

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): March 6, 2017 (March 6, 2017)**

**Gray Television, Inc.**

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation)

001-13796

(Commission File Number)

58-0285030

(IRS employer Identification No.)

4370 Peachtree Road, Atlanta GA

(Address of principal executive offices)

30319

(Zip Code)

Registrant's telephone number, including area code

(404) 504-9828

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

## Item 7.01 – Regulation FD Disclosure

Beginning on March 6, 2017 Gray Television, Inc. (the “Company”) intends to meet from time to time with and make presentations to, prospective investors. Exhibit 99.1 provides a copy of the slides that may be used in connection with and/or referenced in such meetings. Exhibit 99.1 is incorporated herein by reference.

The information set forth under this Item 7.01 is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as may be expressly set forth by specific reference in such filing.

## Item 9.01 – Financial Statements and Exhibits

| <u>Number</u> | <u>Name</u>                         |
|---------------|-------------------------------------|
| 99.1          | Prospective investor meeting slides |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**GRAY TELEVISION, INC.**

By: /s/ James C. Ryan

Name: James C. Ryan

Title: Executive Vice President and Chief Financial  
Officer

Date: March 6, 2017

## EXHIBIT INDEX

| <u>Number</u> | <u>Name</u>                         |
|---------------|-------------------------------------|
| 99.1          | Prospective investor meeting slides |



**gray**

Television • Digital • Mobile

**Gray Television, Inc.  
Investor Presentation  
NYSE:GTN**

**March 2017 Edition  
Updated for December 31, 2016 Financial Information**

4370 Peachtree Road, NE, Atlanta, GA 30319 | P 404.504.9828 | F 404.261.9607 | [www.gray.tv](http://www.gray.tv)

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### **See Appendix for Non-GAAP Reconciliations and Glossary of Defined Terms**

**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, 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](http://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 appendix 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.

COMPANY OVERVIEW

INVESTMENT HIGHLIGHTS

FINANCIAL OVERVIEW

APPENDIX

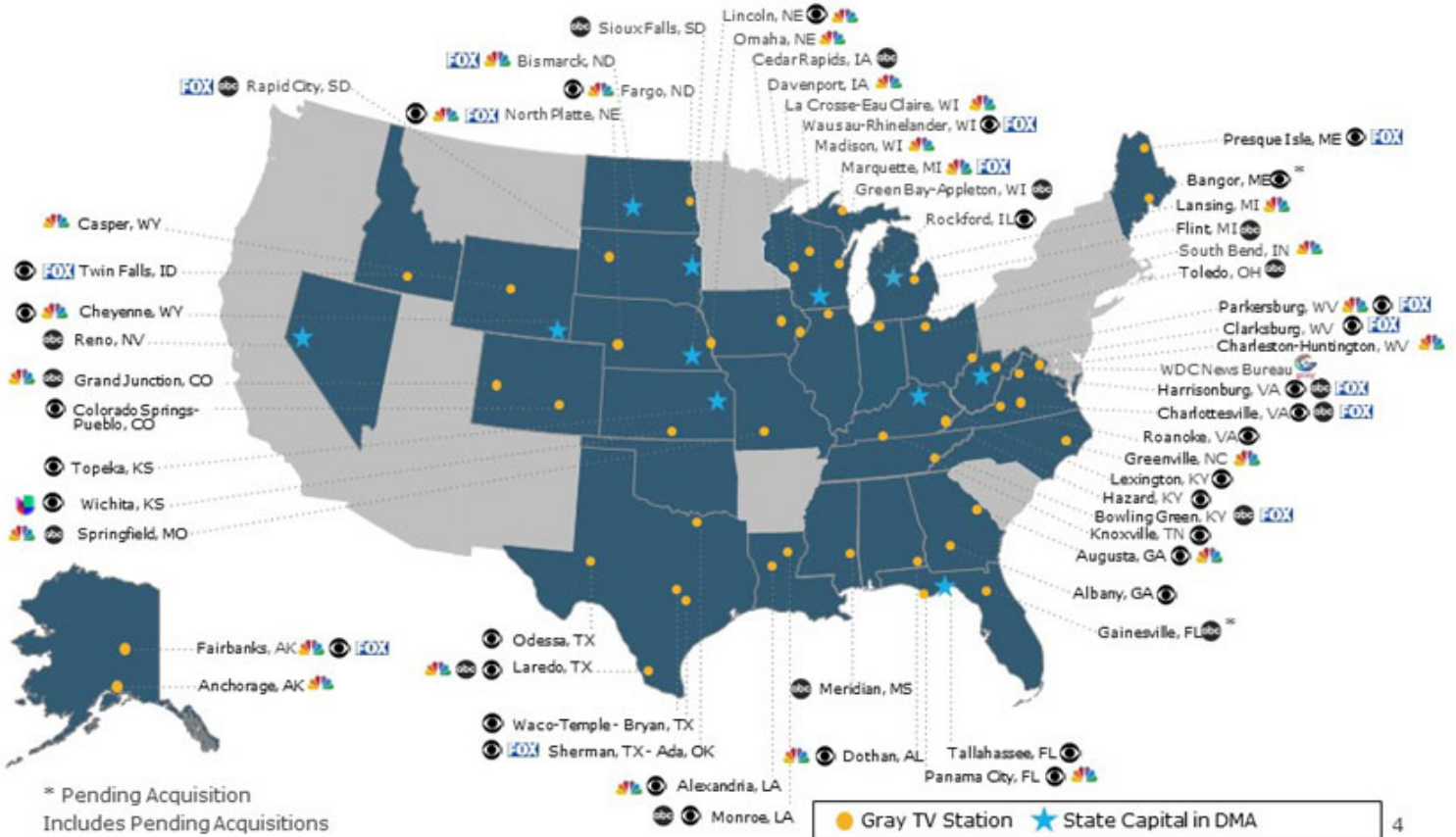
# An Industry Leading Power



# Gray National Footprint



Ranked #1 or #2 in 54 of 56 Markets | Reaching approximately 10.3% of US TV households





