

# Investor Presentation

November 7, 2012

**GRAY**  
TELEVISION, INC.



## Company Overview

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TELEVISION, INC.



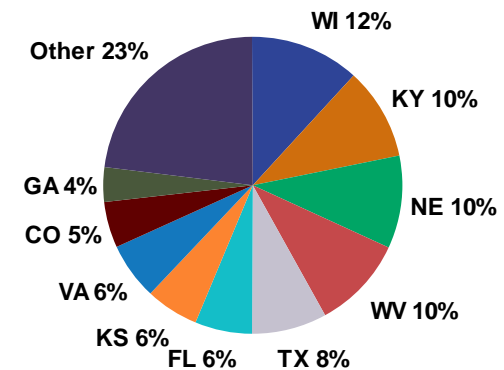
## Gray Television Overview

### A Significant Pure-Play Mid-Market TV Platform

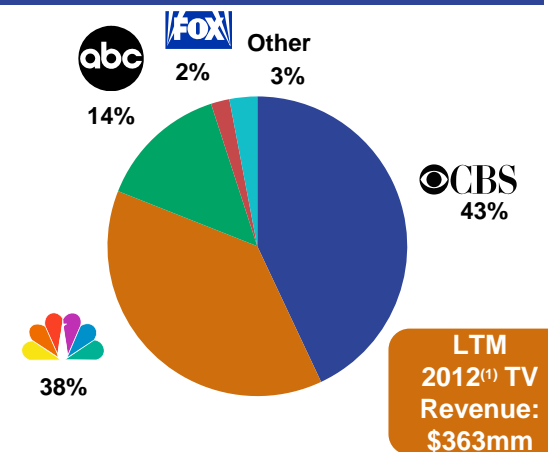
- 85 channels of programming
- Spread across 30 markets
- 40 top 4 primary network affiliates, 45 secondary channels
- #1 News in 23 markets
- #1 channel in 22 markets
- 17 collegiate markets, 8 state capitals

(1) Last twelve months ended September 30, 2012

#### LTM 2012<sup>(1)</sup> Revenue by State



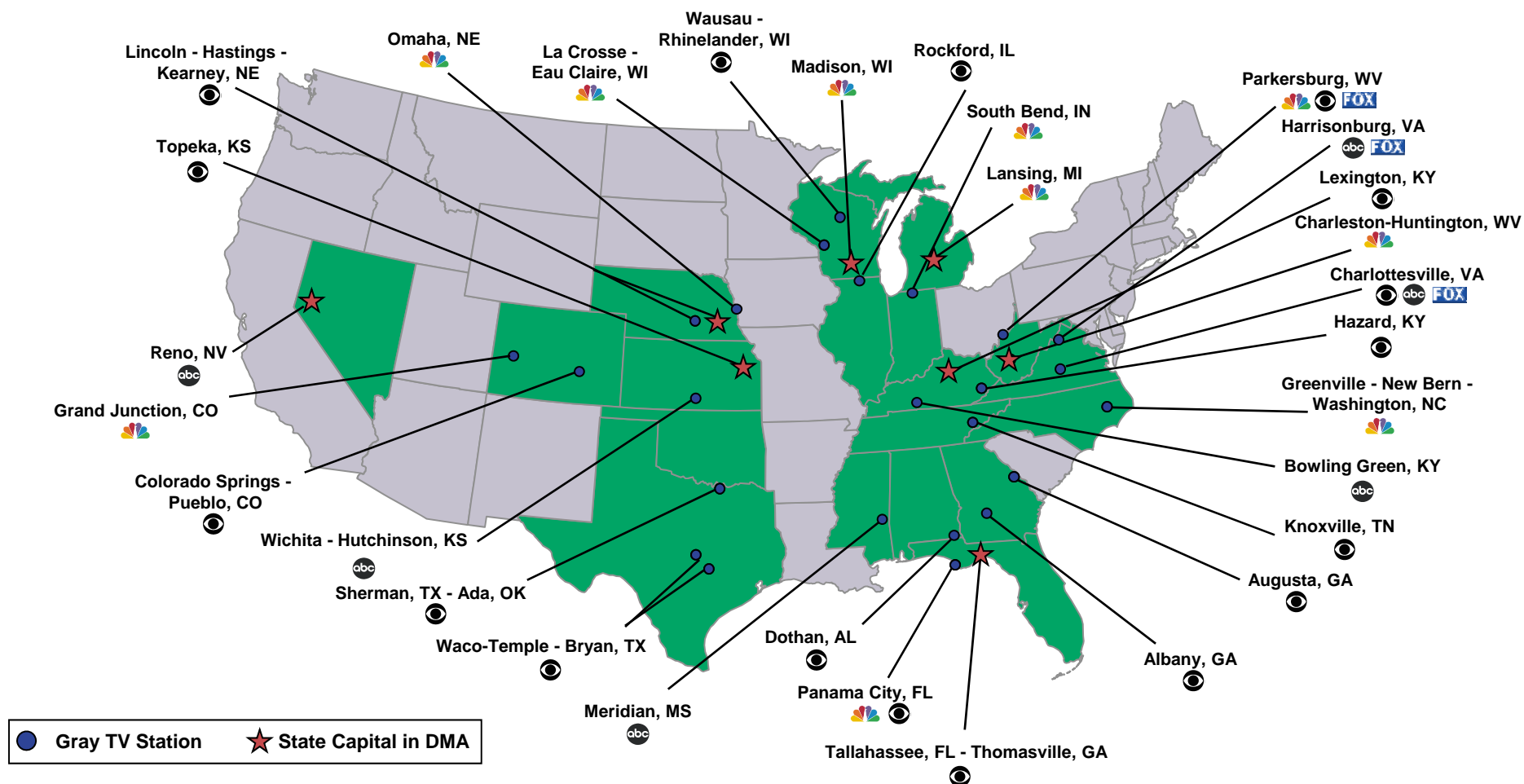
#### LTM 2012<sup>(1)</sup> Revenue by Affiliate



# Gray's National Footprint

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30 markets reaching approximately 6.2% of US TV households



## Investment Highlights









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TELEVISION, INC.

- Mid Markets Presence – State Capitals and University Towns
- Leading Market Revenue Share With #1 or #2 Station in 29 of 30 Markets
- Diversification Across Networks
- Long Standing Relationships and Strong Leverage With Networks
- Rebound in Advertising Market
- Large Political Upside in Election Years
- Growing Retransmission Revenue
- Successful New Media Initiatives
- Prudent Cost Management

# Stable Markets – Concentration on Markets DMA 61-200 With Focus on State Capitals / Collegiate Presence

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Market	College(s)	Approximate Enrollment
Waco, TX	 	62
Topeka, KS	 	53
Lansing, MI		49
Tallahassee, FL	 	44
Madison, WI		43
Knoxville, TN		30
Lexington, KY		29
Greenville, NC		28

## Why university towns and state capitals?

- Better demographics
- More stable economies
- Affinity between station and university sports teams

Market	College(s)	Approximate Enrollment
Lincoln, NE		24
Bowling Green, KY		21
Charlottesville, VA		21
Harrisonburg, VA		20
Reno, NV		18
Charleston-Huntington, WV		14
South Bend, IN		12
Colorado Springs, CO		4
Parkersburg, WV	 Marietta College	2

Gray stations cover 8 state capitals and 17 university towns, representing enrollment of approximately 474,000 students

Note: Shading indicates DMA includes state capital. Enrollment in thousands.

