Company: **Gray Television, Inc.**

Conference Title: **Third Quarter 2016 Earnings Call**

Moderator: **Hilton Howell**

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Operator: Good day and welcome to the Gray Television Third Quarter 2016 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference to Hilton Howell, Chairman, President and Chief Executive Officer. Please go ahead, sir.

Hilton Howell: Thank you, operator. Good morning everyone. As the operator mentioned, I'm Hilton Howell, the Chairman and CEO of Gray Television. Thank you for joining us this morning for our Third Quarter 2016 Earnings Call. As usual, I'm joined today by our Chief Legal and Development officer, Kevin Latek and our Chief Financial Officer, Jim Ryan. We will begin this morning with a disclaimer that Kevin Latek will be provided – Ken

Kevin Latek: Thank you - thank you, Hilton. Good morning everyone. Certain matters discussed on this call may include forward-looking statements regarding among other things future operating results. Those statements are subject to a number of risks and uncertainties. Actual results in the future could differ from those described in the forward-looking statement as a result of various important factors. Such factors have been set forth in the company's most recent reports filed with the FCC and included in today's Earnings Release. The company undertakes no obligation to update these forward-looking statements. Gray uses its website as a key source of company information. The website address is www.gray.tv. We will post both an audio recording and a transcript of this call on our website. We also will post an updated [inaudible] to the website later today. Included on the call, will be a discussion of non-GAAP financial measures; and in particular, broadcast cash flow, broadcast cash flow less corporate expenses, operating cash flow, free cash flow and certain leverage ratios. These metrics are not meant to replace GAAP measurements but are provided as supplements to assist the public in their analysis and evaluation of our company. We include reconciliations in a non-GAAP financial measures to the

GAAP measures in our financial statements that are available on our website. And now we turn the microphone to Hilton.

Hilton Howell: Thank you, Kevin. First I want to note that since our last call Richard Hare has joined our Board of Directors. Richard is the Senior Vice-President and Chief Financial Officer of Carmike Cinemas. Carmike is a NASDAQ listed company – one of the nation's largest motion picture exhibitors. He brings more than 25 years of financial management experiences, and we are delighted to have him on our board. We begin this call by reviewing our results for the third quarter, and our guidance for the fourth quarter. After Kevin and Jim provide additional color and detail on the bigger issues, I will address this morning's other announcement of the new stock buy-back program. We will be fairly brief in our remarks today because we want to provide as much time as possible for questions before many of you switch to Nexstar's call at 10:00 am.

Let me begin with the good news – first, as you saw in the release, we posted record levels of revenue in broadcast cash flow in the third quarter. Total revenue increased 35%, and broadcast cash flow increased 60% compared to the third quarter of 2015. On a combined historical basis, which adjusts for the effect of acquisitions, we posted a 12% increase in total revenue and a 24% increase in broadcast cash flow compared to the third quarter of 2015. Equally noteworthy, is that our broadcast operating expenses – excluding network reverse comp fees – actually decreased from the year earlier period. We have saved about $10 million this year on national sales representative fees, and our September refinancing should save about $12 million in interest payments annually over the next several years. It is always difficult to preserve core revenue levels during the third and fourth quarters of a presidential year due to displacement by the Olympic Games and especially by political advertising. We are, therefore, pleased that we managed to maintain our core at essentially the same level as third quarter, 2015 when we had very little political revenue and no Olympic Game revenue. This achievement is the result of aggressive efforts at the stations to maintain advertising levels and bring back a portion of the core advertising that moved to the side lines in anticipation of strong political displacement. The big news, of course, is political – or more correctly, the lack there of. Everyone has read in the press and heard from our peers about the unprecedented challenges and unusual aspects of this year's races. As late as the beginning of September, our research still made us feel very comfortable that the fund-raising levels over the summer and historic issues at stake – including control of the United States Senate, the Supreme Court – would ensure that we would at least match our 2012 record level of pro forma political revenue of $144 Million.