# | High Quality, Diverse Station Group

**56**

56 markets with owned and/or operated stations

**Over 200**

Over 200 total program streams across 102 stations

**102**

102 "Big 4" network program streams

**27**

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

 **CBS**  
38 channels



**NBC**  
29 channels



**abc**  
21 channels



**FOX**  
15 channels

Includes Pending Acquisitions

## Better demographics, more stable economies

**11**

Gray stations cover 11 state capitals



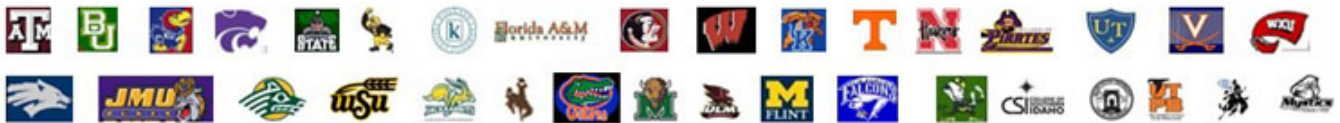
**36**

Gray stations cover 36 university towns



**784,000**

Enrollment of approximately 784,000 students



Includes Pending Acquisitions

## Revenue Diversified Across Networks and Markets

2016CHB Revenue by Affiliate: \$899mm

2015CHB BCF by Affiliate: \$378mm

### Increasing Diversification of Revenue Sources

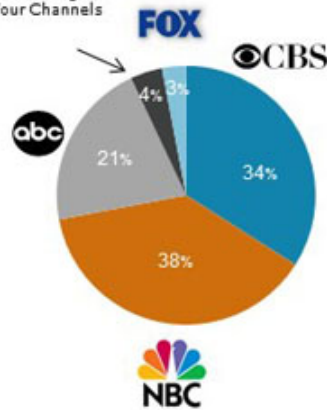
#### 2008:

- 96% of revenue derived from advertising sales

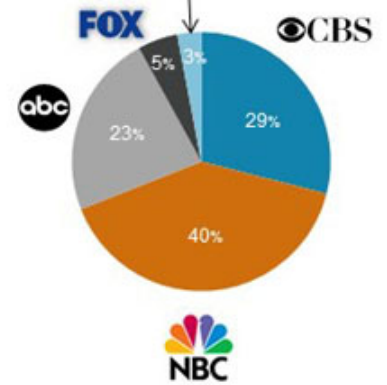
#### 2016:

- 75% of revenue derived from advertising sales
- 25% of revenue derived from retransmission (subscription) fee income

All Non-Big Four Channels



All Non-Big Four Channels



No single market represents >6% of total revenue or >7% of BCF

# Pending Matters



- ✓ \$ 90,824,000 in proceeds from the FCC's broadcast spectrum auction
- ✓ Gray's winning bids will not lead to job losses and or a material change in operations or results for Gray or for any individual market
- ✓ Income taxes from proceeds are anticipated to be deferred on a long-term basis



- ✓ Pending Acquisition of WABI (CBS/CW) in the Bangor, Maine market (DMA 156) and WCJB (ABC/CW) in the Gainesville, Florida market (DMA 161) for \$85 million in cash
- ✓ Expected to close in Q2
- ✓ Each consistently achieves #1 ratings in all major dayparts in its market, in both households and key demos.
- ✓ Each has been the most watched television station in its market throughout all of its weekday local news time slots across at least the last nine Nielsen ratings periods.
- ✓ According to BIA data, each station has capitalized on its ratings dominance by achieving a market revenue share exceeding fifty percent for the past several years.

# Recognized Industry Leader



**Ranked #77**

Fortune's 100 Fastest Growing Companies



"2016 top three-year performers in revenue, profits, and stock returns."



