GRAY TELEVISION, INC.

Moderator: Hilton Howell
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12:00 pm CT

Operator: Good day. Welcome to Gray Television's Fourth Quarter 2015 earnings call. Today's conference is being recorded. At this time I'd like to turn the conference over to Mr. Hilton Howell, President and Chief Executive Officer. Please go ahead sir.

Hilton Howell: Thank you operator. Good afternoon everyone. Welcome to the Fourth Quarter and Year End 2015 Earnings call of Gray Television.

It was a year of great achievement and record financial results for our company. For both the quarter and year end Gray proudly reported record revenue, record earnings and record broadcast and free cash flow.

For the quarter and year end Gray achieved revenue of $169.5 million and 597.4 million respectively. Also for the quarter our broadcast cash flow was 40 cents per share and for the year $1.36 per share or $67.8 million and $224.5 million respectfully. Net income was 21 cents per share for the quarter and 57 cents per share for the year.

I would also like to remind you that this year's results contained a special charge relating to our termination of our national sales agreements of approximately $6.1 million but we expect to save in 2016 and each year thereafter between $8 million and $9 million of recurring savings from this change.

As we reflect on 2015 we added significantly to our portfolio of market leading stations. Specifically to remind you we acquired KOSA TV the dominant number one CBS affiliate in Midland-Odessa, Texas, KNBT the CBS and KSVT the Fox in Twin Falls, Idaho a similarly dominant station.

We acquired the Fox affiliation and Wausau, Wisconsin which we rechristened WZAW. And which now broadcasts with their CBS affiliate WSAW in that market.

We acquired WAGM the CBS and Fox affiliate in Presque Isle, Maine a completely dominant market and station. We acquired KG-TV the CBS affiliate in Laredo, Texas which is now broadcasting with all of our other affiliated broadcasts in the Laredo, Texas market.

We added KCRG the political powerhouse ABC affiliate in Cedar Rapids, Iowa. And we announced and have closed last week on the purchase of the broadcast assets Schurz Communications.

After giving effect to the required divestitures and swaps that we entered into Gray has just added KWCH the CW affiliate and KSCW the CW affiliate in Wichita, Kansas known locally as K-Witch it is the top ranked and highest grossing station in Wichita.

We added last week WDBJ the CBS affiliate in Roanoke-Lynchburg, Virginia our third Virginia station a similarly dominant number one ranked and highest grossing station in Lynchburg-Roanoke, Virginia.

We added KYTV an NBC affiliate and KCZ the CW affiliate in Springfield, Missouri known locally as K (offering) it is the number one ranked and highest grossing station in that market.

We also acquired WAGT the NBC and CW affiliate in Augusta, Georgia which will broadcast alongside our WRDW CBS affiliate in Augusta.

We moved on and acquired KTUU an NBC affiliate in Anchorage, Alaska, KTUU is the number one ranked and highest grossing station in Anchorage. And in fact it is the most watched and highest grossing television station in the entire state of Alaska. We also had KYES the MyTV affiliate pending FCC approval in Anchorage.

We also acquired KOTA K-O-T-A the ABC affiliate in Rapid City, South Dakota. KOTA is the number one ranked and highest grossing station in the market and will broadcast alongside our KEVN Fox in Cedar - or in Rapid City's.

Through swaps we also closed on WBXX the CW affiliate in Knoxville, Tennessee which will broadcast alongside our WVLT CBS affiliate in Knoxville.

And finally we now own WLUC the NBC and Fox affiliate in Marquette, Michigan. WLUC was formally a part of Sinclair Broadcast Group and is the number one ranked and highest grossing station in Marquette.

We swapped KAKE K-A-K-E in Wichita for WBXX in Knoxville plus $11 million in cash. And we swapped Schurz's WSBT in South Bend where we currently own WNDU the NBC affiliate to acquire WLUC in Marquette.