However, the situation deteriorated very quickly in mid-September with several negative developments and a few positive ones. When our visibility went to zero, we could not remain comfortable with our political guidance; and we, therefore, communicated our honest assessment by withdrawing that guidance. As Kevin will explain, while we are very disappointed in the results; we take comfort in the fact that our shortfall resulted entirely from the lack of political money entering Gray's markets rather than a failure of execution by our stations. Now that the election is almost behind us, we see local and national advertisers seemingly sitting on the side lines a bit more and a bit longer than usual this late into an election quarter. We hope that the negativity and uncertainty can be refuted by what may be surprisingly more resilient underlying macroeconomic trends. Kevin will now address the political environment in more depth, and Jim will provide more color on our financial results and guidance. As I mentioned, after they finish, I will address the buy-back announcement – Kevin.

Kevin Latek: Good morning. I begin with a question on everyone's mind – "What the heck happened?" The answer is fairly straightforward – the money simply did not enter our market as expected. Candidates on both sides of the presidential contest this year spent far less than their 2012 predecessors. In addition, neither political party spent any significant money supporting their nominee with advertising; and many of the super pacs skipped the race entirely. The lack of dollars and often the lack of a polling advantage resulted in far less presidential dollars entering traditional swing states like Virginia, Colorado, Wisconsin and Michigan. We own multiple stations in each of those states. Historically presidential spending has been between 25 and 33%

of our total with roughly half spent by each side. Using the midpoint of that range for our 2012 pro forma political revenue totalled $144 million. History suggests that we should've booked about $21 million from each side in the presidential contest and about $102 million in non-presidential money this year. Instead, our presidential spending total was 66% less than what history predicted. The GOP side was down tremendously despite a long primary season with about 69% less spending than expected. Still, the Democratic presidential candidates and issue money were also down this year with a total decrease of about 62% less spending than we would have expected. We also expected down-ballot races would make up for any shortfalls in the presidential races, with highly contentious Senate races in places such as Colorado, Ohio, Illinois and Wisconsin; and, especially, considering that control of both the Senate and Supreme Court appeared to be in play.

Likewise, we expected expensive races for governor in places like Indiana, North Carolina and West Virginia as well as continued healthy spending in the House, state and local races and potentially even from controversial and expensive ballot fights. As you've heard from some of our peers already, many – if not most – of the contentious Senate and governor races seemed to significantly cool off just as fourth quarter began; and even lower races did not bring out as much spending as expected. In the end, aggregate political revenue from down-ballot races for us totalled about 30% less than the expected level. The decline hit Gray's swing states particular hard, and we own multiple stations in most of the historically purple states. In particular, political revenue in 2016 fell by the largest percentages from 2012 level in the traditional swing states – Colorado down 32%, Nebraska down 50% – Ohio and West Virginia, where are stations broadcast into both markets – both states down 50%. Wisconsin down 62%, Michigan down 82% and Virginia down 91% from 2012. For comparison sake, six Senate races occurred in the foregoing states in 2012 – we had just three Senate races in these states in 2016. The political report card is not all bad news, to the contrary, we have been able to confirm that these revenue losses – while unexpected and large – were not the result of a failure in execution by our stations. We subscribe to independent market audits conducted by a public accounting firm. These independent audit reports provide match set data for 2016 and 2012 across 23 Gray markets and looks like a cross section of large and small markets as well as legacy and recently-acquired markets. We believe this data is representative of our entire operation. The reports reveal that the aggregate political ad markets spent in these markets through the third quarter was $75.6 million in 2016 compared to $139.3 million in 2012. In other words, the political money coming into these markets declined by almost $64 million, which is a decrease of 45.8% from 2012. However, our aggregate political revenue in these markets decreased by just 44.1% meaning that our political revenue fell less than the amount by which the total market spending fell. Looking at this differently, the audit showed that we had an aggregate share of 41.1% of gross political ad market spent in these markets in 2012.

In 2016, we grew that share to 42.4%. In addition, in 2016, we actually have four additional markets participating in the audit; and the 2016 market audit reveals two other noteworthy data points. First, only 89% of Gray stations in the audited markets achieved higher shares of their market total political spending than they get in non-political advertising revenue. Second, the 2016 market audit shows that we have nine markets that achieved gross political ad revenue shares exceeding 50%. In other words, in nine of the 29 audited markets, the Gray station posted higher political revenue than every other station in its market combined. The independent data, therefore, confirms that Gray took in more than its fair share of total political revenue that actually made it into our market. On the flip side, those markets that did have contentious races still saw very strong political spending. In fact, the Gray station with the highest political revenue in 2012 managed to beat that record this year. Likewise, the very competitive situation in another Gray market that previously had seen its share of competitive races brought in two and a half times as much political revenue this year as it did in 2012 and 14 times as much political revenue as it saw in 2014. We also saw more competitive races at the local level this year, which led to an increase of more than $9 million in local candidate and issue funding. Consequently, we view this year's political revenue result as highly extraordinary and not a precursor of future elections.