**TVNewscheck's 2016 Station Group of the Year**

Two Out of Three NAB's 2016 National Television Winners

Service to America Award



KWTV/CBS Waco, Texas

Service to Community Award



KOLO/ABC, Reno, Nevada

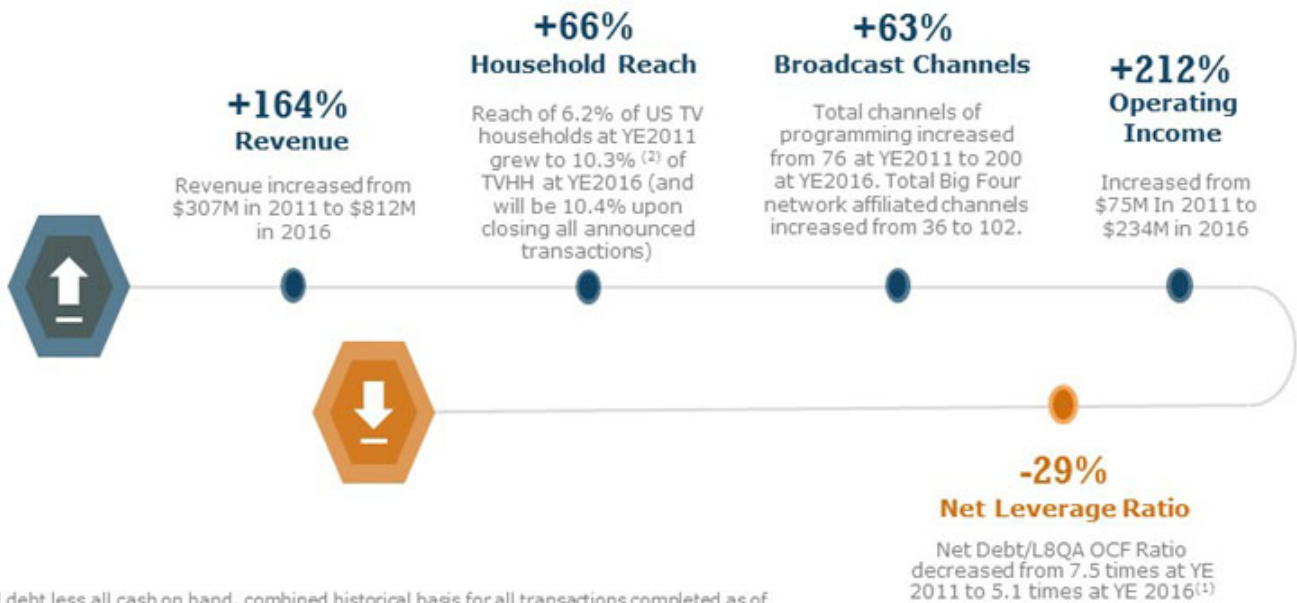


# Investment Highlights

# Significant Growth Since 2011



## Increasing scale, decreasing leverage



(1) Total debt less all cash on hand, combined historical basis for all transactions completed as of the respective date, as required by our senior credit facility.  
 (2) Includes Pending Acquisitions.



## 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 new Washington DC News Bureau



# Gray Leads in Household Ratings



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

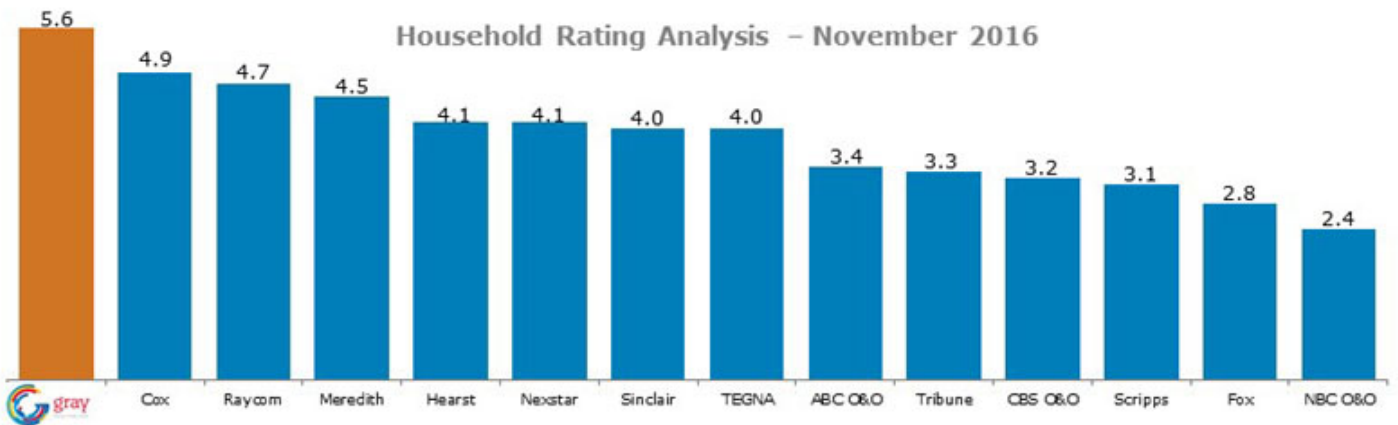
**+60%**

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

**+62%**

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

## Gray's Ratings Have Remained Stable Over Time



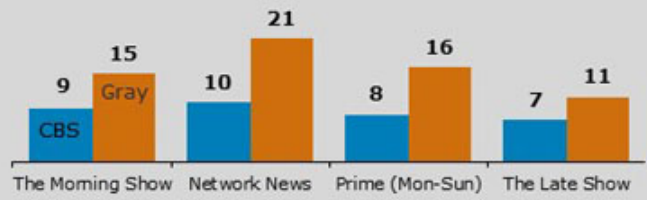
SOURCE: Nielsen November DMA Average Rating in DMA TV HH Monday-Sunday 6:00am to 2:00am

# Network Programs Over-Index on Gray's Stations

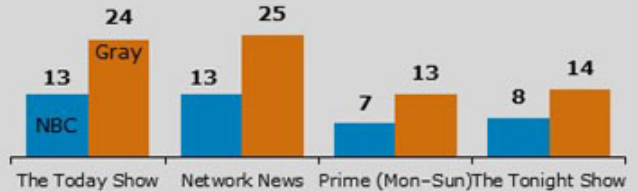
CBS, NBC, and ABC perform far better on Gray's stations than national averages across all key day-parts **+**

Source: Nielsen Media Research, November 2016

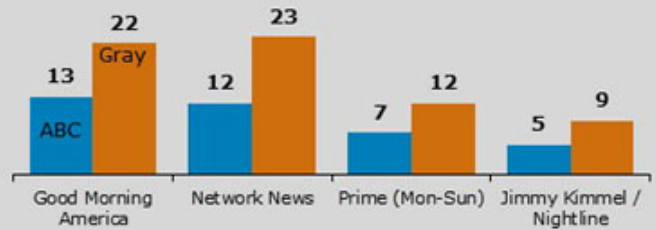
CBS vs. Gray | November '16 Household Share



