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TGNA - Q3 2015 TEGNA Inc Earnings Call

EVENT DATE/TIME: OCTOBER 20, 2015 / 02:00PM GMT

OVERVIEW:

Co. reported 3Q15 total Co. revenue of $807m and GAAP EPS of $0.39.

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PRESENTATION

Operator

Good day, everyone. Welcome to TEGNA’s third-quarter 2015 earnings conference call. This call is being recorded. Our speaker for today will be Gracia Martore, President and Chief Executive Officer; and Victoria Harker, Chief Financial Officer. At this time, I'd like to turn the call over to Jeff Heinz, Vice President, Investor Relations. Please go ahead.

Jeff Heinz *- **TEGNA Inc. - VP of IR***

Thanks, Dawn. Good morning, and welcome to our earnings call and webcast. Today, our President and CEO, Gracia Martore; our CFO, Victoria Harker; and members of our leadership team will review TEGNA's third-quarter 2015 results. After their commentary, we'll open up the call for questions. Hopefully you've had the opportunity to review this morning's press release. If you have you not yet reviewed 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 include forward-looking statements, and our actual results may differ. Factors that might 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 and on the Investor Relations portion of our website.

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

Gracia Matore *- **TEGNA Inc. - President & CEO***

Thanks, Jeff. Good morning, everyone, and let me join Jeff in welcoming you to TEGNA's third-quarter earnings call. TEGNA started trading as a separate Company at the start of our third quarter on June 29. So, today marks the first time we are reporting results as our stand-alone media and digital Company. We are very excited about this milestone and about the terrific progress we've made in just the last 90 days or so since the close.

So, let's jump right into the morning's agenda. As you saw in our press release this morning, Company-wide revenue grew to $807 million, reflecting an increase of almost 19% over last year. This is the result of a record revenue growth at TEGNA Digital and a solid performance at TEGNA Media despite the challenge of overcoming $40 million in political advertising in the third quarter last year.

Expenses were higher, as you saw, when including the Cars.com acquisition, but on a pro forma basis were down almost 2%. As you can see, even as our operations scale up, we continue to be very disciplined in insuring that we are operating as efficiently as possible. As you also saw this morning, earnings were $0.39 on a GAAP basis, including $0.02 related to a special tax benefit, and were $0.37 per share on a non-GAAP basis, excluding that benefit. This compares to $0.29 during the same period last year, reflecting an improvement of approximately 28%. We also continued to generate considerable cash from our operations. Free cash flow totaled $164 million. This has translated into a substantial direct return to our shareholders, as we have paid dividends totaling $76 million and repurchased approximately 5 million shares since our separation on June 29.

Let's focus for a moment on capital allocation. Hopefully you saw our second press release this morning. With the close on the sale of our headquarters building here in McLean, the Board approved a $75 million increase to our $750 million share repurchase authorization to be used over the original three-year period. We will use the balance of the net proceeds to reduce debt, which Victoria will share with you in a few moments. As a reminder, we sold the building for $270 million. We'll have a gain of approximately $80 million to $90 million in the fourth quarter and will pay a de minimus portion of that amount in taxes. We should also remind you that we sold a parcel of land here several years ago for $50 million.

Moving to our business segments. TEGNA Media achieved revenues at the favorable end of our previous guidance, driven by core advertising revenue growth and double-digit revenue growth in retransmission and digital revenues. Overall, revenues were down slightly compared to a record third quarter last year that benefited from the aforementioned significant political revenue. While there obviously wasn't enough political ad spend this quarter to beat a tough 2014 comparison, TEGNA is very well positioned in key battleground states to take a larger share of political ad spending going forward. We expect to see some political advertising in the fourth quarter this year, but we of course expect a significantly more substantial impact in 2016.

As again you saw, retransmission revenue was up significantly, as I noted, over last year's third quarter. Other than normal seasonality, our subscriber numbers have been steady and we remain confident in our previous guidance on retrans revenue. In fact, earlier this month we reached a multi-year agreement with DISH Network for their continued carriage of TEGNA stations.

On a related note, we were pleased to announce this summer the renewal of our agreements with CBS for 10 TEGNA Media markets nationwide. As a reminder, we are the number one CBS affiliate group. As part of the renewal, we signed TEGNA up to participate in the CBS All Access video On Demand service. Partnering with CBS on both of these fronts is just one way to insure that TEGNA audiences have access to must-see content on all their devices. One important note: the outcome of both the CBS affiliation agreement and the DISH negotiations are consistent with the long-term projections we provided at our Investor Day in June.

Now, let me ask Dave Lougee to share some of what we have been working on in TEGNA Media. Dave?

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

Thanks, Gracia. At TEGNA Media, our strong performance since successful negotiations are driven by our relentless loyalty to our audiences and advertisers. And, increasingly, we're using consumer data tools to drive editorial, marketing, content, and ad sales decisions. With a wide-reaching set of consumer analytics that we use both at the corporate and local levels, we're creating deeper, more meaningful connections with all of our stakeholders: viewers, users, followers, and clients.

Let's look how that works from a mobile perspective. Last year, we released strong apps into the marketplace, but with an intense metrics-based focus on downloads, app store ratings, page views, video views, and more. We went back to the drawing board and have started moving our apps onto a new and highly improved mobile platform.

We have already migrated about half our stations to this new platform, and the results have been spectacular. In the first few weeks post-migration, 9 of our top 10 stations were rated above 4 stars in the iOS app store, and the average star rating for our apps jumped to 4.2. And this is just the beginning.