We also believe that even in the tempest that was the 2016 political season, Gray strategy of owning and investing in top-rated stations succeeded as it managed to capture a larger share of those political dollars that actually made it into our markets. Finally, I want to remind you that we have a number of important retransmission renewals occurring at year-end this year covering 4.2 million subscribers, which is about 36% of our total base. We've previously estimated that our pro forma gross and net retransmission revenues would grow by 17% in 2017 to $240 million and $120 million respectively. We remain comfortable with these estimates at this time. Thank you for listening to all of this detail. I will now turn the call over to Jim Ryan.

Jim Ryan: Thank you, Kevin. Good morning everyone. Our release provides a lot of information and a 10Q is being filed today too that obviously has much more information, and Kevin's addressed the obvious question of, "What happened to the political?" so I'll keep my comments brief to a few other items. First, regarding our national [inaudible] transition this year; Hilton already spoke to the expense savings we achieved during the year. We're often asked if the transition has negatively impacted our actual national revenue. Referring to the same market audit that Kevin referenced in his comments on political, the answer to that question is no. In the 29 markets that we have match set audit data – year-to-date Q3 of '16 to Q3 '15 year-to-date – the audit show that our aggregate market share of national revenue was essential the same year over year. We think that's a good run rate especially given political displacement in Q3.

With regard to our Olympic revenue, our NBC station earned $8.2 million for the broadcast of the Olympic Games. We're very pleased with that result, and it's actually a little higher than we had expected. But also as expected, our ABC and CBS markets did see a definite shift in spending in those markets to the competing NBC stations in their markets. That shift, in conjunction with some degree of political displacement did slightly mmet our core local and national revenue in the quarter. Although, it was noted, our core revenue nonetheless held off and is essentially flat year over year. A couple of quick comments on categories in Q3 – Auto was, again, slightly impacted to some extent with some political. But, also, we point out that we saw reduced spending from

Ford in Q3 by about a million dollars as Detroit pulled back support money. The good news, though, is that Chevy picked up its spending by about $500,000 so we're pleased to see that. And as we commented in our second quarter call, we still have ongoing non-returning business from several large insurance companies – State Farm, American Family, Aflac that either are not spending in our markets this year or have significantly reduced their spend. And on a year-to-date basis that attributes about $3 million worth of spending. Guidance for Q4 and the full year – first of all, our guidance does not include any pending acquisitions such as Green Bay and Davenport. Our core local and national are being impacted as expected by political displacement in October and November.

December is currently pacing behind 2015, we think this may be in part due to the uncertainty around the election and will conclude this evening. To be honest, we do not think we will have a good read on how December core local and national business will ultimately fall until later this month. We believe our Q4 core local and national guidance, especially the low end of the range, is conservative; and a higher end of the range allows an improvement in business in December. Q4 Auto is currently pacing down mid-single digits; and to some extent, that would be expected in a heavy political six-week period of October and November. December Auto is also pacing down; and again, we think this is a uncertainty factor at the local level, and we're hoping that this will improve post-election day. As we noted in Q3, Ford spending from Detroit support money is pulling back in Q4 as well. It will be about a million-dollar pull back; but again, our Chevy business is up about half that amount at about $500,000, and we're pleased to see that. A final note on full-year guidance for revenue; as you can see from our year-to-date, combined historical basis revenue results and our range of revenue for Q4, you can see that we're on track for a revenue year on a combined historical basis in excess of $820 million. That's well in excess of the $753 million previous record set in 2014 on a combined historical basis. Turning briefly to debt leverage and free cash – as of September 30, our leverage ratio out of our Senior Credit Agreement, netting all cash on hand, was 5.27 times. Our total debt is $1.756 billion. I will remind everybody that it is all long-term debt with long-term maturities. Our blended cash interest rate is 5.05%, and the refinancing that we did in September is saving us $12 million a year annually in cash interest expense. As of today, we have approximately $290 million of cash on hand, which is well in excess of the $270 million we need to close the Green Bay and Davenport acquisitions that are still pending. We have updated our cash tax projections for the next couple of years based on our expected results for 2016. First, we expect to pay no more additional taxes for the rest of 2016. Two thousand seventeen, at present, we expect to only pay a very immaterial amount of cash taxes; and in 2018, we would expect cash taxes to approximate $30 million. These revised expectations for ’17 and ’18 are significantly under our previous expectations and reflect, in part, the lower political revenue from this year and also the tax advantage we got from the loss of early extinguishment of debt associated with our refinancing in December. Using conservative assumptions for organic growth over the next couple of years, including the closing of our pending acquisitions as well as considering our current debt structure, it is not unreasonable to assume that Gray can generate – before any share buy backs – well over $100 million a year in free cash in a non-election year and over $200 million of free cash in an election year. I’ll now turn the call back to Hilton.

