

NEXSTAR MEDIA GROUP, INC.

Form 10-Q

November 08, 2018

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srt:GuarantorSubsidiariesMember us-gaap:LineOfCreditMember 2018-10-26 2018-10-26 0001142417  
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us-gaap:SubsequentEventMember nxst:TermLoansAMember nxst:ShieldMediaLLCMember  
us-gaap:NotesPayableToBanksMember 2018-10-25 2018-10-25  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-50478

NEXSTAR MEDIA GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

|                                          |                                      |
|------------------------------------------|--------------------------------------|
| Delaware                                 | 23-3083125                           |
| (State of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

|                                                         |            |
|---------------------------------------------------------|------------|
| 545 E. John Carpenter Freeway, Suite 700, Irving, Texas | 75062      |
| (Address of Principal Executive Offices)                | (Zip Code) |
| (972) 373-8800                                          |            |

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that it was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 8, 2018, the registrant had 45,612,436 shares of Class A Common Stock outstanding.

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**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****NEXSTAR MEDIA GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share information, unaudited)

|                                                                                                    | September<br>30,<br>2018 | December<br>31,<br>2017 |
|----------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                                                                                      |                          |                         |
| Current assets:                                                                                    |                          |                         |
| Cash and cash equivalents                                                                          | \$118,423                | \$115,652               |
| Accounts receivable, net of allowance for doubtful accounts of \$15,101 and \$13,358, respectively | 551,728                  | 562,943                 |
| Spectrum asset                                                                                     | 52,002                   | 305,764                 |
| Prepaid expenses and other current assets                                                          | 44,334                   | 71,859                  |
| Total current assets                                                                               | 766,487                  | 1,056,218               |
| Property and equipment, net                                                                        | 723,869                  | 734,138                 |
| Goodwill                                                                                           | 2,187,338                | 2,142,846               |
| FCC licenses                                                                                       | 1,772,039                | 1,767,638               |
| Other intangible assets, net                                                                       | 1,527,699                | 1,581,626               |
| Other noncurrent assets, net                                                                       | 141,684                  | 199,181                 |
| Total assets <sup>(1)</sup>                                                                        | \$7,119,116              | \$7,481,647             |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                        |                          |                         |
| Current liabilities:                                                                               |                          |                         |
| Current portion of debt                                                                            | \$42,089                 | \$92,808                |
| Accounts payable                                                                                   | 74,234                   | 31,136                  |
| Accrued expenses                                                                                   | 150,973                  | 175,940                 |
| Interest payable                                                                                   | 28,217                   | 39,563                  |
| Liability to surrender spectrum asset                                                              | 52,002                   | 314,087                 |
| Other current liabilities                                                                          | 19,774                   | 17,169                  |
| Total current liabilities                                                                          | 367,289                  | 670,703                 |
| Debt                                                                                               | 4,105,922                | 4,269,652               |
| Deferred tax liabilities                                                                           | 639,827                  | 619,441                 |
| Other noncurrent liabilities                                                                       | 254,102                  | 340,541                 |
| Total liabilities <sup>(1)</sup>                                                                   | \$5,367,140              | \$5,900,337             |
| Commitments and contingencies (Note 12)                                                            |                          |                         |
| Stockholders' equity:                                                                              |                          |                         |
| Preferred stock - \$0.01 par value, 200,000 shares authorized; none issued and outstanding at each |                          |                         |
| of September 30, 2018 and December 31, 2017                                                        | -                        | -                       |
| Class A Common stock - \$0.01 par value, 100,000,000 shares authorized; 47,291,463 shares issued,  | 473                      | 473                     |

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45,603,310 shares outstanding as of September 30, 2018 and 47,291,463 shares issued,  
45,966,414 shares

outstanding as of December 31, 2017

Class B Common stock - \$0.01 par value, 20,000,000 shares authorized; none issued and  
outstanding

at each of September 30, 2018 and December 31, 2017

Class C Common stock - \$0.01 par value, 5,000,000 shares authorized; none issued and

|                                                                                                                       |             |             |
|-----------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| outstanding at each of September 30, 2018 and December 31, 2017                                                       | -           | -           |
| Additional paid-in capital                                                                                            | 1,344,130   | 1,342,541   |
| Accumulated other comprehensive income                                                                                | 6,140       | 6,140       |
| Retained earnings                                                                                                     | 484,367     | 299,523     |
| Treasury stock - at cost; 1,688,153 and 1,325,049 shares at September 30, 2018 and<br>December 31, 2017, respectively | (107,037 )  | (78,063 )   |
| Total Nexstar Media Group, Inc. stockholders' equity                                                                  | 1,728,073   | 1,570,614   |
| Noncontrolling interests in consolidated variable interest entities                                                   | 23,903      | 10,696      |
| Total stockholders' equity                                                                                            | 1,751,976   | 1,581,310   |
| Total liabilities and stockholders' equity                                                                            | \$7,119,116 | \$7,481,647 |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

(1)The consolidated total assets as of September 30, 2018 and December 31, 2017 include certain assets held by consolidated variable interest entities ("VIEs") of \$396.0 million and \$426.9 million, respectively, which are not available to be used to settle the obligations of Nexstar. The consolidated total liabilities as of September 30, 2018 and December 31, 2017 include certain liabilities of consolidated VIEs of \$43.6 million and \$81.8 million, respectively, for which the creditors of the VIEs have no recourse to the general credit of Nexstar. See Note 2 for additional information.

**NEXSTAR MEDIA GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share information, unaudited)

|                                                                                       | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|---------------------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
|                                                                                       | 2018                                | 2017      | 2018                               | 2017        |
| Net revenue                                                                           | \$693,015                           | \$611,870 | \$1,968,674                        | \$1,778,302 |
| Operating expenses (income):                                                          |                                     |           |                                    |             |
| Direct operating expenses, excluding depreciation and amortization                    | 285,363                             | 257,656   | 838,765                            | 728,995     |
| Selling, general and administrative expenses, excluding depreciation and amortization | 140,297                             | 140,464   | 421,105                            | 464,838     |
| Amortization of broadcast rights                                                      | 15,021                              | 27,869    | 47,034                             | 78,022      |
| Amortization of intangible assets                                                     | 37,157                              | 33,986    | 110,640                            | 120,701     |
| Depreciation                                                                          | 27,673                              | 25,979    | 78,577                             | 74,497      |
| Reimbursement from the FCC related to station repack                                  | (5,389 )                            | -         | (12,450 )                          | -           |
| Gain on disposal of stations, net                                                     | -                                   | -         | -                                  | (57,716 )   |
| Total operating expenses                                                              | 500,122                             | 485,954   | 1,483,671                          | 1,409,337   |
| Income from operations                                                                | 192,893                             | 125,916   | 485,003                            | 368,965     |
| Interest expense, net                                                                 | (56,237 )                           | (53,605 ) | (167,107 )                         | (188,527 )  |
| Loss on extinguishment of debt                                                        | (3,159 )                            | (1,221 )  | (4,645 )                           | (34,348 )   |
| Pension and other postretirement plans credit, net                                    | 2,458                               | 3,156     | 8,358                              | 8,943       |
| Other expenses                                                                        | (884 )                              | (161 )    | (1,823 )                           | (1,168 )    |
| Income before income taxes                                                            | 135,071                             | 74,085    | 319,786                            | 153,865     |
| Income tax expense                                                                    | (35,243 )                           | (32,013 ) | (86,011 )                          | (58,394 )   |
| Net income                                                                            | 99,828                              | 42,072    | 233,775                            | 95,471      |
| Net loss attributable to noncontrolling interests                                     | 686                                 | 4,403     | 2,593                              | 1,045       |
| Net income attributable to Nexstar Media Group, Inc.                                  | \$100,514                           | \$46,475  | \$236,368                          | \$96,516    |
| Net income per common share attributable to Nexstar Media Group, Inc.:                |                                     |           |                                    |             |
| Basic                                                                                 | \$2.21                              | \$1.01    | \$5.17                             | \$2.11      |
| Diluted                                                                               | \$2.12                              | \$0.98    | \$4.99                             | \$2.05      |
| Weighted average number of common shares outstanding:                                 |                                     |           |                                    |             |
| Basic                                                                                 | 45,552                              | 46,107    | 45,751                             | 45,753      |
| Diluted                                                                               | 47,338                              | 47,452    | 47,388                             | 47,029      |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

**NEXSTAR MEDIA GROUP, INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Three Months Ended September 30, 2018 and 2017

(in thousands, except share information, unaudited)

|                                                | Class A<br>Common Stock<br>Shares | Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury Stock<br>Shares | Amount       | Noncontrolling<br>Interest |
|------------------------------------------------|-----------------------------------|--------|----------------------------------|----------------------|-------------------------------------------------|--------------------------|--------------|----------------------------|
| Balances as of June 30, 2018                   | 47,291,463                        | \$473  | \$1,337,738                      | \$400,934            | \$6,140                                         | (1,769,428 )             | \$(111,846 ) | \$9,010                    |
| Stock-based compensation expense               | -                                 | -      | 8,212                            | -                    | -                                               | -                        | -            | -                          |
| Vesting of restricted stock units and          |                                   |        |                                  |                      |                                                 |                          |              |                            |
| exercise of stock options                      | -                                 | -      | (1,820 )                         | -                    | -                                               | 81,275                   | 4,809        | -                          |
| Common stock dividends declared                | -                                 | -      | -                                | (17,081 )            | -                                               | -                        | -            | -                          |
| Consolidation of a variable interest<br>entity | -                                 | -      | -                                | -                    | -                                               | -                        | -            | 15,500                     |
| Net income (loss)                              | -                                 | -      | -                                | 100,514              | -                                               | -                        | -            | (680 )                     |
| Balances as of September 30, 2018              | 47,291,463                        | \$473  | \$1,344,130                      | \$484,367            | \$6,140                                         | (1,688,153 )             | \$(107,037 ) | \$23,900                   |
|                                                |                                   |        |                                  |                      |                                                 |                          |              |                            |
| Balances as of June 30, 2017                   | 47,291,463                        | \$473  | \$1,380,035                      | \$(125,433 )         | -                                               | (1,073,339 )             | \$(64,763 )  | \$13,234                   |
| Purchase of treasury stock                     | -                                 | -      | -                                | -                    | -                                               | (687,492 )               | (40,714 )    | -                          |
| Stock-based compensation expense               | -                                 | -      | 6,203                            | -                    | -                                               | -                        | -            | -                          |
| Vesting of restricted stock units and          |                                   |        |                                  |                      |                                                 |                          |              |                            |
| exercise of stock options                      | -                                 | -      | (1,688 )                         | -                    | -                                               | 25,495                   | 2,249        | -                          |
| Common stock dividends declared                | -                                 | -      | (13,864 )                        | -                    | -                                               | -                        | -            | -                          |
| Contribution from a                            |                                   |        |                                  |                      |                                                 |                          |              |                            |
| noncontrolling interest                        | -                                 | -      | -                                | -                    | -                                               | -                        | -            | 659                        |
| Net income (loss)                              | -                                 | -      | -                                | 46,475               | -                                               | -                        | -            | (4,403 )                   |
| Balances as of September 30, 2017              | 47,291,463                        | \$473  | \$1,370,686                      | \$(78,958 )          | \$-                                             | (1,735,336 )             | \$(103,228 ) | \$9,490                    |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

**NEXSTAR MEDIA GROUP, INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Nine Months Ended September 30, 2018 and 2017

(in thousands, except share information, unaudited)

|                                       | Class A<br>Common Stock<br>Shares | Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury Stock<br>Shares | Amount       | Noncontrolling<br>Interest |
|---------------------------------------|-----------------------------------|--------|----------------------------------|----------------------|-------------------------------------------------|--------------------------|--------------|----------------------------|
| Balances as of December 31, 2017      | 47,291,463                        | \$473  | \$1,342,541                      | \$299,523            | \$6,140                                         | (1,325,049 )             | \$(78,063 )  | \$10,600                   |
| Purchase of treasury stock            | -                                 | -      | -                                | -                    | -                                               | (751,920 )               | (50,524 )    | -                          |
| Stock-based compensation expense      | -                                 | -      | 22,807                           | -                    | -                                               | -                        | -            | -                          |
| Vesting of restricted stock units and |                                   |        |                                  |                      |                                                 |                          |              |                            |
| exercise of stock options             | -                                 | -      | (21,218 )                        | -                    | -                                               | 388,816                  | 21,550       | -                          |
| Common stock dividends declared       | -                                 | -      | -                                | (51,524 )            | -                                               | -                        | -            | -                          |
| Consolidation of a variable interest  |                                   |        |                                  |                      |                                                 |                          |              |                            |
| entity                                | -                                 | -      | -                                | -                    | -                                               | -                        | -            | 15,500                     |
| Contribution from a noncontrolling    |                                   |        |                                  |                      |                                                 |                          |              |                            |
| interest                              | -                                 | -      | -                                | -                    | -                                               | -                        | -            | 226,000                    |
| Net income (loss)                     | -                                 | -      | -                                | 236,368              | -                                               | -                        | -            | (2,500)                    |
| Balances as of September 30, 2018     | 47,291,463                        | \$473  | \$1,344,130                      | \$484,367            | \$6,140                                         | (1,688,153 )             | \$(107,037 ) | \$23,900                   |
|                                       |                                   |        |                                  |                      |                                                 |                          |              |                            |
| Balances as of December 31, 2016      | 31,621,369                        | \$316  | \$386,921                        | \$(176,583 )         | -                                               | (876,744 )               | \$(41,513 )  | \$115,213                  |
| Adjustment to adopt ASU 2016-16       | -                                 | -      | -                                | 764                  | -                                               | -                        | -            | -                          |
| Issuance/reissuance of stock in       |                                   |        |                                  |                      |                                                 |                          |              |                            |
| connection with a merger              | 15,670,094                        | 157    | 1,007,956                        | -                    | -                                               | 560,316                  | 23,330       | -                          |
| Stock option replacement awards in    |                                   |        |                                  |                      |                                                 |                          |              |                            |
| connection with a merger              | -                                 | -      | 10,702                           | -                    | -                                               | -                        | -            | -                          |
| Purchase of treasury stock            | -                                 | -      | -                                | -                    | -                                               | (1,689,132 )             | (99,008 )    | -                          |
| Stock-based compensation expense      | -                                 | -      | 17,512                           | -                    | -                                               | -                        | -            | -                          |
| Vesting of restricted stock units and |                                   |        |                                  |                      |                                                 |                          |              |                            |
| exercise of stock options             | -                                 | -      | (10,273 )                        | -                    | -                                               | 270,224                  | 13,963       | -                          |
| Common stock dividends declared       | -                                 | -      | (42,132 )                        | -                    | -                                               | -                        | -            | -                          |
| Purchase of noncontrolling interests  |                                   |        |                                  |                      |                                                 |                          |              |                            |
| from variable interest entities       | -                                 | -      | -                                | -                    | -                                               | -                        | -            | (108,600)                  |
| Consolidation of variable interest    |                                   |        |                                  |                      |                                                 |                          |              |                            |
| entities                              | -                                 | -      | -                                | -                    | -                                               | -                        | -            | 7,600                      |
| Deconsolidation of a variable         |                                   |        |                                  |                      |                                                 |                          |              |                            |
| interest entity                       | -                                 | -      | -                                | 345                  | -                                               | -                        | -            | (4,000)                    |

Distribution to a noncontrolling

|          |   |   |   |   |   |   |   |      |
|----------|---|---|---|---|---|---|---|------|
| interest | - | - | - | - | - | - | - | (243 |
|----------|---|---|---|---|---|---|---|------|

Contribution from a

|                         |   |   |   |   |   |   |   |     |
|-------------------------|---|---|---|---|---|---|---|-----|
| noncontrolling interest | - | - | - | - | - | - | - | 659 |
|-------------------------|---|---|---|---|---|---|---|-----|

|                   |   |   |   |        |   |   |   |        |
|-------------------|---|---|---|--------|---|---|---|--------|
| Net income (loss) | - | - | - | 96,516 | - | - | - | (1,045 |
|-------------------|---|---|---|--------|---|---|---|--------|

|                                   |            |       |             |             |     |              |              |         |
|-----------------------------------|------------|-------|-------------|-------------|-----|--------------|--------------|---------|
| Balances as of September 30, 2017 | 47,291,463 | \$473 | \$1,370,686 | \$(78,958 ) | \$- | (1,735,336 ) | \$(103,228 ) | \$9,490 |
|-----------------------------------|------------|-------|-------------|-------------|-----|--------------|--------------|---------|

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

## NEXSTAR MEDIA GROUP, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, unaudited)

|                                                                                    | Nine Months Ended<br>September 30, |              |
|------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                    | 2018                               | 2017         |
| Cash flows from operating activities:                                              |                                    |              |
| Net income                                                                         | \$233,775                          | \$95,471     |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                                    |              |
| Provision for bad debt                                                             | 8,301                              | 6,152        |
| Amortization of broadcast rights, excluding barter                                 | 47,034                             | 47,099       |
| Depreciation of property and equipment                                             | 78,577                             | 74,497       |
| Amortization of intangible assets                                                  | 110,640                            | 120,701      |
| Loss (gain) on asset disposal, net                                                 | 1,116                              | (56,220 )    |
| Amortization of debt financing costs and debt discounts                            | 7,663                              | 7,809        |
| Loss on extinguishment of debt                                                     | 4,645                              | 34,348       |
| Stock-based compensation expense                                                   | 22,807                             | 17,512       |
| Deferred income taxes                                                              | 12,095                             | 10,455       |
| Payments for broadcast rights                                                      | (47,652 )                          | (46,370 )    |
| Non-cash compensation expense related to an acquisition's contingent consideration | 1,933                              | -            |
| Payments for contingent consideration in connection with an acquisition            | -                                  | (4,044 )     |
| Other noncash credits, net                                                         | (1,749 )                           | (3,105 )     |
| Changes in operating assets and liabilities, net of acquisitions and dispositions: |                                    |              |
| Accounts receivable                                                                | 29,152                             | (7,076 )     |
| Prepaid expenses and other current assets                                          | 3,419                              | 7,251        |
| Other noncurrent assets                                                            | 481                                | 1,240        |
| Accounts payable, accrued expenses and other current liabilities                   | (3,070 )                           | (29,194 )    |
| Taxes payable                                                                      | 13,512                             | (178,528 )   |
| Interest payable                                                                   | (11,346 )                          | (28,731 )    |
| Other noncurrent liabilities                                                       | (11,669 )                          | (6,103 )     |
| Net cash provided by operating activities                                          | 499,664                            | 63,164       |
| Cash flows from investing activities:                                              |                                    |              |
| Purchases of property and equipment                                                | (63,586 )                          | (48,846 )    |
| Deposits and payments for acquisitions, net of cash acquired                       | (103,246 )                         | (2,971,194 ) |
| Proceeds from sale of stations                                                     | -                                  | 481,944      |
| Proceeds received to relinquish spectrum asset                                     | -                                  | 478,608      |
| Proceeds from disposals of property and equipment                                  | 4,282                              | 16,449       |
| Proceeds received from settlement of corporate-owned life insurance policies       | 812                                | 834          |
| Net cash used in investing activities                                              | (161,738 )                         | (2,042,205 ) |
| Cash flows from financing activities:                                              |                                    |              |
| Proceeds from long-term debt, net of debt discounts                                | 101,387                            | 3,533,981    |
| Repayments of long-term debt                                                       | (327,489 )                         | (1,891,750 ) |
| Premium paid on debt extinguishment                                                | -                                  | (18,050 )    |
| Payments for debt financing costs                                                  | (137 )                             | (52,039 )    |

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|                                                                                                   |            |             |
|---------------------------------------------------------------------------------------------------|------------|-------------|
| Contributions from a noncontrolling interest, net                                                 | 226        | 416         |
| Purchase of treasury stock                                                                        | (50,524 )  | (99,008 )   |
| Proceeds from exercise of stock options                                                           | 5,184      | 3,863       |
| Common stock dividends paid                                                                       | (51,524 )  | (42,132 )   |
| Purchase of noncontrolling interests                                                              | -          | (66,901 )   |
| Payments for contingent consideration in connection with acquisitions                             | -          | (259,603 )  |
| Cash paid for shares withheld for taxes                                                           | (4,852 )   | (4,031 )    |
| Payments for capital lease obligations                                                            | (7,426 )   | (5,383 )    |
| Net cash (used in) provided by financing activities                                               | (335,155 ) | 1,099,363   |
| Net increase (decrease) in cash, cash equivalents and restricted cash                             | 2,771      | (879,678 )  |
| Cash, cash equivalents and restricted cash at beginning of period                                 | 115,652    | 1,015,479   |
| Cash, cash equivalents and restricted cash at end of period                                       | \$118,423  | \$135,801   |
| Supplemental information:                                                                         |            |             |
| Interest paid                                                                                     | \$170,790  | \$200,875   |
| Income taxes paid, net of refunds                                                                 | \$59,082   | \$221,257   |
| Non-cash investing and financing activities:                                                      |            |             |
| Accrued purchases of property and equipment                                                       | \$18,208   | \$1,594     |
| Noncash purchases of property and equipment                                                       | \$-        | \$19,058    |
| Consolidation of a variable interest entity                                                       | \$15,573   | \$-         |
| Debt assumed in connection with a merger                                                          | \$-        | \$434,269   |
| Issuance/reissuance of Class A Common Stock in connection with a merger                           | \$-        | \$1,031,443 |
| Stock option replacement awards in connection with a merger                                       | \$-        | \$10,702    |
| Relinquishment of spectrum asset and derecognition of liability to surrender spectrum asset       | \$314,086  | \$-         |
| Contingent consideration payable in connection with a merger                                      | \$-        | \$13,616    |
| The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements. |            |             |

NEXSTAR MEDIA GROUP, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business Operations

As of September 30, 2018, Nexstar Media Group, Inc. and its wholly-owned subsidiaries (“Nexstar”) owned, operated, programmed or provided sales and other services to 171 full power television stations, including those owned by VIEs, in 100 markets in the states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia and Wisconsin. The stations are affiliates of ABC, NBC, FOX, CBS, The CW, MNTV and other broadcast television networks. Through various local service agreements, Nexstar provided sales, programming, and other services to 38 full power television stations owned and/or operated by independent third parties.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of Nexstar and the accounts of independently-owned VIEs for which Nexstar is the primary beneficiary (See Note 2—Variable Interest Entities). Nexstar and the consolidated VIEs are collectively referred to as the “Company.” Noncontrolling interests represent the VIE owners’ share of the equity in the consolidated VIEs and are presented as a component separate from Nexstar Media Group, Inc. stockholders’ equity. All intercompany account balances and transactions have been eliminated in consolidation. Nexstar management evaluates each arrangement that may include variable interests and determines the need to consolidate an entity where it determines Nexstar is the primary beneficiary of a VIE in accordance with related authoritative literature and interpretive guidance. On August 1, 2018, Nexstar began providing programming and sales services to KRBK, the television station owned by KRBK, LLC. Nexstar became the primary beneficiary of its variable interest in this station and the station’s remaining assets were consolidated into Nexstar’s financial statements as of this date. See Note 2—Variable Interest Entities for additional information.

