

Gray Television, Inc.

Certain Non-GAAP Measures Disclosures

The Company has used certain terms that are not measures recognized under generally accepted accounting principles (“GAAP”). The Company defines each of these terms below and discusses why it believes the terms may be meaningful. Other companies in the broadcast industry may use similar terms which may or may not be comparable to the terms used by Gray. These non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Broadcast Cash Flow is a non-GAAP term that the Company uses as a measure of performance and as a measure of valuing the approximate fair value of the Company’s television business. As a performance measure the Company uses this term as a “benchmarking tool” to compare its results to the corresponding results of other companies in the broadcast industry. The Company also believes the broadcast industry uses this measure to estimate the fair market value of the business by multiplying Broadcast Cash Flow by a multiple. Broadcast Cash Flow is defined as net income (loss) plus corporate and administrative expense, depreciation and amortization (including amortization of intangible assets and program broadcast rights), loss on disposal of assets, miscellaneous expense, net, interest expense, income tax expense and, less gain on disposal of assets, payments for program broadcast obligations and network compensation revenue and network payments.

Broadcast Cash Flow Less Cash Corporate Expenses is a non-GAAP term the Company uses as a measure of performance. Broadcast Cash Flow Less Cash Corporate Expenses is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on our leverage ratio as defined in the Company’s senior credit facility. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate and administrative expenses excluding depreciation, amortization, and non-cash stock based compensation.

Free Cash Flow is defined 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, 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, interest expense (net of amortization of deferred financing costs and 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).

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.

Reconciliation of Non-GAAP Terms on As Reported Basis, in millions:

| | Three Months Ended | | |
|---|---------------------------|--------------|--------------|
| | March 31, | | |
| | 2019 | 2018 | 2017 |
| Net (loss) income | \$ (18) | \$ 20 | \$ 10 |
| Adjustments to reconcile from net income to Broadcast Cash Flow: | | | |
| Depreciation | 20 | 14 | 13 |
| Amortization of intangible assets | 29 | 5 | 6 |
| Non-cash stock-based compensation | 3 | 2 | 1 |
| Gain on disposal of assets, net | (10) | (1) | - |
| Miscellaneous income, net (1) | (3) | - | - |
| Interest expense | 58 | 24 | 23 |
| Loss from early extinguishment of debt | - | - | 3 |
| Income tax expense | 3 | 6 | 7 |
| Amortization of program broadcast rights | 10 | 5 | 6 |
| Payments for program broadcast rights | (14) | (5) | (5) |
| Common stock contributed to 401(k) plan | - | - | - |
| Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation (1) | 45 | 8 | 6 |
| Broadcast Cash Flow | 123 | 78 | 70 |
| Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation (1) | (45) | (8) | (6) |
| Broadcast Cash Flow Less Cash Corporate Expenses | 78 | 70 | 64 |
| Contributions to pension plans | - | - | (1) |
| Interest expense | (58) | (24) | (23) |
| Amortization of deferred financing costs | 3 | 1 | 1 |
| Amortization of net original issue premium on 5.875% senior notes due 2026 | - | - | - |
| Purchases of property and equipment | (18) | (6) | (4) |
| Reimbursements of property and equipment purchases | 12 | 1 | - |
| Income taxes paid, net of refunds (2) | - | (9) | - |
| Free Cash Flow (2) | \$ 17 | \$ 33 | \$ 37 |

(1) [Amounts in 2017 have been reclassified to give effect to the implementation of ASU 2017-07.](#)

(2) [Amounts for the three months ended March 31, 2018, are per the Company's Current Report on Form 8-K/A, furnished to the SEC on May 9, 2018.](#)

Reconciliation of Non-GAAP Terms on Combined Historical Basis, in millions:

| | Three Months Ended | | |
|---|---------------------------|--------------|--------------|
| | March 31, | | |
| | 2019 | 2018 | 2017 |
| Net income | \$ (18) | \$ 20 | \$ 7 |
| Adjustments to reconcile from net income to Broadcast Cash Flow: | | | |
| Depreciation | 20 | 22 | 21 |
| Amortization of intangible assets | 29 | 31 | 32 |
| Non-cash stock-based compensation | 3 | 2 | 1 |
| Loss (gain) on disposals of assets, net | (10) | (1) | (2) |
| Miscellaneous income, net | (4) | (1) | - |
| Interest expense | 58 | 58 | 58 |
| Loss from early extinguishment of debt | - | - | 3 |
| Income tax expense | 3 | 5 | 7 |
| Amortization of program broadcast rights | 10 | 10 | 10 |
| Common stock contributed to 401(k) plan excluding corporate 401(k) contributions | - | - | - |
| Payments for program broadcast rights | (14) | (10) | (10) |
| Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation | 46 | 16 | 12 |
| Other | 2 | 2 | 4 |
| Broadcast Cash Flow | 125 | 154 | 143 |
| Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation | (46) | (16) | (12) |
| Broadcast Cash Flow Less Cash Corporate Expenses | 79 | 138 | 131 |
| Contributions to pension plans | - | - | (1) |
| Transaction costs and synergies | 22 | 20 | 20 |
| Operating Cash Flow as defined in Senior Credit Agreement | 101 | 158 | 150 |
| Interest expense | (58) | (58) | (58) |
| Amortization of deferred financing costs | 3 | 3 | 3 |
| Amortization of net original issue premium on 5.875% senior notes due 2026 | - | - | - |
| Preferred dividends | (13) | (13) | (13) |
| Purchase of property and equipment | (18) | (11) | (9) |
| Reimbursements of property and equipment purchases | 12 | 1 | - |
| Income taxes paid, net of refunds | - | (9) | - |
| Free Cash Flow | \$ 27 | \$ 71 | \$ 73 |

Reconciliation of Total Leverage Ratio, Net of All Cash, in millions except for ratio:

| | Eight Quarters Ended March 31, 2019 |
|---|--|
| Operating Cash Flow as defined in our Senior Credit Agreement: | |
| Net income | \$ 443 |
| Adjustments to reconcile from net income (loss) to Operating Cash Flow as defined in our Senior Credit Agreement: | |
| Depreciation | 113 |
| Amortization of intangible assets | 69 |
| Non-cash stock-based compensation | 16 |
| (Gain) loss on disposal of assets, net | (101) |
| Miscellaneous (income) expense, net | (2) |
| Interest expense | 236 |
| Loss from early extinguishment of debt | 1 |
| Income tax (benefit) expense | 4 |
| Amortization of program broadcast rights | 47 |
| Common stock contributed to 401(k) plan | 4 |
| Payments for program broadcast rights | (52) |
| Pension expense | (1) |
| Contributions to pension plans | (5) |
| Adjustments for stations acquired or divested, financings and expected synergies during the eight quarter period | 737 |
| Professional fees related to acquisitions and divestitures | 31 |
| Operating Cash Flow as defined in our Senior Credit Agreement | \$ 1,540 |
| Operating Cash Flow as defined in our Senior Credit Agreement, divided by two | \$ 770 |
| | March 31, 2019 |
| Adjusted Total Indebtedness: | |
| Total outstanding principal, including current portion | \$ 3,967 |
| Capital leases and other debt | - |
| Cash | (225) |
| Adjusted Total Indebtedness, Net of All Cash | \$ 3,742 |
| Total Leverage Ratio, Net of All Cash | 4.86 |