Hilton Howell: Thank you, Jim. For the past several months and several earnings calls, we have told you that we expected that our Board of Directors would take a hard look at restarting buy backs and/or dividends once we knew where our political revenue for the year and the results of the FCC Spectrum Auction stood. Over the past several days, the Board obviously sped up this timeline considerably. This morning we announced that the Board of Directors has authorized a share-repurchase program of up to $75 million over the next three years. One key impetus for this change in timing and the authorization is the continued deterioration in our stock price. In August, we told you that we were convinced that our shares were a bargain in light of our strong belief in our future, the quality of our stations and employees, our much stronger balance sheet and our lower cost of capital. Regulatory considerations nevertheless made it difficult for insiders or for the company to enter the market and buy our stock prior to announcing our quarterly results. Since then, various factors, especially the disappointing political results, have put even more pressure on our sector and on our company's valuation. We firmly believe that the negative views are misguided and fail to appreciate the growth drivers long-term value in our business and in Gray Television specifically. On the positive side, from our perspective these forces have opened up a buying opportunity. With the announcement of this new share buy-back program, we intend to walk the walk and not just talk the talk. At the same time, we remain relentlessly committed to lowering our leverage. As stated in the release, we will judicially exercise our new authority to repurchase stock with a close eye on our total leverage.

Simply put, we anticipate that the total repurchases in any given year will range approximately between 10 and 20% of our free cash flow. We believe that we have struck an appropriate balance between the high [inaudible] of reducing our leverage with the ability to take advantage of opportunities to buy back shares at attractive prices. The size of the buy-back program provides us with the flexibility we need to pursue buy backs at the appropriate time while still leaving significant free cash flow to delever over the next three years. The FCC Spectrum Auction may or may not open new opportunities for Gray to grow through tax advantage acquisitions or to further reduce debt or to revisit capital return policies or some combination of these options. And, if and when the Auction results become known to the Board, it will consider whether further changes to capital allocation pluralities are warranted. In closing, we share your frustration with the volatile end-price of Gray stock. We're always looking to the long term, but these daily moves are never less unsettling; and we believe grossly overdone. We remain convinced that keeping our focus on growing the company for the long term will build and enhance shareholder value. We appreciate your faith, trust and patience as we continue to pursue these objectives. So, at this time, operator, I would like to ask that you open the line for questions.

Operator: Thank you. To ask a question, you may – excuse me – you may do so by pressing the star and one on your touchtone telephone. Again, to ask your question, please press star and then one on your touchtone telephone. To remove yourself from the queue, simply press the pound key. We'll take our first question from Aaron Watts with Deutsche Bank. Please go ahead, your line is open.

Aaron Watts: Hey guys, thanks for taking my questions. I want to start just with a clarifier. Jim, could you just remind – what was 3Q core on a same station basis, and what do you seeing for fourth quarter?

Jim Ryan: Three Q was, essentially, on a core basis was essentially flat. It was down about a million dollars in the aggregate; and given the political, that's not necessarily unexpected. Q4 core – we are seeing right now pacing down in mid-single digits territory.

Aaron Watts: Okay, and then; as you speak with your local advertisers about their hesitation to be back in the market now, what are you hearing that's different than prior years – prior election years. And what gives you confidence that they're going to return to the table in the near term?

Jim Ryan: In part, it's – and this is anecdotal – but in part it's people saying, especially in markets in October where political fell short and we were trying to backfill, it was commentary along the lines of, "Well, we've already made our plans during the political season. And let's get past the election day and we'll, you know, we can talk about it," so we don't get a profound sense that main street is gone negative in its sentiment. Right now, our sense is that they're just waiting – they're paused – they're uncertain over the election, and they're just waiting to see what happens tonight.