NBC vs. Gray | November '16 Household Share



ABC vs. Gray | November '16 Household Share



# Gray Excels at Retransmission Revenue



## Retransmission Revenue in Millions

■ Gross Retransmission Revenue  
■ Network "Reverse Comp."  
■ "Net Retransmission Revenue"



## Big-4 Network Renewals



# Significant Monetization of Spectrum Today

Secondary Channel 2016 CHB Financials



**\$119 MILLION IN REVENUE**

**OVER  
100**  
SECONDARY  
CHANNELS

**\$73 MILLION IN BCF**

**62% MARGIN ON DIGITAL  
SECONDARY CHANNELS**

All secondary channels including "Big-4" secondary channels

# Successful Digital Media Initiatives



## Gray Digital Media

- Pacing for 2.8 billion total page views in 2016 (up 22% over 2015)
- Mobile makes up 80% of all digital traffic



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



First local broadcaster launching all stations on Instant Articles



1.7 million Twitter followers, up 40% from same time last year



Gray Selected by Facebook's as a Case Study for 'Instant Articles'



1.3 million iOS downloads, up 37% from same time last year



1.7 million Android downloads, up 45% from same period last year



450k Roku downloads, up 139% from same period last year



Unique CBS All Access monthly viewers up 24.2% from same time last year

## MomsEveryday

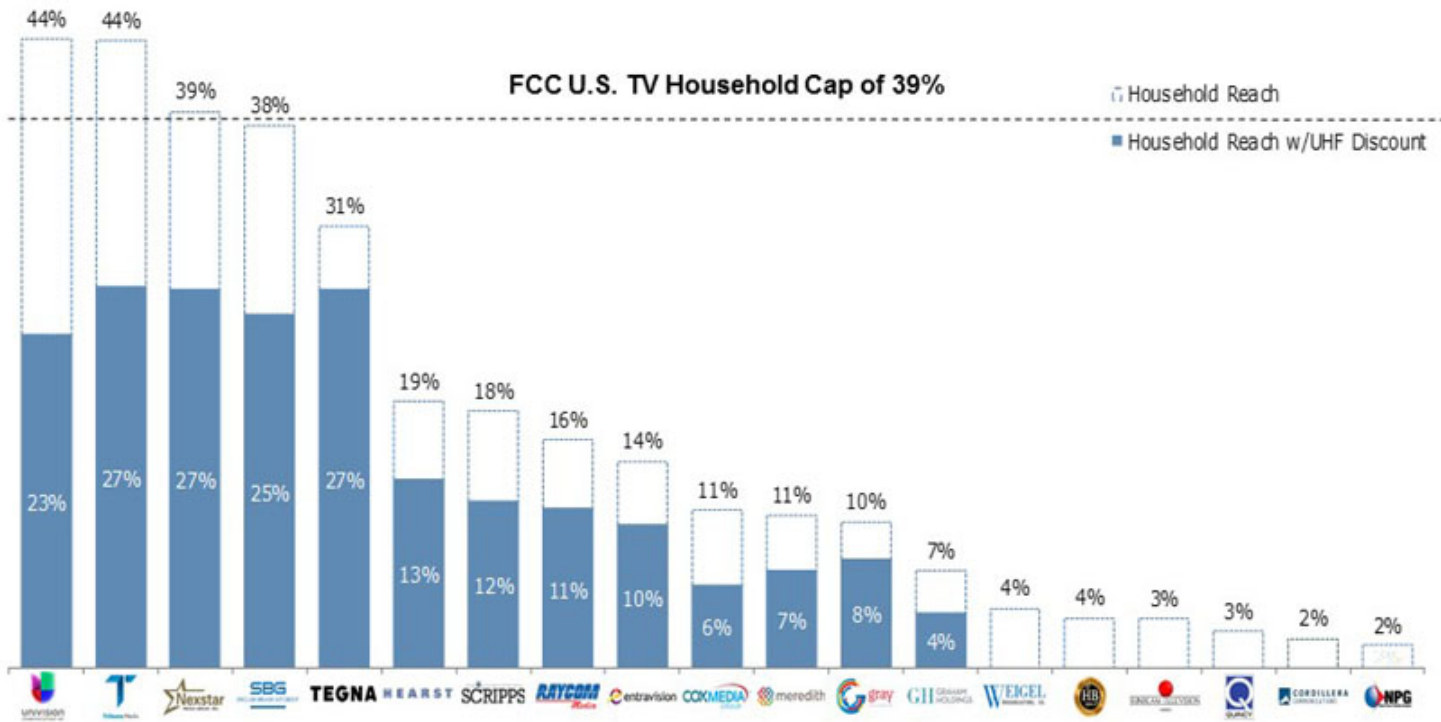


- Award-Winning Weekly Television Program
- Daily News Content
- Localized Responsive Sites
- Eat@MomsEveryday Mobile App
- Unique Revenue Opportunities
- Social Media and Marketing Solutions
- Deep Station and Client Support Focused on Sustainability



All Data is on as "as reported" basis and does not include station data prior to Gray's acquisition of a station(s)

# Room to Grow



Pro forma for all announced and closed transactions; UHF channels are 14 and above and VHF channels are 13 and below  
 Source: Company filings, BIA, company websites | Note: Excludes Big Four network owners and Univision

