

EDITED TRANSCRIPT

TGNA - Q4 2016 TEGNA Inc. Earnings Call

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OVERVIEW:

Co. reported 4Q16 total Co. revenues of \$887m and non-GAAP EPS of \$0.74.

CORPORATE PARTICIPANTS

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Gracia Martore *TEGNA Inc. - President & CEO*

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

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PRESENTATION

Operator

Good day, and welcome to the TEGNA fourth-quarter 2016 earnings conference call. This call is being recorded. Our speakers for today will be Gracia Martore, President and Chief Executive Officer; and Victoria Harker, Chief Financial Officer.

At this time, I would like to turn the call over to Mr. Jeff Heinz, Vice President Investor Relations. Please go ahead, sir.

Jeff Heinz - TEGNA Inc. - VP of IR

Thank you. 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 fourth-quarter and year-end 2016 results.

After that, we will open up the call for questions. Hopefully you've had the opportunity to review this morning's press release. If you have not yet seen a copy, it's available at TEGNA.com.

Before we get started, I'd like to remind you this conference call and Webcast include forward-looking statements and our actual results may differ. Factors that may cause them to differ are outlined in our SEC filings.

This presentation also includes certain non-GAAP financial measures. We provide the 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, I'll turn the call over to Gracia.

Gracia Martore - TEGNA Inc. - President & CEO

Thanks Jeff, and let me join Jeff in welcoming all of you to our fourth-quarter and year-end earnings call.

Now, I'm going to kick things off with highlights of the performance for the full year and also for the fourth quarter, and after that I'm going to turn it over to Dave Lougee, President of TEGNA Media; and Alex Vetter, CEO of Cars.com for a deeper dive on their respective businesses. Victoria will then cover the financial highlights for the quarter. So lots to cover, so let's get right to it.

We remain focused on our anticipated spin of Cars.com, which will create two strong Companies with leadership positions in their respective industries. Alex and the team there continue to make progress in their preparations for life as a separate Company later this year.

Our strategic review process for CareerBuilder is also moving along. We are confident that we, along with our partners Tribune Media and McClatchy, will find a solution that maximizes value for shareholders and puts CareerBuilder in the best position to succeed for its customers and its employees.

Now let's turn to our record performance for 2016, which was more than consistent with what we shared with you in early December. We closed out the year with substantial improvement on both the top line and bottom line as compared to 2015, with revenue up 10% and non-GAAP earnings per share increasing 62% year over year to \$0.74 and we generated a substantial increase in adjusted EBITDA, which was \$1.23 billion. These improved results reflect solid performance across our segments as they continued to execute on their growth plans and strategic initiatives.

2016 was a strong year for TEGNA Media. Full-year revenue was at record levels driven by political spending, continued digital growth, the summer Olympics which aired across our robust NBC footprint, and substantial increases in retransmission fees which were up about 30% in 2016 compared to the prior year. On the TEGNA Digital side, 2016 revenues were up about 3% reflecting growth at Cars.com and CareerBuilder.

Before we turn to fourth-quarter performance, we want to also note that with the change we made last year to go to a calendar year, 2016's fourth quarter was three days shorter than the 2015 fourth quarter. You'll want to make sure you are viewing our quarterly comps for Media through that lens. Fortunately, there will be no issues like this going forward.

In the fourth quarter, TEGNA Media revenues were up 17% over the prior-year's quarter, excluding the three extra days in last year's fourth quarter. We saw strong growth in Congressional and Gubernatorial election spending, thanks to our well-positioned station footprint.

These races brought in more advertising dollars this year than during the 2012 election, and helped to partially offset the well-documented lower Presidential race spending. Dave will be providing a full report on our political results in a moment.

We also are very pleased with retransmission growth of over \$25 million in the fourth quarter. In addition, our team made excellent progress negotiating new agreements replacing those that expired at the end of 2016 which will drive growth in 2017 and beyond.

Now, we continue to see a gap in the retransmission revenue we take in compared to the value we provide, and we have been closing that gap for the last several quarters and will continue to work hard on that front. We also recognize that 2017 is a unique year for us in that we have a gap between the increase in retransmission fees we earn and the increase in reverse compensation this year. As we have noted, we plan to close that gap, both with the new agreements we negotiated at year end - Dave will share some good news on that front in a few moments -- as well as the initiatives we launched in 2016, which combined will more than offset this exposure.

Turning to Digital. Digital Segment revenue rose during the fourth quarter reflecting the mid-single digit revenue growth at Cars.com and CareerBuilder.

These gains are unfavorably impacted by lost revenue as a result of our sale of the PointRoll business in November of last year. Auto remains one of the fastest growing advertising verticals, and we continue to see more and more marketing and advertising dollars shifting toward Digital solutions.

To capitalize on these expanding opportunities, Cars.com is rolling out new products, new apps, a more user-friendly interface that provides unique value to dealers and shoppers alike. Cars' strong brand recognition and leadership position, coupled with favorable industry dynamics and continued hard work and innovation by the Cars.com team, gives us confidence that it is positioned to reach its full potential as a standalone Company. Now Alex will provide a deep dive on the specific initiatives underway in just a few moments.

2016 was a pivotal year for CareerBuilder. CareerBuilder is one of the most innovative companies in the human capital space with an unmatched end-to-end platform. For more than two decades CareerBuilder leads in recruitment with its terrific pre-hire platform.

Now with its recent acquisition of Workterra specializing in cloud-based benefits, administration and talent management, CareerBuilder has moved into post-hire solutions. Employers appreciate the expanded suite of services we now provide under one umbrella, and we too are optimistic about the new doors and revenue growth opportunities these value-add services open up for us. The breadth and depth of CareerBuilder solutions make the Company a true Human Resources powerhouse.

