Gray Television, Inc.

Moderator: Boudreau, Dottie
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OPERATOR: This is Conference # 7358059

Operator: Good morning, my name is James and I will be your conference operator today. At this time, I'd like to welcome everyone to the Gray Television Update Call for Investors. All lines have placed on mute to prevent any background noise and after the speaker's remarks, there will be a question and answer session.

If you'd like to ask a question during this time, simply press star then the number one on your telephone keypad. If you'd like to withdraw your question, press the pound key thank you Hilton Howell, Chairman President and CEO of Gray Television, you may begin your conference.

Hilton Howell: Thank you so very much good morning everyone and thank you for joining us on this red letter momentous day. Thank you for joining this investor conference call to discuss this morning's announcements that Gray and Raycom Media have agreed to combine our fine companies. I'm happily joined today by Raycom's President and CEO Pat Laplatney.

I am also joined by Grays's Chief Legal and Development Officer Kevin Letek and Gray's Chief Financial Officer Jim Ryan as well as our Chief Operating Officer Bob Smith and our new Chief Administrative Officer Nick Waller.

We do want to make this call as productive as possible, therefore Pat and I will make some general comments, and then we'll move quickly to take your questions. We will begin now with the disclaimer that Kevin will provide.

Kevin Letek: Thank you Hilton good morning everyone. Certain matters discussed on this call may include forward looking statements regarding among other things pending acquisition of Raycom that have announced today and our expected future financial condition and operating results. Those statements are subject to a number of risks and uncertainties, our actual results could differ materially from those describing in the forward looking statements as a result of various important factors. Such factors are described in the company's reports filed with the SEC including today's press release. The company undertakes no obligation to update these forward looking statements.

We urge you to review the form 8K we filed with the SEC today pertaining to this transaction as it contains important information and detail including an investor presentation. Gray also uses its website, as a key source of company information website address is wwwgray.tv. A copy of the investor presentation has been posted to our website. Included on the call will be discussion non-GAAP financial measures in particular broadcast cash flow. Broadcast cash flow lifts, cash corporate expenses, operating cash flow, free cash flow, and certain leverage ratios.

These metrics are not meant to replace GAAP measurements but are used by management who provided ad supplement to assist in the analysis and valuation of our company. Include reconciliation to the non-GAAP financial measures to the GAAP measures in our financial information that is available on our website and now we turn the call to Hilton.

Hilton Howell: Thank you Kevin, by now you have all seen and read this morning's announcements, It′s very exciting news that Gray television has reached an agreement to combine with Raycom Media. As most of you know, Raycom is the owner of that simply fantastic portfolio of high quality television stations, digital platforms, and related news in media businesses Gray and Raycom together are simply a perfect fit. Indeed, we believe that Gray and Raycom have very complimentary and corporate cultures. I am therefore personally and professionally delighted that Pat Laplatney will join our Gray board and will become our President and Co-Chief Executive Officer upon the closing of this transaction.

In terms of the transaction itself, we expect that it will be immediately accretive to Gray's free cash flow quarter share. Quite simply, we could not be more excited about this transformational combination with Raycom including the impact of all other pending acquisitions by both companies, and prior to any of required divestitures.

The combined company will have 142 full power television stations serving 92 markets. This collection of stations would rank today as the third largest portfolios of both stations and markets in the [conference].

We're very excited that the transaction will bring Gray and the larger markets such as Cleveland, Charlotte, and Sarasota. Overall, our combined high quality station portfolio will reach 24 percent of the US television households. The phrase high quality is truly the right description here because our companies combined has 62 television stations ranked first in all day Nielsen ratings in their local markets.

This figure represents the highest number of top ranked local television stations owned by any broadcaster. Moreover, fully 92 percent of our combined markets have the number one or the number two Nielsen rated local television station. In total, Gray and Raycom broadcasts nearly 400 separate programs training including approximately 165 affiliates at ABC, NBC, CBS, and Fox and over 100 affiliates of the CW, Mynetwork, and MeTV networks.

We're very excited about all the new opportunities that this transaction will present for our employees, our news offerings, our advertisers, our investors, for all of our stakeholders. Frankly, we cannot wait to get started but most importantly for each of those 92 markets, we believe that this transaction will serve as a lead commitment and re-doubling our commitment to localism and local news.
That is we have devised what we believe is a realistic approach to any potential regulatory issues presented by the transaction.