From a content perspective, our teams are now making editorial decisions using technology to interact with consumers in real time. Through new social listening tools and digital dashboards right on the desks of our content producers, we're producing content and shows that integrate audience feedback and rely more heavily than ever on user-generated content. Tools like CrowdTangle, Tagboard, and others are improving our products across every platform.

This approach has helped us realize consumer growth on every screen. Our social following is up over 11 million consumers plus 72%. Our mobile page views are up nearly 70% year to date. Between the Olympics, the Presidential election, and other key programming, we see plenty more opportunities for digital growth throughout 2016.

So, when you have the content audiences want, distributed on all the platforms and devices they use, advertisers will come calling -- which is why we've also made great strides in bolstering and streamlining our sales and marketing functions. With the new business analytics team in place along a new centralized sales and marketing function, we can deliver insight-based client solutions at scale. These two teams are working hand in hand to deliver multi-platform solutions to clients across categories, across content, and across our markets. Every solution we're sending the marketplace is now backed by a massive data machine that generates meaningful audience insights, and these insights local advertisers would not otherwise have access to, and our stations are empowering them now with creative solutions to turn those insights into dollars.

Gracia Martore *- TEGNA Inc. - President & CEO*

Thanks, Dave. Now, let's turn to TEGNA Digital. Revenues grew a strong 72%, compared to the third quarter last year. Growth was driven by the acquisition of Cars.com and the impressive organic growth within that business. In addition, CareerBuilder generated substantial revenue growth in its software-as-a-service products in the quarter.

As we've discussed in the past, CareerBuilder is bringing to market the only global pre-hire software-as-a-service platform, combining CareerBuilder's world-class advertising products together with software and analytics to create an integrated, seamless, and efficient process for recruiters. The Company's software-as-a-service platform is in addition to the product line, not a departure from the core business.

While advertising remains and will always be a significant portion of the CareerBuilder pre-hire platform, CareerBuilder made the strategic decision in 2015 to stop supporting certain low-margin advertising and services customers with intermittent needs -- for customers with intermittent needs that do not have the same long-term profit margins as those organizations with more steady recruitment efforts. Our outlook on our software-as-a-service business remains very strong, and our current expectations remain in line with what we discussed at our Investor Day in June -- specifically, that we expect accelerated growth at CareerBuilder in 2016 and double-digit growth by the end of 2017.

Matt Ferguson, the long-time successful CEO of CareerBuilder is here to discuss those opportunities. Matt?

Matt Ferguson *- TEGNA Inc. - CEO, CareerBuilder*

Thanks, Gracia. Excited to be here today and talk about CareerBuilder building the world's first and the world's only pre-hire platform. This pre-hire platform starts with advertising and includes many software services like career sites, candidate relationship management, job distribution, workforce analytics, applicant tracking systems, and semantic search. No one else has this portfolio of software solutions.

We have seen significant growth in our software in 2015, and we believe that will continue in 2016. Overall, in 2015, we will be slightly more than $700 million in revenue, and we believe we are set up to grow revenue in the range of 5% to 7% in 2016 versus 2015.

In 2015, we are estimating that CareerBuilder revenue will be basically flat versus 2014 when you exclude the impact of currency. Moreover, we knew our growth this year would slow as we moved away from some low-margin transactional revenue and focused on higher-margin platform solutions. For example, we will be down almost $17 million in revenue, or about 2.5 percentage points of revenue growth in 2015 versus 2014 in our employer services category, where we source and screen candidates for companies.

We stopped selling our transactional source-and-screen business in January, and have focused on platform source-and-screen business only. We exited the transactional source-and-screen business because it was low margin and hard to scale. Instead, we have focused, in 2015, on platform source-and-screen business where the customer commits to a longer period of time and we can build software into the solution.

This platform source-and-screen business has grown sequentially over the last several months, and we have a very strong pipeline of new platform source-and-screen business. We believe this business will grow around $7 million in 2016, 1 percentage point or so of growth in 2016. Therefore, just looking at our employer services business, we believe we will see a 3-percentage-point improvement in revenue run rate in 2016 versus 2015, going from a $17 million revenue decline to a $7 million revenue growth.

We were also hurt in 2015 by moving some low-margin transactional job advertising business. We moved several thousand transactional advertising accounts from our field sales force in the spring to a group that focuses exclusively on these accounts. These accounts were declining and not getting much attention in the field sales force. The move itself was disruptive to all the customers, and some of the business was also not a fit for us going forward. Fortunately, since that move, the business is flat sequentially rather than declining. However, the move and these accounts are still weighing on 2015 results.

If you look at our business taking out the currency impact, removing source-and-screen revenue, and removing the low-margin transactional accounts we moved to the specialized group, our business is actually up approximately 2% in the third quarter compared with the third quarter of 2014. Overall, we recognize the job business will continue to experience pricing pressure at the unit level in 2016; however, we've included that pricing pressure in our projections. We have a lot of opportunities to still go after more job volume, although we acknowledge that the price per unit will be lower as we move into less skilled categories of jobs.

Moreover, we've seen good growth in our software solutions and our resume database in 2015. We expect our software and resume database solutions to grow in 2015 and 2016 with a more seasoned sales force selling the software and the significant enhancements we continue to make to our software and our resume database.

Today, CareerBuilder officially launched a new candidate sourcing solution, the first and only tool that enables HR leaders to search resumes across all internal and external candidate databases and professional network sites in a single interface. It's a huge plus for increasing recruiter efficiency. CareerBuilder adds semantic search, skills enhancement, skills extraction, classification -- no other system does this today, so we're very excited about how this can change the recruiter experience for the better and reinforce CareerBuilder's place as the innovative leader of the pack. This solution is part of the broader software suite that CareerBuilder has developed that is unparalleled.

