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PRESENTATION

Operator

Good day, and welcome to the First Quarter 2021 TEGNA Earnings Conference 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, and good morning, and welcome to our first quarter 2021 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 will open the call for questions. Hopefully, you've had an 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, and we have provided reconciliations of those measures to the most directly comparable GAAP measures in the press release.

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

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

Thank you, Doug, and good morning, everyone. As Doug mentioned, during today's call, Victoria and I will provide an overview of our performance in the first quarter, which was TEGNA's strongest first quarter since becoming a pure-play broadcasting company. We achieved record total revenues, record advertising and marketing services revenues, record subscription revenue, record net income and record adjusted EBITDA, all while making progress on our debt paydown and growing our free cash flows. And we expect continued growth as we look forward to the second quarter and remainder of the year.

As you saw in our release today, advertising and marketing services were up 9.4% year-over-year. Growth was driven across markets from both traditional and digital advertising, including our innovative offerings such as Premion as well as continued expansion with more advertisers. Victoria will provide more color on performance of individual advertising categories during the quarter shortly.

Premion, our first-to-market, over-the-top advertising platform has continued to evolve and expand to best serve the needs of regional and local advertisers. With further acceleration of growth this year, we're now updating our projection for the full year with our new expectation that Premion will close out 2021, with revenues 45% to 50% higher than 2020. Our partnership with Gray is also helping drive Premion's already exceptional growth by expanding our local footprint and leveraging Gray's sales footprint.

Turning now to subscription revenues, which have been supported by the improvement of sub trends to levels we have not seen since 2019. It is down in the quarter less than 5% and closer to 4% in the most recent month. Subscription revenues were a first quarter record, up 16% year-over-year and are on track to grow mid- to high teens percent this year. The combination of contractual rate increases in our multiyear retrans agreements, strong renewal step-ups and improving subscriber trends has supported this continued growth. In 2020, we repriced approximately 35% of our subs and will reprice an additional 30% toward the end of this year, supporting our expectation for net subscription profits to grow in the mid- to high 20s percent this year, 2021.

And as a reminder, we reached a comprehensive multiyear affiliation agreement with NBC earlier this year for our 20 TEGNA NBC markets nationwide, including 10 of the top 25 NBC markets. We now have clear visibility into future expenses through multiyear network affiliation agreements, which cover 94% of our big 4 subscribers through the end of 2022 and beyond.

Turning to strategic and content updates from the quarter. TEGNA is positioned to continue to leverage streaming growth in 2 distinct ways. First, through Premion, as I noted on the ad side; and second, by expanding our news and information, entertainment content through streaming platforms. Last week, we participated our first ever IAB NewFronts to showcase our digital marketing solutions, including Premion, to a large audience of advertisers and agencies. More than 1,000 people engaged with our NewFronts session including people watching live through the IAB's stream and those who have streamed it on demand and will continue to, which can be reached -- seen on tegna.com/newfronts.

During our presentation, we announced new attribution capabilities for automotive and tourism clients to help them understand consumer behavior throughout the buying cycle. For those unfamiliar with TEGNA Attribution, it connects TV and streaming-viewing habits with outcome metrics such as website visits, but also brick-and-mortar store visits. Now, for example, car dealers advertising through TEGNA and Premion, will be able to see how their media dollars are bringing foot traffic to their dealership and driving new car sales.

The second way we're leveraging streaming growth is through distributing our content across OTT platforms. In the quarter, we inked a new distribution deal with Amazon for all our stations to provide on-demand news on Amazon's news app on Fire TV. This is in addition to completing the rollout of Fire TV apps for all of our stations during the quarter.

We also began expanding Locked On's daily sports podcast to OTT platforms, which is one of the opportunities we saw as part of that acquisition. Specifically, we've launched video simulcast of some of Locked On's podcasts that are now available on our local stations OTT apps. We've also announced that we will launch a stand-alone OTT app for Locked On later this year. VAULT Studios' podcast content has also expanded through our Amazon partnership with the entire VAULT catalog now available on Amazon Music.

And last week, we debuted our national VERIFY brand, building on the substantial growth of VERIFY content on our station properties over the past few years. VERIFY is dedicated to helping the public distinguish between true and false information by fact checking claims through research and credible sources with our many talented journalists. Consumers can now text VERIFY to submit any story question they want verified.

Turning now to capital allocation, where we've continued to deliver on the actions we said we would take. Last year, we communicated that one of our top capital priorities was to pay down debt, following our temporarily increased leverage to finance our 2019 acquisitions. We've made considerable progress here ending the quarter at a net leverage ratio, almost a full turn lower than where we were this time last year. And as we've said before, we expect to end the year at low 3x, well below our 2020 year-end level of 3.95x.

We've also communicated that we will evaluate the most appropriate use of capital given the current market environment, with an eye toward creating and returning value to shareholders. Again, we have delivered on this with the recently announced 36% increase to our quarterly dividend, which begins this July, which closely followed our Board's authorization of a 3-year $300 million share repurchase program, which provides us the option to buy back shares when we determine it's most appropriate.

TEGNA's strong business performance supports our growing cash flows, which provides us the ability to return value to our shareholders through these capital allocation actions. This flywheel is expected to continue as reflected in our second quarter and recently updated full year guidance, including our expectations for free cash flow as a percentage of 2020, 2021 revenues on a 2-year basis to reach 21% to 22%.

