GRAY TELEVISION, INC.

Moderator: Hilton Howell
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Operator: Please stand by. Good day, everyone, and welcome to the Gray Television's First Quarter 2016 earnings call. Today's conference is being recorded. For opening remarks and introductions, I'll turn the conference over to Mr. Hilton Howell, President and Chief Executive Officer. Please go ahead, sir.

Hilton Howell: Thank you, Operator, and good morning, everyone. I want to welcome you to our first quarter 2016 Gray Television earnings call. I want to apologize, I've got a little bit of a spring cold and so I hope that my voice holds out through my opening comments.

I believe Jim is going to say a few things after that and Kevin - Jim Ryan and Kevin Latek is here and doesn't have prepared remarks but will be her to answer any questions that you may have.

This morning we announced record operating results of which we are very exceptionally proud. On a GAAP basis, we reported revenue of $173.7 million, a 30% increase over Q1 last year. A broadcast cash flow of $65.9 million represented a 41% increase over last year's results. And net income of $9 million represented a 61% increase over Q1 2015.

Free cash flow of $24.2 million was a 10% increase over last year, and diluted net income per share on a GAAP basis was 12 cents for the first quarter. However, significantly, if you exclude the nonrecurring deal transaction costs that we incurred of $6.7 million our adjusted net income per share for the first quarter would have been 18 cents per share.

Political revenue for the quarter was very strong coming in at $9.7 million. But if you look at all of our sources of revenue for the quarter, every category increased by double digits. Local advertising revenue increased by $14.5 million, 19%, $89.4 million. National advertising revenue increased by $4.3 million, or 24%, to $22.1 million. And as mentioned, political advertising increased by $8.5 million or 733% to $9.7 million.

And finally, retransmission consent revenue increased $11 million or 30% to $47.3 million. Other revenue increased by $2.1 million, or 65% to $5.4 million.

We're particularly proud of our national sales as this is the first quarter that Gray has been solely responsible for handling all of our national sales company-wide.

However, beyond our financial results reported this morning, we issued a subsequent press release highlighting the significant number of journalistic and industry awards that our stations and employees have received recently. Of particular note, I would like to recognize KWTX in Waco, Texas receiving the quite prestigious National Association of Broadcasters Educational Foundation's Service to America Television Award.

And to our station, KOLO, KOLO, in Reno, Nevada for receiving the same organization's Service to Community Awards. These two stations win two of the three total awards awarded by the NABEF and I would like to publicly thank and recognize the associates at both stations for the hard work that earned them this proud recognition.

Further, we have an amazing seven stations that currently hold the title of Station of the Year in their respective state broadcast associations. I encourage all of you to glance through his morning's second press release as the list of our peoples and our stations' achievements are truly remarkable.

As we look forward to the balance of 2016, we remain very optimistic about our results, and what we see is going to be a remarkable political year. While our public guidance. As conservative and prudent we believe the political upside to this year we mean unprecedented. Last quarter we had questions about Donald Trump's self-funding in his campaign and now that he has practically secured the GOP's nomination he has announced that he intends to raise $1 billion or $2 billion for the general. We have no doubt that he could do exactly that.

On the Democratic side, Hillary Clinton has already secured a significant funding advantage over Trump and is already locking down inventory in the weeks and in the months prior to the general election. And with the truly unprecedented nature of this election, every Senate seat and indeed every House seat, will likely be in deep contention. And Gray has a particular well-positioned portfolio of market-leading stations in almost every one of the significant battleground states.

With that, I will bring my hoarse voice and comments to a close and turn it over to Jim. Jim.

Jim Ryan: Thank you, Hilton. Good morning, everyone. I'm going to keep my comments mostly focused as far as Q1 results on what we call the combined historical that is basically the apples to apples comparisons including the Shurz stations which we acquired and the related transactions associated with the Shurz acquisition in the first quarter.

Our total combined historical revenue was up 12%, that was driven by political and retrains. Our local - we were very pleased our core local was up 3% in the quarter as we had said in our guidance. In our last earnings call for Q1, we did expect a soft national - a slightly soft national in Q1 and it was down about 3%, again, given the sheer number of dollars involved in national that's not - that's not a lot of dollars on a percentage basis.

