GRAY TELEVISION, INC.

Moderator: Dottie Boudreau
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Operator: Good day and welcome to the Gray Television's Fourth Quarter 2017 Earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Hilton Howell. Please go ahead.

Hilton Howell: Thank you, operator. Good morning everyone, I am Hilton Howell, the Chairman and CEO of Gray Television. Thank you so much for joining our first quarter 2017 earnings call. As usual, I am joined today by our Chief Financial Legal and Development Officer, Kevin Latek and our Chief Financial Officer, Jim Ryan.

We begin this morning with a disclaimer that Kevin will provide. Kevin?

Kevin Latek: 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 statements as a result of various important factors. Such factors have been set forth in the company's most recent reports filed with the SEC and included in today's earnings release.

The company undertakes no obligation to update these forward-looking statements. Gray uses its Web site as a key source of company information. The Web site address is www.gray.tv. We will post both an audio recording and a transcript of this call on our website.

Included on the call will be discussion of non-GAAP financial measures and particular 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 and their analysis and evaluation of our company.

We include reconciliations in the non-GAAP to the GAAP measures in our financial statements that our available on our Web site. And I will turn the microphone to Hilton.

Hilton Howell: Thank you Kevin. We begin this morning with the announcement of our latest acquisition of a very high quality television station in a dynamic mid-size market. In particular, we have reached an agreement with Mount Mansfield television to acquire WCAX-TV, the CBS affiliated television station in the Burlington, Vermont/Pittsford, New York market, which is the 97th ranked BMA for $29 million.

The purchase price multiple included expected synergies is less than six times expected blended 2016/2017 pro forma broadcast cash flow. In fact, this transaction will be leverage neutral for us. We anticipate closing the transaction in the third quarter of this year. Quite simply, we are thrilled to be able to acquire WCAX and we are equally excited about our acquisition of WBI in Bangla, Maine and WCJB in Gainesville, Florida from Diversified Communications, which closed this past Monday.

These three televisions are truly institutions of record in their local communities and they have been led for decades by some of the dedicated families in broadcasting history. We are confident that WCAX, WABI and WCJB will prosper even further with the full resources of Gray Television behind them.

A particular note to me, this acquisition leads Gray to the first time in its corporate history had three New England stations. And all three of those New England stations have some of the highest political revenue in their markets. And we are quite excited about that.

It moves us into New Hampshire for the very first time in the Northern part of that state. And we add to our operations in Maine, which is a politically sensitive state during the presidential election year. The Gainesville acquisition adds another Florida station to our panhandle concentration and we’re very excited about its dominance in its local market.

The first quarter of 2017 has been a very busy and noteworthy few months for us. While the year began slowly and the Super Bowl made for tough comps, or core business generally held up. Overall, our total revenue for the first quarter of 2017 increased 17% from the first quarter of 2016 to a new record high of $203.5 million.

We posted net income of $10.5 million and our broadcast cash flow was $70.5 million. As you know, with our prior earnings call in January, we closed on previously announced acquisitions of WBAY in Green Bay, Wisconsin and KWQC-TV in Davenport with the Quad Cities in Iowa and Illinois. As well as three stations in Fairbanks, Alaska which will join an operations with our ((inaudible)) stations KTUU in Anchorage.

Also in February, we refinanced our secured facilities with a new 556.4 million terms loan a $100 million revolver, which further lowered our cost of capital and extended our maturities. In addition, we announced that month that we anticipate receiving nearly $91 million in proceeds from the FCC’s Spectrum Auction.

A few days later, we announced that we had agreed to acquire WBI and WCJB from Diversified. We began operating those stations of April 1. To fund that purchase while we wait receipt of the FCC auction proceeds, we borrowed 85 million under an implemental term loan in early April. On May 1, 2017, as noted earlier, we completed the acquisition of the two Diversified Television stations. In addition, we finally closed the acquisition of WDTV and WFXX-TV in Clarksburg, West Virginia.

We had been operating the ((inaudible)) stations since June 1. Meanwhile, the FCC has wasted no time recognizing the obvious fact that the broadcast industry and the media landscape generally had changed dramatically over the past two decades.

The FCC already has moved to relax the national ownership cap and announce its intentions to review the local ownership rules as well as operational regulations that have been with us for far too long. While the national ownership cap and ((inaudible)) discount had no immediate direct impact for Gray, we are very encouraged that FCC Chairman, Pai, has begun his tenure with quick, substantive and decisive actions.