There is no doubt 2015 has been a transition year for our business as we move significantly to improved portfolio of software and other platform solutions. We believe we are through most of that transition and are set up for growth again in 2016. We are excited about the opportunities for growth in the pre-hire platform, bringing solutions to customers that no one else has. We believe that this will lead to 5% to 7% growth in 2016 and move towards 10% growth by the end of 2017.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Thanks, Matt. As you can see, we have a great deal going on at CareerBuilder that positions that company for accelerated innovation and growth. Turning to the other main pillar of TEGNA Digital, Cars.com, total revenues for the third quarter were substantially higher compared to last year's same quarter. Revenue growth across all sales channels contributed to the increase. Now, here is Alex Vetter to share an update on the recent product rollouts at Cars.com.

Alex Vetter - ***TEGNA Inc. - CEO, Cars.com***

Thank you, Gracia. Just two of the innovative products that we rolled out in 2015 include RepairPal Certified and Event Positions, which are performing even better than we had projected. RepairPal Certified is driving Cars.com's entrance into the service category, while Event Positions is a new ad unit with an emphasis on mobile that provides dealer customers an opportunity to dominate a specific, targeted geography for a seven-day period. Total expenses for Cars.com were down and profitability was up sharply as a result.

Even as we introduce new products and services, we continue to operate as efficiently as possible, and it's showing on our bottom line. The game plan at Cars.com right now is to keep innovating, whether it's introducing new products to our customers, finding creative ways to access new markets, or building out our platform and capabilities in mobile, or changing the way we operate and manage the business. Everything is about adapting to and staying ahead of an evolving digital environment.

For instance, Cars.com has been re-platforming its website to provide consumers with a responsively designed, consistent, and tailored experience across all devices. In fact, we've seen a considerable rise in mobile traffic, which led to a recent comScore report that ranked Cars.com number one mobile app first in the third-party automotive resources category, both for a number of unique visitors and engagement, which is measured by the average length of time visitors spend on our app. The heavier traffic on the app as well as the recently redesigned mobile website contributed to an overall increase in impressions delivered, which bolsters our national ad revenue.

During the quarter, Cars.com launched a pioneering report for our dealer customers that enables them to view the total number of unique visitors to the Cars.com mobile platform within close proximity of their dealerships. This report, which we're calling Lot Insights, is the first of its kind in our industry to use geofencing technology to quantify the influence Cars.com has on walk-in customers, connecting the online shopping to the in-store experience -- a metric that moves us beyond basic forms of lead measurement and positions us for future growth.

With that, let me turn it over to Victoria for a detailed financial review.

Victoria Harker - ***TEGNA Inc. - CFO***

Thanks, Alex, and good morning, everyone. As Gracia has already mentioned, we're very pleased with our third-quarter financial results, despite being up against challenging year-over-year comparisons due to the absence of significant political spending that benefited us during the third quarter of 2014. However, we're proud of our financial and operational performance this quarter, our very first as a separate Company. The strength of our underlying business drivers demonstrated during the quarter gives us great confidence in the future, and are solidly consistent with the same trajectory and financial projections we provided to you in June during Investor Day.

Before I review our consolidated financial results, as well as capital allocation during the quarter, I'd like to highlight just one special item reflecting a spin-related tax benefit of $6 million with an EPS impact of about $0.02 per share. The non-GAAP effective tax rate for the quarter of 33.8% was fairly consistent with the mid-30%s range previously projected, driven higher than last year and on an ongoing basis by the absence of the lower tax rate on UK earnings, subsequent to the spin of the UK-based publishing assets. Beyond this, there were no other special items during the quarter, given that the vast majority of spin-related impacts took place previously.

Now, let's briefly review the operating results for the quarter. As a reminder, although I'll be focusing on our non-GAAP performance results today, you can find all of our reported data and comparatives in our press release. Overall, with solid performances by both the Digital and Media segments, we achieved earnings per share of $0.37 per share for the quarter. Year over year, earnings per share were up 28%, driven by the acquisition and organic growth of Cars.com, despite the challenging year-over-year political comparison faced by TEGNA Media. Total Company revenues of $807 million were up 19% year over year, driven by record Digital segment revenues.

During the quarter, total Company operating expenses of $591 million were up 19% over last year, reflecting the addition of Cars.com and partially offset by lower corporate expenses. Corporate expenses for the third quarter of 2015 were $13 million, which includes the benefit of $2 million related to the elimination of depreciation resulting from the sale of our McLean, Virginia, headquarters. It is worth noting that the following (technical difficulties), we are now leasing back office space, rent free, for 18 months. We are not paying any rent over this period, but we will record non-cash rent expense as required by GAAP, which will add $2.5 million to corporate expense per quarter.

As previously discussed, we expect annual corporate expense will initially be around $70 million, decreasing to between $55 million and $60 million by the middle of 2016, which includes $7 million to $9 million of non-cash stock-based compensation expense. These reductions reflect the benefit of resizing the Company's footprint, additional efficiencies achieved, and elimination of any remaining spin-related dis-synergies. Reflecting this glide path that we were already on, total Company operating expenses for the quarter were 2% lower than third quarter last year on a pro forma basis.