Our broadcast operating expenses on a combined historical basis was $120.7 million, increased about 8% quarter over quarter, that was driven primarily by increased reverse comp to the networks of $5.2 million and our payroll and benefits were up about 6% in the quarter. And I think as we move through the year and payroll and benefits will be able to start seeing some savings in the acquisitions from late last year as well as some modest savings as we - the most recent acquisitions.

On a year over year basis our national rep commission was $1 million less than Q1 ‘15. If you recall in Q4 we took a $6 million plus charge to cover the termination fees on the rep agreements. Almost all of our rep agreements, we’ve got one or two that are longer dated that we’ll deal with farther down the road. And as we said in Q4, that charge last year we will more than pay for it this year in the overall savings we have not only in the year to year comparisons but keep in mind that most of the political revenue comes - has previously come through national rep firms and now that we’re dealing directly on a self-service basis with those political agencies we won’t have to pay the national rep commission on the very, very significant amounts of political we’ll have later this year.

Generally, we are pleased with our main categories. Auto was up slightly if we exclude the acquired stations, medical was up, restaurants were up, communications were down, furniture and appliances were up.

We had very significant growth on a combined historical basis in broadcast cash flow. It was up 11% quarter over quarter. And our free cash flow was up 9% quarter over quarter.

Turning briefly to the balance sheet, we are leveraged as calculated under our senior credit facility was 5.57 times, however, if we netted the full $120 million plus of cash we had on our balance sheet at the end of the quarter that same leverage ratio would 5.25.

And as you recall when we closed the Shurz transaction pro forma-ed at the end of last year at 12/31 netting all cash we were at about 5.5 times so we're already beginning to delever as we expected from the acquisition, and as we've talked about before, moving forward through the year absent any significant acquisition activity on our part and assuming we take our free cash and pay down our debt we would expect to be in the lower 4s on that leverage ratio by the end of this year.

Total debt at the end of the quarter was $1.65 billion. We had $980 million of senior debt out and $675 million of bonds. The bonds come up on their second call date October 1 of this year. And as we've said before, we'll be thoughtful about that as we get closer to the second call date.

Turning briefly to the guidance for second quarter, we see our core local up a little bit in the quarter continuing the same trend we saw in first quarter we think our national will be down slightly. All in all, we're not displeased with what we're seeing for second quarter. We had a - what I would describe as a slow April both local and national were down. We have what appears to be a healthy May shaping up with local and national both up in low single digit territory.

Local is also up appearing to be up low single digit territory in June as well. The combined effect of a good May and a healthy June though is not going to quite offset the slow April we had. And to some extent, we saw the same thing a little bit on Q1 where our January was a little slower and the rest of the quarter picked up. There's really nothing in April specific, it seemed to be fairly broad based but we're pleased to see May doing well and a - looks like a pretty good June shaping up as well.

At this point, I will turn it back to Hilton. Hilton.

Hilton Howell: All right, thank you, Jim. My phone was on mute, I apologize. That's great. Operator, would you open up for questions.

Operator: Thank you, sir. Ladies and gentlemen, the question and answer session is conducted electronically. Please press star 1 to get into the question queue. We'll pause just a moment. We'll take our first question today from Aaron Watts with Deutsche Bank.

Aaron Watts: Hi, guys. Thanks for taking the questions. Just two quick ones for me. Jim, within the core growth that you were talking about kind of moving from 1Q to 2Q, I know you said you couldn't pin down too much on why April was a little slower. But can you maybe talk about how auto trended or is trending in the second quarter? I think it was, what, approximately flat in the first quarter. Jim, you might be on mute.

Jim Ryan: I apologize, I was. Aaron, for the quarter, again, April was kind of broad-based slow. Obviously with auto being a large part of our business it was down a little bit reflecting the overall slowness in April. I think for the whole quarter it should not be dissimilar to where it was in first quarter, probably flat to up slightly right now and that may be a little bit conservative on my part. But we're not, you know, we're not overly concerned with the trends we're seeing in auto.

Aaron Watts: And what percent of revenue is that now - or ad revenue?

Jim Ryan: Auto runs for us in the low 20% of low to mid 20% of total ad sales for us, pretty consistently year in and year out.

Aaron Watts: And how does that compare if you think back to kind of pre-recession peak levels of auto? Is that about what it was back then?

Jim Ryan: Yes.

Aaron Watts: All right, and then just the other question I had on - your national rep business in house, recognizing it's early days and political is probably moving that around a little bit but any initial thoughts on how it's performed relative to your expectations?