Aaron Watts: Okay, and then just one last one for me on kind of capital structure on liquidity. With respect to the comments you just made on kind of share repurchase versus debt pay down – how do I think about debt paid on being your highest priority and balancing that against using cash to buy back shares. Is there a certain leverage target you'd like to see hit before you really devote more money towards share repurchases – just trying to triangulate those two different goals?

Jim Ryan: As Hilton said in his remarks and is said in the release, our target range in any year for buy back would be 10 to 20% of our free cash generation. And you certainly can estimate what that what might look in '17 and '18, and it's over two- three-year period. Obviously, there's a very substantial amount of free cash flow generation. So, I think that we'll use that more as our guiding principle than a hard leverage target.

Operator: Okay, thank you. And next we'll move to Marci Ryvicker with Wells Fargo. Please go ahead, your line is open.

Marci Ryvicker: Hi, I just want to make sure we understand some of the comments. Just help me – you said that the macroenvironment seemed okay, yet, there is a pause. So, I understand that Auto is down and insurance is down and people are paused; but help me – what are you seeing more broadly based that will give us confidence that we're not heading into some sort of recession in the local advertising, at least for next year?

Hilton Howell: Well, Marci, I'll just tell you. What I have heard everywhere I've gone; and, again, this is anecdotal, but I've heard it from fellow businessmen in all lines of business, I've heard it from our GMs and our stations across the board, I've heard it from other individuals that run TV station businesses. I've just heard it everywhere that this election, unlike almost any other election in our prior history, has put a large, heavy blanket over everyone's thoughts. And so they simply haven't made decisions about Q4 or 2017. There is nothing that we know of objectively that is showing that 2017 –

Jim Ryan: Sixteen.

Hilton Howell: – no, for '17 though –

Jim Ryan: Alright.

Hilton Howell: – is going to enter into an ad-base recession going forward, even for Q4 or for ’17. Now, I know from our friends on Wall Street that some people talk about, “Well geez, we’ve had seven years’ worth of growth” – if what you could say we have experienced in the last seven years was in fact growth – it’s been very anaemic. And some people on the street have indicated to me that, “Geez, you know, we’re facing a recession down the road,” because of the length of this expansion. My personal feeling is the expansion has nowhere near been as robust as previous expansions; and so, the length of it with the anaemic nature of our growth, I think does not foretell a recession – so, we do not see that. When I talk to friends and associates, you know, that own and operate retail – let’s just say – retail automobile stores; they’re still selling automobiles left and right. And so, I [inaudible] there’s no factor that I have – that I can sit here and tell you, Marci, “This is what’s - this is really causing a problem.” Now, you know, maybe a quarter from now – maybe there will be that. There is nothing that way that I know right now. The one thing that I have heard universally is that the acrimony underlying this whole advertising environment has been extraordinary, and that it has put people on pause. And, you know, when we look at our political numbers – and I look at it, you know, gee whiz, the way it boils down to me is you can’t get blood from a Trump. And that whole process, his celebrity and his ability to reach the public market so easily and for free has just changed the way this whole election started. So, I remain optimistic that the fourth quarter will be good and that 2017 will as well.

Marci Ryvicker: Okay, and I have an easy one. How much is insurance as a percent of revenue?

Jim Ryan: Just a minute, Marci, I gotta look that – I will look it up for ya, I don’t have –

Marci Ryvicker: And, I’ll ask one more in the meantime. I know you just announced a share repurchase. Historically, you have been [inaudible] a dividend payer so just curious if a dividend would come when you delever enough or if you’re deciding on a share repurchase over a dividend?

Hilton Howell: No, as we delever more, we absolutely intend to return to being a dividend payer, but right now, we think the best use is to delever and then to use our stock buy-back program. We'll have to wait and see in terms of timing; if there should be any proceeds from the auction or none whatsoever, and that could change our entire balance sheet and our timing. But when we return to paying a dividend, we want to be a consistent and permanent dividend player. And, we still have issues, Marci, of opportunities to grow from the mergers and acquisition front, but they have to be things that we do that end up deleveraging the company as well. So, dividends are down the road, but just not this quarter or this year.

Marci Ryvicker: Okay.