Today, Wells Fargo will begin an expeditious process to find qualified new owners for the television stations and the non-overlap markets that we will be the divesting. Just as importantly, over the coming months, we will be working closely with Raycom's management including and especially Pat Laplatney to ensure the smooth transition and integration of our companies. For these reasons, we anticipate being able to close the transaction in the fourth quarter of this year. This has simply been one of the smoothest and friendliest negotiations that Gray has ever experienced.

I wish to extend our sincere thanks to Pat and his fine team of colleagues for their constructive, tireless, and engaging work on this transaction. On behalf of our board of directors and all of our shareholders, I especially need to thank the small team within Gray that has been quietly devoting nearly all their waking hours on this transaction over the past few weeks while also somehow going about the day to day jobs without missing a beat.

In particular, I would like to recognize Jim Ryan and Kevin Letek, for leading are efforts on this momentous transformative transaction. I ask all the Gray shareholders to welcome me in welcoming the wonderful people of Raycom meeting- media to our growing corporate family. At this time, I will turn the call over to Pat for some remarks and after his remarks; we will open the lines for questions for Pat, Kevin, Jim, Nick, or Bob.

Pat Laplatney: Thanks Hilton and good morning. As most of you know, Raycom is an employee owned company based in Montgomery Alabama. We believe that while the large broadcast peers, Gray is the one company's best nears Raycom in terms of quality local television station cutting edge digital technology platforms and commitments to [inaudible] to excellence and community service. We also agreed to Gray and Raycom have very complimentary corporate cultures. Board of directors of Raycom and my colleagues and I are therefore genuinely excited to combine our great company with Gray Television. We realized that many of you may not know Raycom is a private company owns several Non-broadcast media business. We believe these non-broadcast businesses will make the combined company more diversified and better employers and revenue.

These businesses include, Raycom sports, out of Charlotte North Carolina our marketing production events management and distribution company. Tupelo Raycom sports entertainment production company.

RTM productions, automotive programming production and marketing solutions company and Broadview Media a post-production and digital signage company. Raycom also owns Community Newspaper Holding Inc. which owns community papers and information products and over 100- including over 100 titles located in 23 states.

In addition, Raycom owns PureCars, a SaaS platform for the automotive industry. Raycom has initiated processes to sell or spin off both CNHI and PureCars to third parties. As a result, Ray will not acquire either CNHI or PureCars. Hilton said this is one of the smoothest and friendliest transactions Ray has experienced and I could not agree more sincere thanks to Hilton, Kevin Letek, Jim Ryan, and the management team at Gray for their professionalism respect and commitment throughout this process. The more we've learn about each other's culture it only confirms that this is the right fit at the right time.

We share sure the same core values of journalistic excellence creative and strategic advertiser solutions and community service and we're genuinely proud to be joining the Gray family. I also want to thank the senior management team at Raycom for their very long days and dedication on this transaction and for growing Raycom into the powerful local media company that is today. Raycom employees have done an extraordinary job in serving their communities and going forward that will not change. Together, as part of Gray we'll be a stronger more impactful force in the broadcast industry. Thanks for your time and now I'll turn the call back to Hilton.

Hilton Howell: Thank you Pat, and at this time, we'll open up the lines to any question.

Operator: At this time, I'd like to remind everyone in order to ask a question please press star followed by the number one on your telephone keypad. We'll pause for a moment to compile the Q &A roster and your first question comes from the line of John Janedis from Jeffries go ahead please your line is open.

John Janedis: Hi, thank you guys maybe two for me. First, can you talk a little bit more about task to close meaning it feels like deals have generally taken longer to close than expected? So what's your confidence run the six month time line and then separately and can you talk a little bit more about the political advertising opportunity.

I think on the Gray side you've averaged about 45 percent more dollars over the past few cycles on a smaller revenue base. So has Raycom tended to be in a fewer swings states or does that present an opportunity for gray going forward thanks.

