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Television • Digital • Mobile

**Gray Television in the Current
Network and Retransmission Landscape
October 2023**

Notes and Disclaimer

Gray Television, Inc. (“Gray”) owns local network-affiliated television stations in 113 markets. Station rankings (*i.e.*, number 1, number 2) reflect all-day ratings in 2022 according to Comscore. DMA population estimates and ranks according to Nielsen.

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Gray Is Well Positioned to Continue Growing Revenue in the Current Network and Retrans Landscape

- ✓ Gray Owns Local Stations Providing Premium Content Across the U.S.
- ✓ We Believe That Broadcast Retrans Remains Significantly Undervalued
- ✓ We Believe That the Current Environment Favors Continued Growth for Retrans Revenues
- ✓ We Believe That the Network/ Affiliate Model Aligns Participants' Interests in Curbing MVPD Sub Churn and in Growing Retrans for Affiliates
- ✓ Network Programming Contributes Important, Albeit Minority, Portion of Gray's Television Ad Revenues
- ✓ Gray's Own Content Vastly Outperforms Viewership in Its Markets of NFL, Broadcast Prime, and Cable News Networks



Gray Is the Nation's Second Largest Broadcaster

Gray Owns the Most
#1 Ranked Local News
Television Stations of
Any Broadcaster (80)

90%

Markets with #1 and/or
#2 ranked local stations

\$3.7B

Total Net Revenue in 2022

629M

Video plays on Gray digital
platforms '23 Q1-Q3 (+36%)

Gray Has a Significant Presence in Large, Medium, and Small Markets

	Large Market Category	Midsize Market Category	Small Market Category
DMA Range	1-50	51-150	151-210
% TVHHs in Category	68%	28%	4%
Gray Markets	17	61	35
% Total Gray Markets	15%	54%	31%
% with a Gray Station	34%	61%	58%
% Total Gray TVHH	48%	45%	7%
% Category's TVHH within Gray Markets	25%	59%	63%
Total Revenues	36%	51%	13%
Core Revenues	32%	54%	14%
Political Revenues	44%	47%	9%
Retrans Revenues	38%	50%	12%

Owned and/or Operated Big Four Affiliates



26 channels 55 channels 57 channels 33 channels

One-third of Large Markets include a Gray station

Nearly one-half of Gray's total audience reach is located in Large Markets.

Gray's stations reach one-quarter of Large Market populations and about 60% of all Midsize and Small Market populations.

Roughly one-half of Gray's television station revenues are derived from Mid-Size Markets and one-third from Large Markets.

TVHH = US television households ("reach"). DMA ranks and TVHH estimates according to Nielsen for 2022-23 TV Season. Revenues presented for total of 2022Q3, 2022Q4, 2023Q1, and 2023Q2, net of agency fees and commissions.



Broadcast Industry's Retrans Revenues Remain Significantly Undervalued

While broadcast retrans revenues have grown significantly from roughly zero in 2008, retrans revenues today still only accounts for 22% of all linear channel programming fees paid by MVPDs.

Estimated 2023 Programming Fees for Linear Channels

	(Millions)	Share of Total
Fees paid to basic cable nets	\$40,205	68%
Fees paid to RSNs	\$6,006	10%
<u>Total TV station gross retrans fees</u>	<u>\$12,858</u>	<u>22%</u>
Total Programming Spend	\$59,069	



In contrast, broadcast stations delivered 43.5% of all linear television ratings in September 2023. Broadcast stations also boast high intensity, loyal viewership 365 days per year, which cannot be said of most cable networks or any RSN.

Source – fees: Kagan, a part of S&P Global Market Intelligence. Source – ratings: TVB; Nielsen NPOWER, September 2023, 18+ Live+7.