Jim Ryan: We've been actually delighted in how we're performing. We've been getting good feedback from the national agencies we've been dealing with. And so we're very pleased with what we're seeing. Several agencies have, you know, provided feedback that the service level and the response times are better than what they had been. So we are delighted at where we are in that process at this point in time.

Aaron Watts: Okay, and one more if I can probably just tied to that a little bit on the rep side, as you think about the cadence of political, can you talk about the ebbs and flows of your expectations 2Q to 3Q to 4Q?

Jim Ryan: Yeah, I think first of all we were very pleased with what we ended up with in Q1. It was a little bit better than we had expected. As you know, when we give political guidance for the quarter we generally are a little conservative just because it is difficult to predict it. It's always very last minute business. In general, what we're seeing in Q2 I think is just reflective of the timing of the primaries and the primaries dragging out a little bit.

You know, if we would have - if you had asked us in December we would have been expecting to be in more or less general election mode at this point in time, and that's just beginning to shake itself out. So I think there's a possibility for a little upside late this quarter if, you know, as maybe Trump starts gearing up more in general election mode.

Third quarter spending for political would be up significant over the first half of the year. And as we've said consistently for many years, historically half of our political revenue has come in in the in the fourth quarter. And we're still very comfortable that we will do better than the $143 million that we had pro forma for all the acquisitions in 2012.

Aaron Watts: Okay great. Thank you.

Operator: We'll go next to Marci Ryvicker with Wells Fargo.

Marci Ryvicker: Thanks. Jim, you talked about May and June, how much visibility do you have, so how much inventory is booked at this point for both months?

Jim Ryan: May is probably at this point around the 85%-90% of where we expect to end up. June is - and this is - those levels are very typical, Marci. And June also very typical levels are probably in the, you know, 60%-70% range right now.

Marci Ryvicker: Okay. And then in terms of M&A I know you're in the auction and but a lot of people in your markets are not, so I'm assuming it's slow all over or do you see a little bit of activity in some of the smaller markets?

Jim Ryan: Kevin, you want to - you want to take that, Kevin?

Kevin Latek: I'm sorry, can you repeat that question, Marci?

Marci Ryvicker: Just I've been asked if in the smaller markets where there may not be as many participants in the auction maybe there's a little bit of activity that's going on that we're not hearing about in the larger markets where there are a lot more participants in the auction.

Kevin Latek: Marci, I would say that there's not really basically more or much discussion at all, there's only some conversations taking place I think at all levels. But it's extremely muted compared to last year. The FCC has been very clear they're not going to process applications for station transactions if someone filed an auction application. And it's a lot of folks made it very clear they were filing auction applications whether they intended to participate or not. So even if folks find - were thinking they might sell they're now kind of locked out of that process until later this year.

And we have, as usual, people would - stations that we would like to buy being the number one or strong number two stations looking at political revenue being extremely strong this year. So for those two reasons they still think people are mostly sitting on the sidelines in terms of thinking about transactions whether they're in small markets or large markets, whether they're in a spectrum necessary market or a - a free market. The folks are just kind of sitting around.

So I'd say, you know, as we say, we're always talking to people in any given day, we're always looking for opportunities to grow the company in a prudent manner. It's not taking as much time certainly now as it did before. And we don't see that situation changing much until we get to the end of the year.

Marci Ryvicker: Got it. And then my last question, now that you don't have the (CAS) agreement, Jim, it sounds like just in general your national dollars are higher margin, is that the correct interpretation?

Jim Ryan: Yes, by definition they are because we're not paying, you know, amid single digit commission rate on those national dollars.

Marci Ryvicker: Okay and it's just the typical commission to your own sales force, correct?

Jim Ryan: That - that's partially correct. I mean, there are - there is a person at each station that was already in the station staff that is handling the day-to-day responsibilities for that national business. So the - actually the incremental cost to them and how we compensate them is not significant. Certainly massively less than the commissions we were paying historically to the national rep. And as we said in our Q1 call, we have hired only two additional people specifically to work company-wide on the national business.

One is a political specialist who's been doing very good work for us on the political side. And the other is a - I would describe as a as a sales generalist, not a political specialist. And so that's the entire incremental effect to our payroll. And trust me, I think as Kevin said quipped in the Q1 call, we're not paying those people millions of dollars either.

Marci Ryvicker: Got it. Thank you very much.