Kevin Letek: Hi John Kevin Letek first question first, this transaction does not seek any waivers of FCC ownership rules period. We have overlapped 9 market while we believe we could obtain approvals from the government to keep some of those and create new duopolies. We have decided very early on with Raycom that we would instead move immediately to divest an overlap station each overlap market Wells Fargo is beginning as Hilton said on the- on his remark they're beginning already this morning to reach out to potential buyers. We will have an exited profit you may recall with [Schurz] we started and finished the divestiture process in 30 days.

We are targeting a pretty aggressive period here, we expect to be at the government the middle of August with investors lined up, and again we're not seeking any waivers. On a national ownership cap, we mentioned that the company combined today would reach 24 percent of the US. That is without the UHF discount, with the discount will be even lower. Well let's assume there's no UHF discount this transaction complies with every version of the FCC's cap on a national audience reach going back to 1985.

Back then, the cap was 25 percent, where three television networks, and analog world and Facebook's Mark Zuckerberg celebrated his first birthday. So we think that is the cleanest possible transaction that we can present to the FCC and DOJ and we're doing that on purpose. So I would say we set fourth quarter without wiggle room in the press release because we feel very comfortable and confident that we'll be able to achieve what we need from not just the government but our other major partners like the network to move forward. I think both of our companies really presented a compelling transaction for our network project as well.

So we do think this is going to be a quick- quick path to closing this year. On the second question on political, now we're all- there's a lot of overlap it's sort of geographically together, our portfolio is a "hand in glove". We had some stations in states with [A com] stations. When we look at our political lay out, we are only going into one state- two states that we're not already in Hawaii and Arizona.

Every other state in which Raycom operates Gray is already there. So we're just simply getting deeper it into those states so Louisiana for example we have two strong stations they have several strong stations. We have 4 stations in Texas; they have half dozen stations in Texas. Florida, Mississippi, the Carolinas in Tennessee you know you name it this is a "hand in glove" portfolio and that's really why when we thought about Raycom and you all have asked about Raycom over the last couple of years. They've always said this would be this green transaction this would create the best portfolio of number one TV stations and from a political advertising standpoint I think this is the best portfolio in the state in which we operate.

John Janedis: Thanks Kevin.

Operator: Your next question comes from the line of Marci Ryvicker from Wells Fargo go ahead please your line is open.

Marci Ryvicker: Thank you congratulations Kevin I now know why you were not at the conference last week so big congratulations

Hilton Howell: You got it, you got it Marci.

Marci Ryvicker: I have a lot of question I'm going to start first of all do you have coverage with the UHF discount the pro forma company?

Kevin Letek: Marci I apologize I don't I'm going to guess it's less than 20 percent it's got to be somewhere between 15 and 20 percent.

Marci Ryvicker: And then you mentioned free cash flow accretion in year one. Is there any sort of quantification you can give us by percentage or cents per share or anything?

Jim Ryan: Marci, this is Jim let me kind of walk you through that as a big picture because I think we actually put out some good disclosures that if everybody takes and then works with their models they'll see it as be free cash flow accretion is truly very substantial. So the cash price is to- the cash component of the overall price is two billion eight fifty.

We have a financing commitment from Wells Fargo for two billion five twenty five and as of March 31 on the balance sheets of both companies that was about $540 million of cash. And we will-in both companies and the way to deal is structured the free cash flow billed will be available at closing to be applied against the amount of debt we actually borrow.

So if you think about free cash flow billed over the rest of the year as well as the divestiture markets, and we said the divestitures were about 4 percent of the overall combined company's cash flow. We gave the combined cash flow on page five of the investor presentation that we published this morning and that's 782 so that implies divestiture market that are low $30 million in cash flow and you can put an appropriate multiple on that. There's- there will be ample cash generated between now and closings so- and we said closing leverage of about 5 times net all cash.

If you parse the numbers carefully together and assume that the '16, '17 cash flow that we probably is at least a little bit better at '17, '18. I think you could get- to a zip code of debt net closing somewhere between all in debt closing not including the preferred; I'll get that in a minute but debt at closing of 3.8 to 3.9 billion year probably at a good zip code.

So that is again you- you can- based on the information we gave I think you can develop a pretty good OCF range that clearly suggests that in the mid to upper 700 million on a combined basis and then the you know the out flows on a combined company are pretty straight forward. The $650 million of preferred is an 8 percent coupon that is a perpetual preferred it's plain vanilla. It's got an 8 percent coupon we can pick it if we wanted

8.5 percent.