At this point in will turn the call over to Kevin Latek and then to Jim Ryan. And after their remarks we will open the line for questions. Kevin?

Kevin Latek: Good morning. As Hilton explained, 2017 has begun another year in which we have been characteristically busy with numerous long term strategic efforts. Through all these activities we remain focused on building the single best portfolio of high quality local television stations.

To that end, I too would like to welcome WCAX to the Gray corporate family. Personally, I want to thank the wonderful Martin Family of Burlington, Vermont for entrusting Gray with the stewardship of this premiere local institution.

Like this latest acquisition, Nielsen February sweeps report provides another example of Gray's high quality portfolio. During February, a Gray owned television station was the highest rated local station sign on to sign off in 42 separate markets.

In all but two markets, Gray owns and/or operates the first and/or second highest rated station sign on to sign off. And in addition in the February sweeps Gray had the number one CBS affiliate in the country, the number one NBC affiliate in the country and the number two ranked ABC affiliate in the country, although that station did happen to rank first in 18-24 and 25-54.

Separately, last week brought more good news when they Radio Television Digital News Association announced this year's winners of regional Murrow Award. The RTNDA reviewed nearly 4300 entries and bestowed awards in 16 categories that recognize the best electronic journalism, ((inaudible)) radio, television, and digital news organizations around the world, including overall excellence, breaking news investigative reporting and excellence in innovation.

We are proud to report that Gray Television stations including WCAX in Burlington one a total of 26 regional Murrow Awards. For context, only Tegna receive more regional Murrow award than Gray among all broadcast donors. Meanwhile Gray like the rest of our broadcast brethren continue to push forward in digital.

Our local digital marketing business local ex marketing achieved premiere Google Partner status in March. This badge is a combination of effort, ability and determination and one that less than 5% of the US digital ad agencies achieve.

Facebook also has highlighted Gray's success in seamlessly integrating local news with its instant articles platform. In fact, Gray Television serves as a Facebook case study for how broadcasters can launch an instant article to better reach their audiences and advertisers.

Finally, as you probably know, we have aggressively and quickly launched every one of our television station apps in the Apple Store, Google Play, Kindle and other platforms, including Roku and Apple Watch. Just recently we added another platform. We moved all of our TV station apps to Amazon's Alexa. In fact, in just the past few weeks Gray Stations have already provided well over 100,000 total briefing to Alexa users.

In recent weeks, we signed new distribution agreements with a handful of over the top providers covering all of our ABC and NBC affiliates. Those agreements provided - obviously provided appropriate economic and non-economic terms for the local channels that the local audiences want to watch.

In the near future, we expect to enter into additional agreements for affiliates of those networks and perhaps for affiliates of our other networks as well. Distributing our stations on OTT platforms should allow us to protect our retransmission revenues while also helping us reach those segments to our local audience who now or in the future may find themselves outside of a traditional MVPD ecosystem.

Turing to the FCC, we continue to expect significant realization of local and national broadcast ownership restriction over the next 12-18 months. We obviously said before support of any effort to reform antiquated regulatory rules that no longer serve the public interest.

Indeed, as Hilton noted, we are encouraged that the FCC took its first steps in the first 100 days of the new administration, even though the ((inaudible)) discount has no practical implications for Gray. We anticipate that the coming months may see significant M&A activity among larger players. Such developments do not however alter our acquisition criteria nor our goal.

Rather we intend to continue our efforts to grow the size and scale of our portfolio with high quality assets in the prudent manner that permits us to achieve great economies of scale, higher return for our shareholder and a more conservative balance sheet.

To that end, I remind you the May 1 closing of the diversified transaction represents our 24 separate station closings since the third quarter of 2013. Thank you for your time. I'll now turn the call to Jim Ryan.

Jim Ryan: Thank you Kevin. Good morning everybody. I'm going to keep my comments brief because I think there's a wealth of information that's already in the earnings release as well as the 10-Q that's being filed this morning as well.

While we're very pleased with our first quarter results, all the revenue lines were better than we had expected when we talked about our Q1 expectation in our fourth quarter call. January in core was up with the very tough Super Bowl comps that we had with 2.1 million last year on our CBS stations going against 600,000 on our Fox stations this year.

February was down as we had anticipated. March ended up and we were pleased to see that. As we talked about on our last call, the business does feel like it's breaking a little later than usual and we're seeing the same type of trend in Q2.

