TEGNA INC
Form 10-Q
August 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 28, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-6961

TEGNA INC.
(Exact name of registrant as specified in its charter)

Delaware	16-0442930
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7950 Jones Branch Drive, McLean, Virginia	22107-0150
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 854-7000.
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No ý
The total number of shares of the registrant's Common Stock, $1 par value outstanding as of June 28, 2015 was 226,471,846.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
TEGNA Inc. and Subsidiaries
In thousands, except share data

	Jun. 28, 2015 (Unaudited)	Dec. 28, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$219,088	$118,484
Trade receivables, less allowance for doubtful accounts (2015 - $20,722; 2014 - $16,498)	858,038	912,004
Other receivables	36,212	72,763
Inventories	37,993	38,861
Deferred income taxes	167,950	158,648
Assets held for sale	211,479	69,998
Prepaid expenses and other current assets	85,637	109,707
Total current assets	1,616,397	1,480,465
Property, plant and equipment		
Cost	3,595,275	3,901,869
Less accumulated depreciation	(2,219,824)	(2,292,654)
Net property, plant and equipment	1,375,451	1,609,215
Intangible and other assets		
Goodwill	4,525,618	4,499,927
Indefinite-lived and amortizable intangible assets, less accumulated amortization	3,219,719	3,239,593
Deferred income taxes	58,741	63,647
Investments and other assets	297,843	312,608
Total intangible and other assets	8,101,921	8,115,775
Total assets [(a)]	$11,093,769	$11,205,455

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS
TEGNA Inc. and Subsidiaries
In thousands, except share data

	Jun. 28, 2015 (Unaudited)	Dec. 28, 2014
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and current portion of film contracts payable	$227,706	$281,784
Accrued expenses	502,710	564,628
Dividends payable	45,504	45,309
Income taxes	38,068	11,267
Deferred income	233,274	217,094
Current portion of long-term debt	7,854	7,854
Total current liabilities	1,055,116	1,127,936
Noncurrent liabilities		
Income taxes	57,762	56,578
Deferred income taxes	717,475	650,372
Long-term debt	4,453,202	4,488,028
Post-retirement medical and life insurance liabilities	91,110	97,648
Pension liabilities	787,734	941,715
Other noncurrent liabilities	291,244	333,435
Total noncurrent liabilities	6,398,527	6,567,776
Total liabilities [a]	7,453,643	7,695,712
Redeemable noncontrolling interest	12,815	20,470
Commitments and contingent liabilities (See Note 13)		
Equity		
TEGNA Inc. shareholders' equity		
Preferred stock of $1 par value per share, 2,000,000 shares authorized, none issued	—	—
Common stock of $1 par value per share, 800,000,000 shares authorized, 324,418,632 shares issued	324,419	324,419
Additional paid-in capital	524,094	546,406
Retained earnings	8,740,291	8,602,369
Accumulated other comprehensive loss	(760,383)	(778,769)
	8,828,421	8,694,425
Less treasury stock, at cost (2015 - 97,946,786 shares; 2014 - 97,679,541 shares)	(5,461,276)	(5,439,511)
Total TEGNA Inc. shareholders' equity	3,367,145	3,254,914
Noncontrolling interests	260,166	234,359
Total equity	3,627,311	3,489,273
Total liabilities, redeemable noncontrolling interest and equity	$11,093,769	$11,205,455

The accompanying notes are an integral part of these condensed consolidated financial statements.

[a] Our consolidated assets as of Jun. 28, 2015 include total assets of $57.6 million related to variable interest entities (VIEs) and our consolidated assets as of Dec. 28, 2014, include $60.0 million of such assets. These assets can only be used to settle the obligations of the VIEs. Consolidated liabilities as of Jun. 28, 2015 include total liabilities of $2.9 million related to VIEs and our consolidated liabilities as of Dec. 28, 2014 include $4.3 million of such liabilities. The VIEs' creditors have no recourse to TEGNA regarding these liabilities. See further description in Note 1 - Summary of

significant accounting policies.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
TEGNA Inc. and Subsidiaries
Unaudited, in thousands, except share data

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Operating Revenues	$1,521,392	$1,460,004	$2,994,157	$2,864,070
Operating Expenses:				
Cost of sales and operating expenses, exclusive of depreciation	710,865	775,627	1,411,504	1,543,159
Selling, general and administrative expenses, exclusive of depreciation	439,094	353,779	886,338	708,992
Depreciation	49,697	44,850	99,180	89,614
Amortization of intangible assets	32,575	14,471	64,662	32,214
Facility consolidation and asset impairment charges	20,795	28,775	33,179	43,595
Total	1,253,026	1,217,502	2,494,863	2,417,574
Operating income	268,366	242,502	499,294	446,496
Non-operating (expense) income:				
Equity income in unconsolidated investees, net	2,638	156,540	7,696	165,031
Interest expense	(69,341)	(64,148)	(140,100)	(133,796)
Other non-operating items	(3,842)	(2,982)	18,938	(23,730)
Total	(70,545)	89,410	(113,466)	7,505
Income before income taxes	197,821	331,912	385,828	454,001
Provision for income taxes	66,331	106,000	126,854	158,500
Net income	131,490	225,912	258,974	295,501
Net income attributable to noncontrolling interests	(15,623)	(17,445)	(30,213)	(27,875)
Net income attributable to TEGNA Inc.	$115,867	$208,467	$228,761	$267,626
Net income per share – basic	$0.51	$0.92	$1.01	$1.18
Net income per share – diluted	$0.50	$0.90	$0.99	$1.15
Dividends declared per share	$0.20	$0.20	$0.40	$0.40

