M.C. ALCAMO'S TELEVISION MARKETPLACE May 2009 ▪ Vol. 3 No. 1

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Triple Whammy:

The Television Bureau of Advertising reported that from January to September 2008, (i) automotive advertising for local broadcast TV dropped 16%, (ii) home centers and hardware stores declined 12%, and (iii) discount department stores declined 18%. "2008 scored a very low Q rating," says one group CEO.

Carrying the Big Stick:

Private equity resources

Blackstone Group	$25.5 billion
Oak Hill Partners	$7.0 billion
Providence Equity	$12 billion
Diamond Castle	$1.85 billion

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CEOs: Political Ads Moderated Overall Ad Declines

by Michael C. Alcamo

New York, NY – Last year was supposed to be the Grand Slam: a summer Olympics, combined with hotly contested primary and general election campaigns, laden with media buys.

Ah, visions of sugarplums…

Instead, automotive, home improvement, and retail advertising all evaporated in the third and fourth quarter; the news kept getting worse. Without the campaigns, 2008 would have been a disaster for broadcasters.

We reviewed the 10-K Annual Reports of public companies, and we listened in on the calls they had with investors. Station executives uniformly gave analysts bad news: deep declines in major categories were only partly offset by the strong 2008 political advertising. Here is our summary:

Hearst-Argyle (HTV). CEO David Barrett told investors "For the first time in my memory, we didn't achieve top and bottom line growth in an even numbered political and Olympic year". Core national and local ad revenue fell 16.2% to $95.8 million. Automotive led the way down with a 23% decline.

At year end, HTV's leverage ratio was 3.7x and rising; its covenants require it to maintain coverage of 5.0x.

Sinclair (SBGI). Sinclair reported that in 2008, net broadcast revenues from continuing operations rose 2.7%, from $623 million to $639 million. Of that, however, political revenues rose from $5 million to $41 million. Sinclair is carrying $1.36 billion in debt.

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M&A Review: Strategic Buyers Ready to Pounce

by Michael C. Alcamo and Marc Baudry

New York, NY – Mark Felt told Bob Woodward to "Follow the Money." We also track the money – middle market groups backed by deep-pocketed private equity funds. Our proprietary report "***Motivated Buyers***" is available on request, but here is what the Deep Pockets are doing:

The Blackstone Group backed George Lilly's SJL Broadcast Management in acquiring desirable middle markets. SJL owned assets in Erie and Altoona PA, Huntington, WV, and Binghamton, NY. Lilly's track record warrants a lifetime achievement award – efficiency, high quality, and consistently strong investment returns. He told us he wants to do more in 2009.

In 2007, **Oak Hill Partners** backed the acquisition of nine stations from the New York Times for $575 million. The group then bought eight Fox stations

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Not getting better

For 2008 to 2009, the Television Bureau of Advertising expects local spot ads to decline 4% to 8%, national spot ads to decline 11.5% to 15.5% and total advertising revenue to decline by 7% to 11%.

2008 Did Not Go Well (continued from page 1)

Fisher Communications (FSCI). CEO Colleen Brown told investors, "Despite the weakening advertising picture, Fisher was able to increase same station revenue [in Q4 and in 2008], due to strong political spending and improved market share."

Fisher has cash on hand of $79 million and is actively repurchasing senior debt. Brown also said that the acquisitions of KBAK and KBFX in Bakersfield were going well. In 2006, FSCI bought two stations in Oregon; we expect that it will continue to acquire markets that make strategic sense.

Nexstar (NXST). NXST reported $285 million in 2008 revenue, up 2.8% over 2007 ($32.5 million was political advertising). A debt overhang of $662.1 million (much of it senior subordinated PIK notes) coupled with a weak '09 outlook may be two reasons the stock recently closed at $0.74 a share.

Media General (MEG). More than weak newspaper results weighed heavily on MEG; in 2008, broadcast revenue was down 19%, to $60.4 million. MEG has to do something aggressive to cut costs – at the end of Q1, its leverage ratio was 5.98x, tight up against a ceiling of 6.0x. The company will combine some overhead operations with Sinclair in the Columbus DMA. If this is successful, expect to see similar cost-sharing deals from them.

Our report: ***"MCACo's 2009 TV Liquidity Analysis"*** is available on request. Please feel free to contact us at (212) 209-3986.

Michael C. Alcamo *is President of M.C. Alcamo & Co., Inc. The firm represents media businesses in acquisition and sale transactions.*

London Makes Texas an Offer it Can't Refuse

by James Prideaux and Michael Alcamo

"London has assembled an excellent core group with Tyler-Longview, Waco, Amarillo, Midland and Beaumont. Great work in a tough market."

\- Michael Alcamo

Dallas, TX – Apparently nobody can say "no" when Terry London has made up his mind.

His new group, **London Broadcasting, Inc.** continues to execute on an ambitious plan to acquire stations throughout Texas. His capital partner is SunTx Capital Partners, and the partnership has already closed on three key acquisitions.

Terry London is a 30-year media veteran and former CEO of Gaylord Entertainment. Expect to hear great country music in some fashion on his new network.

London Broadcasting got its start in February 2008 with the acquisition of KYTX, the CBS affiliate in Tyler-Longview (DMA 111) for $25 million. The seller was Max Media LLC.

On July 1, 2008, London then bought four full power stations from Lawton, OK-based Drewry Communications. These were KXXV in Waco (DMA 94), KFDA in Amarillo (DMA 131) KSWO in Lawton, OK (DMA 145) and KWES in Midland-Odessa (DMA 157). The deal included four Telemundo stations, and closed at $115 million. London will probably hold onto Lawton as his website says he is seeking to build a regional group.

