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TGNA.N - Q2 2025 Tegna Inc Earnings Call

EVENT DATE/TIME: AUGUST 07, 2025 / 3:00PM GMT

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## PRESENTATION

**Operator**

Good day, and thank you for standing by. Welcome to the Q2 2025 TEGNA Inc. 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 first speaker today, Kirk von Seelen. Please go ahead.

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**Kirk von Seelen** - *Tegna Inc - Vice President, Treasurer*

Thank you. Good morning, and welcome to our second-quarter conference call and webcast. My name is Kirk von Seelen, and I am TEGNA's Treasurer. Today, our CEO, Mike Steib; and our CFO, Julie Heskett, will review TEGNA's financial performance and results and provide TEGNA's third-quarter outlook. After that, we'll open the call for questions. Hopefully, you've had the opportunity to review this morning's press release. If you have not yet seen a copy of the release, it's available at tegna.com.

Before we get started, I'd like to remind you that this conference call and webcast includes forward-looking statements, and our actual results may differ. Factors that may cause them to differ are outlined in our SEC filings. This presentation also includes certain non-GAAP financial measures. We have provided reconciliations of those measures to the most directly comparable GAAP measures in the press release.

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

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Thanks, Kirk. Good morning, everybody. Thank you for joining us. Coming up on a year as CEO here, I'm more confident than ever in what sets TEGNA apart. Our strong local brands, high-quality local journalism, loyal audiences, deep roots with advertisers, healthy balance sheet, and a terrific team puts us in a position of strength in this evolving moment for the broadcasting industry.

On the regulatory front, there seems to be positive progress for the local broadcasters who are working tirelessly for the public interest. Chairman Carr now has his majority and appears to be advancing a clear and encouraging agenda to allow broadcasters more scale in local markets and across the US.

Importantly, the Eighth US Circuit Court of Appeals recently handed down a decision to vacate the previous FCC's top four prohibition rule, reasoning that the rule is arbitrary and capricious. The ruling will not take effect for a 90-day period while the FCC assesses whether vacating the rule would be unduly disruptive and/or clear deficiencies found by the court.

However, given Chairman Carr's well-established views on this topic, we believe the ruling will likely take effect following this 90-day period. Of note, the court specifically held at the quadrennial review statute does not provide the FCC authority to tighten existing ownership rules. These developments are a significant step forward for our industry and for TEGNA's wide range of options in this evolving landscape.

While we track these regulatory developments closely, we're staying focused on the work at hand, elevating TEGNA across our key priorities: number one, building a world-class team culture and company operating system that unlocks high-impact execution; number two, leveraging TEGNA's strengths across our stations to improve performance; number three, fully deploying technology, automation, and AI to supercharge our people and running more effective operations; number four, growing digital revenue by deepening engagement with our digital audience; and number five, cutting unnecessary spend in bureaucracy, ensuring time and resources are maximally focused on growing audience and growing revenue.

We're scaling with purpose and discipline in doing it fast as part of building a world-class team. We've named five new regional heads of content reporting to Adrienne Roark. They'll lead content strategy across the country, building centers of excellence and further strengthening TEGNA's award-winning journalism. We're delivering on our commitment to innovate and invest in our local newsrooms.

We're doubling down in the areas that drive our future, local content and digital. Just last month, we announced a major local news expansion, adding dedicated 7:00 AM to 9:00 AM streaming programming in over 50 markets. That's more than 100 new hours of local news every single day, giving people more of the critical local news and information they need to thrive in their communities.

To support this shift, we're using automation and proprietary AI to boost productivity and speed, giving our journalists more time to do what matters most. By automating routine work, sharing resources, simplifying layers and bureaucracy, we freed up more time in dollars to invest in content. The result is better journalism, faster and at lower cost. It is a win-win, and it works in every market.