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
TEGNA Inc. and Subsidiaries
Unaudited, in thousands

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Net income	$131,490	$225,912	$258,974	$295,501
Redeemable noncontrolling interest (income not available to shareholders)	(52)	(1,395)	(1,285)	(1,850)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	32,703	12,809	394	17,462
Pension and other post-retirement benefit items:				
Amortization of prior service credit, net	(618)	(1,215)	(1,236)	(1,700)
Amortization of actuarial loss	15,713	11,798	31,408	23,233
Remeasurement of post-retirement benefits liability	—	—	—	33,907
Other	(22,936)	(9,297)	(4,397)	(15,413)
Pension and other post-retirement benefit items	(7,841)	1,286	25,775	40,027
Other	—	819	—	1,061
Other comprehensive income, before tax	24,862	14,914	26,169	58,550
Income tax effect related to components of other comprehensive income	(847)	(5,441)	(9,988)	(21,976)
Other comprehensive income, net of tax	24,015	9,473	16,181	36,574
Comprehensive income	155,453	233,990	273,870	330,225
Comprehensive income attributable to noncontrolling interests, net of tax	(18,932)	(16,869)	(26,723)	(27,086)
Comprehensive income attributable to TEGNA Inc.	$136,521	$217,121	$247,147	$303,139

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
TEGNA Inc. and Subsidiaries
Unaudited, in thousands

	Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014
Cash flows from operating activities:		
Net income	$258,974	$295,501
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	163,842	121,828
Facility consolidation and asset impairment charges	33,179	43,595
Pension contributions, net of pension expense	(122,512)	(64,179)
Equity income in unconsolidated investees, net	(7,696)	(165,031)
Stock-based compensation – equity awards	11,875	17,208
Change in other assets and liabilities, net	(42,254)	106,017
Net cash flow from operating activities	295,408	354,939
Cash flows from investing activities:		
Purchase of property, plant and equipment	(55,021)	(56,905)
Payments for acquisitions, net of cash acquired	(37,292)	(121,956)
Payments for investments	(30,168)	(5,318)
Proceeds from investments	12,402	163,315
Proceeds from sale of certain assets	110,524	66,617
Net cash flow from investing activities	445	45,753
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit agreements	45,000	—
Payments of unsecured floating rate term loans	(19,888)	(17,925)
Payments of unsecured fixed rate notes	(66,568)	(250,000)
Dividends paid	(90,790)	(90,848)
Cost of common shares repurchased	(75,090)	(75,815)
Proceeds from issuance of common stock upon settlement of stock awards	22,150	10,362
Distribution to noncontrolling interests	(1,233)	(877)
Deferred payments for acquisitions	(8,896)	(14,481)
Net cash used for financing activities	(195,315)	(439,584)
Effect of currency exchange rate change on cash	66	355
Increase (decrease) in cash and cash equivalents	100,604	(38,537)
Balance of cash and cash equivalents at beginning of period	118,484	469,203
Balance of cash and cash equivalents at end of period	$219,088	$430,666
Supplemental cash flow information:		
Cash paid for taxes, net of refunds	$37,286	$45,284
Cash paid for interest	$134,580	$122,989
Non-cash investing and financing activities:		
Payment for acquisition	$(34,403)	$—
Assets held for sale proceeds	$—	$381,882
Capital expenditures	$—	$(6,565)

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 28, 2015
NOTE 1 – Basis of presentation and summary of significant accounting policies
Basis of presentation: Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in the Form 10-K and annual report to shareholders. In our opinion, the financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of results for the interim periods presented.
On the first day of our fiscal third quarter, we completed the spin-off of our publishing businesses. The publishing company has retained the name Gannett Co., Inc. and now trades on the New York Stock Exchange (NYSE) under the symbol GCI. TEGNA Inc. trades on the NYSE under the symbol TGNA. Second quarter and year-to-date results presented in the financial statements and footnotes are for the former consolidated Gannett Co., Inc. TEGNA will report publishing as a discontinued operation beginning in the third quarter of 2015.
Variable Interest Entities (VIE): A variable interest entity is an entity that lacks equity investors or whose equity investors lack a controlling interest in the entity through their equity investments. We consolidate VIEs when we are the primary beneficiary. In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we are obligated to absorb losses or the right to receive returns that would significantly impact the VIE.
We have determined that the entities holding four of our television stations constitute VIEs. Accordingly, we evaluated the arrangements to determine whether we are considered the primary beneficiary, and, as a result of this evaluation, consolidated four stations in the Louisville, KY, Portland, OR, and Tucson, AZ, television markets since December 23, 2013.
The carrying amounts and classification of the assets and liabilities of the consolidated VIEs mentioned above and included in our consolidated balance sheets were as follows:

