What Happens Next For Tegna?

By Janet Stilson | May 15, 2023 | 5:30 a.m. ET.

Standard General's deal to acquire Tegna may be about to reach a "midnight for Cinderella" moment, in the words of the company's founder and managing partner, Soo Kim. Speaking at a press conference May 8 — alongside two big supporters: former Biden Administration senior adviser Cedric Richmond and former FCC Chief of Staff Adonis Hoffman — Kim called for an up-or-down vote on the deal by the FCC. The move comes at the 11th hour as Standard General's $7 billion in financing is set to expire on May 22.

It was followed by meetings held May 10 for the FCC commissioners and staff as well as groups opposed to the deal. But the two Democratic commissioners, Chairwoman Jessica Rosenworcel and Commissioner Geoffrey Starks, did not attend.

If the $8.6 billion transaction is voted upon, and the deal is approved in time, then Tegna's future ownership is settled. If the financing expires before an FCC decision, "the deal goes away," Kim said. But if Cinderella's golden carriage turns into a pumpkin, what happens to Tegna? And what are the consequences for large M&A deals in the broadcast industry moving forward — whether they involve a Tegna transaction or something else?

Observers contacted for this story generally believe that Tegna can easily remain intact and continue on without need to find another acquirer. "I've always thought that Tegna, under Dave Lougee, has been a fine company and has great stations," says Larry Patrick, founder of the brokerage and investment banking firm Patrick Communications, in speaking of Tegna's president and CEO.

“As a standalone, I think they can continue to operate in an effective manner,” says Justin Nielson, principal analyst at S&P Global Intelligence. “They had some really good numbers for political last year, and a good grasp on the NBC affiliates, so they have Olympic revenue.”

If Tegna remains a solo enterprise, Nielson doesn’t believe that staff reductions are inevitable, and certainly not in its news operations. “It’s definitely more expensive to produce news now, and with rising sports rights and programming costs, it does compress the margins, but some station groups see news as a profit center,” he says. He notes that Nexstar Media Group and E.W. Scripps are among broadcasters actually expanding their news programming.

Needless to say, Tegna’s future could be entirely different if Standard General goes away. New suitors would face certain complicating factors, particularly because Tegna is fairly hefty, with 64 stations in 51 markets. Some observers point out that most of the potential acquirers have large TV station groups of their own that are close to reaching the 39% U.S. household cap, so they couldn’t buy Tegna whole, or largely intact. Although Allen Media Group is mentioned as a possibility.

That leads some to believe that if it’s sold, it’s likely to be done in pieces. “But I honestly think that Tegna could be a potential buyer,” Nielson says.

There are two wrinkles that could put the kibosh on any deals, should Tegna be swallowed whole or in pieces — at least in the near term: interest rates and the FCC.

As Kim noted in the press conference, when the financing for the transaction was secured 15 months ago, “it was a very different world” — pre-inflation, pre-Ukraine war and before the recent bank failures. “We know it’s unlikely, basically not possible, to get any kind of reasonable financing to allow us to get the deal done,” he said.

“Borrowing $1 billion at 3% versus 7½% or 8% — that difference can kill deals in a heartbeat,” notes Patrick.

And some question whether any large transactions will gain FCC approval, given that inordinately long review of the Standard General–Tegna transaction, which is likely to extend beyond the terms of the financing deal and has already lasted more than 400 days.

“In my conversations with Wall Street, there’s enormous skepticism that anything can get through. I disagree, but the odds have gone down,” says Blair Levin, a policy adviser to New Street Research who served as a chief of staff to former FCC Chairman Reed Hundt.

Curtis LeGeyt, president-CEO of the National Association of Broadcasters, summed up the situation in a recent blog post this way: “The FCC dragged its feet, substantially exceeding its self-imposed 180-day review period and causing a great deal of uncertainty for the parties involved. Then, the commission’s Media Bureau surprisingly announced that it was designating the transaction for a hearing before an administrative law judge. That decision — made approximately one year after the acquisition was announced without a vote from the FCC commissioners themselves — sent this deal to a regulatory purgatory from which no transaction has ever returned.”

Indeed, the administrative judge recently suspended her review “until further notice” after holding a status conference. At the news conference May 8, Kim said that Standard General had no “substantive feedback” from the FCC on the deal. Reacting to objections from the challengers, his company had previously offered up two big solutions: a binding two-year commitment to keep all newsroom jobs and it guaranteed that it would not seek increases in retransmission consent fees.

So, what’s not to like? After all, Kim is an Asian American, and Deb McDermott, CEO of the company’s Standard Media Group broadcast and digital division, make it a minority-female run company.

An observer who’s deeply involved in the broadcast business explained: “There have been examples in the past where private equity has gotten involved in broadcasting and done everything it could to cut staff. There are those who felt that didn’t serve the public good.”

As a case in point, the observer points to Apollo Global Management, which is helping to finance the potential Tegna transaction, has that reputation. It acquired a controlling stake in Cox Media Group and cut the staff dramatically. “There were people who had been there for years and years who were let go.”

Standard General proponents say that Apollo's percentage of the financing, $250 million of the $7 billion, is fairly low. And while Apollo is buying three of the Tegna stations, it would have no voting shares in the combined Standard General-Tegna company.

In speaking of the FCC's handling of the deal, Levin noted that there's nothing the commission has done that's illegal. But its review process does beg some questions for future transactions — whether they involve Tegna or other companies.

"The FCC is a curious institution for many reasons," Levin says. "It's designed to cause for-profit entities to do things that may not be about profits for the shareholders, but for the public interest. The rejection of this transaction implies we want something from broadcasting that this deal is not going to produce. But it's not like the chair or others have articulated what that is."

Levin added: "I think of what happened here as a symptom of a larger problem, which is: what do we, as a society, want out of the broadcast medium and indeed the entire information ecosystem, which the FCC — more than any other government agency — has authority over?"