Now, let's turn to a more detailed review of both the Media and Digital segment results. TEGNA Media revenues declined by 2% year over year due to the anticipated absence of political advertising revenues, partially offset by strong retransmission revenues and continued growth in digital advertising revenues as well as higher core advertising. Excluding the political revenue variances year over year, TEGNA Media revenues would have been up 6% during the quarter.

Retransmission fees of $109 million continue to grow double digit as result of a few small agreements negotiated at the end of last year as well as increases within the existing agreements. These helped to offset normal seasonal dislocation impacts consistent with trends we've experienced in previous years to retransmission revenues in some markets resulting from snowbird migrations.

Beyond this, TEGNA Media digital advertising revenues were also up 13%, driven by digital marketing services which continued to gain traction across our original television stations as well as those acquired through the Belo and London transactions. Core advertising was also up, just over 1%. Our strongest revenue categories for the third quarter included professional services, entertainment, medical services, and education.

Looking ahead to the fourth quarter, due to even more challenging year-over-year comparisons including a record $92 million of political advertising revenues during the same quarter last year, Media segment revenue in the fourth quarter is projected to be lower, in the mid- to high-single digits, based on the current fiscal year.

It is also worth noting here the impact of a calendar change we'll be making at the end of this year. Beginning with 2016, we'll be moving to a calendar year rather than the fiscal year we're currently on. In order to effectuate this, we need to extend the fourth quarter by four days to December 31, 2015. As a result, our fourth-quarter results, particularly related to TEGNA Media, will be impacted by the extra days. To help calibrate this, when we report fourth-quarter numbers we will provide you with the impact of those four days and its impact on our revenue and bottom-line results.

During the third quarter, the Media segment operating expenses were up 4% year over year due to increased programming costs related to network fees and investments in our digital sales initiatives, including sales force expansion and newly launched product offerings.

During the quarter, Digital segment revenue increased by 72% year over year, or up 5% on a pro forma basis, driven by the strong organic growth and new affiliation agreement economics in Cars.com, which increased by 26%. As Matt mentioned, excluding foreign exchange impact and the intentionally significant lower volume of lower-margin transactional products related impacts, CareerBuilder revenues would have been up by about 2% year over year.

Keep in mind that the product mix shift that Matt mentioned also reflects a change in revenue recognition timing. As you'd expect, this will impact revenue trends, given the GAAP requirement to amortize revenue over the term of the sales contracts, which is typically in the two- to three-year range. As a result, CareerBuilder revenues declined by low-single digits year over year on a constant currency basis during the quarter.

Cars.com direct sales revenue, which represents over 70% of Cars.com channel revenues, increased 12%, reflecting an increase in revenue per dealer driven by new product sales and add-on subscription-based services. As a subset of this, national advertising increased by 14%, mainly due to increased display ad sales.

Affiliate revenue, which represents less than 25% of total revenue, increased 53% driven by higher wholesale rates that Cars.com charges its affiliates. Keep in mind that a year ago, during the fourth quarter, there was an accelerated adjustment to affiliate pricing which normally occurs on a January 1 cycle, as it will in 2016.

Digital segment operating expenses were 1% lower compared to last year on a pro forma basis, mainly reflecting lower lead acquisition costs and reduced revenue share pay to affiliate markets at Cars.com resulting from the acquisition. As a result, total Company adjusted EBITDA in the quarter of $267 million increased by 22% over last year, with Digital segment doubling its adjusted EBITDA year over year.

During the quarter we invested about $20 million in capital projects, primarily related to digital development as well as product integration and enhancements across the Company. Of that, over $5 million was invested in real estate efficiencies and automation initiatives. We project CapEx spend of about $50 million for fourth quarter, including one-time build-out impacts of the relocation of our Seattle television station to more appropriately spaced -- sized space.

During the quarter, strong cash flow from operations and borrowing under the new $200 million term loan were used to pay off maturing senior notes of $260 million; fund accelerated share repurchases of $125 million at an average price of $25.75, interest payments of $48 million; and to make investments in business initiatives of $20 million. At the end of the quarter, our long-term debt was $4.47 billion and cash on the balance sheet was $118 million. In addition, as you saw in our release earlier this morning, we are very pleased that the tax-efficient $270 million sale of our headquarters building closed earlier this month, which allows us to strengthen our share repurchase program by $75 million, to $825 million over three years, with the remainder of the sale proceeds to be used for debt retirement.

As we announced this morning in our press release, we plan to redeem $180 million of our 7 1/8% 2018 senior notes this quarter at a premium of 101.8%, or $4 million, and an associated impact to the quarter of a little over $0.02 a share, which will be treated as a special item. This NPV-positive transaction will generate annualized interest cost savings of $14 million.

With that, I'll turn the call back to Gracia for her closing remarks, prior to the Q&A.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Thanks, Victoria. This quarter's results give us our first glimpse of what a stand-alone TEGNA is capable of. As we continue to settle into and refine our strategy as a new, independent Company, we expect to accelerate the strong momentum with the investment thesis we detailed for you on our Investor Day in June. TEGNA is taking advantage of top-performing assets and scale in each industry; consistently strong and dependable cash flows; high-growth, high-margin businesses; experienced industry experts running each business; and a shareholder-focused capital structure.

In short, TEGNA's strong cash generation will enable us to invest for growth, both organically and through smart, disciplined M&A, while simultaneously returning capital to shareholders. TEGNA is the clear leader in high-margin, high-growth sectors and we continue to support that lead through an expanded and more diverse portfolio of quality products and services.

With that, I'd like to open up the call for questions. Dawn?

QUESTION AND ANSWER

Operator

(Operator Instructions)

We will take our first question from John Janedis with Jefferies.

