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PRESENTATION

Matthew Esposito

Thank you. Good morning everyone and thank you for joining our call today to discuss USA TODAY Company's first quarter 2026 financial results. Presenting on today's call will be:

a. Mike Reed, Chairman and Chief Executive Officer
b. Trisha Gosser, Chief Financial Officer, and
c. Kristin Roberts, President of USA TODAY Media

If you navigate to the USA TODAY Company website, you will find that we have posted an earnings supplement in addition to our earlier press release. We will be referencing it today on the call, as it provides you with additional detail on this quarter's performance.

Before we begin, please let me remind you that this call is being recorded. In addition, certain statements made during this call are, or may be deemed to be forward-looking statements, as defined under the U.S. federal securities laws, including those with respect to future results and events, and are based upon current expectations. These statements involve risks and uncertainties that may cause actual results and events to differ materially from those discussed today. We encourage you to read the cautionary statement regarding forward-looking statements in the earnings supplement as well as the risk factors described in our filings made with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to publicly update or correct any of the forward-looking statements made during this call.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted. In addition, we will be discussing non-GAAP financial information during the call, including same store revenues, free cash flow, Total Adjusted EBITDA, Total Adjusted EBITDA margin, Segment Adjusted EBITDA, Segment Adjusted EBITDA margin and Adjusted Net Income attributable to USA TODAY Company. You can find reconciliations of our non-GAAP measures to the most comparable U.S. GAAP measures in the earnings supplement.

Lastly, I would like to remind you that nothing on this call constitutes an offer to sell, or solicitation of an offer to purchase, any USA TODAY Company securities. The webcast and audio cast are copyrighted material of USA TODAY Company and may not be duplicated, reproduced, or rebroadcasted without our prior written consent.

With that, I would like to turn the call over to Mike Reed - Chairman and CEO of USA TODAY Company.

Mike Reed

Thank you, Matt. Good morning and thanks to all of you for joining our first quarter earnings call.

I am pleased to report that we had an excellent start to the year. In our last call, we laid out our expected path to growth. A critical part of that strategy is improving total revenue trends through digital revenue growth - and in Q1 - we saw meaningful progress on both fronts. As you will hear throughout the call this morning, our momentum continues to build, and we believe our first quarter results have set the tone for a promising 2026.

Year-over-year Total revenue trends were a bright spot in the quarter - with same-store declines improving to less than 2%, representing our strongest performance in four years. This improvement was driven by a return to year-over-year growth in digital-only subscription revenues and continued contributions from our AI partnership agreements. As a result, Total Digital revenues increased 5% on a same store basis versus Q1 of last year and accounted for 48% of total revenues, representing an all-time high.

In addition to our top-line momentum, we drove a marked improvement across several key financial metrics in Q1.

- Adjusted EBITDA increased 45% year-over-year.
- Net income increased $27 million over the prior year period.
- First lien net leverage decreased to 2.3 times; and
- We generated positive free cash flow in the quarter

Overall, we believe our strong execution against our most important strategic actions is leading to the results we had anticipated - and therefore - we are reaffirming our full year business outlook.

Now with that, I would like to review the operational highlights from the first quarter.

Our digital strategy continues to focus on our large organic audience, deepening engagement, and improving the revenue of each digital user on our platform. In the first quarter, we continued to attract one of the largest digital audiences in the media industry with 180 million average monthly unique visitors coming to our platforms – which is up slightly from 179 million in Q4. That scale, combined with our ability to stay closely aligned with our readers' preferences, drove 1.4 billion total pageviews per month across our digital platforms at Newsquest and USA TODAY Media. We believe our large and highly engaged audience positions us well to accelerate Total Digital revenue growth through highly diversified and predictable revenue streams. One area worth highlighting is our digital-only subscription business.

In the first quarter, Digital-only subscription revenue returned to year-over-year growth and recorded its third consecutive quarter of sequential growth. We also saw continued strength in digital-only ARPU – reaching a new high – and growing 43% year-over-year and 5% sequentially. Regarding digital-only subscription volumes, we are starting to see signs of stabilization. Our start-to-stop ratio is quickly approaching parity - an important inflection point - and as we sustain that trajectory, it sets the stage for sequential volume growth over time.