# Financial Overview

## 2014/2015/2016 Snapshot

|   | Combined Historical Basis<br>Year Ended December 31 |           |                             |           |                             |
|---|---|-----------|-----------------------------|-----------|-----------------------------|
|   | 2016  | 2015      | % Change<br>2016 to<br>2015 | 2014      | % Change<br>2016 to<br>2014 |
| Revenue:  |   |           |                             |           |                             |
| Total   | \$898,978   | \$785,891 | 14 %                        | \$811,903 | 11 %                        |
| Political   | \$107,589   | \$ 21,104 | 410 %                       | \$138,403 | (22)%                       |
| Operating expenses (1):   |   |           |                             |           |                             |
| Broadcast   | \$525,068   | \$500,050 | 5 %                         | \$458,445 | 15 %                        |
| Corporate and Administrative                                    | \$ 40,347   | \$ 34,343 | 17 %                        | \$ 29,203 | 38 %                        |
| Non-GAAP Cash Flow (2):   |   |           |                             |           |                             |
| Broadcast Cash Flow   | \$378,158   | \$311,284 | 21 %                        | \$375,937 | 1 %                         |
| Broadcast Cash Flow Less<br>Cash Corporate Expenses             | \$341,689   | \$280,061 | 22 %                        | \$350,266 | (2)%                        |
| Operating Cash Flow as defined in<br>the Senior Credit Facility | \$347,248   | \$285,335 | 22 %                        | \$355,798 | (2)%                        |
| Free Cash Flow  | \$193,765   | \$162,027 | 20 %                        | \$224,150 | (14)%                       |

(dollars in thousands)

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

(2) See definition of non-GAAP terms and reconciliation of the non-GAAP amounts to net income included elsewhere herein



# Financial Scale Continues to Increase



## Revenue (\$ in millions)



## Operating Cash Flow (\$ in millions)



# Prudent Balance Sheet Management Leads to Deleveraging

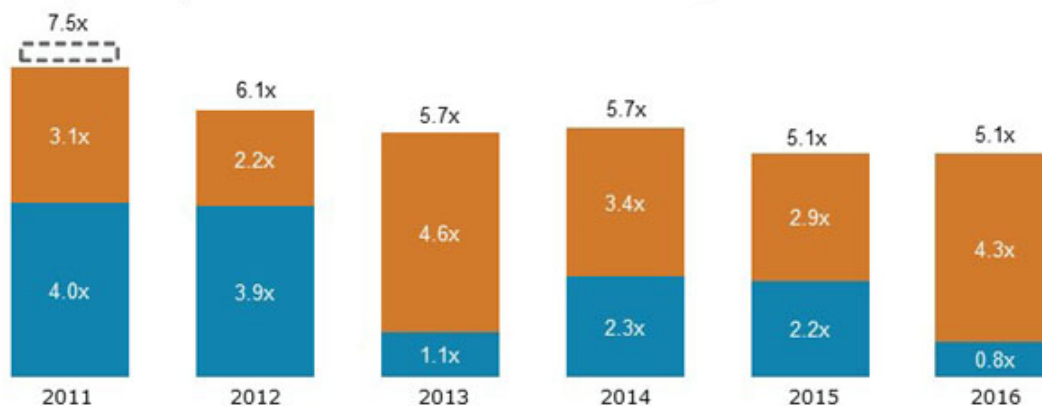


Gray has significantly reduced secured and total leverage from historical levels.

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)

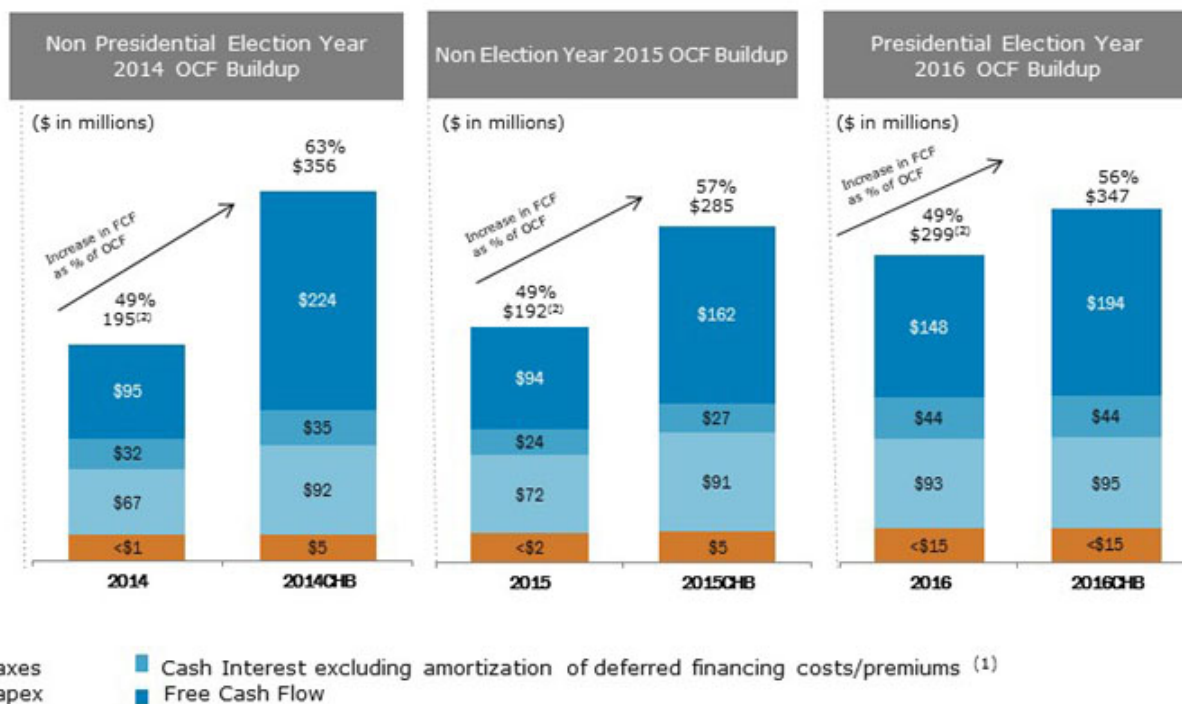
■ Secured Debt Netting All Cash<sup>(1)</sup> / OCF<sup>(2)</sup>    ■ Unsecured Debt / OCF<sup>(2)</sup>    □ Preferred Stock / OCF<sup>(2)</sup>