On the expense management side, we have remained diligent in cost containment efforts since the beginning of COVID-19, expanding on the efficiencies we'd established well before the pandemic. We're still on track to drive up $50 million of recurring annualized savings this year and will continue to generate increased savings through careful execution of cost and efficiency initiatives. Victoria will discuss our expense management initiatives in more detail shortly.

During our fourth quarter earnings call earlier this year, I provided you also with an update on some of the key actions that our Board and management have taken to further install diversity, equity and inclusion in our culture here at TEGNA. DE&I remains a top priority for our leadership team, and we've continued to take steps to ensure that our broader workforce both reflects the communities we serve and receives the support they need to grow their career at TEGNA.

With that focus in mind, last year, we developed a first of its kind, inclusive journalism program in partnership with diverse leaders at TEGNA and at the Poynter Institute, a leading nonprofit journalism organization. This program is specifically geared to address unconscious bias in news reporting, sources and content development through training and third-party audits. All newsroom staff inclusive of news, digital and marketing employees are currently taking part in this program and training throughout the year in 2021. Many of already have it, and by the end of the year, everyone will.

And notably, last Thursday, in recognition of our actions and commitment to coverage and storytelling around race and inequality, TEGNA received 6 regional Edward R. Murrow Awards for an inaugural award this year, Excellence in Diversity, Equity, and Inclusion.

We also took action at the beginning of this year to hold us accountable for making forward progress on inclusivity across TEGNA. As a reminder, we have established specific measurable 5-year goals to increase black, indigenous and people of color representation in content teams, news leadership and overall company management. You can find additional information on these goals as well as our broader DE&I efforts and accountability in our Social Responsibility Highlights report and website.

Before I turn the call over to Victoria to cover our financial results in more detail, I want to thank -- take a moment to thank all of our colleagues and journalists for continuing to deliver important, impactful news to viewers in our local markets across the country. As local markets, we play a critical role in convening and facilitating important discussions, including about race, inequality and systemic injustice in our communities. TEGNA journalists across the nation are helping us deliver on this role every day and making communities more tolerant of each other and making them more informed in every way, and we thank them again for their dedication.

I'll now turn the call over to Victoria.

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

Thanks, Dave. Good morning, everyone, and thank you for joining us. As Dave discussed, this past quarter was our best first quarter since becoming a pure-play broadcast company in 2017. Our record performance not only reflects the strength of TEGNA's business model, but our focus on execution on all 5 pillars of our strategic plan.

As you've seen, our disciplined M&A strategy has resulted in a strong portfolio of stations, delivering on current synergies while positioning us well to capitalize on future growth. That same thoughtful approach to other aspects of our capital allocation, ranging from our recently announced dividend increase as well as ongoing organic investments, has also served to strengthen our balance sheet while growing shareholder value.

Now turning to the first 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. You'll find all of our reported data and our prior period comparatives in our press release.

As you saw in this morning's release, we provided guidance on key second quarter financial metrics, while reaffirming our full year 2021 guidance. In addition, we've shared our expectation for Premion revenues to be up on a full year basis between 45% and 50% over 2020. We've also added more detail on the operational drivers of our projections. I'll touch on our outlook on all of these categories later in my remarks.

For the first quarter, total company revenue was up 6% year-over-year, driven by record first quarter advertising and marketing services as well as subscription revenues despite being up against record first quarter political revenue last year of $47 million. Total revenues were up 41% compared to the first quarter of 2019, also driven by the impact of our acquisitions.

In terms of revenue stream growth, here are some additional details on drivers. As Dave referenced in his remarks, subscriber trends have continued to improve with the rate of year-over-year decline in February, the most recent month of reporting, the best it's been since 2019, down mid-4% below last year.

Subscription revenue increased 16% year-over-year this quarter, reflecting strong Big Four retransmission rates with approximately 35% of subscribers, which repriced in the fourth quarter of 2020. As a result of these rates, as well as subscriber trend performance, we continue to forecast positive net subscription profit growth in the mid- to high 20s in 2021 and growth well beyond that, too.

This growth in our high-margin subscription revenues, combined with our expansive political footprint, provides us with strong annuity-like EBITDA and free cash flows as well as a clear view of the strength of forecasted trends well into the future.

Now turning to advertising and marketing services revenues, which produced a record first quarter. As you know, our AMS revenues serve as a key growth driver to support our second quarter and full year 2021 guidance. AMS finished first quarter up 9.4% compared to the first quarter of last year. And notably, AMS was also above the first quarter of 2019 pro forma.

First quarter AMS year-over-year growth was driven by both traditional as well as digital advertising revenues, including Premion. We continue to see recovery in nonpolitical advertising in many categories with strong audience metrics in both traditional and digital platforms.

To provide some further color on specific advertising categories performance in the first quarter, most categories were up over last year, including auto, services, health care, home improvement, entertainment, gambling, insurance, banking and finance, packaged goods and education. Automotive, our largest ad category improved significantly, up low double digits relative to last year. Not surprisingly, advertising categories, which continue to struggle where retail, restaurants, travel and tourism, given the ongoing impacts of COVID. That said, with vaccination levels increasing across the country, we look forward to these categories continuing to improve over the balance of the year.