Overall, we feel really good about the progress we have made in our subscription journey.

- Digital-only ARPU continues to grow, and we expect that momentum to carry through the year.
- Volumes are stabilizing, with a return to sequential growth expected in the next few quarters; and
- We expect Digital-only subscription revenue to continue growing on a year-over-year basis.

With that, I'll turn the call to Kristin to outline some of the exciting initiatives underway to drive monetization through the expansion of our content experiences and product portfolio.

Kristin,

Kristin Roberts

Thank you, Mike.

USA TODAY Media continues to lead as an organization that prioritizes its audience, experiments with purpose and intent, and delivers content that is both relevant and essential. And we are seeing that reflected in our scale, as we continue to reach one of the largest digital audiences among content creators in the country.

Two verticals that continue to reinforce our position as a leading media organization are sports and entertainment.

In sports, we recently expanded our High School Sports Hub into 12 additional markets, bringing our total footprint to 35 markets nationwide. These hubs deepen our connection with local communities while enabling us to scale high-impact, locally relevant content that drives audience growth and attracts premium sponsorship opportunities. High School Sports also underscores a key differentiator for us: the ability to follow an athlete throughout their entire career, from high school and clubs to college and into professional sports. That continuity allows us to engage fans earlier, sustain engagement over time, and drive stronger monetization.

In Q1, we also launched our USA TODAY Soccer Hub, bringing together our domestic and international soccer coverage into a single, cohesive destination. We believe this creates a more immersive experience for fans, supports higher time spent on platform, and better positions us to capture both audience and advertiser demand - especially as we move into the 2026 World Cup cycle.

Our entertainment team also rolled out an exciting initiative in Q1 with the USA TODAY Style Meter. Aligned with the Oscars, Style Meter created a fashion-forward way for audiences to engage by rating red carpet looks through an interactive voting experience. As a result, this feature was part of a strong Oscars season that generated approximately 20 million pageviews, that's up more than 5% year-over-year. Experiences like Style Meter help deepen our connection with audiences around key cultural moments while creating incremental e-commerce opportunities. They also open the door for additional engagement and visibility during high-interest events, such as the Met Gala next month.

Shifting to our digital-only subscription business. As Mike mentioned, we made meaningful progress in Q1 with Digital-only subscription revenue returning to year-over-year growth and marking the third consecutive quarter of sequential growth. As we move through 2026, we will continue to evolve how we monetize our audience, with a more deliberate approach in how and where we introduce subscription opportunities across the platform. This comes with an intentional tradeoff in pageviews, but over time, we expect it to expand digital revenue per user - and ultimately - maximize monetization across the customer journey.

On that note, we're encouraged by the strong performance in digital-only ARPU in Q1. Moving forward, we believe there is meaningful upside ahead through additional pricing power and Stacked Products. Introduced late last year, stacking represents a foundational step in our shift toward a more flexible, value-driven subscription model. It provides subscribers with greater flexibility by enabling them to combine complementary offerings - such as USA TODAY, PLAY, and local publications - into a single, tailored experience. As our digital users adopt a more personalized mix, we expect to see increased engagement, improved retention, and higher overall revenue contribution relative to single-product subscribers. Importantly, stacking is already showing meaningful potential, with digital subscribers who add a second product to their bundle demonstrating a 20-point improvement in pay-up rates versus single-product subscribers. In other words, these users are significantly more likely to choose a paid premium offering rather than remain on free or promotional access. As a result, we view stacked products as a powerful lever to drive continued growth in digital-only subscription revenue, especially as we add more products to the stack this year and next, including Golfweek.