The following are assets of consolidated VIEs, excluding intercompany amounts, that are not available to settle the obligations of Nexstar and the liabilities of consolidated VIEs, excluding intercompany amounts, for which their creditors do not have recourse to the general credit of Nexstar (in thousands):

|                |                  |                      |
|----------------|------------------|----------------------|
|                | September<br>30, | December<br>31, 2017 |
| Current assets | 2018             |                      |

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|                              |           |           |
|------------------------------|-----------|-----------|
| Spectrum asset               | \$ -      | \$26,695  |
| Other current assets         | 18,412    | 22,038    |
| Total current assets         | 18,412    | 48,733    |
| Property and equipment, net  | 10,907    | 7,517     |
| Goodwill                     | 123,918   | 130,362   |
| FCC licenses                 | 156,209   | 151,808   |
| Other intangible assets, net | 82,641    | 81,916    |
| Other noncurrent assets, net | 3,864     | 6,543     |
| Total assets                 | \$395,951 | \$426,879 |

Current Liabilities

|                                       |          |          |
|---------------------------------------|----------|----------|
| Liability to surrender spectrum asset | \$ -     | \$27,347 |
| Other current liabilities             | 16,239   | 24,146   |
| Total current liabilities             | 16,239   | 51,493   |
| Noncurrent liabilities                | 27,401   | 30,339   |
| Total liabilities                     | \$43,640 | \$81,832 |

## Liquidity

Nexstar is leveraged, which makes it vulnerable to changes in general economic conditions. Nexstar's ability to repay or refinance its debt will depend on, among other things, financial, business, market, competitive and other conditions, many of which are beyond Nexstar's control.

## Interim Financial Statements

The Condensed Consolidated Financial Statements as of September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 are unaudited. However, in the opinion of management, such financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary for the fair statement of the financial information included herein in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related Notes included in Nexstar's Annual Report on Form 10-K for the year ended December 31, 2017. The balance sheet as of December 31, 2017 has been derived from the audited financial statements as of that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

## Variable Interest Entities

The Company may determine that an entity is a VIE as a result of local service agreements entered into with an entity. The term local service agreement generally refers to a contract between two separately owned television stations serving the same market, whereby the owner-operator of one station contracts with the owner-operator of the other station to provide it with administrative, sales and other services required for the operation of its station. Nevertheless, the owner-operator of each station retains control and responsibility for the operation of its station, including ultimate responsibility over all programming broadcast on its station. A local service agreement can be (1) a time brokerage agreement ("TBA") or a local marketing agreement ("LMA") which allows Nexstar to program most of a station's broadcast time, sell the station's advertising time and retain the advertising revenue generated in exchange for monthly payments, based on the station's monthly operating expenses, (2) a shared services agreement ("SSA") which allows the Nexstar station in the market to provide services including news production, technical maintenance and security, in exchange for Nexstar's right to receive certain payments as described in the SSA, or (3) a joint sales agreement ("JSA") which permits Nexstar to sell certain of the station's advertising time and retain a percentage of the related revenue, as described in the JSA.

## Consolidated VIEs

Nexstar consolidates entities in which Nexstar is deemed under U.S. GAAP to have controlling financial interests for financial reporting purposes as a result of (1) local service agreements Nexstar has with the stations owned by these entities, (2) Nexstar's guarantees of the obligations incurred under certain VIEs' senior secured credit facilities (see Note 7), (3) Nexstar having power over significant activities affecting these VIEs' economic performance, including budgeting for advertising revenue, certain advertising sales and, in some cases, hiring and firing of sales force personnel and (4) purchase options granted by each VIE, exclusive of Marshall Broadcasting Group, Inc. ("Marshall"),

which permit Nexstar to acquire the assets and assume the liabilities of each of the VIEs' stations, subject to Federal Communications Commission ("FCC") consent.

In connection with an agreement to acquire KRBK from KRBK, LLC, Nexstar began providing programming and sales services to the station effective August 1, 2018. The TBA will terminate upon Nexstar's completion of its acquisition of KRBK but will continue if the transaction cannot be completed for reasons beyond the control of Nexstar and the seller. Nexstar evaluated its business arrangement with KRBK, LLC and determined that it has a variable interest in KRBK. Nexstar also determined that it is the primary beneficiary of the variable interest because it has the ultimate power to direct the activities that most significantly impact the economic performance of the station including developing the annual operating budget, selling advertising, and oversight and control of sales management personnel. Thus, Nexstar consolidated KRBK as of August 1, 2018 under authoritative guidance related to the consolidation of VIEs. On October 17, 2018, Nexstar received approval from the FCC to acquire the remaining assets of KRBK. On November 1, 2018, Nexstar paid the remaining purchase price to the seller and completed the acquisition. See Note 3 for additional information.

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The following table summarizes the various local service agreements Nexstar had in effect as of September 30, 2018 with its consolidated VIEs:

| Service Agreements | Owner                                      | Full Power Stations                                                                               |
|--------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------|
| TBA Only           | Mission Broadcasting, Inc. (“Mission”)     | WFXP, KHMT and KFQX                                                                               |
|                    | KRBK, LLC                                  | KRBK                                                                                              |
| LMA Only           | WNAC, LLC                                  | WNAC                                                                                              |
|                    | 54 Broadcasting, Inc. (“54 Broadcasting”)  | KNVA                                                                                              |
| SSA & JSA          | Mission                                    | KJTL, KLRT, KASN, KOLR, KCIT, KAMC, KRBC, KSAN, WUTR, WAWV, WYOU, KODE, WTVO, KTVE, WTVW and WVNY |
|                    | White Knight Broadcasting (“White Knight”) | WVLA, KFXK, KSHV                                                                                  |
|                    | Shield Media, LLC (“Shield”)               | WXXA and WLAI                                                                                     |
|                    | Vaughan Media, LLC (“Vaughan”)             | WBDT, WYTV and KTKA                                                                               |
|                    | Marshall                                   | KLJB, KPEJ and KMSS                                                                               |
| SSA Only           | Tamer Media, LLC (“Tamer”)                 | KWBQ, KASY and KRWB                                                                               |

Nexstar’s ability to receive cash from its VIEs is governed by the local service agreements. Under these agreements, Nexstar has received substantially all of the consolidated VIEs’ available cash, after satisfaction of operating costs and debt obligations. Nexstar anticipates it will continue to receive substantially all of the consolidated VIEs’ available cash, after satisfaction of operating costs and debt obligations. In compliance with FCC regulations for all the parties, each VIE maintains complete responsibility for and control over programming, finances, personnel and operations of its stations.

The carrying amounts and classification of the assets and liabilities, excluding intercompany amounts, of the VIEs which have been included in the Condensed Consolidated Balance Sheets were as follows (in thousands):

|                                           | September<br>30,<br>2018 | December<br>31, 2017 |
|-------------------------------------------|--------------------------|----------------------|
| Current assets:                           |                          |                      |
| Cash and cash equivalents                 | \$ 11,138                | \$ 17,180            |
| Accounts receivable, net                  | 24,692                   | 24,407               |
| Spectrum asset                            | -                        | 26,695               |
| Prepaid expenses and other current assets | 4,015                    | 6,762                |
| Total current assets                      | 39,845                   | 75,044               |
| Property and equipment, net               | 30,526                   | 25,971               |
| Goodwill                                  | 157,105                  | 163,549              |
| FCC licenses                              | 156,209                  | 151,808              |
| Other intangible assets, net              | 96,876                   | 97,757               |
| Other noncurrent assets, net              | 8,100                    | 9,443                |
| Total assets                              | \$ 488,661               | \$ 523,572           |

Current liabilities:

|                                       |            |            |
|---------------------------------------|------------|------------|
| Current portion of debt               | \$ 5,846   | \$56,565   |
| Interest payable                      | 1,031      | 994        |
| Liability to surrender spectrum asset | -          | 27,347     |
| Other current liabilities             | 16,239     | 24,146     |
| Total current liabilities             | 23,116     | 109,052    |
| Debt                                  | 293,289    | 245,523    |
| Other noncurrent liabilities          | 27,401     | 30,594     |
| Total liabilities                     | \$ 343,806 | \$ 385,169 |

***Non-Consolidated VIEs***

Nexstar has an outsourcing agreement with Cunningham Broadcasting Corporation (“Cunningham”), which continues through December 30, 2020. Under the outsourcing agreement, Nexstar provides certain engineering, production, sales and administrative services for WYZZ, the FOX affiliate in the Peoria, Illinois market, through WMBD, the Nexstar television station in that market. During the term of the outsourcing agreement, Nexstar retains the broadcasting revenue and related expenses of WYZZ and is obligated to pay a monthly fee to Cunningham based on the combined operating cash flow of WMBD and WYZZ, as defined in the agreement.

In connection with an agreement to acquire WHDF from Huntsville TV, LLC (“Huntsville TV”), Nexstar began providing programming and sales services to WHDF effective July 15, 2018. The TBA will terminate upon Nexstar’s completion of its acquisition of WHDF or if the transaction cannot be completed for reasons beyond the control of Nexstar and the seller. On October 17, 2018, Nexstar received approval from the FCC to acquire the remaining assets of WHDF. See Note 3 for additional information.

Nexstar has determined that it has variable interests in WYZZ and WHDF. Nexstar has evaluated its arrangements with Cunningham and Huntsville TV and has determined that, as of September 30, 2018, it is not the primary beneficiary of the variable interests in the stations because it does not have the ultimate power to direct the activities that most significantly impact the stations’ economic performance, including developing the annual operating budget, programming and oversight and control of sales management personnel. Therefore, as of September 30, 2018, Nexstar has not consolidated WYZZ and WHDF under authoritative guidance related to the consolidation of VIEs. Under the local service agreements for WYZZ and WHDF, Nexstar pays for certain operating expenses, and therefore may have unlimited exposure to any potential operating losses. Nexstar’s management believes that Nexstar’s minimum exposure to loss under the WYZZ and WHDF agreements consists of the fees paid to Cunningham and monthly payments to Huntsville TV. Additionally, Nexstar indemnifies the owners of Cunningham and Huntsville TV from and against all liability and claims arising out of or resulting from Nexstar’s activities, acts or omissions in connection with the agreements. The maximum potential amount of future payments Nexstar could be required to make for such indemnification is undeterminable at this time. There were no significant transactions arising from Nexstar’s agreements with Cunningham and Huntsville TV.

**Revenue Recognition**

As discussed in Recent Accounting Pronouncements below, the Company adopted the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and all related amendments. ASC 606 establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for those goods or services and requires significantly enhanced revenue disclosures. The Company adopted this standard effective January 1, 2018 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. As a result, financial information for reporting periods beginning after January 1, 2018 is presented under ASC 606, while comparative financial information has not been adjusted and continues to be reported in accordance with the Company’s historical accounting policy for revenue recognition prior to the adoption of ASC 606.

The Company’s revenue is primarily derived from the sale of advertising and the compensation received from cable, satellite and other multichannel video programming distributors (“MVPDs”) in its markets in return for the Company’s consent to the retransmission of the signals of its television stations. Total revenue includes advertising revenue, retransmission compensation, digital revenue and other broadcast related revenues. The Company’s contracts with

customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on the price charged to customers. The Company also determines whether gross or net presentation is appropriate based on its relationship in the applicable transaction with its ultimate customer. Any amounts paid by customers but not earned as of the balance sheet date are recorded as a contract liability (deferred revenue). The lag between billing the customers and when the payment is due is not significant.

The stations' advertising contracts are short-term in nature and include a number of spots that are delivered over the term of the arrangement. For broadcast of commercials (local, national and political advertising), the performance obligation is identified at the contract level as it represents a station's promise to deliver an agreed number of spots, an agreed price per spot and other specifications. Each performance obligation is satisfied over time as the advertiser receives and consumes benefits when a station airs the advertiser's commercial. For digital advertising, the performance obligation is a station's promise to place an advertisement in its website and is satisfied either based on impressions or the placement of ads over an agreed period of time. Advertising revenue is recognized, for the amount the Company is entitled to receive, when the advertisements are broadcast on its stations or delivered on the stations' websites.

The Company's retransmission consent agreements with MVPDs generally have a three-year term and provide revenue based on a monthly amount the Company is entitled to receive per subscriber. Under ASC 606, these revenues are considered arising from the licensing of functional intellectual property. As such, the Company applies the exception for sales- or usage-based royalty for the accounting of variable consideration and recognizes revenue (retransmission compensation) at the point in time the broadcast signal is delivered to the MVPDs. The MVPDs report their subscriber numbers to the Company on a 30- to 60-day lag, which coincides with their payment of the fees due to the Company. Prior to receiving the report from the MVPDs, the Company records revenue based on estimated number of subscribers and the monthly amount the Company is entitled to receive per subscriber. The impact of the lag in the number of subscribers is not significant.

Revenue from the Company's other digital businesses includes revenue from digital publishing and content management platforms, digital video advertising platform, social media advertising platform and related services. Revenue is recognized at the time advertising is delivered or upon performance of services. The Company applies the right to invoice practical expedient to certain transactions where the invoice amount corresponds directly with the value to its customers. Most of the arrangements with customers are short-term in nature.

The Company trades certain advertising time for various goods and services. These transactions are short-term in nature and are recorded at the estimated fair value of the goods or services received. Revenue from trade transactions is recognized when the related advertisement spots are broadcast. The Company recorded \$4.2 million and \$11.0 million of trade revenue during the three and nine months ended September 30, 2018, respectively, and \$3.0 million and \$8.8 million of trade revenue during the three and nine months ended September 30, 2017, respectively.

The above revenue recognition policies are consistent with the Company's historical accounting policies prior to the adoption of ASC 606.

Effective on January 1, 2018, the Company no longer recognizes barter revenue (and the related barter expense) resulting from the exchange of advertising time for certain program material. During the three months ended September 30, 2017, barter revenue (and the related barter expense) were \$10.8 million. During the nine months ended September 30, 2017, barter revenue (and the related barter expense) were \$30.9 million. Barter expense was included in amortization of broadcast rights in the accompanying Condensed Consolidated Statement of Operations. As of December 31, 2017, the current barter assets (and the related current barter liabilities) were \$9.7 million, and the noncurrent barter assets (and the related noncurrent barter liabilities) were \$12.5 million. On January 1, 2018, the Company recorded an adjustment to remove the offsetting balances of barter assets and barter liabilities.

Under the Company's historical accounting policy prior to the adoption of ASC 606, barter revenue (and the related barter expense) would have been \$9.9 million during the three months ended September 30, 2018, and barter revenue (and the related barter expense) would have been \$31.2 million during the nine months then ended. In addition, the current barter assets (and the related current barter liabilities) would have been \$9.3 million, and the noncurrent barter assets (and the related noncurrent barter liabilities) would have been \$10.1 million as of September 30, 2018.

The Company elected to utilize the practical expedient around costs incurred to obtain contracts for television advertising and digital advertising due to their short-term nature. Additionally, the incremental benefit from efforts in acquiring these contracts is considered not significant. Thus, the Company continued to expense sales commissions when incurred.

The Company did not disclose the value of unsatisfied performance obligations on its contracts with customers because they are either (i) contracts with an original expected term of one year or less, (ii) contracts for which the sales- or usage-based royalty exception was applied, or (iii) contracts for which revenue is recognized in proportion to the amount the Company has the right to invoice for services performed.

The Company's contract liabilities, which are reflected in its Consolidated Financial Statements as accrued expenses and other liabilities, consist primarily of customer payments for products or services received before the transfer of control to the customer occurs (deferred revenue). The Company's performance obligations related to contract liabilities of \$5.4 million as of January 1, 2018 were recognized as revenue during the first quarter of 2018. The Company's performance obligations related to contract liabilities of \$9.5 million as of September 30, 2018 are expected to be recognized as revenue in the fourth quarter of 2018.

See Note 13 for disaggregated revenue information.

#### Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, broadcast rights, accounts payable, broadcast rights payable and accrued expenses approximate fair value due to their short-term nature.

See Note 3 for fair value disclosures of contingent consideration in connection with the acquisition of Likqid Media Inc. ("LKQD"). See Note 7 for fair value disclosures related to the Company's debt.

## Pension Plans and Postretirement Benefits

A determination of the liabilities and cost of the Company's pension and other postretirement plans requires the use of assumptions. The actuarial assumptions used in the Company's pension and postretirement reporting are reviewed annually with independent actuaries and are compared with external benchmarks, historical trends and the Company's own experience to determine that its assumptions are reasonable. The assumptions used in developing the required estimates include the following key factors: discount rates, expected return on plan assets, mortality rates, health care cost trends, retirement rates and expected contributions. The amount by which the projected benefit obligation exceeds the fair value of the pension plan assets is recorded in other noncurrent liabilities in the accompanying Condensed Consolidated Balance Sheet.

As discussed under Recent Accounting Pronouncements, as of January 1, 2018, the Company adopted ASU No. 2017-07 and ASU No. 2016-15. Under ASU No. 2017-07, entities are required to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present such current-service-costs in the same income statement line item as other compensation costs for services rendered by the pertinent employees during the period and (2) present the other components in the income statement separately from the service cost component and outside the subtotal of income from operations. The Company had no service costs during the three and nine months ended September 30, 2018 and 2017. In accordance with this adoption, the net periodic benefit cost, which consists of interest costs and expected return on plan assets, is disclosed on a separate line item below income from operations in the Condensed Consolidated Statements of Operations. Under ASU No. 2016-15, payments received for the settlement of corporate-owned life insurance claims are now required to be disclosed within investing activities. Accordingly, balances previously reported as a source of cash from operating activities have been reclassified to investing activities in the Condensed Consolidated Statements of Cash Flows.

## Income Per Share

Basic income per share is computed by dividing the net income attributable to Nexstar by the weighted-average number of common shares outstanding during the period. Diluted income per share is computed using the weighted-average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares are calculated using the treasury stock method. They consist of stock options and restricted stock units outstanding during the period and reflect the potential dilution that could occur if common stock were issued upon exercise of stock options and vesting of restricted stock units. The following table shows the amounts used in computing the Company's diluted shares (in thousands):

|                                                      | Three Months<br>Ended<br>September 30,<br>2018 |        | Nine Months<br>Ended<br>September 30,<br>2017 |        |
|------------------------------------------------------|------------------------------------------------|--------|-----------------------------------------------|--------|
| Weighted average shares outstanding - basic          | 45,552                                         | 46,107 | 45,751                                        | 45,753 |
| Dilutive effect of equity incentive plan instruments | 1,786                                          | 1,345  | 1,637                                         | 1,276  |
| Weighted average shares outstanding - diluted        | 47,338                                         | 47,452 | 47,388                                        | 47,029 |

Stock options and restricted stock units to acquire a weighted average of 5,000 shares and 20,000 shares for the three months ended September 30, 2018 and 2017, respectively, of Class A common stock were excluded from the computation of diluted earnings per share because their impact would have been anti-dilutive. Stock options and restricted stock units to acquire a weighted average of 27,000 shares and 199,000 shares during the nine months ended

September 30, 2018 and 2017, respectively, of Class A common stock were excluded from the computation of diluted earnings per share because their impact would have been anti-dilutive.

#### Basis of Presentation

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

## Recent Accounting Pronouncements

### New Accounting Standards Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The Company adopted this standard and all related amendments effective January 1, 2018 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. Upon adoption of this standard, the cumulative adjustment to the Company's retained earnings as of January 1, 2018 for the cumulative effect of initially applying the new standard is not material. See Revenue Recognition above for the Company's updated accounting policy and for expanded disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"). The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under FASB Accounting Standards Codification 230, Statement of Cash Flows. The amendments in ASU 2016-15 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company has applied the change in accounting as of January 1, 2018 on a retrospective basis. This adoption impacted Nexstar's previous financing activity classification of payments for contingent consideration in 2017 related to an acquisition. The payment was not made soon after the consummation of a business combination and includes an amount that is more than the acquisition date fair value of the contingent consideration liability. Under ASU 2016-15, this portion of the transaction should be classified as an operating activity in the Condensed Consolidated Statement of Cash Flows. The adoption also impacted Nexstar's disclosure of payments received for the settlement of corporate-owned life insurance claims within the Condensed Consolidated Statement of Cash Flows during the nine months ended September 30, 2017. The payments were previously reported as a source of cash from operating activities and are now required to be disclosed within investing activities. As such, the amounts previously reported as net cash provided by operating activities and net cash used in investing activities decreased, as indicated in the table below.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, a consensus of the FASB Emerging Issues Task Force ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has applied the change in accounting as of January 1, 2018 on a retrospective basis. This adoption impacted the release of a restricted escrow deposit into Nexstar's operating cash during the nine months ended September 30, 2017. In July 2016, Nexstar issued its \$900.0 million 5.625% Senior Unsecured Notes (the "5.625% Notes") at par, the gross proceeds of which were directly deposited into a restricted escrow account. Interest on these notes is payable semiannually but Nexstar was required to pre-fund interest on such notes monthly from July 2016 to December 2016, all of which was also deposited in the restricted escrow account. As of December 31, 2016, the restricted escrow account had a balance of \$927.8 million. In January 2017, Nexstar completed its merger with Media General, Inc. ("Media General"). As a result, the funds previously deposited in the restricted escrow account, including the pre-funded interests, were released to Nexstar's operating cash. On February 1, 2017, Nexstar paid the first interest due to the lenders of the 5.625% Notes of \$25.9 million. During the nine months ended September 30, 2017, Nexstar previously classified the effects of these transactions in its Condensed Consolidated Statement of Cash Flows as follows: (i) \$21.6 million source of cash from change in prepaid expenses and other current assets, (ii) \$1.1 million source of cash from change in other noncurrent assets, (iii) \$5.1 million source of cash from investing

activities, (iv) \$900.0 million proceeds from long-term debt, and (v) no cash flow reported in 2017 for the payment of interest on the 5.625% Notes as the cash flow impact was reported in 2016 when the pre-funding was made. Under ASU 2016-18, transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are not part of an entity's operating, investing and financing activities, and details of those transfers are not reported as cash flow activities in the statement of cash flows. As such, the previous classifications in the 2017 Condensed Consolidated Statement of Cash Flows related to these transactions were reversed. Additionally, the cash, cash equivalents and restricted cash at the beginning of the period in 2017 increased and the supplemental cash flow information for interest paid also increased.

