



gray

Television • Digital • Mobile

Gray Television, Inc. Investor Presentation

NYSE:GTN

November 2017 Edition

Updated for September 30, 2017 Financial Information

If Appendix is not included, see full presentation located at www.gray.tv for Non-GAAP Reconciliations.

4370 Peachtree Road, NE, Atlanta, GA 30319 | P 404.504.9828 | F 404.261.9607 | www.gray.tv

Table of Contents

Company Overview	3
Investment Highlights	9
Financial Overview	18
Glossary	24

ALL COMBINED HISTORICAL BASIS DATA PRESENTED FOR GRAY IS ADJUSTED FOR ALL COMPLETED TRANSACTIONS UNLESS OTHERWISE NOTED.

This presentation contains certain forward looking statements that are based largely on Gray's current expectations and reflect various estimates and assumptions by Gray. These statements may be identified by words such as "estimates", "expect," "anticipate," "will," "implied," "assume" and similar expressions. Forward looking statements are subject to certain risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in such forward looking statements. Such risks, trends and uncertainties, which in some instances are beyond Gray's control, include the impact of recently completed and announced transactions, estimates of future retransmission revenue, future expenses and other future events. Gray is subject to additional risks and uncertainties described in Gray's quarterly and annual reports filed with the Securities and Exchange Commission from time to time, including in the "Risk Factors," financial statements, and management's discussion and analysis of financial condition and results of operations sections contained therein, which reports are made publicly available via its website, www.gray.tv. Any forward-looking statements in this presentation should be evaluated in light of these important risk factors. This presentation reflects management's views as of the date hereof. Except to the extent required by applicable law, Gray undertakes no obligation to update or revise any information contained in this presentation beyond the published date, whether as a result of new information, future events or otherwise.

•See the glossary to this presentation for the definition of certain capitalized terms used herein. Reconciliations of the Company's non-GAAP measures of broadcast cash flow, broadcast cash flow less cash corporate expenses, operating cash flow as defined in Gray's senior credit agreement, free cash flow and the total leverage ratio, net of all cash are contained in the Appendix.

•This full presentation, including the Appendix, can be found at www.gray.tv under Investor Relations –Presentations.

An Industry Leading Power



High Quality, Diverse Station Group

57

57 markets with owned and/or operated stations

200+

Over 200 total program streams across 103 stations

100+

Over 100 "Big 4" network program streams

25

25 markets with two or more "Big 4" network affiliations

 **CBS**
39 channels



29 channels

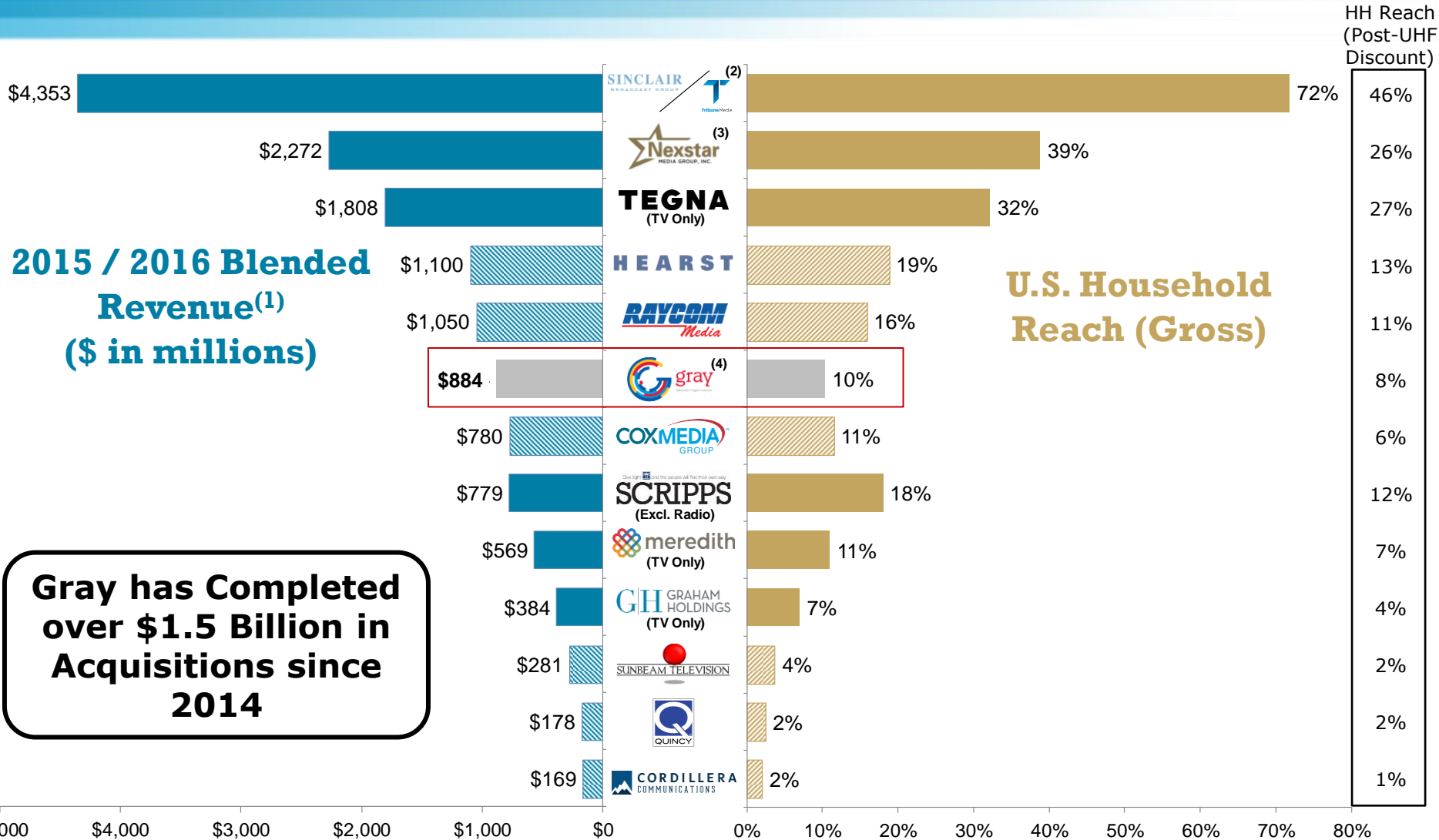


21 channels



14 channels

Gray Continues to Prudently Grow its Scale...



Gray has Completed over \$1.5 Billion in Acquisitions since 2014

Source: company filings and Nielsen data; As-reported revenue numbers unless noted; Household reach pro forma for all announced and closed transactions

(1) Private companies (Hearst, Raycom, Cox, Sunbeam, Quincy and Cordillera) based on BIA '15/'16 blended revenue (including retransmission estimates) from O&O stations and digital subchannels

(2) Sinclair pro forma for acquisition of Tribune; based on combined '15/'16 revenue and does not assume any divestitures

(3) Nexstar pro forma for Media General; based on combined '15/'16 revenue of \$2,406 million less \$134 million BIA ad and retrans revenue estimate for required regulatory divestitures of 13 stations

(4) Gray revenue presented on a Combined Historical Basis

Gray has Prudently Grown Through Accretive Acquisitions



- Completed over \$1.5 billion in acquisitions since 2014 at a blended average two-year buy-side multiple of 7.0 times
- Business continues to generate Free Cash Flow margins (FCF/OCF) in excess of 50%
- Weighted average cost of debt is under 5% with no near-term debt maturities
- Retransmission revenue was 27% of 9/30/17 L8QA revenue vs. 10% of 2013 L8QA blended revenue

Gray TV Snapshot⁽¹⁾

(\$ in millions)