Speaking to our Q2 guidance, our core, we expect to be flat to up slightly. I think that's in general we see that as an improvement over Q1. April started out a little sluggish. May is up very nice for us. We're pleased how May's tracking.

June's a little too early to tell but we're cautiously optimistic. I'll remind everybody that since we commenced a pre-closing LMA with Diversified on April 1, our Q2 guide includes a full quarter of both of the diversified stations.

And as a final note for Q2, we're indicating political approximately a million dollars, a little bit more. We're certainly again very - we're very optimistic that there'll be nice upside in political by the time we get to end of the quarter.

Turning to our leverage, our trailing eight quarter average operating cash flow was 316 million under our credit agreements, net of 23-1/2 million of cash. We had debt outstanding of a million - of a $1.757 billion. Our leverage ratio was 5.56.

If we were to pro forma for a full trailing eight quarter, including the diversified stations and including the Vermont acquisition that we announced today that's still pending, our trailing eight quarter average cash flow at 331 would be approximately 334 million. And that would've given - give us an approximate pro forma leverage ratio of about 5.26.

As we've said before we expect to end the year with our leverage in the very low fives and possibly even get into the high fours. We expect to end '18 in the low fours with leverage with a definite possibility of breaking into the high threes. Again, assuming we take all free cash generated and reuse it to reduce debt over the next - between now and the end of '18.

At this point I'll turn the call back to Hilton.

Hilton Howell: Thank you John. Operator, we'll take time to open up the line for questions.

Operator: Certainly. And at this time if you are on the phone lines and you would like to ask a question you can press the star and 1 on your touch-tone telephone. You may withdraw your question at any time by pressing the pound key. Once again, to ask a question, you can press the star and 1 on your touch-tone phone.

We'll just pause for a moment to allow questions to enter queue. We'll go first to (Aaron Watts). Please go ahead.

(Aaron Watts): Hi guys, thanks. Just a couple questions for me starting with the core ad backdrop. As best you can tell, can you speak to some of the levers or pressure that you're hearing from your advertisers are maybe pressuring down spend at the moment? And I guess you said you seem a little bit more optimistic as you roll through 2Q. Do you feel like that's something that can unfold or a trend that can continue to unfold throughout 2017?

Jim Ryan: We're still somewhat optimistic for the whole year as we go through the back half of the year. Especially in the fourth quarter we will be going against the political displacement from last year that will make the comps or should make the comps a little bit easier.

I think the little bit of sluggishness we're seeing in core, I think I would break it into kind of two larger pieces to talk about. First, as usual in any given year you've got some larger advertisers making corporate decisions. Like we talked about last quarter, Ford took Tier 2 money back to Detroit and took it out of the regional hands.

Things like that come and go just like a fast food restaurant or two may decide to go to national cable or national network or then they decide from there they're going back to TV. So, those trends that we talked about last call are where we're still seeing. Their normal in the business.

If you kind of go then to our pure local, I think, I mean, it's feeling okay to us. There's no big red flags coming up from the markets. We still think it's a little bit of mid to small town mainstream still wanting to understand a little bit more clearly exactly what the path from Washington is going to be. Whether it's healthcare reform, tax reform, any other kind of reform.

They're a little bit in a wait and see mode as near as we can tell. And so, part of it just like we saw in first quarter, they may not want to be buying 13 weeks at a time. They may be buying six or seven and then they come back and heavy out towards the end of the quarter. We think second quarter's going to follow a similar trend.

And I think as the year goes on and people get more information that they then can synthesize as to what it means for their business. I think we probably pick back up a little bit and get back to a little bit more normal pattern.

(Aaron Watts): Okay. That's helpful. And then just one quick add on to that. Auto I think you said on an apples to apples basis was unchanged in 1Q. How's that trending in 2Q so far?

Jim Ryan: Right now, it's down a little. If we went back to about the same period in Q1 I probably would've ended up saying the same thing. So, we are, you know, we're kind of watching June. It's too early to tell how June is going to do. And that may decide how auto does for the quarter.

It's a little bit mixed. Dodge, Chevy, Ram are up in the quarter. Ford's down as we had expected with the Tier 2 moneyed out so it's a little bit of a mix. But, we're not overly alarmed with anything we're seeing in auto right now.