In thousands	Jun. 28, 2015	Dec. 28, 2014
Current assets	$18,857	$20,541
Plant, property and equipment, net	9,711	10,084
Intangible and other assets	28,989	29,412
Total assets	$57,557	$60,037
Current liabilities	$10,342	$11,635
Noncurrent liabilities	21,850	26,028
Total liabilities	$32,192	$37,663

Recent accounting standards: In July 2015, the Financial Accounting Standards Board (FASB) delayed the effective date for Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606). The core principle contemplated by ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. We are required to adopt the standard in the first quarter of 2018 and retroactively apply it to our 2016 and 2017 financial results at the time of adoption. Under the new rules, we are permitted to adopt the new standard in 2017. We can also choose to apply the standard using either the full retrospective approach or a modified retrospective approach, which recognizes a cumulative catch up adjustment to the opening balance of retained earnings. We are currently assessing the impact and timing of adopting this pronouncement, and the transition method we will use.
In April 2015, the FASB issued ASU 2015-03 Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. Under the ASU, an entity presents their debt issuance cost on the balance sheet

as a direct deduction from the carrying amount of their debt liability, similar to their debt discounts, rather than as an asset as has been done previously. Amortization of the cost is reported as interest expense. We are required to adopt ASU 2015-03 in the first quarter of 2016, with early adoption also being permitted. We are required to apply the new guidance on a retrospective basis, wherein the balance sheet of each period presented is adjusted to reflect the effects of applying the new guidance. At the end of the second quarter, we had $48.6 million of debt issuance costs recorded as assets, which amount to less than 1% of our total assets.

NOTE 2 – Acquisitions and dispositions

On December 29, 2014, we sold Gannett Healthcare Group (GHG) to OnCourse Learning, an online education and training provider. GHG is a leading provider of continuing education, certification test preparation, online recruitment, digital media, publications and related services for nurses and other healthcare professionals in the United States.

In March 2015, CareerBuilder increased its controlling interest in Economic Modeling Specialists Intl. (EMSI) by 11% from 74% to 85%. EMSI is an economic software firm that specializes in employment data and labor market analysis. EMSI collects and interprets large amounts of labor data, which is used in work force development and talent strategy.

In May 2015, Newsquest Media Group, a subsidiary of our former publishing businesses in the U.K, acquired Romanes Media Group, a local news publishing business operating in Scotland, Berkshire and Northern Ireland.

In June 2015, our former publishing business completed the acquisition of the remaining 59.36% interest in the Texas-New Mexico Newspapers Partnership that it did not previously own from Digital First Media. The deal was completed through the assignment of our 19.49% interest in the California Newspapers Partnership and additional cash consideration. As a result, our former publishing business now owns 100% of the Texas-New Mexico Newspapers Partnership and no longer has any ownership interest in California Newspapers Partnership.

NOTE 3 – Facility consolidation and asset impairment charges

We evaluated the carrying values of property, plant and equipment at certain publishing and digital businesses as a result of our ongoing facility consolidation efforts. We revised the useful lives of certain assets to reflect the use of those assets over a shortened period as a result. In the second quarter of 2015, we recognized related non-cash charges, the largest of which, $6.8 million, related to a digital business. Certain assets classified as held-for-sale according to Accounting Standards Codification (ASC) Topic 360 resulted in us recognizing non-cash charges in 2014 as we reduced the carrying values to equal the fair value less cost to dispose. The fair values were based on the estimated prices of similar assets. In 2015, we also recorded non-cash impairment charges to reduce the book value of goodwill and other intangible assets. The goodwill impairment and other intangible non-cash charges resulted from our application of the interim impairment testing provisions included within the goodwill subtopic ASC Topic 350. We are required to test goodwill and other indefinite lived assets for impairment annually. Our annual measurement date for testing is the first day of the fourth quarter. However, because of softening business conditions at one of our smaller Publishing Segment reporting units in 2015 and two similar units in 2014, we accelerated our testing of those units. Our testing showed that the implied fair value of the goodwill was less than the recorded value. Therefore, we recognized a non-cash charge of $5.9 million in the first quarter of 2015 and $15.3 million in the second quarter of 2014 to reduce the carrying value of goodwill to the implied fair value.

We recorded pre-tax charges for facility consolidations and asset impairments of $20.8 million in the second quarter and $33.2 million for the year-to-date period in 2015. For 2014, we recorded $28.8 million pre-tax charges for the second quarter and $43.6 million for the year-to-date period.

NOTE 4 – Goodwill and other intangible assets

The following table displays goodwill, indefinite-lived intangible assets, and amortizable intangible assets at June 28, 2015 and December 28, 2014:

In thousands	Jun. 28, 2015		Dec. 28, 2014	
	Gross	Accumulated Amortization	Gross	Accumulated Amortization
Goodwill	$4,525,618	$—	$4,499,927	$—
Indefinite-lived intangibles:				
Television station FCC licenses	1,191,950	—	1,191,950	—
Mastheads and trade names	975,708	—	951,776	—
Amortizable intangible assets:				
Customer relationships	1,100,567	256,326	1,078,738	212,438
Other	279,377	71,557	282,856	53,289

Customer relationships include subscriber lists and advertiser relationships while other intangibles primarily include retransmission agreements, network affiliations, internally developed technology, patents and amortizable trade names.