It has no redemption date; it is callable anytime in full or in part at our sole discretion. You couldn't get a- it we're delighted with the terms on net preferred and so the dividends there are $52 million a year. Our interest expense of all combined since we're financing this on a senior secured basis.

Our interest expense of Gray run rate was about $95 million a year in cash, you can put an appropriate amount of new term loan B on it and you can see that the interest expense for the combined company is somewhere in the low 200 million.

Cash taxes will be relatively small and mostly associated with states over the next several years. You've wanted this attractive asset we're acquiring with Raycom is a large and allows which we will add use of subject to normal section 382 limitations. We think the NOL for us is yielding somewhere around $40 million of cash taxes for the next several years.

So if you want to think about cash taxes over the next two years, it's probably averaging on two year basis around 45 million. Obviously, the 20 political year would be higher than the '19 nonpolitical year so you end up with a free cash number and this would be before any required amortization on the term long.

So- and that would be de minimis it would be the usual 1 percent but a free cash flow number prior to debt amortization on term loan in the mid to upper 300 million and everybody can do their own math on what that means for share. It's you know- there's a combined company will have 100.3 million shares outstanding. Anyway, you do this math; it is just very, very accretive to free cash and free cash flow for share.

Marci Ryvicker: Thank you so much for the detail and I'm just going to ask one more and then move on, you guys can move on. Can you talk about maybe the re trends and reversed comp situation at Raycom maybe when subs come up for each one if you have that.

Kevin Letek: Marci this is Kevin first on your prior question while Jim was talking I do have the UHS discount we're each at 17 percent. I think you're asking on re trends you asked re trends about our dates when the subs come up.

Marci Ryvicker: Yeah well, I guess how does it differ Raycom's timing versus your timing?

Kevin Letek: Yeah I mean Marci we have after acquire clauses so any operator that has a contract with Gray today will have the Raycom's stations fall into them so our scheduled does not change the sub percentages will just by virtue of the footprint.

So you know the dates of our- of our 400 ish contracts are not changing. We've not gone back and on the recount yet on the subs but I expect it'll change somewhat but we will continue to have the same contracts we had before closing, we'll have it after closing.

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

Kevin Letek: Thank you Marci.

Operator: Your next question comes from the line of Kyle Evans from Stephens, go ahead please your line is open.

Kyle Evans: Good morning, how are you?

Hilton Howell: Very good.

Kyle Evans: Good, maybe some commentary on Raycom's core trends maybe last few years and then a look at first half '18 so we can kind of comp them against yours.

Pat Laplatney: Yes, so this Pat Laplatney, it's essentially the same as Gray. You know we talked a little bit about political and I would just add that you know those two states the Kevin mentioned that we're adding here are both pretty strong political states Arizona or Hawaii but our trends mirror those are Gray.

Kyle Evans: Got it, could you- could you roughly size that there's you guys highlighted four businesses that are maybe not comparable to Gray's existing business that Raycom supports two below RTM Broadview. Could you roughly size those?

Pat Laplatney: Sure so those four companies that aggregate would be you know in terms of cash flow mid-teens.

Kyle Evans: Okay.

Pat Laplatney: We expect them to grow relatively quickly over the next few years.

Kyle Evans: Great, and then maybe lastly similarities and differences in terms of the digital strategies between the two companies.

Pat Laplatney: You know I think there are a lot of similarities you know we operate in markets that are you know mostly mid-size a smaller and so there's a- there's good you know good compatibility there. So I think it's not going to be any significant-no significant adjustments on either side.

Kyle Evans: And no significant difference in approach to say Cleveland or Charlotte than say North Platte.

Pat Laplatney: Yeah so it's a little more competitive probably in Cleveland and Charlotte than it is in North Platte but the products are really fairly similar.

Kyle Evans: Great thank you.

Kevin Letek: Thank you Kyle.

Operator: Your next question comes from the line of Leo Kulp from RBC Capital Markets go ahead please your line is open.

Leo Kulp: Thanks good morning congrats on the deal just a quick question. How will this is- this deal is pretty transformative for Gray, how is it going to change your strategy going forward in terms of you know the markets you look at it and how you, you know if you view yourself as a company.

