you’d get the things we need from the Supreme Court?

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

Yes, Kyle. I don’t want to size it or just say that because the other thing that just put all the puts and takes, the one thing that went backwards from when we made that announcement back then was the DOJ went backwards on their definition of what was acceptable as a result of their -- well, their very extensive review of what was the large failed transaction you all know about in our industry. I’m optimistic actually that a new administration and a new head of the Antitrust Division, that, that can be relaxed as well, but we don’t know that. So that would -- so yes, on one hand, we’ve gotten larger. So theoretically, the size of the opportunity is, but the DOJ’s tighter restrictions could limit some of the markets. So we don’t know where those puts and takes net out yet, Kyle.

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

Great. Victoria, could you give us same-station revenue growth for subscription and AMS and also same-station operating expense growth in 3Q?

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

Actually, I’ve got that already. It’s on my side table over here. So same-store AMS you’re asking for?

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

Yes.

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

In the quarter?

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

Yes.
Right. Just -- yes, so in the quarter, it's high single digits for our advertising and marketing services.

Down?

Oh, yes, down. I'm sorry, I left the minus sign out. But a nice sequential improvement from where we've been.

Got it. And you mentioned it sounded like Premion is going to end the year with double-digit margins. Could you provide an update on the competitive landscape there? Who are you competing most heavily with for inventory and selling against?

Yes. Just to be -- I want to be very specific, again, just when we say we finish the year, we'll be exiting the year with those margins, not that we'll finish the full year with -- in the aggregate with the double-digit margins. Look, there's a lot of players in the space, right? There's OTT inventory, the publishers, there's programmatic services, the cable companies themselves are selling in. So there's a lot of people selling inventory in the long-form space. But the advantage we have is that continue to harp on is that we source our inventory directly from the publishers, so they're not -- unlike exchanges where the publishers aren't as sure about the safety of the environment that they're in, and we're able to make sure they get the ads or what they want in what they want. So -- but there's a lot -- but there are certainly a lot of players, but we're not a straightforward programmatic exchange, like the old days of remnant and display, if you will. It's a higher-end offering.

Got it. One last one. Could you give us your long-term thinking about growth of gross and net retrans?

Yes. I'll take that one. We're -- it looks very good. It looks very good, Kyle. And we've been -- and it's baked in. We know what the variables are. And so we know that -- can't give an exact number, but it's strong, double -- in the double digits.
David T. Lougee - TEGNA Inc. - President, CEO & Director

I'm talking about -- I get -- so -- in gross, we've sort of talked about obviously you see the type of numbers we have on the top end, right? So obviously, the top line can -- with our subs that are up, it's going to look very good. But net-net is going to be in double-digit growth.

Operator

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

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

I have just 2 questions. The first one, if you could just give us a little bit more color on your commentary on the ad market. It sounds like every month in the quarter, you continue to see improvement. I wonder if that stayed consistent in October. And how much core demand do you think is on the sidelines that may come in now post much of the politicals behind us?

And then my second question is really just on your thoughts on the NFL. Press reports does suggest ABC is now in the running. You obviously have ABC affiliates. I'm curious how that might change your view or positioning on those affiliates. And any color that you can share on the NFL.

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

Yes. Thanks, Alexia. So I'll start with the ad market. So we're interested to see as well. Look, I think because frankly, the uncertainty around the election and a little bit to COVID that people have been holding on and waiting to see. I think actually, just in the span of the last 3 days, you now have relative certainty on the outcome of the election, notwithstanding our point about the Senate, which is positive for us.

But also this morning's news about -- and in the CBS 60 Minute story last night, about a plan for a vaccine to be distributed that's already being produced, right, and being stored by the government on the assumption of an FDA approval. So I think that's the kind of news that I think large ticket advertisers are looking for to -- and so I wouldn't be surprised if we saw a nice -- some heavy-ups here in December as a result of what's happened here just this week.

But it's still looking -- it's been pretty decent anyway. And I would really call out auto and retail. I mean obviously, they were hit hugely back in the second quarter, but they've improved monumentally from the standpoint of -- I mean, auto has improved pretty close to -- just a few points out to 50 points from the second quarter to the fourth quarter, right? And it's not quite positive yet. But it is in Tier 2, which is, frankly, our largest category. We're not -- Tier 3 is still not -- is still working to come back, but we're not as exposed to the local auto dealers as well. So auto has really come back very strong, and we really like to see the trajectory that it has.