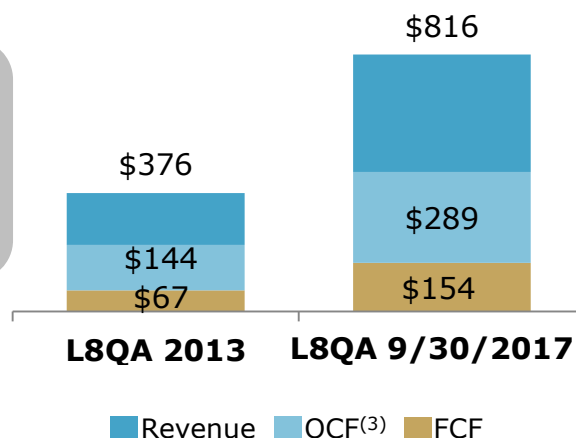
	2013	9/30/2017
# of Markets	34	57
US TV HH Reach	7.5 million	11.6 million
L8QA Retrans Rev.	\$37	\$224

Select Recent Acquisitions

(\$ in millions)

Close Date	Target	# of Stations ⁽²⁾	Size
5/2017	diversified COMMUNICATIONS (Broadcast Assets)	2	\$85
1/2017	Media General (Select Stations)	2	\$270
2/2016	SCHURZ COMMUNICATIONS INC. (Broadcast Assets)	10	\$443
9/2015	The Gazette (Single Station)	1	\$100
9/2014	LILLY BROADCASTING (Select Stations)	2	\$128
6/2014	H HOAK MEDIA CORPORATION	12	\$335
Other Transactions			~\$175

Over \$1.5 Billion in Acquisitions since 2014



Source: Company filings, Nielsen data

(1) Financial data presented on an As Reported L8QA basis unless otherwise noted

(2) Station count net of divestitures / swaps

(3) As reported OCF is equal to Broadcast Cash Flow less Cash Corporate Expenses plus Pension Expense less Pension Contributions

Focus on State Capitals and College Markets

Better demographics, more stable economies

12

Gray stations cover 12 state capitals



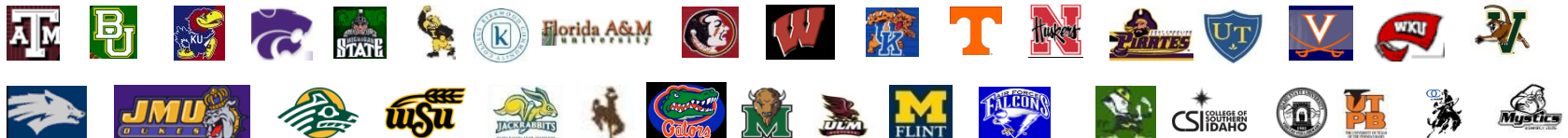
37

Gray stations cover 37 university towns



848,000

Enrollment of approximately 848,000 students





Investment Highlights

The Importance of #1



Price Leadership



Share of Market Ad \$



Network and News Ratings



Reinvest in Business

Highly Ranked News Franchises Drive Traffic

- Dominate local and political revenue with highly-rated news platforms
- #1 Stations can secure more than half of a market's political ad buys
- Greater purchasing power and leverage with MVPDs, programmers, and other vendors
- Deliver higher margins
- Maximize free cash flow
- Exploit best practices
- Attract and retain high quality talent
- Leverage Washington DC News Bureau

Gray Leads in Household Ratings



Gray's national Household Share average exceeds all major affiliate news programs

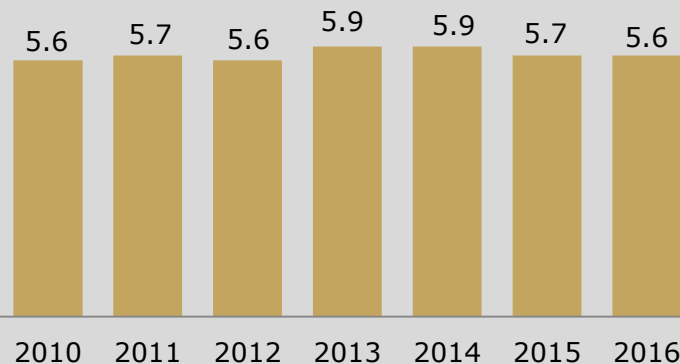
+59%

Amount by which Gray's late local newscasts outperform the national average

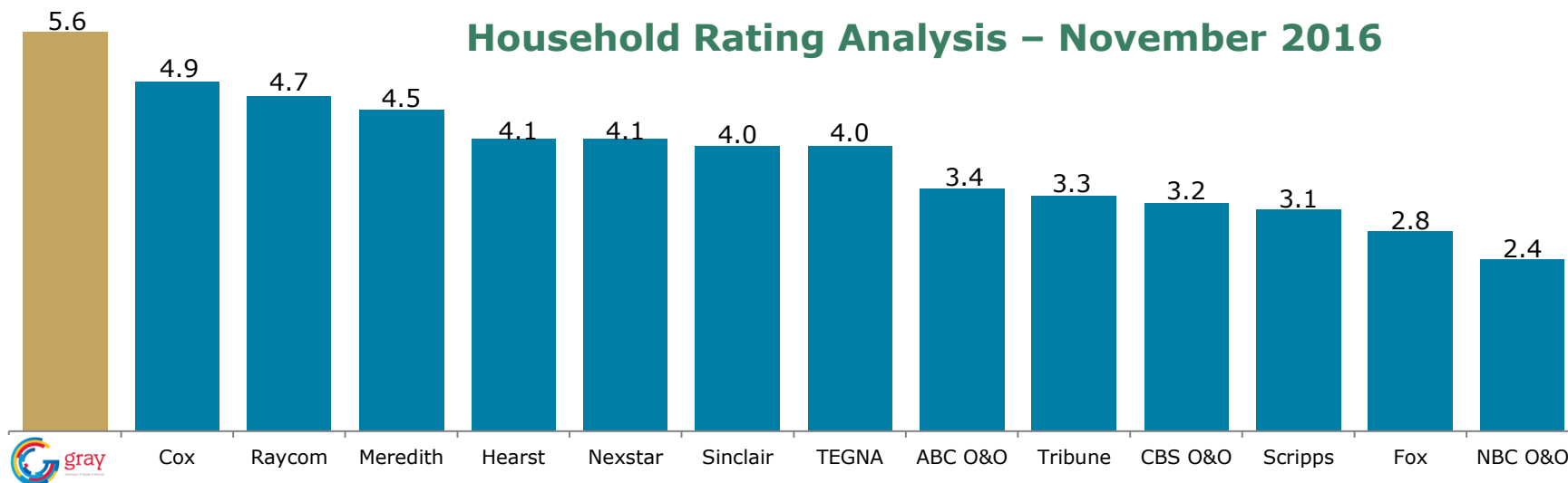
+67%

Amount by which Gray's 6PM newscasts outperform the national average


Gray's Ratings Have Remained Stable Over Time



Household Rating Analysis – November 2016

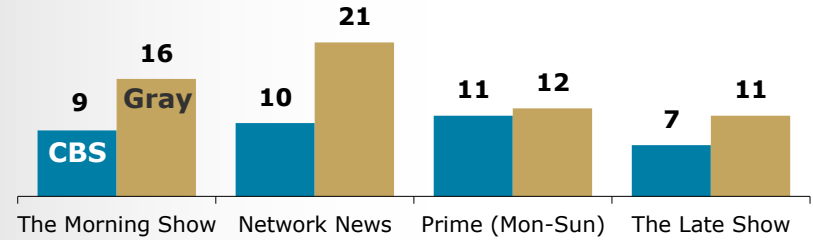


Network Programs Over-Index on Gray's Stations

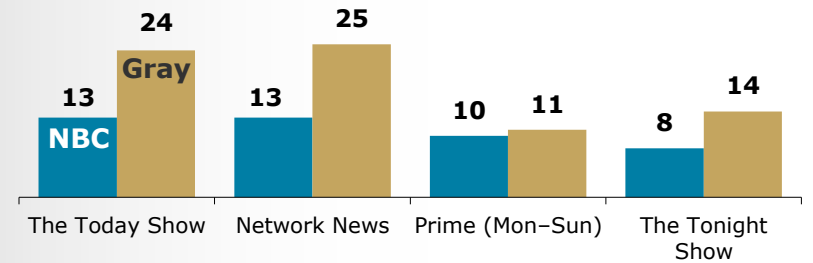
CBS, NBC, and ABC perform far better on Gray's stations than national averages across all key day-parts 