Lastly, I want to comment briefly on our share buyback program. As you saw in November, we reactivated the program which had been temporarily suspended in connection with our anticipated spinoff of Cars.com.

Our decision to begin buybacks again was based on our strong operational and financial performance and the Board's confidence in our ability to maintain strong cash flow levels and allocate capital strategically. We will continue to be opportunistic regarding share repurchases going forward. Now, let me turn it over to Dave for his thoughts on TEGNA Media.

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Thank you, Gracia. As we had forecasted, 2016 was a year of records. We had a record year for both revenue and EBITDA and our stations outperformed our markets, producing a record revenue share for our division demonstrating our sales and content plans are working.

Our focus on investment and innovation has been key to that growth. I'll leave the reporting of the numbers to Victoria, but let me start with retransmission that Gracia referenced.

Very good news to start 2017. We have stronger than projected retrans revenues due to stronger results in those year-end negotiations that covered 42% of our subscribers. I'm pleased to report the resetting of rates that Gracia referenced in her remarks will result in a 24% increase for retrans revenues in 2017, higher than the range of 17% to 21% previously reported.

As a reminder, as Gracia also referenced, on the expense side of the retrans equation, we're now making reverse compensation payments for the first time on 11 of our NBC stations. We had most recently projected a one-time net retrans gap in 2017 of \$48 million to \$55 million, but now I'm pleased to say, based on those year-end negotiations, that gap has been reduced to \$25 million to \$30 million. And as we planned our innovation initiatives, which I will discuss in more detail shortly, will more than cover that remaining net retrans gap.

Back to retransmission and the topic of pay TV subscribers. New OTT providers, as we talked about in the past, have shown great interest in our portfolio of strong stations. We are in the pretty much the final stages now of very productive negotiations with our network partners and OTT providers -- some of them new OTT providers, also known as virtual MVPDs, which we will talk about in the future always as VMVPDs..

Given the strength of our stations and the size of our markets, we're ending up with very good economics on these agreements, which will result in no lost income if a subscriber moves from a traditional MVPD to one of those new players. Furthermore, some of these services are targeting so-called cord-nevers with skinny bundles of channels at lower overall prices, and that's an opportunity for us to reach new consumers who have not yet heretofore been in the pay TV ecosystem.

Now onto the regulatory front. We expect a long overdue break in the logjam on outdated TV ownership rules this year. Under new FCC Chairman, Ajit Pai, we see very positive signs of relief that will likely allow both vertical and horizontal consolidation, a very good and overdue development for TEGNA and the industry overall.

Just last week the FCC gave approval to broadcasters to broadcast in our new ATSC 3.0 standard, which provides additional business opportunities down the road, another good development for the industry and TEGNA. Regarding the just concluded spectrum option, as expected, TEGNA did not sell any spectrum in the auction.

Now let me turn to political and quickly recap political in the fourth quarter. We finished at \$91 million, higher than our previous guidance of \$88 million to \$90 million.

While we know Presidential spending was down from prior elections, notably Senate spending was nearly flat and House races were up 20% and governors races up 138% from 2012. Looking ahead to 2018, the current political energy and activism that you're all aware of alive in this country will likely result in heavy fundraising and political spending by midterm election standards, so we expect a healthy year for political next year.

Now let me turn to our many innovation initiatives that we are using to reinvent our business. Innovations like Hatch, our centralized marketing solutions group, combined with our new pricing and business intelligence team, a comprehensive content innovation plan, and Premion, our newly launched over the top advertising services business, are all positively impacting our clients and advancing the way we meet our consumers' and customers' needs.

Premion has expanded its business and is ramping up very nicely. Local and regional advertisers recognize the importance of over the top video content distribution, and are taking nicely to Premion's positioning as a one-stop shop in OTT advertising.

In January alone, we have 135% more campaigns than we did in December. The interest from advertisers is real and it continues to grow each month.

These campaigns have spanned from one to 125 markets. In other words, we're selling way outside our footprint. In the 38 TEGNA markets, 30 properties have booked more than 300 total campaigns already in 2017.

Finally, Premion is also onboarding new distribution partners including Turner, Viacom and Major League Baseball. With these additions, we now have more than 10 major content partners who provide access to over 80 long-form episodic branded networks.

Hatch also is off to a strong start in 2017. As a result of Hatch creating unique multi-platform campaigns for local marketers, we have 125 new accounts we didn't have a year ago. So the pipeline for potential business is strong, and we are optimistic on the prospect of developing new revenue throughout the year.

Now to content. To achieve the audience share increases and deeper engagement on all platforms that we're getting, we're breaking our teams from the assembly line of formulaic local news production and investing in unique, original shareable content and pilots that will stand out amongst consumers. We've introduced the concept to our teams, brought in a lot of new innovative leaders to the Company, and we launched the first test in the marketplace on the air in November and evaluated our results.

Despite competition from the World Series' strong competition and the election in November, we saw share increases across 15 stations in the morning and 11 stations in late news, and it's important to know there's often a six to 12-month lag between audience share growth and revenue impact. On the programming side, our commitment to having more control of our content with innovative programming that focuses on live and local is also producing results. We currently have two local or regional pilots in production, and now two national shows out to market for distribution.

TEGNA was a featured company earlier this year at the National Association of Television Producers and Executives, also known as NATPE. Our announcement of the show that Gracia referenced, a first of its kind, daily live and online program has received great response. We're in the process of setting up stations now.