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

And then on the NFL?

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

Yes, I'm sorry. Yes. On the NFL, look, we don't know whether -- we don't know where it will come out other than we're highly confident that the vast majority of the NFL will stay on broadcast and was from some package on cable. But obviously, as cable has lost distribution, right, there's less and less homes have cable, that's a problem for the NFL. So it actually puts -- it really puts -- gives broadcasting -- so I think part of the ABC rumors and I know nothing, have no inside information or anything about that.
But if I did, I wouldn't comment it, but it makes sense that the conversation now is about putting games on ABC versus exclusively on ESPN. So I'm not surprised that they're in -- they're bidding. And we'll see how it all comes out, but I feel -- we do have quite a few ABC affiliates, so we'll have a lot of exposure to the NFL, no matter how it comes out. We're highly confident.

Operator

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

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

Maybe first, I was wondering, year-to-date, what percentage of your political revenue you took in was in Georgia. And with the senatorial runoffs there, I know it's really tough, and this is pretty unprecedented, but do you have any idea as to just how big that could be since you have a pretty big footprint in Georgia?

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

Yes. So I don't have the breakout of the Georgia's Senate numbers in front of me. Obviously, there were so many massive races in terms of the amount of spending. And they, frankly, I wouldn't say they were amongst the biggest, right? North Carolina was enormous. But they will be now, right? I think actually -- I think in Georgia's spending overall, Steven, that both parties, I think, didn't think it would be competitive -- in the end, be competitive on the presidential side.

And I think -- and they knew 1 of those 2 races was going to be headed to a run-off no matter what, the Kelly Loeffler seat. I don't have -- the Perdue seat was obviously close to not needing a runoff. But whatever the history of that race was, Steven, it won't matter relative to now, right? Because given that it's for control the Senate and big media markets, we're trying to size it now. We don't have, frankly, a good answer other than we know it will be very, very large for obvious reasons.

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

That's fair. Yes, yes. And then I think you have a major distributor that's repricing either late this year or early next year. I think that, that contract is pretty below market rate. I'm just wondering if that's in the recent upgrades you gave to retrans guidance for this year? Or is that more of something that impacts 2021 gross retrans?

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

Yes. I appreciate the question. It's really all about '21. It will not -- it won't even marginally affect our numbers this year.

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

Great. And then last one for me is just on Peacock. You're a big operator of NBC. So I guess, first, I'm just wondering what's happening with ad load on live events now like football games or the Olympics next summer. Do you get any share of that? And when did your NBC affiliation agreement reset? And I'm wondering how Peacock is sort of a catalyst in long-term monetization or in that relationship.
David T. Lougee - TEGNA Inc. - President, CEO & Director

Yes. I appreciate the question. So I wouldn’t speak, Steven, to any conversations we’re having with them. We’re in negotiations now with NBC. The agreement is up at the very beginning of next year. And so obviously, we are having conversations with Peacock as is the larger NBC affiliate association, but it wouldn’t be appropriate for me to comment on those. And so I would just leave it at that.

Operator

We'll take our next question from Doug Arthur with Huber Research Partners.

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

Two questions. Dave, I know you don’t want to pinpoint sub loss declines. I think if I go back to the second quarter transcript, you sort of said it was better than the industry and you were taking a hit in Q2 from COVID. Now you've talked about 3 months in a row of incremental improvement. I'm wondering if you can just frame that a little bit in terms of what kind of improvement you’re seeing and how you see it going forward. And then I've got a follow-up.

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

Yes. I’ll give you a little color on that, Doug. So it is -- obviously, we were concerned during COVID on what would happen to the paid TV ecosystem. But where we ended up back in, say, April, we’re now a point better than that in terms of what the rate of decline is. No, no, the rate of decline is what has continued to decline, right? And there's a theory out there that we're starting to really buy into that as the denominator gets lower, you're getting into a much more durable subscriber base, many of them, sports fans, right?