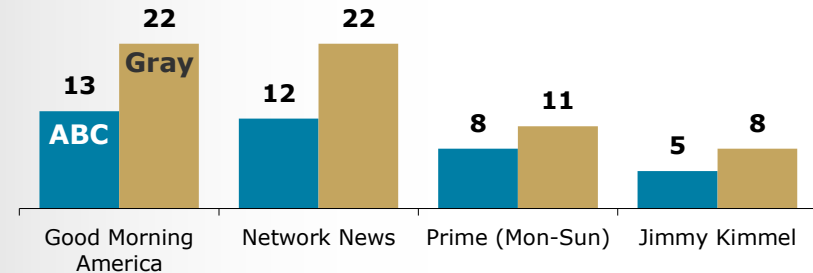
CBS vs. Gray | November '16 Household Share



NBC vs. Gray | November '16 Household Share



ABC vs. Gray | November '16 Household Share



 Network  Gray

Revenue Diversified Across Networks and Markets

Increasing Diversification of Revenue Sources

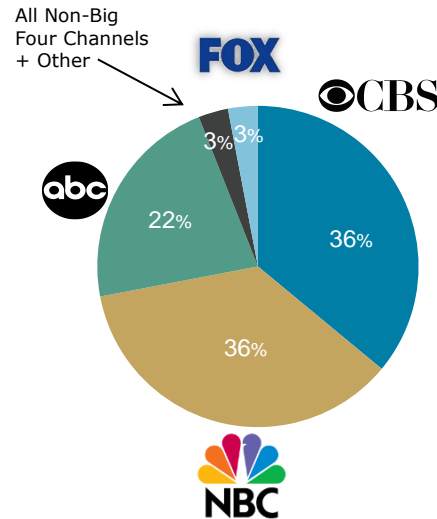
2008: As Reported

- 96% of revenue derived from advertising sales

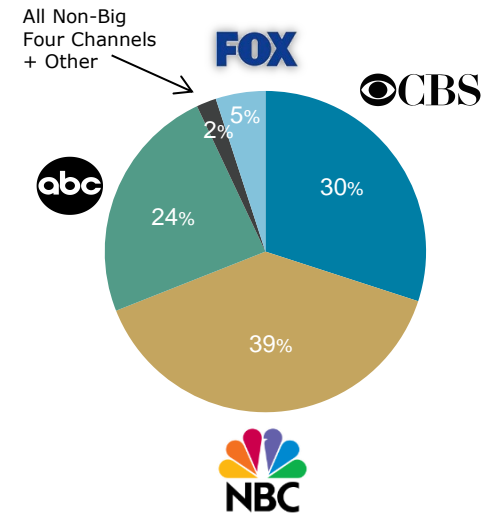
2016: CHB

- 76% of revenue derived from advertising sales
- 24% of revenue derived from retransmission (subscription) fee income

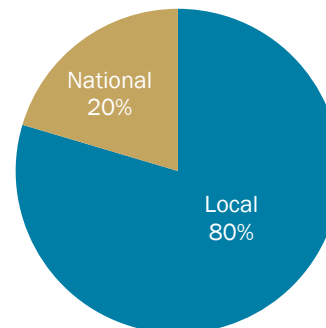
2016 CHB Revenue by Affiliate: \$946mm



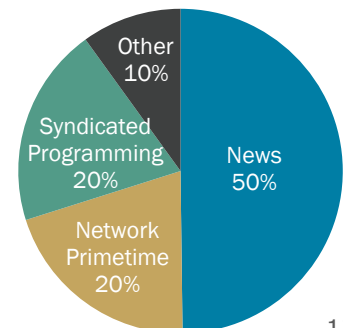
2016 CHB BCF by Affiliate: \$401mm



2016 CHB Core Revenue Breakout: \$585mm



Approximate Revenue by Day Part⁽¹⁾



(1) Approximate percentages based on WideOrbit platform 2016 estimated Gray revenues excluding retrans/other

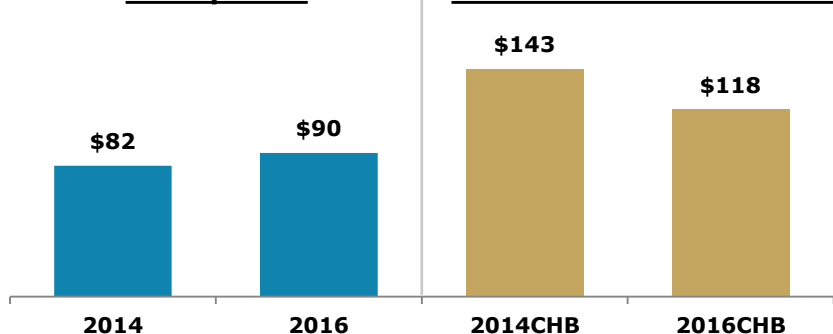
A Leading Beneficiary of Political Revenue

Gray Political Revenue

(\$ in millions)

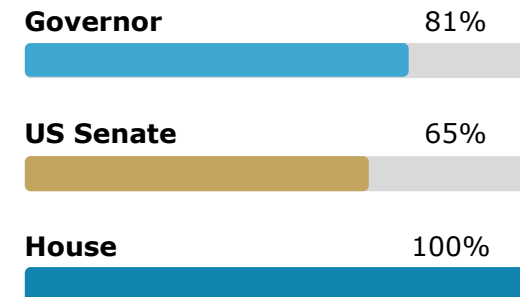
As Reported

Combined Historical Basis



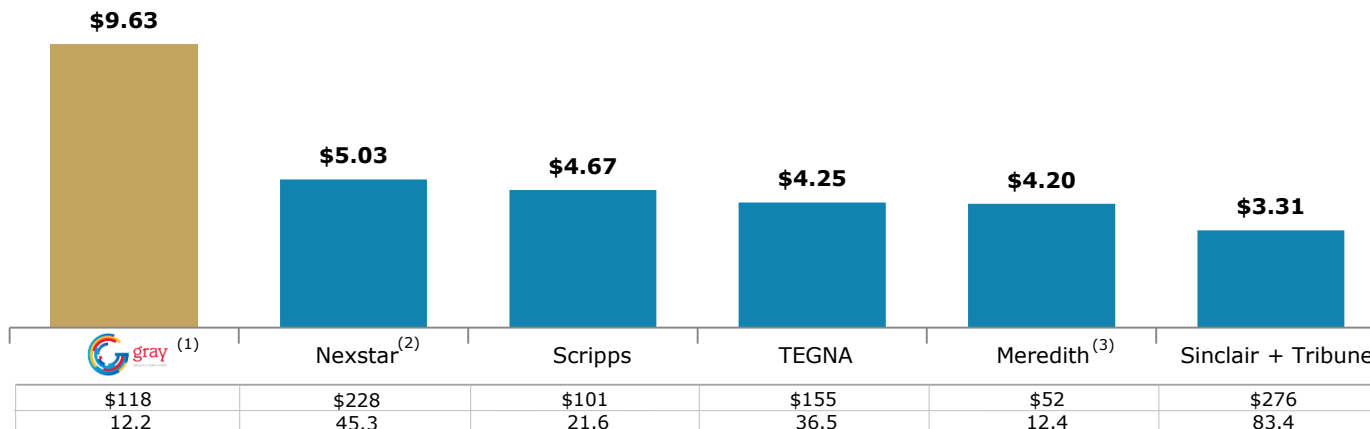
Gray Markets with at Least One 2018 Election