# Gray's Market Leadership



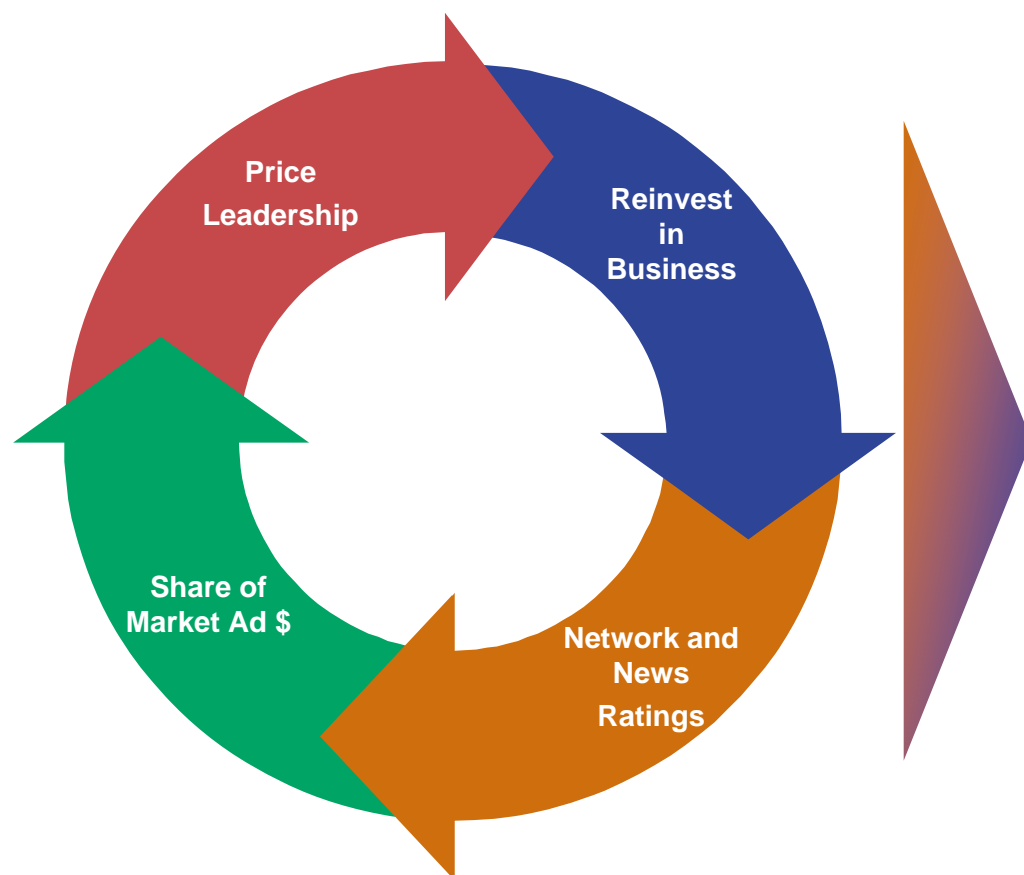
- #1 in overall audience in 22 of 30 Markets
  - All other markets #2 (except for Albany, GA)
- #1 in news in 23 of 30 markets

Market DMA Rank	Market	Station	Affiliation	Rank in DMA	News Rank in DMA	Market DMA Rank	Market	Station	Affiliation	Rank in DMA	News Rank in DMA
61	Knoxville, TN	WVLT	CBS	2	2	128	La Crosse / Eau Claire, WI	WEAU	NBC	1	1
64	Lexington, KY	WKYT	CBS	1	1	134	Wausau / Rhinelander, WI	WSAW	CBS	1	2
65	Charleston / Huntington, WV	WSAZ	NBC	1	1	135	Rockford, IL	WIFR	CBS	1	1
66	Wichita / Hutchinson, KS	KAKE KLBY KUPK	ABC ABC ABC	2	2	136	Topeka, KS	WIBW	CBS	1	1
75	Omaha, NE	WOWT	NBC	2	1	150	Albany, GA	WSWG	CBS	3	NA
85	Madison, WI	WMTV	NBC	2	2	159	Panama City, FL	WJHG WECP	NBC CBS	1	1
88	Waco-Temple-Bryan, TX	KWTX KBTX	CBS CBS	1	1	161	Sherman, TX / Ada, OK	KXII	CBS	1	1
89	Colorado Springs, CO	KKTV	CBS	1	3	169	Dothan, AL	WTVY	CBS	1	1
95	South Bend, IN	WNDU	NBC	2	1	178	Harrisonburg, VA	WHSV WSVF	ABC FOX	1	1
100	Greenville / New Bern / Washington, NC	WITN	NBC	1	1	182	Bowling Green, KY	WBKO	ABC	1	1
105	Lincoln/Hastings/Kearney, NE	KOLN KGIN	CBS CBS	1	1	183	Charlottesville, VA	WCAV WVAW WAHU	CBS ABC FOX	2	2
106	Tallahassee, FL/Thomasville, GA	WCTV	CBS	1	1	185	Grand Junction, CO	KKCO	NBC	1	1
108	Reno, NV	KOLO	ABC	2	1	186	Meridian, MS	WTOK	ABC	1	1
113	Augusta, GA	WRDW	CBS	1	1	193	Parkersburg, WV	WTAP WIYE WOVA	NBC CBS FOX	1	1
115	Lansing, MI	WILX	NBC	1	1	NA	Hazard, KY	WYMT	CBS	1	1

Note: Ratings based on 2011 Nielsen information for February, May, July and November ratings periods. Market DMA rank per Nielsen for the 2012/2013 television season.



# The Importance of Being #1

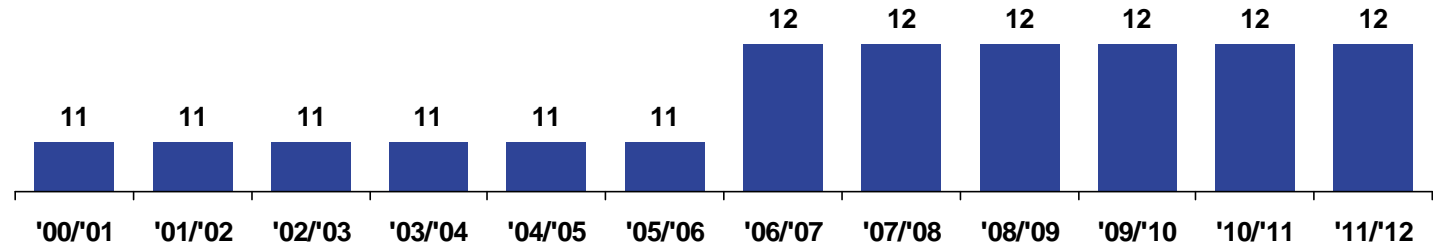


- Dominate local and political revenue with highly-rated news platforms
- Maximize cash flow
- Deliver high margins
- Reduce syndicated programming costs
- Attract and retain talent