|   |                      |       |                      |         |         |         |
|---|----------------------|-------|----------------------|---------|---------|---------|
| Net Debt + Preferred Stock <sup>(3)</sup> | \$872 <sup>(3)</sup> | \$824 | \$834 <sup>(4)</sup> | \$1,134 | \$1,201 | \$1,456 |
| L8QA OCF                                  | \$117                | \$136 | \$147                | \$200   | \$235   | \$288   |

- (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  
 (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

# Robust OCF and Free Cash Flow Generation



■ Taxes      ■ Cash Interest excluding amortization of deferred financing costs/premiums <sup>(1)</sup>  
■ Capex      ■ Free Cash Flow

(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

| (\$ in millions)   | As of<br>December 31,<br>2016 | Estimated<br>Cash<br>Interest | Leverage using<br>Last Eight Quarter Average or "L8QA"<br>OCF<br>December 31, 2016 |
|--|-------------------------------|-------------------------------|--|
| <b>Cash<sup>1</sup></b>  | \$ 50                         |                               |  |
| <b>Debt:</b>   |                               |                               |  |
| Revolving Credit Facility - \$100 Million <sup>2</sup>   | \$ -                          |                               |  |
| Term Loan B due 2024 - LIBOR + 250 <sup>2</sup>  | \$ 556                        | \$18.2                        |  |
| <b>Total Secured Debt</b>  | <b>\$ 556</b>                 |                               | 1.8x   |
| Senior Notes due 2024 - 5.125%   | \$ 525                        | \$26.9                        |  |
| Senior Notes due 2026 - 5.875%   | \$ 700                        | \$41.1                        |  |
| <b>Total Debt</b>  | <b>\$ 1,781</b>               | <b>\$86.2</b>                 | 5.6x   |
| <b>Net Debt</b>  | <b>\$ 1,731</b>               |                               | 5.5x   |
| <b>Blended Average Interest Rate</b>   |                               | <b>4.8%</b>                   |  |
| <b>Operating Cash Flow as defined in<br/>Senior Credit Facility ("OCF") as of 12/31/16<sup>3</sup></b> |                               |                               | <b>\$316</b>   |

<sup>1</sup> \$325 million actual cash on hand at 12/31/16, adjusted for Green Bay, Davenport and Fairbanks Acquisitions.

<sup>2</sup> Reflects February, 2017 Senior Credit Facility Refinancing

<sup>3</sup> Combined Historical Basis for all transactions closed as of 3/1/17

# Appendix Follows



gray

Television • Digital • Mobile

**Gray Television, Inc.**  
**4370 Peachtree Rd., NE**  
**Atlanta, Georgia 30319**  
**[www.gray.tv](http://www.gray.tv)**



A photograph of two people in winter gear looking at a snow-covered table. On the table, the letters 'KISFY' are written in large, white, block letters. Below them, the word 'FUN' is written in a circular logo. The background is a snowy outdoor setting with a railing and a street light.

## Non-GAAP Reconciliations and Glossary of Defined Terms

# Disclaimer



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# Annual Year-Over-Year Results



## As Reported Basis

|   | As Reported Results<br>Year Ended December 31 |            |                             |            |                             |
|---|---|------------|-----------------------------|------------|-----------------------------|
|   | 2016  | 2015       | % Change<br>2016 to<br>2015 | 2014       | % Change<br>2016 to<br>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<br>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 and reconciliation of the non-GAAP amounts to net income included elsewhere herein



# Annual Year-Over-Year Results



## Combined Historical Basis

|   | Combined Historical Basis<br>Year Ended December 31 |           |                             |           |                             |
|---|---|-----------|-----------------------------|-----------|-----------------------------|
|   | 2016  | 2015      | % Change<br>2016 to<br>2015 | 2014      | % Change<br>2016 to<br>2014 |
| Total   | \$898,978   | \$785,891 | 14 %                        | \$811,903 | 11 %                        |
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| Broadcast   | \$525,068   | \$500,050 | 5 %                         | \$458,445 | 15 %                        |
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(dollars in thousands)

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

(2) See definition of non-GAAP terms and reconciliation of the non-GAAP amounts to net income included elsewhere herein