Jim Ryan: Marci, to answer your question – insurance is part of a broader category that we call Financial, but the whole Financial category for us is about 4% of our total core ad sales. And, again, with the insurance companies – the three specific ones are down about $3 million. That explains most of the down for the year – the entire Financial category.

Marci Ryvicker: Got it, thank you so much.

Hilton Howell: Thank you, Marci.

Operator: Thank you, and next we'll move to Kyle Evans with Stephens. Please go ahead, your line is open.

Kyle Evans: Hi, good morning. A lot of focus on deleveraging and debt pay down. I see that you announced a Fairbanks station acquisition. What did you see there that made you want to go on spend that money, and what should we look for on the M & A front going forward – and then I've got a follow up?

Kevin Latek: Hi, Kyle, this is Kevin. Fairbanks – we announced Fairbanks today. It's a $8 million acquisition so probably, I think, it may be our smallest acquisition since we got started in the last three years – or darn close to it. The Earnings Release notes that the purchase price multiple of that is below five on it so; as you may know, in Anchorage we have a extremely strong station, KTUU – the NBC affiliate. It has over 80% of the local audience in news hours, it's a tremendous station; and we thought bringing Fairbanks into the orbit of the Anchorage station would help our Anchorage station, frankly, so we saw it as a way to improve our standing in the state, improve our coverage of Fairbanks. We also have a bureau already in Juneau, we think making the investments really in the Anchorage station by acquiring the Fairbanks station was a good long-term use of money, especially at the multiple that we were able to secure there.

Kyle Evans: So, I one end of the spectrum you recently did shares, which is pretty sizeable – this is one of the smallest that you've done. Looking forward into the first quarter of next year – post Spectrum Auction – should we expect more small, cheap tuck-ins that fit your existing station footprint; and are you kind of committing with the lower leverage commentary today to not doing scale M & A – just curious there?

Kevin Latek: I would not read anything into Fairbanks. Fairbanks is a – it's a very small market, it's a stand-alone, it would not have been interesting to us except for the fact that we are in Anchorage. So, I would not read into that; we're not – the phone is not suddenly ringing with any opportunities right now. Everyone is, as we said, sitting in the side lines until the election and the auction are over. You know, overall I'd say Gray has always had – we would remain prudent in evaluating M & A; and we would ensure that every acquisition would be [inaudible] and that's not changed, nothing has changed that view. I think when we consider acquisitions, we're certainly considering the impact of that acquisition on our balance sheet. Stated differently, we will consider whether a potential acquisition is likely to contribute to our growth and long-term strategy in a more meaningful way than simply buy back our stock or paying down our debt. Those are pretty high hurdles for any acquisition to clear – this little Fairbanks one did. I don't really see too many other opportunities like that out there certainly over the next several quarters.

Kyle Evans: Thanks, and then could you please provide an update on your retrans subscriber count?

Kevin Latek: The subscriber count is essentially what we've been – what's in the deck and has been in the deck for some time now – so, let me – just bear with me one second – get the total out. End of this year, we are renewing 4.2 million subs, which is about 36%. End of next year, we would renew 6.4 million subs, which is about 55% of the total. And then year-end 2018, we have about 1 million subs who are up - that's about 9%.

Kyle Evans: In your overall sub count – it use to be, I think, an 11.6 million number when it was still in the deck – that number is what flat –

Kevin Latek: Still 11. –

Kyle Evans: – flat?

Kevin Latek: Yes, it's flat at 11.6.

Kyle Evans: Okay, thank you.

Kevin Latek: Sure.

Hilton Howell: Thank you, Kyle.

Operator: Thank you, and next we'll move to Davis Hebert with Wells Fargo. Please go ahead, your line is open.

Davis Hebert: Good morning, thanks for taking the questions. I wanted to go back to the capital allocation strategy here. Jim, you kind of gave us the goal posts for free cash flow – $100 million in a non-election year and $200 million in an election year so that number we –

Jim Ryan: And I said well over $100 in a non-election year and over $200 in an election year so, I mean, you know, there's room to the upside in the numbers I used – but go ahead.

Davis Hebert: – okay, fair enough, that's fine. But that's the number we should be look at when we're thinking about the 10% to 20% of buy-backs, correct?

Jim Ryan: Yes.

Davis Hebert: Got it, okay, and so any residual amount – should we just assume that you would pay down term loans with that cash flow?