2018 is a Non-Presidential Political Year and Presents an Attractive Upside Opportunity



Source: Company management, Company filings, The Cook Political Report
 Note: Percentages calculated based on 45/57 markets with Gubernatorial races, 37/57 markets with Senate races, and 57/57 markets with House races

2016 Political Revenue Per TV Household



2016 Political Revenue (\$mm)
 2016 TV Households (mm)

Source: company management, company filings, investor presentations, BIA Investing in Television Report 2017 2nd Edition
 Note: Pro forma for all closed transactions; Sinclair + Tribune shown on a combined basis prior to potential regulatory divestitures

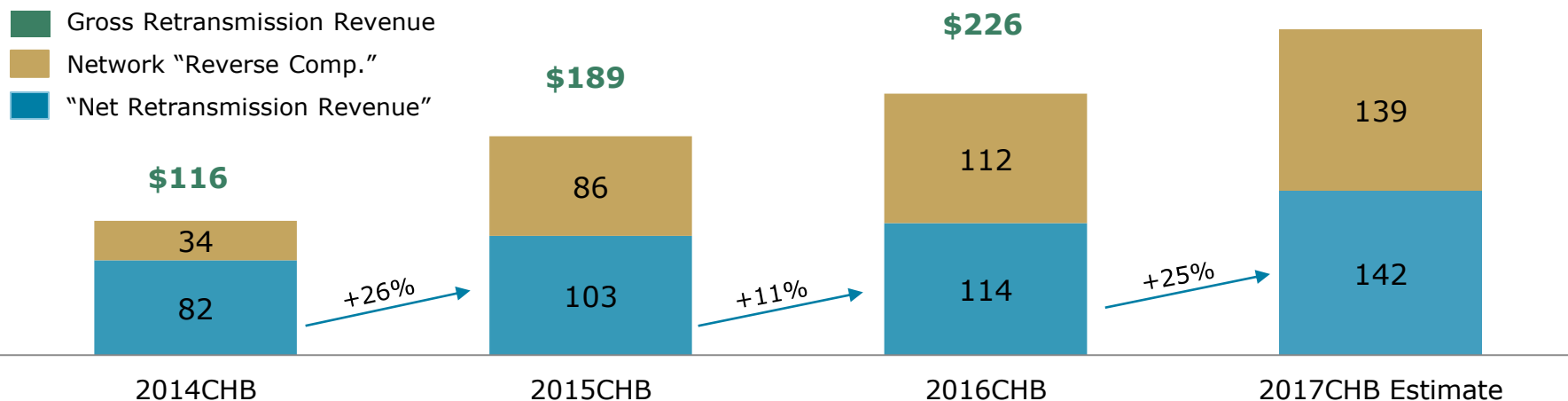
(1) Gray based on Combined Historical Basis revenue and TV households

(2) Pro forma for Media General Acquisition

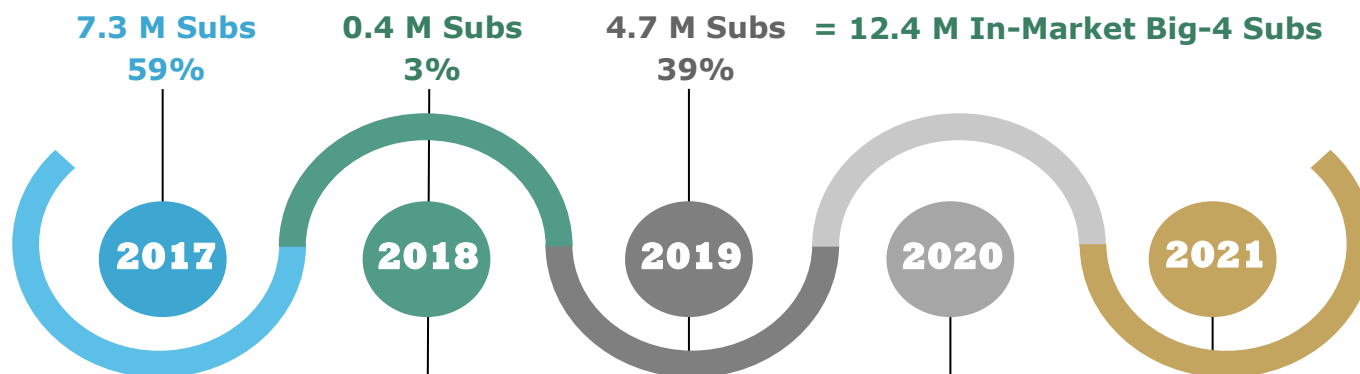
(3) Based on calendar year ended 12/31/16; Fiscal year ends 6/30

Gray Excels at Retransmission Revenue

Retransmission Revenue (\$ in millions)



Retrans Renewals for In-Market Big-4 Subs (12/31 Expiration):



Significant Big-4 Network Renewals:



Significant Monetization of Spectrum Today

Secondary Channel 2016 CHB Financials



\$120 MILLION IN REVENUE

**OVER
100
SECONDARY
CHANNELS**

\$74 MILLION IN BCF

**62% MARGIN ON DIGITAL
SECONDARY CHANNELS**

All secondary channels including "Big-4" secondary channels

Successful Digital Media Initiatives

Gray Digital Media

LOCALX
MARKETING

A Division of Gray Television, Inc

Mom's Everyday





- Pacing for 3.4 billion total page views in 2017 (up 23% over 2016)


- Mobile makes up 82% of all digital traffic


- Audience Targeting
- Database Marketing
- eCommerce
- OTT Advertising
- Reputation Management
- SEO/SEM
- Social Intelligence
- Website Development


- Award-Winning Weekly Television Program
- Daily News Content
- Localized Responsive Sites
- Eat@MomsEveryday Mobile App
- Unique Revenue Opportunities
- Social Media and Marketing Solutions
- Deep Station and Client Support Focused on Sustainability


-  7.3 million Facebook followers, up 12% from Q1 2017

-  2.3 million Twitter followers, up 18% from Q1 2017, Likes=41k, Tweets=2.9 million

-  Gray selected by Facebook to showcase a Case Study for 'Instant Articles' and selected Gray as a nationwide news source covering 2017 Eclipse

-  1.7 million iOS downloads, up 48% from same time last year

-  2.0 million Android downloads, up 19% from same period last year

-  603k Roku downloads, up 50% from same period last year



Financial Overview

2014/2015/2016 Snapshot

Combined Historical Basis Year Ended December 31

	2016	2015	% Change 2016 to 2015	2014	% Change 2016 to 2014
Revenue:					
Total	\$946,001	\$821,599	15%	\$850,699	11%
Political	\$117,538	\$21,934	436%	\$142,712	(18)%
Operating expenses (1):					
Broadcast	\$553,118	\$524,285	5%	\$482,828	15%
Corporate and Administrative	\$40,347	\$34,343	17%	\$29,203	38%
Non-GAAP Cash Flow (2):					
Broadcast Cash Flow	\$400,877	\$325,963	23%	\$394,098	2%
Broadcast Cash Flow Less Cash Corporate Expenses	\$364,408	\$294,740	24%	\$368,427	(1)%
Operating Cash Flow as defined in the Senior Credit Facility	\$369,967	\$300,014	23%	\$373,959	(1)%
Free Cash Flow	\$213,526	\$173,748	23%	\$239,353	(11)%