# Non-GAAP Reconciliation



## As Reported Basis

|   | As Reported      |                        |                 |                 |
|---|------------------|------------------------|-----------------|-----------------|
|   | 2016             | Year Ended December 31 |                 | 2013            |
|   |                  | 2015                   | 2014            |                 |
|   |                  | (dollars in thousands) |                 |                 |
| Net income  | \$ 62,273        | \$ 39,301              | \$ 48,061       | \$ 18,288       |
| Depreciation  | 45,923           | 36,712                 | 30,248          | 24,096          |
| Amortization of intangible assets   | 16,596           | 11,982                 | 8,297           | 336             |
| Non-cash stock-based compensation   | 5,101            | 4,020                  | 5,012           | 1,974           |
| Loss on disposal of assets, net   | 329              | 80                     | 623             | 765             |
| Miscellaneous (income) expense, net   | (775)            | (103)                  | (23)            | -               |
| Interest expense  | 97,236           | 74,411                 | 68,913          | 52,445          |
| Loss from early extinguishment of debt  | 31,987           | -                      | 5,086           | -               |
| Income tax expense  | 43,418           | 26,448                 | 31,736          | 13,147          |
| Amortization of program broadcast rights  | 19,001           | 14,960                 | 12,871          | 11,367          |
| Common stock contributed to 401(k) plan<br>excluding corporate 401(k) plan contributions  | 29               | 26                     | 25              | 28              |
| Network compensation revenue recognized   | -                | -                      | (456)           | (615)           |
| Payments for program broadcast rights   | (18,786)         | (14,576)               | (15,087)        | (11,433)        |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | 36,469           | 31,223                 | 25,671          | 17,836          |
| <b>Broadcast Cash Flow</b>  | <b>338,801</b>   | <b>224,484</b>         | <b>220,977</b>  | <b>128,234</b>  |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | (36,469)         | (31,223)               | (25,671)        | (17,836)        |
| <b>Broadcast Cash Flow Less Cash Corporate Expenses</b>   | <b>302,332</b>   | <b>193,261</b>         | <b>195,306</b>  | <b>110,398</b>  |
| Pension expense   | 165              | 4,207                  | 6,126           | 8,626           |
| Contributions to pension plans  | (3,048)          | (5,421)                | (6,770)         | (4,748)         |
| Interest expense  | (97,236)         | (74,411)               | (68,913)        | (52,445)        |
| Amortization of deferred financing costs  | 4,884            | 3,194                  | 2,970           | 1,903           |
| Amortization of net original issue (premium) discount<br>senior notes   | (779)            | (863)                  | (863)           | (9)             |
| Purchase of property and equipment  | (43,604)         | (24,222)               | (32,215)        | (24,053)        |
| Income taxes paid, net of refunds   | (14,588)         | (1,761)                | (401)           | (519)           |
| <b>Free Cash Flow</b>   | <b>\$148,126</b> | <b>\$93,984</b>        | <b>\$95,240</b> | <b>\$39,153</b> |

See definition of non-GAAP terms included elsewhere herein

# Non-GAAP Reconciliation



## Combined Historical Basis

|   | Combined Historical Basis<br>Year Ended December 31 |                  |                  |
|---|---|------------------|------------------|
|   | 2016  | 2015             | 2014             |
|   | (dollars in thousands)                              |                  |                  |
| Net income  | \$ 90,572   | \$58,107         | \$120,868        |
| Depreciation  | 49,602  | 49,504           | 47,023           |
| Amortization of intangible assets   | 17,866  | 19,222           | 16,689           |
| Non-cash stock-based compensation   | 5,101   | 4,020            | 5,012            |
| Loss on disposal of assets, net   | 632   | 1,738            | 1,142            |
| Miscellaneous (income) expense, net   | 170   | 5,763            | 8,653            |
| Interest expense  | 99,396  | 93,639           | 94,331           |
| Loss from early extinguishment of debt  | 31,987  | -                | 5,086            |
| Income tax expense  | 43,338  | 23,526           | 30,463           |
| Amortization of program broadcast rights  | 20,864  | 21,284           | 21,310           |
| Common stock contributed to 401(k) plan<br>excluding corporate 401(k) plan contributions  | 29  | 26               | 25               |
| Network compensation revenue recognized   | -   | -                | (456)            |
| Payments for program broadcast rights   | (20,649)  | (20,900)         | (23,526)         |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | 36,469  | 31,223           | 25,671           |
| Other   | 2,781   | 24,132           | 23,646           |
| <b>Broadcast Cash Flow</b>  | <b>378,158</b>                                      | <b>311,284</b>   | <b>375,937</b>   |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | (36,469)  | (31,223)         | (25,671)         |
| <b>Broadcast Cash Flow Less Cash Corporate Expenses</b>   | <b>341,689</b>                                      | <b>280,061</b>   | <b>350,266</b>   |
| Pension expense   | 165   | 4,207            | 6,126            |
| Contributions to pension plans  | (3,048)   | (5,421)          | (6,770)          |
| Other   | 8,442   | 6,488            | 6,176            |
| <b>Operating Cash Flow as defined in Senior Credit Agreement</b>  | <b>347,248</b>                                      | <b>285,335</b>   | <b>355,798</b>   |
| Interest expense  | (99,396)  | (93,639)         | (94,331)         |
| Amortization of deferred financing costs  | 4,884   | 3,194            | 3,546            |
| Amortization of net original issue (premium) discount<br>on senior notes  | (779)   | (863)            | (863)            |
| Purchase of property and equipment  | (43,604)  | (27,000)         | (35,000)         |
| Income taxes paid, net of refunds   | (14,588)  | (5,000)          | (5,000)          |
| <b>Free Cash Flow</b>   | <b>\$193,765</b>                                    | <b>\$162,027</b> | <b>\$224,150</b> |