We're still early in this game, but CTV streaming is a $30 billion market growing quickly, and we are building the muscle to lead in it by overhauling our sales process, reorienting our focus towards the digital opportunity. The big picture is local wins. Catastrophic events such as the recent flooding in Texas highlight the power of local news. There is closer focus on local impact, helping communities rebuild, bringing people together, and helping fund raising for local communities.

There's massive opportunity in local news and community storytelling, and we are built to meet that need. Across platforms, we reach more than 100 million people. That reach is transforming how we create, distribute, and monetize content and how we run the business behind it. We have the historical assets and the team to seize the opportunity and lead in local, digital content.

Before we wrap, I want to take a moment to recognize our Chief Operating Officer, Lynn Beall, who'll be departing at the end of this month after more than 35 years in the industry. It's hard to capture a career like Lynn's in a few sentences. Her leadership across broadcasting has been nothing short of extraordinary. Most recently, she was honored with the 2025 Radio and Television Business Report Lifetime Leadership Award, a fitting tribute to someone who has helped shape the industry.

Lynn, your impact on TEGNA and the broader industry is significant and lasting. You've been integral to supporting me over the past year and helping us craft a growth strategy that is already bearing fruit. We're grateful, and we wish you the very best in your retirement. As we approach the end of my first year, I want to thank the team for their extraordinary efforts to transform the way we operate at TEGNA. Talented and motivated people with an important mission, super powered by technology, can achieve amazing things. And I'm excited for what's ahead.

With that, I'll turn it over to Julie for a closer look at our financial performance and third-quarter guidance.

**Julie Heskett** - *Tegna Inc - Chief Financial Officer, Senior Vice President*

Thank you, Mike. And good morning, everyone. Our second-quarter financial results exceeded our expectations, primarily driven by lower operating expenses, which came in better than our previously announced guidance range. We had anticipated advertising softness to persist during the second quarter.

As a result, our teams continue to take a proactive approach to advancing our broad transformation agenda which is generating top-line growth from various revenue streams. I am thankful to all of our employees for their ongoing focus and execution as we work to build a more sustainable and growth-oriented future at TEGNA.

I will begin today by covering our second-quarter financial results, then provide an update on our operational initiatives and capital allocation priorities before closing with a review of our guidance. Total company revenue for the second quarter decreased 5% year over year to $675 million, in line with our outlook range of down 4% to 7%. The decrease was primarily due to lower political advertising revenue, which is consistent with cyclical even-to-odd year comparisons and softer advertising and marketing services, which was expected going into the quarter.

AMS revenue declined 4% year over year to $288 million in the second quarter, reflecting ongoing macroeconomic headwinds amid economic uncertainty and softening consumer confidence. Some advertisers remained cautious and delayed spending, contributing to weaker AMS performance within the quarter.

As disclosed in our 10-Q filing, Gray Media, a reseller partner of Premion, exited its equity position and shifted to a non-exclusive advertising agreement. This change is reducing Premion-related revenue and therefore negatively impacting year-over-year AMS comparisons by approximately 200 basis points, which began in the second quarter and will continue for the next three quarters. Excluding this impact, underlying AMS revenue declined 2% year over year in the quarter.

Despite near-term market pressures, we are encouraged by the continued growth of our owned and operated digital products, which delivered strong double-digit growth year over year for the third consecutive quarter. We remain focused on accelerating digital initiatives where we have a clear competitive advantage. As Mike discussed earlier, our digital strategy remains on track with our underlying business performing in line with expectations, and we believe the long-term growth opportunity ahead is substantial.

Moving to distribution, distribution revenue in the second quarter was flat year over year at $370 million due to subscriber declines, partially offset by contractual rate increases. In terms of the distribution renewal cycle, approximately 35% of traditional subscribers are up for renewal at the end of this year. This comes after successfully renewing roughly 10% of our traditional MVPD subscribers at the end of the first quarter.