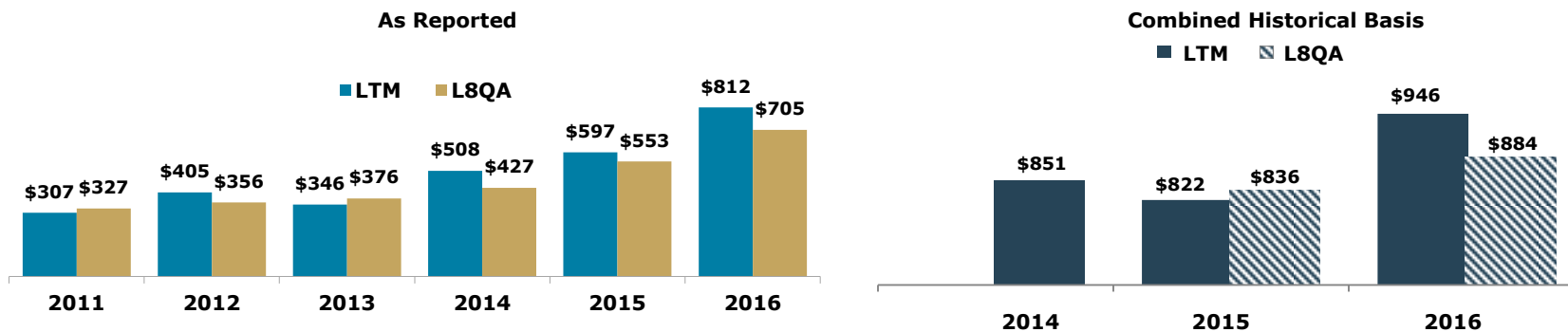
(dollars in thousands)

(1) Excludes depreciation, amortization, and loss on disposal of assets

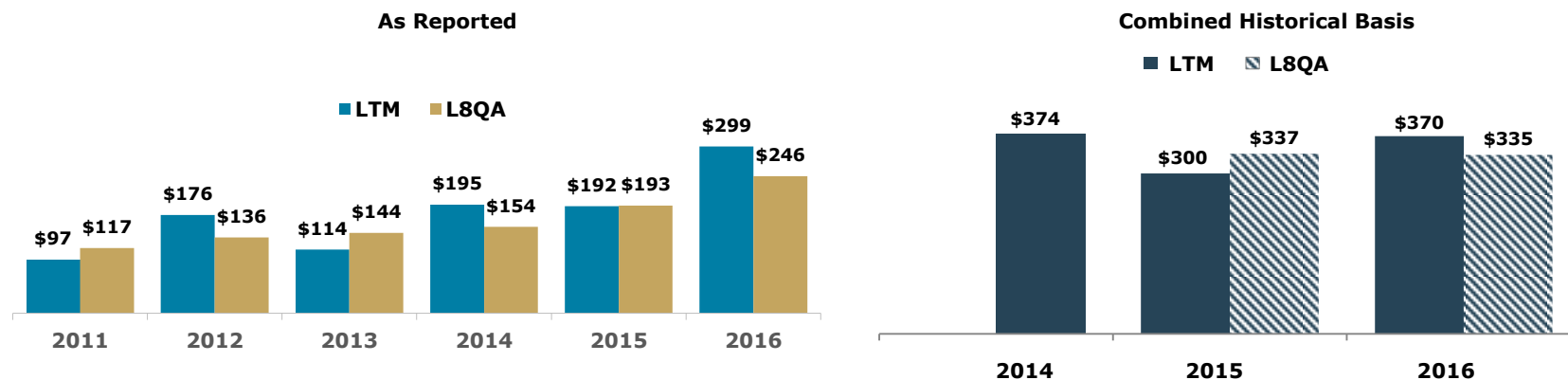
(2) See definition of non-GAAP terms in the Glossary and reconciliation of the non-GAAP amounts to net income in the Appendix

Financial Scale Continues to Increase

Revenue (\$ in millions)



Operating Cash Flow (\$ in millions)



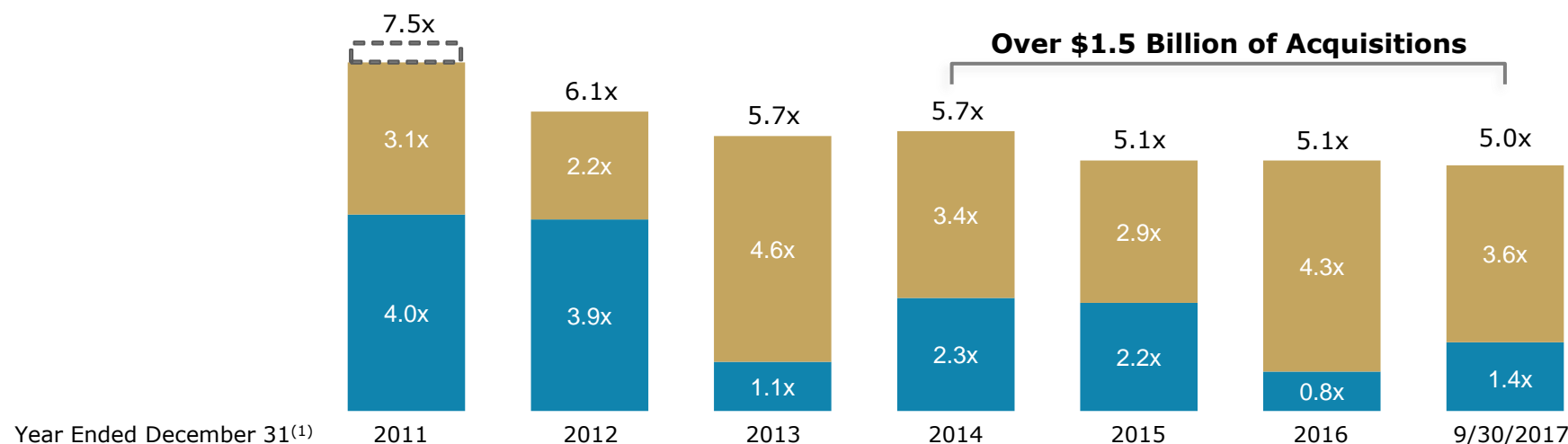
Prudent Balance Sheet Management Leads to Deleveraging



- Gray has significantly reduced secured and total leverage from historical levels
- Gray has diversified its revenue base, allowing for significant free cash flow in both political and non-political years

Financial Leverage Netting All Cash (\$ in millions)

■ Secured Debt Netting All Cash⁽¹⁾ / OCF⁽²⁾ ■ Unsecured Debt / OCF⁽²⁾ □ Preferred Stock / OCF⁽²⁾



Year Ended December 31 ⁽¹⁾	2011	2012	2013	2014	2015	2016	9/30/2017
Net Debt + Preferred Stock	\$872⁽³⁾	\$824	\$834	\$1,134⁽⁴⁾	\$1,201	\$1,456	\$1,689
L8QA⁽⁵⁾ OCF⁽²⁾	\$117	\$136	\$147	\$200	\$235	\$288	\$338

(1) Secured debt netting all cash on hand as of the respective balance sheet date