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The following table summarizes the line items in the Condensed Consolidated Statement of Cash Flows that were impacted by the adoption of ASU 2016-15 and ASU 2016-18 along with reclassifications to conform with current year presentation (in thousands):

|                                                                         | Nine Months Ended September 30, 2017 |                                                              |            |                   |                         |
|-------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------|------------|-------------------|-------------------------|
|                                                                         | Previously<br>Reported               | Adjustments for<br>adoption of<br>ASU 2016-15    ASU 2016-18 |            | Reclassifications | Current<br>Presentation |
| Cash flows from operating activities:                                   |                                      |                                                              |            |                   |                         |
| Payments for contingent consideration in connection with an acquisition | \$-                                  | \$(4,044 )                                                   | \$-        | \$ -              | \$(4,044 )              |
| Other non-cash credits                                                  | (1,239 )                             | -                                                            | -          | (1,866 )          | (3,105 )                |
| Accounts receivable                                                     | (6,242 )                             | (834 )                                                       | -          | -                 | (7,076 )                |
| Prepaid expenses and other current assets                               | 28,907                               | -                                                            | (21,656 )  | -                 | 7,251                   |
| Other noncurrent assets                                                 | 454                                  | -                                                            | (1,080 )   | 1,866             | 1,240                   |
| Net cash provided by operating activities                               | 90,778                               | (4,878 )                                                     | (22,736 )  | -                 | 63,164                  |
| Cash flows from investing activities:                                   |                                      |                                                              |            |                   |                         |
| Withdrawal of interest previously deposited in escrow                   | 5,063                                | -                                                            | (5,063 )   | -                 | -                       |
| Proceeds received from corporate-owned life insurance policies          | -                                    | 834                                                          | -          | -                 | 834                     |
| Net cash used in investing activities                                   | (2,037,976 )                         | 834                                                          | (5,063 )   | -                 | (2,042,205 )            |
| Cash flows from financing activities:                                   |                                      |                                                              |            |                   |                         |
| Proceeds from long-term debt                                            | 4,433,981                            | -                                                            | (900,000 ) | -                 | 3,533,981               |
| Payments for contingent consideration in connection with an acquisition | (263,647 )                           | 4,044                                                        | -          | -                 | (259,603 )              |
| Net cash provided by financing activities                               | 1,995,319                            | 4,044                                                        | (900,000 ) | -                 | 1,099,363               |
| Net increase (decrease) in cash, cash equivalents and restricted cash   | 48,121                               | -                                                            | (927,799 ) | -                 | (879,678 )              |
| Cash, cash equivalents and restricted cash at beginning of period       | 87,680                               | -                                                            | 927,799    | -                 | 1,015,479               |
| Supplemental information:                                               |                                      |                                                              |            |                   |                         |
| Interest paid                                                           | \$175,000                            | \$-                                                          | \$25,875   | \$ -              | \$200,875               |

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”). ASU 2017-01 provides clarification on the definition of a business and adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. To be considered a business under the new guidance, it must include an input and a substantive process that together significantly contribute to the ability to create output. The amendment removes the evaluation of whether a market participant could replace missing elements. The amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and will be applied prospectively. The Company has applied the change in accounting as of January 1, 2018. The adoption of this ASU did not impact the Company's Condensed Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017-07”). ASU 2017-07 requires entities to (1) disaggregate the current-service-cost component from the other components and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, ASU 2017-07 requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The amendment should be applied retrospectively for the presentation of the service cost component and prospectively for the capitalization of the service cost component. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has applied the change in accounting as of January 1, 2018. Accordingly, net periodic benefit income, excluding service costs, of \$3.2 million and \$8.9 million for the three and nine months ended September 30, 2017, respectively, were adjusted out of selling, general and administrative expenses, and separately stated below income from operations.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718) – Scope of Modification Accounting (“ASU 2017-09”). ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award’s fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has applied the change in accounting as of January 1, 2018. The adoption of this ASU did not impact the Company's Condensed Consolidated Financial Statements.

In February 2018, the FASB issued ASU No. 2018-02, Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). ASU 2018-02 provides the option to reclassify stranded tax effects related to the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") in accumulated other comprehensive income to retained earnings. The adjustment relates to the change in the U.S. corporate income tax rate. The adoption of this ASU did not impact the Company's Condensed Consolidated Financial Statements.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective on November 5, 2018. The Company has applied the new SEC disclosure requirements in its Condensed Consolidated Financial Statements on a retrospective basis.

#### New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The new guidance requires the recording of assets and liabilities arising from leases on the balance sheet accompanied by enhanced qualitative and quantitative disclosures in the notes to the financial statements. The new guidance is expected to provide transparency of information and comparability among organizations. In January 2018, the FASB issued ASU No. 2018-01 to address the accounting treatment of land easements within the context of ASU No. 2016-02. ASU 2018-01 provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. In July 2018, the FASB issued ASU Nos. 2018-10 and 2018-11 which provide (i) narrow amendments to clarify how to apply certain aspects of the new lease standard, (ii) an additional optional transition method to recognize a cumulative-effect adjustment to the opening retained earnings in the period of adoption, (iii) a practical expedient to not separate nonlease components from the associated lease component if certain conditions are met, and (iv) lessors with a practical expedient for separating components of a contract. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company will adopt ASU 2016-02 as of January 1, 2019 using the optional transition method and will apply certain practical expedients offered in the guidance, such as those that state that the Company need not reassess whether expired or existing contracts contain leases, reevaluate the classification of expired or existing leases, or reassess initial direct costs for existing leases. Management has substantially completed the process of identifying existing lease contracts and is currently performing detailed evaluations of the leases under the new accounting requirements. The Company believes the most significant changes to the financial statements relate to the recognition of right-of-use assets and offsetting lease liabilities in the consolidated balance sheet for operating leases. The actual impact on the consolidated balance sheet will be contingent upon the Company's population of operating leases at adoption however, management does not expect the standard to have a material impact on cash flows or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13"). The standard requires entities to estimate loss of financial assets measured at amortized cost, including trade receivables, debt securities and loans, using an expected credit loss model. The expected credit loss model differs

from the previous incurred losses model primarily in that the loss recognition threshold of “probable” has been eliminated and that expected loss should consider reasonable and supportable forecasts in addition to the previously considered past events and current conditions. Additionally, the guidance requires additional disclosures related to the further disaggregation of information related to the credit quality of financial assets by year of the asset’s origination for as many as five years. Entities must apply the standard provision as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-13 on its Condensed Consolidated Financial Statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”). The standard aligns the accounting for share-based payment awards issued to employees and nonemployees. Changes to the accounting for nonemployee awards include: (1) equity-classified share-based payment awards issued to nonemployees will now be measured on the grant date, instead of the previous requirement to remeasure the awards through the performance completion date; (2) for performance conditions, compensation cost associated with the award will be recognized when achievement of the performance condition is probable, rather than upon achievement of the performance condition; and (3) the current requirement to reassess the classification (equity or liability) for nonemployee awards upon vesting will be eliminated, except for awards in the form of convertible instruments. The guidance should be applied to all new awards granted after the date of adoption. In addition, the modified retrospective approach should be used on all liability-classified awards that have not been settled and equity-classified awards for which a measurement date has not been established by the adoption date by remeasurement at fair value as of the adoption date with a cumulative effect adjustment to opening retained earnings in the fiscal year of adoption. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than an entity’s adoption of ASC 606. The Company is currently evaluating the impact of adopting ASU 2018-07 on its Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Company is currently evaluating the impact of adopting ASU 2018-13 on its Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20) (“ASU 2018-14”). ASU 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The amendments in this Update are effective for fiscal years ending after December 15, 2020, with early adoption is permitted. The updated standard should be applied on a retrospective basis. The Company is currently evaluating the impact of adopting ASU 2018-14 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (“ASU 2018-15”). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this Update are effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2018-15 on its Condensed Consolidated Financial Statements.

### 3. Acquisitions

LKQD

On January 16, 2018, Nexstar Digital LLC (“Nexstar Digital”), a wholly-owned subsidiary of Nexstar, acquired the outstanding equity of LKQD, a video advertising infrastructure company, for \$97.0 million. In January 2018, \$94.0 million of the purchase price was paid, funded by a combination of borrowing under Nexstar’s revolving credit facility (Note 7) and cash on hand. The remaining purchase price of \$3.0 million (working capital adjustment) was paid to the former owners on April 27, 2018, funded by cash on hand.

The sellers are also entitled to receive up to \$35.0 million in additional cash payments if a certain earnings target is achieved during the fiscal year 2019 and if certain employees have continued their employment with Nexstar Digital on the date of payment (the “Earnout Payments”). The Earnout Payments are considered compensation to employees for their services and will be incurred from the acquisition date through December 31, 2019. As of September 30, 2018, Nexstar Digital accrued \$1.9 million, representing the portion of the estimated fair value of the Earnout Payments that is incurred. The estimated fair value of the Earnout Payments was determined by applying a weighted probability of potential outcomes to the maximum possible payout of \$35.0 million. The calculation of these potential outcomes is dependent on past financial performance, management assumptions about future performance and industry trends and any changes to these assumptions could impact the final settlement. This fair value measurement is considered Level 3 as significant inputs are unobservable to the market.

The acquisition of LKQD broadens and diversifies Nexstar Digital’s portfolio with technologies that are complementary to its current offerings of digital solutions and services for media publishers, and multi-platform marketing solutions for local and national advertisers. Transaction costs relating to this acquisition, including legal and professional fees of \$0.4 million, were expensed as incurred during the nine months ended September 30, 2018. No significant transaction costs were incurred during the three months ended September 30, 2018.

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Subject to final determination, which is expected to occur within 12 months of the acquisition date, the provisional fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

|                                             |           |
|---------------------------------------------|-----------|
| Cash and cash equivalents                   | \$11,167  |
| Accounts receivable                         | 24,712    |
| Prepays                                     | 13        |
| Property and equipment                      | 210       |
| Other intangible assets                     | 45,320    |
| Goodwill                                    | 42,094    |
| Total assets acquired and consolidated      | 123,516   |
| Less: Accounts payable and accrued expenses | (18,816 ) |
| Less: Taxes payable                         | (1,065 )  |
| Less: Deferred tax liabilities              | (6,603 )  |
| Net assets acquired and consolidated        | \$97,032  |

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in operating costs. The goodwill and other intangible assets are not deductible for tax purposes. Other intangible assets are amortized over an estimated weighted average useful life of approximately three years.

During 2018, Nexstar Digital recorded measurement period adjustments including a decrease in accounts receivable of \$1.2 million, resulting from changes in the estimate of collectability of accounts receivable. This adjustment increased goodwill by \$1.0 million, along with other measurement period adjustments.

LKQD's net revenue of \$25.6 million and operating loss of \$0.9 million from the date of acquisition to September 30, 2018 have been included in the accompanying Condensed Consolidated Statements of Operations.

### WHDF

On July 15, 2018, Nexstar entered into a definitive agreement to acquire the assets of television station WHDF from Huntsville TV for \$3.0 million in cash, including working capital adjustments. WHDF is a full power television station in the Huntsville, Alabama market and an affiliate of CW. Effective July 15, 2018, Nexstar began providing programming and sales services to the station pursuant to a TBA, which created a new duopoly for Nexstar. The TBA will terminate upon completion of the acquisition or if the acquisition cannot be completed for reasons beyond the control of Nexstar and the seller. No significant transaction costs were incurred related to this acquisition.

On July 15, 2018, Nexstar completed the first closing and acquired the station's assets excluding certain transmission equipment, FCC licenses and network affiliation agreements for \$2.3 million, funded by cash on hand.

Subject to final determination, which is expected to occur within 12 months of the acquisition date, the provisional fair values of the assets acquired and liabilities assumed in the first closing are as follows (in thousands):

|                                           |         |
|-------------------------------------------|---------|
| Prepaid expenses and other current assets | \$35    |
| Property and equipment                    | 570     |
| Other intangible assets                   | 246     |
| Other noncurrent assets                   | 26      |
| Total assets acquired at first closing    | 877     |
| Less: Accrued expenses                    | (30 )   |
| Net assets acquired at first closing      | 847     |
| Deposit on second closing                 | 1,434   |
| Total paid at first closing               | \$2,281 |

Other intangible assets are amortized over an estimated weighted average useful life of three years.

Since not all assets needed to operate the station were acquired in July 2018, the first closing does not represent an acquisition of a business. Thus, the excess of total payments in the first closing over the provisional fair values of the assets acquired and liabilities assumed was considered a deposit for the second closing. As discussed in Note 2, Nexstar is not the primary beneficiary of its variable interests in WHDF. Therefore, as of September 30, 2018, the station's remaining assets were not consolidated into Nexstar under authoritative guidance related to the consolidation of VIEs.

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An insignificant amount of net revenue and operating income incurred by the station from July 15, 2018 to September 30, 2018 have been included in the accompanying Condensed Consolidated Statements of Operations.

The acquisition was approved by the FCC on October 17, 2018. Nexstar expects to complete the acquisition of the remaining assets of WHDF (second closing) and pay the remaining purchase price of \$0.7 million in early November 2018.

## KRBK

On August 1, 2018, Nexstar entered into a definitive agreement to acquire the assets of television station KRBK from KRBK, LLC for \$17.6 million in cash, including working capital adjustments. KRBK is a full power television station in the Springfield, Missouri market and an affiliate of FOX. Effective August 1, 2018, Nexstar began providing programming and sales services to the station pursuant to a TBA, which created a new duopoly for Nexstar. The TBA will terminate upon completion of the acquisition. If the acquisition of KRBK cannot be completed for reasons beyond the control of Nexstar and the seller, the purchase agreement will terminate but the TBA will continue for an initial eight-year term and will automatically renew for three successive eight-year terms, unless a written non-renewal notice is provided by either party.

On August 1, 2018, Nexstar completed the first closing of the acquisition and acquired the station's assets excluding certain transmission equipment, FCC licenses and network affiliation agreements for \$15.1 million, funded by cash on hand.

Subject to final determination, which is expected to occur within 12 months of the acquisition date, the provisional fair values of the assets acquired and liabilities assumed in the first closing are as follows (in thousands):

|                                             |          |
|---------------------------------------------|----------|
| Accounts receivable                         | \$2,238  |
| Broadcast rights                            | 73       |
| Property and equipment                      | 758      |
| Other intangible assets                     | 119      |
| Other noncurrent assets                     | 87       |
| Total assets acquired at first closing      | 3,275    |
| Less: Accounts payable and accrued expenses | (1,281 ) |
| Net assets acquired at first closing        | 1,994    |
| Deposit on second closing                   | 13,105   |
| Total paid at first closing                 | \$15,099 |

Other intangible assets are amortized over an estimated weighted average useful life of one year.

Since not all assets needed to operate the station were acquired in August 2018, the first closing does not represent an acquisition of a business. Thus, the excess of total payments in the first closing over the provisional fair values of the assets acquired and liabilities assumed was considered a deposit for the second closing. As discussed in Note 2, Nexstar is the primary beneficiary of its variable interests in KRBK. Therefore, the station's remaining assets as of August 1, 2018, and transactions thereafter, were consolidated into Nexstar under authoritative guidance related to the consolidation of VIEs.

Subject to final determination, which is expected to occur within 12 months of the acquisition date, the provisional fair values of the station's remaining assets consolidated into Nexstar are as follows (in thousands):

|                                |         |
|--------------------------------|---------|
| Property and equipment         | \$3,136 |
| FCC licenses                   | 4,401   |
| Network affiliation agreements | 5,719   |
| Goodwill                       | 2,317   |
| Consolidated assets of a VIE   | 15,573  |

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in programming and other station operating costs. The goodwill and FCC licenses are deductible for tax purposes. The intangible assets related to the network affiliation agreements are amortized over 15 years. The consolidation of the remaining assets of KRBK resulted in a noncontrolling interest of \$15.6 million, representing the estimated fair value attributable to the owner.

The station's net revenue of \$1.7 million and operating income of \$0.8 million from August 1, 2018 to September 30, 2018 have been included in the accompanying Condensed Consolidated Statements of Operations. Transaction costs relating to the acquisition were not significant during the three and nine months ended September 30, 2018.

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The acquisition was approved by the FCC on October 17, 2018. On November 1, 2018, Nexstar completed the acquisition of the remaining assets of KRBK. Nexstar paid the owners the remaining purchase price of \$2.5 million, funded by cash on hand, and utilized its \$13.1 million balance of deposit previously paid to the owners to acquire the noncontrolling interest of \$15.6 million.

#### 4. Intangible Assets and Goodwill

Intangible assets subject to amortization consisted of the following (in thousands):

|                                        | Estimated useful life, in years | September 30, 2018 |                          |             | December 31, 2017 |                          |             |
|----------------------------------------|---------------------------------|--------------------|--------------------------|-------------|-------------------|--------------------------|-------------|
|                                        |                                 | Gross              | Accumulated Amortization | Net         | Gross             | Accumulated Amortization | Net         |
| Network affiliation agreements         | 15                              | \$1,976,888        | \$ (547,528 )            | \$1,429,360 | \$1,971,170       | \$ (461,345 )            | \$1,509,825 |
| Other definite-lived intangible assets | 1-20                            | 244,084            | (145,745 )               | 98,339      | 193,089           | (121,288 )               | 71,801      |
| Other intangible assets                |                                 | \$2,220,972        | \$ (693,273 )            | \$1,527,699 | \$2,164,259       | \$ (582,633 )            | \$1,581,626 |

The following table presents the Company's estimate of amortization expense for the remainder of 2018, each of the five succeeding years ended December 31 and thereafter for definite-lived intangible assets as of September 30, 2018 (in thousands):

|                   |             |
|-------------------|-------------|
| Remainder of 2018 | \$39,408    |
| 2019              | 139,832     |
| 2020              | 128,932     |
| 2021              | 119,166     |
| 2022              | 114,061     |
| 2023              | 112,867     |
| Thereafter        | 873,433     |
|                   | \$1,527,699 |

The amounts recorded to goodwill and FCC licenses were as follows (in thousands):

|                                       | Goodwill    |                        |             | FCC Licenses |                        |             |
|---------------------------------------|-------------|------------------------|-------------|--------------|------------------------|-------------|
|                                       | Gross       | Accumulated Impairment | Net         | Gross        | Accumulated Impairment | Net         |
| Balances as of December 31, 2017      | \$2,212,755 | \$ (69,909 )           | \$2,142,846 | \$1,815,048  | \$ (47,410 )           | \$1,767,638 |
| Acquisitions (See Note 3)             | 42,175      | -                      | 42,175      | -            | -                      | -           |
| VIE Consolidation (See Notes 2 and 3) | 2,317       | -                      | 2,317       | 4,401        | -                      | 4,401       |

Balances as of September 30, 2018 \$2,257,247 \$ (69,909 ) \$2,187,338 \$1,819,449 \$ (47,410 ) \$1,772,039

Indefinite-lived intangible assets are not subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. During the three and nine months ended September 30, 2018, the Company did not identify any events that would trigger impairment assessment.

## 5. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

|                                | September<br>30,<br>2018 | December<br>31,<br>2017 |
|--------------------------------|--------------------------|-------------------------|
| Compensation and related taxes | \$51,691                 | \$44,775                |
| Network affiliation fees       | 28,305                   | 68,197                  |
| Other                          | 70,977                   | 62,968                  |
|                                | \$150,973                | \$175,940               |

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## 6. Retirement and Postretirement Plans

The Company has a funded, qualified non-contributory defined benefit retirement plan which covers certain employees and former employees. Additionally, there are non-contributory unfunded supplemental executive retirement and ERISA excess plans which supplement the coverage available to certain executives. All of these retirement plans are frozen. The Company also has a retiree medical savings account plan which reimburses eligible retired employees for certain medical expenses and an unfunded plan that provides certain health and life insurance benefits to retired employees who were hired prior to 1992. Nexstar recognizes the underfunded status of these plan liabilities on its Condensed Consolidated Balance Sheet. The funded status of a plan represents the difference between the fair value of plan assets and the related plan projected benefit obligation. Changes in the funded status are recognized through comprehensive income in the year in which the changes occur.

The following table provides the components of net periodic benefit (income) cost for the Company's pension and other postretirement benefit plans ("OPEB") (in thousands):

|                                    | Three Months<br>Ended<br>September 30,<br>2018 |        | Nine Months<br>Ended<br>September 30,<br>2018 |        |
|------------------------------------|------------------------------------------------|--------|-----------------------------------------------|--------|
|                                    | Pension                                        |        | Pension                                       |        |
|                                    | Benefits                                       | OPEB   | Benefits                                      | OPEB   |
| Interest cost                      | \$3,350                                        | \$ 150 | \$10,050                                      | \$ 450 |
| Expected return on plan assets     | (6,000 )                                       | -      | (18,900 )                                     | -      |
| Net periodic benefit (income) cost | \$(2,650 )                                     | \$ 150 | \$(8,850 )                                    | \$ 450 |

|                                    | Three Months<br>Ended<br>September 30,<br>2017 |        | Nine Months<br>Ended<br>September 30,<br>2017 |        |
|------------------------------------|------------------------------------------------|--------|-----------------------------------------------|--------|
|                                    | Pension                                        |        | Pension                                       |        |
|                                    | Benefits                                       | OPEB   | Benefits                                      | OPEB   |
| Interest cost                      | \$3,913                                        | \$ 157 | \$11,087                                      | \$ 444 |
| Expected return on plan assets     | (7,226 )                                       | -      | (20,474 )                                     | -      |
| Net periodic benefit (income) cost | \$(3,313 )                                     | \$ 157 | \$(9,387 )                                    | \$ 444 |

The Company has no required contributions to its qualified retirement plan in 2018. Payments to fund the obligations under the remaining plans are considered contributions and are expected to be less than \$6.0 million in 2018.

## 7. Debt

Long-term debt consisted of the following (in thousands):

|                                                                                                          | September<br>30,<br>2018 | December<br>31,<br>2017 |
|----------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| Term loans, net of financing costs and discount of \$46,097 and \$57,547, respectively                   | \$2,574,596              | \$2,791,875             |
| Revolving loans                                                                                          | 5,628                    | 3,000                   |
| 6.125% Senior unsecured notes due 2022, net of financing costs of \$1,667 and \$1,992,<br>respectively   | 273,333                  | 273,008                 |
| 5.875% Senior unsecured notes due 2022, plus premium of \$6,689 and \$8,102,<br>respectively             | 406,689                  | 408,102                 |
| 5.625% Senior unsecured notes due 2024, net of financing costs of \$12,235 and \$13,525,<br>respectively | 887,765                  | 886,475                 |
|                                                                                                          | 4,148,011                | 4,362,460               |
| Less: current portion                                                                                    | (42,089 )                | (92,808 )               |
|                                                                                                          | \$4,105,922              | \$4,269,652             |

2018 Transactions

On July 27, 2018, Nexstar reallocated \$5.6 million of its unused revolving loan credit facility to Marshall. On the same day, Marshall drew the full \$5.6 million revolving loan facility reallocated from Nexstar and used the funds to partially repay its outstanding term loans.