Hilton Howell: Well I don't think it's going to -it's going to change our strategy at all. I think that we continue to look at local stations that have a news commitment to local journalism and that was what we will continue to be able to do. One of the really- starting in remarkable things about this transformative deal with Raycom is the company that Pat leads is just so similar in corporate culture and belief system and commitment to community.

You know one of the things that I absolutely love about what Raycom does that I mentioned as we had a general managers call for all of Gray's GM so that they were familiar with it and I mentioned it to them. You know when the hurricanes and storms hit in Louisiana and they have such a large footprint there, Pat asked me if our stations would participate in a- in a- in a concert with all kinds of different musical talent to raise funds for the victims and to me that's what a local TV station does. And we were thrilled to participant with them but I'm even prouder of what he did in the- and the idea and the thought behind that kind of commitment to communities so that's what we're looking for.

This deal spreads us broadly throughout the country. It does that on a political side a great deal more [heft] and some very important political swing states for the presidential year. Whether that's Virginia, North Carolina, South Carolina we actually added another station really our third in Iowa and so in many different ways we pick up- we pick up ground. And I mean, covers states from one end- from some of the smallest market to the largest markets and we make money in all of them and we serve all of them well and we're proud of that.

Leo Kulp: Got it, thank you for the color, and congratulations.

Hilton Howell: Thank you we're thrilled.

Operator: Your next question comes from the line of Dan Kurnos from Benchmark Company go ahead please your line is open.

Dan Kurnos: Great thanks, good morning just to- Hilton just to touch on that a little bit deeper. Since you guys did mention potential swaps in the divestiture process you know I think because you own ones and twos and haven't been unwilling to either part with them or acquire a lesser quality station.

I don't know if acquiring Raycom changes your stance on your participation in the swap market with the understanding that you guys have clearly gotten benefit in some your smaller markets with duopoly. So if you could address that and then maybe on the OTT side, now that you guys are moving up market and have a chance to participate in you know some of the markets where OTTs already established. If you just talk about Raycom's existing OTT footprints, and how that will kind of way out with your thoughts down the road on that front.

Kevin Letek: This is Kevin if I may when we did Schurz transaction, we also said that we were going to divest and strongly prefer to do swaps and we in fact did do swaps there and we're- I would say that we-we got a lot of opportunities there and we chose to divest it. We're certainly open to that again and would prefer it but you're right we're not- we're not interested in trading- trading down in terms of quality.

We like the stations we have and you know obviously what Raycom has and to state the obvious the crown jewel Raycom or the employees at Raycom. So we'll look for swaps that might help our [heft] in places but are our priority here certainly is an expedition process and getting to the divestiture finish line is very, very important to us.

In terms of OTT, you know we've signed with almost every provider and Raycom is very similar profile with the OTT guides they had certainly launched the first market early but we've got you know I think we mentioned on last earning call.

We have seen a significantly larger number of OTT subs at the end of the year than I expected and we'll continuing to row up. Since the earnings call, we've continue to see another, I don't know, maybe 15 or 20 markets get launched so there's only moving down market Raycom's going to probably launch, you know before us because they're a larger market. I don't see any particularly, I mean there's not really a difference in philosophy at all but with that let me ask Pat to actually address Raycom.

Pat Laplatney: So I mean, I'll just echo what Kevin said I mean we're you know we launched in, you know we do have some top 50 markets so those are launched and I guess I would add that we′re also- Raycom's looked at outside of the traditional sort of network affiliate partnership. We have some products that we're working on in the OTT space outside the traditional sort of linear broadcasts.

So we announced last week that we have a product called Investigate TV focused on Investigative journalism that Gray would be a great partner in that we have some very high profile partners there including ProPublica and Cronkite school in Arizona state. We're working on some lifestyle programming on OTT and a few other things so it's not just the- it's not just the linear signal the traditional network relationship we're kind of branch out in other areas as well.

Dan Kurnos: So we just- and that's a good segue because I just wanted to touch on the content side of it. Obviously, a lot of your peers have been more aggressive in either acquiring contents whether it's you know cable nets or developing you know their O&O programming. So from a Raycom Gray combination here it sounds like more content creation is on the cards going forward.