The Current Environment Favors Continued Growth for Broadcast Retrans

We anticipate that broadcasters' retrans fees will continue to increase its share of distributors' total programming spending:

1. To attract and retain subscribers, distributors need to carry the most valuable content, and that content is found more often on broadcast channels rather than non-broadcast channels.
2. The slow reduction in the number of cable nets and RSNs in recent years will accelerate following the Disney/Charter resolution and recent developments with various RSNs.
3. The reduction of competing channels facilitates the reallocation of carriage fees to broadcasters, which can increase retrans fees without increasing distributors' total programming budgets.
-> If just 1/2 of RSN fees were reallocated to broadcast stations, those reallocated dollars would lift current retrans revenues by \$3 billion (23%).
4. Professional sports teams and leagues are increasingly moving their games from cable and RSN channels to local broadcast stations, which will lead to increased retrans fees for those stations.
5. Providing DTC apps to MVPD customers for no or minimal additional cost, and/or offering more cable nets in separate tiers, as at least one MVPD apparently intends to do, will provide a less complicated video ecosystem with more value to MVPD subscribers, which should reduce MVPD subscriber churn and could even attract cord cutters back to the MVPD bundle.



Network / Affiliate Model Built On An Enduring and Profitable Symbiotic Relationship

Most Watched Linear Networks Across All Platforms: The Broadcast Networks

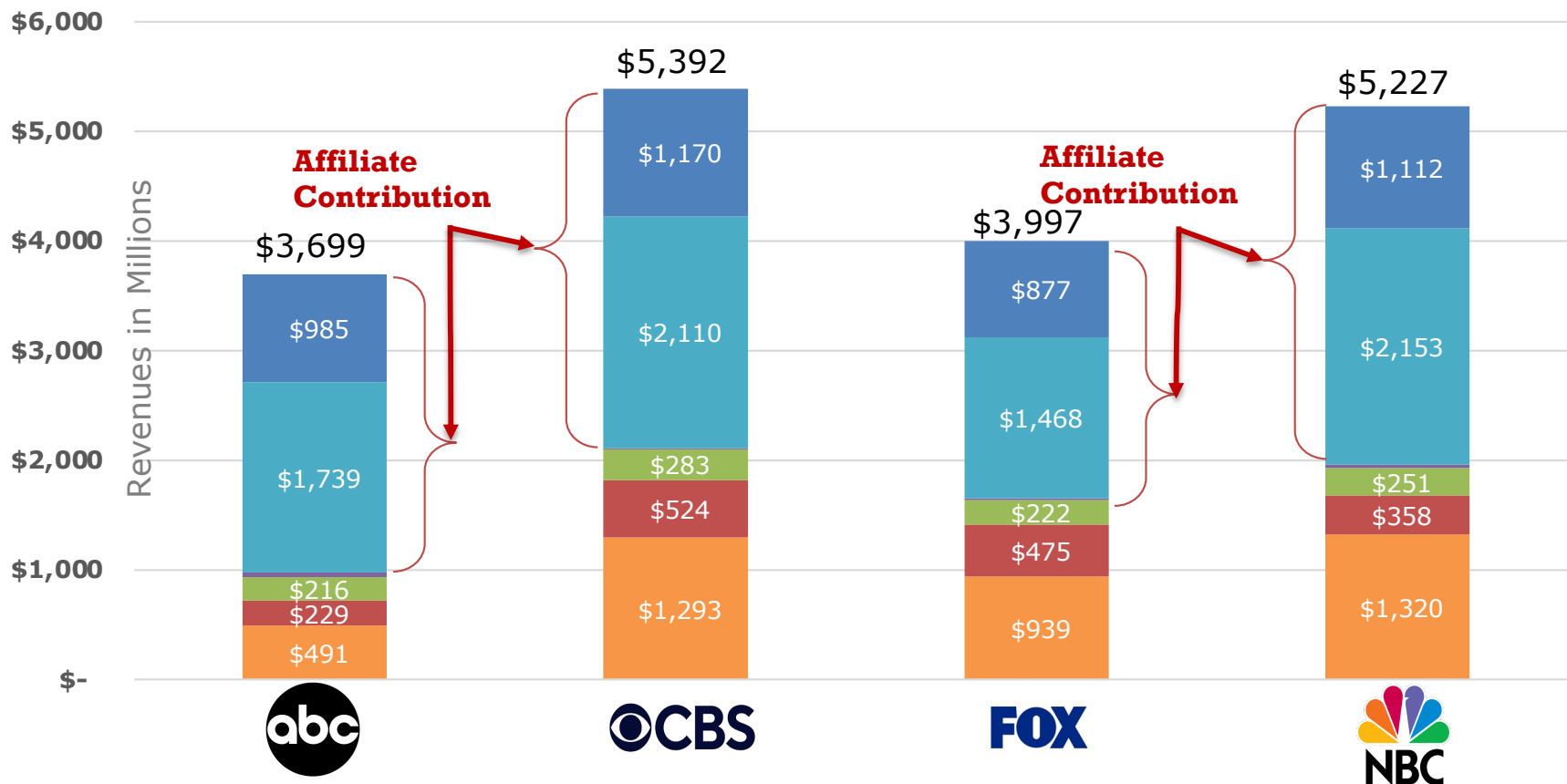