Operator: We'll take our next question from Kyle Evans with Stephens.

Kyle Evans: Hi, thanks. Jim, I know we're looking at a new definition for local core going forward but maybe you could ease us into this new reporting convention a little bit. People appear to be spooked by it today. Your same station comps last year were running at about 6% on core and that's going to 3% in 1Q and it looks like the guide is for zero to one and those both include Internet. Could you talk about the Internet assumptions in the guidance and how Internet performed in the first quarter?

Jim Ryan: Yeah, Internet - what we used to call Internet - performed to our expectations. But as we've been looking at that and as we've talked about on many calls, our digital revenues are all locally sourced in our individual 50 markets, they represent local advertising availabilities in those markets, whether they're a, you know, an ad placement, a pre roll, a whatever, mobile sponsorship, but they're all - all of that revenue has always come directly from the local markets and being sold by our local sales staff.

So we finally came to the conclusion it just made sense to put it all together and call it local just because it is, at the end of the day, all local ad sales coming out of our local markets individual markets.

Kyle Evans: But you said it performed to your expectations. I mean, it was flat ‘15 off of ‘14, did you expect it to be flat?

Jim Ryan: It was - pardon me, I just had to look to the right line here. No, it was up a little bit. But keep in mind it was - even if you looked back to the historical numbers, I mean, you’re talking about less than $10 million so it was up low mid-single digits. We were pleased with it. But it’s not a - it’s not a big component to our revenue mix. And quite frankly, it never has been. But then again as we’ve talked many times it’s actually high margin revenue for us. We do make very good positive cash flow on that particular product offering we have.

Kyle Evans: Okay, and I know national isn’t a big piece of your business but down national core seems to be a pretty consistent trend for the peer group. Could you talk about what’s driving that for Gray and maybe how that’s different or same versus your peers?

Jim Ryan: I wouldn’t describe it as any one big driver. It - a lot depends on what market we’re talking about and the vagaries of the markets. The other big thing I think probably bigger picture would be that certainly there is - there may be some shifting at least right now the last few months, the next few months. There may be some shifting of dollars from the - from mid to smaller markets up higher in the market scheme. It’s hard for us to tell. We see peers talk about soft national too so, you know, but I also haven’t heard of anybody like us specifically say it’s such and such a category. It feels like it’s - for us it tends to be semi broad based. But again it’s not large dollars.

You know, quarter over quarter on a combined historical basis down 3% is really saying down $800,000 and we say more than that in the rep commission year over year.

Kyle Evans: Seems like we heard telco weakness from a couple of your peers and you were down 12% reported in on a combined historical. What's going on in communications?

Jim Ryan: I think that's the mix of budgets by the big guys and their marketing efforts.

Kyle Evans: Mix by market size or mix by media channel or both?

Jim Ryan: I can't necessarily speak by media channel but I think definitely, you know, our markets, you know, some of the big players that were active last year left active and we have seen in communications from time to time a fair amount of volatility as I said, as a Verizon or an AT&T or name your big company either moves in with a product offering or ratchets it back.

Kyle Evans: Okay two more quick ones and then I'll get out of the way here. Any update to your unit volume in retrans, that's historically be flat to slightly up. How has that held up?

Jim Ryan: We see it still all on the same trend lines as basically stable.

Kyle Evans: Great. And then last how should we think about the variable expense associated with political? I know there's been some discussion about (CATS) and national agencies and I'm just kind of looking for an incremental margin on that revenue as it hits in the back half. Thank you.

Jim Ryan: Well this year we will not be paying national rep commissions on the political revenue that would have in - like in '12 or '14 or '08 or '10 would have come through the national rep firms. And while it isn't 100% - while that historic business was not 100% of our political it was - by - well over half of it, much more than half of it.

So one way to think about it - and it doesn't necessarily show up in a year to year comparison, but, you know, we're saying $143 million plus of political this year, a lot of that would have gone, in prior years - had we maintained the rep firm, the vast majority of that $143 million would have gone through the national rep.

You figure there would have been - even if we had renewed our agreement, I'm not saying the rate would have been the same as the historic rate. It probably would have come down. But you're still talking about a commission rate somewhere in the low middle single digits to mid-single digits I would presume. So, I mean, I know it's a kind of an imprecise answer because you'd have to think through several variables.