Kevin Letek: Raycom has- Raycom has been in the original programming business a bit as to Gray has not and part of that has been scale. We will have new scale obviously here so original programming is something that starts to look a little more interesting whether you have a 24 percent footprint as does everything else from national sales to political sales.

We will have scale that at this point only [wonderful path] so we're looking at all kinds of things from sales, programming, news to really take advantage of the new scale we're going to have but there's no announcement today on any specific new programs or programs strategy.

Dan Kurnos: Got it, all right thanks guys and congratulations.

Hilton Howell: Thank you.

Operator: Your next question comes from the line of Davis Hebert from Wells Fargo go ahead please your line is open.

Davis Hebert: Good morning, everyone thanks for taking the questions and congrats on the deal wanted to ask a few balance sheet questions. Jim, the press release said around 5 times by the end of '18 based on two year average EBITDA and wonder if you could talk about the de leveraging pathway given the asset sales planned free cash flow you mentioned and then do you have that balances with the removal of preferred.

Jim Ryan: Yeah as we- as we think about it over the next couple of years clearly you know 5- about 5 times the levered net cash true to debt. Debt close with the - we've already talked a little bit about the free cash generation so with that free cash we would be looking to pay down the senior debt pretty rapidly over the next couple of years. I would see leverage going into the-well into the 4s by the end of '19 and you would be down into the 3s comfortably by the end of '20 so we can de-lever very rapidly.

The preferred stock given- given it's nature and it's very favorable terms to the company because again that plain vanilla perpetual preferred, it has no conversion rights into equity. It is what it is, we would see that right now as a long term piece of our structure. It is being issued to participate in the Raycom capital structure now. We view them as long term patient money long term investment horizon so we think that the- we're looking at right now as a long term piece of paper.

Davis Hebert: Okay thank you that's helpful and the makeup of the financing I think you said all term loan B. So just wanted to confirm that and have you had any conversations or thoughts around the credit ratings impact up that.

Jim Ryan: So just to confirm again yes the additional financing would be new term loan B, all of the existing Gray term longs, and the existing Gray bonds will remain in place and we will- with the new term loan B, be refinancing all of the debt at Raycom. And we have-we have brief both rating agencies they are aware of the transaction.

Davis Hebert: Okay excellent, and Raycom being privately owned for quite some time, Gray being public. I wonder if you could talk about the difference in cost structures I know re-trends is probably part of the Synergies but maybe if you could discuss kind of operationally how you plan to attack the integration there.

Kevin Letek: This is Kevin but whenever you put two big companies together, there's a lot of duplication and there are other opportunities that I mentioned earlier you can't take advantage of on your own. So yes re trends is part of the- part of the map here but we've been pretty deliberate and I think realistic as we have in the prior transactions too. On a very granular basis, as to what we think is achievable you know in the near term but actual decisions we haven't -we clearly haven't made. So I think the cost structure comment is- I think both companies run pretty lean.

We've seen a lot of diligence out there and lot of transactions where you can't say that and that's also again part of the appeal of Gray is that with think the Companies are pretty you know are run very similarly. I don't know that there's much more over the cost structure outside of- we′re going to have a much bigger company and we'll need to add some resources in some places but there's other resources we don't need to duplicate.

Davis Hebert: Okay, and just one housekeeping on cap- on the cash flow side. Jim I'm not sure if you mentioned what the combined Capex would be.

Jim Ryan: Thank you, I don't think I did so thanks for bringing that up. Our run rate the last few years Gray has been about 45 million on average and the Raycom run rate over the same period time is in the- a little maybe a touch lower.

So as we think about if we kind of take our run rate and this is a very conservative number. Now it's probably got actually some leeway in it, to scale it as necessary but if you take our run right in your you know low side maybe 80 if you- big political year and a lot of projects maybe 100. And again I think that's a- being very, very generous in those numbers and leaves you leeway to adapt to conditions as we go forward and even if he is that generous assumption like I said you can run the free cash numbers and it's still highly free cash flow accretive.

Davis Hebert: Okay last question from me, this does take your Fox exposure up a bit. And just wanted if you can talk about your comfort level with the Fox relationship going forward.