Produced out of our Denver affiliate to lower production cost, this live show will be live across several time zones each weekday, leveraging social media content and an entertaining ensemble cast to create a live experience unlike other syndicating shows on broadcast TV. We have a partner in MGM Studios under President Mark Burnett of Apprentice fame.

Those are just a few examples of the bold and aggressive moves TEGNA Media is making. Our focus on innovation has become a competitive advantage, and in 2016 you can expect more. In 2018 we'll be able to take these initiatives and leverage an incredible opportunity to showcase our content and revenue initiatives with the Super Bowl and the Olympics on all our many NBC stations in next year's first quarter. With that, I want to turn it over to my partner Alex Vetter at Cars.com.

Alex Vetter - TEGNA Inc. - CEO of Cars.com

Thank you, Dave. For the fourth quarter of 2016, we achieved \$162 million in total revenue, a 5% increase compared to the fourth quarter last year, primarily due to continued growth in our retail channels. Retail revenue, which includes our local dealer and national advertising businesses, was up 7.5% year over year.

With our revenue growth we achieved strong EBITDA and EBITDA margins, which we believe are among the highest in the market. Our largest revenue gains were with auto manufactures and major dealer chains, where we saw 13% growth in the quarter compared to last year.

These customers have higher and larger resources and therefore are able to apply a more sophisticated approach to measuring marketing effectiveness. Further, they are already focused on offline sales beyond digital generation of traditional leads.

Our total wholesale revenue from affiliate newspapers and broadcasters was down 3% in the quarter versus last year. We're continuing to work with our affiliate partners to improve their performance, and in certain cases restructure our relationships. At the start of 2017 we took control of certain territories from one affiliate partner, an important first step in the transition that will provide Cars.com even greater opportunities to gain market share, at the same time convert losses in our wholesale channel to retail revenue gains within our retail system.

On the local sales level, with our broad network of dealers, while we continue to take a leadership role in the industry providing value beyond traditional leads, we are experiencing softer revenue. As a reminder, the fourth quarter is typically the slowest quarter for the Company due to the seasonality of the automotive market.

The overall softness in local dealer business is primarily attributable to two factors: traffic declines during the re-platforming of the Cars.com technology and the shift of the consumer to mobile devices. The re-platforming of our Cars.com technology, which is an important strategic initiative in 2016, provides us with a much more flexible and robust technology infrastructure.

We've modernized our entire code base to allow us to develop products and features much faster. For example, our legacy platform, we made 2.5 changes per month on average. With our new technology platform, we are now tracking towards more than 60 new innovative updates per month.

Further, as we discussed on the last earnings call, our traffic and search engine position were negatively impacted during the re-platforming work. And as we said, it will take us some time to regain our SEO position, which will in turn further increase the quality traffic and leads we're able to deliver to our local partners. The good news is that I'm confident that the work we're undertaking, because part of that confidence is based on our shift to and strength in mobile.

Our move to the responsive design allows consumers to experience our site, regardless of the device that they are using. Our much improved site speed has also contributed to our growth in mobile, with our fourth-quarter mobile app traffic up 13% year over year.

Mobile users are more likely to be repeat visitors, and our site data supports this. We saw a 10% increase in our repeat visits compared to the same quarter last year, and while mobile users are typically sending fewer leads to dealers, the mobile user is typically much closer to a sale.

We've been tracking and analyzing mobile walk in behavior on the dealer lot for more than a year through our innovative Lot Insights reports, which was the first of its kind for our industry. And our reporting has revealed that when we factor in Cars.com mobile traffic, we believe that we're generating nearly 7 million more physical leads per year that are not consistently recognized within the industry.

Further, related to product innovation, we continue to focus on improving the consumer experience with innovative app features such as price drop alerts, on the lot VIN scanning, as well as urgency indicators on the site that provide real-time metrics on a given vehicles interest to shoppers. We're also encouraged by the early results from our acquisition of DealerRater, which has positioned us as the largest automotive review platform in the industry.

Last quarter, we incorporated more than 3 million dealer reviews into the Cars.com website, and research shows that consumers trust reviews nearly as much as personal recommendations. We've emerged as the go-to resource for unbiased automotive opinions, which we expect will translate into increased site traffic.

In addition, DealerRater takes reviews one step further by allowing consumers to review individual employees within the dealership. Our data shows that nearly 80% of DealerRater salespeople indicate their employee profiles help them sell more cars and drive more show room visits.

We told you last quarter that we were awarded the J.D. Power's highest ranking for overall satisfaction among third-party automotive mobile websites, and the accolades keep coming from our work and our culture. For the fourth consecutive year, Cars.com was named the top review site in Digital Air Strike's sixth Annual Automotive Social Media Trends study. We also received the highest rated Used Car Advertising award in the eighth Annual Driving Sales Dealer Satisfaction Awards.

Now before I turn it over to Victoria, I'd like to make a few comments on our outlook. We are expecting modest single-digit total revenue growth in the first quarter.

We expect to see revenue growth in our national and major accounts businesses, but at a lower rate than during the same quarter last year primarily related to reduction in spending at two national accounts due to a transition to an advertising agency and a change in placement strategy during the first quarter. Once these transitions are completed, we expect these manufactures to increase their spending as we progress throughout the year.

Excluding the impact of these two accounts, we expect our national and major accounts to be up in the 12% to 15% range in the quarter, in line with the fourth quarter growth rate. As I noted before, while we're taking steps to improve and in some cases restructure the relationships with our affiliates, we expect a mid-single digit decline year over year in this part of our business.

At the local sales level as we've discussed, it will take time to grow our increase in SEO traffic and the quality of traffic to our dealers. As that traffic grows, we will be working to influence the industry to adopt new lead generation metrics that matter for today's consumers, namely a majority of those who made the shift to mobile.