We also added four new affiliations in Madison, Wisconsin -- the CW in Madison, Wisconsin, the CW in Fargo, North Dakota, the CW in the Alexandria, Louisiana in the CW in Laredo, Texas --

expanding our affiliation with the CW networks 23 markets, making Gray the largest - second largest CW affiliate group in the nation.

I would like to publicly welcome all of these fantastic television stations, employees, viewers and communities to the Gray Television corporate family.

Gray now owns dominant market leading TV stations in 50 markets and broadcasts approximately 180 separate program streams including 35 CBS stations, 26 NBC stations, 19 ABC stations, 13 Fox stations and 23 CW stations.

Gray was also named TVNewsCheck Station Group of the Year for 2016 a recognition that we are quite proud of.

While 2015 was truly year of great achievement it's had its share of sorrows as our long time Chairman Dr. Billy Mayher recently passed away. He was a strong and steady supporter of Gray in our strategic business vision. He will be missed. With that I will turn the call over to Jim Ryan. Jim.

Jim Ryan: Thank you Hilton. Good afternoon everybody. I'm going to keep my comments brief because I think most of the information is pretty well laid out in the earnings release. And our 10K will be filed this afternoon as well.

And I'll focus my comments on the combined historical which gives effect to all of the acquisitions we completed in 2015 the combined historical and the earnings release however would not give effect to the Schurz transaction and related transactions since those are 2016 events.

But in the fourth quarter we were very pleased with our overall results in revenue. Our local was up about 7%. On a combined basis local and national was up 5%. We were very pleased with that. Retransmission was very strong as we had expected all year and had certainly had been talking about along the way.

We were also pleased that our broadcast expenses were tightly managed. And actually if you back out the increase in reverse comp associated with the very strong re-transmission revenue growth in the quarter our actual core expenses were down about $2 million. So we were very, very pleased with that.

On a full year basis again we've been happy with our results. Our local is up 6%. The combined local and national up 4%. We had record setting political on a combined historical basis in 2015 at $17.7 million. And certainly KCRG was a very strong performer as expected for us in that combined historical political number.

As we had talked about in our third quarter call we did terminate our national rep agreements and gone to a direct service model with our stations. We did have in the year a $6.3 million OTO charge that we announced in third quarter. But even if you exclude that charge as well as the increase in reverse comp again our core expenses are actually down year over year. And we're very pleased at that.

During the quarter as well as the year we saw good growth in auto, medical, communications furniture. In general most of our categories were up both on a year to date basis and in the quarter.

Turning briefly to the balance sheet we had $1.2 million debt at the end of the quarter. Our leverage ratio is defined in our senior credit facility was at 5.1 times on a trailing eight quarter basis. And if you - so we were pleased with that. It was in right coming in right where we expected.

And as we have said consistently with the Schurz transaction closing last week our pro forma leverage now is at 5.5 times, exactly where we expected to be.

We had $97 million of cash on hand at the end of the year. And we think we're in a very good position with both the cash and the free cash flow that we'll generate during the course of this year to have the ability to work on our debt balances especially late in the year when the bulk of the political in '16 will be coming in. At this point I'll turn the call over to Kevin for his comments.

Kevin Latek: Thank you Jim. Twenty fifteen as you all know is a transformative year for Gray. In just the first nine months of the year as you know we entered into and closed six separate transactions netting seven television stations in five markets around the country. Then in September we announced the (whole division) take the national sales in house ((inaudible)) a number of times.

Two weeks after that ((inaudible)) out the Schurz transaction just two weeks after that we announced that we had completed a very quick option of the stations with overlap markets that allowed us to swap for stations with the Lockwood and Sinclair that we have been attempting to acquire frankly for some time.

And two weeks after that we announced we completed a second very quick ((inaudible)) that resulted in divestiture of all ((inaudible)) radio stations.

Through the fourth quarter of 2015 and the first three months of this year we have focused intently on obtaining regulatory approval for the Schurz acquisition ((inaudible)) transaction turning a smooth integration into transition of those stations into the Gray family as well as a turning point executing the transition in national sales for owned local stations sales.