Independently Owned Local Television Stations With the Strongest Local Brands and Highest Viewership in Their Markets



Network Revenues Are Driven by Local Affiliates

Estimated 2023 Big Four Networks Revenue

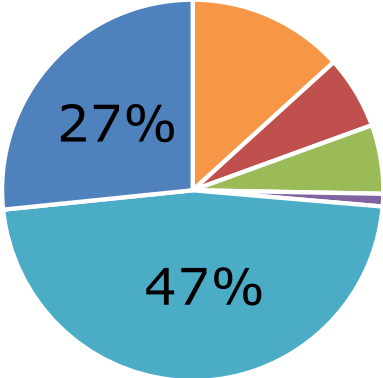


Est. Net Ad Revenue Attributable to O&O Reach
Est. Net Ad Revenue Attributable to Broadcast Affiliate Stations
vMVPD Revenue
Other Network Revenue

Affiliate Contribution:
Est. Net Ad Revenue Attributable to Broadcast Affiliate Stations
Affiliation Fees Paid By Broadcast Affiliate Stations



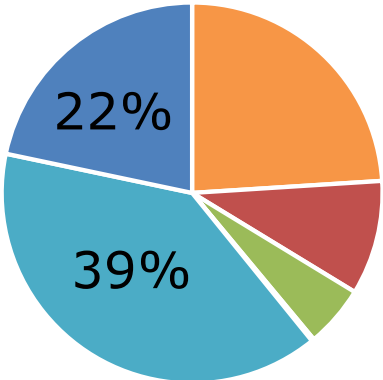
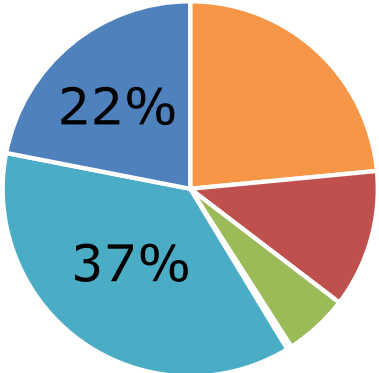
Affiliates Contribute the Majority of Each Big Four Network's Revenues



Estimated Big Four Networks 2023 Revenue

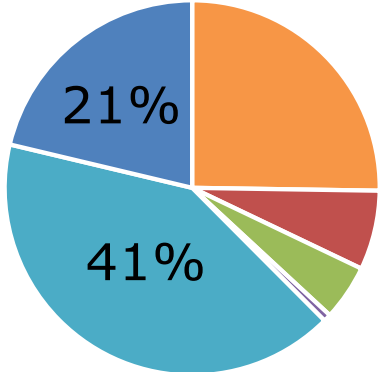
Est. Net Ad Revenue Attributable to O&O Reach
 Est. O&O Retrans from MVPDs
 vMVPD Revenue
 Other Network Revenue

Affiliate Contribution:
 Est. Net Ad Revenue Attributable to Broadcast Affiliate Stations
 Affiliation Fees Paid by Broadcast Affiliate Stations



\$2.7B-\$3.3B
 Affiliate Fees and Inventory Paid in 2022 to Big Four Networks

59%-74%
 Affiliate Contribution to Big Four Networks' Total 2022 Revenues



Source: Kagan, a part of S&P Global Market Intelligence. Note: Net national advertising revenue allocated between network O&O stations and independently owned affiliate stations according to the percentage of TV households served by affiliates and the O&Os of the network. To the extent affiliates over-index their share of households, their share of their network's national ad revenues would be higher than this average calculation, and vice-versa.