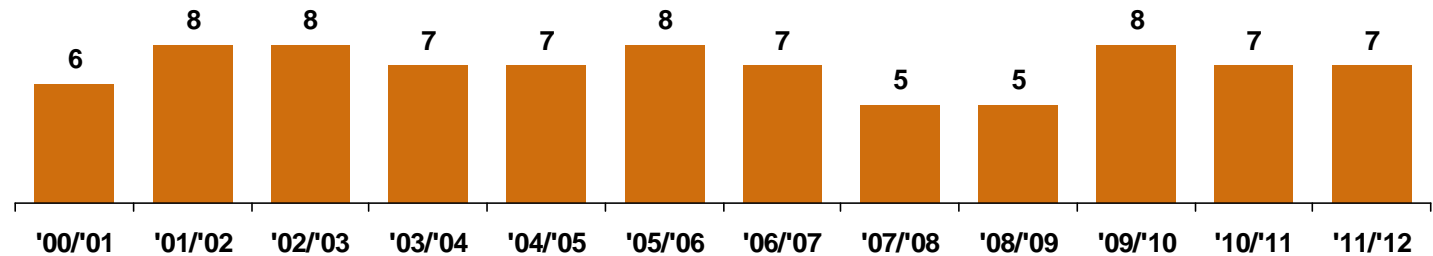


# Long History of Being #1 in the Market

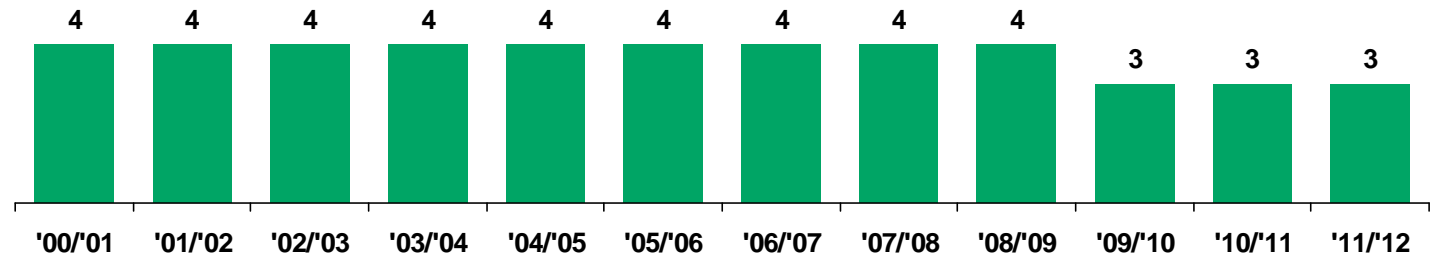
## # of Gray Stations Ranked #1



CBS National Ranking	1	2	1	1	1	1	1	2	1	1	1	1
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NBC National Ranking	3	1	2	2	2	3	4	4	4	4	4	4
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ABC National Ranking	2	3	3	3	3	2	2	3	2	2	2	2
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Note: Pro Forma for all acquisitions.

# Long-Term Affiliate Contracts

Gray currently has 40 primary stations in 30 markets



<u># of Stations</u>	<u>Renewal Date</u>
17	12-31-14
2	12-31-16



<u># of Stations</u>	<u>Renewal Date</u>
9	In Negotiations
1	1-1-16



<u># of Stations</u>	<u>Renewal Date</u>
8	12-31-13

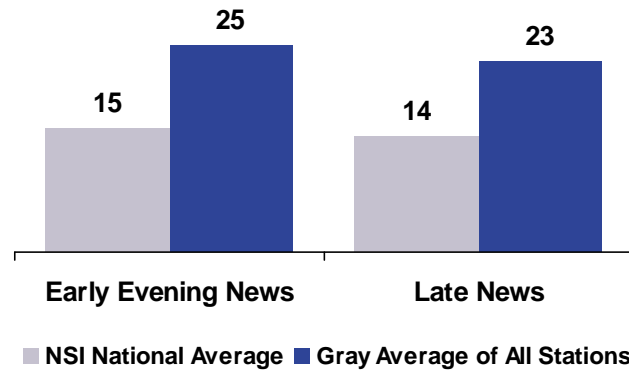


<u># of Stations</u>	<u>Renewal Date</u>
3	6-30-14

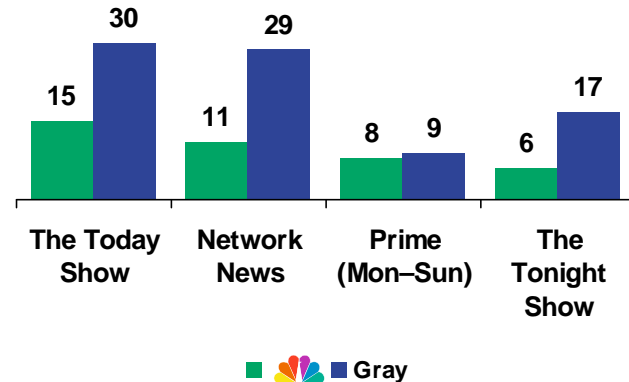
# Dominate Local News & Information

- Gray's late local news outperforms the national average by 64%
- Gray's Early Evening newscasts outperform the national average by 66%
- Better than national average for all major affiliate news programs

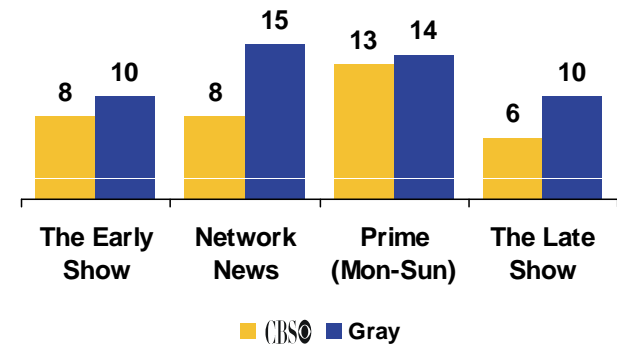
**National Average vs. Gray**  
November '11 Household Share



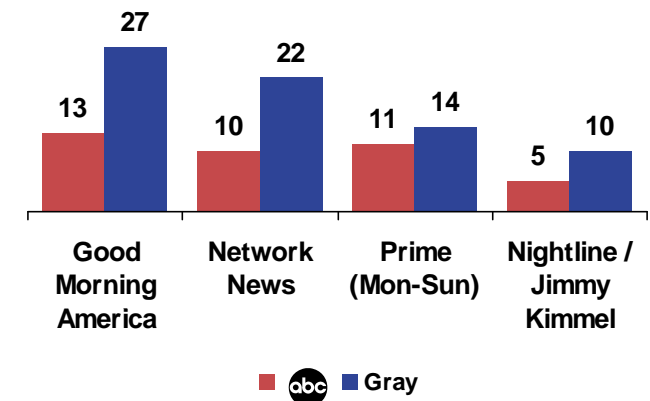
**NBC vs. Gray**  
November '11 Household Share



**CBS vs. Gray**  
November '11 Household Share



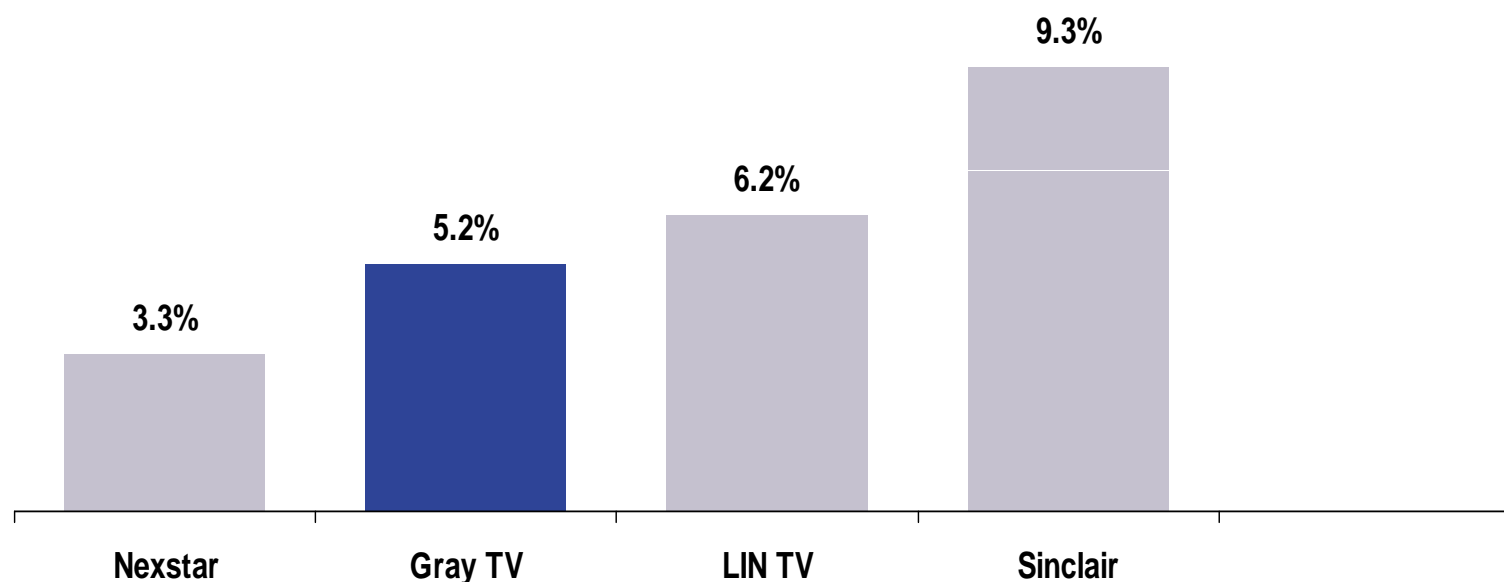
**ABC vs. Gray**  
November '11 Household Share



## #1 News Platform Allows for Less Syndicated Programming

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### Syndicated Program Payments as a % of Revenue<sup>(1)</sup>



**Gray's Syndicated Program Payments as a % of Revenue  
is Among the Lowest of its Peers**

(1) 2011 Information from Annual Reports filed on Form 10-K or other public disclosures.