That -- and because of all the sports that’s on both broadcast but cable as well obviously whether it’s regional sports networks or ESPN or whatever or Turner that the sports fan is going to keep a pay-TV package, and we'll obviously be on any pay-TV package, which -- and that's what we think we’re seeing is that -- again, that virtual traditional mix is a key part of the equation because the virtuals continue to grow, I think, faster than people thought they would because they’re showing really, really nice growth. And so what we're -- we're now -- our sub losses on a monthly basis year-over-year, Doug, are now closer to 5 than they are to 6.

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

Great. That’s very helpful. And then Victoria, all else being equal and assuming -- given the improvement in cash flow, obviously political coming in better than you expected at the beginning of the year, if you do no strategic transaction through the end of 2021, what do you think the debt load looks like at the end of 2021? I know you don't -- just broadly.

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

Well, obviously, below 4x. How much lower than 4x really will be an element of whether we reinstate buyback and at what capacity. That remains one of the levers that we pull, depending on the stock price. So from a capital allocation standpoint, we’ll be balancing that versus accelerated debt paydown versus any investment in the business, whether it be CapEx organically or in terms of tuck-in acquisitions. So all of those still remain elements that are open to us.

Operator

We'll take our last question from Craig Huber with Huber Research Partners.
Craig Anthony Huber - Huber Research Partners, LLC - CEO, MD and Research Analyst

Dave, do you think you could give us a little better sense of how TV advertising pacings are post the election? I heard some of your comments earlier, but maybe just quantify a little bit how they're looking.

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

Actually, they're looking pretty good, Craig, the best full year since the first quarter. Let's say, when you adjust -- take out -- just take the weeks after election day, we're looking at sort of down mid-single digits and improving right around, call it, minus -- it's just roughly minus 5, and it's improving.

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

Okay. Dave, and -- but are you thinking -- I appreciate that. Are you thinking auto is still a drag? Or is that starting to get meaningfully better?

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

It is. Auto is down, but not much worse than that. So it's not relative to the number. It's not much of a drag at all now.

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

Okay. My other question for you, I don't know if you have this, but can you quantify for us the ratings trends that your news in aggregate across your portfolio, maybe evening news, late news and particular, I guess, the morning as well. I mean how is that sort of trending on a year-over-year basis? And how would you say that was versus what that trend was a year ago before this virus?

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

Yes, we continue to see TV viewing overall on our stations up over last year, and local news continues to overperform and frankly, especially with younger consumers. For example, across our markets, persons 25 to 54. Now not everybody 54 considers themselves young, I would. But at the lower end of that, we've seen that growth. And we've been up every month from March to September this year the last numbers we had in evening news viewing over last year. So while we're not -- we don't see the double-digit increases that we did back at the height of the pandemic, we still have year-over-year growth relative to -- especially on the share of the viewership that we have.

And frankly, we probably, in the last month when numbers come out, bled and lost some to cable news at the height of the election. And I think that, that now has settled down, and I think we'll actually even get some of that coming back to us. The bottom line is that, Nielsen put it out, that news is the #1 genre of TV watched among those working from home. And then in September, like 35% of the weekly time spent on television was watching news. And that included cable, but local news is still the #1 game in town.

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

I'm sorry, what about the morning news ratings and also late night? How are those trending for you?
David T. Lougee - TEGNA Inc. - President, CEO & Director

Yes. A little bit it’s been interesting, just on the households, the last I saw, Craig, and this sort of makes common sense because there’s so many less commuters due to COVID that there’s really a temporary loss in early morning available audiences, but conversely, people are up a lot later, so available audiences at 11:00 are higher, sort of which makes sense. But we sort of expect that will kind of seesaw back when COVID normalizes.

Operator

That concludes today’s question-and-answer session. At this time, I will turn the conference back to the speakers for any additional or closing remarks.

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

Thank you, operator, and thanks, everyone, for taking the time to join us today. In closing, I just want to reiterate, again, the resiliency of our business model that has allowed us to continue to perform even during these most uncertain market conditions. And we’re proud of the very important role that we have played for our audiences across the U.S. this year during these very unique times. We look forward to continuing to providing value to our shareholders and all stakeholders in the months and years to come. Thank you for your time. If you have any additional questions, please reach out to Doug Kuckelman at (703) 873-6764. Thank you, everyone, and have a great day.

Operator

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