(Aaron Watts): Okay, and one quick cap structure question for me to end it. You've announced several acquisitions recently, including one today. Has that changed your plan for what to do with the auction proceeds when you receive them? And I guess relative to the term loan that you just recently added on.

And also, can you maintain on that deleveraging track that you described if you continue to be acquisitive? Thanks.

Jim Ryan: First of all, it's our intention at least right now that we will eventually use the auction proceeds to pay down the incremental term loan that we borrowed on to bridge the diversified closing. Now if some good opportunities come up over the next nine months that answer may change. But, that'll be dependent on whether opportunities are there or not there.

Even if we are acquisitive and the transactions are relatively small, I still think we can generally track to those leveraged targets for the end of '17 and the end of '18. If something larger comes our way that might be a slightly different story but that would be obviously fact dependent on a larger deal.

(Aaron Watts): Thanks, Jim.

Operator: Thank you. And we'll go next to (Marcy Rivacur). Please go ahead. Your line is open.

(Marcy Rivacur): Thanks. I know that national is such a small part of your business but it's been weak pretty much all around expect we heard from Lamar this morning they're national is up. So, is the TV industry in general losing share or are ad dollars just not being spent?

And then, secondly, Jim can you give a little bit more color on political and in terms of what may drive the acceleration for the quarter?

Jim Ryan: I'm going to - I'll take the national first on share and then I'll let Kevin comment on the political since he's our in house expert. On nationally actually when we looked at our share in Q1 this year compared to Q1 last year for the - all the markets where we have Miller Kaplan reports which are an industry standard third party audit of a market.

And I guess the good news is our share is pretty much consistent with first quarter last year. Some markets are up a little bit, some markets are down a little bit. Not by much in either case. It looks like a fairly normal pattern right now. So that's the good news. The bad news is what that tells me is that at least in our size markets, yes, dollars feel like they're - they've been shifting a little bit to other medium.

And we talked about that a little bit on, like I said, some of the restaurant categories or with the ford money. But as you've seen in other times (Marcy), when people do that for a time, you know, you wait to few quarter or a year or so and you see them coming back into TV again.

So, time will tell but again the good news is our share is holding up.

(Marcy Rivacur): Okay.

Kevin Latek: Hi (Marcy), on political we have two special house races that we're not expected to be competitive. One in Kansas and then one in Georgia. In Kansas, their Wichita market. The Trump appointee was expect - open up a - we thought a safe seat and did not expect political money there. We ended up seeing several hundred thousand dollars being spent in that market.

Sort of a testament to our strategy of having number one TV station, the independent audit tells us that we received about 78% of all the political dollars spent on that or TV ad dollars spent for that race. So we're happy with the way that turned out.

The other special here in Atlanta, unfortunately Gray does not own a TV station in Atlanta because of spending here has seemingly set records for a special house race. Overall, we've gotten things are a little bit better in political than we expected. It's been basically some issue money around a couple issues in Washington targeting some members of Congress who might be deemed to be persuadable.

We're not, you know, we don't have really high expectations for this year because it's an off year. As we've always said the only truly big race we have this year is between the governor's race. And as always, if we have candidates in the primaries and/or the general that seem to have a shot at it, the money will flow into the race. If it's deemed to be competitive TV we'll benefit.

So, we're - we have some high hopes for Virginia but we're keeping in perspective that this is an off year. So, one governor's race in one state will not be a huge number for this company.

(Marcy Rivacur): Got it. And I have one quick one. There's resurgence of the Sierra cord cutting in the past couple days and the fear that it's going to hit the broadcasters. Can you just talk about your footprint in PTV sub trends?

Kevin Latek: Sure, we said now for some that we don't see cord cutting as a threat. Our sub numbers have been stable for the past several years. We are participating in very limited OTT and direct to consumer products in networks. The uptake on those is infinitesimal. I understand the numbers nationwide are respectable but those are seemingly not coming out of our markets.

So, our - we understand that the commentary's out there. We saw the commentary yesterday. To the extent people are adjusting their MVPD bundles in our markets we think people are rotating to skinny bundles. Get high speed internet access and then the broadcast basic package, which of course by law requires all the broadcast stations. And because we have typically the number one, number two TV station in the market we're always going to be included in those packages.

We get paid for every subscriber, whether they're in a skinny bundle or a fat bundle. We don't have any problem with skinny bundles. In fact, we think our value proposition is higher in the skinny bundles. But we're not seeing this great migration away from paid TV that we read about and read about yesterday and have been hearing about for some of the cable networks.