# Diversification Across Networks and Markets

## Current Station Mix

85 channels of programming, including:

### Primary Channels

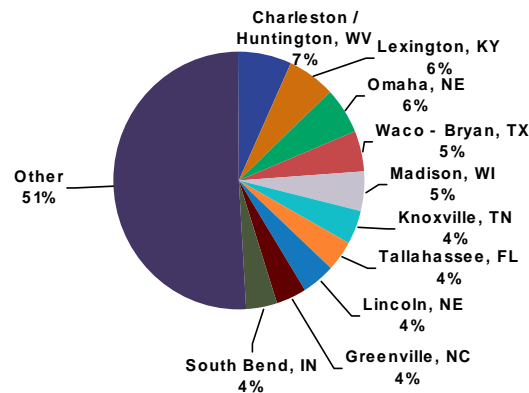
- 19 CBS
- 10 NBC
- 8 ABC
- 3 FOX

### Secondary Channels<sup>(2)</sup>

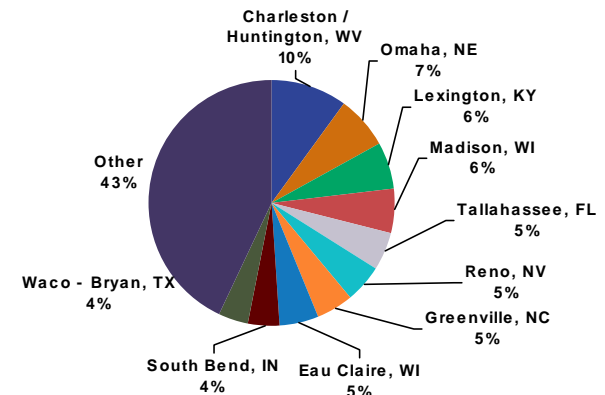
- 1 ABC
- 1 CBS
- 2 FOX
- 8 CW
- 18 MyNetwork TV
- 1 Untamed Sports Network
- 1 The Country Network
- 2 This TV Network
- 5 ME TV
- 11 Local News/Weather

## 40 Top 4 Network Primary Affiliates

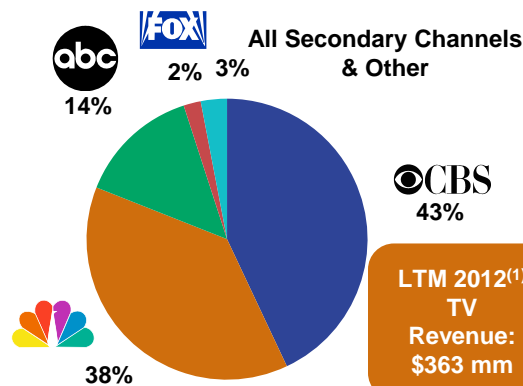
## LTM 2012<sup>(1)</sup> Revenue: Top 10 Markets



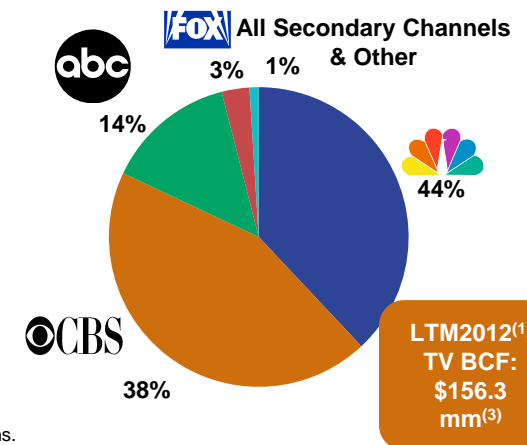
## LTM 2012<sup>(1)</sup> BCF: Top 10 Markets



## LTM 2012\* Revenue by Affiliate



## LTM 2012\* BCF by Affiliate



(1) LTM 2012 – Last 12 months ended September 30, 2012.

(2) Certain secondary channels are affiliated with more than one network simultaneously. As a result, Gray has 45 secondary channels with 50 affiliations.

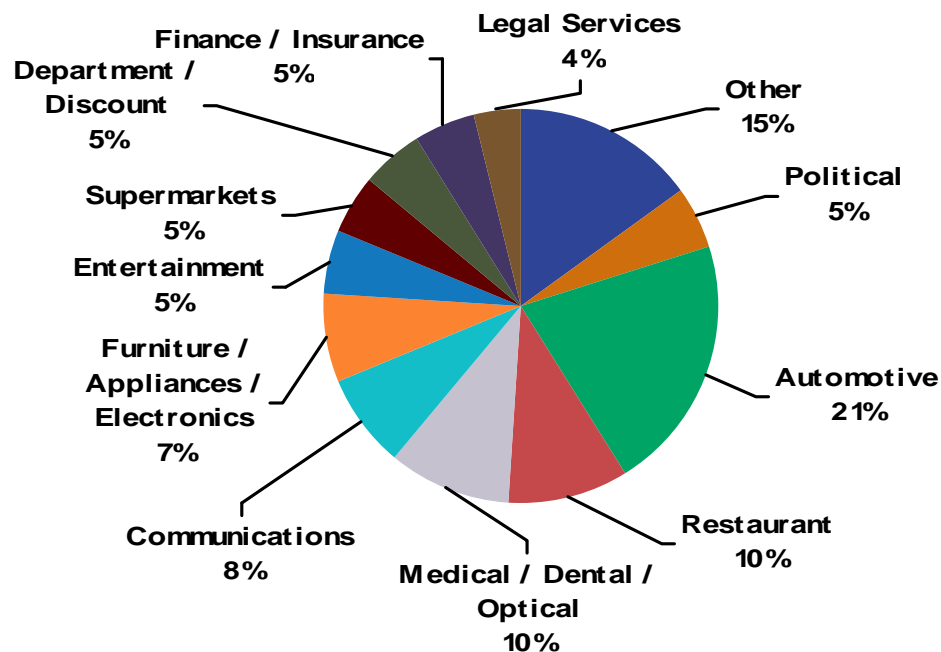
(3) Excludes corporate expenses.