We wonder how do we top all of this in 2016? Our M&A activity last year resulted from the confluence of several factors including our equity rate last spring as well as (preferred) timing.

To be clear Gray is not sitting on the sidelines with regards to potential acquisitions. Nevertheless no transactions are imminent at this time. And we do not expect significant activity at least in the first half of 2015.

It appears to us the broadcasters are generally focused on the FCC ((inaudible)) next month as well as a truly interesting and potentially quite ((inaudible)) election season.

One lesson from last year however is that we cannot predict when the phone might ring next with potential acquisition opportunities over the past 28 months Gray has been transformed into a company with ((inaudible)) scale, a high quality portfolio, excellent financial results and a much stronger balance sheet.

As a result we do not feel a vested need to acquire more television stations now simply to grow our footprint. We will instead continue to maintain the same acquisition criteria that has served Gray well, not just for the past 28 months but for the past 20 plus years.

So typically we will only pursue opportunities to acquire number one or strong number two ranked stations that share the wholesome values of our existing television stations and only then if the acquisition can be completed in a reasonable terms and are immediately accretive to our shareholders.

Beyond acquisitions FCC auction will be a big theme this year. The FCC however has indicated a strong interest in only a few over 90 stations. We will focus considerable time energy and attention on the auction over the next few months.

Locally many of our stations are already spending a good amount of their own time fielding orders from campaigns which is good ((inaudible)).

For the presidential election ((inaudible)) most of the airtime in media we want to remind you that there are also a number of statewide elections across our markets especially for the U.S. Senate.

We operate in most ((inaudible)) contested markets. And again we operate the number one or number two ranked television stations in every one of those markets.

And finally 2016 is a transition for us with regard to national sales as you heard from Jim. And ((inaudible)) terminated our national sales reps for nearly all of our legacy stations on January 1 of this year. Let me add today that we have also terminated the rep contract for the newly acquired stations that we closed on this month.

In the fourth quarter our leadership team and a lot of our station managers met personally with nearly all of the national agencies and ((inaudible)). They also planned extensively for a smooth transition national sales in the rep agency to Gray both operationally and technologically. Due in part to this potential planning the transition has gone very smoothly. Our stations are not interacting directly with their buyer. We have received uniformly positive feedback from our stations and buyers. At this point we believe we made an excellent decision.

While 2015 was a transformative and busy year for Gray we certainly expect 2016 will be equally exciting and we look forward to the opportunities before us. And with that I'll turn the call back to Hilton.

Hilton Howell: Thank you Kevin. Operator if we could open up the lines for any questions?

Operator: Sure thank you. If you would like to ask a question please signal by pressing Star 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Again press Star 1 to ask a question. And we'll take our first question from Aaron Watts with Deutsche Bank.

Aaron Watts: Afternoon guys.

Jim Ryan: Hey Aaron.

Aaron Watts: A couple questions for me. I wanted to ask about the advertising environment. It seems like you had local at least slow down a little bit as you moved from 4Q into 1Q. If you could just talk about what you're seeing in that marketplace?

Jim Ryan: We're generally pleased with what we're seeing so far this year. The rate is a little slower as you said from Q4 into Q1. But, you know, keeping in mind that I guess GDP just came out this morning at plus one and we're showing local at probably closer to plus three. We're not dissatisfied with that. And we just came off of a general manager meeting earlier this week and I'd say the tone was good.

What we did see in the quarter is that January both local and nationally started a little slow. And then things picked up in February and, you know, March. So - and that sometimes will happen in January just it takes a little while for people to get over the holidays and get back to work.

Aaron Watts: Got it. Okay, that's helpful. And then as you look at the national side recognizing you're going through a transition there with how you're approaching it can you talk about some of the dynamics there what's weighing on national that more than what you're seeing on the local side?