The following table summarizes the changes in our net goodwill balance through June 28, 2015:

In thousands	Broadcasting	Digital	Publishing	Total
Balance at Dec. 28, 2014:				
Goodwill	$2,578,601	$1,488,139	$7,662,543	$11,729,283
Accumulated impairment losses	—	(151,970)	(7,077,386)	(7,229,356)
Net balance at Dec. 28, 2014	2,578,601	1,336,169	585,157	4,499,927
Activity during the period:				
Acquisitions and adjustments	817	2,248	32,731	35,796
Impairment	—	—	(5,940)	(5,940)
Foreign currency exchange rate changes	—	(6,367)	2,202	(4,165)
Total	817	(4,119)	28,993	25,691
Balance at Jun. 28, 2015:				
Goodwill	2,579,418	1,484,020	7,721,831	11,785,269
Accumulated impairment losses	—	(151,970)	(7,107,681)	(7,259,651)
Net balance at Jun. 28, 2015	$2,579,418	$1,332,050	$614,150	$4,525,618

On October 1, 2014 we completed the acquisition of the remaining 73% that we did not previously own in Cars.com (formerly Classified Ventures, LLC). On May 26, 2015 our former publishing business acquired Romanes Media Group and on June 1, 2015 it completed the acquisition of the remaining 59.36% interest in the Texas-New Mexico Newspapers Partnership that it did not own from Digital First Media. The initial purchase price allocations are preliminary, based upon all information available to us at the present time and are subject to change.

NOTE 5 – Long-term debt

Our long-term debt is summarized below:

In thousands	Jun. 28, 2015	Dec. 28, 2014
Unsecured floating rate term loan due quarterly through August 2018	$107,400	$123,200
VIE unsecured floating rate term loans due quarterly through December 2018	29,291	33,379
Unsecured notes bearing fixed rate interest at 10% due June 2015	—	66,568
Unsecured notes bearing fixed rate interest at 6.375% due September 2015	250,000	250,000
Unsecured notes bearing fixed rate interest at 10% due April 2016	193,429	193,429
Borrowings under revolving credit agreement expiring August 2018	685,000	640,000
Unsecured notes bearing fixed rate interest at 7.125% due September 2018	250,000	250,000
Unsecured notes bearing fixed rate interest at 5.125% due October 2019	600,000	600,000
Unsecured notes bearing fixed rate interest at 5.125% due July 2020	600,000	600,000
Unsecured notes bearing fixed rate interest at 4.875% due September 2021	350,000	350,000
Unsecured notes bearing fixed rate interest at 6.375% due October 2023	650,000	650,000
Unsecured notes bearing fixed rate interest at 5.50% due September 2024	325,000	325,000
Unsecured notes bearing fixed rate interest at 7.75% due June 2027	200,000	200,000
Unsecured notes bearing fixed rate interest at 7.25% due September 2027	240,000	240,000
Total principal long-term debt	4,480,120	4,521,576
Other (fair market value adjustments and discounts)	(19,064)	(25,694)
Total long-term debt	4,461,056	4,495,882
Less current portion of long-term debt maturities of VIE loans	7,854	7,854
Long-term debt, net of current portion	$4,453,202	$4,488,028

For the first six months of 2015, our long-term debt decreased by $34.8 million, primarily reflecting debt payments of $86.5 million partially offset by debt discount amortization and additional borrowing of $45.0 million from the revolving credit agreement. On June 28, 2015, we had unused borrowing capacity of $586.0 million under our revolving credit agreement.

On June 29, 2015, we entered into an agreement to amend and extend our existing revolving credit facility with one expiring on June 29, 2020 (the Amended and Restated Competitive Advance and Revolving Credit Agreement). Total commitments under the Amended and Restated Competitive Advance and Revolving Credit Agreement are $1.32 billion. The maximum total leverage ratio permitted by the new agreement is 5.0x through June 30, 2017, after which it is reduced to 4.75x through June 30, 2018 and then to 4.50x thereafter. Commitment fees on the revolving credit agreement are equal to 0.25% - 0.40% of the undrawn commitments, depending upon our leverage ratio, and are computed on the average daily undrawn balance under the revolving credit agreement and paid each quarter. Under the Amended and Restated Competitive Advance and Revolving Credit Agreement, we may borrow at an applicable margin above the Eurodollar base rate (LIBOR loan) or the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, or the one month LIBOR rate plus 1.00% (ABR loan). The applicable margin is determined based on our leverage ratio but differs between LIBOR loans and ABR loans. For LIBOR based borrowing, the margin varies from 1.75% to 2.50%. For ABR-based borrowing, the margin will vary from 0.75% to 1.50%.

Shortly after quarter end we also borrowed $200.0 million under a new five-year term loan. The interest rate on the term loan is equal to the same interest rates as borrowings under the Amended and Restated Competitive Advance and Revolving Credit Agreement. Both the revolving credit agreement and the term loan are guaranteed by a majority of our wholly-owned material domestic subsidiaries. These two transactions effectively increased our borrowing capacity by $214 million, for total unused borrowing capacity of $800 million as of June 29, 2015.