John Janedis - ***Jefferies & Co. - Analyst***

Good morning. Gracia, as you know there's been a narrative in the market that reverse comp has been less favorable to the broadcasters. I know historically you've talked about the 55% margin on the legacy BELO deals, but with the deals you've done recently has there been any kind of noticeable change in the margin that you're booking?

Gracia Martore - ***TEGNA Inc. - President & CEO***

John, let me just, for point of clarification what we said was that on the BELO stations plus the new ABC agreement that we did on the Gannett stations that we were paying with respect to the retrans fees we were getting on those about 45% of that in retrans, and that was frankly to correct the perception in the marketplace that we were paying in excess of 60% of that. We don't talk about specific margins on specific deals, but what I will tell you is that we are very pleased with what we have accomplished thus far with great partners in ABC and CBS. We have our NBC negotiations deals which will be coming up, and we expect that we will again have very good conversations as we are a great partner to NBC. They're a great partner to us.

What we can tell you very specifically is that with the results that we have achieved thus far, they are well within the numbers and forecasts that we gave you on Investor Day. So we're very pleased with that and very pleased with what we've accomplished, both on the reverse side as well as on the retrans side. Let's not forget that part of the pie.

John Janedis - ***Jefferies & Co. - Analyst***

Okay, that's helpful. And just to clarify two things. One is, does the TV revenue guidance include those extra days? And then second, for the fourth quarter, can you tell us to what extent you're benefiting from either the fantasy sports category or maybe early political?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Yes, I'll answer the first and then I'll turn it to Dave to answer the second. No, it does not include the four days. What we will do is our reported numbers for GAAP will include the four days, but we will share with you as in the old days when we used to go once every several years, have a 53rd week. We will isolate for you the impact of those four days on revenue as well as the bottom line. But no, the guidance does not include those four days. So it's apples-to-apples guidance. Dave?

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

And we do have some advertising in the fantasy sports category, almost exclusively in the NFL. But they're primarily a network and cable advertiser, so we don't have the same exposure.

John Janedis - ***Jefferies & Co. - Analyst***

And political?

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

For the fourth quarter? Yes, for the fourth quarter, we think it's going to be in line with the types of numbers we've seen in previous odd-year fourth quarters. We don't have stations in those first two key states. So it's still early, but I don't think we'll see the big acceleration until calendar year 2016.

John Janedis - ***Jefferies & Co. - Analyst***

Thank you very much.

Operator

We will take our next question from Doug Arthur with Huber Research.

Doug Arthur - ***Huber Research - Analyst***

Yes, thanks. Gracia, in terms of the fourth quarter guidance in TV, maybe Dave can address this. What kind of sort of sequential change are you expecting in gross retrans in the quarter? And then I've got a follow-up.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Yes, obviously with the completion of the Dish deal that goes, I think, in effect on October 1 we will see a step-up. But I think we previously gave guidance that we expected for the full year that retrans fees would be in the $440 million to $445 million range. And with the completion of the Dish transaction, we continue to believe that is the appropriate range for the full year.

Doug Arthur - ***Huber Research - Analyst***

Okay. And then secondly, in terms of the new product initiatives at Cars.com, what kind of revenue impact could that have on sort of overall organic growth, once the sort of looking forward to 2016, once the affiliate deals mostly annualize? Thanks.

Alex Vetter - ***TEGNA Inc. - CEO, Cars.com***

Sure, Doug. Thank you. The new product introductions, we've got enough of them that they provide a steady stream of growth across the business. Our core business is our subscription model, which over 20,000 dealers subscribed to. So it's hard for new products to radically change the overall growth when the base is so big in terms of the core business. So it's additive to the growth rate of the business but can't change the overall growth profile that we've given guidance on, which is in the low double digit range.

Gracia Martore - ***TEGNA Inc. - President & CEO***

And I think, Doug, just to add on to what Alex said. It's really a portfolio of new products. And packaging those products with the existing products we already provide to our dealerships that make it a more robust sticky solution for those dealerships. So that is part and parcel of all of this. But it's a portfolio of products, and in the aggregate obviously they will help to get us to those kinds of double digit growth rates that Alex is talking about.

Just one minor point of clarification. All of our affiliate deals annualized on 10/1 and last year, as Victoria alluded to, we had a step-up obviously in the pricing of all of the affiliate agreements that took place on 10/1. Now, there will be a slight one-quarter differential because we will go to pricing, normalized pricing increases which we've always had, but those won't be in effect until January 1. So the fourth quarter won't actually have the benefit of the normal pricing increases that we see on an annual basis because of this one-time thing. But then 2016 and beyond going forward, every January there will be the appropriate pricing increases.

Doug Arthur - ***Huber Research - Analyst***

Great, thank you.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Thanks, Doug.

Operator

Next we will go to the line of Alexia Quadrani with JPMorgan Chase.

Alexia Quadrani *- JPMorgan - Analyst*

Hi, thank you. Any more color you can provide on how we should think about retrans in 2016? I know you said it's a new positive both, I think, on a gross and I think you said on a net basis in the past, I guess. But staying on just gross retrans, is it possibly to be as strong as what we've seen historically given your renewals, or does the law of large numbers suggest some moderation there?

Gracia Martore *- TEGNA Inc. - President & CEO*

We are just in the midst of our budgeting. We are also in the midst of additional negotiations with MVPDs, as we will be for quite a period here through the end of 2016. So it's a little premature for us to say where we think 2016 will end up, but I'm going to go out on a limb and Dave is going to correct me if I'm totally out of whack, but I think that increase will probably be in the 30%-plus range, Dave?