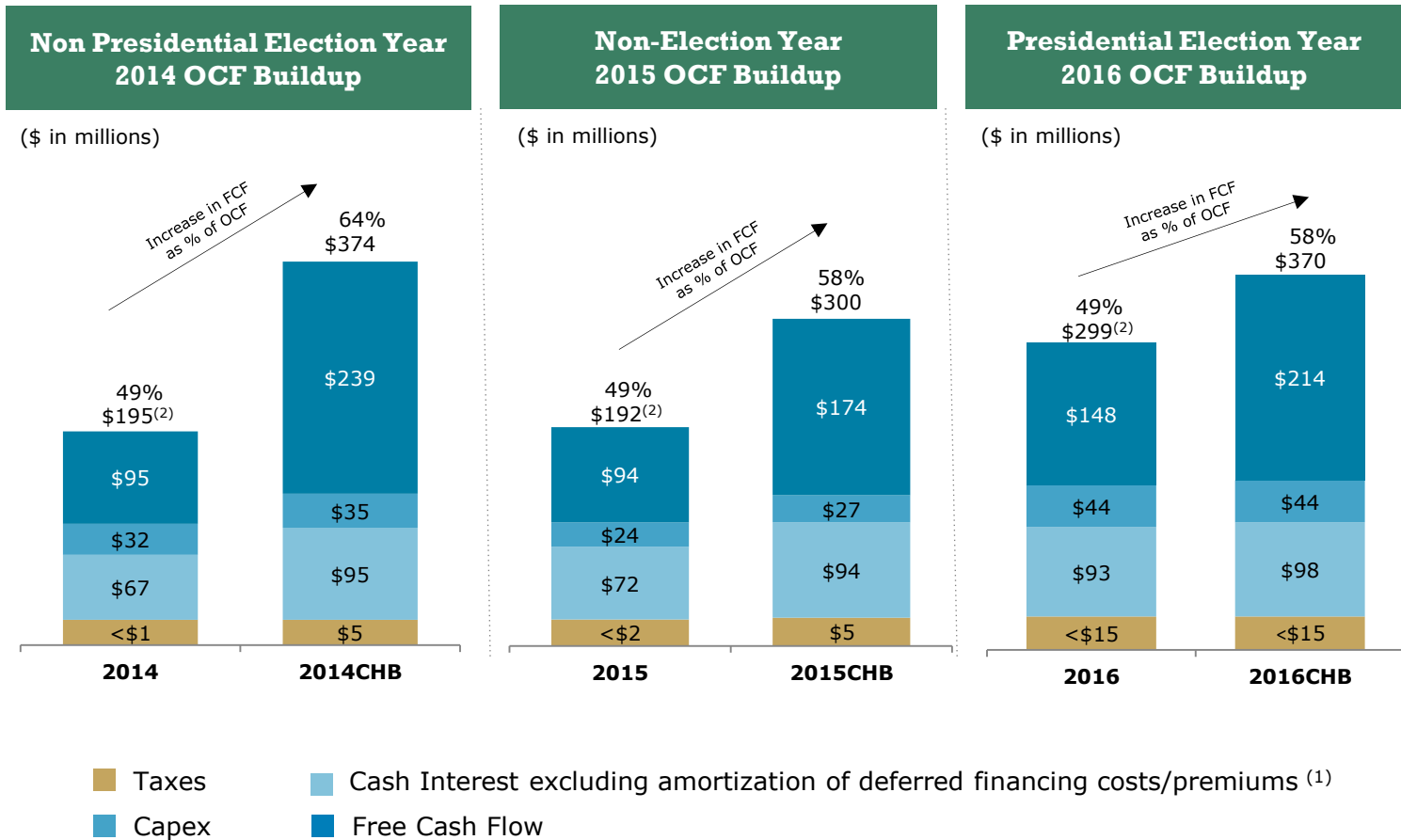
(2) Operating Cash Flow ("OCF") as defined in our senior credit facility and as used in our quarterly compliance certificates. This OCF amount includes adjustments for all transactions completed as of the respective balance sheet date

(3) For 2011, Net Debt + Preferred Stock includes preferred stock and related accrued dividends at liquidation value

(4) For 2014, Net Debt + Preferred Stock includes an undrawn \$10M Letter of Credit

(5) Last eight quarter average OCF as calculated in the applicable quarterly compliance certificate

Robust Free Cash Flow Generation and Conversion



(1) Interest expense estimated with incremental indebtedness and estimated cash interest relating to acquisition debt financing as if the acquisition debt financing had occurred on the first day of the period reported

(2) As reported OCF is equal to Broadcast Cash Flow less Cash Corporate Expenses plus Pension Expense less Pension Contributions

Capitalization



Combined Historical Basis⁽¹⁾

(\$ in millions)

	As of September 30, 2017	Estimated Annual Cash Interest Expense	"L8QA" or "Last Eight Quarter Average" for the period ended September 30, 2017	
			Leverage	OCF
Cash	\$ 173			
Debt:				
Revolving Credit Facility – Availability is \$100 Million	\$ -			
Term Loan B due 2024 – Interest rate is LIBOR + 2.5%	\$ 637	\$22.6		
Total Secured Debt	\$ 637		1.9	
Senior Notes due 2024 – interest rate is 5.125%	\$ 525	\$26.9		
Senior Notes due 2026 – interest rate is 5.875%	\$ 700	\$41.1		
Total Debt	\$ 1,862	\$90.6	5.5	
Less: Cash	\$ (173)			
Total Debt net of cash	\$ 1,689		5.0	
Blended Average Interest Rate		4.9%		
Operating Cash Flow as defined in our Senior Credit Facility ("OCF")				\$338

(1) Combined Historical Basis includes transactions closed as of September 30, 2017.

Glossary

**“Combined Historical Basis”
or “CHB”**

Combined Historical Basis reflects financial results that have been compiled by adding Gray’s historical revenue and broadcast expenses to the historical revenue and broadcast expenses of the stations acquired in the Completed Transactions and subtracting the historical revenues and broadcast expenses of stations divested in the Completed Transactions as if they had been acquired or divested, respectively, on January 1, 2014 (the beginning of the earliest period presented).

Combined Historical Basis financial information does not include any adjustments for other events attributable to the Completed Transactions except “Broadcast Cash Flow,” “Broadcast Cash Flow Less Cash Corporate Expenses,” “Operating Cash Flow,” “Operating Cash Flow as Defined in the Senior Credit Agreement” and “Total Leverage Ratio, Net of All Cash” each give effect to expected synergies, and “Free Cash Flow” on a Combined Historical Basis gives effect to the financings and certain expected operating synergies related to the Completed Transactions. “Operating Cash Flow,” “Operating Cash Flow as Defined in the Senior Credit Agreement” and “Total Leverage Ratio, Net of All Cash” on a Combined Historical Basis also reflect the add-back of legal and other professional fees incurred in completing acquisitions. Certain of the Combined Historical Basis financial information has been derived from, and adjusted based on, unaudited, unreviewed financial information prepared by other entities, which Gray cannot independently verify. We cannot assure you that such financial information would not be materially different if such information were audited or reviewed and no assurances can be provided as to the accuracy of such information, or that our actual results would not differ materially from the Combined Historical Basis financial information if the Completed Transactions had been completed at the stated date. In addition, the presentation of Combined Historical Basis, “Broadcast Cash Flow,” “Broadcast Cash Flow Less Cash Corporate Expenses,” “Operating Cash Flow,” “Operating Cash Flow as Defined in the Senior Credit Agreement,” “Total Leverage Ratio, Net of All Cash,” “Free Cash Flow,” and the adjustments to such information, including expected synergies resulting from such transactions, may not comply with GAAP or the requirements for pro forma financial information under Regulation S-X under the Securities Act.

“Completed Transactions”

All acquisitions or dispositions completed as of September 30, 2017.

“Gray” (Gray Television, Inc.)

A television broadcast company headquartered in Atlanta, Georgia, that owns and operates television stations and digital properties in markets throughout the United States

“Revenue”

Revenue is presented net of agency commissions.

Non-GAAP Terms

From time to time, Gray supplements its financial results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") by disclosing the non-GAAP financial measures Broadcast Cash Flow, Broadcast Cash Flow Less Cash Corporate Expenses, Operating Cash Flow as defined in Gray's Senior Credit Agreement, Free Cash Flow and Total Leverage Ratio, Net of All Cash. These non-GAAP amounts are used by us to approximate the amount used to calculate key financial performance covenants contained in our debt agreements and are used with our GAAP data to evaluate our results and liquidity. These non-GAAP amounts may be provided on an As-Reported Basis as well as a Combined Historical Basis.