But I mean, the bottom line is by switching off the national rep and going direct we're going to - we will not be paying national rep commissions on millions upon millions upon millions of dollars this year so that's a huge benefit to us. And it's exactly why we took advantage of our termination clause at the end of last year when we had the opportunity.

Kyle Evans: Great, thank you.

Operator: We'll go next to Jim Goss with Barrington Research.

Jim Goss: Thanks. Say, the - I presume the core - the core local up a little type guidance does include Internet and digital. And is there a sense as you're making this transition of how much that actual broadcast - or ad revenues are in that mix? Are they actually flat or down a little bit?

Jim Ryan: What we used to describe as digital is probably up a - is up a little bit. But again, Jim, the amount of dollars we're talking about in relation to the total amount of local - what we're now calling local that we're guiding to, which was, you know, $104 million, $105 million, I mean, it's not - it's not the big drive in the overall equation.

And as I said earlier, we're, you know, we had a slow April across the board; May is very healthy and June is - and local is in positive territory. So it's - the overall impact on the quarter really reflects a slow April.

Kyle Evans: Okay. And as you approach the political peak, in terms of crowding out, which categories tend to be most affected? Have you noticed any pattern over the years?

Jim Ryan: First would be - as far as a category - auto because auto advertising loves a strong newscast. And that's exactly where political advertisers want to be as well. But we had seen that pattern every political cycle, you know, we've ever had. And especially our local advertisers, auto advertisers, they know that cycle as well as we do. So it's not a surprise to anybody in, you know, September and October, especially October when politicians are trying their best to buy 100% of our news inventory.

Kyle Evans: Okay. One - the tax rate was down in the quarter. Is there any pattern we should expect for the balance of the year in terms of tax rate?

Jim Ryan: Nothing pronounced. I don't - I don't have it in front of me but it was about just shy of 40...

(Crosstalk)

Kyle Evans: ...was it?

Jim Ryan: Yeah, I don't think there's going to be a huge change in that quarter to quarter.

Kyle Evans: Okay. And lastly, auction strategy, is there any sort of motivation you have or anything you'd like to present as your approach to this?

Jim Ryan: We are in a quiet period mandated by the FCC and we cannot make any comment whatsoever on the auction.

Kyle Evans: Okay. Thanks very much.

Operator: We'll go next to Leo Kulp with RBC Capital Markets.

Leo Kulp: Good morning. Thanks for taking the questions. I just had a couple quick ones around modeling in the back half of the year. So when we look back to 2012 when there weren't any acquisitions, there was a slight decline in broadcast OpEx between 2Q and 3Q and some growth in 4Q. As we look to the second half of this year, it sounds like there's going to be some savings on acquired stations last year. And some, you know, but of course some political commission.

So putting it all together, is it fair to expect a modest decline in operating expenses in 3Q and 4Q on the core side with some increase around commissions for political?

Jim Ryan: I think core might moderate a little bit as we get - at the back end of the year. There would be, as you said, probably a little uptick especially in Q4 on incentive compensation that would be reflective of the final political numbers. But in comparison to prior cycles the uptick because of the political and the expense line isn't going to be as - quite as noticeable in like '12 or '10 or '14 for that matter because we aren't going to be paying the rep commission on the national political and that rep commission historically went through the (TD) operating expense line.

Leo Kulp: Got it, thank you. And then secondly can you talk a little bit about how reverse comp is trending? I think you've spoken in the past about a 50% payout ratio but it looks like you might be a bit below that now. So can you just kind of give us some updated thoughts around that?

Jim Ryan: In the big picture for us this year and next year we still think the, you know, it's around 50% at the end of the day. It might be a touch lower one year. I mean, but basically it's a 50/50 zip code area. I think clearly our affiliation agreements are all out longer term as we've talked about many times. We have a big repricing ability at the end of '17 going into '18 of over 6 million of our - over 6 million subs to reprice.

So it's way too early to predict that pricing but certainly we're expecting a real good year in '18 on our gross retrans number. And, you know, so we - I still think we're probably in that 50/50 zip code even out through at least '18. Kevin, you may want to add to those comments.

Kevin Latek: I think you pretty much covered it. I don't think I have anything additional to add. We're, you know, that one page in our deck I think does a pretty good job of providing visibility on our retrans expiration date subs and network affiliation agreements on the following page, both a fair amount of transparency, certainly the most we can provide on our expected retrans revenue and cost. And, again, the - we all have high expectations for retrans growth. I think all of our peers have said that as well. We don't see anything that will alter our expectations at this point but we've given as much guidance as we can right now based on the contracts that are currently in existence and our own expectations about where the markets are going.