See definition of non-GAAP terms included elsewhere herein

# Non-GAAP Reconciliation



## Combined Historical Basis

### Operating Cash Flow as defined in the Senior Credit Agreement:

|   | Combined Historical Basis<br>Year Ended December 31, 2016 |                                   |
|---|---|-----------------------------------|
|   | Excluding Pending<br>Acquisitions                         | Including Pending<br>Acquisitions |
|   | (dollars in thousands)                                    |                                   |
| Net income  | \$ 112,562  | \$ 148,678                        |
| Depreciation  | 93,199  | 99,106                            |
| Amortization of intangible assets   | 36,265  | 37,088                            |
| Non-cash stock-based compensation   | 9,121   | 9,121                             |
| Loss on disposal of assets, net   | 1,302   | 2,370                             |
| Miscellaneous income, net   | (815)   | 5,933                             |
| Interest expense  | 193,035   | 193,035                           |
| Loss from early extinguishment of debt  | 31,987  | 31,987                            |
| Income tax expense  | 63,284  | 66,865                            |
| Amortization of program broadcast rights  | 33,961  | 42,148                            |
| Common stock contributed to 401(k) plan<br>excluding corporate 401(k) plan contributions  | 55  | 55                                |
| Network compensation revenue recognized   |   |                                   |
| Payments for program broadcast rights   | (33,362)  | (41,549)                          |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | 67,693  | 67,692                            |
| Other   | <u>24,112</u>   | <u>26,913</u>                     |
| <b>Broadcast Cash Flow</b>  | <b>632,399</b>  | <b>689,442</b>                    |
| Corporate and administrative expenses excluding<br>depreciation, amortization of intangible assets and<br>non-cash stock-based compensation | <u>(67,693)</u>   | <u>(67,692)</u>                   |
| <b>Broadcast Cash Flow Less Cash Corporate Expenses</b>   | <b>564,706</b>  | <b>621,750</b>                    |
| Pension expense   | 4,372   | 4,372                             |
| Contributions to pension plans  | (8,469)   | (8,469)                           |
| Other   | 14,930  | 14,930                            |
| <b>Operating Cash Flow as defined in Senior Credit Agreement</b>  | <b><u>575,539</u></b>                                     | <b><u>632,583</u></b>             |
| <b>Operating Cash Flow as defined in Senior Credit Agreement, divided by two</b>  | <b><u>287,770</u></b>                                     | <b><u>316,292</u></b>             |
| <b>Adjusted Total Indebtedness:</b>   | <b><u>December 31, 2016</u></b>                           | <b><u>December 31, 2016</u></b>   |
| Long term debt  | \$ 1,756,747  | \$ 1,756,747                      |
| Capital leases and other debt   | 680   | 680                               |
| Total deferred financing costs, net   | 30,488  | 30,488                            |
| Premium on debt, net  | (5,797)   | (5,797)                           |
| Cash  | <u>(325,189)</u>  | <u><sup>1</sup>(50,000)</u>       |
| <b>Adjusted Total Indebtedness, Net of All Cash</b>   | <b><u>\$1,456,929</u></b>                                 | <b><u>\$1,732,118</u></b>         |
| <b>Total Leverage Ratio, Net of All Cash</b>  | <b><u>5.06</u></b>  | <b><u>5.48</u></b>                |

See definition of non-GAAP terms included elsewhere herein

<sup>1</sup> Cash at 12/31/16 adjusted pro forma for Acquisitions completed between 1/1/17 and 3/1/17

# Glossary



|   |  |
|---|--|
| <b>"Clarksburg Stations"</b>                | WDTV (CBS) and WVFX (FOX), which Gray operates pursuant to a pre-closing Local Marketing Agreement.  |
| <b>"Combined Historical Basis" or "CHB"</b> | Combined Historical Basis reflects financial results, position or statistics that have been prepared by adding Gray's historical financial results, position or statistics with the historical financial results, position or statistics of the Completed Transactions. It does not include any adjustments for other events attributable to the Completed Transactions except "Broadcast Cash Flow," "Broadcast Cash Flow Less Cash Corporate Expenses" and "Operating Cash Flow" each give effect to expected synergies and "Combined Historical Free Cash Flow" gives effect to the financings and certain expected operating synergies related to the Completed Transactions. "Operating Cash Flow" and "Free Cash Flow" also reflect the add back of legal and other professional fees incurred in completing acquisitions. Combined Historical Basis does not reflect all purchase accounting and other adjustments required for Regulation S-X pro formas. Such preliminary purchase accounting and other adjustments have been reflected in the pro formas filed with the Securities and Exchange Commission ("SEC") on Form 8-K/A when required by the SEC. |
| <b>"Completed Transactions"</b>             | All previously announced acquisitions or dispositions completed between November 2013 and March 1, 2017 including the Clarksburg Stations, unless otherwise specified.   |
| <b>"Gray" (Gray Television, Inc.)</b>       | A television broadcast company headquartered in Atlanta, Georgia, that owns and operates television stations and digital properties in markets throughout the United States  |
| <b>"Operating Cash Flow" or "OCF"</b>       | Operating cash flow as defined in Gray's existing senior credit facility; includes adjustments and synergies for Completed Transactions. See appendix herein for definition and reconciliations of non-GAAP terms  |
| <b>"Pending Acquisitions"</b>               | All previously announced acquisitions which were not yet completed as of March 1, 2017.  |
| <b>"Revenue"</b>                            | 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 ("Operating Cash Flow"), 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.

|   |  |
|---|--|
| <b>"Broadcast Cash Flow" or "BCF"</b>                     | Net income plus loss on 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  |
| <b>"Broadcast Cash Flow Less Cash Corporate Expenses"</b> | 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  |
| <b>"Free Cash Flow" or "FCF"</b>                          | Net income plus loss on 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) |
| <b>"Operating Cash Flow" or "OCF"</b>                     | Defined in Gray's senior credit facility 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 less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue, plus pension expense but less cash contributions to pension plans  |
| <b>"Total Leverage Ratio, Net of All Cash"</b>            | Defined as the principal amount of all debt less all cash divided by a denominator equal to the Operating Cash Flow for the preceding eight quarters, divided 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.*



**gray**

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