"Broadcast Cash Flow" or "BCF"	Net income plus loss from early extinguishment of debt, corporate and administrative expenses, broadcast non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue
"Broadcast Cash Flow Less Cash Corporate Expenses"	Net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue
"Free Cash Flow" or "FCF"	Net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, amortization of deferred financing costs, any income tax expense, non-cash 401(k) expense, pension expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue, contributions to pension plans, amortization of original issue discount on our debt, capital expenditures (net of any insurance proceeds) and the payment of income taxes (net of any refunds received)
"Operating Cash Flow" or "OCF"	Defined in Gray's Senior Credit Agreement as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense and pension expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue, and cash contributions to pension plans
"Total Leverage Ratio, Net of All Cash"	Total outstanding principal of our long-term debt and certain other obligations as defined in the Senior Credit Agreement less all cash divided by our average Operating Cash Flow as defined in the Senior Credit Agreement for the preceding eight quarters. This average is calculated by dividing the sum of our Operating Cash Flow as defined in the Senior Credit Agreement for the preceding eight quarters by two

These non-GAAP terms are not defined in GAAP and our definitions may differ from, and therefore not be comparable to, similarly titled measures used by other companies, thereby limiting their usefulness. Such terms are used by management in addition to and in conjunction with results presented in accordance with GAAP and should be considered as supplements to, and not as substitutes for, net income and cash flows reported in accordance with GAAP.

Appendix: Non-GAAP Reconciliations



Nine Months-Over-Nine Months Results

As Reported Basis

	As Reported Results Nine Months Ended September 30				
	2017	2016	% Change 2017 to 2016	2015	% Change 2017 to 2015
	(dollars in thousands)				
Revenue:					
Total	\$ 649,119	\$ 574,846	13 %	\$ 427,869	52 %
Political	\$ 9,034	\$ 41,576	(78)%	\$ 7,950	14 %
Operating expenses (1):					
Broadcast	\$ 406,446	\$ 346,620	17 %	\$ 272,213	49 %
Corporate and administrative	\$ 24,436	\$ 31,425	(22)%	\$ 23,313	5 %
Net income	\$ 96,382	\$ 26,439	265 %	\$ 24,314	296 %
Non-GAAP Cash Flow (2):					
Broadcast Cash Flow	\$ 243,639	\$ 229,332	6 %	\$ 156,635	56 %
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 222,431	\$ 200,817	11 %	\$ 135,652	64 %
Free Cash Flow	\$ 130,622	\$ 79,640	64 %	\$ 64,988	101 %

(1) Excludes depreciation, amortization, and loss on disposal of assets

(2) See definition of non-GAAP terms in the Glossary and reconciliation of the non-GAAP amounts to net income included in this Appendix.

Nine Months-Over-Nine Months Results

Combined Historical Basis

	Combined Historical Results Nine Months Ended September 30				
	2017	2016	% Change 2017 to 2016	2015	% Change 2017 to 2015
	(dollars in thousands)				
Revenue:					
Total	\$ 661,472	\$ 670,473	(1)%	\$ 596,891	11 %
Political	\$ 9,074	\$ 54,169	(83)%	\$ 9,846	(8)%
Operating expenses (1):					
Broadcast	\$ 419,461	\$ 406,653	3 %	\$ 385,468	9 %
Corporate and Administrative	\$ 24,436	\$ 31,425	(22)%	\$ 23,313	5 %
Non-GAAP Cash Flow (2):	\$ 246,043	\$ 270,909	(9)%	\$ 234,462	5 %
Broadcast Cash Flow					
Broadcast Cash Flow Less					
Cash Corporate Expenses	\$ 224,835	\$ 242,394	(7)%	\$ 213,479	5 %
Operating Cash Flow as defined in the Senior Credit Facility	\$ 224,873	\$ 247,209	(9)%	\$ 218,220	3 %
Free Cash Flow	\$ 133,319	\$ 125,654	6 %	\$ 123,659	8 %

(1) Excludes depreciation, amortization, and loss on disposal of assets

(2) See definition of non-GAAP terms in the Glossary and reconciliation of the non-GAAP amounts to net income included in this Appendix.

Non-GAAP Reconciliation

As Reported Basis

	As Reported		
	Nine Months Ended September 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(dollars in thousands)		
Net income	\$ 96,382	\$ 26,439	\$ 24,314
Depreciation	38,555	34,237	26,906
Amortization of intangible assets	18,684	12,365	8,715
Non-cash stock-based compensation	4,303	3,827	3,011
(Gain) loss on disposal of assets, net	(75,139)	(66)	562
Miscellaneous (income) expense, net	(36)	(739)	(102)
Interest expense	71,189	73,470	55,762
Loss from early extinguishment of debt	2,851	31,987	-
Income tax expense	65,751	19,109	16,186
Amortization of program broadcast rights	15,444	14,026	10,837
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	16	21	19
Payments for program broadcast rights	(15,569)	(13,859)	(10,558)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	<u>21,208</u>	<u>28,515</u>	<u>20,983</u>
Broadcast Cash Flow	243,639	229,332	156,635
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	<u>(21,208)</u>	<u>(28,515)</u>	<u>(20,983)</u>
Broadcast Cash Flow Less Cash Corporate Expenses	222,431	200,817	135,652
Pension expense	(371)	120	4,190
Contributions to pension plans	(624)	(3,038)	(3,916)
Interest expense	(71,189)	(73,470)	(55,762)
Amortization of deferred financing costs	3,466	3,664	2,396
Amortization of net original issue (premium) discount senior notes	(458)	(626)	(647)
Purchase of property and equipment	(21,426)	(33,238)	(15,250)
Income taxes paid, net of refunds	<u>(1,207)</u>	<u>(14,589)</u>	<u>(1,675)</u>
Free Cash Flow	<u>\$130,622</u>	<u>\$79,640</u>	<u>\$64,988</u>

See definition of non-GAAP terms included in the Glossary

Non-GAAP Reconciliation

Combined Historical Basis

	Combined Historical Basis		
	Nine-Months Ended September 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(dollars in thousands)		
Net income	\$ 94,563	\$ 52,083	\$ 43,914
Depreciation	39,292	39,036	38,704
Amortization of intangible assets	18,710	13,563	14,111
Non-cash stock-based compensation	4,303	3,827	3,011
Loss on disposal of assets, net	(75,189)	179	1,058
Miscellaneous (income) expense, net	(45)	196	4,364
Interest expense	71,929	76,766	72,310
Loss from early extinguishment of debt	2,851	31,987	-
Income tax expense	65,465	18,584	13,647
Amortization of program broadcast rights	15,707	15,998	15,924
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	16	21	19
Payments for program broadcast rights	(15,832)	(15,831)	(15,645)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	21,208	28,515	20,983
Other	<u>3,065</u>	<u>5,985</u>	<u>22,062</u>
Broadcast Cash Flow	246,043	270,909	234,462
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	<u>(21,208)</u>	<u>(28,515)</u>	<u>(20,983)</u>
Broadcast Cash Flow Less Cash Corporate Expenses	224,835	242,394	213,479
Pension expense	(371)	120	4,190
Contributions to pension plans	(624)	(3,038)	(3,916)
Other	<u>1,033</u>	<u>7,733</u>	<u>4,467</u>
Operating Cash Flow as defined in the Senior Credit Agreement	224,873	247,209	218,220
Interest expense	(71,929)	(76,766)	(72,310)
Amortization of deferred financing costs	3,466	3,664	2,396
Amortization of net original issue (premium) discount senior notes	(458)	(626)	(647)
Purchase of property and equipment	(21,426)	(33,238)	(20,250)
Income taxes paid, net of refunds	<u>(1,207)</u>	<u>(14,589)</u>	<u>(3,750)</u>
Free Cash Flow	<u>\$133,319</u>	<u>\$125,654</u>	<u>123,659</u>