On the industry front, although analysts at this point in the year have mixed reviews on the SAAR, auto sales are expected to remain at an all-time high and dealer profitability levels continue to be very strong. Thank you. Now I'll turn it over to Victoria for further comments.

Victoria Harker - TEGNA Inc. - CEO

Thanks Alex, and good morning everyone. As Gracia has already mentioned, 2016 was a solid year for TEGNA by almost every measure and we're very pleased with our fourth-quarter results reflected in double digit growth in both revenue and adjusted EBITDA.

Before we dive into our consolidated financial results, as well as capital allocation during the quarter, I'd like to highlight a few special items which unfavorably impacted operating expenses by about \$19 million on a pretax basis with an associated EPS impact of \$0.05 per share. These are primarily driven by noncash impairment charges and severance charges, largely due to our recent reorganization at our G/O Digital business.

Beyond this, we recognized about \$11 million in non-operating special items on a pretax basis with an associated unfavorable EPS impact of \$0.09 per share related to the anticipated Cars.com spinoff and the sale of a digital business. During the quarter we also recorded special tax benefit resulting from deferred compensation investments with an EPS benefit of \$0.02 per share.

As Gracia mentioned, the conversion to a calendar year after the spinoff of our publishing assets in 2015 resulted in three fewer days in this year's comparable fourth-quarter results, impacting the Media Segment revenue by about \$11 million and adjusted EBITDA by about \$7 million. Despite this impact, with solid performances by both Media and Digital Segments, we achieved earnings per share of \$0.74, an increase of 40% over last year.

Now, turning to the fourth-quarter consolidated financial results. Total Company revenues of \$887 million were up over 10% year over year, driven by record Media Segment revenue and gains across our Digital businesses.

During the quarter, total Company operating expenses of \$589 million were 7% higher compared to last year, driven by higher programming fees as well as expenses associated with solid revenue growth and ongoing investments in Media Segment initiatives. These were partially offset by the absence of the PointRoll business on a comparative basis.

As a result of the solid operational execution across the segments, TEGNA overall achieved strong adjusted EBITDA of \$350 million this quarter, up 15% year over year, and our adjusted EBITDA margin was 39%, up 160 basis points compared to last year. We are also very pleased with the EPS outperformance during the quarter, with about half from the benefit of tax rate and half from operational performance.

Now, let's turn to a more detailed review of the Media and Digital Segment results. Media Segment revenues of \$529 million increased by 14% year-over-year, driven by strong retransmission revenue and higher political advertising spending as well as continued growth in digital revenue. Excluding the impact of the calendar change, Media Segment revenue was up 17%, in line with our guidance.

Retransmission revenue was up 21%, an anticipated growth rate lower than prior quarters due to lapping of the agreements negotiated during the fourth quarter of 2015. For the year, retransmission revenue was up significantly, about 30% over last year. Beyond this, Media Segment Digital advertising revenues continued to increase, up by about 7% driven by continued gains in digital marketing services and the success of our recently launched initiatives.

Now, focusing on first-quarter 2017 expectations. Based on current trends we anticipate total Media Segment revenue to be flat to slightly above the first quarter of last year. The year-over-year comparison will naturally be unfavorably impacted by about \$16 million due to substantially lower political advertising revenue.

It is also approximately \$9 million less due to the move of the Super Bowl from our 11 CBS stations which reach about 10.6 million, or nearly 9.5% of US households, to our much smaller three Fox stations footprint which reach only about 600,000, or 0.5% of US households. Excluding the unfavorable impact of the Super Bowl shift and lower political advertising, Media Segment revenue is expected to be up in the mid-single-digits year over year.

During the fourth quarter Media Segment operating expenses of \$285 million were up 12% year over year, primarily due to increased programming fees. Excluding these fees, Media Segment expenses increased approximately 3.5% driven by investments in our strategic initiatives, including sales and content transformation projects.

During the quarter, Digital Segment revenues of \$358 million increased by 4% year-over-year. On a constant currency basis and adjusting for PointRoll, Digital Segment revenues were up by about 6% over last year reflecting higher revenue within Cars.com and CareerBuilder.

Cars.com revenues increased by 5% during the fourth quarter, reflecting increased market penetration in direct markets, the recent DealerRater acquisition and strong national display advertising. Wholesale revenue was slightly down compared to last year, with mixed performance by affiliates.

Cars.com revenues sold through the direct sales channels was up over 7%, reflecting the factors Alex mentioned earlier. CareerBuilder revenues were up by about 7% year-over-year on a constant currency basis, with significant improvement sequentially.

Growth was mainly due to higher resume database revenue, continued sales momentum of software as a service solution and several recent acquisitions, partially offset by continued headwinds in the job posting business. Digital Segment operating expenses of \$289 million were up 4%, reflecting investments in growth initiatives and the expenses associated with the newly acquired businesses within both Cars.com and CareerBuilder partially offset by the absence of expenses at PointRoll.

Now turning to Capex. Capital investments of \$26 million during the quarter reflect our ongoing commitment to reinvestment in business priorities and digital development, as well as media content, product integration and platform enhancements. For the year, our capital investments totaled \$95 million, just slightly above our full-year target due to additional investments in software development.

Turning now to capital allocation. After a brief pause in the share repurchase program following the announcement of the intended Cars.com spinoff, we resumed the repurchases on a limited basis in November. Since the reactivation, approximately 0.5 million shares were repurchased during the fourth quarter at an average price per share of \$22.05 for a total of \$11 million.