Jim Ryan: Well you've got to keep in mind first of all the national number is pretty small. So even if it's down a little you're literally only talking about a couple hundred thousand dollars difference or a few hundred thousand dollars difference.

So fluctuations like that in national are going to come and go quarter to quarter. It has absolutely nothing to do with our transition as Kevin mentioned. Our direct serve model is going very well.

And actually many agencies have, you know, have commented about how well pleased they have been so far with that transition. So we're not going to worry too much about national. The thing we're going to really look at and focus on is the local.

Aaron Watts: Sure. And then one last one for me and it's a bit bigger picture and I've run this past your peers as well. But with the financial markets choppy concerns around the economy if things were to take a turn for the worse I'm curious how you think about your current mix of business and their footprint versus where Gray was back in '08, '09 and that timeframe and your ability to sustain a pullback in the economy in advertising?

And Jim maybe tied to that I know debt that leverage levels got uncomfortably high through the last downturn. How do you - how does that leave you thinking about your leverage now and where you'd like to take it over the next maybe a year or two?

Jim Ryan: We're very comfortable with our leverage right now at 5-1/2 closed all in with Schurz. And as we've commented publicly a couple of times that will go down lower by the end of this year significantly lower into the fours if you assume we take all of the free cash flow we generate this year and pay down debt.

As far as footprint positioning of the company now versus, you know, call it '08, '09, '07 I would point everybody to slide 22 in our investor presentation that's posted. And it's the one that's labeled February 2016 that's our re-transmissions slide.

And in 2016 on a net basis we have over $100 million of net re-trans revenue flowing to the bottom line. And in 2008 obviously it was a very, very different company and didn't have nearly the size of the footprint but we only had $3 million in 2008. So we've got $100 million of net additional cash flow now than we had before. That makes me very, very comfortable with the positioning of the company even if the macro-economy pulls back for a little while.

Aaron Watts: Got it okay. Okay and just want to clarify on that you're going to generate a lot of free cash flow this year. To the extent you don't have acquisition opportunity is deleveraging going to occur not only through growth in the business but also real actual principal debt pay down?

Jim Ryan: Absent M&A activity I would expect that yes.

Aaron Watts: Okay great. Thanks for taking the question.

Operator: And next from Wells Fargo we have Marci Ryvicker.

Marci Ryvicker: Hi. Thanks, a couple questions Jim. Political came in a bit better in the fourth quarter relative to the guidance and then it looks like it's decelerating into Q1 looking at the Q1 guidance. So can you just talk about maybe a timing difference in how we should think about Q1 maybe for the rest of the year just so that we get our model sort of settled out?

Jim Ryan: Yes. Of course we're always a little bit conservative on political quarter to quarter simply because it's nearly impossible to accurately predict as we've discussed many times. But in general the roughly $8 million of political for Q1 is tracking basically right at our expectations for Q1.

If anything we were pleasantly surprised in January in Cedar Rapids that actually did better than we had expected. So we're, you know, that $8 million number right now is basically right where we thought.

Our historically our political revenue in every cycle up through 2014 1/2 of our political revenue or more has always shown up in the fourth quarter. So even if some of that shifts earlier this time around it's still a lot.

And we are anticipating seeing massive amounts of political until probably call it late August call it September through Election Day. And that would be typical of every pattern we've seen over the last 20 years.

Marci Ryvicker: And then can you just clarify the savings from Katz? Is it the full $8 million to $9 million or is it the $8 million to $9 million minus the charge that we kind of put in our models going forward?

Jim Ryan: On a run - on a go forward basis we exclude the charge $8 million to $9 million. And that would be conservative because it would also that number would not have considered the savings we'll also get with the Schurz stations as well.

Marci Ryvicker: Okay. And then the - I just want to clarify the combined historical numbers for the first quarter that 180 to 184 or whatever it was that did not include Schurz?

Jim Ryan: No. That would - that does - that's in the guidance section for Q1 combined historical as you said the revenue on the high side at 184. And there's a companion expense number we called out as well. Those do include Schurz on a full quarter basis.