NOTE 6 – Retirement plans

We, along with our subsidiaries, have various retirement plans, including plans established under collective bargaining agreements. Our retirement plan costs include costs for qualified and nonqualified plans and are presented in the following table:

In thousands	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Service cost-benefits earned during the period	$1,340	$877	$2,674	$2,708
Interest cost on benefit obligation	38,462	42,372	76,789	84,738
Expected return on plan assets	(56,252)	(59,174)	(112,321)	(117,748)
Amortization of prior service cost	1,882	1,901	3,764	3,783
Amortization of actuarial loss	15,313	11,674	30,608	22,901
Expense (credit) for company-sponsored retirement plans	$745	$(2,350)	$1,514	$(3,618)

For the twenty-six weeks ended June 28, 2015, we contributed $112.0 million to our principal retirement plan and $5.8 million (£3.8 million) to the Newsquest Pension Scheme in the U.K. Included in the $112.0 million contribution to our principal retirement plan was a voluntary contribution of $100.0 million. TEGNA has no required contributions to any of its principal pension plans for the remainder of 2015.

NOTE 7 – Post-retirement benefits other than pension

We provide health care and life insurance benefits to certain retired employees who meet age and service requirements. Most of our retirees contribute to the cost of these benefits, and retiree contributions are increased as actual benefit costs increase. The cost of providing retiree health care and life insurance benefits is actuarially determined. Our policy is to fund benefits as claims and premiums are paid. In March 2014, we adopted changes to the retiree medical plan that were effective July 1, 2014. Beginning on that date, we pay a stipend to certain Medicare-eligible retirees. As a result of this change, we remeasured the related post-retirement benefit obligation during the first quarter of 2014, and recorded a reduction to the liability of $33.9 million (with a corresponding adjustment to “Accumulated other comprehensive loss”). Post-retirement benefit costs for health care and life insurance are presented in the following table:

In thousands	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Service cost-benefits earned during the period	$106	$68	$212	$186
Interest cost on net benefit obligation	993	1,030	1,986	2,515
Amortization of prior service credit	(2,500)	(3,116)	(5,000)	(5,483)
Amortization of actuarial loss	400	124	800	332
Net periodic post-retirement benefit credit	$(1,001)	$(1,894)	$(2,002)	$(2,450)

NOTE 8 – Income taxes

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was approximately $24.1 million as of June 28, 2015 and $23.2 million as of December 28, 2014. The amount of accrued interest and penalties payable related to unrecognized tax benefits was $7.3 million as of June 28, 2015 and $6.9 million as of December 28, 2014.

It is reasonably possible that the amount of unrecognized benefits with respect to certain of our unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of settlement of ongoing audits, lapses of statutes of limitations or other regulatory developments. At this time, we estimate the amount of gross unrecognized tax positions may be reduced by up to approximately $4.4 million within the next 12 months primarily due to lapses of statutes of limitations and settlement of ongoing audits in various jurisdictions.

NOTE 9 – Supplemental equity information

The following table summarizes equity account activity for the twenty-six week periods ended June 28, 2015 and June 29, 2014:

In thousands	TEGNA Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at Dec. 28, 2014	$3,254,914	$234,359	$3,489,273
Comprehensive income:			
Net income	228,761	30,213	258,974
Redeemable noncontrolling interest (income not available to shareholders)	—	(1,285)	(1,285)
Other comprehensive loss	18,386	(2,205)	16,181
Total comprehensive income	247,147	26,723	273,870
Dividends declared	(90,840)	—	(90,840)
Stock-based compensation	11,875	—	11,875
Treasury shares acquired	(75,090)	—	(75,090)
Other activity	19,139	(916)	18,223
Balance at Jun. 28, 2015	$3,367,145	$260,166	$3,627,311
Balance at Dec. 29, 2013	$2,693,098	$201,695	$2,894,793
Comprehensive income:			
Net income	267,626	27,875	295,501
Redeemable noncontrolling interest (income not available to shareholders)	—	(1,850)	(1,850)
Other comprehensive income	35,513	1,061	36,574
Total comprehensive income	303,139	27,086	330,225
Dividends declared	(90,495)	—	(90,495)
Stock-based compensation	17,208	—	17,208
Treasury shares acquired	(75,815)	—	(75,815)
Other activity	10,976	(2,311)	8,665
Balance at Jun. 29, 2014	$2,858,111	$226,470	$3,084,581

In August 2012, our CareerBuilder subsidiary acquired 74% of Economic Modeling Specialists Intl. (EMSI), a software firm that specializes in employment data and labor market analytics. In March 2015, CareerBuilder purchased an additional 11% ownership interest in EMSI. Holders of the remaining 15% ownership interest in EMSI hold put rights that permit them to put their equity interest to CareerBuilder. Since redemption of EMSI noncontrolling interest is outside of our control, the balance is presented on the Condensed Consolidated Balance Sheets in the caption "Redeemable noncontrolling interest."