(Marcy Rivacur): Great. Thank you.

Hilton Howell: (Marcy), could I add one thing to Kevin's comments on political? As I know you recall, after the conclusion of the presidential election year Gray had a miss in our historical comparison to our political numbers. The one thing that the course of this first quarter has proven is the strength of the political dollars coming into television markets.

I live in Atlanta in the sixth congressional district here, it's a wonderful race between Asuf on the democratic side and Handle on the republican side. And the spending is simply through the roof. You cannot turn on either a local broadcast channel or a television cable channel and not see ads in this market.

That was true in the previous congressional race in Kansas as well. And then I was even more hardened when at the 100 day mark President Trump came forward with a couple million dollar buy on television to note that mark. And so, our stock sold down pretty dramatically in the fourth quarter because of this perception that ad dollars were leaving TV to go somewhere else.

And I think this quarter has proven that fear to be unfounded.

(Marcy Rivacur): Got it. Thank you.

Operator: Thank you so much. And we'll go next to (Kyle Evans). Please go ahead.

(Kyle Evans): Hi, thanks. Kevin you alluded to end market ownership rules getting relaxed. What's your best guess at a timeline there? Just a guess. I'm asking for a guess.

Kevin Latek: I'm guessing that the FCC needs a lot of time to write a proposed rulemaking and that they've put other resources on it we'll see something when the summer's over or early fall. I think there is - I think this FCC chairman is highly motivated to get the biannual review started as quickly as possible.

Getting it started this fall. As we go through comment, replied comments, analysis, lobbying, et cetera would put us maybe a year to 15 months away from adoption of new rules assuming they've relaxed some rules, which seems to be a pretty safe bet.

So timeline, I think second half of the year is when we should see the FCC proposing or starting the ((inaudible)) review and hopefully proposing some specific relaxation of the local TV ownership rules.

(Kyle Evans): Got you. You and Hilton are both on affiliate boards. Could you give us just kind of a high level view of what you see in terms of the log jam NOTT kind of coming loose and the affiliates being more broadly included across the options that are out there?

Kevin Latek: The network affiliate boards have been discussing the OTT deals with other networks for well over a year. They have been extremely active negotiations. The folks who "volunteered" to be part of this negotiating committees spent probably thousands of hours on these issues.

These are complicated issues, they're complicated contracts, they're multiple - obviously they were three way negotiations for each deal. Mind you, we have five, six or seven different OTT providers and four networks and seemingly everyone has a different path forward.

ABC and its affiliate association a few months ago reached an agreement on four OTT providers. That was a very encouraging step, as we're represented on that board and voted to recommend all affiliates sign this agreement. We did as well. Obviously NBC's announcement a couple weeks ago that they have reached parameters, some agreements with its affiliate board for a couple agreements. So that's obviously a milestone.

CBS board has been working, I'm not sure if there have been daily phone calls since - for the last six months but it sure seems like it. There's a lot of effort, engineers, lawyers, business folks, at all the providers, the network and the affiliate board. So there's a lot of time and effort going into a lot of work.

Of course at this point no subscribers but we're all highly motivated to be involved in that. And I guess ((inaudible)) point that some folks don't get. These affiliate boards have been around for decades and the affiliate boards have negotiated agreements on affiliate wide basis in lots of different areas over this time period.

So this is not really an usual step, it's the efficient way of getting the affiliate body together on the same page regarding, for example, the launch of this Health Net channel or an exclusivity issue or any other number of issues that impact an affiliate wide process. So, I think we've made really tremendous progress considering how short the time period has been.

And, you know, we're hopeful we'll see more of these agreements for the big three networks coming out in the next couple weeks.

(Kyle Evans): Great. One last one for Jim. Do you have a CAPEX guide for the year?

Jim Ryan: Right now it's consistent to what we said last call. It's 30 to 35 million for the year.

(Kyle Evans): Okay. Thank you very much.

Jim Ryan: Thank you (Kyle).

Operator: Great. And we'll go next to (Jim Goss). Please go ahead.

(Jim Goss): Thanks. This might be in Kevin's sphere. The comment about New England and having additional exposure there made me wonder if there are any other particular geographies you might covet. And sort of on a related basis, are there any geographic synergies and how close in terms of physical proximity there must be for such synergies to be relevant and achievable?