In addition to these positive first quarter trends, advertising improvement is continuing apace in second quarter as well, with AMS pacing significantly positive to last year with all categories up year-over-year. In the second quarter of 2020, advertising was particularly challenged given the pandemic and businesses being shut down across the country. That said, we expect second quarter AMS to be up low single digits relative to second quarter 2019 pro forma.

Turning now to expenses for the first quarter. Non-GAAP operating expenses were $528 million, up 5% compared to the first quarter last year, driven by higher programming fees, including reverse compensation associated with higher subscription revenues in the quarter.

Operating expenses, less programming costs, were up less than 1% year-over-year despite continued investments in growth areas such as Premion. Operating expenses, less programming and Premion, were down fully 3% year-over-year as we continue to drive further operating efficiencies across the company.

Now to provide more color on the specific cost management initiatives, which Dave touched on earlier. Our expense savings in 2020, of course, included reducing all nonessential costs and discretionary capital expenditures during the early days of the pandemic in order to protect the long-term health of our business. However, it's important to highlight these measures were in addition to the ongoing streamlining of our processes and company-wide cost reduction efforts, which we had begun well before then.

As discussed in our prior calls, these have been underway for some time as part of our culture of thoughtful cost management through operational leverage. Examples of these efforts include: the successful integration of our One Team TEGNA sales organization, bringing national sales in-house; further upgrades and efficiencies to our centralized streaming center, also known as master control; and a strategic decision to reallocate digital investment away from commoditized products like paid media to focus on growth in video across the portfolio, including Premion.

As a result of these efficiencies we've gained, we've already achieved our 2021 $50 million annual run rate expense target several quarters earlier than we had planned. These permanent expense reductions, coupled with revenue growth investments, will produce strong EBITDA margins and free cash flow conversion this year and for years to come.

As a result of all of these drivers, we achieved a record first quarter adjusted EBITDA of $231 million, representing a 32% margin this quarter and a 33% margin, excluding Premion. As we previously discussed, we are intentionally investing in Premion's growth to take market share.

Adjusted EBITDA was up 9% year-over-year and up 51% compared to first quarter 2019. Record first quarter AMS and subscription revenues as well as these ongoing cost savings efforts all contributed to these strong results for the quarter.

I'd now like to touch on balance sheet and liquidity. As we previously mentioned, we've taken a series of proactive steps to further strengthen our balance sheet even prior to the pandemic. As you may recall, in September 2020, we successfully completed a $550 million refinancing with an offering of senior notes due March of 2026, opportunistically leveraging a historically low interest rate environment. These proceeds were used in October 2020 to repay the remaining balance of the $350 million of 2021 notes as well as $188 million of our 2024 notes. The unused borrowing capacity under our revolver stood at $1.2 billion on March 31st of this year. The only remaining maturity due over the next 5 years is the remaining $137 million of our 2024 notes callable at par in 2022.

Total debt at the end of the quarter stood at $3.5 billion, producing net leverage of 3.82x or 3.77x as defined by our revolver covenant. As a reminder, this calculation excludes certain items such as stock-based compensation.

The strong performance of entire portfolio of stations supported accelerated debt reduction during the first quarter 2021, allowing us to achieve our expected full year net leverage of low 3x by year-end. Obviously, this leaves us ample leverage headroom under our only financial covenant related to the revolver, which caps leverage at 5.5x based on a trailing 8-quarter EBITDA calculation.

Reflecting our strong financial results in 2020, including our reduced leverage, S&P affirmed our BB- credit rating in February, while revising their outlook to positive, given the strength of our balance sheet and operating trends.

Now turning to free cash flow. We've continued to generate strong free cash flow, a testament to our financial model and our ability to carefully manage our balance sheet. We generated a record first quarter free cash flow of $159 million, 22% of total revenue, driven by strong subscription and advertising revenues in the quarter.

Based on first quarter results, our second quarter outlook and improving trends, we recently increased our full year free cash flow percentage of 2-year revenue to be 21% to 22% for the year 2020 to 2021. As a reminder, for your modeling, based on our record 2020 results, we anticipate second quarter cash tax payments in the range of $120 million to $125 million in Q2, relating in part to 2020's historically high political revenues.

Just to provide a few closing thoughts on capital allocation before I turn to our second quarter and full year outlook. As has been true throughout our history, TEGNA has remained prudent and disciplined in managing our capital and liquidity, particularly during this recent period of uncertainty. We prioritized investments and continue to pay down debt, while continuing to deliver our regular quarterly dividend to shareholders. Additionally, we recently renewed our share repurchase program, which includes an authorization of $300 million over the next 3 years. Beyond that, we recently announced a 36% increase in our dividend beginning in July.

As Dave mentioned, given our significant cash flow generation, we're carefully analyzing our options for capital deployment, including returning additional capital to shareholders, while still continuing to pay down debt and evaluate any inorganic and organic investment opportunities.

On the M&A front. Each of the stations we acquired in 2019 have been fully integrated and are performing very well, including realizing the synergies associated with those acquisitions. The same is true for our True Crime Network and Quest multicast networks, which we also acquired in 2019. This is a true testament to TEGNA's ability to not only identify opportunities that complement our portfolio, accretive to EPS in approximately 9 months and immediately free cash flow accretive, but also to successfully integrate and execute on the synergies related to our acquisitions.

