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Bank Projects Broadcast Growth in 2010

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STORY TOOLBAR

NEW YORK: Broadcast media can look forward to 6 percent growth next year. That's the take from media investment bank **M.C. Alcamo & Co., Inc.**, which analyzed recovery data in the sector from 2002. In the year following the 2001 recession, revenue growth in ad-supported media "over-responded" to underlying gross domestic product growth by a factor of as much as 3-to-1, the firm said

"Data from 2002-03 clearly illustrate a multiplier effect for ad-supported broadcast media," said **Michael Alcamo**, the investment firm's president. "In that recovery, broadcasters saw revenue growth rates that were up to three times the growth rate of underlying GDP. We believe the industry will experience similarly outsized growth rates in 2010-12.

"The consensus forecast for 2010 GDP growth is 2.8 percent. We therefore expect broadcast revenue to grow at 5.6 to 6 percent. Moreover, after the cost cutting of the last 20 months, most of that incremental revenue should be margin."

The analysis suggested next year's recovery could exceed the 2002 recovery. The 2001 recession lasted nine months, with unemployment peaking at 6.3 percent. Expectations are for the current unemployment level to peak at 10.5 percent. The strength of a recovery typically reflects the extremity of the downturn, the bank noted.

Several reasons were given for the expected outsized recovery of the broadcast sector as compared to GDP growth.

"First, in the 'green shoots' phase of the recovery, advertisers in industrial or consumer retail categories will see outsized gains in EBITDA--in the downturn, firms tightened their cost structure by over-firing employees and reducing cost of goods sold. With greater visibility for continued profits, managers then become more enthusiastic about investing in advertising.

"Secondly, broadcasters themselves have cut costs--through significant cutbacks in newsgathering, JSAs with other firms, and sales of non-core assets. Incremental revenue during the post-recession phase is thus highly profitable. Essentially, the only cost-of-goods-sold on this revenue are sales commissions and other sales costs.

"Finally, during a recovery, advertisers are enterprising and are competitive; ad inventory, however, is finite. To hold and expand market share during the coming cycle, advertisers invest in advertising to mark out territory and block competitors."

Consequently, television broadcasters and other ad-supported media companies experience "revenue and EBITDA growth rates far higher than underlying GDP growth rates," Alcamo said.

Broadcasting & Cable

Investment Bank: 6% Broadcaster Rebound In ’10

Alcamo says rebound typically commensurate to severity of recession

By Michael Malone -- Broadcasting & Cable, 10/28/2009 10:17:21 AM

Broadcast revenue should rebound as much as 6% in 2010, according to the media investment bank **M.C. Alcamo & Co. Inc.** Alcamo crunched the numbers on the 2001 recession and ensuing recovery to shed light on how the broadcast world might fare coming out of the current recession.

"Data from 2002-03 clearly illustrate a multiplier effect for ad-supported broadcast media," said President **Michael Alcamo**. "Broadcasters saw revenue growth rates that were up to three times the growth rate of underlying GDP [gross domestic product]. We believe that the industry will see similarly outsized growth in 2010-12."

Alcamo notes that the forecast for 2010 GDP growth is 2.8%, which suggests broadcast revenue growth of 5.6% to 6.0%.

While the current recession vastly surpasses the severity of the 2001 spell, Alcamo says the strength of recovery "typically mirrors the depth of the preceding downturn," which hints at a very robust rebound. Throw in some red-hot elections, and things look increasingly optimistic, the firm believes.

"2010 will likely see robust campaigning for at least eight key toss-up gubernatorial races, in California, Florida, Michigan, Minnesota, Nevada, Rhode Island, Wisconsin and Wyoming," he says. "In their recent investor calls, Media General and LIN Television discussed expected strength in political advertising in these areas."

Alcamo also points out that the drastic cost-containment measures put in place at stations over the past few years have put broadcasters in a favorable position to boost profit. "Broadcasters themselves have cut costs-through significant cutbacks in news-gathering, JSAs with other firms, and sales of non-core assets," says Alcamo. "Incremental revenue during the post-recession phase is thus highly profitable. Essentially the only cost-of-goods-sold on this revenue are sales commissions and other sales costs."