In 2026, we have approximately 30% of traditional subscribers up for renewal at year end. During the quarter, we reached a comprehensive multi-year agreement with FOX Corporation that renews station affiliations for six of our markets. These FOX markets cover approximately 7% of our TEGNA household, which is our smallest affiliate portfolio.

Moving on to cost-cutting initiatives, we continue to drive significant improvements to our cost structure. As we have highlighted in recent calls, we're aggressively deploying technology to run our stations more effectively and cutting all unnecessary spending. It's important to note these improvements focus on our core operations, allowing us to streamline processes while maintaining our high standards of execution. This enables us to provide higher-quality journalism at faster speeds and lower cost.

Second quarter non-GAAP expenses finished down 3% year over year due to these operational cost-cutting initiatives primarily seen in compensation and outside services, partially offset by an increase in programming expenses driven by local sports rights. All other expenses outside of programming finished down 6% below last year, continuing the sequential improvement of structural cost reduction efforts.

We remain on track to achieve our goal of generating $90 million to $100 million in annualized core non-programming savings as we exit 2025. At the end of the second quarter, we've achieved 80% of our target. Our cost reduction program is more than just a target. It's a disciplined zero-waste, zero-based budgeting approach. We are scrutinizing every dollar we spend to ensure resources are aligned with our strategic priorities.

We are reinvesting savings back into the business, but only into opportunities that, a, enhance the quality and reach of our content; or b, drive sustainable revenue growth.

As a result, our total adjusted EBITDA in the second quarter decreased 14% year over year to $151 million based on the previously discussed declines of high-margin political and AMS revenues partially offset by continued cost-cutting initiatives I just spoke about. Turning to capital allocation, we remain committed to returning 40% to 60% of our adjusted free cash flow to shareholders over the two-year period of 2024 and 2025. We paid $20 million in dividends to our shareholders in the second quarter.

On July 2, we called $250 million par value of TEGNA's outstanding $550 million senior notes due in March of 2026 and a partial redemption with cash on hand, which leaves $300 million in par value outstanding. Cash and cash equivalents totaled $757 million at quarter end, and our net leverage finished at 2.8 times. We continue to take a disciplined approach to capital deployment to ensure we are investing for growth in all avenues we believe will create the most value for shareholders.

Now let's turn to our financial guidance elements. As we noted in our press release this morning, we are reaffirming our adjusted free cash flow guidance of $900 million to $1.1 billion over the combined two-year 2024-2025 period. You can see all of our full year guidance metrics in our earnings release. We are lowering our full-year 2025 interest expense guidance range to $160 million to $165 million, reflecting the $250 million par value partial redemption of our senior notes due in March that I just mentioned.

Our financial guidance for the third quarter is as follows: we expect total company revenue to decline 18% to 20% year over year, in line with expectations, given the cyclical nature of our business, specifically the shift from an even year with significant political and Summer Olympic advertising to an odd year without those revenue drivers. We expect non-GAAP operating expenses to decline 2% to 3% year over year.

Before I close, I want to take a moment to recognize an extraordinary leader, our Chief Operating Officer, Lynn Beall. As Mike already said, she is retiring at the end of the month. I have seen firsthand the commanding and lasting impact she has had, not just here at TEGNA, where she spent more than 35 years shaping our culture, operations, and success, but also across the entire industry. Her leadership, strategic vision, and countless contributions have elevated the standard for excellence in local media.

On a personal note, Lynn is the person who hired me into this industry and has been a tremendous mentor and coach for more than two decades. I am deeply grateful for her guidance, friendship, and unwavering commitment to developing those around her. On behalf of all of us at TEGNA, thank you, Lynn. We wish you the very best in your well-earned retirement.

In closing, our strong brands, robust local presence, a growing digital focused workforce, and industry-leading balance sheet position us well to invest in internal growth opportunities and those that arise from potential deregulation. We continue to generate results in line with expectations while investing for the future in local journalism, local content, digital development, and in our people.

With that, operator, let's open the call for questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Dan Kurnos, the Benchmark Company.