Now turning to second quarter and full year 2021 guidance. In an effort to help forecast our near-term results, I'll now provide several key quarter ahead financial guidance metrics. As a reminder, the second quarter of 2020 was most significantly impacted by COVID-19. Therefore, year-over-year revenue comparisons are favorable while expense comparisons will be less favorable.

For the second quarter, we expect total company revenue to be up mid- to high 20s percent, driven by growth in both AMS and subscription revenues, partially offset by political revenue last year. We forecast operating expense in the second quarter to increase in the low double digits percent compared to second quarter 2020, driven by increased programming expenses associated with higher subscription revenue. Excluding programming costs, we project expenses to be up in the low double-digit range, the majority of which is driven by Premion growth.

For full year 2021, we expect subscription revenues to be up mid- to high teens percent based on MVPD renewals completed at the end of 2020 and based on stable subscriber trends. Recall, we will also be renewing approximately 30% of our subscribers during the fourth quarter of 2021. The growth in subscription revenue is proof positive our ability to work collaboratively with our partners to drive strong revenue and free cash flow for both companies, both now and well into the future.

As Dave mentioned, after renewing our NBC affiliate agreement at the beginning of this year, we entered the year with a clear visibility into the strength of our Big Four relationships with network affiliation agreements in place covering 94% of our Big Four subscribers through the end of 2022.

We expect growth in 2021 full year EBITDA and free cash flow also continue to benefit from the significant cost reduction initiatives that have been underway for the past 24 months. As a reminder, here's an overview of our updated key full year 2021 guidance elements. Corporate expense is expected to be in the range of $44 million to $48 million. Depreciation is projected to be in the range of $62 million to $66 million. Amortization is projected to be in the range of $60 million to $65 million. Interest expense, reduced due to the benefit of our refinancing, is expected to be in the range of $187 million to $192 million.

We expect capital expenditures to be in the range of $64 million to $69 million, which includes nonrecurring capital expenditures of approximately $20 million to $22 million, comprised mostly of UHF VHF transitions as well as a continuation of our centralized streaming facility.

Our effective tax rate is expected to be in the range of 24% to 25%. We expect to end 2021 with net leverage in the low 3x, absent any other uses of capital beyond deleveraging.

Finally, we expect free cash flow, as a percentage of estimated 2020 and 2021 revenue of 21% to 22%. Hopefully, that additional color will provide you with greater context for your modeling.

And with that, we'll now turn the 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*

Strong guide, guys. Just Dave, maybe on the Premion to start since it's topical lately. Maybe if you can just talk about the drivers between rate -- CTV rates have obviously been up. I know you guys are more local focused. It's more of a wholesale. But rates -- between rate, volume, logos, and I'm assuming that Premion probably doesn't have a great acquisition of Meredith's intelligent expansion because that will probably be a year-end close type of thing? And then I have a follow-up.

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

Dan, I couldn't hear the very last 8 seconds question. There's a little bit of break up on your phone. What's the very last thing you asked about Premion?

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

I just said, I assume the Premion does not include expansion to Meredith TV stations, if they're not already covered since Gray, just that transaction won't go until the end of the year?

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

As it relates to calendar year '21, you mean?

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

Yes. Yes.

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

That's right. And what the stations the Gray has purchased once they close on those stations, they certainly become opportunities for Gray's participation further in Premion. But from a driver standpoint, it's a little bit of everything. But the good -- the best news is the biggest driver of the growth is local sales, right? Because we do nicely on the national side, but it was never the original strategic thesis of the business when we created this 4 or so years ago. We always saw that it's really -- it's differentiated opportunity in what we knew would be a competitive OTT ad serving market once the streaming -- all streaming took off was that with Local, right? And that's where the majority of our growth is coming and across multitude of categories because you can just imagine, we frankly have a broad list of local categories that are broader than on the national side.

As far as rate and volume go, that's dependent sort of on a number of factors. I don't have a great answer to you on the rate piece. But I can tell you, from a volume standpoint, obviously, inventory just continues to go up with the tailwinds of just the use of those services. So all the publishers who we have relationships with their OTT inventory is going up just organically, right? So we've got additional inventory to sell.

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

Got it. Super helpful. And then maybe just on the core side, Dave, your auto results clearly stood out. I don't -- there might be some comp in there, but it sounds like I'm going to assume that you're picking up your higher -- your top-tier markets maybe are tapping into the national inventory. It sounds like the OEMs have been -- most of the advertising has been sort of at the national level. And obviously, with the sort of the chip shortages, and other supply constraints, it's been more of a challenging ongoing category for the peer group. So maybe just some color around what you're seeing? Why you've been so successful? And then maybe just sort of how you think it trends over the balance of the year?

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

Yes. So taking the last point first, I actually -- we're very pleased with it, given the chip issue because there are real supply chain issues out there. So -- and you're right, your thesis is right. The fact that we're in large markets and large economically strong markets that have opened up, like Houston and Dallas and the Florida -- Tampa and the Floridas of the world, Georgias and Arizona, that -- we're in attractive markets for auto, large right now in the current state of the COVID reopening. But you're also right that we're doing much better with Tier 1 and Tier 2 who have as opposed to the Tier 3, the local dealers because, as we said before, they're spending balance sheet money to grab market share.