Nexstar prepaid a total of \$135.0 million and \$195.0 million in principal balance under its term loans, during the three and nine months ended September 30, 2018, respectively, funded by cash on hand. This resulted in losses on extinguishment of debt of \$3.2 million and \$4.6 million for the three and nine months ended September 30, 2018, respectively, representing write-offs of unamortized debt financing costs and discounts.

During the nine months ended September 30, 2018, the Company repaid scheduled maturities of \$31.1 million of its term loans.

On October 1, 2018, Nexstar prepaid \$55.0 million of the outstanding principal balance under its term loans, funded by cash on hand.

On October 26, 2018, the Company completed a refinancing of certain of its senior secured credit facilities, which reduced the interest rates and extended certain maturity dates. See Note 15 for additional information.

On October 29, 2018, Nexstar prepaid \$70.0 million of the outstanding principal balance under its term loans, funded by cash on hand.

#### Unused Commitments and Borrowing Availability

The Company had \$166.4 million of total unused revolving loan commitments under its senior secured credit facilities, all of which was available for borrowing, based on the covenant calculations as of September 30, 2018. The Company's ability to access funds under its senior secured credit facilities depends, in part, on its compliance with certain financial covenants. As of September 30, 2018, the Company was in compliance with its financial covenants.

#### Collateralization and Guarantees of Debt

The Company's credit facilities described above are collateralized by a security interest in substantially all the combined assets, excluding FCC licenses and the other assets of consolidated VIEs unavailable to creditors of Nexstar (See Note 2). Nexstar guarantees full payment of all obligations incurred under the Mission, Marshall and Shield senior secured credit facilities in the event of their default. Mission and Nexstar Digital, a wholly-owned subsidiary of Nexstar, are guarantors of Nexstar's senior secured credit facility. Mission is also a guarantor of Nexstar's 6.125% senior secured notes due 2022 (the "6.125% Notes") and the 5.625% Notes due 2024 but does not guarantee Nexstar's 5.875% Senior Notes due 2022 (the "5.875% Notes"). Nexstar Digital does not guarantee any of the notes. Marshall and Shield are not guarantors of any debt within the group.

In consideration of Nexstar's guarantee of the Mission senior secured credit facility, Mission has granted Nexstar purchase options to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. These option agreements (which expire on various dates between 2021 and 2028) are freely exercisable or assignable by Nexstar without consent or approval by Mission. The Company expects these option agreements to be renewed

upon expiration.

#### Debt Covenants

The Nexstar amended credit agreement (senior secured credit facility) contains a covenant which requires Nexstar to comply with a maximum consolidated first lien net leverage ratio of 4.25 to 1.00. The financial covenant, which is formally calculated on a quarterly basis, is based on the combined results of the Company. The Mission, Marshall and Shield amended credit agreements do not contain financial covenant ratio requirements but do provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement. As of September 30, 2018, the Company was in compliance with its financial covenant.

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### ***Fair Value of Debt***

The aggregate carrying amounts and estimated fair values of the Company's debt were as follows (in thousands):

|                                              | September 30, 2018 |               | December 31, 2017  |               |
|----------------------------------------------|--------------------|---------------|--------------------|---------------|
|                                              | Carrying<br>Amount | Fair<br>Value | Carrying<br>Amount | Fair<br>Value |
| Term loans <sup>(1)</sup>                    | \$2,574,596        | \$2,623,723   | \$2,791,875        | \$2,852,199   |
| Revolving loans <sup>(1)</sup>               | 5,628              | 5,602         | 3,000              | 2,985         |
| 6.125% Senior unsecured notes <sup>(2)</sup> | 273,333            | 279,469       | 273,008            | 284,625       |
| 5.875% Senior unsecured notes <sup>(2)</sup> | 406,689            | 406,500       | 408,102            | 415,500       |
| 5.625% Senior unsecured notes <sup>(2)</sup> | 887,765            | 878,625       | 886,475            | 925,875       |

(1) The fair value of senior secured credit facilities is computed based on borrowing rates currently available to the Company for bank loans with similar terms and average maturities. These fair value measurements are considered Level 3, as significant inputs to the fair value calculation are unobservable in the market.

(2) The fair value of the Company's fixed rate debt is estimated based on bid prices obtained from an investment banking firm that regularly makes a market for these financial instruments. These fair value measurements are considered Level 2, as quoted market prices are available for low volume trading of these securities.

### **8. Common Stock**

On April 26, 2018, Nexstar's Board of Directors approved an additional \$200 million increase in Nexstar's share repurchase authorization to repurchase its Class A common stock. The expansion brought the total capacity under Nexstar's share repurchase program to approximately \$218.6 million when combined with the remaining balance under its prior authorization.

During the nine months ended September 30, 2018, Nexstar repurchased a total of 751,920 shares for \$50.5 million of Class A common stock funded by cash on hand. As of September 30, 2018, the remaining available amount under the share repurchase authorization was \$201.9 million.

Share repurchases may be made from time to time in open market transactions, block trades or in private transactions. There is no minimum number of shares that Nexstar is required to repurchase and the repurchase program may be suspended or discontinued at any time without prior notice.

During the three months ended September 30, 2018 and 2017, Nexstar declared and paid dividends of \$17.1 million (\$0.375 per share) and \$13.9 million (\$0.30 per share), respectively. During the nine months ended September 30, 2018 and 2017, Nexstar declared and paid dividends of \$51.5 million (\$1.125 per share) and \$42.1 million (\$0.90 per share), respectively.

## 9. Stock-Based Compensation Plans

During the nine months ended September 30, 2018, Nexstar granted 667,500 restricted stock units to employees and non-employee directors with an estimated fair value of \$43.4 million. There were no significant equity incentive grants during the third quarter of 2018. The restricted stock units vest over a range of three to four years from the date of the award.

## 10. Income Taxes

Income tax expense was \$35.2 million for the three months ended September 30, 2018 compared to \$32.0 million for the same period in 2017. The effective tax rates were 26.1% and 43.2% for each of the respective periods. The decrease in the effective tax rate between the two periods was primarily due to (i) the Tax Act, which reduced the federal corporate income tax rate from 35% to 21%, or a 14.0% decrease, (ii) a \$1.4 million decrease in permanent differences between the two periods, which contributed a 2.7% decrease in the effective tax rate, (iii) and an increase in nontaxable earnings of \$0.5 million which resulted in a 0.8% decrease in the effective tax rate.

Income tax expense was \$86.0 million for the nine months ended September 30, 2018 compared to \$58.4 million for the same period in 2017. The effective tax rates were 26.9% and 38.0% for each of the respective periods. The decrease in the effective tax rate between the two periods was primarily attributable to (i) the Tax Act, which reduced the federal corporate income tax rate from 35% to 21%, or a 14.0% decrease, (ii) a \$2.3 million decrease in permanent differences, resulting in a 2.5% decrease in the 2018 effective tax rate compared to prior year, (iii) transaction costs attributable to Nexstar's merger with Media General that were determined to be nondeductible for tax purposes and resulted in an income tax expense of \$1.7 million in 2017, or a 1.1% decrease in the 2018 effective tax rate compared to prior year, and (iv) the liquidation of Media General legal entities that merged with Nexstar in 2017 and resulted in an income tax expense of \$1.5 million in 2017, or a 1.0% decrease in the 2018 effective tax rate compared to prior year.

These decreases were partially offset by (i) a \$7.8 million income tax benefit in 2017 that resulted from divestiture of stations previously owned by Nexstar, or a 5.1% increase in the 2018 effective tax rate compared to prior year, (ii) a release of an uncertain tax position in 2017 that resulted in an income tax benefit of \$1.6 million, or a 1.1% increase in the 2018 effective tax rate compared to prior year, (iii) higher excess tax benefits related to stock-based compensation in 2017 amounting to \$0.3 million, or a 0.5% increase in the 2018 effective tax rate compared to prior year, and (iv) a decrease in nontaxable earnings of \$0.9 million that contributed a 0.4% increase in the 2018 effective tax rate compared to prior year.

In December 2017, the Tax Act was signed into law which significantly changed the U.S. corporate income tax system, including reducing the federal corporate income tax rate from 35% to 21%. During the three-month period ended September 30, 2018, the Company recorded a measurement period adjustment in accordance with Staff Accounting Bulletin No. 118. The measurement period adjustment related to the remeasurement of the Company's net deferred tax liability from 35% to 21% and resulted in an income tax benefit of \$2.1 million. The \$2.1 million income tax benefit reduced the effective income tax rate for the three-month period ended September 30, 2018 by 1.5% and the effective income tax rate for the nine-month period ended September 30, 2018 by 0.6%. The accounting for the Tax Act was completed as of September 30, 2018.

#### 11. FCC Regulatory Matters

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of such regulations. The FCC's ongoing rule making proceedings could have a significant future impact on the television industry and on the operation of the Company's stations and the stations to which it provides services. In addition, the U.S. Congress may act to amend the Communications Act or adopt other legislation in a manner that could impact the Company's stations, the stations to which it provides services and the television broadcast industry in general.

The FCC has adopted rules with respect to the final conversion of existing low power and television translator stations to digital operations, which must be completed by July 2021.

#### Media Ownership

The FCC is required to review its media ownership rules every four years and to eliminate those rules it finds no longer serve the "public interest, convenience and necessity."

In August 2016, the FCC adopted a Second Report and Order (the “2016 Ownership Order”) concluding the agency’s 2010 and 2014 quadrennial reviews. The 2016 Ownership Order (1) retained the then-existing local television ownership rule and radio/television cross-ownership rule with minor technical modifications, (2) extended the ban on common ownership of two top-four television stations in a market to network affiliation swaps, (3) retained the then-existing ban on newspaper/broadcast cross-ownership in local markets while considering waivers and providing an exception for failed or failing entities, (4) retained the dual network rule, (5) made JSA relationships attributable interests and (6) defined a category of sharing agreements designated as SSAs between stations and required public disclosure of those SSAs (while not considering them attributable).

The 2016 Ownership Order reinstated a rule that attributed another in-market station toward the local television ownership limits when one station owner sells more than 15% of the second station’s weekly advertising inventory under a JSA (this rule had been previously adopted in 2014, but was vacated by the U.S. Court of Appeals for the Third Circuit). Parties to JSAs entered into prior to March 31, 2014 were permitted to continue to operate under those JSAs until September 30, 2025.

Nexstar and other parties filed petitions seeking reconsideration of various aspects of the 2016 Ownership Order. On November 16, 2017, the FCC adopted an order (the “Reconsideration Order”) addressing the petitions for reconsideration. The Reconsideration Order (1) eliminated the rules prohibiting newspaper/broadcast cross-ownership and limiting television/radio cross-ownership, (2) eliminated the requirement that eight or more independently-owned television stations remain in a local market for common ownership of two television stations in that market to be permissible, (3) retained the general prohibition on common ownership of two “top four” stations in a local market but provided for case-by-case review, (4) eliminated the television JSA attribution rule, and (5) retained the SSA definition and disclosure requirement for television stations. These rule modifications took effect on February 7, 2018, when the U.S. Court of Appeals for the Third Circuit denied a mandamus petition which had sought to stay their effectiveness. The Reconsideration Order remains subject to appeals before the Third Circuit.

On February 3, 2017, the FCC terminated in full its guidance (issued on March 12, 2014) requiring careful scrutiny of broadcast television applications which propose sharing arrangements and contingent interests.

The FCC's media ownership rules limit the percentage of U.S. television households which a party may reach through its attributable interests in television stations to 39% on a nationwide basis. Historically, the FCC has counted the ownership of an ultra-high frequency ("UHF") station as reaching only 50% of a market's percentage of total national audience. On August 24, 2016, the FCC adopted a Report and Order abolishing this "UHF discount" for the purposes of a licensee's determination of compliance with the 39% national cap, and that rule change became effective in October 2016. On April 20, 2017, the FCC adopted an order on reconsideration that reinstated the UHF discount. That order stated that the FCC would launch a comprehensive rulemaking later in 2017 to evaluate the UHF discount together with the national ownership limit. The FCC initiated that proceeding in December 2017, and comments and reply comments were filed in the first and second quarters of 2018. The FCC's April 2017 reinstatement of the UHF discount became effective on June 15, 2017. A petition for review of the FCC's order reinstating the UHF discount was filed in a federal appeals court, and Nexstar intervened in the litigation in support of the FCC. On July 25, 2018, the federal court dismissed the appeal for lack of standing. Nexstar is in compliance with the 39% national cap limitation without the UHF discount and, therefore, with the UHF discount as well.

## Spectrum

The FCC is in the process of repurposing a portion of the broadcast television spectrum for wireless broadband use. Pursuant to federal legislation enacted in 2012, the FCC conducted an incentive auction for the purpose of making additional spectrum available to meet future wireless broadband needs. Under the auction statute and rules, certain television broadcasters accepted bids from the FCC to voluntarily relinquish all or part of their spectrum in exchange for consideration, and certain wireless broadband providers and other entities submitted successful bids to acquire the relinquished television spectrum. Over the next several years, television stations that are not relinquishing their spectrum are being "repacked" into the frequency band still remaining for television broadcast use.

The incentive auction commenced on March 29, 2016 and officially concluded on April 13, 2017. Ten of Nexstar's stations and one station owned by Vaughan, a consolidated VIE, accepted bids to relinquish their spectrum. Of these 11 total stations, one station went off the air in November 2017. The station that went off the air is not expected to have a significant impact on the Company's future financial results because it is located in a remote rural area of the country and the Company has other stations which serve the same area. The Company derecognized the spectrum asset and liability to surrender spectrum of this station in the fourth quarter of 2017. Of the remaining ten stations, eight have ceased broadcasting on their previous channels and implemented channel sharing agreements. As a result, the associated spectrum asset and liability to surrender spectrum, both amounting to \$314.1 million, were derecognized in the second quarter of 2018. The remaining two stations will move to VHF channels and must vacate their current channels by September 2019 and May 2020, respectively.

The majority of the Company's television stations did not accept bids to relinquish their television channels. Of those stations, 61 full power stations owned by Nexstar and 17 full power stations owned by VIEs have been assigned to new channels in the reduced post-auction television band. These "repacked" stations are required to construct and license the necessary technical modifications to operate on their newly assigned channels and will need to cease operating on their existing channels by deadlines which the FCC has established and which are no later than July 13, 2020. Congress has allocated up to an industry-wide total of \$2.75 billion to reimburse television broadcasters,

MVPDs and other parties for costs reasonably incurred due to the repack. This allocation includes \$1 billion added to the TV Broadcaster Relocation Fund as part of the Consolidated Appropriations Act, 2018. This fund is not available to reimburse repacking costs for stations which are surrendering their spectrum and entering into channel sharing relationships. Broadcasters and MVPDs have submitted estimates to the FCC of their reimbursable costs. As of March 7, 2018, these costs were approximately \$1.95 billion, and the FCC has indicated that it expects those costs to rise. As of September 30, 2018, the Company has spent a total of \$16.1 million in capital expenditures related to station repack, of which \$12.5 million have been reimbursed. The Company cannot determine if the FCC will be able to fully reimburse its repacking costs as this is dependent on certain factors, including the Company's ability to incur repacking costs that are equal to or less than the FCC's allocation of funds to the Company and whether the FCC will have available funds to reimburse the Company for additional repacking costs that it previously may not have anticipated. Whether the FCC will have available funds for additional reimbursements will also depend on the repacking costs that will be incurred by other broadcasters and MVPDs that are also seeking reimbursements.

The reallocation of television spectrum to broadband use may be to the detriment of the Company's investment in digital facilities, could require substantial additional investment to continue current operations, and may require viewers to invest in additional equipment or subscription services to continue receiving broadcast television signals. The Company cannot predict the impact of the incentive auction and subsequent repacking on its business.

***Exclusivity/Retransmission Consent***

On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking which among other things asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of-market television stations in certain circumstances. In March 2014, the FCC adopted a further notice of proposed rulemaking which sought additional comment on the elimination or modification of the network non-duplication and syndicated exclusivity rules. The FCC's possible elimination or modification of the network non-duplication and syndicated exclusivity protection rules may affect the Company's ability to sustain its current level of retransmission consent revenues or grow such revenues in the future and could have an adverse effect on the Company's business, financial condition and results of operations. The Company cannot predict the resolution of the FCC's network non-duplication and syndicated exclusivity proposals, or the impact of these proposals.

On December 5, 2014, federal legislation directed the FCC to commence a rulemaking to "review its totality of the circumstances test for good faith [retransmission consent] negotiations." The FCC commenced this proceeding in September 2015 and comments and reply comments were submitted. In July 2016, the then-Chairman of the FCC publicly announced that the agency would not adopt additional rules in this proceeding. However, the proceeding remains open.

Further, certain online video distributors and other over-the-top video distributors ("OTTDs") have begun streaming broadcast programming over the Internet. In June 2014, the U.S. Supreme Court held that an OTTD's retransmissions of broadcast television signals without the consent of the broadcast station violate copyright holders' exclusive right to perform their works publicly as provided under the Copyright Act. In December 2014, the FCC issued a Notice of Proposed Rulemaking proposing to interpret the term "MVPD" to encompass OTTDs that make available for purchase multiple streams of video programming distributed at a prescheduled time and seeking comment on the effects of applying MVPD rules to such OTTDs. Comments and reply comments were filed in 2015. Although the FCC has not classified OTTDs as MVPDs to date, several OTTDs have signed agreements for retransmission of local stations within their markets and others are actively seeking to negotiate such agreements.

**12. Commitments and Contingencies**

**Guarantees of Mission, Marshall and Shield Debt**

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under the Mission, Marshall and Shield senior secured credit facilities. In the event that Mission, Marshall or Shield is unable to repay amounts due, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under these guarantees would be generally limited to the borrowings outstanding. As of September 30, 2018, Mission had a maximum commitment of \$227.6 million under its senior secured credit facility, of which \$224.6 million of debt was outstanding, Marshall had used all of its commitment and had outstanding debt obligations of \$51.6 million and Shield had also used all of its commitment and had outstanding obligations of \$22.9 million. Based on the terms of the credit agreements as of September 30, 2018, Marshall's outstanding debt is due December 2019, Mission's outstanding debt is due January 2024 and Shield's outstanding debt is due July 2022.

On October 26, 2018, Mission and Shield completed a refinancing of their senior secured credit facilities which reduced the interest rates and extended certain maturity dates. See Note 15 for additional information.

#### Indemnification Obligations

In connection with certain agreements that the Company enters into in the normal course of its business, including local service agreements, business acquisitions and borrowing arrangements, the Company enters into contractual arrangements under which the Company agrees to indemnify the third-party to such arrangement from losses, claims and damages incurred by the indemnified party for certain events as defined within the particular contract. Such indemnification obligations may not be subject to maximum loss clauses and the maximum potential amount of future payments the Company could be required to make under these indemnification arrangements may be unlimited. Historically, payments made related to these indemnifications have been insignificant and the Company has not incurred significant costs to defend lawsuits or settle claims related to these indemnification agreements.

#### Litigation

From time to time, the Company is involved with claims that arise out of the normal course of its business. In the opinion of management, any resulting liability with respect to these claims would not have a material adverse effect on the Company's financial position or results of operations.

On July 30, 2018, Clay, Massey & Associates, PC filed an antitrust class action complaint in the U.S. District Court for the Northern District of Illinois on behalf of itself and all others similarly situated against Gray Television, Inc., Hearst Communications, Nexstar Media Group, Inc., Tegna Inc., Tribune Media Company and Sinclair Broadcast Group, Inc. The lawsuit alleges unlawful coordination between advertising sales teams of independent local television station owners to artificially inflate prices of local TV advertisements in violation of Section 1 of the Sherman Act (15 U.S.C. §1). Nexstar has since been named in thirteen similar complaints, eight in the Northern District of Illinois, three in the Southern District of New York and two in the District of Maryland. Each similar complaint includes similar allegations and alleges a violation of Section 1 of the Sherman Act. One, filed by John O'Neil Johnson Toyota, LLC in the District of Maryland, also alleges violations of state antitrust and consumer protection statutes and a claim for unjust enrichment.

On October 4, 2018, the Judicial Panel on Multidistrict Litigation issued an order transferring the cases against Nexstar filed in other judicial districts to the Northern District of Illinois and assigning them to Judge Virginia Kendall. The Company denies the allegations against it and will defend its advertising practices as necessary.

### 13. Segment Data

The Company evaluates the performance of its operating segments based on net revenue and operating income. The Company's broadcast segment includes television stations and related community-focused websites that Nexstar owns, operates, programs or provides sales and other services to in various markets across the United States. The other activities of the Company include corporate functions, digital businesses, and eliminations.