Kevin Latek: (Jim), I think we have a pretty strong presence in all of the purple areas in the country other than Pennsylvania. Most of the toss up house, senate, governor races fall into places in which Gray operates. There are certainly some exceptions.

And, of course, we're always surprised by the break of races such as this Newt Gingrich's old seat here that is being - that is competitive beyond anyone's expectations. So all in all, I think we're - you know, we wanted to be in places where political is important and have the top new station operations in those areas. And other than Pennsylvania I think we've done a pretty good job of covering the map in that direction.

You know, typically if you talk about synergies, it has more to do with an in state issue. If you drive from Bangor to Burlington, that's five hours by car. But if you drive from Bangor to Presque Isle are both in Maine, there's a lot we can do there from a news and sales standpoint with folks in adjacent markets in the same state.

So if you look at our profile you see that we own TV stations in all the markets in North Dakota, South Dakota, Kansas, almost all of Wisconsin, almost all of Nebraska, all of Wyoming, two or three markets in Colorado. That's not an accident, that's very deliberate.

So we are certainly trying to build a strong presence in markets. It helps from our DC bureau but it help from a sales standpoint and certainly helps form a news standpoint.

(Jim Goss): Did any states start to break into areas that might be of greater political interest with this last election and a little bit of a reshuffling for what it meant to be maybe a democrat versus republican?

Kevin Latek: No, not particularly. The places that we're of interest to...The swing states for Trump are generally the same swing states we've had for the last couple presidential election cycles. If anything, Virginia's gotten more blue. It used to be a purple state. But other than that there really hasn't - I don't think we've had a lot of changes out there in the presidential side.

Jim Ryan: I'd actually add something to that (Jim). I think actually the last presidential election reinforced the idea of who are the swing states were because I think that the Clinton campaign took a lot of the industrial Midwest for granted. And part of our miss was that Trump didn't spend and she moved her money elsewhere and then she lost those states.

I don't think there's going to be a democratic nominee ever again to take that so called blue wall for granted. And so I think that our positioning in that area from a presidential election year political ad spend is exceptionally well poised.

(Jim Goss): Okay. And maybe a couple for Jim. There was a note or you noted that on a combined historical basis you had thought your second quarter re-trends revenues should be up about 25%. I was wondering if that would include certain share that would be reflective of benefit from repurchase or from purchase upscaling.

Jim Ryan: Yes, there's little bit in there with diversified being in the mix in Q2 but it's - I mean, given the size of the markets, it's not a big uptick in sub counts for us. So, a lot of that up is just reflective of the deals we repriced at the beginning of this year rather than just an uptick in sub counts.

(Jim Goss): Okay. And the last thing and I don't think this probably is significant for you. But is there any benefit as the networks move to C3 and then to C7 for you relative to your ads or are all of your ads between the programs rather than within the programs? You don't really get any additional benefit from them.

Kevin Latek: You know, Jim I would say that we - locally some ads are sold on a C3 basis. What the networks are doing is not really relevant to us. We don't sell very much at all based on rate. We don't do ratings guarantees. We tend to show what the C3s are but we don't sell based on it. So, the local sales are the bulk of what we do and that's more of a transactional value proposition to the advertiser as opposed to we think we can achieve at such and such a number and ((inaudible)) next Thursday.

(Jim Goss): All right. Thanks very much.

Kevin Latek: Sure.

Jim Ryan: Thank you (Jim).

Operator: We'll go next to (Leo Colt). Please go ahead.

(Leo Colt): Hi, good morning. Obviously you just announced a deal but can you talk generally about the volume of activity you're seeing in the market right now. Is it fairly quiet or is there a good amount of volume out there?

Kevin Latek: (Leo), this is Kevin. There is - we got a number of phone calls when the quiet rule ended from folks that did not really have stations that would fit our acquisition criteria. We really have not seen what we expected which was going to be a lot of activity or a lot of inventory hit the market.

And, we've been asking a couple folks why there isn't more activity and, you know, we don't know. We're not sellers so some folks have speculated that they're waiting for the quiet rule to end and then waiting for the FCC's press release to come out and then waiting for clarity on healthcare and then waiting for taxes.

And, you know, it could well be any number of those or other issues. But, you know, we've seen a lot of folks talking about kind of where they might fit in the world within the next couple months or next year or two. But we've only had this one conversation of something that really fit our acquisition criteria. Hilton, did you want to address the tax issue?