The following table summarizes the components of, and the changes in, "Accumulated other comprehensive loss" (net of tax and noncontrolling interests):

In thousands	Retirement Plans	Foreign Currency Translation	Total
Thirteen Weeks:			
Balance at Mar. 29, 2015	$(1,145,406)	$364,369	$(781,037)
Other comprehensive income (loss) before reclassifications	(18,349)	29,343	10,994
Amounts reclassified from accumulated other comprehensive income	9,660	—	9,660
Other comprehensive income (loss)	(8,689)	29,343	20,654
Balance at Jun. 28, 2015	$(1,154,095)	$393,712	$(760,383)
Balance at Mar. 30, 2014	$(899,026)	$431,830	$(467,196)
Other comprehensive income (loss) before reclassifications	(11,042)	12,808	1,766
Amounts reclassified from accumulated other comprehensive income	6,888	—	6,888
Other comprehensive income (loss)	(4,154)	12,808	8,654
Balance at Jun. 29, 2014	$(903,180)	$444,638	$(458,542)
Twenty-six Weeks:			
Balance at Dec. 28, 2014	$(1,169,882)	$391,113	$(778,769)
Other comprehensive income (loss) before reclassifications	(3,518)	2,599	(919)
Amounts reclassified from accumulated other comprehensive income	19,305	—	19,305
Other comprehensive income	15,787	2,599	18,386
Balance at Jun. 28, 2015	$(1,154,095)	$393,712	$(760,383)
Balance at Dec. 29, 2013	$(921,232)	$427,177	$(494,055)
Other comprehensive income before reclassifications	4,062	17,461	21,523
Amounts reclassified from accumulated other comprehensive income	13,990	—	13,990
Other comprehensive income	18,052	17,461	35,513
Balance at Jun. 29, 2014	$(903,180)	$444,638	$(458,542)

Accumulated other comprehensive loss components are included in computing net periodic post-retirement costs (see Notes 6 and 7 for more detail). Reclassifications out of accumulated other comprehensive loss related to these post-retirement plans include the following:

In thousands	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Amortization of prior service credit	$(618)	$(1,215)	$(1,236)	$(1,700)
Amortization of actuarial loss	15,713	11,798	31,408	23,233
Total reclassifications, before tax	15,095	10,583	30,172	21,533
Income tax effect	(5,435)	(3,695)	(10,867)	(7,543)
Total reclassifications, net of tax	$9,660	$6,888	$19,305	$13,990

NOTE 10 – Fair value measurement

We measure and record in the accompanying condensed consolidated financial statements certain assets and liabilities at fair value. ASC Topic 820, Fair Value Measurement, establishes a hierarchy for those instruments measured at fair value that distinguishes between market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 - Unobservable inputs developed using our own estimates and assumptions, which reflect those that a market participant would use.

The following table summarizes our assets and liabilities measured at fair value in the accompanying Condensed Consolidated Balance Sheets as of June 28, 2015 and December 28, 2014:

In thousands	Fair Value Measurements as of Jun. 28, 2015			
	Level 1	Level 2	Level 3	Total
Employee compensation related investments	$63,234	$—	$—	$63,234
Sundry investments	37,351	—	—	37,351
Total assets	$100,585	$—	$—	$100,585
Contingent consideration payable	$—	$—	$786	$786
Total liabilities	$—	$—	$786	$786

In thousands	Fair Value Measurements as of Dec. 28, 2014			
	Level 1	Level 2	Level 3	Total
Employee compensation related investments	$41,017	$—	$—	$41,017
Sundry investments	36,641	—	—	36,641
Total assets	$77,658	$—	$—	$77,658
Contingent consideration payable	$—	$—	$9,912	$9,912
Total liabilities	$—	$—	$9,912	$9,912

Under certain acquisition agreements, we have agreed to pay the sellers earn-outs based on the future financial performance of the businesses. Contingent consideration payable in the table above represents the estimated fair value of future earn-outs payable under such agreements. The fair value of the contingent payments was measured based on the present value of the consideration expected to be transferred using a discounted cash flow analysis. The discount rate is a significant unobservable input in such present value computations. Discount rates ranged between 15% and 24% depending on the risk associated with the cash flows. Changes to the fair value of earn-outs are reflected in “Selling, general and administrative expenses” on our Condensed Consolidated Statements of Income. For the twenty-six weeks ended June 28, 2015, the contingent consideration decreased by $9.1 million as a result of payments and adjustments to fair value.

The fair value of our total long-term debt, based on the bid and ask quotes for the related debt (Level 2), totaled $4.61 billion at June 28, 2015 and $4.65 billion at December 28, 2014.

During the first quarter of 2015, a small Publishing Segment goodwill asset was impaired as the implied fair value of the goodwill was determined to be less than the recorded value. Implied fair value of the goodwill asset was zero. As a result, we recognized a non-cash goodwill impairment charge of $5.9 million to reduce the carrying value to the implied fair value.

During the second quarter of 2014, certain Publishing Segment goodwill assets were impaired as the implied fair value of the goodwill was less than the recorded value. Implied fair value of the goodwill assets totaled $6.2 million, and we recognized a goodwill impairment charge of $15.3 million to reduce the carrying value to the implied fair value.

NOTE 11 – Business segment information

Our reportable segments based on our management and internal reporting structures are Broadcasting, Digital and Publishing. The Broadcasting Segment at the end of the second quarter includes our 46 owned and serviced television stations. The Digital Segment includes Cars.com, CareerBuilder, Shoplocal and PointRoll. The Publishing Segment principally includes local domestic publishing operations, Newsquest operations in the U.K. and the USA TODAY group.