**Dan Kurnos** - *The Benchmark Co. LLC - Analyst*

Yes, thanks. Good morning. Appreciate the color as always, guys. Mike, I guess, two. I know you did NBC last year. But obviously, they've come under some more scrutiny from Chairman Carr. And given how much they're continuing to shift exclusively on to Peacock, I just wonder if you think that anything might evolve in terms of the structure of that deal or if you're just simply locked in because of the deal that you did last year?

And then secondarily, I know that you have a lot of wood to chop, and you've done a great job kind of reorganizing the business towards internal growth initiatives. I'm just kind of curious where you're headed at in terms of a sense of urgency from an M&A perspective, especially since you've got both in-market and out-of-market opportunities. You don't have quite the same duopoly portfolio that others have, and so it kind of broadens the spectrum for how you can attack the M&A landscape. So I'll just stick with those two because that's probably already a mouthful.

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Thank you, Dan. So I'll start with NBC. First, it's important to say that the network affiliate relationship is important and it is symbiotic, and we value our network partners. And we approach those partnerships with a constructive mindset, in particular around the preservation of the linear bundle, which has served this industry so well for such a long time.

I'm also grateful that Chairman Carr is so focused on the good work that local broadcasters (technical difficulty) communities and is looking to continue to help us uphold public interest to those communities. Beyond that, there's nothing to comment on in our network relationships. You saw that we had a constructive engagement with FOX this quarter, and you should expect to see us to continue to work collaboratively with our network partners.

Your second question -- and specifically, you asked how much urgency we feel. Forgive me for being repetitive, but I'll come back to it. First, we believe that deregulation is necessary, important, and coming. Our industry is up against big tech competitors who have absolutely no encumbrances in how they compete across the country and in our markets.

Secondly, we believe that when (technical difficulty) create a significant profit pool for the broadcast industry, and we have every expectation that we will participate. We've told you that we are either a buyer or a seller, depending upon how the opportunities present themselves. And you've already heard in the last few weeks from some of our peers in the industry about swaps, which are great opportunities to be both the buyer (technical difficulty) parties.

We believe that it's a great opportunity, but we also have a strong balance sheet and a great set of assets. And we are going to be disciplined in how we approach this. And so we are continuing to take that approach. We're excited about the possibilities, and the team is doing their work.

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**Dan Kurnos** - *The Benchmark Co. LLC - Analyst*

Okay. Thanks, Mike. I appreciate it.

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**Operator**

Craig Huber, Huber Research Partners LLC.

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**Craig Huber** - *Huber Research Partners LLC - Analyst*

Yes, hi there. Thank you. I got a couple of questions. Maybe I'll start with the first one. You've spoken a lot over almost the last year now about significant cost savings at TEGNA using technology. Can you give us some of the biggest areas where you've used AI and technology to take out costs? What are some of the biggest wins you've had on taking costs out using technology, just some examples, please?

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Sure, Craig. I have some higher-level examples, but I won't for today's call, contextualize those and Julie's sort of specific cost-saving numbers that she's been sharing with you. First, I'll make an important distinction. We often think about AI's involvement in the content creation itself, and that's not where we are playing. We believe you need good journalists (technical difficulty) and we have done -- I'm sorry about that.

So let me come back to the examples. We (technical difficulty) and we are doing analysis of the workflows of every person and every business process in the company, that there are a number of activities that are sort of rote and could be automated, and we're looking for opportunities to automate those.

One example is transcription. We've had a lot of journalists who finish an interview and then handwrite the interview. Another example is video editing. It takes a lot of time to edit videos, and we have found ways to deploy AI to do the video editing. Another is identifying new stories before the team gets to the office. We receive lots of e-mails from sources, and those can be summarized and presented to the team so that they can jump on the hottest opportunities.