Jim Ryan: Yes, I mean there's no prepayment penalty to do that; so, as we accumulate free cash – from time to time, whether it's as we move through '17, we'll probably be paying down term loans.

Davis Hebert: Got it, okay. And then, last quarter you gave us a two-year average expectation on leverage of 4.5 to 4.7 – just curious if there's an update there and where you see that glide path into '17?

Jim Ryan: That guide in the 4's was a fully proformant for the Green Bay and Davenport acquisitions. Obviously, with the political very disappointing this year that is going to move off, and we will be in the fully proformant for the Green Bay and Davenport acquisitions we would expect 12-31-16 to be somewhere in the – call it 575 zip code – so about one turn higher than we had initially planned on. That'll drop down in the 5's as we move through '17, and we would be in the 4's by the time we got to the end of '18.

Davis Hebert: By the end of '18? Got it, okay. And just so – from listening to the commentary, you took your fair share of political dollars that were in your markets and implied that your ratings are probably holding up – just wondering if that's a fair statement?

Jim Ryan: Yes, our ratings have been holding up. On a five-year average, our aggregate ratings have been within a couple of tenths of a point for the last five years. So, the ratings are holding up; and, again, as you said, where the dollars were available we got our fair share or more of the political. And our national share is basically consistent year over year; so, from a shares' standpoint, we're pleased.

Davis Hebert: Okay, and just one housekeeping. Jim, if you could just give us the LTM EBITDA on per forma basis? I saw the LQ-8 in the press release but just wanted the LTM if you have it?

Jim Ryan: Yeah, one minute. That's – well I thought I had it – just a second.

Davis Hebert: That's fine if you want to follow up off-line so you can get some –

Jim Ryan: No, I just was trying to grab the right piece of paper. On a P12, LTM was 281.3.

Davis Hebert: Okay, great. Thank you so much.

Operator: Thank you, and the next we'll move to Leo Kulp with RBC Capital Marketing. Please go ahead, your line is open.

Leo Kulp: Good morning, just a couple questions on the political side. You know, the presidential [inaudible], you know, explicable because of the Trump campaign; but given the significantly weaker non-presidential, what makes you confident that you're not seeing some sort of secular shift in political [inaudible]. And, you know, when you did your audits, what were you seeing on the digital side for political on your markets? And then, just one last question. Your target leverage for '18 to be in the low 4's, what – you know, from the high level, what sort of –

Jim Ryan: I said we'd be in the 4's, I didn't necessarily say low 4's.

Leo Kulp: Okay, sorry about that. What part of political level of spending are expected to see, you know, versus the '16 [inaudible] – just kind of high level?

Hilton Howell: Leo, let me just start before Jim gets into specific numbers. We really think that 2016 truly is a black swan event. I've talked to the head of at least four different ad agencies themselves and what they're seeing is not a shift of money from television to other areas, but an absence of money being spent. And they have seen it across the board, and so we're not seeing political advertising secularly shifting elsewhere. In fact, what I've been told is despite the proliferation of digital and many other avenues around which communications and advertisements can be disseminated that television is still the strongest way to communicate a message that's target-intended and gets to its audiences. And so, we see absolutely no sign of a secular shift away. We think this is an unusual time period where large backers of – in particular – the Republican Party – has simply not shown up and are not spending the money. And then Trump, because of his unique ability to generate not just free advertising, but his ability to communicate through Twitter and Facebook and then people pick it up for ratings purposes. We don't get [inaudible], and don't expect anyone to be in the political process – unless he wins tonight and runs again in [inaudible] in four years – that has that kind of, you know, face presence with the American public, so we don't see anything secularly. In terms – would you just repeat one time for us – what was the specific question on numbers?

Leo Kulp: You were talking of leveraging in the 4's by '18 – what sort of presidential level of spending [inaudible] political level of spending are you expecting [inaudible]?

Jim Ryan: We'd be expecting a good '18. Now, remember '18's a non-presidential year. It, obviously, will boil down to the mix of the Senate races in that year. But, you know, my assumptions are probably pretty conservative – certainly we'd be assuming going forward political is at better levels than we saw in '16. We had a couple of unique events in '14 and a combined historical basis, so I would think we might not be hitting '14's levels because of some unique Senate races that particular year, but certainly, a very healthy political – well over $100 million I would expect in '18. But, you know, that's two years out; and we're not even past this year's election yet. But, I'm not – to say it differently, we're not getting extravagant in our political assumptions to make the leverage ratios look good. We're being a little bit conservative that far out, and our leverage ratio's still going into the 4's makes us feel very comfortable.