Segment financial information is included in the following tables for the periods presented (in thousands):

| Three Months Ended September 30, 2018 | Broadcast   | Other      | Consolidated |
|---------------------------------------|-------------|------------|--------------|
| Net revenue                           | \$650,303   | \$42,712   | \$ 693,015   |
| Depreciation                          | 21,587      | 6,086      | 27,673       |
| Amortization of intangible assets     | 31,447      | 5,710      | 37,157       |
| Income (loss) from operations         | 227,602     | (34,709 )  | 192,893      |
|                                       |             |            |              |
| Three Months Ended September 30, 2017 | Broadcast   | Other      | Consolidated |
| Net revenue                           | \$582,420   | \$29,450   | \$ 611,870   |
| Depreciation                          | 21,948      | 4,031      | 25,979       |
| Amortization of intangible assets     | 31,406      | 2,580      | 33,986       |
| Income (loss) from operations         | 156,069     | (30,153 )  | 125,916      |
|                                       |             |            |              |
| Nine Months Ended September 30, 2018  | Broadcast   | Other      | Consolidated |
| Net revenue                           | \$1,850,176 | \$118,498  | \$ 1,968,674 |
| Depreciation                          | 63,948      | 14,629     | 78,577       |
| Amortization of intangible assets     | 95,376      | 15,264     | 110,640      |
| Income (loss) from operations         | 587,712     | (102,709 ) | 485,003      |

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| Nine Months Ended September 30, 2017 | Broadcast   | Other      | Consolidated |
|--------------------------------------|-------------|------------|--------------|
| Net revenue                          | \$1,688,076 | \$90,226   | \$ 1,778,302 |
| Depreciation                         | 63,592      | 10,905     | 74,497       |
| Amortization of intangible assets    | 110,613     | 10,088     | 120,701      |
| Income (loss) from operations        | 510,327     | (141,362 ) | 368,965      |

| As of September 30, 2018 | Broadcast   | Other    | Consolidated |
|--------------------------|-------------|----------|--------------|
| Goodwill                 | \$2,125,333 | \$62,005 | \$ 2,187,338 |
| Assets                   | 6,623,496   | 495,620  | 7,119,116    |

| As of December 31, 2017 | Broadcast   | Other    | Consolidated |
|-------------------------|-------------|----------|--------------|
| Goodwill                | \$2,122,935 | \$19,911 | \$ 2,142,846 |
| Assets                  | 6,723,685   | 757,962  | 7,481,647    |

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The following table presents the disaggregation of the Company's revenue for the three and nine months ended September 30, 2018 under ASC 606. Comparative 2017 revenues are presented in accordance with the Company's historical accounting standard prior to the adoption of ASC 606 (in thousands):

| Three Months Ended September 30, 2018 | Broadcast  | Other    | Consolidated |
|---------------------------------------|------------|----------|--------------|
| Local                                 | \$ 189,423 | \$-      | \$ 189,423   |
| National                              | 71,623     | -        | 71,623       |
| Political                             | 70,147     | -        | 70,147       |
| Retransmission compensation           | 284,319    | -        | 284,319      |
| Digital                               | 26,615     | 42,697   | 69,312       |
| Other                                 | 4,013      | 15       | 4,028        |
| Trade revenue                         | 4,163      | -        | 4,163        |
| Net revenue                           | \$650,303  | \$42,712 | \$ 693,015   |

| Three Months Ended September 30, 2017 | Broadcast  | Other    | Consolidated |
|---------------------------------------|------------|----------|--------------|
| Local                                 | \$ 197,576 | \$-      | \$ 197,576   |
| National                              | 76,023     | -        | 76,023       |
| Political                             | 7,161      | -        | 7,161        |
| Retransmission compensation           | 257,517    | -        | 257,517      |
| Digital                               | 25,922     | 29,436   | 55,358       |
| Other                                 | 4,320      | 14       | 4,334        |
| Trade and barter revenue              | 13,901     | -        | 13,901       |
| Net revenue                           | \$582,420  | \$29,450 | \$ 611,870   |

| Nine Months Ended September 30, 2018 | Broadcast   | Other     | Consolidated |
|--------------------------------------|-------------|-----------|--------------|
| Local                                | \$581,251   | \$-       | \$ 581,251   |
| National                             | 210,301     | -         | 210,301      |
| Political                            | 111,049     | -         | 111,049      |
| Retransmission compensation          | 836,533     | -         | 836,533      |
| Digital                              | 77,661      | 118,454   | 196,115      |
| Other                                | 22,358      | 44        | 22,402       |
| Trade revenue                        | 11,023      | -         | 11,023       |
| Net revenue                          | \$1,850,176 | \$118,498 | \$ 1,968,674 |

| Nine Months Ended September 30, 2017 | Broadcast   | Other    | Consolidated |
|--------------------------------------|-------------|----------|--------------|
| Local                                | \$585,646   | \$-      | \$ 585,646   |
| National                             | 219,261     | -        | 219,261      |
| Political                            | 14,345      | -        | 14,345       |
| Retransmission compensation          | 742,511     | -        | 742,511      |
| Digital                              | 73,625      | 90,143   | 163,768      |
| Other                                | 12,984      | 83       | 13,067       |
| Trade and barter revenue             | 39,704      | -        | 39,704       |
| Net revenue                          | \$1,688,076 | \$90,226 | \$ 1,778,302 |

The Company is a television broadcasting and digital media company focused on the acquisition, development and operation of television stations and interactive community websites and digital media services in medium-sized markets in the United States.

Advertising revenue (local, national, political and digital) is positively affected by national and regional political campaigns, and certain events such as the Olympic Games or the Super Bowl. Company stations' advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising revenue is generally higher during even-numbered years when congressional and presidential elections occur, and advertising is aired during the Olympic Games.

The Company receives compensation from MVPDs in return for the consent to the retransmission of the signals of its television stations. Retransmission compensation is recognized at the point in time the broadcast signal is delivered to the MVPDs and is based on a price per subscriber.

Beginning in 2018, the Company no longer recognizes barter revenue (and the related barter expense) resulting from the exchange of advertising time for certain program material. During the three months ended September 30, 2017, the Company recognized barter revenue (and barter expense) of \$10.8 million. During the nine months ended September 30, 2017, the Company recognized barter revenue (and barter expense) of \$30.9 million. These are included in the trade and barter revenue line in the tables above.

#### 14. Condensed Consolidating Financial Information

The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Company, including its wholly-owned subsidiaries and its consolidated VIEs. This information is presented in lieu of separate financial statements and other related disclosures pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.”

The Nexstar column presents the parent company’s financial information, excluding consolidating entities. The Nexstar Broadcasting column presents the financial information of Nexstar Broadcasting, Inc. (“Nexstar Broadcasting”), a wholly-owned subsidiary of Nexstar and issuer of the 5.625% Notes, the 6.125% Notes and the 5.875% Notes. The Mission column presents the financial information of Mission, an entity which Nexstar Broadcasting is required to consolidate as a VIE (See Note 2). The Non-Guarantors column presents the combined financial information of Nexstar Digital, a wholly-owned subsidiary of Nexstar, and other VIEs consolidated by Nexstar Broadcasting (See Note 2).

Nexstar Broadcasting’s outstanding 5.625% Notes and 6.125% Notes are fully and unconditionally guaranteed, jointly and severally, by Nexstar and Mission, subject to certain customary release provisions. These notes are not guaranteed by any other entities.

Nexstar Broadcasting’s outstanding 5.875% Notes are fully and unconditionally guaranteed, jointly and severally, by Nexstar, subject to certain customary release provisions. These notes are not guaranteed by any other entities.

The indentures governing the 5.625% Notes and the 6.125% Notes are not registered but require consolidating information that presents the guarantor information.

As discussed in Note 2, the Company adopted ASU No. 2016-15 on a retrospective basis which reclassified the cash flow classification of certain payments for contingent consideration related to an acquisition in 2017 from financing activities to operating activities and payments received for the settlement of corporate-owned life insurance claims from operating activities to investing activities. The Company also adopted ASU No. 2016-18 on a retrospective basis which impacted the cash flow treatment of transfers between cash, cash equivalents and restricted cash in 2017.

Further, the Company adopted ASU No. 2017-07 on a retrospective basis which requires the presentation of the net periodic benefit costs, other than the current service costs, in the income statement separately from the service cost component and outside the subtotal of income from operations. The effects of these adoptions were reflected in the accompanying Condensed Consolidating Statement of Operations and Condensed Consolidating Statement of Cash Flows during the three and nine months ended September 30, 2017.

## CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2018

(in thousands)

|                                                       | Nexstar      | Nexstar<br>Broadcasting | Mission    | Non-<br>Guarantors | Eliminations    | Consolidated<br>Company |
|-------------------------------------------------------|--------------|-------------------------|------------|--------------------|-----------------|-------------------------|
| <b>ASSETS</b>                                         |              |                         |            |                    |                 |                         |
| Current assets:                                       |              |                         |            |                    |                 |                         |
| Cash and cash equivalents                             | \$-          | \$ 98,966               | \$ 5,137   | \$ 14,320          | \$-             | \$ 118,423              |
| Accounts receivable                                   | -            | 453,370                 | 14,985     | 83,373             | -               | 551,728                 |
| Amounts due from consolidated entities                | -            | 80,548                  | 81,549     | -                  | (162,097 )      | -                       |
| Spectrum asset                                        | -            | 52,002                  | -          | -                  | -               | 52,002                  |
| Other current assets                                  | -            | 38,303                  | 1,311      | 4,720              | -               | 44,334                  |
| Total current assets                                  | -            | 723,189                 | 102,982    | 102,413            | (162,097 )      | 766,487                 |
| Investments in subsidiaries                           | 964,242      | 108,884                 | -          | -                  | (1,073,126 )    | -                       |
| Amounts due from consolidated entities                | 792,233      | -                       | -          | -                  | (792,233 )      | -                       |
| Property and equipment, net                           | -            | 687,443                 | 19,619     | 16,882             | (75 )           | 723,869                 |
| Goodwill                                              | -            | 1,968,228               | 33,187     | 185,923            | -               | 2,187,338               |
| FCC licenses                                          | -            | 1,615,830               | 43,102     | 113,107            | -               | 1,772,039               |
| Other intangible assets, net                          | -            | 1,387,881               | 14,235     | 125,583            | -               | 1,527,699               |
| Other noncurrent assets                               | -            | 132,971                 | 4,236      | 4,477              | -               | 141,684                 |
| Total assets                                          | \$ 1,756,475 | \$ 6,624,426            | \$ 217,361 | \$ 548,385         | \$ (2,027,531 ) | \$ 7,119,116            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b> |              |                         |            |                    |                 |                         |
| Current liabilities:                                  |              |                         |            |                    |                 |                         |
| Current portion of debt                               | \$-          | \$ 36,243               | \$ 2,314   | \$ 3,532           | \$-             | \$ 42,089               |
| Accounts payable                                      | -            | 49,868                  | 37         | 24,329             | -               | 74,234                  |
| Amounts due to consolidated entities                  | -            | -                       | -          | 162,097            | (162,097 )      | -                       |
| Spectrum liabilities                                  | -            | 52,002                  | -          | -                  | -               | 52,002                  |
| Other current liabilities                             | 498          | 160,631                 | 7,064      | 30,771             | -               | 198,964                 |
| Total current liabilities                             | 498          | 298,744                 | 9,415      | 220,729            | (162,097 )      | 367,289                 |
| Debt                                                  | -            | 3,812,633               | 222,271    | 71,018             | -               | 4,105,922               |
| Amounts due to consolidated entities                  | -            | 570,282                 | -          | 222,162            | (792,444 )      | -                       |
| Deferred tax liabilities                              | (320 )       | 628,660                 | -          | 11,487             | -               | 639,827                 |
| Other noncurrent liabilities                          | -            | 236,989                 | 7,084      | 10,029             | -               | 254,102                 |
| Total liabilities                                     | 178          | 5,547,308               | 238,770    | 535,425            | (954,541 )      | 5,367,140               |
| Total Nexstar Media Group, Inc.                       |              |                         |            |                    |                 |                         |
| stockholders' equity (deficit)                        | 1,756,297    | 1,077,118               | (21,409 )  | (10,943 )          | (1,072,990 )    | 1,728,073               |
| Noncontrolling interests in consolidated              | -            | -                       | -          | 23,903             | -               | 23,903                  |

|                                     |             |             |           |           |                |             |
|-------------------------------------|-------------|-------------|-----------|-----------|----------------|-------------|
| variable interest entities          |             |             |           |           |                |             |
| Total liabilities and stockholders' |             |             |           |           |                |             |
| equity (deficit)                    | \$1,756,475 | \$6,624,426 | \$217,361 | \$548,385 | \$(2,027,531 ) | \$7,119,116 |

**CONDENSED CONSOLIDATING BALANCE SHEET**

As of December 31, 2017

(in thousands)

|                                                       | Nexstar      | Nexstar<br>Broadcasting | Mission    | Non-<br>Guarantors | Eliminations    | Consolidated<br>Company |
|-------------------------------------------------------|--------------|-------------------------|------------|--------------------|-----------------|-------------------------|
| <b>ASSETS</b>                                         |              |                         |            |                    |                 |                         |
| Current assets:                                       |              |                         |            |                    |                 |                         |
| Cash and cash equivalents                             | \$-          | \$ 90,860               | \$ 9,524   | \$ 15,268          | \$-             | \$ 115,652              |
| Accounts receivable                                   | -            | 484,096                 | 14,717     | 64,130             | -               | 562,943                 |
| Amounts due from consolidated entities                | -            | 55,417                  | 92,923     | -                  | (148,340 )      | -                       |
| Spectrum asset                                        | -            | 279,069                 | -          | 26,695             | -               | 305,764                 |
| Other current assets                                  | -            | 64,256                  | 2,070      | 5,533              | -               | 71,859                  |
| Total current assets                                  | -            | 973,698                 | 119,234    | 111,626            | (148,340 )      | 1,056,218               |
| Investments in subsidiaries                           | 617,297      | 109,354                 | -          | -                  | (726,651 )      | -                       |
| Amounts due from consolidated entities                | 970,207      | -                       | -          | -                  | (970,207 )      | -                       |
| Property and equipment, net                           | -            | 697,898                 | 18,454     | 17,861             | (75 )           | 734,138                 |
| Goodwill                                              | -            | 1,959,386               | 33,187     | 150,273            | -               | 2,142,846               |
| FCC licenses                                          | -            | 1,615,830               | 43,102     | 108,706            | -               | 1,767,638               |
| Other intangible assets, net                          | -            | 1,476,297               | 15,841     | 89,488             | -               | 1,581,626               |
| Other noncurrent assets                               | -            | 189,303                 | 2,645      | 7,233              | -               | 199,181                 |
| Total assets                                          | \$ 1,587,504 | \$ 7,021,766            | \$ 232,463 | \$ 485,187         | \$ (1,845,273 ) | \$ 7,481,647            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b> |              |                         |            |                    |                 |                         |
| Current liabilities:                                  |              |                         |            |                    |                 |                         |
| Current portion of debt                               | \$-          | \$ 36,243               | \$ 2,314   | \$ 54,251          | \$-             | \$ 92,808               |
| Accounts payable                                      | -            | 24,293                  | 1,090      | 5,753              | -               | 31,136                  |
| Liability to surrender spectrum asset                 | -            | 286,740                 | -          | 27,347             | -               | 314,087                 |
| Amounts due to consolidated entities                  | -            | -                       | -          | 148,340            | (148,340 )      | -                       |
| Other current liabilities                             | -            | 192,827                 | 13,310     | 26,535             | -               | 232,672                 |
| Total current liabilities                             | -            | 540,103                 | 16,714     | 262,226            | (148,340 )      | 670,703                 |
| Debt                                                  | -            | 4,024,129               | 223,428    | 22,095             | -               | 4,269,652               |
| Amounts due to consolidated entities                  | -            | 714,408                 | -          | 256,010            | (970,418 )      | -                       |
| Deferred tax liabilities                              | -            | 613,227                 | -          | 6,214              | -               | 619,441                 |
| Other noncurrent liabilities                          | -            | 322,572                 | 7,626      | 10,343             | -               | 340,541                 |
| Total liabilities                                     | -            | 6,214,439               | 247,768    | 556,888            | (1,118,758 )    | 5,900,337               |
| Total Nexstar Media Group, Inc.                       |              |                         |            |                    |                 |                         |
| stockholders' equity (deficit)                        | 1,587,504    | 807,327                 | (15,305 )  | (82,397 )          | (726,515 )      | 1,570,614               |
| Noncontrolling interests in consolidated              | -            | -                       | -          | 10,696             | -               | 10,696                  |

|                                     |              |              |            |            |                 |              |
|-------------------------------------|--------------|--------------|------------|------------|-----------------|--------------|
| variable interest entities          |              |              |            |            |                 |              |
| Total liabilities and stockholders' |              |              |            |            |                 |              |
| equity (deficit)                    | \$ 1,587,504 | \$ 7,021,766 | \$ 232,463 | \$ 485,187 | \$ (1,845,273 ) | \$ 7,481,647 |

## CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

Three Months Ended September 30, 2018

(in thousands)

|                                                      | Nexstar    | Nexstar<br>Broadcasting | Mission     | Non-<br>Guarantors | Eliminations  | Consolidated<br>Company |
|------------------------------------------------------|------------|-------------------------|-------------|--------------------|---------------|-------------------------|
| Net broadcast revenue (including trade)              | \$-        | \$ 620,385              | \$ 17,838   | \$ 54,792          | \$ -          | \$ 693,015              |
| Revenue between consolidated entities                | 7,948      | 23,657                  | 10,018      | 18,452             | (60,075 )     | -                       |
| Net revenue                                          | 7,948      | 644,042                 | 27,856      | 73,244             | (60,075 )     | 693,015                 |
| Operating expenses (income):                         |            |                         |             |                    |               |                         |
| Direct operating expenses, excluding                 |            |                         |             |                    |               |                         |
| depreciation and amortization                        | -          | 224,798                 | 10,426      | 51,320             | (1,181 )      | 285,363                 |
| Selling, general, and administrative expenses,       |            |                         |             |                    |               |                         |
| excluding depreciation and amortization              | 10,080     | 133,794                 | 1,108       | 11,255             | (15,940 )     | 140,297                 |
| Local service agreement fees between                 |            |                         |             |                    |               |                         |
| consolidated entities                                | -          | 19,297                  | 14,575      | 9,082              | (42,954 )     | -                       |
| Amortization of broadcast rights                     | -          | 13,949                  | 383         | 689                | -             | 15,021                  |
| Amortization of intangible assets                    | -          | 29,261                  | 522         | 7,374              | -             | 37,157                  |
| Depreciation                                         | -          | 25,545                  | 508         | 1,620              | -             | 27,673                  |
| Reimbursement from the FCC related to station repack | -          | (4,809 )                | (580 )      | -                  | -             | (5,389 )                |
| Total operating expenses                             | 10,080     | 441,835                 | 26,942      | 81,340             | (60,075 )     | 500,122                 |
| (Loss) income from operations                        | (2,132 )   | 202,207                 | 914         | (8,096 )           | -             | 192,893                 |
| Interest expense, net                                | -          | (52,551 )               | (2,864 )    | (822 )             | -             | (56,237 )               |
| Loss on extinguishment of debt                       | -          | (3,159 )                | -           | -                  | -             | (3,159 )                |
| Pension and other postretirement plans credit, net   | -          | 2,458                   | -           | -                  | -             | 2,458                   |
| Other expenses                                       | -          | (882 )                  | -           | (2 )               | -             | (884 )                  |
| Equity in income of subsidiaries                     | 106,440    | -                       | -           | -                  | (106,440 )    | -                       |
| Income (loss) before income taxes                    | 104,308    | 148,073                 | (1,950 )    | (8,920 )           | (106,440 )    | 135,071                 |
| Income tax (expense) benefit                         | (410 )     | (36,796 )               | 268         | 1,695              | -             | (35,243 )               |
| Net income (loss)                                    | 103,898    | 111,277                 | (1,682 )    | (7,225 )           | (106,440 )    | 99,828                  |
| Net loss attributable to noncontrolling interests    | -          | -                       | -           | 686                | -             | 686                     |
| Net income (loss) attributable to Nexstar            | \$ 103,898 | \$ 111,277              | \$ (1,682 ) | \$ (6,539 )        | \$ (106,440 ) | \$ 100,514              |

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

Three Months Ended September 30, 2017

(in thousands)

|                                                     | Nexstar  | Nexstar<br>Broadcasting | Mission   | Non-<br>Guarantors | Eliminations | Consolidated<br>Company |
|-----------------------------------------------------|----------|-------------------------|-----------|--------------------|--------------|-------------------------|
| Net broadcast revenue (including trade and barter)  | \$-      | \$ 536,820              | \$ 18,715 | \$ 56,335          | \$ -         | \$ 611,870              |
| Revenue between consolidated entities               | -        | 28,164                  | 8,499     | (451 )             | (36,212 )    | -                       |
| Net revenue                                         | -        | 564,984                 | 27,214    | 55,884             | (36,212 )    | 611,870                 |
| Operating expenses:                                 |          |                         |           |                    |              |                         |
| Direct operating expenses, excluding                |          |                         |           |                    |              |                         |
| depreciation and amortization                       | -        | 207,596                 | 8,867     | 42,573             | (1,380 )     | 257,656                 |
| Selling, general, and administrative expenses,      |          |                         |           |                    |              |                         |
| excluding depreciation and amortization             | -        | 136,515                 | 1,267     | 10,434             | (7,752 )     | 140,464                 |
| Local service agreement fees between                |          |                         |           |                    |              |                         |
| consolidated entities                               | -        | 6,913                   | 13,250    | 6,917              | (27,080 )    | -                       |
| Amortization of broadcast rights                    | -        | 24,714                  | 1,405     | 1,750              | -            | 27,869                  |
| Amortization of intangible assets                   | -        | 28,924                  | 605       | 4,457              | -            | 33,986                  |
| Depreciation                                        | -        | 23,403                  | 591       | 1,985              | -            | 25,979                  |
| Total operating expenses                            | -        | 428,065                 | 25,985    | 68,116             | (36,212 )    | 485,954                 |
| Income (loss) from operations                       | -        | 136,919                 | 1,229     | (12,232 )          | -            | 125,916                 |
| Interest expense, net                               | -        | (50,160 )               | (2,524 )  | (921 )             | -            | (53,605 )               |
| Loss on extinguishment of debt                      | -        | (1,221 )                | -         | -                  | -            | (1,221 )                |
| Pension and other postretirement plans credit, net  | -        | 3,156                   | -         | -                  | -            | 3,156                   |
| Other (expenses) income                             | -        | (161 )                  | -         | -                  | -            | (161 )                  |
| Equity in income of subsidiaries                    | 47,499   | -                       | -         | -                  | (47,499 )    | -                       |
| Income (loss) before income taxes                   | 47,499   | 88,533                  | (1,295 )  | (13,153 )          | (47,499 )    | 74,085                  |
| Income tax (expense)                                | -        | (34,662 )               | 448       | 2,201              | -            | (32,013 )               |
| Net income (loss)                                   | 47,499   | 53,871                  | (847 )    | (10,952 )          | (47,499 )    | 42,072                  |
| Net income attributable to noncontrolling interests | -        | -                       | -         | 4,403              | -            | 4,403                   |
| Net income (loss) attributable to Nexstar           | \$47,499 | \$ 53,871               | \$(847 )  | \$(6,549 )         | \$ (47,499 ) | \$ 46,475               |

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**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