Marci Ryvicker: Okay. That's it for me. Thank you so much.

Jim Ryan: And as a side note we're still collecting final 2015 data from our counterparties in all of those transactions. And we will be publishing updated fully pro forma 2015 information in the coming weeks once we've gotten all the data in, and have been able to digest it, and organize it and republish it. That's definitely on our to-do list that we still are missing some pieces to complete that.

Marci Ryvicker: Got it. We thank you in advance.

Operator: And next we'll hear from Leo Kulp with RBC Capital Markets.

Leo Kulp: Good afternoon. Thanks for taking the questions. Just a couple, first on the 20 - 1Q '16 political outlook how was that pacing versus the pro forma 1 Q '12 results?

Jim Ryan: I don't have one Q '12 pro forma. But I can tell you that the $8 million actual is at least double what our historical number was in '12.

Leo Kulp: Okay, got it. And then your digital revenues were down this year or last year 2015. Should we expect growth to return this year...

Jim Ryan: Yes. We would expect growth in digital this year.

Leo Kulp: Okay, got it. And then final one when you think about your political budget and its political spending, how are you thinking about the impact of impact on spending if Trump gets the Republican nomination?

Jim Ryan: We think regardless of who the nominees are on either side at the end of the day is going to be a record shattering year political for the entire industry. And it will be a record breaking year for us as well.

We have said consistently that in 2012 we did $143 million pro forma of political. And, you know, we do think at the end of the day when it's all said and done it's going to be larger than that number by how much we're not going to venture that guess, we're not that smart to be able to guess it accurately. But we do think it'll be a record year for us and everybody else in the business.

Leo Kulp: This...

Kevin Latek: Kevin only just let me just add that the question on the effect of Donald Trump has - seems to be the question of the week. I think from our perspective as we read it we're definitely not political experts but it does seem to us that one thing Donald Trump does not like to do is lose.

And so if it appears that - if he is the nominee we would expect that we will see campaign spending like we would with any other candidate who was intent on not losing.

Leo Kulp: Thank you.

Hilton Howell: Well. And one other issue to keep in mind we have a lot of very important very tight Senate races that are coming up as well. And with the unfortunate death of Justice Scalia I think the Senate races are going to be very, very well-funded. So we see a lot of political throughout the whole course of the cycle.

Leo Kulp: Sounds great. Thank you.

Operator: And as a reminder that's Star than 1 to ask a question. And the next we'll hear from Jim Goss with Barrington Research.

Jim Goss: Thanks. Jim I'm looking at this page 22 slide that you mentioned about re-trans. And, you know, one thing you've been assuming is sort of a half and half in terms of re-trans and reverse comp.

And I'm wondering if you think, or expect, or already feeling pressures from the notion that the networks will want more? That they won't be satisfied with half and half?

Jim Ryan: I'll - Kevin can weigh in on that...

Kevin Latek: Sure.

Jim Ryan:...but I'll start by saying everybody should look at page 21 of our presentation as well. We have all of our affiliation agreements for all practical purposes out on long term basis to 2018, 2019 in some cases out to 2020 or later. So we I think over the next several years well into 2019 we are extremely well positioned and very comfortable with that approximate 50-50 split...

Jim Goss: Right.

Jim Ryan:...in 21.

Kevin Latek: Yes. And I'll just add and I know you've heard this from us before. We used to keep 100% of our re-trans revenue as recently as 2011. And our growth and our net was $20 million. Today we're looking at probably $100 million of net 200 million in growth.

As the percentage continues to change, and the networks continue to provide us good programming, and our net is still growing we're not really seeing what the problem is. We're still depositing more net dollars in our bank account year in year out then we did previously.

So we will gladly take a 50% share or of $200 million rather than 100% share of $20 million. And I think the same is true as we go forward as well. So the markets going to continue to change and evolve on both the re-trans purchase side and re-trans sales side.