We have also moved into a phase of disciplined experimentation focused on monetizing consumers' engagement on their terms. Rather than forcing a single subscription model, we're testing multiple pathways that align with differing levels of interest and commitment. This includes a range of pathways from free access to registration and from article-level purchases to broader topic- or season-based offerings. A clear example is the introduction of our first limited-series and single-payment subscription offering around the Kentucky Derby, which delivers a 90-day, premium, event-driven experience. This USA TODAY front aggregates high-intent content - including live race updates, fashion and culture coverage, and exclusive on-site reporting - within a premium advertising environment designed for both dedicated fans and casual audiences. More broadly, this initiative represents a key step in developing a limited-series product model, enabling us to package existing network content into premium, time-bound offerings. We believe this approach will drive incremental engagement, first-party data, and monetization around major tentpole events, including the World Cup.

To recap, our progress in the first quarter was a team effort. I want to express my sincere gratitude to the entire team. We have important work ahead of us to sustain this momentum, but we are executing on our strategy to expand our content and product portfolio, amplify our journalism, and drive diversified revenue streams.

Back to you, Mike.

Mike Reed

Thanks, Kristin. It is encouraging to see these initiatives taking shape, and we believe they will strengthen engagement and enhance monetization across our platform.

And as Kristin detailed, through the experiences we're creating and the introduction of more modern payment methods, we are driving registrations and expanding our known user base - which grows our first party database - and over time should support higher CPMs across our advertising business. At the same time, we are increasingly leveraging AI-driven personalization, combining dynamic paywall decisioning with personalized “For You” placements on the homepage to deliver the right content and subscription prompts to the right users at the right time, while balancing engagement, advertising, and subscriber growth. These capabilities allow us to translate user behavior signals in real time and surface more relevant offers to audiences with a higher propensity to convert.

Now this is a good segue into AI. Over the past 18 months, we have positioned ourselves as a trusted content provider while building the capabilities to act quickly as opportunities emerge. We are doing this through valued and unique content creation on a daily basis at scale, digitizing more of our very large, archived content base, and deploying blocking technology on our platform to prevent unauthorized use of our valuable content. We have been at the forefront for our industry in terms of putting together licensing deals, and we see this as a continued significant future growth opportunity. Our existing AI agreements - such as with Meta and Microsoft - had a notable impact on our Q1 results, and we continue to maintain an active pipeline across the AI ecosystem, including foundational model providers, startups, and emerging licensing platforms. As a result, we expect this category to contribute meaningfully to our growth over time. We expect these deals to be lumpy in nature, but when you step back and take a longer-term view, this opportunity remains significant.

Now turning to LocaliQ. While the return to growth has been slower than anticipated, this business remains an important solution for our advertisers, and we believe having it as a part of our portfolio allows us to capture a broader share of advertising spend across our media platform. The foundational actions we have put in place to shift from a traditional search agency business to a results-driven approach are beginning to take hold, and we can see that progress. As we diversify search, we are expanding higher growth areas like our social offerings, our owned inventory, and targeted email, while also deepening CRM integrations. We continue to make DASH a more comprehensive AI powered platform that helps customers turn more leads into paying customers faster. We are encouraged by the progress and expect these initiatives to improve our revenue trends and position this business for growth in the second half of the year.

I'd now like to turn the call over to Trisha to provide additional details and color around our 2026 first quarter financials.

Trisha,

Trisha Gosser

Thank you, Mike. Good morning, everyone.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted.

As Mike mentioned, we're very pleased by our business momentum and the progress we made in the first quarter - which is evident in our financial results.

In the first quarter, Total Revenues were $548.5 million, a decrease of 4.0% or 1.8% on a same-store basis. This represents a same-store improvement of 210 basis points over Q4 and is the second consecutive quarter of top-line trend improvement. The strength in Total Revenues was primarily driven by the expansion of our Digital revenues, which delivered solid growth compared to the prior year.

Total Adjusted EBITDA was $73.1 million in the first quarter, an increase of 44.7% or $22.6 million. Total Adjusted EBITDA margin expanded to 13.3% in Q1, compared to 8.8% in the prior year quarter. The growth in Total Adjusted EBITDA was driven by the improving revenue trends, the impact of the 2025 cost reduction program - along with ongoing cost discipline - and the continued execution against our operational priorities. Expense management remains a critical priority, and in the first quarter, we drove an 8.8% reduction in operating costs and SG&A expenses compared to the prior year.