At the end of the quarter, our long-term debt stood at \$4 billion, reflecting the extinguishment of \$193 million in 10% senior notes which reached the maturity earlier in 2016. Beyond this, in November, we accelerated the redemption of the outstanding \$70 million on remaining on our 7 1/8% notes at par which were due to mature in September of 2018. As we mentioned during our previous call, both these actions will result in significant interest expense savings of \$14 million annually, approximately \$5 million over two years respectively.

At the end of the quarter cash on the balance sheet was \$77 million and free cash flow for the quarter was \$202 million. With that, we'll now open it up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

We'll take our first question from Barton Crockett with FBR Capital Markets.

Barton Crockett - FBR Capital Markets - Analyst

Thanks for taking the question, and I appreciate some of your thoughts about the regulatory situation under the new FCC leadership. But, I was wondering if you could expand a little bit on that? I think you said that you see opportunities for more horizontal and vertical combinations. I was wondering if you could be a little bit more specific about what the constraints are that you think could be changed and how TEGNA will try and be positioned for that?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Sure. This is Dave, I'll take that. Just starting with the vertical, there's been a longstanding UHF discount for stations that's been frozen effectively recently. We expect that to be reinstated probably within the next couple of months as the FCC appropriately is looking at that they should view it holistically with all of the ownership rules. As, or even more importantly, I think by, possibly by as early as the end of the summer or early in the fall, the FCC under new FCC Chairman Ajit Pai, who's been very public in the past about the need for these outdated rules to be updated, we expect him to take action.

He does not need to do, for those of you familiar with the so-called quadrennial review that the FCC is supposed to do every four years. While the next one is scheduled for 2018, he's already got a petition for reconsideration in front of him of the last ones that the previous FCC did. All the filings have been done, the process is fairly simple and clean for him to reinstate them and to relax them.

And specifically what we mean by those in-market rules are there's a number of old rules that really limit our ability to consolidate in the marketplaces. Specifically, I'll call out probably the two most important, which is there's an eight-voices test where you have to have eight independent owners in a market, again from a bygone era. Two, that you can't own two of the big four stations in a marketplace as determined by ratings, technically.

That made sense once upon a time, obviously, when broadcasting before the internet was here, before video was here, before cable had grown, but I think the time has come and he's got control of the Commission. We have a pretty high level of confidence that those rules will change.

We'll also need for the Department of Justice to take a look at how they have viewed end market advertising in those markets. There's some guidelines there that date back to a previous definition of the market, again before all these new entrants that I referenced. So, in a nutshell that piece of it, the ability to consolidate horizontally in a market, is a very good development for the industry, and for us specifically as well.

Barton Crockett - FBR Capital Markets - Analyst

That's helpful. Just to try and understand a little bit more clearly, do you expect -- what constraints would you expect us to end up with when this process is done? Do you think we would be able to combine two or three of the top four stations in a market? Where do you think that the puck's going, and would you guys be a buyer or a seller or both in such a situation?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

I think it's very likely that two big four stations will be -- the one owner will be allowed to own two big four stations finally.

Gracia Martore - TEGNA Inc. - President & CEO

And Barton, I think as you have always known about us, we are incredibly opportunistic people. We will look at all of the opportunities that come up.

I think there's room for, as Dave was trying to allude to, both outright M&A activity, and then I think there's other opportunities to look at portfolio optimizations where you might want to swap to better everybody's portfolio concentration, assuming, as Dave says, that the in-market duopoly rules get relaxed. I think that we're blessed with the fact that we have a strong balance sheet, we generated an enormous amount of free cash flow and that we have the opportunity to be active across all alternatives.

Barton Crockett - FBR Capital Markets - Analyst

Okay. Then if I could switch gears with one other question. In your first-quarter 2017 outlook for flat to a little bit of growth maybe in the Media Segment, granted there's political and Super Bowl headwinds, but you also have retrans growth. What is the implied trend in core advertising?

It looks like you're seeing maybe a high single-digit decline there. I was wondering if you could comment on that. And when you talked about the 24% growth in retrans, do we see that in the first quarter or does it ramp up a little bit later?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Yes. So take the -- so the mid-single digits guidance is all-in, and we do see retrans, that number, rolling through the year because those were deals that were done at the end of the year. As core has been slow starting off in the marketplace, as I'm sure you heard from others as well, and it's been ramping throughout the quarter. But we do obviously have the headwinds of almost \$10 million last year in the Super Bowl. So it won't end up for us, but it is improving.

Barton Crockett - FBR Capital Markets - Analyst

Okay. I'll leave it there. Thanks a lot, guys.

Gracia Martore - TEGNA Inc. - President & CEO

To be more specific, Barton, I do not believe that we are in any way anticipating, excluding Super Bowl, that our core numbers would be down in the high-single digits.

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Not at all.

Gracia Martore - TEGNA Inc. - President & CEO

That's not the expectation at all.

Barton Crockett - FBR Capital Markets - Analyst

Okay. All right.

Gracia Martore - TEGNA Inc. - President & CEO

But the expectation is that they would be better than that, just to be clear.

Barton Crockett - FBR Capital Markets - Analyst

I appreciate that. I'll walk through the math offline with you guys, but I appreciate that clarification. Thanks.

Operator

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

Alexia Quadrani - JPMorgan - Analyst

Thank you. Just a quick follow-up first and then a question. Dave, I think when you just said it won't end up for us when you were talking about the core advertising, you meant, I think, in the first quarter, right? Because for the full year you are looking for improvement in core advertising as the year progresses, is that correct?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

You're right. That's right about the first quarter we haven't changed any. It's very early and money's being bought late so we've got no information to change any thinking around the year.