And even with their supply chain issues, knowing that when that -- when inventory catches up with supply, they're going to be in a really good position. And I think it's tougher for the local dealers, which is a little bit more week in terms of money in, money out. But I will say, I think -- so I will say auto is being held back by the supply chain issues. So it really bodes well, I think, when they get solved.

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

Got it. Super helpful. Just housekeeping, Victoria, obviously, there's some lumpiness in terms of the cash tax guide that year is unchanged. Can you remind us what the full year guide was for cash taxes?

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

Yes. Yes. No, we were just pointing out the timing of it relative to the cash tax payments, but the year remains the same.

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

Which was what for the year, if you remember?

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

I don't think we've -- actually hold on -- we've given the effective.

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

Why don't we get back.

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

Yes.

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

We'll get back to you on that, Dan.

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

I'll get it offline.

Operator

We're taking our next question from Alexia Quadrani with JPMorgan.

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

This is David Karnovsky on for Alexia. Dave, I was wondering if you could maybe just expand on the core ad environment more generally relative to 2019, adjusted for Nexstar and Dispatch. How much are you kind of ahead of those levels? And then you touched on this a little bit with auto, but is this a performance you're seeing kind of across the industry? Or is it more pronounced in some of the larger markets where TEGNA operate?

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

Yes. So look, David, I want to ask you to ask the second question in a second over again. Actually, why don't you ask the second question, again, I apologize, a little trouble on either on your end or my end of the phone, but I heard the first part on core to '19?

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

Sure. It's just a follow-up to the question on core and trying to just get a sense of the strength relative to '19, how that compares to large markets like where TEGNA operates relative to just the broader industry?

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

Yes. So we don't guide specific numbers on core, but core would be down just slightly compared to 2019. So the overall ad levels on core would appear not to be completely back yet, which actually bodes well for the back half of this year as the economy continues to -- I think it's important to note that these ad performances are against -- this is not a completely reopened economy yet.

As it relates to your questions, I think I understand it, David, yes, it's -- large markets are performing better both than last year and better than '19. So on a comp basis, large markets are good based on both years' comps.

David Karnovsky - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. And then with the new NFL deals, first, can you maybe discuss the significance of having the content on broadcast another 11 years? And then maybe secondly, I think Sunday night football and some afternoon games will now be available on streaming. Just wonder if you get your thoughts on how you think that shift potentially change the TEGNA's positioning with either distributors or your network?

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

Yes. I appreciate the question, David. I think the #1 headline is what you said that the #1 content in the United States is going to be on broadcast for the next 11 years. So that -- I think that is the overall great headline for the industry. Obviously, the issue of streaming is not entirely new, right? So Thursday Night -- there have been some simulcast, there's some weekend games on Yahoo! and Twitter in previous years and stuff, which got very little pickup. You can ask me about the Thursday Night Franchise, which has moved to Amazon. I think my peers would all agree they're fine with that because Thursday Night Football was never good for affiliates because it took out a lot of local news inventory on non-East Coast markets and didn't end up being a great economic model.

So I think for the same reasons, I don't think -- my guess is the networks didn't play hard for it. So I think of that less as something of Amazon stealing something and something that the networks didn't prioritize. Obviously, the issue of having a simulcast of afternoon and Sunday Night Football games is not something that we're entirely thrilled about, although not entirely new. The games have been on the NFL, had been in the Verizon app in the past and stuff like. So this is not entirely new. But it is something that, to your question, is part of the value consideration on exchange with the networks on reverse compensation. And I can tell you when we did our NBC deal at the end of the year. That was taken into account from -- because even though it had not been announced, we were sure it was coming relative to Peacock. And so I think it just gets -- it gets merged into the economic relationship between the affiliates and the networks. And that's why it's important to have scale like we do with these networks.

Operator

We're taking our next question from Vasily Karasyov with Cannonball Research.

Vasily Karasyov - *Cannonball Research, LLC - Founder*

I wanted to ask you a bigger picture question about Premion. So clearly, it's doing very well. Can you talk about what the competition looks like and how it's positioned versus the competition? And do you expect the competition to go up? Obviously, if you're doing so well, it has to, right? So -- and how would you be coping with that?

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

Yes. Vasily, we always imagine to be a lot of competition in the space for a good reason because there's just a tremendous amount of players and a lot of inventory. So there's room for a lot of players, right? So this is -- as I said in the earlier question, this is an expanding marketplace of inventory. But I think what's unique to us is the focus on local, right? We've got local sellers in 40% of America, right? And with our partnership with Gray. And we are -- it's close to 75% with our national sellers, and it's the local piece, right?

Just like in the display business, 15, 10 years ago, where a lot of the big players needed local partners to actually sell it, like Yahoo! did in the newspaper business. Instead of having a third-party seller to have a commercial range, we decided to create it ourself.

So from a local standpoint, there is less competition and will be less competition. Some of the big players will try to get in there. But having our sellers and having a very defined proposition. It's not just pure programmatic play where we've got -- we were the first to be tax certified in terms of security and fraud protection relative to a space where there's a lot of room for fraud. And so having this direct relationship with our publishers and -- is a compelling proposition to our local and national advertisers that does help differentiate us.