# Continuing Rebound in Advertising Market

## Gray TV Continuing Ad Rebound

- Auto up 6% for full year 2011
- Most other categories also improved in 2011
- Set a new all time off-year record of \$13.5 million of political revenue for full year 2011

## Full Year 2011 Ad Revenue by Category % of Commercial Time Sales



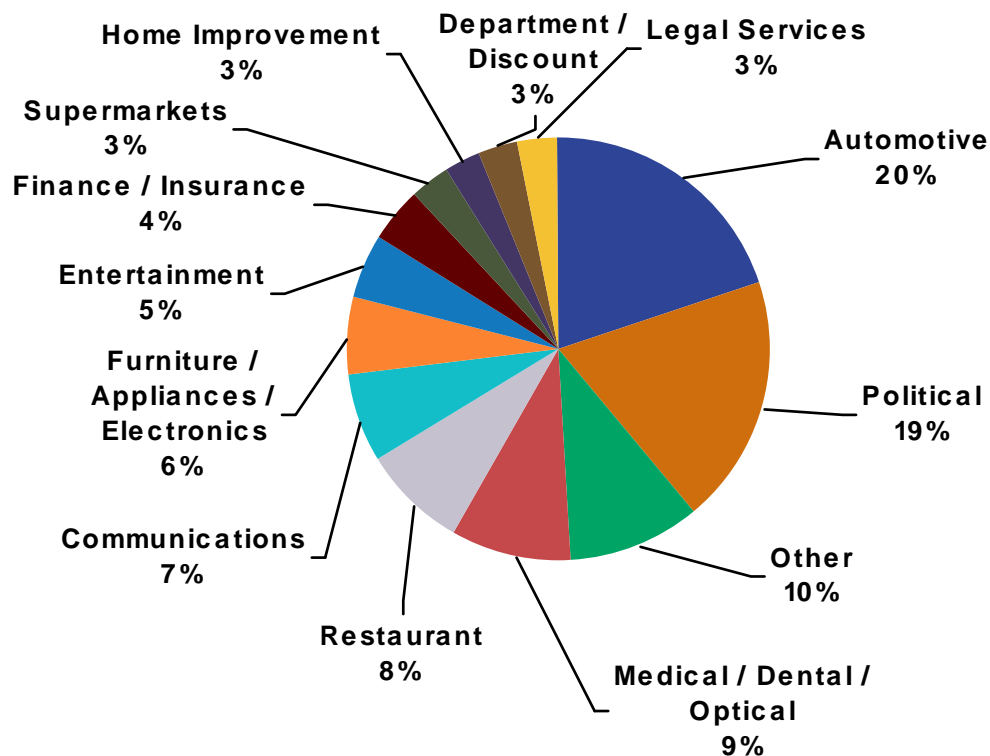
# YTD June 2012 Continuing Rebound in Advertising Market

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## Gray TV Continuing Ad Rebound

- Auto up 18% YTD 9/30/2012
- Most other categories also improved YTD 9/30/2012
- Set a new all time 9 month record of \$42.6 million of political revenue for YTD 9/30/2012

## YTD 9/30/2012 Ad Revenue by Category % of Commercial Time Sales





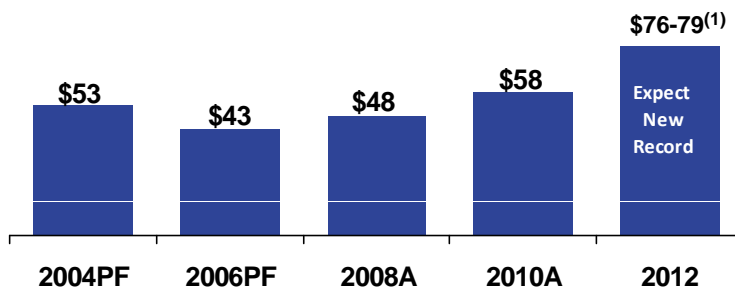
# Large Political Upside

## Gray TV Political Commentary

- YTD 9/30/2012 \$42.6 Million – New 9 Month Record
- 2010 Even Year Record \$57.6 million; 16.6% of Total Revenue
- 2011 Odd Year Record \$13.5 million
- Gray operates in key battleground states
  - #1 stations can capture over 50% of the political budget for a market
- Supreme Court decision to remove limits on corporate spending on political campaigns helps drive political revenue for Gray
- Revenue from issue-based political advertising expected to further drive growth

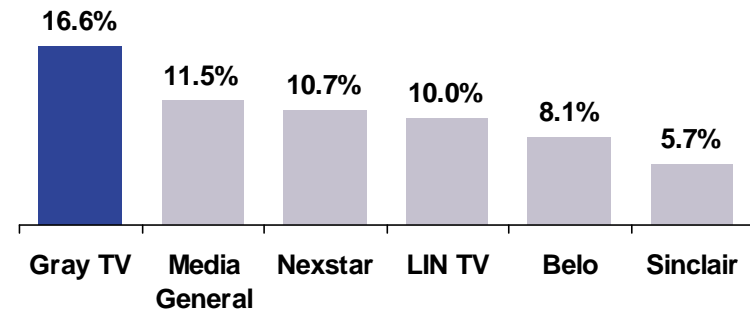
## Gray TV Political Revenue

(\$ in millions)

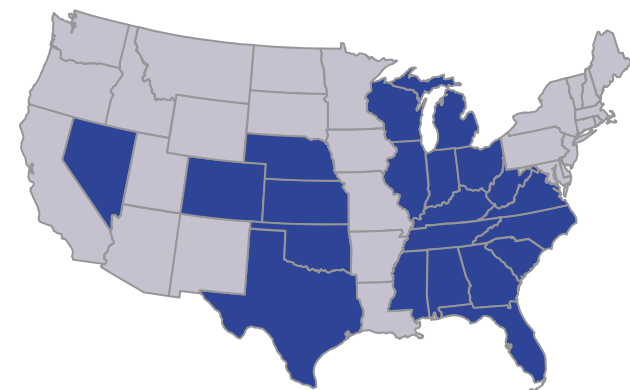


<sup>(1)</sup> Estimate

## 2010 Political as % of Total Revenue



## Strong Presence in Battleground States



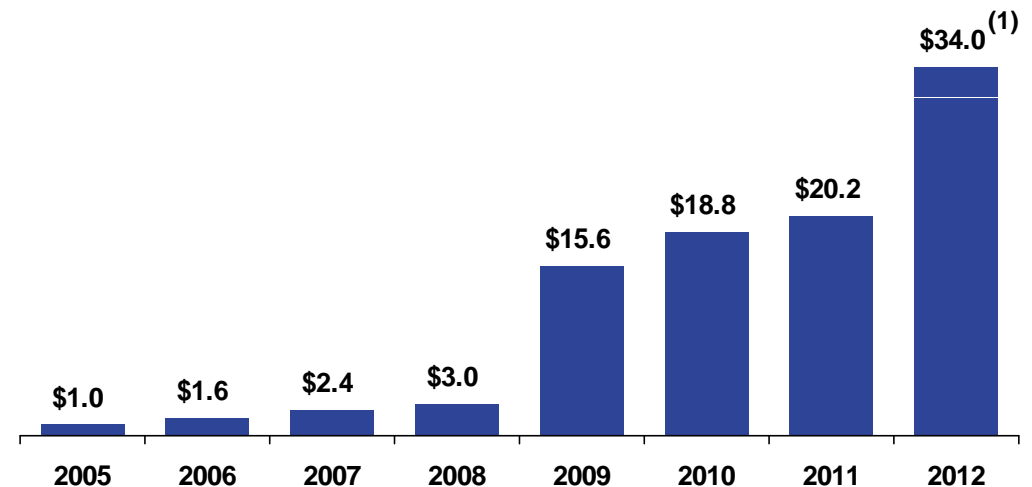
■ GTN Overlap with Key Elections

## Growing Retransmission Revenue

- Agreements with all Major Cable and Satellite Providers (“MVPD’s”)
- Agreements cover virtually all in-market subscribers and certain out-of-market subscribers
- Next major renewals of agreements are in 2013 and 2014

### Gray Retransmission Revenue

(\$ in millions)



% of Total Revenue	0.4%	0.5%	0.8%	0.9%	5.8%	5.4%	6.6%
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**Over 40% of MVPD subscriber base renewed at year-end 2011 at significant increases.**