Total Digital revenues in the first quarter were $261.9 million, up 5.2% on a same store basis, representing the second consecutive quarter of growth. In the first quarter, Total Digital revenues accounted for 47.8% of Total Revenues, an increase of 400 basis points compared to the prior year. Digital advertising revenues decreased 3.0% in Q1 due to some softness in pageviews and programmatic revenue. That said, we delivered our strongest quarter of new digital business signings in Q1, which, combined with stabilizing retention trends, is expected to drive a notable improvement in our Q2 digital advertising and digital marketing services revenue trends.

Pageviews were down modestly year-over-year, primarily on our local sites. This was driven by lower referrals from Google Discover as well as the deliberate actions we've taken to increase paywall encounters and shift traffic toward higher-value, monetizable experiences. As a result, we're seeing improved conversion rates and believe this is the right trade off as we optimize for revenue per user rather than raw traffic volume.

Digital-only subscription revenues totaled $45.9 million in the first quarter, up 6.2% year-over-year, and marks the third consecutive quarter of sequential growth. Digital-only subscription volumes continue to reflect the intentional actions to optimize sustainable and predictable profitability by prioritizing long-term monetization over short-term volume. Volume declines slowed in Q1, with new starts approaching parity with stops late in the quarter, indicating stabilization and a potential return to volume growth. In Q1, Digital-only ARPU also reached a record high of $10.30, up 42.7% year-over-year.

In the first quarter, our Digital other revenues, which includes digital content syndication, affiliate, content and AI partnerships and licensing revenues, grew 125.6%, or $18.8 million. As we noted last quarter, we expect variability in timing and recognition given the structure of these agreements, with Q1 reflecting a strong contribution.

We continue to optimize our print and commercial business. And in Q1 – print and commercial revenue trends were largely unchanged from Q4 on a same store basis, and our results reflect the shuttering of a substantial advertising mailer whose closure had no impact on Total Adjusted EBITDA.

Turning to the USA TODAY Media segment, Segment Adjusted EBITDA totaled $59.5 million, increasing 89.9%, while Segment Adjusted EBITDA margin expanded 720 basis points to 14.3%. For Q1, total revenues decreased 5.4%, representing an improvement of 180 basis points from Q4 sequentially.

Turning to the Newsquest segment, total revenues in the first quarter were $59.8 million, up 7.0%, representing the fourth consecutive quarter of revenue growth. In the first quarter, Segment Adjusted EBITDA was $14.9 million, up 6.6%, while Segment Adjusted EBITDA margin totaled 24.9%.

And looking at our LocaliQ segment. For Q1, core platform revenue totaled $99.3 million. Segment Adjusted EBITDA totaled $6.8 million and reflected the inherent seasonality associated with the first quarter in our LocaliQ business. We ended the quarter with approximately 11,900 core platform average customer count, and core platform ARPU remained near record highs at approximately $2,800 dollars.

Let’s now turn to the balance sheet.

At the end of the first quarter, our cash balance was $85.2 million, and net debt stood at $903.1 million. Free cash flow in the first quarter totaled $6.4 million. And we ended Q1 with $988.3 million of total debt, reflecting $4.0 million of total debt paydown in the quarter – which combined with our strong Total Adjusted EBITDA growth - further reduced our first lien net leverage by 12% to 2.3 times.

On the bottom line, net income totaled $19.9 million, up $27.2 million, or 371.3%.

As we look forward to the second quarter - we expect to largely sustain the top-line momentum - with total revenue figures - and same store revenue trends remaining largely in line with Q1. We believe our strong new business activity - combined with stabilizing retention trends, continued growth in digital-only subscription revenue and year-over-year growth in digital other - supports ongoing digital revenue growth. With respect to Total Adjusted EBITDA, we expect continued year-over-year growth in Q2, though at a notably more moderate pace than Q1. Adjusted EBITDA in Q2 will be impacted by the mix of digital revenue, with a higher contribution of DMS revenue and a lower contribution of licensing revenue. We view Q2 as a continuation of the progress we made in Q1, along with significantly higher free cash flow generation quarter-over-quarter. We are reaffirming our full year 2026 business outlook and remain confident in delivering year-over-year free cash flow and profit growth on the back of improving revenue performance.