That said, as we've said prior, the market is moving fast, and we will, too. We're always looking as to how we -- this has been an entirely organic rebuilt business to this point with very little M&A, but we're looking at -- we're always looking at bolt-on acquisitions that can strengthen the business and also perhaps even further strengthen our position in the marketplace. Those acquisitions don't necessarily need to be very large. But just now, we're not standing pat. Technology and competition will be for sure in that space, but we like our position today looking forward.

Vasily Karasyov - *Cannonball Research, LLC - Founder*

And would you mind telling us who like the top 2 to 3 -- top 3 competitors are?

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

That's not an easy question because it really depends on the marketplace. So you have -- first of all, you have the cable players, right, selling their own TV everywhere category in the marketplace. You've got players like Hulu and others that are trying to get into the local side, probably some of the larger players in Silicon Valley, which are in the space as well. But right now, I'd say it's more the MVPDs and a handful of other demand and sell-side platforms that names you've heard of.

Operator

We're taking our next question from Steven Cahall with Wells Fargo.

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

So I think this is your first year in the NewFronts. Was just wondering what maybe you learned from that process? And if you can comment a bit about the trends or experience there? And one of the things we've seen in some other traditional forms of advertising like radio is inventory getting increasingly integrated into the digital ad sales process. Was there any opportunity for Premion's reach to extend beyond OTT? And could we end up seeing some core ad sales done through some sort of a digital process?

And then sticking with advertising. I think that Sports Betting, there's been some articles that Local has been a big beneficiary of it. So just wondering if you could comment on Sports Betting? How much is it up on like a medium-term sort of time horizon and where you think you could go?

And then lastly, there's a little bit of noise that the Tokyo Olympics could get canceled. Just wondering if that were to happen, if that's a material event for you all as it relates to any of your annual guidance?

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

All right. That's a lot, Steven. Got it. All right. So in terms of the IAB NewFronts, I don't have a lot of feedback on that yet. Actually, those were early last week. And so I still got to get down -- a complete download on that. So I can't -- I mean I know our team is very enthused about the response, but I'd be -- I don't have the nuance to that to give you a fair answer, but I'd be glad to offline later today or later this week.

As it relates to Premion, being able to expand beyond digital and to core, I can't say to that specifically, but I will say the team from the beginning has been very innovative and big thinking about the opportunities relative to what we can do. You mentioned the IAB on the NewFronts, part of the headline there was our attribution rollout that we also announced early last week. And that attribution does cross between OTT and linear core. So we're already -- we are bringing offerings to marketplace to do -- bring technologies to both as it relates to Premion being applied itself to core. It's an interesting question, but those are the types of conversations that are going on all the time.

As it relates to Sports Betting in Local, yes, it's growing really, really fast. I mean it's gone fairly from -- for us. Pretty de minimis last year to a lot in the first quarter of this year. And this is before opening up a lot of states. And we got a -- I saw a good report to the day. From the standpoint, there's a tremendous amount of states in our markets -- in our footprint that are moving forward. The most aggressive one I saw is Ohio. And Texas is now -- Texas is a game changer for us on that topic. So if I make sure I'm answering your question then, Steve, but yes, we see nothing but blue sky in terms of the growth of that category, which is already significant in this first quarter.

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

And just anything on the Olympics?

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

Sorry, you asked me about Olympics, I don't know. I've been reading everything. You have relative to whether or not -- I think your question is what, it might get canceled or not?

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

But it's also immaterial to our outlook for...

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

That's where I'm going. So the thing I was about to say is that, as I've said recently, since -- with our acquisitions really starting with Belo, Steve, we are now much less dependent on NBC and the sales of that have changed over the years. And while it's good for NBC stations, it takes dollars away from all of our CBS, ABC and Fox in the quarter. So it's now not -- the incremental AMS revenue was not that much, and it's probably less than 1% of our total revenue for the year, if it happens.

Operator

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

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

I'll pile on with Premion here. Is there an opportunity to add another TV station group there? You mentioned that with Gray, you're kind of 75%. It seems like 100% would be the goal there. Second question is the conviction that you have to grow the multicast business, the True Crime Quest and recently announced Twist. I'm interested to hear kind of your plans there. And then lastly, Victoria, it sounds like you have excellent visibility on the network side of the retrans equation, and you spoke to growth going forward. Any chance we could get you to put brackets around 2022 on a gross basis?

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

All right, Kyle. I'll take Premion and multicast, and let Victoria answer the last question. So in terms of another group, yes, it is possible. Not signaling anything there, but it absolutely is potentially possible.

On multicast, we're always looking at the opportunities, right? So we are -- in terms of our own footprint right now, we're kind of -- now with the addition of Twist, we're kind of pushing the envelope of the amount of signals we can compress onto our spectrum. But that technology always continues to improve, right, with -- not to get in the weeds, but the kind of encoders that we use to be able to multiplex our signals. So as those encoders improve and if that technology allows for our offerings, then we may very well do that. But right now, we're focused and Twist is just getting off the ground. Quest, our second one is killing it, doing fantastic. And now we're very hopeful about Twist in the same way.