Nine months Ended September 30, 2018

(in thousands)

|                                                      | Nexstar   | Nexstar<br>Broadcasting | Mission    | Non-<br>Guarantors | Eliminations | Consolidated<br>Company |
|------------------------------------------------------|-----------|-------------------------|------------|--------------------|--------------|-------------------------|
| Net broadcast revenue (including trade and barter)   | \$-       | \$ 1,764,122            | \$51,601   | \$ 152,951         | \$ -         | \$ 1,968,674            |
| Revenue between consolidated entities                | 21,153    | 66,360                  | 27,504     | 53,596             | (168,613 )   | -                       |
| Net revenue                                          | 21,153    | 1,830,482               | 79,105     | 206,547            | (168,613 )   | 1,968,674               |
| Operating expenses (income):                         |           |                         |            |                    |              |                         |
| Direct operating expenses, excluding                 |           |                         |            |                    |              |                         |
| depreciation and amortization                        | -         | 664,717                 | 30,586     | 147,307            | (3,845 )     | 838,765                 |
| Selling, general, and administrative expenses,       |           |                         |            |                    |              |                         |
| excluding depreciation and amortization              | 25,261    | 403,066                 | 3,436      | 33,506             | (44,164 )    | 421,105                 |
| Local service agreement fees between                 |           |                         |            |                    |              |                         |
| consolidated entities                                | -         | 54,244                  | 41,075     | 25,285             | (120,604 )   | -                       |
| Amortization of broadcast rights                     | -         | 43,741                  | 1,204      | 2,089              | -            | 47,034                  |
| Amortization of intangible assets                    | -         | 88,780                  | 1,606      | 20,254             | -            | 110,640                 |
| Depreciation                                         | -         | 71,891                  | 1,529      | 5,157              | -            | 78,577                  |
| Reimbursement from the FCC related to station repack | -         | (11,683 )               | (767 )     | -                  | -            | (12,450 )               |
| Total operating expenses                             | 25,261    | 1,314,756               | 78,669     | 233,598            | (168,613 )   | 1,483,671               |
| (Loss) income from operations                        | (4,108 )  | 515,726                 | 436        | (27,051 )          | -            | 485,003                 |
| Interest expense, net                                | -         | (156,124 )              | (8,214 )   | (2,769 )           | -            | (167,107 )              |
| Loss on extinguishment of debt                       | -         | (4,645 )                | -          | -                  | -            | (4,645 )                |
| Pension and other postretirement plans credit, net   | -         | 8,358                   | -          | -                  | -            | 8,358                   |
| Other expenses                                       | -         | (1,823 )                | -          | -                  | -            | (1,823 )                |
| Equity in income of subsidiaries                     | 252,643   | -                       | -          | -                  | (252,643 )   | -                       |
| Income (loss) before income taxes                    | 248,535   | 361,492                 | (7,778 )   | (29,820 )          | (252,643 )   | 319,786                 |
| Income tax (expense) benefit                         | (833 )    | (91,701 )               | 1,674      | 4,849              | -            | (86,011 )               |
| Net income (loss)                                    | 247,702   | 269,791                 | (6,104 )   | (24,971 )          | (252,643 )   | 233,775                 |
| Net loss attributable to noncontrolling interests    | -         | -                       | -          | 2,593              | -            | 2,593                   |
| Net income (loss) attributable to Nexstar            | \$247,702 | \$ 269,791              | \$(6,104 ) | \$(22,378 )        | \$(252,643 ) | \$ 236,368              |



**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

Nine months Ended September 30, 2017

(in thousands)

|                                                    | Nexstar  | Nexstar<br>Broadcasting | Mission  | Non-<br>Guarantors | Eliminations | Consolidated<br>Company |
|----------------------------------------------------|----------|-------------------------|----------|--------------------|--------------|-------------------------|
| Net broadcast revenue (including trade and barter) | \$-      | \$ 1,555,232            | \$54,178 | \$ 168,892         | \$ -         | \$ 1,778,302            |
| Revenue between consolidated entities              | -        | 60,890                  | 26,721   | 4,164              | (91,775 )    | -                       |
| Net revenue                                        | -        | 1,616,122               | 80,899   | 173,056            | (91,775 )    | 1,778,302               |
| Operating expenses (income):                       |          |                         |          |                    |              |                         |
| Direct operating expenses, excluding               |          |                         |          |                    |              |                         |
| depreciation and amortization                      | -        | 586,392                 | 26,779   | 118,269            | (2,445 )     | 728,995                 |
| Selling, general, and administrative expenses,     |          |                         |          |                    |              |                         |
| excluding depreciation and amortization            | -        | 445,624                 | 3,117    | 33,435             | (17,338 )    | 464,838                 |
| Local service agreement fees between               |          |                         |          |                    |              |                         |
| consolidated entities                              | -        | 32,696                  | 22,250   | 17,046             | (71,992 )    | -                       |
| Amortization of broadcast rights                   | -        | 68,898                  | 4,217    | 4,907              | -            | 78,022                  |
| Amortization of intangible assets                  | -        | 103,436                 | 1,879    | 15,386             | -            | 120,701                 |
| Depreciation                                       | -        | 67,593                  | 1,766    | 5,138              | -            | 74,497                  |
| Gain on disposal of stations, net                  | -        | (57,716 )               | -        | -                  | -            | (57,716 )               |
| Total operating expenses                           | -        | 1,246,923               | 60,008   | 194,181            | (91,775 )    | 1,409,337               |
| Income from operations                             | -        | 369,199                 | 20,891   | (21,125 )          | -            | 368,965                 |
| Interest expense, net                              | -        | (177,500 )              | (7,730 ) | (3,297 )           | -            | (188,527 )              |
| Loss on extinguishment of debt                     | -        | (31,989 )               | (2,133 ) | (226 )             | -            | (34,348 )               |
| Pension and other postretirement plans credit, net | -        | 8,943                   | -        | -                  | -            | 8,943                   |
| Other expenses                                     | -        | (1,168 )                | -        | -                  | -            | (1,168 )                |
| Equity in income of subsidiaries                   | 90,057   | -                       | -        | -                  | (90,057 )    | -                       |
| Income (loss) before income taxes                  | 90,057   | 167,485                 | 11,028   | (24,648 )          | (90,057 )    | 153,865                 |
| Income tax (expense) benefit                       | -        | (59,651 )               | (4,350 ) | 5,607              | -            | (58,394 )               |
| Net income (loss)                                  | 90,057   | 107,834                 | 6,678    | (19,041 )          | (90,057 )    | 95,471                  |
| Net loss attributable to noncontrolling interests  | -        | -                       | -        | 1,045              | -            | 1,045                   |
| Net income (loss) attributable to Nexstar          | \$90,057 | \$ 107,834              | \$6,678  | \$ (17,996 )       | \$ (90,057 ) | \$ 96,516               |



## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

Nine Months Ended September 30, 2018

(in thousands)

|                                        | Nexstar   | Nexstar<br>Broadcasting | Mission   | Non-<br>Guarantors | Eliminations | Consolidated<br>Company |
|----------------------------------------|-----------|-------------------------|-----------|--------------------|--------------|-------------------------|
| Cash flows from operating activities   | \$-       | \$ 494,668              | \$(1,296) | \$ 6,292           | \$ -         | \$ 499,664              |
| Cash flows from investing activities:  |           |                         |           |                    |              |                         |
| Purchases of property and equipment    | -         | (56,944 )               | (1,356 )  | (5,286 )           | -            | (63,586 )               |
| Deposits and payments for acquisitions | -         | (103,246 )              | -         | -                  | -            | (103,246 )              |
| Other investing activities             | -         | 5,089                   | -         | 5                  | -            | 5,094                   |
| Net cash used in investing activities  | -         | (155,101 )              | (1,356 )  | (5,281 )           | -            | (161,738 )              |
| Cash flows from financing activities:  |           |                         |           |                    |              |                         |
| Proceeds from long-term debt           | -         | 44,000                  | -         | 57,387             | -            | 101,387                 |
| Repayments of long-term debt           | -         | (266,182 )              | (1,735 )  | (59,572 )          | -            | (327,489 )              |
| Common stock dividends paid            | (51,524 ) | -                       | -         | -                  | -            | (51,524 )               |
| Purchase of treasury stock             | (50,524 ) | -                       | -         | -                  | -            | (50,524 )               |
| Inter-company payments                 | 101,716   | (101,716 )              | -         | -                  | -            | -                       |
| Other financing activities             | 332       | (7,563 )                | -         | 226                | -            | (7,005 )                |
| Net cash used in financing activities  | -         | (331,461 )              | (1,735 )  | (1,959 )           | -            | (335,155 )              |
| Net increase (decrease) in cash,       |           |                         |           |                    |              |                         |
| cash equivalents and restricted cash   | -         | 8,106                   | (4,387 )  | (948 )             | -            | 2,771                   |
| Cash, cash equivalents and restricted  |           |                         |           |                    |              |                         |
| cash at beginning of period            | -         | 90,860                  | 9,524     | 15,268             | -            | 115,652                 |
| Cash, cash equivalents and restricted  |           |                         |           |                    |              |                         |
| cash at end of period                  | \$-       | \$ 98,966               | \$5,137   | \$ 14,320          | \$ -         | \$ 118,423              |

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

Nine Months Ended September 30, 2017

(in thousands)

|                                                                       | Nexstar   | Nexstar<br>Broadcasting | Mission    | Non-<br>Guarantors | Eliminations | Consolidated<br>Company |
|-----------------------------------------------------------------------|-----------|-------------------------|------------|--------------------|--------------|-------------------------|
| Cash flows from operating activities                                  | \$-       | \$43,443                | \$1,263    | \$18,458           | \$-          | \$63,164                |
| Cash flows from investing activities:                                 |           |                         |            |                    |              |                         |
| Purchases of property and equipment                                   | -         | (40,904 )               | (315 )     | (7,627 )           | -            | (48,846 )               |
| Deposits and payments for acquisitions                                | -         | (2,970,394 )            | (800 )     | -                  | -            | (2,971,194 )            |
| Proceeds from sale of a station                                       | -         | 481,944                 | -          | -                  | -            | 481,944                 |
| Proceeds received to relinquish spectrum                              | -         | 478,608                 | -          | -                  | -            | 478,608                 |
| Other investing activities                                            | -         | 17,035                  | -          | 248                | -            | 17,283                  |
| Net cash used in investing activities                                 | -         | (2,033,711 )            | (1,115 )   | (7,379 )           | -            | (2,042,205 )            |
| Cash flows from financing activities:                                 |           |                         |            |                    |              |                         |
| Proceeds from long-term debt                                          | -         | 3,249,576               | 230,608    | 53,797             | -            | 3,533,981               |
| Repayments of long-term debt                                          | -         | (1,611,029 )            | (226,471 ) | (54,250 )          | -            | (1,891,750 )            |
| Premium paid on debt extinguishment                                   | -         | (18,050 )               | -          | -                  | -            | (18,050 )               |
| Payments for debt financing costs                                     | -         | (48,235 )               | (3,804 )   | -                  | -            | (52,039 )               |
| Purchase of noncontrolling interests                                  | -         | (66,901 )               | -          | -                  | -            | (66,901 )               |
| Payments for contingent consideration                                 | -         | (258,647 )              | -          | (956 )             | -            | (259,603 )              |
| Common stock dividends paid                                           | (42,132 ) | -                       | -          | -                  | -            | (42,132 )               |
| Purchase of treasury stock                                            | (99,008 ) | -                       | -          | -                  | -            | (99,008 )               |
| Inter-company payments                                                | 141,308   | (141,308 )              | -          | -                  | -            | -                       |
| Other financing activities                                            | (168 )    | (4,817 )                | -          | (150 )             | -            | (5,135 )                |
| Net cash provided by (used in) financing activities                   | -         | 1,100,589               | 333        | (1,559 )           | -            | 1,099,363               |
| Net (decrease) increase in cash, cash equivalents and restricted cash | -         | (889,679 )              | 481        | 9,520              | -            | (879,678 )              |
| Cash, cash equivalents and restricted cash at beginning of period     | -         | 1,003,629               | 6,478      | 5,372              | -            | 1,015,479               |
| Cash, cash equivalents and restricted cash at end of period           | \$-       | \$113,950               | \$6,959    | \$14,892           | \$-          | \$135,801               |



## 15. Subsequent Events

On October 1, 2018, Nexstar prepaid \$55.0 million of the outstanding principal balance under its term loans, funded by cash on hand.

On October 25, 2018, Nexstar's Board of Directors declared a quarterly cash dividend of \$0.375 per share of its Class A common stock. The dividend is payable on November 30, 2018 to stockholders of record on November 16, 2018.

On October 26, 2018, the Company completed a refinancing of certain of its senior secured credit facilities, including (i) Nexstar's and Mission's Term Loan B with outstanding principal balances of \$1.579 billion and \$228.5 million, respectively, (ii) Nexstar's and Shield's Term Loan A with outstanding principal balances of \$679.5 million and \$23.0 million, respectively, and (iii) Nexstar's and Mission's revolving credit facilities of \$163.4 million and \$3.0 million, respectively, of which no amounts were drawn. The amendments extended the maturity date of Term Loan A and revolving credit facilities from July 19, 2022 to October 26, 2023 and reduced the applicable margin portion of the interest rates by 25 basis points for Term Loan B, Term Loan A and revolving loans. The maturity date of Term Loan B did not change (January 17, 2024). Nexstar also borrowed an additional \$150.0 million Term Loan A under its amended senior secured credit facility. The proceeds were used to partially repay the outstanding principal balance of Nexstar's Term Loan B of \$150.0 million. Nexstar continues to guarantee Mission's and Shield's obligations, and Mission continues to guarantee Nexstar's obligations under the amended senior secured credit facilities.

On October 29, 2018, Nexstar prepaid \$70.0 million of the outstanding principal balance under its term loans, funded by cash on hand.

**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and the Consolidated Financial Statements and related Notes contained in our Annual Report on Form 10-K for the year ended December 31, 2017.

As used in this Quarterly Report on Form 10-Q and unless the context indicates otherwise, "Nexstar" refers to Nexstar Media Group, Inc. and its consolidated subsidiaries; "Nexstar Broadcasting" refers to Nexstar Broadcasting, Inc., our wholly-owned direct subsidiary; the "Company" refers to Nexstar and the variable interest entities required to be consolidated in our financial statements; and all references to "we," "our," "ours," and "us" refer to Nexstar.

As a result of our deemed controlling financial interests in the consolidated VIEs in accordance with U.S. GAAP, we consolidate their financial position, results of operations and cash flows as if they were wholly-owned entities. We believe this presentation is meaningful for understanding our financial performance. Refer to Note 2 to our Condensed Consolidated Financial Statements for a discussion of our determinations of VIE consolidation under the related authoritative guidance. Therefore, the following discussion of our financial position and results of operations includes the consolidated VIEs' financial position and results of operations.

Executive Summary

2018 Highlights

During the third quarter of 2018, net revenue increased by \$81.1 million, or 13.3% compared to the same period in 2017, primarily due to increases in political advertising and retransmission compensation of \$63.0 million and \$26.8 million, respectively. These increases were partially offset by a decrease in revenue from local and national advertising of \$12.6 million, primarily due to changes in the mix between our local, national, and political advertising during an election year.

For each of the three quarters of 2018, our Board of Directors declared dividends of \$0.375 per share of our outstanding common stock, or total dividend payments of \$51.5 million.

- On April 26, 2018, our Board of Directors approved an increase in our share repurchase authorization to repurchase up to an additional \$200.0 million of our Class A common stock. The expansion brought the total capacity under our share repurchase program to approximately \$218.6 million when combined with the remaining balance under our prior authorization. Under the expanded authorization, we repurchased a total of 250,000 shares of our Class A common stock for \$16.7 million, funded by cash on hand. As of September 30, 2018, the remaining available amount under the share repurchase authorization was \$201.9 million.

Acquisitions

|      | <u>Acquisition Date</u> | <u>Purchase Price</u>                                                      | <u>Assets Acquired</u>                   |
|------|-------------------------|----------------------------------------------------------------------------|------------------------------------------|
| LKQD | January 16, 2018        | \$97.3 million in cash (base purchase price) plus contingent consideration | Acquired the outstanding equity of LKQD. |

|      |                                                   |                                              |                                                                                                                           |
|------|---------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
|      |                                                   | discussed below                              |                                                                                                                           |
| WHDF | First closing on July 15, 2018                    | \$2.3 million paid in cash at first closing  | Acquired the assets of WHDF, a full power television station in the Huntsville, Alabama market and an affiliate of CW.    |
|      | Second closing is expected in early November 2018 | \$0.7 million paid in cash at second closing |                                                                                                                           |
| KRBK | First closing on August 1, 2018                   | \$15.1 million paid in cash at first closing | Acquired the assets of KRBK, a full power television station in the Springfield, Missouri market and an affiliate of FOX. |
|      | Second closing on November 1, 2018                | \$2.5 million paid in cash at second closing |                                                                                                                           |

The base purchase price for the LKQD acquisition was funded by a combination of a borrowing under our revolving credit facility and cash on hand. The sellers of LKQD could also receive up to \$35.0 million in Earnout Payments if a certain earnings target is achieved during the fiscal year 2019 and if certain employees have continued their employment with Nexstar Digital through the date of payment. As of September 30, 2018, Nexstar Digital accrued \$1.9 million, representing the portion of the estimated fair value of the Earnout Payments that is incurred. The acquisition of LKQD broadens and diversifies Nexstar Digital's portfolio with technologies that are complementary to its current offerings of digital solutions and services for media publishers, and multi-platform marketing solutions for local and national advertisers.

The first closing payments for WHDF and KRBK acquisitions were funded by cash on hand. At the first closings, we acquired the stations' assets, excluding certain transmission equipment, FCC licenses and network affiliation agreements. We also began providing programming and sales services to these stations pursuant to TBAs, effective July 15, 2018 for WHDF and August 1, 2018 for KRBK. On October 17, 2018, we received approval from the FCC to purchase the remaining assets of the two stations. On November 1, 2018, we completed the KRBK acquisition and paid the remaining purchase price of \$2.5 million. Accordingly, the TBA with KRBK was terminated as of this date. Nexstar expects to complete the acquisition of the remaining assets of WHDF (second closing) and pay the remaining purchase price of \$0.7 million in early November 2018. The foregoing transactions created two new duopolies for Nexstar.

For additional information on the above acquisitions, refer to Note 3 to our Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

#### Debt Transactions

On January 16, 2018, we borrowed \$44.0 million under our revolving credit facility to fund the acquisition of LKQD. Through June 2018, we repaid the entire \$44.0 million principal balance under our revolving credit facility, funded by cash on hand. No amounts were drawn from our revolving credit facility during the third quarter of 2018.

In June 2018, Marshall refinanced the outstanding principal balances under its term loan and revolving credit facility of \$48.8 million and \$3.0 million, respectively, funded by a new term loan of \$51.8 million. The current term loan matures on December 1, 2019.

On July 27, 2018, Nexstar reallocated \$5.6 million of its unused revolving loan credit facility to Marshall. On the same day, Marshall drew the full \$5.6 million revolving loan facility reallocated from Nexstar and used the funds to partially repay its outstanding term loans.

Through September 2018, we prepaid a total of \$195.0 million in principal balance under our term loans.

Through September 2018, the Company repaid scheduled maturities of \$31.1 million under its term loans.

On October 1, 2018, we prepaid \$55.0 million of the outstanding principal balance under our term loans, funded by cash on hand.

On October 26, 2018, the Company completed a refinancing of certain of its senior secured credit facilities, including (i) Nexstar's and Mission's Term Loan B with outstanding principal balances of \$1.579 billion and \$228.5 million, respectively, (ii) Nexstar's and Shield's Term Loan A with outstanding principal balances of \$679.5 million and \$23.0 million, respectively, and (iii) Nexstar's and Mission's revolving credit facilities of \$163.4 million and \$3.0 million, respectively, of which no amounts were drawn. The amendments extended the maturity date of Term Loan A and revolving credit facilities from July 19, 2022 to October 26, 2023 and reduced the applicable margin portion of the interest rates by 25 basis points for Term Loan B, Term Loan A and revolving loans. The maturity date of Term Loan B did not change (January 17, 2024). Nexstar also borrowed an additional \$150.0 million Term Loan A under its amended senior secured credit facility. The proceeds were used to partially repay the outstanding principal balance of

Nexstar's Term Loan B of \$150.0 million. Nexstar continues to guarantee Mission's and Shield's obligations, and Mission continues to guarantee Nexstar's obligations under the amended senior secured credit facilities.

On October 29, 2018, we prepaid \$70.0 million of the outstanding principal balance under our term loans, funded by cash on hand.

See also Note 7 to our Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for additional information on the above debt transactions.

## *Overview of Operations*

As of September 30, 2018, we owned, operated, programmed or provided sales and other services to 171 full power television stations, including those owned by VIEs, in 100 markets in the states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia and Wisconsin. The stations are affiliates of ABC, NBC, FOX, CBS, The CW, MNTV and other broadcast television networks. Through various local service agreements, we provided sales, programming and other services to 38 full power television stations owned by independent third parties (VIEs). See Note 2—Variable Interest Entities to our Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for a discussion of the local service agreements we have with these independent third parties.

We also guarantee all obligations incurred under Mission's, Marshall's and Shield's senior secured credit facilities. Mission and Nexstar Digital are guarantors of our senior secured credit facility. Mission also guarantees our 6.125% Notes and our 5.625% Notes but does not guarantee our 5.875% Notes. Nexstar Digital does not guarantee any of our notes. Marshall and Shield do not guarantee any debt within the group. In consideration of our guarantee of Mission's senior secured credit facility, Mission has granted us purchase options to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. These option agreements (which expire on various dates between 2021 and 2028) are freely exercisable or assignable by us without consent or approval by Mission or its stockholders. We expect these option agreements to be renewed upon expiration.

We do not own the consolidated VIEs or their television stations. However, we are deemed under U.S. GAAP to have controlling financial interests in these entities because of (1) the local service agreements Nexstar has with their stations, (2) our guarantees of the obligations incurred under certain VIEs' senior secured credit facilities, (3) our power over significant activities affecting these VIEs' economic performance, including budgeting for advertising revenue, advertising sales and, in some cases, hiring and firing of sales force personnel and (4) purchase options granted by each VIE, exclusive of Marshall, that permit Nexstar to acquire the assets and assume the liabilities of each of those VIEs' stations, subject to FCC consent. In compliance with FCC regulations for all the parties, each VIE maintains complete responsibility for and control over programming, finances and personnel for its stations.

## Regulatory Developments

As a television broadcaster, the Company is highly regulated and its operations require that it retain or renew a variety of government approvals and comply with changing federal regulations. In 2016, the FCC reinstated a rule providing that a television station licensee which sells more than 15 percent of the weekly advertising inventory of another television station in the same Designated Market Area is deemed to have an attributable ownership interest in that station (this rule had been adopted in 2014 but was vacated by a federal court of appeals). Parties to existing JSAs that were deemed attributable interests and did not comply with the FCC's local television ownership rule were given until September 30, 2025 to come into compliance. In November 2017, however, the FCC adopted an order on reconsideration that eliminated the rule. That elimination became effective on February 7, 2018, although the FCC's November 2017 order on reconsideration remains the subject of pending court appeals. If the Company is ultimately required to amend or terminate its existing agreements, the Company could have a reduction in revenue and increased costs if it is unable to successfully implement alternative arrangements that are as beneficial as the existing JSAs.