See definition of non-GAAP terms included in the Glossary

Annual Year-Over-Year Results

As Reported Basis

	As Reported Results Year Ended December 31				
	2016	2015	% Change 2016 to 2015	2014	% Change 2016 to 2014
	(dollars in thousands)				
Revenue:					
Total	\$ 812,465	\$ 597,356	36 %	\$ 508,134	60 %
Political	\$ 90,095	\$ 17,163	425 %	\$ 81,975	10 %
Operating expenses (1):					
Broadcast	\$ 475,131	\$ 374,182	27 %	\$ 285,990	66 %
Corporate and administrative	\$ 40,347	\$ 34,343	17 %	\$ 29,203	38 %
Net income	\$ 62,273	\$ 39,301	58 %	\$ 48,061	30 %
Non-GAAP Cash Flow (2):					
Broadcast Cash Flow	\$ 338,801	\$ 224,484	51 %	\$ 220,977	53 %
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 302,332	\$ 193,261	56 %	\$ 195,306	55 %
Free Cash Flow	\$ 148,126	\$ 93,984	58 %	\$ 95,240	56 %

(1) Excludes depreciation, amortization, and loss on disposal of assets

(2) See definition of non-GAAP terms in the Glossary and reconciliation of the non-GAAP amounts to net income included in this Appendix.

Annual Year-Over-Year Results

Combined Historical Basis

	Combined Historical Basis Year Ended December 31				
	2016	2015	% Change 2016 to 2015	2014	% Change 2016 to 2014
	(dollars in thousands)				
Revenue:					
Total	\$ 946,001	\$ 821,599	15 %	\$ 850,699	11 %
Political	\$ 117,538	\$ 21,934	436 %	\$ 142,712	(18)%
Operating expenses (1):					
Broadcast	\$ 553,118	\$ 524,285	5 %	\$ 482,828	15 %
Corporate and administrative	\$ 40,347	\$ 34,343	17 %	\$ 29,203	38 %
Non-GAAP Cash Flow (2):					
Broadcast Cash Flow	\$ 400,877	\$ 325,963	23 %	\$ 394,098	2 %
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 364,408	\$ 294,740	24 %	\$ 368,427	(1)%
Operating Cash Flow as defined in the Senior Credit Facility	\$ 369,967	\$ 300,014	23 %	\$ 373,959	(1)%
Free Cash Flow	\$ 213,526	\$ 173,748	23 %	\$ 239,353	(11)%

(1) Excludes depreciation, amortization, and loss on disposal of assets

(2) See definition of non-GAAP terms in the Glossary and reconciliation of the non-GAAP amounts to net income included in this Appendix.

Non-GAAP Reconciliation



As Reported Basis

	As Reported Basis		
	Year Ended December 31		
	2016	2015	2014
	(dollars in thousands)		
Net income	\$ 62,273	\$ 39,301	\$ 48,061
Depreciation	45,923	36,712	30,248
Amortization of intangible assets	16,596	11,982	8,297
Non-cash stock-based compensation	5,101	4,020	5,012
Loss on disposal of assets, net	329	80	623
Miscellaneous (income) expense, net	(775)	(103)	(23)
Interest expense	97,236	74,411	68,913
Loss from early extinguishment of debt	31,987	-	5,086
Income tax expense	43,418	26,448	31,736
Amortization of program broadcast rights	19,001	14,960	12,871
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	29	26	25
Network compensation revenue recognized	-	-	(456)
Payments for program broadcast rights	(18,786)	(14,576)	(15,087)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	36,469	31,223	25,671
Broadcast Cash Flow	338,801	224,484	220,977
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(36,469)	(31,223)	(25,671)
Broadcast Cash Flow Less Cash Corporate Expenses	302,332	193,261	195,306
Pension expense	165	4,207	6,126
Contributions to pension plans	(3,048)	(5,421)	(6,770)
Interest expense	(97,236)	(74,411)	(68,913)
Amortization of deferred financing costs	4,884	3,194	2,970
Amortization of net original issue (premium) discount on senior notes	(779)	(863)	(863)
Purchase of property and equipment	(43,604)	(24,222)	(32,215)
Income taxes paid, net of refunds	(14,588)	(1,761)	(401)
Free Cash Flow	\$148,126	\$93,984	\$95,240

See definition of non-GAAP terms included in the Glossary

Non-GAAP Reconciliation

Combined Historical Basis

	Combined Historical Basis		
	Year Ended December 31		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(dollars in thousands)		
Net income	\$ 105,523	\$ 65,202	\$ 130,807
Depreciation	51,829	52,056	49,781
Amortization of intangible assets	17,904	19,261	16,705
Non-cash stock-based compensation	5,101	4,020	5,012
Loss on disposal of assets, net	595	1,736	1,055
Miscellaneous (income) expense, net	119	5,729	8,603
Interest expense	102,354	96,597	97,289
Loss from early extinguishment of debt	31,987	-	5,086
Income tax expense	42,225	22,391	29,344
Amortization of program broadcast rights	21,349	21,799	21,918
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	29	26	25
Network compensation revenue recognized	-	-	(456)
Payments for program broadcast rights	(21,134)	(21,415)	(24,134)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	36,469	31,223	25,671
Other	<u>6,527</u>	<u>27,338</u>	<u>27,392</u>
Broadcast Cash Flow	400,877	325,963	394,098
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	<u>(36,469)</u>	<u>(31,223)</u>	<u>(25,671)</u>
Broadcast Cash Flow Less Cash Corporate Expenses	364,408	294,740	368,427
Pension expense	165	4,207	6,126
Contributions to pension plans	(3,048)	(5,421)	(6,770)
Other	<u>8,442</u>	<u>6,488</u>	<u>6,176</u>
Operating Cash Flow as defined in the Senior Credit Agreement	369,967	300,014	373,959
Interest expense	(102,354)	(96,597)	(97,289)
Amortization of deferred financing costs	4,884	3,194	3,546
Amortization of net original issue (premium) discount senior notes	(779)	(863)	(863)
Purchase of property and equipment	(43,604)	(27,000)	(35,000)
Income taxes paid, net of refunds	<u>(14,588)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Free Cash Flow	\$ 213,526	\$ 173,748	\$ 239,353

See definition of non-GAAP terms included in the Glossary

Non-GAAP Reconciliation



Combined Historical Basis

Operating Cash Flow as defined in the Senior Credit Agreement:

Net income	\$ 221,374
Depreciation	104,473
Amortization of intangible assets	41,764
Non-cash stock-based compensation	10,413
Loss on disposal of assets, net	(73,916)
Miscellaneous income, net	1,439
Interest expense	198,570
Loss from early extinguishment of debt	34,838
Income tax expense	116,434
Amortization of program broadcast rights	42,931
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	52
Payments for program broadcast rights	(42,736)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	67,917
Other	<u>14,868</u>
Broadcast Cash Flow	738,421
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	<u>(67,917)</u>
Broadcast Cash Flow Less Cash Corporate Expenses	670,504
Pension expense	(189)
Contributions to pension plans	(5,177)
Other	<u>11,496</u>
Operating Cash Flow as defined in the Senior Credit Agreement	<u>676,634</u>

Operating Cash Flow as defined in the Senior Credit Agreement, divided by two **338,317**

Adjusted Total Indebtedness:

Long term debt	\$ 1,838,027
Capital leases and other debt	607
Total deferred financing costs, net	29,151
Premium on debt, net	(5,339)
Cash	<u>(172,854)</u>
Adjusted Total Indebtedness, Net of All Cash	<u>\$1,689,592</u>

Total Leverage Ratio, Net of All Cash **4.99**

Combined Historical Basis Twenty-Four Months Ended September 30, 2017

(dollars in thousands)

September 30, 2017



gray

Television • Digital • Mobile

Gray Television, Inc.
4370 Peachtree Rd., NE
Atlanta, Georgia 30319
www.gray.tv