So yes, we'll be looking at more opportunities potentially, but we probably need a technology development here, which is not unlikely that to continue to grow. And I'll let Victoria take that question.

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

I'm sure that Dave is not going to let me give a 2022 outlook relative to that, but we do have...

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

That would be correct.

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

Yes. Well, we do have about 30% repricing coming up at the end of this year as well.

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

That's right. That's right.

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

So we'll be looking to give you more guidance as the year progresses, but it would be not very disciplined of me to give it to you before we even get into those negotiations.

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

Yes, and Kyle, just like last year, obviously, we -- that's why we ended up doing that pre-release in the first quarter is because we really couldn't give you a fair guide, especially with the NBC deal at the same time. But with 30% of our subs up, it's just more responsible for us to give you that number after we do that.

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

But did move up and grew up.

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

But yes, it will be an up arrow.

Operator

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

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

Yes. Dave, it's been a little over a month since the Supreme Court ruled on the third circuit court appeal. I'm wondering in the wake of that now, and you've had time to talk to NAB and your legal team. What is sort of your summary of the significance of that decision?

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

Yes, Doug, I think it's no different than I told you when we've talked before about it since the ruling. First of all, we still don't even have a new Chair of the FCC named yet. So it's unclear who's going to be driving it. So there's really not an FCC to lobby at this point, right? I think that it remains -- because of the -- so going back to that decision, let's -- let's just start on the real positive about it. And then with the democratic FCC, the lack of clarity that relates to it. So the great news starts with the 9 to nothing ruling by the Supreme Court takes -- effectively takes the Philadelphia Appeals Court out of the oversight position of the FCC, which has been in the way of ownership modernization for 20-plus years, okay? That's the great news in the medium to long-term for the industry.

The flip side of that is with the democratic FCC right now and current commissioners have been -- in the past have been somewhat opposed to ownership of all types, is that, that rule, as it is written as it relates to end market, allows for ownership of 2 Big Fours in a market on a case-by-case basis. But it does not put the burden of proof on the FCC as to why they would reject it, right? So it's sort of a jump all in terms of how that's going to get utilized and used. So no, nothing closer than it was after the ruling, frankly, in 30 days to know where that might go and how that might go. So which is why we're just trying to be very measured in fairness to all of our investors about the timing of that opportunity, which is obviously a big opportunity for TEGNA over the medium to long term, but we can't -- we don't have a lot of visibility in the short term.

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

Okay. Got it. And then just a clarification. The revised growth outlook for Premion, is that adjusted for the small amount of political you had last year? Or is that all inclusive?

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

It's all inclusive. Political was in last year's numbers, which -- so your question is a good one. Because that's -- that growth is coming despite we won't have the same political number this year.

Operator

We'll take our next question from Craig Huber from Huber Research Partners.

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

Dave, just to be clear on my end. I think you said that your retrans subs were down close to 4% year-over-year, better than down 5% or so you've talked about previously. Can you just -- if that's true, just clarify that, if you would, please? But also more curious, is there much discrepancy between your larger markets versus the more midsized markets that you're in? And I have a follow-up.

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

Yes. I'll take the second one first. There's not the distinction there was on the market size that maybe there was a year or so ago. I think -- although I think the small markets have continued to benefit from the rollout of the virtual MVPDs, which weren't fully rolled out a year ago. So that's probably given them a little bit of an artificial boost in our mindset right now in the quarter. But so -- but no, because, again, we're looking at net subs, Craig. And so not a big market change.

And you're right, to the first -- to your first question, that's right, I signaled that our most recent month. So we got 2 of the 3 months in the first quarter under our belt, and they were both under 5. And the second month which is February, not to be -- I guess we all know what the second month of the quarter would be, is down -- is closer to 4 than it is to 5 in terms of the -- if there was a -- it's a small sample size, but an accelerating rate of improvement.

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

And then also, can you update us on the sports gambling excitement you may have in terms of gaming and gambling? What percent of your core ad revenue was that? And is it -- I assume it's not quite a top 5 category for you, maybe you could clarify that? But I assume you aspire it. I think you'll get there eventually?

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

Yes. So you're right on both counts, Craig. It's not a top 5 yet, but it's not hard to imagine it being in the not-too-distant future.

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

Okay. And then can you -- we haven't heard you guys talk about this for a while. ATSE 3.0, the opportunity on that, when it's going to be fully rolled out in all your markets, et cetera? And I'm most curious to hear from you, what do you think the business plan is, from your standpoint, helped drive revenues? Is there any material benefit that we can expect to see in your numbers? And how long do you think it might take to be beneficial to you guys?

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

Yes. So let me take the second question first because the answer is, I think you need a pretty close to full national rollout before those business markets start to evolve and get displayed. I also think -- and I'm just going to give the same answer as before. I know I sound a little bit like a robot on this, but I continue to believe we're still a ways away from that full national deployment. And given how fast technology is changing, our company's personal view is that there's a lot of interesting business models out there discussing -- I mean, discussed relative to data casting and a lot of other things, which we all think are interesting, but I think we've learned from new digital technologies and past experience that things change fast.