The FCC is in the process of repurposing a portion of the broadcast television spectrum for wireless broadband use. In an incentive auction which concluded in April 2017, certain television broadcasters accepted bids from the FCC to

voluntarily relinquish all or part of their spectrum in exchange for consideration. Television stations that are not relinquishing their spectrum are being “repacked” into the frequency band still remaining for television broadcast use. In July 2017, the Company received \$478.6 million in gross proceeds from the FCC for eight stations that will share a channel with another station, two that will move to a VHF channel and one that went off the air in November 2017. The station that went off the air is not expected to have a significant impact on our future financial results because it is located in a remote rural area of the country and the Company has other stations which serve the same area. Of the remaining ten stations, eight have ceased broadcasting on their previous channels and implemented channel sharing agreements. The two stations moving to VHF channels must vacate their current channels by September 2019 and May 2020, respectively.

61 full power stations owned by Nexstar and 17 full power stations owned by VIEs have been assigned to new channels in the reduced post-auction television band and will be required to construct and license the necessary technical modifications to operate on their new assigned channels on a variable schedule ending in July 2020. Congress has allocated up to an industry-wide total of \$2.75 billion to reimburse television broadcasters, MVPDs and other parties for costs reasonably incurred due to the repack. The Company expects to incur costs between now and July 2020 in connection with the repack of \$230.8 million, some or all of which will be reimbursable. If the FCC fails to fully reimburse the Company’s repacking costs, the Company could have increased costs related to the repacking.

**Seasonality**

Advertising revenue is positively affected by national and regional political campaigns, and certain events such as the Olympic Games or the Super Bowl. The Company's stations' advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising revenue is generally higher during even-numbered years, when congressional and presidential elections occur and advertising airs during the Olympic Games. As 2018 is an election year and Olympic year, we expect an increase in advertising revenues to be reported in 2018 compared to 2017.

**Historical Performance****Revenue**

The following table sets forth the amounts of the Company's principal types of revenue (in thousands) and each type of revenue (other than trade and barter) as a percentage of total net revenue:

|                             | Three Months Ended September 30, |       | 2017       |                   |              |       |
|-----------------------------|----------------------------------|-------|------------|-------------------|--------------|-------|
|                             | 2018                             |       | Previously |                   | Current      |       |
|                             | Amount                           | %     | Reported   | Reclassifications | Presentation | %     |
| Local                       | \$189,423                        | 27.3  | \$224,026  | \$ (26,450 )      | \$ 197,576   | 32.3  |
| National                    | 71,623                           | 10.3  | 89,568     | (13,545 )         | 76,023       | 12.4  |
| Political                   | 70,147                           | 10.1  | 8,425      | (1,264 )          | 7,161        | 1.2   |
| Retransmission compensation | 284,319                          | 41.0  | 257,517    | -                 | 257,517      | 42.1  |
| Digital                     | 69,312                           | 10.0  | 56,180     | (822 )            | 55,358       | 9.0   |
| Other                       | 4,028                            | 0.7   | 4,334      | -                 | 4,334        | 0.7   |
| Trade and barter revenue    | 4,163                            | 0.6   | 13,901     | -                 | 13,901       | 2.3   |
| Total revenue               | 693,015                          | 100.0 | 653,951    | (42,081 )         | 611,870      | 100.0 |
| Less: Agency Commissions    | -                                |       | (42,081 )  | 42,081            | -            |       |
| Net Revenue                 | \$693,015                        |       | \$611,870  |                   | \$ 611,870   |       |

  

|                             | Nine Months Ended September 30, |       | 2017       |                   |              |       |
|-----------------------------|---------------------------------|-------|------------|-------------------|--------------|-------|
|                             | 2018                            |       | Previously |                   | Current      |       |
|                             | Amount                          | %     | Reported   | Reclassifications | Presentation | %     |
| Local                       | \$581,251                       | 29.5  | \$664,436  | \$ (78,790 )      | \$ 585,646   | 32.9  |
| National                    | 210,301                         | 10.7  | 258,342    | (39,081 )         | 219,261      | 12.3  |
| Political                   | 111,049                         | 5.6   | 16,876     | (2,531 )          | 14,345       | 0.8   |
| Retransmission compensation | 836,533                         | 42.5  | 742,511    | -                 | 742,511      | 41.8  |
| Digital                     | 196,115                         | 10.0  | 166,868    | (3,100 )          | 163,768      | 9.2   |
| Other                       | 22,402                          | 1.1   | 13,067     | -                 | 13,067       | 0.8   |
| Trade and barter revenue    | 11,023                          | 0.6   | 39,704     | -                 | 39,704       | 2.2   |
| Total revenue               | 1,968,674                       | 100.0 | 1,901,804  | (123,502 )        | 1,778,302    | 100.0 |

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|                          |             |             |         |             |
|--------------------------|-------------|-------------|---------|-------------|
| Less: Agency Commissions | -           | (123,502 )  | 123,502 | -           |
| Net Revenue              | \$1,968,674 | \$1,778,302 |         | \$1,778,302 |

On January 1, 2018, we adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, the new revenue accounting guidance issued by the Financial Accounting Standards Board. The adoption resulted in certain changes in our revenue recognition policies and the presentation of certain revenue sources. Beginning in the first quarter of 2018, we no longer recognize barter revenue (and related barter expense) resulting from the exchange of advertising time for certain program material. During the three and nine months ended September 30, 2017, respectively, we recognized barter revenue (and barter expense) of \$10.8 million and \$30.9 million, included in the trade and barter revenue line in the table above. Additionally, the Company now presents local, national, political and digital revenues, exclusive of the related agency commission, as shown in the reclassifications column in the table above. The change in the presentation of local, national, political and digital revenues was prepared for comparative purposes and did not impact the Company's past or future net revenue, income from operations or net income.

**Results of Operations**

The following table sets forth a summary of the Company's operations (in thousands) and each component of operating expense as a percentage of net revenue:

|                                   | Three Months Ended September 30, |        |           |       | Nine Months Ended September 30, |        |             |        |
|-----------------------------------|----------------------------------|--------|-----------|-------|---------------------------------|--------|-------------|--------|
|                                   | 2018                             |        | 2017      |       | 2018                            |        | 2017        |        |
|                                   | Amount                           | %      | Amount    | %     | Amount                          | %      | Amount      | %      |
| Net revenue                       | \$693,015                        | 100.0  | \$611,870 | 100.0 | \$1,968,674                     | 100.0  | \$1,778,302 | 100.0  |
| Operating expenses:               |                                  |        |           |       |                                 |        |             |        |
| Corporate expenses                | 27,734                           | 4.0    | 23,065    | 3.8   | 81,461                          | 4.1    | 118,009     | 6.6    |
| Direct operating expenses,        |                                  |        |           |       |                                 |        |             |        |
| net of trade                      | 281,318                          | 40.6   | 253,914   | 41.5  | 826,997                         | 42.0   | 718,854     | 40.4   |
| Selling, general and              |                                  |        |           |       |                                 |        |             |        |
| administrative expenses,          |                                  |        |           |       |                                 |        |             |        |
| excluding corporate               | 112,563                          | 16.2   | 117,399   | 19.2  | 339,644                         | 17.3   | 346,829     | 19.5   |
| Trade and barter expense          | 4,045                            | 0.6    | 14,509    | 2.4   | 11,768                          | 0.6    | 41,064      | 2.3    |
| Depreciation                      | 27,673                           | 4.0    | 25,979    | 4.2   | 78,577                          | 4.0    | 74,497      | 4.2    |
| Amortization of intangible assets | 37,157                           | 5.4    | 33,986    | 5.6   | 110,640                         | 5.6    | 120,701     | 6.8    |
| Amortization of broadcast rights, |                                  |        |           |       |                                 |        |             |        |
| excluding barter                  | 15,021                           | 2.1    | 17,102    | 2.7   | 47,034                          | 2.4    | 47,099      | 2.7    |
| Gain on disposal of stations, net | -                                | -      | -         | -     | -                               | -      | (57,716 )   | (3.2 ) |
| Reimbursement from the FCC        |                                  |        |           |       |                                 |        |             |        |
| related to station repack         | (5,389 )                         | (0.8 ) | -         | -     | (12,450 )                       | (0.6 ) | -           | -      |
| Total operating expenses          | 500,122                          |        | 485,954   |       | 1,483,671                       |        | 1,409,337   |        |
| Income from operations            | \$192,893                        |        | \$125,916 |       | \$485,003                       |        | \$368,965   |        |

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*Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017*

The period-to-period comparability of our consolidated operating results is affected by acquisitions. For each quarter we present, our legacy stations include those stations that we owned or provided services to for the complete quarter in the current and prior years. For our annual and year to date presentations, we combine the legacy stations' amounts presented in each quarter.

## Revenue

Local advertising revenue was \$189.4 million for the three months ended September 30, 2018, compared to \$197.6 million for the same period in 2017, a decrease of \$8.2 million, or 4.1%. National advertising revenue was \$71.6 million for the three months ended September 30, 2018, compared to \$76.0 million for the same period in 2017, a decrease of \$4.4 million, or 5.8%. Our legacy stations' local and national advertising revenue decreased by \$13.3 million, which reflected the changes in the mix between our local, national and political advertising revenue during an election year. Our largest advertiser category, automobile, represented approximately 25% and 26% of our local and national advertising revenue for the three months ended September 30, 2018 and 2017, respectively. Overall, including the past results of two new television stations to which we provide services, automobile revenues decreased by 8.8% during the quarter. The other categories representing our top five were attorneys and medical/healthcare, which increased in 2018, and fast food/restaurants and furniture, which decreased in 2018.

Political advertising revenue was \$70.1 million for the three months ended September 30, 2018, compared to \$7.2 million for the same period in 2017, an increase of \$63.0 million, as 2018 is an election year.

Retransmission compensation was \$284.3 million for the three months ended September 30, 2018, compared to \$257.5 million for the same period in 2017, an increase of \$26.8 million, or 10.4%. Our legacy stations' revenue increased by \$25.2 million, primarily due to scheduled annual escalation of rates per subscriber, renewals of smaller contracts providing for higher rates per subscriber (contracts generally have a three-year term) and initial contributions from distribution agreements with OTTDs. Additionally, our new local service agreements with two television stations resulted in an incremental revenue of \$1.6 million. Broadcasters currently deliver approximately 35% of all television viewing audiences but are paid approximately 12-14% of the total basic cable programming fees. We anticipate continued increase of retransmission fees until there is a more balanced relationship between viewers delivered and fees paid for delivery of such viewers.

Digital revenue, representing advertising revenue on our stations' web and mobile sites and other internet-based revenue, was \$69.3 million for the three months ended September 30, 2018, compared to \$55.4 million for the same period in 2017, an increase of \$14.0 million, or 25.2%. This was primarily attributable to incremental revenue from our acquisition of LKQD of \$9.6 million and an increase in revenue from our social media platform of \$8.6 million. These increases were partially offset by a decrease in revenue due to rebranding and consolidation of our digital products and offerings of \$5.1 million.

## Operating Expenses

Corporate expenses, related to costs associated with the centralized management of our stations, were \$27.7 million for the three months ended September 30, 2018, compared to \$23.1 million for the same period in 2017, an increase of \$4.7 million, or 20.2%. This was primarily attributable to a \$2.0 million increase in stock-based compensation related

to new equity incentive awards, an increase in payroll expense and other compensation of \$1.0 million and an increase in legal and professional fees of \$0.7 million.

Station direct operating expenses, consisting primarily of news, engineering, programming and station selling, general and administrative expenses (net of trade expense) were \$393.9 million for the three months ended September 30, 2018, compared to \$371.3 million for the same period in 2017, an increase of \$22.6 million, or 6.1%. This was primarily due to an increase in our legacy stations' programming costs of \$19.9 million, primarily related to network affiliation agreements. Network affiliation fees have been increasing industry-wide and will continue to increase over the next several years. Additionally, our acquisition of LKQD and new local service agreements entered into with two television stations resulted in incremental expenses of \$6.5 million. These transactions were partially offset by a decrease in expense due to rebranding and consolidation of our digital products and offerings of \$4.4 million.

Depreciation of property and equipment was \$27.7 million for the three months ended September 30, 2018, compared to \$26.0 million for the same period in 2017, an increase of \$1.7 million, or 6.5%, primarily due to incremental depreciation from newly capitalized assets.

Amortization of intangible assets was \$37.2 million for the three months ended September 30, 2018, compared to \$34.0 million for the same period in 2017, an increase of \$3.2 million, or 9.3%, primarily attributable to incremental amortization from acquisitions.

Amortization of broadcast rights, excluding barter was \$15.0 million for the three months ended September 30, 2018, compared to \$17.1 million for the same period in 2017, a decrease of \$2.1 million, or 12.2%, primarily attributable to various nonrecurring adjustments.

***Interest Expense, net***

Interest expense, net was \$56.2 million for the three months ended September 30, 2018, compared to \$53.6 million for the same period in 2017, an increase of \$2.6 million, or 4.9%, primarily due to the increasing trend in the London Interbank Offered Rate (“LIBOR”).

**Loss on Extinguishment of Debt**

Loss on extinguishment of debt was \$3.2 million for the three months ended September 30, 2018, compared to \$1.2 million for the same period in 2017, an increase of \$1.9 million, primarily due to an increase in prepayments of our term loans in 2018 compared to prior year.

**Income Taxes**

Income tax expense was \$35.2 million for the three months ended September 30, 2018, compared to \$32.0 million for the same period in 2017. The effective tax rates were 26.1% and 43.2% for each of the respective periods. The decrease in the effective tax rate between the two periods was primarily due to (i) the Tax Act, which reduced the federal corporate income tax rate from 35% to 21%, or a 14.0% decrease, (ii) a \$1.4 million decrease in permanent differences between the two periods, which contributed a 2.7% decrease in the effective tax rate, (iii) and an increase in nontaxable earnings of \$0.5 million which resulted in a 0.8% decrease in the effective tax rate.

In December 2017, the Tax Act was signed into law which significantly changed the U.S. corporate income tax system, including reducing the federal corporate income tax rate from 35% to 21%. During the three-month period ended September 30, 2018, the Company recorded a measurement period adjustment in accordance with Staff Accounting Bulletin No. 118. The measurement period adjustment related to the remeasurement of the Company’s net deferred tax liability from 35% to 21% and resulted in an income tax benefit of \$2.1 million. The \$2.1 million income tax benefit reduced the effective income tax rate for the three-month period ended September 30, 2018 by 1.5%. The accounting for the Tax Act was completed as of September 30, 2018.

**Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017**

The period-to-period comparability of our consolidated operating results is affected by acquisitions. For each quarter we present, our legacy stations include those stations that we owned or provided services to for the complete quarter in the current and prior years. For our annual and year to date presentations, we combine the legacy stations’ amounts presented in each quarter.

**Revenue**

Local advertising revenue was \$581.3 million for the nine months ended September 30, 2018, compared to \$585.6 million for the same period in 2017, a decrease of \$4.4 million, or 0.8%. National advertising revenue was \$210.3 million for the nine months ended September 30, 2018, compared to \$219.3 million for the same period in 2017, a decrease of \$9.0 million, or 4.1%. Our legacy stations' local and national advertising revenue decreased by \$35.0 million, which reflected the changes in the mix between our local, national and political advertising revenue during an election year. Our station divestitures in 2017 also resulted in a decrease in revenue of \$0.7 million. These decreases were partially offset by \$21.7 million incremental revenue during the first quarter of 2018, resulting from our merger with Media General in January 2017, \$0.7 million incremental revenue from new local service agreements with two television stations in the third quarter of 2018, and increases in advertising revenue from the Olympics on our NBC affiliate stations in the first quarter of 2018. Our largest advertiser category, automobile, represented approximately 24% and 25% of our local and national advertising revenue for the nine months ended September 30, 2018 and 2017, respectively. Overall, including past results of our newly acquired stations, automobile revenues decreased by 10% during the quarter. The other categories representing our top five were attorneys and medical/healthcare, which increased in 2018, and fast food/restaurants and furniture, which decreased in 2018.

Political advertising revenue was \$111.0 million for the nine months ended September 30, 2018, compared to \$14.3 million for the same period in 2017, an increase of \$96.7 million, as 2018 is an election year.

Retransmission compensation was \$836.5 million for the nine months ended September 30, 2018, compared to \$742.5 million for the same period in 2017, an increase of \$94.0 million, or 12.7%. Our legacy stations' revenue increased by \$54.8 million primarily due to scheduled annual escalation of rates per subscriber, renewals of smaller contracts providing for higher rates per subscriber (contracts generally have a three-year term) and initial contributions from distribution agreements with OTTDs. Additionally, our merger with Media General in January 2017 resulted in incremental revenue of \$38.5 million and our new local service agreements with two television stations resulted in incremental revenue of \$1.6 million. Broadcasters currently deliver approximately 35% of all television viewing audiences but are paid approximately 12-14% of the total basic cable programming fees. We anticipate continued increase of retransmission fees until there is a more balanced relationship between viewers delivered and fees paid for delivery of such viewers.

Digital revenue, representing advertising revenue on our stations' web and mobile sites and other internet-based revenue, was \$196.1 million for the nine months ended September 30, 2018, compared to \$163.8 million for the same period in 2017, an increase of \$32.3 million, or 19.8%. This was primarily attributable to incremental revenue resulting from our acquisitions of \$43.1 million and an increase in revenue from our social media platform of \$10.1 million. These increases were partially offset by a decrease in revenue due to rebranding and consolidation of our digital products and offerings of \$22.6 million.

#### Operating Expenses

Corporate expenses, related to costs associated with the centralized management of our stations, were \$81.5 million for the nine months ended September 30, 2018, compared to \$118.0 million for the same period in 2017, a decrease of \$36.5 million, or 31.0%. This was primarily attributable to a decrease in legal and professional fees, severance and bonuses of \$41.0 million associated with our 2017 acquisitions. This decrease was partially offset by a \$5.3 million increase in stock-based compensation related to new equity incentive awards.

Station direct operating expenses, consisting primarily of news, engineering, programming and station selling, general and administrative expenses (net of trade expense) were \$1,166.6 million for the nine months ended September 30, 2018 compared to \$1,065.7 million for the same period in 2017, an increase of \$101.0 million, or 9.5%. The increase was primarily due to expenses of our newly acquired stations and entities of \$81.3 million, partially offset by a decrease of \$1.2 million related to our station divestitures. Additionally, our legacy stations' programming costs increased by \$46.0 million, primarily related to network affiliation agreements. Network affiliation fees have been increasing industry-wide and will continue to increase over the next several years. These increases were partially offset by a \$21.8 million decrease in expenses due to rebranding and consolidation of our digital products and offerings.

Depreciation of property and equipment was \$78.6 million for the nine months ended September 30, 2018, compared to \$74.5 million for the same period in 2017, an increase of \$4.1 million, or 5.5%. The increase was primarily due to incremental depreciation from newly capitalized assets.

Amortization of intangible assets was \$110.6 million for the nine months ended September 30, 2018, compared to \$120.7 million for the same period in 2017, a decrease of \$10.1 million, or 13.1%. This was primarily attributable to decreases in amortization from certain fully amortized assets, partially offset by incremental amortization from our acquisition in 2018.

Amortization of broadcast rights, excluding barter, was consistent at \$47.0 million for the nine months ended September 30, 2018, compared to \$47.1 million for the same period in 2017.

In connection with our merger with Media General in 2017, we sold the assets of 12 full power television stations in 12 markets, five of which were previously owned by us and seven of which were previously owned by Media General. We sold the Media General stations for a total consideration of \$427.6 million and we sold our stations for \$114.4 million. These divestitures resulted in a net gain on disposal of \$57.7 million for the nine months ended September 30, 2017.

#### Interest Expense, net

Interest expense, net was \$167.1 million for the nine months ended September 30, 2018, compared to \$188.5 million for the same period in 2017, a decrease of \$21.4 million, or 11.4%. The decrease was primarily attributable to one-time fees associated with the financing of our acquisitions in January 2017 and the redemption of our \$525.0 million 6.875% Notes in February 2017, partially offset by the effect of the increasing trend in the LIBOR.

#### Loss on Extinguishment of Debt

Loss on extinguishment of debt was \$4.6 million for the nine months ended September 30, 2018, compared to \$34.3 million for the same period in 2017, a decrease of \$29.7 million. In 2018, the loss on extinguishment of debt resulted from prepayments of our term loans, representing the write-off of unamortized debt financing costs and debt discounts/premiums. In 2017, we redeemed the entire \$525.0 million principal balance under our 6.875% Notes at a redemption price equal to 103.438%. We also refinanced \$670.8 million of the Company's term loans and revolving loans and prepaid \$240.0 million principal balance under our term loans. These transactions resulted in loss on debt extinguishment of \$34.3 million, representing premiums paid to retire the 6.875% Notes and the write-off of unamortized debt financing costs and debt discounts/premiums associated with these debt extinguishments.

## *Income Taxes*

Income tax expense was \$86.0 million for the nine months ended September 30, 2018, compared to \$58.4 million for the same period in 2017. The effective tax rates were 26.9% and 38.0% for each of the respective periods.

The decrease in the effective tax rate between the two periods was primarily attributable to (i) the Tax Act, which reduced the federal corporate income tax rate from 35% to 21%, or a 14.0% decrease, (ii) a \$2.3 million decrease in permanent differences, resulting in a 2.5% decrease in the 2018 effective tax rate compared to prior year, (iii) transaction costs attributable to Nexstar's merger with Media General that were determined to be nondeductible for tax purposes and resulted in an income tax expense of \$1.7 million in 2017, or a 1.1% decrease in the 2018 effective tax rate compared to prior year, and (iv) the liquidation of Media General legal entities that merged with Nexstar in 2017 and resulted in an income tax expense of \$1.5 million in 2017, or a 1.0% decrease in the 2018 effective tax rate compared to prior year.

These decreases were partially offset by (i) a \$7.8 million income tax benefit in 2017 that resulted from divestiture of stations previously owned by Nexstar, or a 5.1% increase in the 2018 effective tax rate compared to prior year, (ii) a release of an uncertain tax position in 2017 that resulted in an income tax benefit of \$1.6 million, or a 1.1% increase in the 2018 effective tax rate compared to prior year, (iii) higher excess tax benefits related to stock-based compensation in 2017 amounting to \$0.3 million, or a 0.5% increase in the 2018 effective tax rate compared to prior year, and (iv) a decrease in nontaxable earnings of \$0.9 million that contributed a 0.4% increase in the 2018 effective tax rate compared to prior year.