Alexia Quadrani - JPMorgan - Analyst

And then just a follow-up on your previous comments also about the virtual MVPDs that you were talking about. Any more color you could give us on how those relationships go? I know you don't obviously want to talk about any specific contract. But in general, are the deals similar in nature to traditional deals when you talk about how it's net neutral from a subscriber, whether they are on a linear or whether a virtual MVPD?

Could you just give us more color, are they multi-year deals, do they have escalators? How are they generally set up? Thank you.

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Yes, sure, Alexia. I'll be glad to. There's no one clear model. There's several different forms of which the deals are coming down and being negotiated.

For instance, I think it's worthwhile dividing between new entrants and traditional MVPDs who are getting into the space, like Dish and Direct who've got well publicized services out there. The negotiations on the economics around those Dish and Direct deals are integrated into the retrans negotiations that we have with those providers, so we are ending up with almost duplicate economics if -- I should say almost duplicate economics on those deals.

As it relates to the new entrants, the form of payment and the structure may look different than what we do with traditional retrans but the net retrans per subscriber is going to be ending up the same. There's no one-stop shopping on the way the deals are being constructed, but in the end they are all, like we said earlier, broadcasting is at the core of each of these services, what they have to have to get off the ground. And the consumers have voted loudly that they want us. That bodes very well for our near- and long-term economics in that space.

Alexia Quadrani - JPMorgan - Analyst

Okay. Thank you very much.

Operator

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

Doug Arthur - Huber Research - Analyst

Yes, two questions. Dave, in terms of the progress you've made on closing the gap on reverse retrans, do you foresee any phasing of that throughout the year, similar to Alexia's question on retrans, or fairly smooth progression? And then I've got a follow-up.

Dave Lougee - TEGNA Inc. - President of TEGNA Media

No, the former is the right answer. We will be ramping throughout the year. Now, we've modeled that we'll be doing that on the initiatives that we have, that they ramp throughout the year and that the cover on the gap, which we'll more than do is for the full year.

Doug Arthur - Huber Research - Analyst

Okay, great. Then a follow-up on the 6.9% growth, constant currency at CareerBuilder, Aurico, WorkTerra, how much did they add to that growth, and what's the pro forma organic growth at CareerBuilder?

Gracia Martore - TEGNA Inc. - President & CEO

Doug, as you can appreciate, we are in the middle of looking at some strategic alternatives so I have to be a little bit careful. But what I would say to you is that every category of revenue grew at CareerBuilder, other than jobs boards, which we've indicated in the past have seen price compression.

With respect to some of the growth that we're seeing from those acquisitions, that's actually some growth that we look at it as a product. Adding the ability to do pre-hire testing and confirmation of employment and the like is a product that we were going to probably get into. This just helped us to accelerate that process. What I can tell you is we saw growth across everything, other than the jobs board piece of it, and saw absolute growth.

Victoria Harker - TEGNA Inc. - CEO

Doug, this is Victoria. Just to expand on this, as we've talked about in previous calls, a number of these opportunities in terms of products are now being sold across the sales forces. So they've become an integrated set of part of the solution, so it's not a direct sale from a previous company that we acquired. It's much more integrated than that.

Doug Arthur - Huber Research - Analyst

Okay, great. Thank you.

Operator

Next we'll go to Kyle Evans with Stephens.

Kyle Evans - Stephens Inc. - Analyst

Hi, thanks. Alex, could you talk a little bit more about the affiliations and where you took over direct sales? Were those markets given back to you by choice?

Did you take them as a part of the contracts? Just a little bit more color there would be appreciated.

Alex Vetter - TEGNA Inc. - CEO of Cars.com

Sure. We are in close conversations with all of our channel partners and we've spent more time with the partners that have had the worst performance year-over-year because we're seeing many markets improve their performance year-over-year. So we're working from the bottom up, and in those discussions we identified several territories where they just didn't have the sales pressure that we felt that we could provide in the market and they agreed to relinquish those territories to us.

It wasn't a full-on takeover of an entire channel partner but rather them relinquishing a handful of markets and territories. And we're going to continue, Kyle, to keep the pressure on our affiliate partners, and if they are unable to generate the results we're having active discussions about us stepping in and taking over.

Gracia Martore - TEGNA Inc. - President & CEO

Yes, Kyle just to add to what Alex is saying. We are looking at all the alternatives. As Alex has indicated, to the extent that the affiliate performance, particularly in a one affiliate or two affiliates worsens, then obviously we're going to be talking to them before they get to that point where we are going to take away the market and see if there's some logical conclusion we can come to that one, benefits them but two, benefits us and gets us control of those markets.

There's a number of things going on that we really can't comment on specifically. Rest assured that we are not sitting by and not taking actions in a variety of different ways.

Kyle Evans - Stephens Inc. - Analyst

Without going into specifics, how fast can you run that process? The affiliates were positive last quarter, third quarter, negative fourth quarter, when could we expect to see more consistent growth there?

Alex Vetter - TEGNA Inc. - CEO of Cars.com

I would say that all the channel partners have expressed an intent to grow this year, and given us plans that show how they are going to attain it. We're backing their plans, and in the event that they are failing to achieve them, that's when we are immediately engaging with them. I think the good news is over 2015 and 2016, we've got far more channel partners more engaged this year than we have had in the past as they see the growth opportunity in front of them.

Gracia Martore - TEGNA Inc. - President & CEO

I think this is the year where we are going to be having those more creative conversations because if this year you don't see that kind of improvement, in 2019 and 2020 which is when they come up, then the results will be inevitable.