We see opportunities on the sales and go-to-market side as well, creating draft campaigns for prospects, warming up leads with new advertisers through e-mail campaigns, and others. It's not one or two or even three potential AI automation initiatives. It's a full company mindset around demanding that our people spend their time on the high-leverage activities that only good, smart people can do and have an expectation that when they can offload rote tasks, they will.

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**Julie Heskett** - *Tegna Inc - Chief Financial Officer, Senior Vice President*

One thing I would add -- Craig, this is Julie. Just on the cost side and future leveraging cost of capital coming down, both from a technology perspective as well as space is real estate. And we're finding really good progress on building, if you will, stations of the future, which is a smaller footprint from a square footage perspective, spending potentially 80% less in CapEx, utilizing the new technology and the virtual technology that is available to us, and also identifying about 50% less in operating expenses by taking advantage of these opportunities.

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**Craig Huber** - *Huber Research Partners LLC - Analyst*

Great. I appreciate that. I also wanted to ask you, can you talk a little further about your outlook for core advertising here in the third quarter year over year. What's it trending like right now, please?

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Yes. Let me -- I'll touch just first on the sort of macro piece of that is, as we look at it, the economy seems to be strong but choppy and so far as first quarter was close to flat year-over-year growth. Second quarter, you saw a spike to 3% growth, and tariffs certainly played a role in all that. As we look to Q3, the blue-chip consensus was for GDP growth around 1% in the Atlanta Fed outlook based on the latest data is about 2.5%.

So overall, we think the economy is heading in the right direction. At the same time, and as I've shared with you all on these calls before, my experience is that uncertainty in the economy is not good for collecting advertising revenue. The advertisers tend to sit on the sidelines a little longer until they feel confident in the direction of the economy. It's also been my experience that they always come back, and you get to reclaim the dollars you didn't take when advertisers were feeling that uncertainty.

So at a high level, we sort of understand that the ad market might be a little bit softer right now, relative to our view of the macro economy. It's also been my experience that the advertisers tend to catch up with more in their pockets from the money that they kept on the sidelines in the previous quarter or quarters.

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**Julie Heskett** - *Tegna Inc - Chief Financial Officer, Senior Vice President*

Yes, I agree with that, Mike. And I would add, Craig, another thing that is specific to TEGNA, a couple of things. One is Q3 is a tougher comp with our NBC portfolio being the largest NBC affiliate group, up against the Summer Olympics last year. So that is unique to our Q3 advertising trends. It's probably a disproportionate impact. Second thing is, as I said in my remarks, is the change of our Premion reseller partnership, which is also impacting our AMS trends going forward that began in Q2 and now it will take three additional quarters to lap that.

That was also about 200 basis points. And positive growth in digital of our owned and owned properties continues to ramp up, and our go-to-market strategy of training up on capitalizing on the digital growth area is continuing to improve on a sequential basis. And then I would say, while July and August are substantially weaker because of more of the Olympic and the trickle-down of the tariffs, I can tell you, exiting Q3 September is in a positive direction and pacing up on a year-over-year basis.

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**Craig Huber** - *Huber Research Partners LLC - Analyst*

So when you roll that all together, Julie, where is the overall quarter looking like advertising might end up being the core advertising? What percent change, I guess, down year over year?

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**Julie Heskett** - *Tegna Inc - Chief Financial Officer, Senior Vice President*

Yes, so we don't guide to advertising specific. You saw the comments of total revenue is projected to be down 18% to 20%. And I would say advertising is going to be in that low doubles to mid-teens range.

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**Craig Huber** - *Huber Research Partners LLC - Analyst*

Very good. Thank you.

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**Operator**

Steven Cahall, Wells Fargo.

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**Steven Cahall** - *Wells Fargo Securities LLC - Analyst*

Thanks. So Mike, helpful comments about how you kind of think about the M&A market, and I know there's a lot of options there between being a buyer or seller. One of your peer CEOs is just saying that everybody is talking to everybody right now. So I was wondering if you could give us some perspective as to whether or not you think this is more of a buyer's market or more of a seller's market.