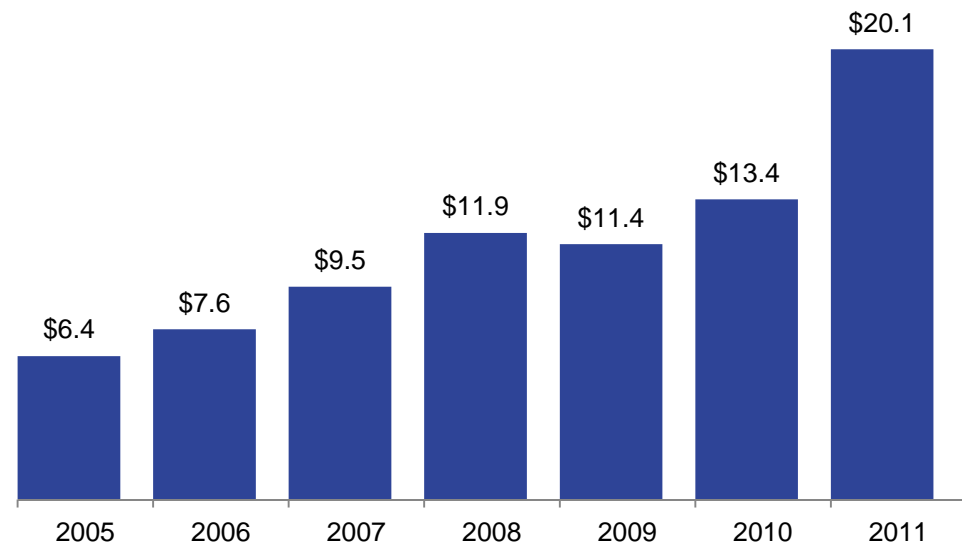
<sup>(1)</sup> Estimate

## Successful Digital Media Initiatives

- Operate web, mobile and desktop applications in all markets
- Focused on local content: news, weather, sports
- Demonstrated strong growth in page views: '05 to '11 +497% (29.1% CAGR)
- Currently testing mobile TV services in four markets
- 2005 – 2011 CAGR of 29.1%

### Gray TV Digital Media Revenue

(\$ in millions)



% of Total Revenue	2.4%	2.3%	3.1%	3.6%	4.2%	3.9%	6.5%
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Digital Media Revenue +50% at December 31, 2011 compared to 2010

# Monetizing Digital Spectrum

**In 2011, Gray Generated \$11.2 Million in Revenue and \$5.4 Million in BCF<sup>(1)</sup> from Additional Digital Channels**

As of September 2012, 45 Secondary channels of programming, including 50 affiliations<sup>(2)</sup> with:

- 1 ABC
- 1 CBS
- 2 FOX
- 8 CW
- 18 MyNetwork TV
- 1 Untamed Sports Network
- 1 The Country Network
- 2 This TV Networks
- 5 ME TV Networks
- 11 Local 24-hour news and weather channels

(1) Excludes corporate expenses

(2) Certain secondary channels are affiliated with more than one network simultaneously. As a result, Gray has 45 secondary channels with 50 affiliations

- As of September 30, 2012, reduced total number of employees by 365, or 14.9%, since December 31, 2007
- Decreased operating costs by converting to digital
- 2011 Total TV Operating Expense of \$194.2 million below 2007 level of \$199.7 million
- 2011 Corporate Overhead of \$14.2 million below 2007 level of \$15.1 million

# Industry Overview

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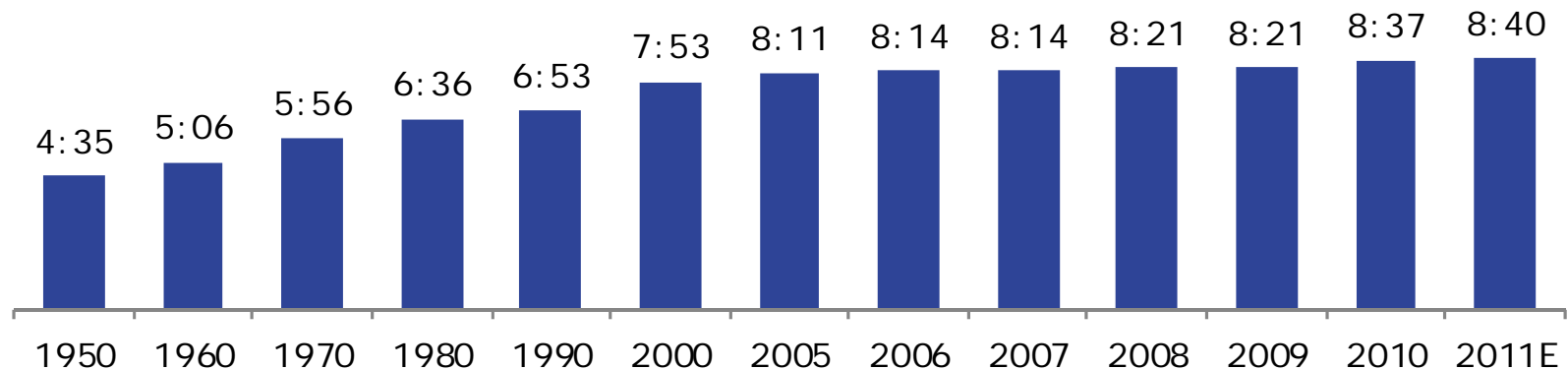


# Resilient Industry Fundamentals

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TELEVISION, INC.

## Time Spent Watching TV Per U.S. Household Per Day (hrs:mm)

Television continues to be the #1 choice for critical mass reach among advertisers in an increasingly fragmented distribution landscape



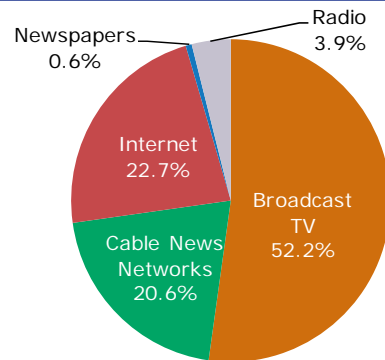
Note: Nielsen has not publicly released 2011 HH Daily TV usage. Estimate based on released Nielsen figures for 2011 growth of average monthly time spent per user watching traditional television  
Source: Nielsen



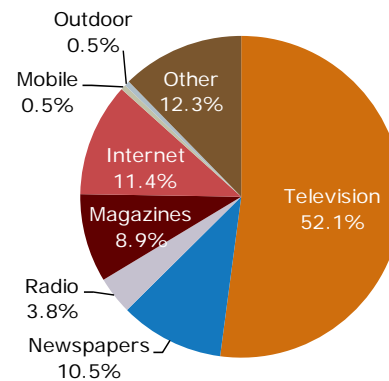
# Resilient Industry Fundamentals

## Television Remains the Most Important Local Medium

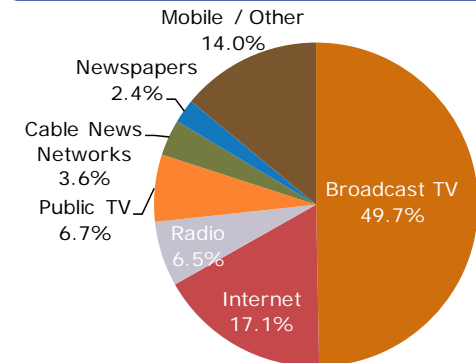
### Primary Source of News



### Most Influential of All Media



### Source of Local Weather, Traffic and Sports



Source: TVB Media Comparison Study 2012 and Knowledge Networks Inc. Custom Survey

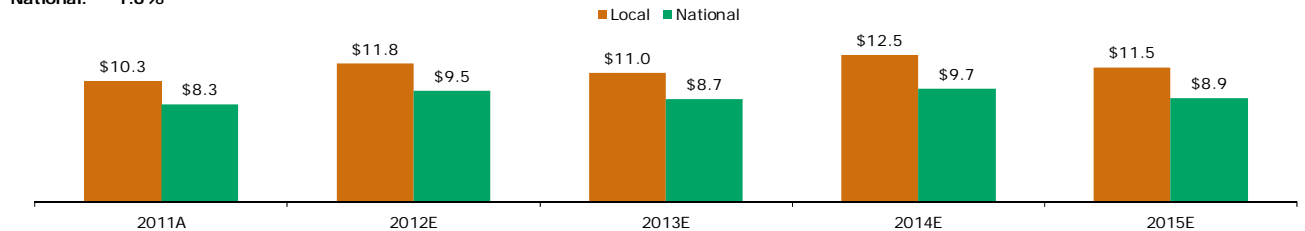
## Spending on Local Broadcast Television