Jim Goss: Okay. And these agreements through 2019 and 2020 all address that split as well so anything beyond that is in future years?

Kevin Latek: All of our network affiliation agreements have the programming fees stated in them. And so we know that's how we can provide the guidance on re-trans as we have on slide 22. We will - the fees will clearly change as we renew each network affiliation agreement just as they have, you know, since the beginning.

Jim Goss: All right. That's terrific. And one other follow-up to the leverage issue. While you are comfortable at the five to 5-1/2 times if we get into the fours would you be less aggressive would you say in considering other M&A until you do pull back a little bit on the leverage issue just for the, you know, for those reasons?

Kevin Latek: So we...

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

Kevin Latek: Yes. I think the words that we've used from time to time are we want to be opportunistic but also patient. And right now this is a period in which we're frankly we're being more patient than we were last year just simply because there's not much out there. If we don't see any particularly good opportunities over the next couple of months I think our board will evaluate our use of cash differently than they would have evaluated the use of our cash a year ago.

So, you know, at this point we're kind of in a wait and see period. We've got to get probably through at least the first couple of rounds of the auction before some folks start sort of contemplating their future. And we also expect the election is going to keep a lot of folks on the sidelines as well.

So we're not - I don't think our board is ready to make any decisions on the capital allocation paying debt down acquisitions until we actually have something in front of us to consider. And right now we just don't have anything sort of in the near term for the board to consider.

Jim Goss: All right thanks, very helpful. Appreciate it.

Operator: And next from Singular Research we'll hear from Robert Maltbie.

Robert Maltbie: Hello. Thanks for taking my call. I'm a little bit new to the story. And I believe during your comments Kevin some of that broke up at least on my end. So pardon if any of this has been covered already.

My first - just two questions, the first question relates to your acquisition trajectory in light of this looking to be maybe somewhat of a shall we say a consolidation year after a large acquisition. The question I have is how many more targets are there out there in terms of the Schurz target? And at what point would you expect to be in a position to be looking at that?

And the other thing trying to think about how I would metric out your so-called organic growth, you know, during, you know, you're a pretty, you know, active acquirer. So what metrics are best to look at for that? Thank you.

Kevin Latek: Sure. I'll take the first question in I'll let Jim take second. On the first question you're right because of consolidation there's a lot fewer targets today than there were five years ago or even three years ago.

And our criteria it sets a fairly high bar. So as we look out there are many fewer group owners of television stations. But there are still enough we think quality assets out there owned by typically multigenerational folk's multigenerational owners with one, or two, or three, or four stations a very small number of groups.

And frankly if we put all the targets on a spreadsheet and totaled up the likely purchase price it's far more than we could ever afford. So we think there's plenty of good opportunities for us to continue doing what we have been doing it's just not all going to happen this year. You know, probably it's a multiyear process. So we continue to build the portfolio with the right kinds of stations at the rate prices. And Jim did you want to take the second question?

Jim Ryan: As far as metrics what I would - yes what I would point you to is what we call combined historical results where we're taking the - the predecessors operating results and combining them with our own historical results to get a better apples to apples comparison.

So I think if you look at those metrics that we published pretty consistently when we're inquisitive you'll be able to track our core what would be the core growth even though we're being inquisitive.

Robert Maltbie: Thank you.

Operator: And our next question comes from Davis Hebert with Wells Fargo.

Davis Hebert: Hi everyone. Thanks for taking the questions. I wonder if you could focus on the expense side for a minute - maybe talk about how your fixed and variable costs are looking for '16?

And then kind of a follow-up to that is, you know, now that Gray has reached, you know, our largest level of scale relative historically speaking, Where - are you seeing, you know, other cost opportunities aside from just negotiating leverage something like a syndication, programming costs, or any other, you know, expense reduction opportunities from that perspective?

Jim Ryan: Well let me take the first part of that question Davis. I mean our biggest single component cost is our payroll and benefits. And now with the Schurz closing we're at approximately 3500 employees. Our stations generally are staffed pretty efficiently especially our historical stations.