When I kind of look at things, it seems like there are quite a few things maybe for sale, not that many with at least cash for purchasing, which may skew those conversations in a particular direction. But I just wanted to know if that's correct or if some things that maybe we've missed in that characterization. And again, I know whatever deals you do will be subject to those exact terms.

And then maybe just secondly, on reverse comp, are you seeing any sort of paradigm shifts in the way that these are done, whether it's the pricing algorithm, fixed versus variable? I know the renewal you did was relatively small in terms of your household, but just wondering if there's any trends that you've seen in reverse that you think are sort of bigger picture for the next few years. Thank you.

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Thank you. On the first question, I can't answer for the market. I can only answer for the market through our perspective. And our perspective is we have a strong balance sheet and strong relative to the market, and we have great assets. It should create significant value creation opportunities for our shareholders.

And so we're engaged in the market, as you would expect us to be, seeking to identify the way to create the most value for our shareholders. And as we've noted, there are acquisition, swap, and sale opportunities that can benefit across the board. We have a wide aperture on this. And at the end of the day, it is our job to be dispassionate capital allocators and do what's best for the shareholders. The second question, Julie, do you want to jump on the sort of reverse retrans?

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**Julie Heskett** - *Tegna Inc - Chief Financial Officer, Senior Vice President*

Yes. So, Steven, I'll take that one. If you recall last year, I think we were one of the initial companies to identify a bend in the curve of what used to be a steep growth expense line item of programming fees with the networks as they come up for renewal, there are opportunities to renegotiate and have favorable terms for both parties, quite frankly, on the partnership of those deals. So that continues to play out. Our reverse comp programming fee line item continues to be flattish as we look at year-over-year trends of each of those agreements.

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**Steven Cahall** - *Wells Fargo Securities LLC - Analyst*

Great. Thank you all for the color.

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**Operator**

(Operator Instructions) Pat Sholl, Barrington Research.

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**Pat Sholl** - *Barrington Research Associates, Inc. - Analyst*

Hi, thank you. I just have a follow-up question on Premion. Just with the exiting of the reseller relationship, can you just maybe talk about -- just overall, how advertisers view that product. Was that kind of just focused more on the TEGNA footprint? And any just sort of broader impact that might have within, like, for national advertisers or wider political buys?

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

On Premion, something I've shared with you all before, I've spent a lot of time with our sales team and our customers on Premion. And it is a real value to local advertisers who have a relationship with our sales teams and trust our sales teams and have had that consultative partnership in helping them to reach their audience and reach their business objectives on television.

Half of the audience left the traditional linear television bundle and went to streaming. And we're able to go to those advertisers and offer them not only the reach that they've gotten historically at buying TV, because now they can buy from us both TV and connected TV streaming, but in addition, a layer of demographic, psychographic, and location-based targeting that helps them to enhance their buy and improve their return on investment.

The Premion business is also highly synergistic with the efforts that we've leaned into very hard this year around our owned and operated streaming apps. It's driving significant growth in our total digital unique audience and minutes streamed every month and is creating a real and significant opportunity for us on both fronts. So we're excited about Premion. We are engaged in conversations with folks around expanding the Premion service. As you can imagine, we had a good and constructive partnership with Gray and we're keen to have more like that.

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**Pat Sholl** - *Barrington Research Associates, Inc. - Analyst*

Okay. Thank you.

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**Operator**

Thank you. I'm showing no further questions at this time. I would now like to turn it back to Mike Steib for closing remarks.

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**Michael Steib** - *Tegna Inc - President, Chief Executive Officer, Director*

Well, I, just as always, thank everyone for your interest. We're a year into this journey right now. And I want to reiterate, I'm extremely proud of the team. It is difficult to change the strategic and operational and pace of execution in the way that's necessary to capture this moment of opportunity. But the gang has really stepped up, and I'm really excited about the future. So I thank everybody for your engagement, as always, and talk to you next quarter.

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**Operator**

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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