In December 2017, the Tax Act was signed into law which significantly changed the U.S. corporate income tax system, including reducing the federal corporate income tax rate from 35% to 21%. During the three-month period ended September 30, 2018, the Company recorded a measurement period adjustment in accordance with Staff Accounting Bulletin No. 118. The measurement period adjustment related to the remeasurement of the Company's net deferred tax liability from 35% to 21% and resulted in an income tax benefit of \$2.1 million. The \$2.1 million income tax benefit reduced the effective income tax rate for the nine-month period ended September 30, 2018 by 0.6%. The accounting for the Tax Act was completed as of September 30, 2018.

## *Liquidity and Capital Resources*

The Company is leveraged, which makes it vulnerable to changes in general economic conditions. The Company's ability to meet the future cash requirements described below depends on its ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other conditions, many of which are beyond the Company's control. Based on current operations and anticipated future growth, the Company believes that its available cash, anticipated cash flow from operations and available borrowings under the senior secured credit facilities will be sufficient to fund working capital, capital expenditure requirements, interest payments and scheduled debt principal payments for at least the next 12 months as of the filing date of this Quarterly Report on Form 10-Q. In order to meet future cash needs the Company may, from time to time, borrow under its existing senior secured credit facilities or issue other long- or short-term debt or equity, if the market and the terms of its existing debt arrangements permit. We will continue to evaluate the best use of our operating cash flow among our capital expenditures, acquisitions and debt reduction.

## *Overview*

The following tables present summarized financial information management believes is helpful in evaluating the Company's liquidity and capital resources (in thousands):

|                                                                       | Nine Months Ended<br>September 30, |             |
|-----------------------------------------------------------------------|------------------------------------|-------------|
|                                                                       | 2018                               | 2017        |
| Net cash provided by operating activities                             | \$499,664                          | \$63,164    |
| Net cash used in investing activities                                 | (161,738)                          | (2,042,205) |
| Net cash (used in) provided by financing activities                   | (335,155)                          | 1,099,363   |
| Net increase (decrease) in cash, cash equivalents and restricted cash | \$2,771                            | \$(879,678) |
| Cash paid for interest                                                | \$170,790                          | \$200,875   |
| Income taxes paid, net of refunds                                     | \$59,082                           | \$221,257   |

As discussed in Note 2 to our Condensed Consolidated Financial Statements in Part I Item 1 of this Form 10-Q, we have adopted ASU No. 2016-15 and ASU 2016-18 effective on January 1, 2018. The adoption impacted our cash flow presentation in 2017, which resulted in a decrease in net cash provided by operating activities of \$27.6 million, an increase in net cash used in investing activities of \$4.2 million and a decrease in net cash provided by financing activities of \$896.0 million. Additionally, the cash paid for interest increased by \$25.9 million in 2017.

|                                                                                         | As of<br>September 30, 2018 | As of<br>December 31, 2017 |
|-----------------------------------------------------------------------------------------|-----------------------------|----------------------------|
| Cash and cash equivalents                                                               | \$ 118,423                  | \$ 115,652                 |
| Long-term debt including current portion                                                | 4,148,011                   | 4,362,460                  |
| Unused revolving loan commitments under senior secured credit facilities <sup>(1)</sup> | 166,372                     | 172,000                    |

(1)Based on covenant calculations as of September 30, 2018, all of the \$166.4 million unused revolving loan commitments under the Company's senior secured credit facilities were available for borrowing.

#### Cash Flows – Operating Activities

Net cash flows provided by operating activities increased by \$436.5 million during the nine months ended September 30, 2018, compared to the same period in 2017. This was primarily due to an increase in net revenue (excluding trade and barter) of \$219.4 million less an increase in station and corporate operating expenses (excluding non-cash transactions) of \$55.1 million, source of cash resulting from timing of accounts receivable collections of \$36.2 million, a decrease in cash paid for interest of \$30.1 million, a decrease in payments for tax liabilities of \$162.2 million, source of cash from timing of payments to vendors of \$26.2 million and a decrease in payments for contingent consideration related to a past acquisition of \$4.0 million.

#### Cash Flows – Investing Activities

Net cash flows used in investing activities decreased by \$1.881 billion during the nine months ended September 30, 2018, compared to the same period in 2017. In 2018, we completed our acquisition of LKQD for a cash purchase price of \$97.0 million, less \$11.2 million of cash acquired, and the first closing payments to acquire two new stations of \$17.4 million. We also received \$4.3 million in proceeds from disposal of assets. In 2017, we completed our merger with Media General and paid \$1.376 billion in cash consideration to stockholders of Media General, less \$63.9 million of cash acquired through the merger. In connection with the merger, we also repaid \$1.658 billion of Media General's certain then existing indebtedness as part of the acquisition purchase price. These transactions were partially offset by \$481.9 million in net proceeds from station divestitures and \$478.6 million in gross proceeds to relinquish certain stations' spectrum. We also received \$16.4 million in proceeds from disposal of assets, primarily the sale of a real estate property.

Capital expenditures during the nine months ended September 30, 2018 increased by \$14.7 million compared to the same period in 2017, primarily due to increased spending of \$13.5 million and \$2.2 million related to station repacking costs and station relinquishment of spectrum, respectively.

#### Cash Flows – Financing Activities

Net cash flows provided by financing activities decreased by \$1.434 billion during the nine months ended September 30, 2018, compared to the same period in 2017.

In 2018, we borrowed \$44.0 million under our revolving credit facility to partially fund our acquisition of LKQD and received \$5.2 million in proceeds from stock option exercises. Marshall also

. Additionally, Marshall also borrowed a \$5.6 million revolving loan. These cash flow increases were partially offset by repayments of outstanding obligations under our revolving credit facility of \$44.0 million, repayments of outstanding principal balance under the Company's term loans of \$231.7 million, purchases of treasury stock of \$50.5 million, payments of dividends to our common stockholders of \$51.5 million (\$0.375 per share each quarter), payments for capital lease obligations of \$7.4 million and cash payment for taxes in exchange for shares of common stock withheld of \$4.8 million.

In 2017, the Company borrowed new term loans, net of debt discount, of \$3.531 billion and drew \$3.0 million under a new revolving loan. We also received \$3.9 million in proceeds from stock option exercises. These cash flow increases were partially offset by repayments of certain then existing term and revolving loans of Nexstar, Mission and Marshall with an aggregate principal of \$672.3 million, our redemption of the entire \$525.0 million principal amount of our 6.875% Notes at a redemption price equal to 103.438%, repayments of outstanding principal balance under our term loans of \$454.4 million associated with the amendments to senior secured credit facilities in July 2017, prepayments of \$240.0 million outstanding principal balances under our term loans, payments for debt financing costs associated with new term loans and new revolving credit facilities of \$52.0 million, payments to acquire the remaining assets of stations previously owned by WVMH of \$66.9 million, purchases of treasury stock of \$99.0 million, payments of dividends to our common stockholders of \$42.1 million (\$0.30 per share each quarter), payments for contingent consideration related to past acquisitions of \$259.6 million, payments for capital lease obligations of \$5.4 million and cash payment for taxes in exchange for shares of Nexstar common stock withheld of \$4.0 million.

Our senior secured credit facility may limit the amount of dividends we may pay to stockholders over the term of the agreement.

***Future Sources of Financing and Debt Service Requirements***

As of September 30, 2018, we, Mission, Marshall and Shield had total combined debt of \$4.1 billion, net of financing costs and discounts, which represented 70.6% of the Company's combined capitalization. The Company's high level of debt requires that a substantial portion of cash flow be dedicated to pay principal and interest on debt, which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes.

The following table summarizes the principal indebtedness scheduled to mature for the periods referenced as of September 30, 2018 (in thousands):

|                                         | Total       | Remainder<br>of 2018 | 2019-2020  | 2021-2022   | Thereafter  |
|-----------------------------------------|-------------|----------------------|------------|-------------|-------------|
| Nexstar senior secured credit facility  | \$2,322,189 | \$ 9,061             | \$ 96,043  | \$583,505   | \$1,633,580 |
| Mission senior secured credit facility  | 229,106     | 580                  | 4,628      | 4,628       | 219,270     |
| Marshall senior secured credit facility | 51,760      | 578                  | 51,182     | -           | -           |
| Shield senior secured credit facility   | 23,266      | 306                  | 3,245      | 19,715      | -           |
| 5.875% senior unsecured notes due 2022  | 400,000     | -                    | -          | 400,000     | -           |
| 6.125% senior unsecured notes due 2022  | 275,000     | -                    | -          | 275,000     | -           |
| 5.625% senior unsecured notes due 2024  | 900,000     | -                    | -          | -           | 900,000     |
|                                         | \$4,201,321 | \$ 10,525            | \$ 155,098 | \$1,282,848 | \$2,752,850 |

We make semiannual interest payments on the 6.125% Notes on February 15 and August 15 of each year. We make semiannual interest payments on the 5.625% Notes on February 1 and August 1 of each year. We make semiannual payments on the 5.875% Notes on May 15 and November 15 of each year. Interest payments on our, Mission's, Marshall's and Shield's senior secured credit facilities are generally paid every one to three months and are payable based on the type of interest rate selected.

The terms of the Company's senior secured credit facilities, as well as the indentures governing our 6.125% Notes, 5.625% Notes and 5.875% Notes, limit, but do not prohibit the Company from incurring substantial amounts of additional debt in the future.

The Company does not have any rating downgrade triggers that would accelerate the maturity dates of its debt. However, a downgrade in the Company's credit rating could adversely affect its ability to renew the existing credit facilities, obtain access to new credit facilities or otherwise issue debt in the future and could increase the cost of such debt.

The Company had \$166.4 million of total unused revolving loan commitments under its senior secured credit facilities, all of which were available for borrowing, based on the covenant calculations as of September 30, 2018. The Company's ability to access funds under its senior secured credit facilities depends, in part, on its compliance with certain financial covenants. Any additional drawings under the senior secured credit facilities will reduce the Company's future borrowing capacity and the amount of total unused revolving loan commitments.

On January 16, 2018, Nexstar Digital completed its acquisition of LKQD and paid the base purchase price. Under the purchase agreement, the sellers could also receive up to \$35.0 million in Earnout Payments if a certain earnings target is achieved during the fiscal year 2019 and if certain employees have continued their employment with Nexstar Digital through the date of payment. As of September 30, 2018, Nexstar Digital accrued \$1.9 million, representing the

portion of the estimated fair value of the Earnout Payments that is incurred.

On April 26, 2018, our board of directors approved an increase in our share repurchase authorization to repurchase our Class A common stock. During the nine months ended September 30, 2018, we repurchased 751,920 shares of our Class A Common Stock for \$50.5 million, funded by cash on hand. As of September 30, 2018, the remaining available amount under our share repurchase authorization was \$201.9 million.

On October 1, 2018, we prepaid \$55.0 million of the outstanding principal balance under our term loans, funded by cash on hand.

On October 17, 2018, we received approval from the FCC to purchase the remaining assets of television stations WHDF and KRBK. On November 1, 2018, we completed the acquisition of KRBK and paid the remaining purchase price of \$2.5 million. Nexstar expects to complete the acquisition of the remaining assets of WHDF (second closing) and pay the remaining purchase price of \$0.7 million in early November 2018.

On October 26, 2018, the Company completed a refinancing of certain of its senior secured credit facilities, including (i) Nexstar's and Mission's Term Loan B with outstanding principal balances of \$1.579 billion and \$228.5 million, respectively, (ii) Nexstar's and Shield's Term Loan A with outstanding principal balances of \$679.5 million and \$23.0 million, respectively, and (iii) Nexstar's and Mission's revolving credit facilities of \$163.4 million and \$3.0 million, respectively, of which no amounts were drawn. The amendments extended the maturity date of Term Loan A and revolving credit facilities from July 19, 2022 to October 26, 2023 and reduced the applicable margin portion of the interest rates by 25 basis points for Term Loan B, Term Loan A and revolving loans. The maturity date of Term Loan B did not change (January 17, 2024). Nexstar also borrowed an additional \$150.0 million Term Loan A under its amended senior secured credit facility. The proceeds were used to partially repay the outstanding principal balance of Nexstar's Term Loan B of \$150.0 million. Nexstar continues to guarantee Mission's and Shield's obligations, and Mission continues to guarantee Nexstar's obligations under the amended senior secured credit facilities.

On October 29, 2018, we prepaid \$70.0 million of the outstanding principal balance under our term loans, funded by cash on hand.

#### Debt Covenants

Our credit agreement contains a covenant which requires us to comply with a maximum consolidated first lien net leverage ratio of 4.25 to 1.00. The financial covenant, which is formally calculated on a quarterly basis, is based on the Company's combined results. The Mission, Marshall and Shield amended credit agreements do not contain financial covenant ratio requirements but do provide for default in the event we do not comply with all covenants contained in our credit agreement. As of September 30, 2018, we were in compliance with our financial covenant. We believe the Company will be able to maintain compliance with all covenants contained in the credit agreements governing its senior secured facilities and the indentures governing our 6.125% Notes, our 5.625% Notes and our 5.875% Notes for a period of at least the next 12 months from September 30, 2018.

#### No Off-Balance Sheet Arrangements

As of September 30, 2018, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or VIEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. All of our arrangements with our VIEs in which we are the primary beneficiary are on-balance sheet arrangements. Our variable interests in other entities are obtained through local service agreements, which have valid business purposes and transfer certain station activities from the station owners to us. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

#### Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the Condensed Consolidated Financial Statements and reported amounts of revenue and expenses during the period. On an ongoing basis, we evaluate our estimates, including those related to business acquisitions, goodwill and intangible assets, property and equipment, bad debts, broadcast rights, retransmission revenue, trade and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Information with respect to the Company's critical accounting policies which it believes could have the most significant effect on the Company's reported results and require subjective or complex judgments by management is contained in our Annual Report on Form 10-K for the year ended December 31, 2017. Management believes that as of September 30, 2018, there has been no material change to this information.

### ***Revenue Recognition***

As discussed in Note 2, the Company adopted the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and all the related amendments. ASC 606 establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to be entitled to receive in exchange for those goods or services and requires significantly enhanced revenue disclosures. The Company adopted this standard effective January 1, 2018 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. As a result, financial information for reporting periods beginning after January 1, 2018 is presented under ASC 606, while comparative financial information has not been adjusted and continues to be reported in accordance with the Company's historical accounting policy for revenue recognition prior to the adoption of ASC 606. Upon adoption of this standard, the cumulative adjustment to the Company's retained earnings as of January 1, 2018 for the cumulative effect of initially applying the new standard is not material. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. See Note 2 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for the Company's updated accounting policy on revenue recognition.

### **Pension plans and postretirement benefits**

A determination of the liabilities and cost of the Company's pension and other postretirement plans requires the use of assumptions. The actuarial assumptions used in the Company's pension and postretirement reporting are reviewed annually with independent actuaries and are compared with external benchmarks, historical trends and the Company's own experience to determine that its assumptions are reasonable. The key assumptions used in developing the required estimates include discount rates, expected return on plan assets, mortality rates, health care cost trends, retirement rates and expected contributions. The expected rate of return on plan assets is 7.0%.

As discussed under Recent Accounting Pronouncements, as of January 1, 2018 the Company has adopted ASU 2017-07 and ASU No. 2016-15. Under ASU No. 2017-17, entities are required to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In accordance with this adoption, net periodic benefit cost, net of service costs, is disclosed on a separate line below income from operations in the Condensed Consolidated Statement of Operations. Under

### **Recent Accounting Pronouncements**

Refer to Note 2 of our Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements, including our expected date of adoption and effects on results of operations and financial position.

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including: any projections or expectations of earnings, revenue, financial

performance, liquidity and capital resources or other financial items; any assumptions or projections about the television broadcasting industry; any statements of our plans, strategies and objectives for our future operations, performance, liquidity and capital resources or other financial items; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words “may,” “will,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and other similar words.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ from a projection or assumption in any of our forward-looking statements. Our future financial position and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties, including those described in our Annual Report on Form 10-K for the year ended December 31, 2017 and in our other filings with the Securities and Exchange Commission. The forward-looking statements made in this Quarterly Report on Form 10-Q are made only as of the date hereof, and we do not have or undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**  
**Interest Rate Risk**

The Company's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Company's exposure to market risk did not change materially since December 31, 2017.

The term loan borrowings at September 30, 2018 under the Company's senior secured credit facilities bear interest rates ranging from 4.26% to 4.76%, which represented the base rate, or the LIBOR plus the applicable margin, as defined. Interest is payable in accordance with the credit agreements.

If LIBOR were to increase by 100 basis points, or one percentage point, from its September 30, 2018 level, the Company's annual interest expense would increase and cash flow from operations would decrease by approximately \$26.3 million, based on the outstanding balances of the Company's senior secured credit facilities as of September 30, 2018. An increase of 50 basis points in LIBOR would result in a \$13.1 million increase in annual interest expense and decrease in cash flow from operations. If LIBOR were to decrease either by 100 basis points or 50 basis points, the Company's annual interest would decrease and cash flow from operations would increase by \$26.3 million and \$13.1 million, respectively. Our 5.625% Notes, 6.125% Notes and 5.875% Notes are fixed rate debt obligations and therefore are not exposed to market interest rate changes. As of September 30, 2018, the Company has no financial instruments in place to hedge against changes in the benchmark interest rates on its senior secured credit facilities.

**Impact of Inflation**

We believe that the Company's results of operations are not affected by moderate changes in the inflation rate.

**ITEM 4. Controls and Procedures**  
**Evaluation of Disclosure Controls and Procedures**

Nexstar's management, with the participation of its President and Chief Executive Officer along with its Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report of the effectiveness of the design and operation of Nexstar's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Based upon that evaluation, Nexstar's President and Chief Executive Officer and its Chief Financial Officer concluded that as of the end of the period covered by this report, Nexstar's disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to Nexstar's management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control over Financial Reporting**

As of the quarter ended September 30, 2018, there have been no changes in Nexstar's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.



PART II. OTHER INFORMATION

**ITEM 1. Legal Proceedings**

From time to time, the Company is involved in litigation that arises from the ordinary operations of business, such as contractual or employment disputes or other general actions. In the event of an adverse outcome of these proceedings, the Company believes the resulting liabilities would not have a material adverse effect on its financial condition or results of operations.

On July 30, 2018, Clay, Massey & Associates, PC filed an antitrust class action complaint in the U.S. District Court for the Northern District of Illinois on behalf of itself and all others similarly situated against Gray Television, Inc., Hearst Communications, Nexstar Media Group, Inc., Tegna Inc., Tribune Media Company and Sinclair Broadcast Group, Inc. The lawsuit alleges unlawful coordination between advertising sales teams of independent local television station owners to artificially inflate prices of local TV advertisements in violation of Section 1 of the Sherman Act (15 U.S.C. §1). Nexstar has since been named in 13 similar complaints, eight in the Northern District of Illinois, three in the Southern District of New York, and two in the District of Maryland. Each similar complaint includes similar allegations and alleges a violation of Section 1 of the Sherman Act. One, filed by John O'Neil Johnson Toyota, LLC in the District of Maryland, also alleges violations of state antitrust and consumer protection statutes and a claim for unjust enrichment.

On October 4, 2018, the Judicial Panel on Multidistrict Litigation issued an order transferring the cases against Nexstar filed in other judicial districts to the Northern District of Illinois and assigning them to Judge Virginia Kendall. Nexstar denies the allegations against it and will defend its advertising practices as necessary.

**ITEM 1A. Risk Factors**

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2017.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. Mine Safety Disclosures**

None.

**ITEM 5.** Other Information

The unaudited financial statements of Mission Broadcasting, Inc. as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and 2017, as filed in Mission Broadcasting, Inc.'s Quarterly Report on Form 10-Q, are incorporated herein by reference.

## ITEM 6. Exhibits

### Exhibit

| No.  | Description                                                                                                                                                                                                                                                                                                                                                                                                     |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1 | <u>Amendment to Option Agreement, dated as of May 1, 2018, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting, Inc. (WYOU) (Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.).</u>                                                                                    |
| 10.2 | <u>Amendment to Option Agreement, dated as of May 1, 2018, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting, Inc. (KJTL) (Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.).</u>                                                                                    |
| 10.3 | <u>Amendment to Option Agreement, dated as of May 1, 2018, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting, Inc. (KCIT) (Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.).</u>                                                                                    |
| 10.4 | <u>Amendment No. 2 to Credit Agreement, dated as of June 28, 2018, by and among Marshall Broadcasting Group, Inc., Bank of America, N.A. and the several lenders party thereto (Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 000-50478) filed by Nexstar Media Group, Inc.)</u>                                                     |
| 10.5 | <u>Credit Agreement, dated as of January 17, 2017, by and among Nexstar Broadcasting, Inc., Nexstar Media Group, Inc., Bank of America, N.A. and the several lenders party thereto, as amended by that Amendment No. 2, dated as of October 26, 2018 (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Media Group, Inc. on November 1, 2018).</u> |
| 10.6 | <u>Credit Agreement, dated as of January 17, 2017, by and among Mission Broadcasting, Inc., Bank of America, N.A. and the several lenders party thereto, as amended by that Amendment No. 2, dated as of October 26, 2018 (Incorporate by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 333-62916-02) filed by Mission Broadcasting, Inc. on November 1, 2018).</u>                         |
| 10.7 | <u>Credit Agreement, dated as of January 17, 2017, by and among WXXA-TV LLC, WLAI-TV LLC, Shield Media Lansing LLC, Shield Media LLC, Bank of America, N.A. and the several lenders party thereto, as amended by that Amendment No. 2, dated as of October 26, 2018.*</u>                                                                                                                                       |
| 31.1 | <u>Certification of Perry A. Sook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>                                                                                                                                                                                                                                                                                                               |
| 31.2 | <u>Certification of Thomas E. Carter pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>                                                                                                                                                                                                                                                                                                            |
| 32.1 | <u>Certification of Perry A. Sook pursuant to 18 U.S.C. ss. 1350.*</u>                                                                                                                                                                                                                                                                                                                                          |
| 32.2 | <u>Certification of Thomas E. Carter pursuant to 18 U.S.C. ss. 1350.*</u>                                                                                                                                                                                                                                                                                                                                       |
| 101  | The Company's unaudited Condensed Consolidated Financial Statements and related Notes for the quarter ended September 30, 2018 from this Quarterly Report on Form 10-Q, formatted in iXBRL (Inline eXtensible Business Reporting Language).*                                                                                                                                                                    |

\*Filed herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEXSTAR MEDIA GROUP, INC.

/S/ PERRY A. SOOK

By: Perry A. Sook

Its: President and Chief Executive Officer (Principal Executive Officer)

/S/ THOMAS E. CARTER

By: Thomas E. Carter

Its: Chief Financial Officer (Principal Accounting and Financial Officer)

Dated: November 8, 2018