I'm not saying that there isn't always room for improvement in staffing. But, you know, there's not a tremendous amount of opportunity there because we've already done a very good job of automation and improving workflows, et cetera.

So I would say that a reasonable amount of our costs even if most people consider payroll as variable but a reasonable amount of our cost tend to be fixed although we've done an excellent job historically in managing those.

Absent the natural increase in reverse compensation to the networks that's going to flow with the increase in the gross re-trans, you know, we would expect our main core expenses to grow at relatively modest rates year to year. If we're talking low single digit and a lot of that would be impact of just normal inflation cost of living increases to the employee base.

Davis Hebert: Okay. That's helpful. And if I could try and drill down a little more on the digital growth you said you were expecting, you know, positive trajectory this year. Is that secular growth or is that your sales force is more equipped to sell it in packages with spot TV maybe just...

Jim Ryan: Well it's a little bit of both. As we - it's a little bit of both. We, you know, had said '15 was a little bit of a regrouping year for us after several years of very strong growth.

What everyone needs to keep in mind when we talk about digital revenue is that that is all organic advertising whether it's, you know, digital banner, or pre-roll, or sponsorship or whatever but that's all organic advertising to our local markets. We do not have any digital services businesses.

So, you know, we - we're just as you said - as I said at the outset it's a little bit of both its part secular growth there it's part just digging in. And the sales staff is working harder to sell at the local market.

Davis Hebert: Okay. And maybe just a follow-up on that, you know, I think you guys have talked about numerous I guess head fakes in the mobile space for local TV. It feels like mobile is just getting more powerful in terms of ad spending. Do you feel like that is still an opportunity for the sector overall?

Jim Ryan: Yes. I mean the bulk of our traffic, you know, in our local markets is all mobile now. And that's certainly showing up as part of the whole mix. But yes we definitely see mobile has got a lot of promise as we go, you know, going to the future.

Davis Hebert: Okay, thank you.

Operator: And next we'll hear from Kyle Evans with Stephens.

Kyle Evans: Hi. Thanks. Most of mine have been answered already. But Jim could you help us think about when we should start looking at modeling for cost synergies on the Schurz side?

Jim Ryan: We have always taken an approach in an acquisition that we - while we have cost synergies we work our way into that over the course of about the first year. I mean as reported numbers you're not going to see a whole lot of that in Q1.

It'll start to pick up in Q2. And then it's, you know, a little more in Q3 and a little bit more than that in Q4. And we kind of wrap it up in early next year given that we, you know, closed in February this year.

We've always taken that approach. We've never been a company that's gone in on day one and created a lot of negative headlines in the local community. We would much rather take our time work through some things where we know we can bring efficiencies and do it in a right smart way that's not only good for the station but good for the local community as well.

And in some cases it's going to be - we're going to be installing equipment, and workflows, and of course you, you know, now that we're closed we can start the planning and start that ordering. But things like that - is, you know, can be a multi-week to a multi-month lead time to work your way into it.

Kyle Evans: Excellent, thank you.

Operator: And next from Singular Research we'll hear from Jim Marrone.

Jim Marrone: Yes. Good afternoon gentlemen. I've the other analyst along with Robert Maltbie covering the company. And perhaps it was touched on but I just wanted to maybe hear some clarification in regards to your priority on bringing down the debt.

Is there any mention or any color as far as potential restructuring of the debt in order to lower the borrowing cost if at all possible or any other type of financing options that you guys...

Jim Ryan: Well first...

Jim Marrone:...are exploring to reduce your cost?

Jim Ryan: We have first of all pretty low cost debt to begin with. Our bonds are at 7-1/2. They are in their first call period. Our second call period starts in October.

And we have said that we will be thoughtful about that especially as we get to the second call period and what opportunities may present themselves in the broader markets. Certainly right now in the bond market it would not be a good time to get - to rush into anything.