Overall, I am very excited about the progress achieved through the first quarter. The start of 2026 was successful from both an operational and financial perspective, and we are entering the second quarter with a great deal of optimism.

I will now hand it back to the operator for questions and then we will go back to Mike for some closing thoughts.

Operator

At this time, we will be conducting a question-and-answer session. Your first question today is coming from Giuliano Bologna with Compass Point.

Giuliano Bologna

Good morning. Congratulations on the impressive results in the first quarter. As the first question, it seems like you're making very strong progress, especially early in the year, and it's great to see the outlook reiterated. I'm curious, if there are any specific drivers that we should be focused on that are driving the results early in the year, and how sustainable a lot of those drivers are throughout the year? I'm thinking about AI potential deals and other things around that that are obviously great positive contributors at this point.

Mike Reed

Yes, yes. Hey, Giuliano, thank you, and good to talk to you. Yes, there are a lot of drivers in the first quarter, and those are sustainable not only this year, but throughout the coming years. We have -- licensing deals were definitely strong in the first quarter, following a strong fourth quarter. And on top of that, their Digital Subscription revenues have really turned the corner and were a strong performer in the first quarter. Obviously, we expect that to continue not only this year, but for years to come. And our affiliate revenue has really started to turn and grow as well, which is also captured in that Digital Other category.

And we feel really good about the progress we're making on the audience side in terms of engagement, which leads to Digital Advertising growth. And finally, we feel good about the progress we're making underneath the DMS business, which will also lead to growth in the back half of the year. So when we look out over the rest of this year, Giuliano, we see all those factors contributing to digital revenue growth, starting with DMS, Digital Advertising, Digital Subscription, and then Digital Other with contributions from both licensing and from affiliate revenue. So all of those will be contributors.

Giuliano Bologna

That's very helpful. Then there's obviously been a lot of progress when it comes to AI licensing deals. I'm curious where things stand in terms of the opportunities that are still out there and the potential for more transactions or more deals on that front.

Mike Reed

Yeah, Giuliano, we think there's a lot of opportunity for more deals. As I mentioned on the last call and I'll say again on this call, it's hard to predict the timing of those deals, so they will be a bit lumpy. However, we are taking all of the appropriate actions in our view, which start with creating really unique at scale valuable content every single day. Combine that with we're digitizing more and more of our archived content so that we have a larger offering of archived content. Then finally, we're blocking those that don't have licensing deals with us from being able to scrape our content.

So, creating new content at scale, blocking those that want to scrape, and then digitizing more of our archived content we think make us one of probably the premier news media company for AI tech companies to partner with. There are a lot of big companies out there, as you all know, that we have not partnered with yet. We have ongoing conversations with many of them. There are also new entrants and new marketplaces coming on board, so this opportunity is really massive in our view.

We're taking a long-term approach rather than near-term because in the very near term it's a little bit lumpy or unpredictable, but over the long term, lots of opportunity. We think we're the premier partner and we're doing, we think, all the right things to make sure that we are the right partner for those companies.

Giuliano Bologna

That's very helpful. There's obviously a great improvement when it comes to even that margin as well. I'm curious if there's still any opportunities on the cost side to continue working on your cost structure and other cost improvements around the company?

Trisha Gosser

Yeah, absolutely. Good morning, Giuliano. It's Trisha. We think there is opportunity there. We were very smart in the way that we addressed costs last year. Took a $100 million out of the business and I think you can see that we're still improving our revenue trends at a pretty good clip, even with those expenses coming out of the business. And we look to be balanced and thoughtful in how we do it going forward. We're always optimizing our costs around our print infrastructure. We'll continue to do that. You've heard us talk about changes that we're making to our delivery structure, for example. We'll continue to explore those types of things.