Kyle Evans - Stephens Inc. - Analyst

Right. Question for Dave. Could you give us an update on your subscriber count for retransmission in the quarter?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

YES, WE'RE RELATIVELY STABLE. WE'VE JUST SAW VERY MILD DECLINES CONSISTENT WITH OTHER QUARTERS THAT'S REALLY SPECIFIC TO ONE PROVIDER...

Gracia Martore - TEGNA Inc. - President & CEO

M&A activity.

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Yes, and due to some M&A activity in the sector. We continue to see them being relatively stable. And one thing I'd call out, when you see public reports, individual cable networks are seeing some significant gaps but that's different than what's happening with the overall MVPD subs. And as I mentioned [going forward] too, OTT is over time going to become replacement and possibly even additive.

Kyle Evans - Stephens Inc. - Analyst

Okay. Lastly, you raised your retrans guide. Congrats on better than expected there. The last thing we got from you on 2017 Media was for low-singles to mid-singles growth. Still no change to that for the full year for Media?

Gracia Martore - TEGNA Inc. - President & CEO

Yes, I think, again, what we would say Kyle, is that it's incredibly early in the year. As Dave said, the year I think almost universally across the broadcast group, you've heard folks talking about the fact that the year got off to a much slower start than anticipated.

In part we all should have gone back and looked at what happened after Presidential election years, and would have seen that there's some pattern to that. This year's going to be an interesting year because when you think about some of the actions that could happen around the economy this year around taxes, around other things, this year could go in a variety of different ways.

If you saw tax relief for the middle class actually happening this year, et cetera, that could be a positive. This is one of those unusual years where there's a lot of things at play, and we're just going to have to see how it all unfolds during the course of the year.

Kyle Evans - Stephens Inc. - Analyst

Thank you.

Operator

We'll take our next question from Marci Ryvicker with Wells Fargo.

Marci Ryvicker - Wells Fargo Securities - Analyst

Thanks. David, just want to clarify something. You talked about that net retrans gap going from \$48 million to \$55 million to \$25 million to \$30 million based on -- is it based on year-end negotiations in rate and from initiatives, or just initiatives?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

No, initiatives have nothing to do retrans. Marci, it's just that the actual gap between what we pay our networks, right, that we were going to have this year with retrans because of the NBC hit, that's the gap. And it went down simply because of the retrans revenue growth.

Marci Ryvicker - Wells Fargo Securities - Analyst

Okay. Then in terms of the initiatives, is there any way to think about it in terms of weaving this into our model as the year progresses, that incremental \$40 million to \$50 million that you've talked about?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Yes, I think that's a good way to think about it. I think that we're on track to do that. What buckets the revenue will come in will probably change a little bit through the course of the year as more of it will move to digital.

But probably about a half of that is in core and maybe about a third in core in digital and other all-in for the year. But the mix will change and it will be at a margin consistent with the rest of our business.

Marci Ryvicker - Wells Fargo Securities - Analyst

Then one last one, and I apologize if I missed it. For Cars.com did you talk about the contribution from DealerRater, I guess this is a Gracia question, in the quarter?

Gracia Martore - TEGNA Inc. - President & CEO

No, we didn't talk about it because frankly we see that literally as a product. We had already at Cars unmasked some number of reviews.

It was a business that we wanted to get into. We basically bought them and got access to 3 million reviews. Then what we did, is we have a salesforce which they did not have.

We're bringing the salesforce to bear, and that's something that will ramp up during the course of 2017. The contribution is modest, but really it's a product extension, as we see it, rather than an M&A activity.

Marci Ryvicker - Wells Fargo Securities - Analyst

Thank you very much.

Gracia Martore - TEGNA Inc. - President & CEO

Thank you, Marci.

Operator

Our next question comes from Dan Kurnos with The Benchmark Company.

Dan Kurnos - The Benchmark Company - Analyst

Great, thanks. Good morning. Just quickly, Dave, I guess, housekeeping. Other people have talked about this.

I know you gave a little bit of color around the extra days, but if you pull out political, can you just give us a sense of what Q4 core was ex-crowd-out? It looks like there was a little bit of upside? And just any incremental color beyond auto on categories in case I missed that?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

For the fourth quarter, core excluding the four days was down high-single digits. As far as categories go, auto was strong, it came back in March, after the crowd-out in November. On the flip side of that, media and telecom down a little bit.

Dan Kurnos - The Benchmark Company - Analyst

Great and then just for Alex, just a couple high-level thoughts for you as you prepare life after TEGNA. Can you talk about the influence in the shifting spend from the OEMs back and forth between digital and broadcast and how that's flowing to the dealer level? The impact between the mix shift we're seeing in Cars between new and shifting more towards used? And then any comments you could have on service usage on mobile versus desktop? Thanks.

Alex Vetter - TEGNA Inc. - CEO of Cars.com

First of all, I don't have the media allocation numbers in front of me but manufactures have been aggressively shifting their dollars towards digital over the past few years, and importantly with a flattening new car sales year, or SAAR, predicted for 2017, I think you're seeing manufactures increase their focus on in-market sites, where they can capture incrementally. Retention marketing is probably the biggest term we're hearing in 2017 from manufactures as they really seek to hold onto their existing sales and try to take share from their competitors.

Platforms like ours are highly captive, 86% of our audience intends to buy a car within a very narrow window, so manufactures can really use that consumer indifference to their advantage. So, we continue to see manufactures, as I mentioned.

If you back out the two accounts that had an agency changeover and a switch in their buying process, our manufacture spending would have been up in double-digit growth. We see those two manufactures have already started to re-engage in their first-quarter spending, so we expect that process to work its way out.