Dave Lougee *- TEGNA Inc. - President, TEGNA Media*

I don't have it right in front of me, but I think that's probably ballpark.

Gracia Martore *- TEGNA Inc. - President & CEO*

Ballpark.

Alexia Quadrani *- JPMorgan - Analyst*

Okay, won't hold it to you exactly, Gracia. So thank you very much. And then any more color you can provide on sort of core advertising trends? I guess how Q4 started off versus the growth you saw in Q3? I mean, just sort of how you see core advertising? Any incremental color would be great.

Gracia Martore *- TEGNA Inc. - President & CEO*

Dave?

Dave Lougee *- TEGNA Inc. - President, TEGNA Media*

Fourth quarter is incrementally better than third quarter, as it should be for us given the political displacement that we had like last year, but auto and retail specifically, while they were both up marginally in the third quarter, are stronger in the fourth quarter.

Alexia Quadrani *- JPMorgan - Analyst*

Okay, thank you very much.

Gracia Martore *- TEGNA Inc. - President & CEO*

Thanks, Alexia.

Operator

Next we will go to Marci Ryvicker with Wells Fargo.

Marci Ryvicker *- Wells Fargo Securities - Analyst*

Thanks. I want to focus on the expense line in the Media segment. It looks like sequentially each quarter in 2015 there's been a bump. I think $7 million from Q1 to Q2, $10 million from Q2 to Q3. I think that may be where in Q3 you came in below where we were modeling on the Street. So curious as to what we should think about the move from Q3 to Q4? Is there any reason for it to be flat to down, or should we expect operating expenses to be up sequentially?

Gracia Martore *- TEGNA Inc. - President & CEO*

Let me just begin that and then I'll turn it over to Dave. As you may recall during Investor Day we talked about a number of initiatives that we are putting into place. Sales transformation, content transformation, a variety of different projects; some new programming. So obviously there has to be investment in those initiatives upfront. So when you start investing in dollars, for instance -- we've put together a group in Dallas that are going to be overseeing our integrated marketing efforts and advertising efforts. We have to hire those people. We have to train those people. And now they are beginning to ramp up. So you'll always going to have that initial investment that is going to precede the revenue being generated by those initiatives.

Similarly, as you know we've had some programming that we've been doing. For instance TD Jakes where we've done floor tests, et cetera. There's clearly investment that we have to make in that programming before we're going to see any revenue opportunity down the road. But I think what you saw in Investor Day is that those investments were all fully baked into our numbers in 2015 and 2016, et cetera. And then what we expect to achieve was also baked into those numbers. So I think you'll see a little bit of a ramp in investment, but then we feel very strongly, and we're always beginning to see, I think, some, for lack of better word, green shoots on, for instance, some of the projects in the integrated marketing, Dave, that you might want to comment on.

Dave Lougee *- TEGNA Inc. - President, TEGNA Media*

That's correct. Some of those investments, we're starting to see early returns that will ramp up through 2016 into 2017. But I'm getting some of those integrated marketing dollars that I referred to from our centralized group. But Gracia said it exactly right. We've got those expenses are driven by investments in the future.

Marci Ryvicker *- Wells Fargo Securities - Analyst*

Just so I read this correctly, we should expect higher expenses in Q4 than Q3, then?

Dave Lougee *- TEGNA Inc. - President, TEGNA Media*

I don't have that answer right in front of me. As far as a growth rate goes, I don't think so.

Gracia Martore *- TEGNA Inc. - President & CEO*

You know what? We'll come back to everyone on that.

Marci Ryvicker *- Wells Fargo Securities - Analyst*

Okay. And then just real quick following up on that. So forget the investment spending. What is core OpEx been looking like, ex-retrans ex-investment spending?

Dave Lougee *- TEGNA Inc. - President, TEGNA Media*

For what quarter?

Marci Ryvicker - ***Wells Fargo Securities - Analyst***

I guess for the third.

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

It's up. (Technical difficulties) quarter was up just over 1%. Is that what you're asking?

Marci Ryvicker - ***Wells Fargo Securities - Analyst***

Yes. Thank you.

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

I'm sorry, I apologize.

Gracia Martore - ***TEGNA Inc. - President & CEO***

You're looking, Marci, just to reframe the question. You're looking for what television expenses were up third quarter excluding reverse retrans and these investments?

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

Under 1%.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Under 1%.

Marci Ryvicker - ***Wells Fargo Securities - Analyst***

Got it. Thank you very much.

Operator

Next we will go to Bill Bird with FBR Capital.

Bill Bird - ***FBR Capital Markets - Analyst***

Good morning. Was wondering if you could talk about CareerBuilder, given the shift to more recurring revenue business lines and the lagged revenue recognition that you alluded to. Can you give us a sense of the trend in bookings, and do you expect CB growth to break positive in Q4? Thank you.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Matt?

Matt Ferguson - ***TEGNA Inc. - CEO, CareerBuilder***

Yes, I don't know about Q4 right now. I don't know that we'll break positive in Q4 right now. As we look at it, that would probably happen in Q1.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Yes, we still got to cycle.

Matt Ferguson - ***TEGNA Inc. - CEO, CareerBuilder***

We're still cycling through some of that source-and-screen business that I mentioned and some of the other advertising business in Q4, and then there will be a little bit of that actually in Q1. So my sense is Q4 won't cycle positive. Contract values have gone up significantly. Most of them that we signed are three-year deals.