The other things, we are seeing efficiencies, whether it comes from things like AI licensing or using vendors and partners, outsource vendors. We're getting efficiencies within the organization. I think more so those will eventually drive revenue upside for us, but they should also help us manage costs like software or outsourcing with our partners as well. So I would say yes, long answer, but yes, we have the opportunity to continue to manage our expenses. You saw it in Q1. You'll see it for the rest of the year as well.

Giuliano Bologna

That's very helpful. And then maybe one final one. I'm just curious if there's any update or changes to the timing or process around litigation, and if you have any opinion around that?

Mike Reed

No changes. Obviously, we remain very optimistic there. The next big things are really the outside of our case, the DOJ case, we expect the remedies to be ruled on by the judge here any day now. Then that would, we think, then lead to the State of Texas's case going to trial probably within 60 days after the remedies ruling. Then with regard to our case specifically, the next big milestones are the judge ruling on Google summary judgment filing, which we expect in the next few months, and then a trial date being set, which we expect for either late this year or early next year.

Operator

Your next question is from Matt Condon with Citizens.

Matt Condon

Thank you so much for taking my questions. My first one is just on the DMS side of the business. You obviously are seeing some underlying trends that give you confidence in the acceleration of growth in the back half of this year. Can you maybe dig in on what a few of those catalysts or products that should drive that growth in the back half of this year are?

Trisha Gosser

Good morning, Matt. It's Trisha. Thanks for the question. We see a lot of promise in our DMS business. I think the first big thing to point out is that it's a product that our advertisers really view as a critical component of their marketing spend and so we think that having it as part of our portfolio really allows us to capture more dollars across the advertising ecosystem, including on our own platform. So the things that we've done over the past year or so, things like integrating CRMs, leveraging AI search capabilities with Google on the platform, as well as bringing our own inventories or owned and operated inventory into the LocaliQ platform, really gives us confidence that we can continue to grow our customer count in our business.

I think one of the things that we've seen is that we're maintaining near record high ARPU at about $2,800. And so our customers are seeing a lot of value in what we're providing to them. Now the work is really about growing our client count. And the other thing I would highlight is that we're continuing to invest in Dash, which is our AI-driven platform, which allows our customers to address their leads and turn those leads into revenue much faster. As we build out capabilities on that platform, build out CRM-type solutions on that platform, we are finding that customers are stickier and we should see that play out in our results as well.

Mike Reed

Hey, Matt, I would add one thing too, and Trisha mentioned this in her remarks before the Q&A, both in our O&O on the Media side as well as DMS. In the first quarter, we saw really nice increases in new client count, but also in budgeted spend with us. And so what we saw specifically in the DMS business that we're referring to that give us a lot of confidence in outward look on revenue trends, a leading indicator for us is the budgeted spend from all of our clients. And we saw really significant uptick every single month from January through April here now that we're at the end of April. So the underlying work we're doing, improving retention and becoming stickier with the clients and leading to bigger budgeted spend with us has all materialized here in the first four months of the year. So we're pretty excited about what we're seeing underneath and expect that to really show up in the financials in the back half of the year.

Matt Condon

That's helpful color. Maybe another question just on AI licensing, I think this is a big question is the sustainability of AI licensing revenue going forward. Specifically, you have lots of your content archived and used to train these models. On a go-forward basis, how do you think about the sustainability of that revenue trend? Obviously, there needs to be the refresh in the new content that comes on, but do the value of those contracts go down over time? Again, obviously, it was a key driver in the quarter. I think people are just trying to wrap their minds around just how sustainable that is going forward.

Mike Reed

Yeah, no, I don't think if they go down, I think they go up. I think the real value in the content we produce is we produce it at scale and its unique and it's valuable and it's new every single day. And you're right. These models and all of the AI programs out there, products out there need to be refreshed and updated on an ongoing basis. So I actually think the real-time content on a go-forward basis is much more valuable than the archived content, which theoretically can be used one time to train a model.