(\$ in billions)

**2011A - 2015E Revenue CAGR:**

Local: 2.8%

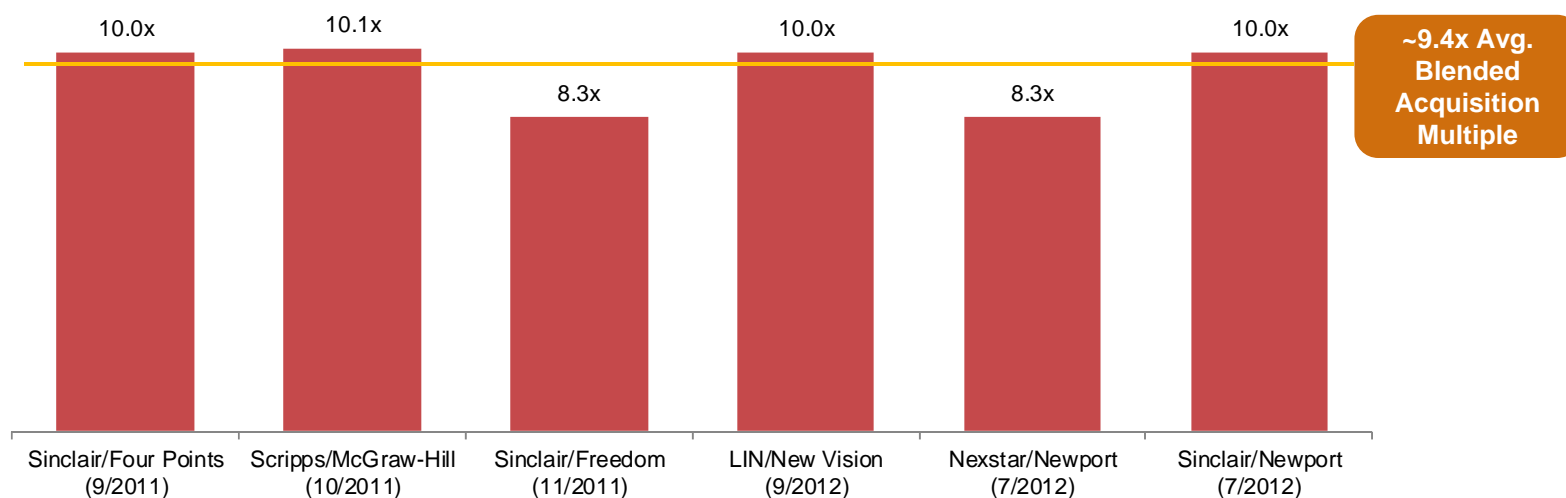
National: 1.6%



Source: SNL Kagan

## Significant Asset Value Support

Recent broadcasting transactions have an average blended EBITDA multiple of ~9.4x



Note: Multiples shown calculated using EBITDA except Nexstar/Newport and Sinclair/Newport, which use BCF as EBITDA is not available. All multiples based on blended '11/'12 pre-synergy metrics besides Sinclair/Newport which is based on pre-synergy blended '12/'13 metrics (calculated using Wall Street research estimated synergies of \$15 million - \$20 million)

Source: SNL Kagan, Wall Street research

# Financial Overview

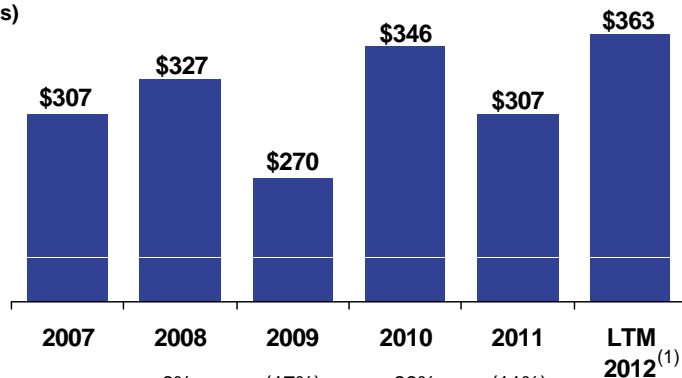
**GRAY**  
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# Historical Financial Overview

## Net Revenue

(\$ in millions)



YOY Growth

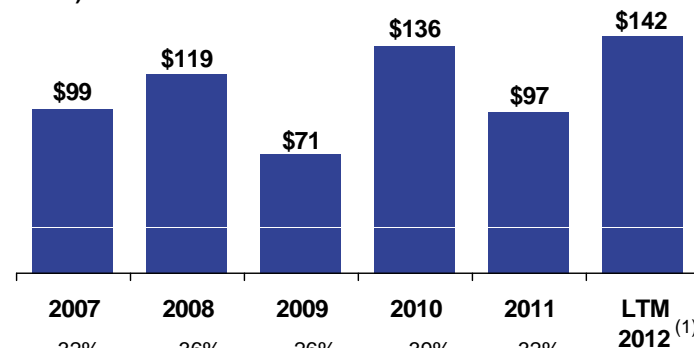
6% (17%) 28% (11%)

2YOY Growth

(12%) 6% 14%

## Operating Cash Flow<sup>(2)</sup>

(\$ in millions)

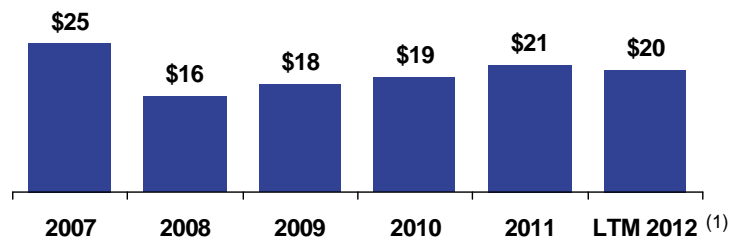


% Margin

32% 36% 26% 39% 32%

## Capital Expenditures<sup>(3)</sup>

(\$ in millions)

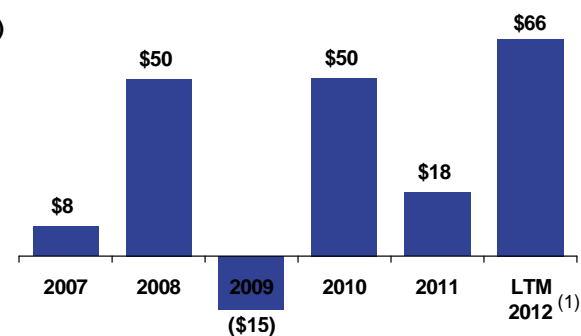


% of Revenue

8% 5% 7% 5% 7%

## Free Cash Flow<sup>(4)</sup>

(\$ in millions)



% of OCF

8% 42% 37% 19%

(1) LTM 2012—Last 12 months ended September 30, 2012

(2) Operating Cash Flow as defined in Senior Credit Facility

(3) Net of proceeds from asset sales or dispositions

(4) Free Cash Flow defined as Operating Cash Flow less cash interest, cash taxes and capital expenditures

# 2011 Performance

## 2011 Performance Highlights

- Solid revenue performance in 2011 given “off year” political cycle and Olympic and Super Bowl comps from 2010
  - Local +2%
  - Political \$13.5 million – record for “off year”
  - Internet +50% over 2010 - Major focus for growth in 2011
- Winter Olympics contributed revenue of nearly \$2.8 million in 2010; no Olympics in 2011
- Super Bowl contributed revenue of nearly \$0.9 million in 2010 from 17 CBS Channels vs. \$0.2 in 2011 from 5 Fox Channels