On January 15, 2009, London added a second in Waco (DMA 94), with an agreement to acquire KCEN from Mrs. Sue Mayborn. The Mayborn family had owned the station for 55 years.

Lastly, on April 13, 2009, London agreed to buy ABC affiliate KBMT in

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Equity Broadcasting Sales Lead 2009 Deal Track

by Michael C. Alcamo and Sergey Ulitenok

Asset sales from Equity Broadcasting continued this quarter, as 119 stations were offered for sale on April 16. Sixty were sold, garnering a total of $21.3 million.

The largest buyer was **Daystar Television Network**, which picked up seven full power, eight low power, and one Class A station for $7.4 million. The buyer is expected to replace the existing programming with religious programming.

Max Media bid $1.3 million for three Fox affiliates in Missoula, Great Falls, and Butte-Bozeman, MT, along with three LPs in those markets.

Valley Bank bought KQCK in Cheyenne (DMA 195), KWWF Waterloo (DMA 89), and KQDK Aurora (DMA 66) for $7.05 million. Remaining stations will be sold on a deal by deal basis.

High Plains Broadcasting bought KFTY in Santa Rosa, CA (DMA 6) on January 19 from Newport Television. High Plains, headed by James Martin, bought six from Newport in 2008.

April was a busy month overall. On April 6, 2009, **Vaughan Media** exercised an option it held to buy KNVA (Austin, DMA 51) from 54 Broadcasting. Inc. LIN will operate the station under an LMA after the sale.

On April 10, **Southern Venture Capital Group**, led by David Harrison, bought WRJM in Troy, Ala. (DMA 118) from Enterprise Capital. The purchase price was $3 million plus an undisclosed amount of assumed debt.

On April 13, **London Broadcasting** bought KBMT in Beaumont (DMA 141) for $25 million.

Pappas Telecasting, Inc. moved ahead with a variety of asset sales following on the May 10, 2008 bankruptcy filing of thirteen of its stations:

T**he Titan Broadcast Group** (TTBG) led by Dan Sullivan and Bert Ellis, acquisition eighteen of these. TTBG took an assignment April 4 of rights held by New World TV Group. TTBG now manages stations in San Francisco, Fresno, Houston, Omaha, Sioux City, El Paso and Greensboro.

TTBG has a seasoned and talented management group that moves quickly to change programming. In March, Ellis announced a new evening line-up at KDOC in Los Angeles, including M*A*S*H, Hogan's Heroes, Cheers and Get Smart.

"This will be the funniest six hours of television in Los Angeles," Ellis said in a statement. Paging Mr. Leno.

On May 1, Perry Sook's **Nexstar Broadcasting** acquired CW affiliate WCWJ in Jacksonville (DMA 47). The seller was Media General, and the price was in the range of $17.5 million. Sook told reporters that he was excited to be entering Florida's largest market.

We learned at press time that Iowa-based **Fusion Communications** had just agreed to acquire CW affiliate WBKI in Louisville (DMA 50).

Sergey Ulitenok *is an associate at M.C. Alcamo & Co., Inc. He covers domestic and international transactions.*

Motivated Purchasers

(notable buyers of 2+ assets, 2007-09)

▪ London Broadcasting	3 in Texas
▪ Daystar Television	15 from Equity
▪ TTBG	18 from Pappas
▪ Oak Hill Partners	9 NYT + 8 News
▪ Fisher Communications	2 in Bakersfield
▪ Providence Equity	Clear Channel
▪ Bonten Media	8 markets

Triple Play –

"We now see an unusual confluence of factors: first, digital conversion costs are behind us. Secondly, and as a consequence, operators have much better technology – and more spectrum, which equals inventory and margin. Third, many station groups have a private capital sponsor urging them make acquisitions. Now is a good time to be an independent owner."

\- *Michael Alcamo*

M&A Review **(continued from page 1)**

from News Corp. for $1.1 billion. The group owns stations ranging from KFSM in Fort Smith, AR (DMA 102) to KTVI in St. Louis (DMA 23) and KDVR in Denver (DMA 18). The group emphasizes technology efficiencies in achieving margin growth.

In 2007, **Providence Equity Partners** backed Sandy DiPasquale's **Newport Television** in buying 56 stations from Clear Channel. Newport now operates in 24 markets out of headquarters in Kansas City, MO.

Bob Pittman's **Pilot Group** funded **Barrington Broadcasting** in the 2006 acquisition of twelve stations in nine markets from Raycom Media for $262 million. Barrington now owns 21 stations in fifteen DMAs rating 65-199; it has 3.4% coverage of US TV homes.

Private equity fund **Diamond Castle Holdings** has backed **Bonten Media Group** since November 2006. Bonten broadcasts in eight markets in N.C., Tennessee, Texas and Montana. Diamond Castle says, "Bonten continues to seek out acquisition opportunities."

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London, Texas **(continued from page 2)**

Beaumont (DMA 141) from Texas Television for $25 million. Prior to the closing, the seller will install a 4 kW Harris digital transmitter, and London will pay for it – but "only up to $342,966.15."

Terry London knows his country music; and he is also a guy who knows exactly what a transmitter should cost.

Recession endpoint in sight

There have been eleven recessions since World War II; their average length has been 14 months. On February 20, 2009, we reported that given these historical cycles, it is 95% likely that the current recession will end on or prior to June 1. See our report at www.mcalcamo.com/in the news.

Our report got good coverage, including a profile in www.foliomag.com: "*M&A Player's Prediction: Recession Will End in June"*.

CNBC reported on May 2: "Pros Say Recession Will End This Summer."

Stay the course, and best regards,

Michael Alcamo

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