And so we continue to believe that the best business model may be something that evolves from outside the broadcast ecosystem, but it will benefit since we own the distribution. And again, I know I've used this metaphor before. But again, 1 of our strategy executives looks at it this way. We look at ATSC 3.0 sort of like an iPhone. It's the platform, right? A lot of other third-party and money sees a very creative platform. In this case, a built-out nationwide distribution of IP delivery without latency, right? And we think that the best business model may come from third-party investors and entrepreneurs who will then come up with those ideas and like Apple, as the owners of the distribution system, will benefit.

As it relates to the rollout, we've launched several large markets. In this year, we're planning to -- we've launched -- last year, we launched Tampa, Seattle, Denver and Portland. In March, we added Buffalo. Right now, we're currently planning to launch another in D.C., Charlotte, Atlanta and a few more TBD this year. But that still doesn't get to half our portfolio, but they're big markets, and it's moving quicker.

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

My last question, if I could, for Victoria. You're nice enough to give your cost outlook excluding programming with and without Premion for the second quarter. I'd be curious if you could talk about that for the full year, if you would, just so we get a sense of how much of the cost on a net basis may come back as we keep on through this year?

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

Yes. No, we haven't guided for full year. What we have said is that we had the $50 million expense takeout target on a year-over-year basis. And we had achieved -- we expected to achieve it by the end of '21, and we are now about 12 months early on that. So you can count on the $50 million take out year-over-year, but we have not guided full year expense beyond that.

Operator

We're taking our next question from Jim Goss with Barrington Research.

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

I was wondering if you could talk about the sustainable post-pandemic costs and expense savings and the margin implications? And also talk about the post-pandemic viewership and the impact on ad pricing. If you get a greater share of younger viewers who had in sample broadcasting?

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

I'm sorry, Jim, I had myself on mute. Let me take the second one of those questions. First on viewership. I know there's been high publicity about some network events program being way down, Oscars were way down. Let's just point out, nobody watched movies last year. So I think that may have had something to do with it. And I know some NBA noise and how the NBA is back up. But even on the -- leaving the network content on a loan, the local viewership looks pretty sustainable so far.

Now to be fair, right, it's not -- the nation is still not a back-to-work mode, right? So how that changes. And I said in the past, I think that people are staying at home, really affected local news viewership levels -- TV viewership levels negatively, but really improved our early evening news and our late news, which have been up on an average. Together, early news and late news have been in aggregate about up 7%. But we'll see how the sustainable that remains.

But you're exactly right. If that stays sustainable. That will help us on ad prices. But we also really worked hard to take access to younger viewers and get them with having sort of what I would call a sticky relationship with them on our digital platforms, which we -- you saw on '20, we've aggressively rolled those out between VERIFY is now ubiquitous on Snapchat as an example and things like that. Rolling out our OTT platforms on Roku and things like that. So we also are very hopeful. We've got a -- given our digital growth in audiences, we've got a new sustainable digital audience for other monetization as well. So I think we're pretty hopeful on that.

Relative to expenses, I mean, the $50 million is permanent, right? I mean we are -- they're costs that we have taken out of our operations through a number of different initiatives and that both were in place and things that we accelerated and new things we learned during the pandemic. And I think -- and we'll be looking to find some significant additional permanent cost takeouts in '22 as well. And I would just say that the management team has done a really great job and really embracing technological change so that we can do it in the ways that best reduces redundant cost and a scaled company, something I think we've always been very good at. And while not hurting and, in fact, reinvesting in the things where we make the value the most, which is in product and sales.

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

Are you able to take out maybe office space more than people in terms of not cutting into the bone, but just cutting out the excess?

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

Yes. Yes. That's exactly right. That's our whole goal, right? People are the most important capital you have in this business, way more than it was even 20 years ago. We have gotten out of a number of leases already. We had a major business operation in Dallas. That was third-party office space that we're getting rid of. And we are also getting rid of some other back end, separate office space, integrating those into our stations, et cetera. So yes, we are reducing our real estate costs.

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

Okay. And maybe one follow-up. I think you talked about true crime a little earlier. I was wondering how many markets that programming is in right now? And how much time it's in? And is there a syndication of that product to -- are you keeping it to your own stations?

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

No. The True Crime Network is deployed throughout the country. I forget Jim. I don't have the exact number, but it's the vast majority of the country. And Quest is headed for similar numbers. So yes, it's distributed on -- beyond our 40%, it's distributed on double that in the rest of the country. And Quest is headed there too with a deal we've got with the very other large broadcasters. So -- and like with some other large broadcasters, we've sort of what we call swap via commercial relationships, but we can sort of help each other in distribution in markets where we're not in. So -- but it's -- distribution is large, and Quest is larger -- not as large, but growing. And I think we'll get Twist there as well.

Operator

It appears there are no further questions at this time. I'd like to turn the call back to the host for any additional or closing remarks.

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

Well, thank you, operator. And so thank you, everyone, for taking the time to join us today. As I mentioned at the start of the call, we are very enthusiastic this year about our positioning for future growth and shareholder value creation this year and beyond. The execution of our strategy, as you've seen, has resulted in exceptional results to date. And our strong quarter and full year guidance reflect our confidence in the same for the months and years to come. We look forward to continuing to update you on our progress in delivering value to our shareholders and all our stakeholders, including our many local communities who depend on us and are there to serve every day. Thank you for your questions, and have a great day.

Operator

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