Pat Laplatney: Yeah so you know it does take our Fox, this is Pat Laplatney by the way, it does take our Fox exposure up a bit but we're absolutely comfortable with that and we actually, two of our largest markets are very, very strong Fox affiliates in Birmingham and New Orleans and we're comfortable going forward.

Davis Hebert: Great thank you.

Operator: Your next question comes from the line of Jim Goss from Berrington Research go ahead please your line is open.

Jim Goss: All right, thanks very much and congratulations, I was curious about the organizational structure somewhat when you combine the two do you have to create regions or by size. How exactly do you approach that?

Kevin Letek: Jim it's Kevin we currently have- stations are overseen by regional managers at both Gray and Raycom. So you know how that plays out sown the road no one knows at this point honestly but what we already have- we already have such a big platform in both companies that it's not practical to have the GMs directly reporting to the CEO, we're just too big. So the regional structure that we have in place and frankly our peers have in place is probably the one that will continue going forward.

Jim Goss: Okay, and just a little bit more on the-the programming that Raycom has and starting with sports, is there a way to extend that into the Gray markets or is that one of the situations where it's really locally oriented and that won't do?

Pat Laplatney: Well there are some opportunities. One of the companies we own is RTM which does automotive enthusiast programming at roughly 9-a 900 hour library and some of that- some of that archives airs on the Raycom stations and that would be available for the Gray stations. We do a lot of live sports production that, you know our clients, or NBC, and Fox and ESPN. So that- most of that content wouldn't be available to stations but there are some- there are some live events that we can do for Gray and Raycom stations so some opportunities going forward are true for both companies there.

Jim Goss: Okay, and when you look at M&A, I would assume this satisfies M&A appetite for a while or does it actually position you on a bigger scale. So that given you still have a lot of upside to any of the reach limitations that you have a desire to look beyond and expand further.

Jim Ryan: Jim, this is Jim. I think if we look out over the next couple of years, our main objective is going to be to focus on delivering everything we've been talking about and bringing down the debt level and the leverage level. You know there could be maybe a little [inaudible] here and there that's not going to move the needle that made sense on a market basis but I wouldn't expect- we don't expect anything large for the next couple of years.

We need to you know we needed execute on what we're undertaking starting today and that's the basic intention is you know to get a couple of years down the road and we can look at the landscape and make appropriate choices then.

Jim Goss: Okay and one final thought. It seems like one of the risks you already had in terms of making acquisitions they were to get you into a bigger markets where you couldn't maintain the political share that Gray's traditionally done and this seems to be largely expanding your footprint without diluting the political shared manager you've traditionally held so that seems like a big plus.

Hilton Howell: We agree with you completely. We think it's actually going to enhance our political revenue for sure by coming together and having a larger platform where we are- must buy stations in many, many very competitive states.

Jim Goss: Okay well that sounds great and congratulations thanks.

Operator: Your next question comes from the line of Mario Gabelli from Gamco Investors go ahead please your line is open.

Mario Gabelli: Yeah I have to listen to some calls on Campbell Soup so I may repeat myself. Are you buying a C corp or a partnership? Hello.

Kevin Letek: Yeah Mario, Raycom media is a C corp.

Mario Gabelli: All right, so the NOL that you talked about in section 382 is an NOL carry forwarded as C corp not a step up of assets got it. Just refresh on Raycom did they sell a lot of spectrum in the last spectrum auction or did they not participate-what?

Jim Ryan: Raycom sold spectra in one market actually and Raycom's partner station-partner group sold- actually didn't sell they [inaudible]-

Mario Gabelli: I got it that's good, so you have a lot of that. The-the third part is you talk about Raycom's anticipated '18, '19 I'm assuming used cash flow of 7.8 times blended. I'm assuming you're expecting a 20-30 percent drop off in 2019 in terms EBITDA versus- cash flow versus '18 or did you ever give that percentage on a prior comment.

Jim Ryan: We said if you run through all the math and look at it on a blended 2 year average which-

Mario Gabelli: Yeah 7, 8 right.

Jim Ryan: You're going to come up with a combined company cash flow somewhere in the mid to upper 300.

Mario Gabelli: I just look at seeing if I got a number for '19 dropping off for '18 and then looking at the- the surge in 2020 twenty. Hey, well done I'll move along and we're delighted, take care.