(Leo Colt): Well, obviously there's some questions for folks that look at what Donald Trump is proposing on taxes and that may be slowing some of them down. There's other transactions that are clearly going forward that, you know, we all read about in the press. And there are a number of things.

I think that it's building. I do think there's a little bit of a hangover that effects a lot of things when really fundamental structures of your tax space and your health insurance and everything else are up in the air, and people want to kind of get an idea. Especially the people that own the kind of stations that we're particularly interested in and the timing of when they want to do something.

So we're seeing a number of things and we're working on a few things right now. But, it's not the rush that we expected at the very beginning of the year. But we think the rush is on its way.

(Leo Colt): Got it. Well, thank you both for the color.

Operator: And once again as a reminder, if you do have a question you can press Star and 1. And if you find that your answer or your question has already been answered you can withdraw yourself from the queue by pressing the pound key.

We'll go next to (Lucas Berry). Please go ahead.

(Lucas Berry): Okay. Thanks very much. Good morning. Kevin I was hoping you could provide maybe just a little bit of color with the understanding that the OTT deals are very early in the onset. But, how would you characterize the economics of the deals for station owner relative to traditional rate trends?

Kevin Latek: Again, with the caveat that the economic, the rates are different from operator to operator network to network and our payment that we owe the networks vary based on who the network is and who the OTT provider is. So, at a very high level the OTT deals in order to get I think any of the big broadcasters assigned have to be net positive for us.

The affiliate boards are not surprisingly made up of folks from not only Gray but all the major broadcast groups. And none of us are prepared to do deals that take us backwards. So without commenting to this specifically, we're certainly pleased that our net re-trends on these OTT deals should be incrementally positive to us and to our peers.

(Lucas Berry): Great. Thanks for that.

Kevin Latek: Sure.

Operator: And once more, if there are any further questions you can press the star and 1 on your touch-tone telephone to ask a question. And can pause for a moment to allow any final questions to enter queue.

We do have another question from (David Atterberry). Please go ahead.

(David Atterberry): Hi, guys. Great quarter. Thanks for all the color. Just had a quick question. You know, are you guys open to or how are you thinking about doing anything on a larger more strategic level? Clearly, you're hitting a lot of singles and those are nice. As you get bigger they do have less of an impact.

So I'm just wondering, you know, Hilton, how you, how the board thinks about maybe a transaction on a larger scale like we are seeing some of your peers contemplate in the space. Thanks.

Hilton Howell: Well, quite candidly (David), we had our board meeting yesterday and our board discussed a lot of different scenarios. I think it is a fair comments to say in this business right now that everybody's talking to everybody. And there's nothing that is precluding Gray from a broader more transformative merger to give us really grander scale.

The key for us is that it's the right structure and that it's the right player. I think that Gray is uniquely benefited by having a very, very strong culture, and we have worked very hard to build and enhance that. And there is a number of other players that you could probably guess who they are who have culture similar to ours.

And there's others who have completely different ones and some people look at this business as just being a re-trans play. That is not the way Gray looks at it. We have a solid, solid business with the highest market share and the highest margins than any broadcaster in the industry.

And, while not everybody can have that position because we've got it, there're a lot of very attractive candidates in larger markets, similar size markets and other things that I could see a combination with that would make the resulting company truly powerful and truly a profound player in this business.

We would all be foolish to say that, you know, the pressure that is coming with deregulations not going to force everyone to readjust their sales and what they do. Nevertheless though, Gray is not for sale. We plan on continuing to be in this business and continuing to grow.

And then we'll just have to wait and see what the future brings.

(David Atterberry): That's great. Thanks so much for that response Hilton. I really appreciate it.

Hilton Howell: You bet (David).

Operator: It appears we have no further questions at this time. I'll turn it back to you for any closing comments.

Hilton Howell: Well thank you. Thank you so much (Destiny). I want to thank all you for taking your time to be with us this morning. We are exceptionally proud of this quarter. As you know, when we spoke last, I guess, in January things started slowing and we're very happy that it turned around through the course of the quarter.

And we're very pleased with so many things that we're seeing in the business. And just look forward to the rest of this year and to 2018 with a great deal of optimism. So I appreciate you being with us and I look forward to talking to you next quarter.

Operator: Think you everyone. This does conclude your teleconference for today. We appreciate your participation. You may disconnect at any time and have a wonderful day.

END