So I actually think that the value of our licensing agreements will grow over time. We are expanding the amount of content we have that is digitized in our archives, which hasn't been available for training. So we think that's also an opportunity for more revenue, but the real value in our eyes is the ongoing new content we create every day. And we're in a lead position because we create more content than most anybody and it's unique, right, because of the local aspect. So we feel really good about the sustainability and the ability to grow the AI licensing category over the long term.

Matt Condon

That's really helpful. And then maybe just a final one. On Digital Advertising, it sounds like there were some contracts that were signed in the quarter that just give you confidence that that can accelerate here or improve in 2Q. Can you just dig in on just the underlying trends that are going on in Digital Advertising? What happened in the quarter? And what are the improvements that are taking place under the hood?

Kristin Roberts

Sure. I'd say that the impact that we're seeing in Digital Advertising has something to do with AI overviews, but it's been much more muted than what much of the industry has been reporting. So we've always expected some headwind in this category in Digital Advertising and we've been prepping for it, Matt. I think what's more impactful in Q1 for us has been the shift in Google Discover and that's been surfacing less local content this quarter. So when we look at these numbers, we expect Google to recalibrate over time, but it does reinforce a point that we've been making for a while now, which is the importance of reducing our reliance on any single traffic source.

I'd say a good illustration of this was our coverage this weekend of the White House Correspondents Dinner event. Roughly half of our audience came to us from search referrals, but the other half came from direct visits and social and email and other referral sources. And that indicates that we are building that direct relationship with the audience and that has been our deliberate focus. We also have the ability to turn the dial a little bit from programmatic revenue to subscription revenue in local, especially now that we have a more profitable subscription strategy.

And as we layer in these new AI-driven, smart tech insights, new tools, we can really target the right user at the right time with an offer that makes sense for that person. And we can choose to turn the dial more towards subscriptions. That's the value of having an audience and a portfolio like ours. We're not overly reliant on any one source of traffic or any one revenue stream for revenue growth. When you look out longer term, you can see this model gives us the opportunity for more significant overall digital revenue growth as our data and our insights and, importantly, our orchestration capabilities mature. And that includes our Digital Advertising. I hope that helps.

Barton Crockett

Okay. Thank you for taking the question. I wanted to just drill in a little bit more into the Google Discover thing that you were talking about. And just to be clear, you're saying that this is not related to AI overviews. This is a separate mechanism. I just want to be clear on that. And could you give us a little bit more quantification of how much of an impact this had? And given that it seems to be a choice that Google has made, what can you do about it?

Kristin Roberts

I'm happy to take that, Barton. It's nice to hear from you. Google Discover and the AI overviews are separate issues for us. And so AI overviews have had an impact primarily in local, but not uniformly. Google Discover also is surfacing less of our local content. But what we've been seeing over the course of Q1 has been a new norm. So we've begun to see some calibration, some normalization in what we're seeing from Google. The impact varies. It varies by market, depending on market size, on total number of audience we already have. It also varies between local and USA Today. It is why we have begun moving and shifting our content-related resources to things that we see working in real time.

For example, there are some content categories that continue to over-perform for us, whether they're over performing on local page views or geo-neutral audience. We are shifting resources to those places. You can see the impact of that both in local and at USA Today. For example, for local, the things that continue to work for us are obviously sports, from high school all the way through college and pro sports. Also, breaking news and also, local opinion. These are content categories for us, in addition to service journalism, that continue to drive significant audience for us. So we're leaning into those places. Where we see content categories that are not working or not appearing in Google Discover, for example, we are shifting those resources to develop the kind of exclusive and distinctive content that Mike just referenced in his answer to what is the future value of AI deals.

On USA Today, what we're seeing is we have ongoing ability to drive significant audience via Google. And that is around content categories that we have a right to win, where we are, if not the dominant player, in contention to be the dominant player. So think about sports, think about entertainment. Again, think about breaking news. Think about lifestyle. These are content categories for us that continue to drive significant audience. And it's the reason why, according to Comscore, we are still serving the largest audience in America among content creators.

The other piece that I will just throw in here before giving you the mic back, Barton, is that video is increasingly driving audience for us, especially on USA Today. And so we took a deliberate step last year to begin expanding our catalog of video content, and that's paying off now as Google begins to shift what it is servicing.