Pat Laplatney: Thank you Mario thanks for your support in the path and listen thank you personally being on the call today I appreciate.

Mario Gabelli: Your bet well it's an interesting dynamic always the good to see company scale up as opposed to those that are still trying to figure it out take care.

Pat Laplatney: Thank you Mario, I may quote you on that.

Operator: And again, as a reminder if you'd like to ask a question please press star followed by the number one on your telephone keypad. Your next question comes from the line of Dennis Leibowitz from Act II Partners go ahead please your line is open.

Dennis Leibowitz: Historical table 12 and divide your average free cash flow by the 100.3 million shares you'd get like $1.95 in free cash flow per sure on average. Does that take into account everything Jim was talking about including the divestitures and am I correct in assuming that since that '16, '17 that the figures would be higher going forward.

Jim Ryan: Dennis I didn't quite follow your starting point so-

Dennis Leibowitz: Just took the figures you gave for '16, '17 free cash flow in the table on page 12 and divided by 100.3 million shares.

Jim Ryan: Page 12 of what?

Dennis Leibowitz: Your deck here combined historical basis. Oh, I'm sorry that's just Gray.

Jim Ryan: That's Gray prior to this transaction it sounds like. You're talking about our old-what is our investor deck again was published a couple weeks ago.

Dennis Leibowitz: I see okay.

Jim Ryan: We have a new deck that was published this morning. It's the short one so again to go back to your the bigger question. If you do all the math on free cash flow and there's enough information on what we publish but I think all the pieces are there. And I had run through the bigger numbers a little earlier in the call.

You're going to come up with a free cash number or you should be able to come up to a free cash number somewhere in the mid to upper 300s and then you can divide that by 100.3 shares pro forma for this transaction.

Dennis Leibowitz: Okay that isn't much different than this. The second and last question is when you raised equity a while ago. I think you've said, not publicly necessarily, that you expected to do a deal from a private seller and it fell through, is this the same deal?

Jim Ryan: No when we raised equity, we did not have a specific deal in mind when we raised equity in December. We said we thought opportunities would come our way whether that was a series of smaller transactions, a mid-size, and we have said repeatedly for a year and a half that we would be open to something more transformative.

It was way, way past December it was actually late Spring when this transaction recall the conversation started and we have been moving very rapidly for the last couple of months to get to this day.

Kevin Letek: Hey, this is- this is Kevin we also had on the radar screen at that time when we raised equity and interest in some of the number one and number two TV stations that would be spun off in the Sinclair Tribune process that we thought was going to be a moving forward around that timeframe. Obviously, we did not participate in the station that eventually were offered there with Gray.

Actually, in retrospect thrilled the way that worked out because it allowed us to move forward here and you know just to echo Jims comment, I mean since Memorial day when this really got going the couple of weeks has been kind of a blur for all of us. Thank Pat and his team for giving up their vacations, their holidays, their weekends, and their children to spend the last three weeks with us.

Dennis Leibowitz: Thank you.

Operator: There are no further questions in queue at this time. I turn the call back over to Mr. Howell.

Hilton Howell: Thank you very much operator, first I want to thank everyone for being with us this morning. Second and quite sincerely, I want to welcome the Raycom employees around the country. Ray television treasures the employees that it has, and you're going to be a treasure in this company and is one of the reasons we're doing this deal.

I'd also like to note, that we're bringing together two first class portfolios of stations and together we create a portfolio and booklet of number one station and markets that are incredibly complementary. We are not overlapping but we are coming together as two complementary portfolios.

Next, with this combination we also become a much more- much more appealing buy for advertisers because we're able to offer them a broader footprint, plus terrific selection of geographies and demographics so we compete better and can grow our advertising revenues. The programming we do for these while we provide tremendous autonomy to our stations.

We'll give them the ability to tell the stories they want to tell and the autonomy that they need which is the hallmark of our company. At the same time we do that, we're able to capitalize on opportunities to share content where it's appropriate and where our local stations find it valuable and relevant to their local communities that will create value for our new company.

And finally digital as we all continue to evolve and innovate and drive our digital initiatives across the broader platform we can combine our expertise, our technologies, and accelerate the power of growth that we're making in digital across a much broader platform. Thank you for being here and we look forward to talking to you again soon, thank you operator.