The growth rate, when you look at the software business this year, is going to be somewhere around probably 16% when you look at the Q3 to Q3 and probably 20% for the year. So we still got good growth in that and we've got a good pipeline. A lot of deals are in play and being signed as we look at the fourth quarter. So we think that trend will continue as we go into 2016.

Bill Bird - ***FBR Capital Markets - Analyst***

And just to clarify, the 16% you mentioned, is that the growth in bookings or is that the mix?

Matt Ferguson - ***TEGNA Inc. - CEO, CareerBuilder***

Revenue. That's revenue. The bookings piece of that would be larger than that. I don't have that number exactly in front of me. We haven't really reported that way, breaking out the software. But that's something maybe in the future we can get back and look at.

Gracia Martore - ***TEGNA Inc. - President & CEO***

I think, Bill, we've talked about that internally, that maybe beginning in January that we will in the first quarter of next year we will, because you can see that there is that delta between the bookings and the actual revenue. And it's a very positive story on the bookings side compared to the revenues booked. So that will show you pretty categorically.

Matt Ferguson - ***TEGNA Inc. - CEO, CareerBuilder***

Right. I mean, one of the unfortunate things is the revenue categories we got out of hit you immediately. Some of the revenue categories we're getting into take time to sign and build and recognize. So there is some delta there. And I think we will do more in the future to talk about the contract value changes.

Bill Bird - ***FBR Capital Markets - Analyst***

Understood. And then separately on Cars, was there anything specific that contributed to that slight growth moderation you had, particularly in the direct sales? And can you give us any help with a revenue figure for Cars for the quarter?

Alex Vetter - ***TEGNA Inc. - CEO, Cars.com***

Sure. First of all, our direct sales for both our direct and major accounts team grew at 11.4%, reflecting we think a fairly strong period, as well as our national ad revenue grew substantially, largely driven by a lot of growth in mobile at 13.8%. So our direct channels, which represent the majority of our total business, are growing at a decent clip. Victoria, did you want to comment?

Victoria Harker - ***TEGNA Inc. - CFO***

Just want to clarify that. When I refer to my script to the Cars.com direct sales revenue, I was speaking just to direct. National is sometimes reported as a component of that, sometimes it's incrementally, but in total it would have been obviously higher than the 12%, including the national.

Bill Bird - ***FBR Capital Markets - Analyst***

Then on a revenue figure, can you help us out with what the revenue run rate looked like in the quarter for Cars?

Gracia Martore - ***TEGNA Inc. - President & CEO***

It was in that $145 million to $155 million range.

Bill Bird - ***FBR Capital Markets - Analyst***

Great. Thank you very much.

Operator

Next we will go to Craig Huber with Craig Huber Research Partners.

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

Yes, hi. As a follow on to the discussion you just had. For Cars.com, Gracia, if you take out the affiliate bump-up that ended here, first day of October, what was the underlying growth rate in Cars.com year over year in the quarter, please?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Yes, I think on a pro forma basis, which would be as if the new affiliate agreements were in place in the third quarter of 2014 as well as the third quarter of 2015, then Cars.com revenues would have been up in the mid-teens.

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

Can I ask you, how much of that roughly would be price versus new products versus growth for the penetration that existing in new dealers? How would you break that out, please, to get that 15% number, roughly?

Alex Vetter - ***TEGNA Inc. - CEO, Cars.com***

Sure, I don't know if I can give you an exact breakout, but we're seeing growth across all three facets of the business. We are seeing growth in our dealer count, which is up 2%. But we're also seeing growth in pricing and also seeing growth in new product introductions. So we've been able to demonstrate consistent growth across all three facets and we anticipate that to continue in the quarter and year ahead.

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

Pricing, is that like 3%, 4%, or what can you ballpark that?

Alex Vetter - ***TEGNA Inc. - CEO, Cars.com***

It depends on if new product introductions are part of those renewals. So it's hard to isolate just pure pricing increases, but we're seeing double digit growth in terms of the overall business. And our dealer base growth, while good at 2%, really isn't the driver of much of our growth. New product introductions and pricing represent much more of our power in the market. And I think with the addition of new tracking that shows our impact on bringing people physically into the showrooms should increase our ability to drive our both product and pricing growth.

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

And then also if we could switch over to CareerBuilder for a second. Without the benefit of any maybe small acquisitions but including currency, Gracia, what was the percent change there for CareerBuilder year over year for revenues?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Excluding the impact of foreign currency it was down low single digits.

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

Does that include the benefit of any small acquisitions or (multiple speakers)

Gracia Martore - ***TEGNA Inc. - President & CEO***

There were no acquisitions. There was small one, yes. But that's de minimus in the scheme of this.

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

Okay. Also wanted to ask you, if I could, on the cost side within Cars.com. Should we see any acceleration there in cost just for internal investment purposes or more steady as she goes?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Let me start and then Jack and Alex jump in. When we did the new affiliation agreements, that had an impact on the expense line. And so you see that expenses are actually down year over year. But when we cycle that, which we did on October 1, then we'll get to a normalized expense rate, which will be consistent with the kind of growth trajectory that business has. But all of the initiatives that they've done on the Cars side are baked into all of the numbers you have been seeing and will see.

Where we did add and highlighted at our Investor Day was some investment at CareerBuilder where we said we were going to be adding, I think it was, $10 million to $15 million of expense in the second half of the year and again in the first half of next year because we are increasing our salesforce, adding sales bodies and also I think technology resources, because frankly the success of our software-as-a-service business, we need to add additional sales folks to go in there. It's a different kind of sale. It's a longer lead time sale. And we have the demand that we feel we can more than make a very strong ROI on those additional resources.