In thousands	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Net Operating Revenues:				
Broadcasting	$417,429	$398,258	$814,223	$780,526
Digital	338,147	194,381	670,846	374,116
Publishing	789,976	867,365	1,558,164	1,709,428
Intersegment eliminations [a]	(24,160)	—	(49,076)	—
Total	$1,521,392	$1,460,004	$2,994,157	$2,864,070
Operating Income (net of depreciation, amortization and facility consolidation and asset impairment charges):				
Broadcasting	$176,502	$171,322	$351,832	$325,871
Digital	63,633	35,695	119,786	59,519
Publishing	47,249	53,239	65,554	96,227
Corporate	(19,018)	(17,754)	(37,878)	(35,121)
Total	$268,366	$242,502	$499,294	$446,496
Depreciation, amortization and facility consolidation and asset impairment charges:				
Broadcasting	$21,825	$20,621	$43,086	$47,815
Digital	37,808	9,603	70,635	17,891
Publishing	39,241	53,123	75,366	89,714
Corporate	4,193	4,749	7,934	10,003
Total	$103,067	$88,096	$197,021	$165,423

[a] Includes quarter-to-date intersegment eliminations of $19 million for Digital and $5 million for Publishing, and year-to-date intersegment eliminations of $1 million for Broadcasting, $38 million for Digital, and $10 million for Publishing.

NOTE 12 – Earnings per share

Our earnings per share (basic and diluted) are presented below:

In thousands, except per share data	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	Jun. 28, 2015	Jun. 29, 2014	Jun. 28, 2015	Jun. 29, 2014
Net income attributable to TEGNA Inc.	$115,867	$208,467	$228,761	$267,626
Weighted average number of common shares outstanding - basic	226,538	226,132	226,814	226,681
Effect of dilutive securities:				
Restricted stock	2,349	2,814	2,308	2,763
Performance share units	2,208	2,212	1,951	1,725
Stock options	825	948	854	1,018
Weighted average number of common shares outstanding - diluted	231,920	232,106	231,927	232,187
Net income per share - basic	$0.51	$0.92	$1.01	$1.18
Net income per share - diluted	$0.50	$0.90	$0.99	$1.15

The diluted earnings per share amounts exclude the effects of approximately 2.2 million stock options outstanding for the second quarter and year-to-date of 2014, as their inclusion would be antidilutive.

NOTE 13 – Commitments, contingencies and other matters

We, along with a number of our subsidiaries, are defendants in judicial and administrative proceedings involving matters incidental to our business. Management believes any liability that exists as a result of these matters is immaterial.

NOTE 14 – Subsequent events

In August 2014, we announced our plan to separate into two independent, publicly traded companies: a broadcasting and digital company, which would operate under the name TEGNA, and a publishing company that would retain the name Gannett Co., Inc. On June 29, 2015, we completed the previously announced spin-off. Under the terms of the transaction, our shareholders retained their shares of TEGNA common stock, which now trades on the NYSE under the symbol “TGNA,” and also received one share of stock of the “new Gannett” publishing business for every two shares of our stock they owned on the record date of June 22, 2015. New Gannett shares trade on the NYSE under the symbol GCI.

On July 15, 2015, we announced a binding definitive agreement for the sale of our corporate headquarters in McLean, Virginia to Tamares Tysons Corner LLC, an affiliate of Tamares, for a purchase price of $270 million. The purchaser has made a $27 million non-refundable deposit pursuant to the purchase agreement. The sale transaction is expected to close late in the third quarter or early in the fourth quarter, subject to the satisfaction of customary closing conditions.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

On the first day of our fiscal third quarter, we completed the spin-off of our publishing businesses. The publishing company has retained the name Gannett Co., Inc. and now trades on the New York Stock Exchange under the symbol GCI. Our company was renamed TEGNA Inc., and our stock trades on the New York Stock Exchange under the symbol TGNA. Second quarter and year-to-date results presented in this discussion and the accompanying tables are for the former consolidated Gannett Co., Inc. TEGNA will report its former publishing business as a discontinued operation beginning in the third quarter of 2015.

Prior to the spin, our operations consisted of three business segments: Broadcasting (television), Digital, and Publishing. Through our Broadcasting Segment, we own or service (through shared service agreements or similar arrangements) 46 television stations with affiliated digital platforms in 38 markets. These stations serve more than 35 million households and represent almost one-third of the U.S. population. Excluding owner-operators, we are the No. 1 NBC affiliate group, No. 1 CBS affiliate group, and the No. 4 ABC affiliate group. We are the largest independent station group of major network affiliates in the top 25 markets, with a uniquely diversified portfolio.

Our Digital Segment consists of Cars.com (formerly Classified Ventures, LLC), CareerBuilder, PointRoll and Shoplocal. Cars.com, which we acquired full ownership of on Oct. 1, 2014, is a leading destination for online car shoppers. Cars.com allows consumers to search, compare and connect with sellers and dealers, and provides buyers with greater control over the shopping process. Cars.com hosts approximately four million vehicle listings and serves more than 20,000 customers that are primarily franchise and independent car dealers in all 50 states. CareerBuilder is the global leader in human capital solutions, helping companies to target, attract and retain talent. It provides unmatched reach from employers by offering the largest online career destination in the U.S. for job seekers and maintains the largest online recruitment sales presence in North America. CareerBuilder has made significant investments over the past few years to further its transformation into a global leader in the Human Resources software as a service business.