I think on your next question was about new and used trends. While new is projected to be flat to down for 2017, the used car market is extremely strong and healthy and growing. And about 75% of our total site traffic comes in looking for a used car.

While we see our users vacillate back and forth between new and used, we've got a massive database of used vehicles in our database -- nearly 2 million used car listings in our database. So, we're seeing strong growth in the used car market for 2017. And then the last question, I want to make sure I understand it. Your question was about service usage on devices?

Dan Kurnos - The Benchmark Company - Analyst

Yes. I just want to get a sense. Look, obviously you're getting more traffic through mobile. You've gone through the re-platforming.

Now, you've added a lot of ancillary services, service offerings. So I'm just curious, any learnings you have so far on customer usage of services on mobile versus traditional desktop?

Alex Vetter - TEGNA Inc. - CEO of Cars.com

Sure. First of all, at a macro level we know intent to buy increases as people move to mobile devices. Our overall business has a six-month purchase horizon for buying a car. If you isolate purchase intent just to mobile devices, the purchase horizon shortens to nearly 90 days.

We think, as manufactures and dealers come to realize that mobile is the last word in deciding what and where to buy, they are going to start increasing their investment in mobile, much like they first started increasing their investment in digital several years back. So there's a learning curve there for the auto industry on how they can use mobile.

There's obviously less room for display advertising and they have to think a little bit more creatively about how they market on mobile devices. But in 2017, mobile now accounts for over half of our total site traffic, and we don't ever see a day coming back where the balance will shift back the other way.

It's only going to grow in importance in 2017 and beyond. Marketers, we think, if you follow the narratives in all industries, are viewing mobile as the next battlefield for their marketing dollars.

Dan Kurnos - The Benchmark Company - Analyst

That's really helpful. I was also asking a little bit more on the add-ons like mechanics, that kind of stuff, actual service of the car. Are you seeing more people use mobile for that purpose? Are you seeing the same dynamics?

Alex Vetter - TEGNA Inc. - CEO of Cars.com

Well, we are seeing an increase in usage in our mobile devices on dealership lots. So yes, pricing validation, selection validation, a lot of our mobile usage is happening on dealer lots. I'd be happy to follow-up with you offline and get you some more detailed statistics on usage patterns.

Dan Kurnos - The Benchmark Company - Analyst

That sounds good, Alex. Thanks for all of the color. Appreciate it, guys.

Gracia Martore - TEGNA Inc. - President & CEO

We've got time for just one more quick question.

Operator

Jim Goss with Barrington Research.

Jim Goss - Barrington Research Associates - Analyst

Thanks. I wanted to ask about the extent of your program development. The Bold deal with MGM where you are going to be producing and they are going to be distributing, I wondered if you might talk about a little bit more about what that's going to entail and you say it's a multi-platform type of venture.

Will MGM be your primary partner or only partner going forward, or is this one of many partners you envision as you ramp up this sort of business? And maybe related, can you talk a little about the timing of cost recognition and the revenue potential, or will this be more of an equity line item?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Let me take -- so on the partnership question first Jim, let me say that we do plan to do business in the programming space with lots of folks. MGM is a good partner but we don't intend to be exclusive, as nor do they. I think you'll see us partnering with other station groups as well.

From a timing standpoint, I've been talking more about your first question about the nature of the show. What's going to be unique about it is, it is going to be live. So if you've got a time slot at 3:00 Eastern or you've got a time slot at 9:00 AM Pacific time, you're on the West Coast, we will, based on the demand from stations, we will be producing multiple half-hour increments so that people will have live on the air.

We think the data shows that live is becoming increasingly important in linear viewing. We say online, it's also what can be an OTT product, social and digital will drive the content. Because it's live, we're not constrained by non-topicality of things being four or five hours old or having to be produced a day in advance and pumped out by satellite in the morning.

Trending items, I say like the Oscars last night and how people are responding to that thing, will be embedded into the content of the show in real time. In turn, the producers of the show will be doing content to engage with the viewers on their own mobile devices while they are watching the show.

Gracia Martore - TEGNA Inc. - President & CEO

Yes, on your accounting question, Jim, it's still a little early on BOLD. We're going to have to see who gets added to the mix, et cetera, to see whether it will be more on the equity side, operating/non-operating, equity, investment.

We'll keep you posted on that as we get -- we're really in the nascent stages of it. We introduced it, we now are looking at other opportunities. And as soon as we've got that all figured out, we will share with you what the appropriate treatment will be.

Jim Goss - Barrington Research Associates - Analyst

If I could squeeze in one more thought. The ATSC 3.0 impact, I think it has -- it will relate to digital elements of the broadcasting business. Does this tie into the whole concept of BOLD?

Dave Lougee - TEGNA Inc. - President of TEGNA Media

Jim, not specifically. I think that ATSC will provide the opportunity for one-to-one broadcasting and advertising and will be IP compatible with other wireless services. So there's a number of direct businesses that could come out of it. But the time horizon, we're launching BOLD here in the fall and the business opportunities with 3.0 are a few years away. It's not to say there won't be pretty potentially innovative interactions between the technology and content, but no it's not -- BOLD itself is not set up as a 3.0 initiative.

Gracia Martore - TEGNA Inc. - President & CEO

Thanks, Jim, for your questions.

Jim Goss - Barrington Research Associates - Analyst

Thank you.

Gracia Martore - TEGNA Inc. - President & CEO

We really appreciate your joining us this morning. We are very sensitive to your time, so if you have any further questions you can reach out to Jeff Heinz at 703-873-6917. Have a fantastic day. Thanks.

Operator

This concludes today's conference. Thank you for your participation.

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