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

Great, thank you.

Operator

Next we will go to Tracy Young with Evercore ISI Partners.

Tracy Young - ***Evercore ISI Partners - Analyst***

Yes, hi. Just some follow-up questions on the auto business. Are you seeing an improvement there in Q4 on the broadcasting side?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Yes. In fact, when you look in the third quarter in our top 10 categories, most of them were either flat to up. Auto up, retail up, several important categories. I think Dave, you said in the fourth quarter auto is up again, and even a little bit more.

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

Auto and retail are both up stronger and the same categories that were strong in Q3 are strong in Q4.

Tracy Young - ***Evercore ISI Partners - Analyst***

Okay, great. And as far as your growth, you've now provided some really good color on both Cars.com and CareerBuilder. But did M&A also help on that growth? Thanks.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Certainly not at Cars and very de minimusly as we said at CareerBuilder. So M&A activity has pretty much not impacted these numbers on the Digital side, over and above the original Cars.com acquisition, obviously.

Tracy Young - ***Evercore ISI Partners - Analyst***

Yes, thanks.

Operator

Next we will go to Barry Lucas with Gabelli & Company.

Barry Lucas - ***Gabelli & Company - Analyst***

Thanks and good morning. Two areas on the television side, mainly for Dave. And I don't want to beat this to death but auto advertising is, I don't want to say anemic, but certainly given a SAR rate of 17 million plus vehicles annually, just the numbers don't seem to reflect that sales trend, Dave. So maybe you could talk ability longer term prospects, maybe we get to 18 million, but what happens then and how do we translate more units into more dollars?

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

Well I think right now it's a high-class problem, [it's] because SAR is so strong that there's a demand and supply issue, as Alex can speak to. So where they're moving the units and don't need to spend as much right now on the advertising piece. But over time they will. The amount of dollars going into TV remains strong. And we're actually starting to see some growth on dollars we're taking out of Tier 3 in some of our larger markets which have traditionally have gone to cable. So the category I think is going to remain strong. We've just been lapping some very strong quarters.

Gracia Martore - ***TEGNA Inc. - President & CEO***

The other thing I would add, Barry, is that there's a whole other part of the pie, the digital marketing services pie, that we are just beginning to scratch the surface of. And actually I think that holds an enormous opportunity for us, particularly in many of Dave's Texas markets and other markets.

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

That's right. Those integrated solutions I was referring to earlier are going to be very attractive to Tier 2 and Tier 3 auto.

Barry Lucas - ***Gabelli & Company - Analyst***

Great, thanks for that. I appreciate it. And just switching gears to spectrum, the FCC released the opening bids for the incentive auction last Friday. What was surprising in the numbers, if anything? And I don't know if you care to share some of the strategic initiatives you might be looking at, but how do you think of TEGNA's participation, if you will?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Dave and I and others here reviewed the materials that came out, and frankly it really didn't in any had way meaningfully change what has been our thought process all along, which is that we see some interesting opportunities on the channel sharing side in a number of markets. On the pure selling spectrum side, as we said we don't see that as any kind of a material event for our Company. So overall there's pluses and minuses. But I think overall, really our thesis hasn't changed.

Barry Lucas - ***Gabelli & Company - Analyst***

Thanks, Gracia.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Thanks, Barry. I think we have time for one more question.

Operator

Okay, and we will take our question from the site of Kannan with Barclays.

Kannan Venkateshwar - ***Barclays Capital - Analyst***

Thank you. Gracia, just on the CBS agreement that you guys renewed recently. You mentioned that the All-Access platform was also part of the agreement. Just wanted to understand from an affiliate perspective, what kind of economics kick in if CBS is able to sell multiple access across its footprint?

Gracia Martore - ***TEGNA Inc. - President & CEO***

Obviously, Kannan, we would never, as we don't in anything, share the specifics of it. But I think that it's well known and I think CBS, as well as the affiliates, have talked about the fact that there is a sharing of the economics from that. Obviously the important thing is to see how each one of these activities plays out. It's just incremental revenue to us that we're pleased to have, and we'll see how all of them play out into the future.

Kannan Venkateshwar - ***Barclays Capital - Analyst***

And just one follow-up on the FCC rulemaking process on retrans. One of the things they are looking at is the out-of-market stations and the ability to bring those signals in-market. If you can help us with that scenario and how you're protected from it, that will be very helpful. Thanks.

Dave Lougee - ***TEGNA Inc. - President, TEGNA Media***

First of all, we are protected legally in our affiliate agreements and are for years to come. What it speaks to, what the FCC non-dup exclusivity rulemaking that the Chairman had put out there, talked about protecting that right, what's important is the bipartisan letter that just came from the Heads of both, from all four Heads from both parties of Judiciary Commerce that just came two weeks ago. And that letter appropriately instructed the Chairman to stand down on those two issues because it needs to be looked at holistically with a compulsory copyright issue, because that's the issue when this was put together years ago that that distant signal protection was all part of an important ecosystem balance that everyone seems to understand. So I think we are very hopeful now that this whole process will wait to a more holistic view is taken by Congress.

Kannan Venkateshwar - ***Barclays Capital - Analyst***

Thank you.

Gracia Martore - ***TEGNA Inc. - President & CEO***

Thanks very much. We appreciate all of you joining us today. If you have additional questions, please feel free to call Jeff Heinz at 703-854-6917. Thanks very much for your time. Dawn?

Operator

And this does conclude your teleconference today. Thank you for your participation. You may now disconnect.