Barton Crockett

Okay. Thank you for that. And then Mike, I don't know if there's anything to say on this question, but as you guys are aware, a Google executive made a blog post earlier this year about, presumably in response to some UK proceedings, about being open to separating the search crawl from the AI crawl, allowing people essentially to opt out, which presumably maybe that happened would give you leverage. Has there been any advancement on that front, or is there anything happening in the UK? Any developments there, or is that just a post and then no follow-through?

Mike Reed

Yeah, no Barton, to state the obvious, Barton, we're very supportive of that, and we'd like to see that be followed through on. There hasn't been any movement at this case at this point in time, but we're hopeful that that moves forward. I think it's more likely to move forward in the UK before there's any traction here in the US, but that's obviously something we would like to see.

Barton, just on the last question too, because I don't want to overplay anything here on the downside in terms of audience, one of the reasons we mentioned the 180 million uniques and 1.4 billion pageviews on the call this morning is that those are higher numbers than we saw in the Q4. And so I know there's so many in the media industry that are seeing overall audience declines, pageview declines, things of that nature. We have not seen that. We've been very proactive in driving this business, driving our audience. Our audience does have scale, and our biggest opportunity is engagement with that audience.

More engagement with that audience obviously is our biggest opportunity, but we're not seeing any large declines. Google does adjust algorithms all the time, and we have to adjust our strategy based on those changes. And that's what Kristen outlined, and we're confident we'll be able to do that. But the biggest driver for us over the last two years in audience growth has been what Kristen mentioned, which is really recognizing you can't be too dependent on one source of referral traffic. And so we've been very aggressive in building traffic from a lot of different sources, including direct. And we really reap the benefit of that.

And so we're pretty excited even about the Digital Advertising strategy going forward, and don't view anything that happened in Q1 as permanent or long-term.

Operator

We have reached the end of the question-and-answer session, and I will now turn the call over to Mike for closing remarks.

Mike Reed

Yeah, thanks. And before we wrap this morning, let me just quickly recap a few important things. First of all, Q1 was a great quarter. It's the strongest start to the year that we've had in several years, and the truth is what you're seeing in the results reflects the work we have been doing over the last 24 months to strengthen the foundation of the business and to execute against a clear strategy. That work is paying off, and Q1 is a clear signal of that.

A few highlights I think worth calling out, because we're really getting very, very close or tight to some important inflection points that we've been talking about over the last couple of years. First of all, in Q1, total revenue trends were the best we've had in nearly four years, and we're nearing that inflection point at down 1.8%, after being down 3.9% in Q4, and down over 6% in Q3 last year, or near around 6% last year in Q3, so we're really nearing that inflection point, and we expect that to come here in 2026.

We also saw Total Digital revenues grow at over 5% in the first quarter and reach 48% of total revenues. We've been talking about inflection point of Total Digital revenue being 50% of total revenues. We're really nearing that inflection point as well, which we also expect to happen here in 2026. But importantly, with this revenue mix shift and the growth in digital and the improvement in same store, we're also seeing growth in EBITDA and free cash flow and expanding margins, so this is good profitable revenue, which is very important.

And then finally, we're seeing leverage continue to come down, and we've been aiming to get under two times. We finished the first quarter at 2.3 times, so we're getting very close to that 2.0 times mark too, so a lot of things going in a lot in the right direction, and a lot of inflection points here to be reached in 2026. You put all that together, we got improving revenue trends, expanding margins, strong and growing cash generation, and a healthier balance sheet, a lot for us to be excited about.

We're looking ahead to a really strong second quarter as well, and our Digital-only subscription business has really turned a great corner. We saw the results in the first quarter, and that will continue to be a big contributor as the year goes on, as will the Digital Other category, which contains our licensing agreements as well as our affiliate deals, and that's a really nice category for us as well, so expecting a strong second quarter with even stronger free cash flow generation.

And look forward to updating you all in three months with our progress on Q2, and again, thanks for joining us this morning, and thanks for your support.