Leo Kulp: Got it. Thank you.

Operator: We'll take our next question from Robert Maltbie with Singular Research.

Robert Maltbie: Hello, gentlemen. Congratulations on a historical quarter.

Jim Ryan: Thank you.

Robert Maltbie: Firstly, wanted to ask, you know, we have seen a bit of softness Q1 in the overall domestic economy, half a point of GDP growth pretty lackluster. And in trying to calibrate organic I guess growth or sales growth ex-your acquisition, Shurz acquisition, do you have any metrics there that would provide some guidance?

Jim Ryan: What we said many times is we think of basically core growth whether it's - and here I'm talking about all in, all transactions, basically the company as it exists today, given the strength of our stations, we would expect on a - I want to make this clear this is a long-term trend line expectation of ours, there's certainly it is - would be some, you know, up and down quarter to quarter. But we, you know, our view is that at the very least we would be growing in core at GDP and quite frankly slightly above GDP on a long-term trend line. And the growth above GDP is because of the strength of our stations and the strong position we have in the local markets.

Robert Maltbie: I see. Regarding the Syncbak acquisition addressing over the top, what can we expect moving ahead, a more strategic investments and what do you foresee as being a, you know, an impact?

Jim Ryan: Kevin may have some comments on that. First of all the Syncbak investment we made is small, it was $3 million. We viewed that as a - essentially a technology play for us in that they have technology we were very interested in and our view is by making the investment that technology will be - we will be getting access to that sooner than otherwise and we can benefit from that in the long run.

And as I said Kevin may want to add to some more comments.

Kevin Latek: I would add that Gray has not created an in-house venture capital fund and has no plans to do so. We're not looking to make investments in the digital space or other areas outside of broadcast television. This - the small investment at Syncbak is a one-off opportunity for the reasons Jim mentioned.

I would only add that the technology that Syncbak is pushing out is not only something that we think it's important for us to get behind and to use and get access to we felt that being a part of that launch would also help the rest of the industry rally behind the new technology which in a - at a very, very high level allows us to put our signals into the cloud and from the cloud allow anyone from (CBSO) access to Sony or YouTube or Apple or whomever wants to access our signals ((inaudible)) product to get the broadcast signal directly from a cloud instead of having to run separate feeds into each of our TV stations or pulling the feeds out of somewhere else.

So we thought getting behind it would sort of expedite or put a little fuel behind what we think is really winning technology but you should not expect that Gray is going to be investing in digital or other businesses down the road. This is absolutely a one-off that made fantastic sense for us and we don't expect to see anything like this. Not to say - I don't mean to say never say never, but don't read too much into this small investment as a change in strategy in any way.

Robert Maltbie: Thank you. And finally what would be the gross amount of the savings on the rep commissions saved over the last 12 months or for fiscal year 2016?

Jim Ryan: Bear with me one second. On a combined historical basis 15 national rep commissions would have been a little over $13 million. We will, you know, have - again, we have a couple of national rep agreements still out there that were longer dated that didn't make sense to terminate yet. But on a - again, on a '16 combined historical basis we - on those particular agreements we'll probably be paying approximately $1 million in commission.

But the key takeaway is that we won't be paying national rep commission in '16 well over $100 million of national political revenue, you know, so there's a - there's a huge savings there for us on a go-forward basis that doesn't translate into necessarily a year over year savings for us if you understand the distinction I'm making.

Robert Maltbie: Yes, thank you.

Operator: We'll take our next question from Barry Lucas with Gabelli and Company.

Barry Lucas: Thanks very much. Jim, could you just remind us of what the step-down is in the premium on the bonds in October?

Jim Ryan: Yes, just a minute. I have to admit, Barry, I didn't have that on my cheat sheet so just a minute, let me quick look it up for you. Is there another question in the meantime?

Barry Lucas: Sure. Throw this out for Hilton or Kevin, and that is you identified a number of acquisitions made over the last two and a half years and just wondering what the real appetite is going forward once the auction is completed? How do you see the company progressing? How big and do you have any interest in the properties that will be divested out of NextOn Media General?