The spun-off Publishing Segment’s operations comprised 112 daily publications and digital platforms in the U.S. and the U.K., more than 400 non-daily publications in the U.S., and more than 140 such titles in the U.K. The Publishing Segment’s 93 U.S. daily publications include USA TODAY, which is currently the nation’s number one newspaper in consolidated print and digital circulation. In the U.K., through the Newsquest group, the publishing business produced 19 daily paid-for publications and more than 140 weekly publications, magazines and trade publications. In the markets served by the Publishing business, it also operates desktop, smartphone and tablet products which are tightly integrated with the publishing operations. The publishing operations have strategic business relationships with many of our Digital Segment businesses, including CareerBuilder, Cars.com, PointRoll and Shoplocal. The Publishing Segment also includes commercial printing, newswire, marketing and data services operations.

Results from Operations

The reportable segments, which were based on our management and internal reporting structures, are Broadcasting, Digital, and Publishing. The primary categories of Broadcasting Segment revenue are: 1) core advertising which includes local and national non-political advertising; 2) political advertising revenues which are cyclical with peaks occurring in even years (e.g., 2014 and 2012) and particularly in the second half of those years; 3) retransmission revenues representing fees paid by satellite and cable networks and telecommunications companies to carry our television signals on their network; 4) digital revenues which encompass digital marketing services and advertising on the stations’ website, tablet and mobile products; and 5) other revenues, which consist of payments by advertisers to television stations for other services, such as production of programming from third parties and production of advertising material. We own and operate a number of stand-alone digital subsidiaries, which are included in our Digital Segment, including two digital leaders, Cars.com and CareerBuilder, as well as several other well-positioned online companies. CareerBuilder, the largest company in the Digital Segment, generates revenues both through its own sales force by providing talent and compensation intelligence, human resource related consulting services and recruitment solutions and through sales of employment advertising placed by affiliated media organizations. Cars.com generates revenues through subscription-based online automotive advertising packages targeting car dealerships and national advertisers through its own direct sales force as well as its affiliate sales channels. We generated revenue within our Publishing Segment through advertising and subscriptions to our print and digital publications. Our advertising teams sell retail, classified and national advertising across multiple platforms including print, online, mobile and tablet as well as niche publications. Across both Broadcasting and Publishing Segments, we generated revenue by providing digital marketing products and services, ranging from search to social media to website development.

Our largest component of operating expense is payroll and benefits. Other significant operating expenses include the costs of locally produced content and purchased syndicated programming in the Broadcasting Segment, production (raw materials) and distribution costs within the Publishing Segment, and sales and marketing costs within the Digital Segment.

Consolidated Summary

A consolidated summary of our results is presented below:

In thousands, except per share data	Second Quarter 2015	% of Total	2014	% of Total	Change
Operating revenues:					
Broadcasting	$417,429	27 %	$398,258	27 %	5 %
Digital	338,147	22 %	194,381	13 %	74 %
Publishing	789,976	52 %	867,365	59 %	(9 %)
Intersegment eliminations	(24,160)	(2 %)	—	— %	***
Total operating revenues	$1,521,392	100 %	$1,460,004	100 %	4 %
Operating expenses	$1,253,026		$1,217,502		3 %
Operating income:					
Broadcasting	$176,502	66 %	$171,322	71 %	3 %
Digital	63,633	24 %	35,695	15 %	78 %
Publishing	47,249	18 %	53,239	22 %	(11 %)
Corporate	(19,018)	(7 %)	(17,754)	(7 %)	7 %
Total operating income	$268,366	100 %	$242,502	100 %	11 %
Non-operating expense (income)	70,545		(89,410)		***
Provision for income taxes	66,331		106,000		(37 %)
Net income attributable to noncontrolling interests	15,623		17,445		(10 %)
Net income attributable to TEGNA Inc.	$115,867		$208,467		(44 %)
Net income per share:					
Basic	$0.51		$0.92		(45 %)
Diluted	$0.50		$0.90		(44 %)
Weighted average number of common shares outstanding:					
Basic	226,538		226,132		— %
Diluted	231,920		232,106		— %

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In thousands, except per share data	Year-to-Date 2015	% of Total	2014	% of Total	Change
Operating revenues:					
Broadcasting	$814,223	27 %	$780,526	27 %	4 %
Digital	670,846	22 %	374,116	13 %	79 %
Publishing	1,558,164	52 %	1,709,428	60 %	(9 %)
Intersegment eliminations	(49,076)	(2 %)	—	— %	***
Total operating revenues	$2,994,157	100 %	$2,864,070	100 %	5 %
Operating expenses	$2,494,863		$2,417,574		3 %
Operating income:					
Broadcasting	$351,832	70 %	$325,871	73 %	8 %
Digital	119,786	24 %	59,519	13 %	***
Publishing	65,554	13			