Our senior debt prices I think actually we're very pleased with that. Our $425 million incremental that we did to finance the Schurz acquisition last week prices L350 with a 75 point or a 75.4 so that's all in a pretty low cost piece of paper.

And our existing $556 million term loan the base term loan actually prices at currently now with Schurz closed because of a little bump up for favorite nations clauses in that agreement it's still pricing at L319 basically. So it's again pretty - and a 75 point floor so we're actually quite pleased with our overall cost of debt right now and as we said before we'll be thoughtful and - about the bonds as we get later into the year.

Jim Marrone: Okay, thank you gentlemen.

Operator: And as a final reminder that's Star 1 to signal for questions. And next we'll hear from David Atterbury with Whetstone Capital.

David Atterbury: Hey guys. Thanks for taking my call. I guess my first question I wanted to ask is can you comment on what trends you've seen, you know, over time over the last three to five with respect to your big four affiliate subscriber counts?

Jim Ryan: They have been on a historical station basis because that's obviously the stations we've acquired it's harder to get a hold of the records. But we went back and looked on the historical stations. And over the last several years they - that sub-count has been very consistent.

David Atterbury: Okay, that's great. And then if I'm looking at slide 22 can you refresh my memory Jim on what subscribers you have coming up for renewals on your re-transmission agreements. And what rates are baked into that 2017 estimate number?

Jim Ryan: In 2000 - at the end of this year we've got about 4.2 million subs up out of our call it 11.6 million sub-base about 6.4 million subs coming up at the end of ‘17 going into ‘18. And then we just did a million at the end of last year going into this year. So that million will cycle again at the end of ‘18.

Our rates that we're using for 2017 are rates - are generally rates that we contracted either at the end of ‘15 - end of ‘14 going into ‘15 or the end of ‘15 going into ‘16. So they are probably by the time we get to the end of ‘17 they're certainly going to be conservative. But we stuck with what we know other people are already paying us rather than trying to guess to where the market is going to move at the end of ‘17.

David Atterbury: All right fantastic. That's really helpful. Thanks for the answers.

Operator: And our next question comes from Stefan Mykytiuk with ACK Asset Management.

Stefan Mykytiuk: Hey, good afternoon. Actually the prior caller kind of asked my question. But I just want to make sure I understand. So these, you know, obviously the slide 22 has the numbers have gone up since you first put this out a year ago. And that's a combination of more subs from the acquisitions but also the underlying rates have gone up.

So I'm just, you know, just for example that I think it's like $1.72 baked into the 2017. That's reflecting the rates that you've signed, you know, you signed at the end of '15 or I'm sorry the end of '14 the end of '15 and where those - where that kind of book of business if you will, will be at the end of '17 under those existing contracts?

Jim Ryan: That's correct.

Stefan Mykytiuk: Got it. So it doesn't...

Jim Ryan: We didn't say our two year forward rate under contract X is a certain amount. And then said oh it's going to increase by another 10% by the time we get there. That's exactly what we saw at the end of, you know, between '15 and end of '14 going into '15 and then the end of '15 going into '16.

We certainly saw the rates move back up again. But we are - we're only baking it - we're only estimating based on our current block of business and whatever the business rate stated business rate for '17 currently is.

Stefan Mykytiuk: Got it. And the same thing, so '16 is basically assuming whatever - there's no, you know, whatever you - those subs coming up at the end of '16 you're just assuming they renew at wherever the '15 or the '14 signings end up at the end of '16?

Jim Ryan: Whatever yes. We again we're looking at our existing block of business and similar sizes MVPDs and using those existing contract rates to forecast forward.

Stefan Mykytiuk: Got it okay. Thanks very much.

Operator: And gentlemen we have no further questions.

Hilton Howell: All right. Well thank you everyone for joining us on the call. We certainly appreciate it and we look forward to talking to you again when we announce our first quarter results. Thank you.

Operator: And that concludes today's conference. We appreciate your participation.

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