(\$ in millions)	Year-To-Date December 31,		Variance vs.	
	2011	2010	2010	
Local/Regional	\$187.0	\$183.2	\$3.8	2.1%
National	56.3	57.6	(1.3)	-2.3%
<b>Core Revenue</b>	<b>\$243.3</b>	<b>\$240.8</b>	<b>\$2.5</b>	<b>1.0%</b>
Political Revenue	13.5	57.6	(44.1)	-76.6%
Internet Revenue	20.1	13.4	6.7	50.0%
Retransmission Revenue	20.2	18.8	1.4	7.4%
Other	7.8	8.0	(0.2)	-2.5%
Management Fee	2.2	7.5	(5.3)	-70.7%
<b>Total Revenue</b>	<b>\$307.1</b>	<b>\$346.1</b>	<b>\$(39.0)</b>	<b>11.3%</b>
Operating Expenses	(194.2)	(196.4)	(2.2)	-1.1%
Miscellaneous AJE	(3.3)	(0.8)		
<b>Broadcast Cash Flow</b>	<b>\$109.6</b>	<b>\$148.9</b>	<b>\$(39.3)</b>	<b>-26.4%</b>
% Margin	35.7%	43.0%		
Corporate Overhead	(14.2)	(13.5)	0.7	5.2%
Miscellaneous AJE	0.2	0.3		
<b>Broadcast Cash Flow less Cash Corporate Expenses</b>	<b>\$95.6</b>	<b>\$135.7</b>	<b>\$(40.1)</b>	<b>-29.6%</b>
% Margin	31.1%	39.2%		
Adjustments for OCF	1.4	0.4		
<b>Operating Cash Flow<sup>(1)</sup></b>	<b>\$97.0</b>	<b>\$136.1</b>	<b>\$(39.1)</b>	<b>-28.7%</b>

<sup>(1)</sup>as defined in Senior Credit Facility

<sup>(1)</sup> as defined in Senior Credit Facility

# Update on YTD 2012 Performance

## YTD 2012 Performance Highlights

- Solid Revenue performance YTD 2012
  - Local +3%
  - National +4%
  - Political \$42.6 million – record YTD 9/30/2012
  - Internet +29% over YTD September 30, 2011 – major focus for growth in 2012

(\$ in millions)	Year-To-Date September 30,		Variance vs.	
	2012	2011	2011	
Local/Regional	\$141.0	\$136.3	\$4.7	3%
National	41.7	40.2	1.5	4%
<b>Core Revenue</b>	<b>\$182.6</b>	<b>\$176.5</b>	<b>\$6.2</b>	<b>4%</b>
Political Revenue	42.6	8.9	33.7	377%
Internet Revenue	18.4	14.3	4.1	29%
Retransmission Revenue	25.3	15.3	10.0	66%
Other	7.4	5.8	1.6	27%
Management Fee	1.9	1.7	0.2	15%
<b>Total Revenue</b>	<b>\$278.2</b>	<b>\$222.5</b>	<b>\$55.8</b>	<b>25%</b>
Operating Expenses	155.6	144.8	10.8	7%
Miscellaneous AJE	(0.6)	(2.4)		
<b>Broadcast Cash Flow</b>	<b>\$122.0</b>	<b>\$75.2</b>	<b>\$46.7</b>	<b>62%</b>
% Margin	43.8%	33.8%		
Corporate Overhead	10.7	10.5	0.2	2%
Miscellaneous AJE	0.3	0.1		
<b>Adjusted EBITDA</b>	<b>\$111.5</b>	<b>\$64.8</b>	<b>\$46.7</b>	<b>72%</b>
% Margin	40.1%	29.1%		
Adjustments for OCF	0.1	1.4		
<b>Operating Cash Flow<sup>(1)</sup></b>	<b>\$111.6</b>	<b>\$66.2</b>	<b>\$45.4</b>	<b>69%</b>

(1) as defined in Senior Credit Facility

# Broadcast Cash Flow less Cash Corporate Expenses to OCF Reconciliation



(\$ in millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>LTM 2012<sup>(1)</sup></u>
<b>Broadcast Cash Flow less Cash Corporate Expenses</b>	<b>\$96.5</b>	<b>\$118.1</b>	<b>\$69.2</b>	<b>\$135.7</b>	<b>\$95.6</b>	<b>\$142.3</b>
Plus: Pension Expense Accruals	3.2	3.2	5.2	4.9	5.1	5.8
Less: Pension Fund Payments	(3.1)	(2.9)	(3.5)	(4.4)	(3.1)	(5.4)
Other	1.9	0.5	0.4	(0.1)	(0.6)	(0.3)
<b>Operating Cash Flow as defined in Senior Credit Facility</b>	<b>\$98.5</b>	<b>\$118.9</b>	<b>\$71.3</b>	<b>\$136.1</b>	<b>\$97.0</b>	<b>\$142.4</b>

(1) LTM 2012 – Last 12 months ended September 30, 2012



# Refinancing Transactions Overview

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# Refinancing Transactions Introduction

- On September 24, 2012, Gray announced a comprehensive refinancing of its capital structure
- New Debt consists of:
  - Senior Secured Credit Facilities (the “Facilities”)
    - \$40 million 5-year Senior Secured Priority Revolving Credit Facility (the “Revolver”)
    - \$555 million 7-year Senior Secured Term Loan B (the “Term Loan B”)
      - ♦ Initial pricing LIBOR + 375 with LIBOR Floor of 100
  - \$300 million of 7.50% Senior Unsecured Notes due 2020
- Proceeds used to fully refinance the Company’s existing credit facilities due 2014, redeem all remaining Series D Preferred Stock (including accumulated interest/dividends), tender for or call the remaining 10.50% Senior Secured Notes due 2015 and pay related fees and expenses
- The refinancing transactions are currently expected to be completed on November 13, 2012 upon final redemption of 10.5% notes outstanding.

# Pro Forma Capitalization



## Pro Forma Capitalization

(\$ in Millions)

	Actual 9/30/2012	Pro Forma After Refinancing
Cash and Cash Equivalents	\$45.7	\$10.0
\$40MM Revolver due 2014	\$0.0	\$0.0
New \$40MM Revolver due 2017	0.0	0.0
Term Loan B due 2014	459.4	0.0
New Term Loan B due 2019	0.0	555.0
<b>Total First Lien Debt</b>	<b>\$459.4</b>	<b>\$555.0</b>
10.500% Senior Secured Notes due 2015	365.0	0.0
7.500% Senior Unsecured Notes due 2020	0.0	300.0
<b>Total Debt</b>	<b>\$824.4</b>	<b>\$855.0</b>
Series D Perpetual Preferred Stock	22.2	0.0
Market Capitalization <sup>(1)</sup>	131.3	131.3
<b>Total Capitalization</b>	<b>\$977.9</b>	<b>\$986.3</b>
9/30/2012 LTM OCF <sup>(2)</sup>	\$142.4	\$142.4
9/30/2012 L8QA OCF <sup>(3)</sup>	\$133.8	\$133.8
Total First Lien Debt / L8QA OCF	3.44x	4.15x
Total Debt / L8QA OCF	6.17x	6.39x
Total Debt + Preferred / L8QA OCF	6.33x	6.39x

<sup>(1)</sup> Based on 9/28/2012 Gray Common Stock share price of \$2.28 and 57.599 million shares outstanding (combines GTN & GTN.A)

<sup>(2)</sup> OCB as defined in the existing Credit Agreement for the last twelve months

<sup>(3)</sup> OCF as defined in the existing Credit Agreement for the last eight quarters on an annualized basis

Certain statements in this presentation constitute “forward-looking statements” within the meaning of and subject to the protections the Private Securities Litigation Reform Act of 1995 and other federal and state securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such “forward-looking statements.”

**See the Company’s website [www.gray.tv](http://www.gray.tv) for reconciliations of GAAP to non-GAAP data. Reconciliations of broadcast cash flow, broadcast cash flow less cash corporate expenses and free cash flow to GAAP data is included in the financial reports section of the [www.gray.tv](http://www.gray.tv) website.**

# Investor Presentation

November 7, 2012

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TELEVISION, INC.