(Crosstalk)

Kevin Latek: No go ahead, Hilton.

Hilton Howell: You know, we think the merger and acquisition world is going to become much more aggressive at the completion of the auction. We have ((inaudible)) stations next to our Media General merger. Whether or not we'll be able to play there or not I don't know but they have some stations that Gray would clearly be interested in.

In terms of our long-term strategy, we do remain very committed and focused on growing the profile and the profit profile of our stations. In terms of ultimate size, we have no stated goal of reaching the cap or doing anything else like that. But we do have the stated goal of growing and building our company and with stations that are similar in profile to those we have in our portfolio today.

We're always looking and we may end up having a few announcements down the road and some may be fairly soon. But in general the closing of those will be postponed from what we understand until the end of the auction process. And so that will slow down that piece of it.

But we do firmly intend to remain focused on growing our station portfolio and expanding our geographic reach. And we think that the course of this year is going to delever the company fairly substantially after closing on the Shurz transaction mid-February and that will give us draw power by the end of the year to prudently make more investments. Kevin, you want to follow up with that?

Kevin Latek: I would just second what Hilton said. And just add that we think that the post-auction environment for station acquisitions will be different and better for us than what we've seen over the last few years because the other companies that we would typically compete with for high quality properties are no longer in the market for the most part.

Next will be near the cap, Media General will no longer be a buyer, (Lynn) will no longer be a buyer, Shurz is no longer a buyer, (Sinclair) is close to the cap so we think as good properties come online there's no too many other folks out there who are in a position to buy some of the better properties that may become available. So we're particularly - we may have some good opportunities at good multiples down the road.

Obviously no assurance that that will be the case but we just don't see a lot of peer competition for some assets that we would have seen if things came on the market a couple years ago.

Barry Lucas: Thanks for that color, Kevin.

Jim Ryan: Barry, going back to your specific question, the bonds are currently callable at 105.625 in the second call date starting October 1 the call is 103.75 so there's obviously a significant step down for us not many months down the road.

Barry Lucas: Great thanks, Jim.

Operator: And we'll go next to Dennis Leibowitz with Act II Partners.

Dennis Leibowitz: Yeah, thank you. The stock is off almost 10% based on the second quarter guidance. And I guess it's a mix of the core, the political and the expenses. I wonder if you could say I guess first of all is the second quarter outlook less than you would have expected before, and which of those elements is most important?

Jim Ryan: The - first of all the expenses are right about where we expected them. The political is obviously a big driver in the quarter but political obviously, as we said, that's more of a reflection of the length of the primary season and what primaries were up in Q2. We think certainly our guidance for Q2 in political is conservative and I think there's room to the upside if the main candidates shift to more of a general election mode later in the quarter.

And obviously that remains to be seen and is difficult to predict. But we're very, very comfortable overall about the political for the year and so quarter over quarter variances even - we're not troubled by it and the dollar amounts we're seeing right now are about in the range we would have been expecting.

Core we're - our local being up slightly I think we take that as a positive sign. We - I think it is a little bit reflective the second quarter reflective of the overall economy a little bit. And as we said, we had a slow April, a good May and a healthy June looks like it's shaping up so it's just a case of a slow out of the box start in Q2 for us. So we're not overly concerned with the trends we're seeing so far.

Dennis Leibowitz: Thank you.

Operator: And, ladies and gentlemen, with no questions in queue at this time we'll remind everyone it is star 1 if you would like to ask a question. And we'll go next to Mitch Fitter with Aegis Capital.

Mitch Fitter: Hi, guys. Just - has there been an increase in the amount of shares outstanding? And if there has, can you just give us a little color on why that is?

Jim Ryan: We did have a public offering in March of 2015 so I'm not sure what historical numbers you may be looking at. But that was the last significant share issuance we've had.

Mitch Fitter: Right. So the acquisitions you haven't given stock on some of these acquisitions it's basically been cash?

(Crosstalk)

Jim Ryan: They've been - yes, that's correct. They have been cash purchases.

Mitch Fitter: Now are you generally - is the management team generally disappointed with the price of the stock over the last, you know, couple of years? Doesn't seem to have - it gyrates back and forth. And you're building - you're building a very significant company but the shareholders don't seem to be being rewarded. So is it a function of trying to pay down that debt or is this just something that it's a longer term story where - once you reach a point where you have enough stations you're going to - you'll be able to reduce G&A and make, you know, get the stock price higher? I was just wondering if you could comment on that.

