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Station Values Show Signs Of Recovery

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TV station values may be crawling out of the hole they fell into over the past two years.

The valuation multiple of six pure-play TV station companies — Fisher, Nexstar, LIN, Gray, Sinclair and Belo — was 10.7, as of Dec. 31, 2009, according to an analysis by **M.C. Alcamo & Co., Inc.**, a New York-based investment banker specializing in media.

The multiple is derived by dividing total enterprise value (equity value plus debt less cash) by EBITDA for the trailing 12 months.

"The robust multiple indicates significant confidence among investors — confidence in continued stock price appreciation and an anticipation of rising profitability throughout 2010-11," said the firm's president, Michael Alcamo, in a statement.

"Investors are willing to pay nearly 11 times EBITDA for companies that are well-positioned to benefit from advertising growth in the recovery."

Fisher's multiple, at 14.1, topped the list. The other companies, in descending order: Nexstar (11.2), LIN (10.8), Gray (10.3), Sinclair (8.7) and Belo (9.3).

The multiples were higher last fall, but stock prices have fallen since, dragging down the enterprise values and the multiples.

According to Alcamo, the broadcast cash flow multiple, which is traditionally used in evaluating stations for sale, would be slightly lower because BCF is normally higher than EBITDA because it excludes certain corporate or unusual expenses, depending on each group's financial practices.

Figuring nine other multimedia companies with significant TV holdings into the EBITDA multiple had little effect on it, reducing it only to 10.3.

The nine companies (and the percentage of their revenue that comes from broadcasting and their individual multiple): Meredith (20% and 8.4), Media General (41% and 8.2), Scripps (33% and 10.1), Gannett (11% and 5.8), Washington Post (7 percent and 6.78), Saga (13% and 6.2), Entravision (63% and 12.1), McGraw-Hill (2% and 7.7) and Journal Communications (39% and 6.9)

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