Kevin Latek: You know, you also asked if what we're seeing in spending is potentially a sign that people are not spending as much on political; and just go back to something I alluded to in my remarks. Where we had contentious races, we saw spending – we saw significant spending. In a state that had a contentious Senate race in '12 – initiatives, contentious Senate race, they beat their number in '12 significantly. Another state that had a contentious Senate race is significantly ahead of where they were in '12. Wisconsin. we have one of the small markets there – basically no spending in what was supposed to be a very contentious race. And then as you may know, the polls turned in favor of the Republican just in the last, probably, ten days to two weeks – the money flowed into Wisconsin. In one small market, we have in Wisconsin, they had a million dollars in booking last year; and almost nothing before that. So, you know, when the money comes in – when a race looks like it's competitive, the money will come in. This is an accident of geography but not, again, not a secular shift. We look at, again, at some of our peers that have reported – they're reporting significant political revenue and are identifying it as being based on very particular Senate races, very particular governors' races that are leading to the highest spending, so we're still seeing spending levels at or above what we would've seen in '12 so long as the race is competitive. And what we had here was just races that petered out – Colorado, Ohio being the most prominent examples. So as long as we have competitive races going forward; and we don't think the country's gonna be any less united, two years, four years from now than they are right now. We expect there'll be more contentious races in the future; and, therefore, we expect there will continue to be significant amount of spending to try to influence the outcome of those races.

Leo Kulp: That's it, thank your comments guys.

Operator: Thank you, and next we'll move to Dennis Leibowitz with Act II Partners. Please go ahead, your line is open.

Dennis Leibowitz: Yeah, two questions – first, you said that conservatively you thought you could generate $100 million in free cash flow in a non-election year and $200 on an election year. That averages out to over $2 a share in free cash flow, and I wondered – is that applicable – is it [inaudible] – is it applicable to this period – '16, '17? And my second question is when can you buy stock back – can you start today?

Jim Ryan: I'll take the first part of the question. Those comments on free cash flow in a non-election year of well over $100 million, and then over $200 million in an election year are forward looking; and they would be incorporating, you know, pending acquisitions closing. And so, you've got one number – how it averages – I would suggest that the average cash flow per share, even still being conservative, it's still significantly higher. So, those are, again, forward looking over the next couple of years – what's in our minds, and we're anticipating in a very generic way without getting too specific too far out as far as exact numbers.

Kevin Latek: We can't, unfortunately, comment on the timing of any purchases that the company may have; but we do have the authority as granted by our Board of Directors. And we will be using that, you know, in the future and in the near term.

Dennis Leibowitz: Okay, thanks.

Operator: Thank you, and next we'll move to Barry Lucas with Cappelli and Company. Please go ahead, your line is open.

Barry Lucas: Thank you, and good morning. Thank you, Hilton, for pre-empting one of my quarterly questions on capital allocation. On a higher level – and maybe I'm putting on my rose-tinted glasses here on the M & A market – given the disappointment in political spend this year and what, you know, potentially will be another disappointment on the Spectrum Auction; how do you think potential sellers might react who were probably on the side lines waiting to cash the political checks and big check from the FCC. Mightn't that open up a few more opportunities in '17 and beyond?

Hilton Howell: We think that there's gonna be a number of opportunities that will present themselves in 2017 – for a number of reasons, including all that you mentioned.

Barry Lucas: Good, thank you.

Operator: Thank you, and it appears we have no further questions at this time. I'll turn the call back over for closing comments or remarks.

Hilton Howell: Alright, thank you. I want to thank all of you for your attention and for your thoughtful questions. I can't tell you how proud we are of this company and what we've been able to beat and build and the men and women that are out in each of our markets that go to work every day.

We think this is one of the best businesses in the country and one of the best, most high grossing, cash flow building businesses that's out there. And, we're working hard every day – 365 days – to build value; and that is what our concentration is on. And I can assure you, the entire management team of this company will be redoubling our efforts to continue to do that. So, thank you, again, for your time; and we'll be talking soon.

Operator: Thank you, this does conclude today's conference. You may disconnect at any time, and have a great day.