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Analysts say broadcast 2010 recovery could surprise

2009-10-28 16:06:00

Media investment bank **MC Alcamo & Co. Inc.** believes it has spotted a tie-in between recession recovery as measured by GDP and recovery during the same period by the broadcast community. It says that the consensus GDP 2010 rebound of 2.8% suggests a broadcast rebound of 5.6%-6.0%.

"Data from 2002-03 clearly illustrate a multiplier effect for ad-supported broadcast media," said **Michael Alcamo**, the firm's president.

"Broadcasters saw revenue growth rates that were up to three times the growth rate of underlying GDP. We believe that the industry will see similarly outsized growth in 2010-12."

The company looked at several economic downturns, enough to claim that the GDP/broadcast rebound relationship holds water.

Here is how the company explained the phenomenon in its newsletter:

"An over-recovery in advertising spending occurs for several reasons:

"First, in the "green shoots" phase of the recovery, advertisers in industrial or consumer retail categories will see outsized gains in EBITDA – in the downturn, firms tightened their cost structure by over-firing employees and reducing cost of goods sold. With greater visibility for continued profits, managers then become more enthusiastic about investing in advertising.

"Secondly, broadcasters themselves have cut costs – through significant cutbacks in newsgathering, JSAs with other firms, and sales of non-core assets. Incremental revenue during the post-recession phase is thus highly profitable. Essentially the only cost-of-goods-sold on this revenue are sales commissions and other sales costs.

"Finally, during a recovery, advertisers are enterprising and are competitive; ad inventory, however, is finite. To hold and expand market share during the coming cycle, advertisers invest in advertising to mark out territory and block competitors."

These all factor into a significantly better rebound rate than that experienced by the economy as a whole.

M.C. Alcamo & Co., Inc. specializes in mergers and acquisitions, workouts and restructuring, and private equity transactions. The firm serves diverse industries, including television broadcasting and consumer and business media.

***RBR-TVBR observation**: We'll believe this when we see it – and we'd really like to see it. We want all you advertisers out there to do your bit to make this the crystal ball reading that comes true.*

The Deal.com

Dealscape

The TV recession: Is there hope for an advertising recovery?

[Posted on November 12, 2009 at 7:30 AM]

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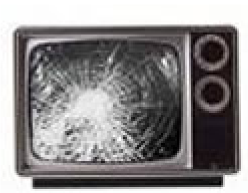
Lin TV Corp. (NYSE:TVL) got the top spot on Wells Fargo Securities LLC's scorecard for the television industry's third-quarter results.



The Providence, R.I., company beat estimates for third-quarter revenue, Ebitda and earnings per share. It also topped estimates for revenue and Ebitda guidance for the fourth quarter.

With the expansion of gross domestic product during the third quarter, traditional media has been anxiously eyeing the advertising market for signs of a recovery.

Television trends were stable during the third quarter, Wells Fargo analyst Marci Ryvicker wrote, pointing to some of the bright spots.

"There is hope that auto will come back, although political comps from last year's presidential election remain daunting," analyst Marci Ryvicker wrote.

There are signs of improvement in the "scatter" ad market, the spots that remain unsold after the "up-front" sales push. For CBS Corp. (NYSE:CBS), Ryvicker notes, scatter pricing was 25% above up-front levels.

Media investment bank **M.C. Alcamo & Co., Inc.** projects that TV broadcasters will see 6% sales growth in 2010, based on trends from the last recession and recovery.

During the 2002 recovery, TV advertising increased at more than double the rate of overall economic expansion.

"The consensus forecast for 2010 GDP growth is 2.8%," the firm's president **Michael Alcamo** said in a statement. "We therefore expect broadcast revenue to grow at 5.6% to 6.0%. Moreover, after the cost cutting of the last twenty months, most of that incremental revenue should be margin."

Like 2002, 2010 is an election year. The firm expects campaigning in contested gubernatorial races in California, Florida, Michigan, Minnesota, Nevada, Rhode Island, Wisconsin and Wyoming to boost ad sales. - *Chris Nolter*

Get M.C. Alcamo's report from the firm's Web site

http://www.thedeal.com/dealscape/2009/11/the_tv_recession.php