You don't pay a dividend to the common shareholders so, you know, they're holding on for growth and it doesn't seem like the stock has really performed all that well. And I know you guys are very proud of what you've accomplished but it doesn't seem like the shareholders are benefitting.

Hilton Howell: Well, Mitch, this is Hilton. Let me start with that. Actually we're very proud of where our - what our stock has done over the last three years. We've been disappointed with what's happened to the course of this year. It's kind of difficult for us to truly understand it because our numbers continue to be, you know, at the top of the industry. Right now we do not pay a dividend. We do have a stock buyback program. But both of those are issues that will come to pass in time.

We still believe that the best use of our free cash flow is to continue to grow the footprint and the profile of the company. I do know that at the end of the first quarter we had - we found out that we had some relatively significant selling from funds that had very, very low basis in the stock. And I believe, and we believe, that that was purely, you know, just ((inaudible)) on their part.

But I can assure you that we're working each and every day to grow the shareholder value of this company. And so it really is our top concern. But we believe that the best route to ultimate lasting value is by creating a company that has got a footprint and profile that is really second to none in our industry.

And so we're going to remain focused on that for short and perhaps medium term. But we will be looking at shareholder returns when those opportunities dwindle a bit.

Mitch Fitter: Great. You know, I'm just looking at a weekly chart. The stock has been in - back in December of '13 and the stock was just at about the same level that it is now. So we're talking about two and a half years of no appreciation in the overall price of the stock, unless I'm missing something. But, so but I appreciate your comments and, you know, it - I have full faith that you guys are going to build this into a very significant company even to the point where you're going to have to fend off some potential acquirers.

Hilton Howell: Well, Mitch, why don't you look at it this way. I think it's a dang good buying opportunity and why don't you and Aegis step out and just kind of pick up some because we're going to make it worth your investment, I promise.

Mitch Fitter: Okay good, that's good to hear. I'm finished with my questions. Thank you.

Hilton Howell: Thank you.

Operator: We'll go next to David Atterbury with Whetstone Capital.

David Atterbury: Hey, guys. Can you hear me okay?

Hilton Howell: Fine.

David Atterbury: Kind of picking up on that line of questioning, and also in light of the very attractive M&A backdrop that you're describing, how are you all thinking about using equity or hopefully not using your equity as a source of capital to complete M&A? And that might be one concern people have overhanging on the stock is that there could be issuances coming because the, you know, I think the M&A activity is expected to pick up.

So could you talk a little bit about how you view the stock value here? And how you view it as a potential use of capital for any future M&A? Thanks.

Hilton Howell: This is Hilton. I'll start with that and I'll let either Kevin or Jim follow up with their thoughts about it. As was mentioned by Jim at the end of March, on March 31, we did do a secondary and it was intentionally to create the dry powder for us to do all of the acquisitions that we completed in 2015. We have, I think, by nature of the business, and due to the auction, a period of time where this company will delever itself and create its own dry powder.

I don't see - I don't see a need in the immediate future for any sort of equity issuances. And they are not on our radar screen. As Jim mentioned, if we did nothing and no acquisition occurred, by the end of this year we're going to be in the low 4s and if we exceed what I think is relatively conservative projections, we'll be below that. And that will give us ample capacity to make acquisitions as we've gotten larger. So there is no current or projected discussions about using equity to fund what we're doing right here.

David Atterbury: Okay well that's great because we, you know, we are firm believers that the stock is awfully mispriced and cheap down here and I think we're glad to hear that it is not an intended use of capital for M&A. That's great. Thanks, guys.

(Crosstalk)

Hilton Howell: And, listen, we agree with your conclusion. And because we think we're grossly undervalued right now.

Operator: Gentlemen, there are no other questions in queue at this time. I'll turn it back to you for closing remarks.

Hilton Howell: All right, thank you so much, Operator. Once again, I'm sorry about my voice, happens every now and then. But we really do appreciate your time and your attention to our company. We're actually quite pleased, very pleased, with our quarter's results and we have no doubt that 2016 as a total year will hit all kinds of historical records. And we look forward to talking to you next quarter and between now and then if you have any questions reach out to us at any time. Thank you so much and with that we'll sign off.

Operator: Ladies and gentlemen, thank you for your participation. This does conclude today's conference. You may now disconnect.

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