Gray Local Newscasts Deliver More Household Viewership in Their Markets than All Competing Premium Content

Household Viewership in Gray's 113 Markets
(September 5-11, 2023)

101,383,761



Gray Local News

99,877,664



Three Cable News Nets Combined

70,424,405



Network Prime Combined

34,599,792



NFL on Broadcast Combined

More than Total All Day Viewership of FOX News, MSNBC and CNN Combined

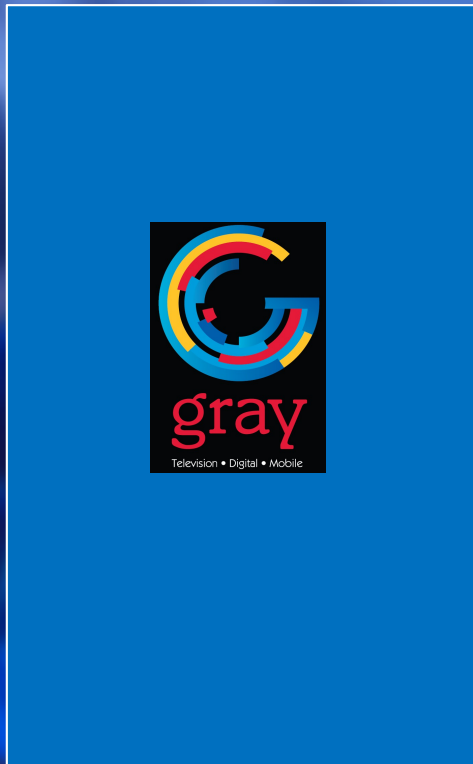
More than Total Network Prime Viewership on NBC, CBS, ABC and FOX Combined

More than Total NFL Game Viewership on ABC (MNF), CBS, FOX, and NBC Combined

Gray's All-Day Broadcast Television Viewership Dominates Top Cable Sports Networks Combined

Total All-Day Household Viewership in Gray's Markets
(September 5-11, 2023)

293,901,530



Gray Stations

50,734,039



Cable Sports Networks and RSNs Combined

- ACC Network
- Bally's (all)
- Big Ten Network
- CBS Sports Network
- ESPN (all ESPN networks)
- Fox Sports 1 and 2
- Golf Channel
- Mid-Atlantic Sports Network
- MLB Network
- NBA TV
- NBCSN
- NFL Red Zone
- NFL Network
- NHL Network
- PAC 12 Network
- SEC Network
- Spectrum Sports Networks
- Tennis Channel



Conclusion

We believe that the Broadcast Industry – and Gray in Particular – Are Positioned Well for Continued Growth in Retrans Revenues

- Broadcasters continue to deliver Premium Content that is the most watched and valued by consumers. Gray in particular provides the most valued content across its well diversified footprint of 113 large, midsize and small markets.
- **Networks and affiliates are aligned in preserving and growing retrans revenues.** Broadcast networks rely on retrans revenues from their own stations, retrans revenues from their affiliates, and ad revenues through their affiliates' reach to fund their businesses and their own key sports rights deals.
- **Broadcasters and distributors are aligned in slowing subscriber churn.** The reported Charter/Disney resolution provides opportunities for increased value delivery to all participants in the linear distribution ecosystem, including especially pay-TV subscribers (*i.e.*, tiering flexibility, no-cost DTC app add-on).
- The MVPD's \$40 billion annual spending on linear programming fees will continue to be reallocated to premium content providers and especially to broadcasters, particularly as the number of cable nets and RSNs continues to decline.
- Migration of professional local/regional sports games to broadcast television provides a further opportunity to grow retrans revenues including by reallocating programming fees from cable nets and RSNs to local broadcast stations.





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