

Politics Will Boost TV Broadcast Revenues by \$2.1 Billion

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NEW YORK: Agreement in the political arena is rare, but analysts across the board are forecasting one of the best mid-term elections yet for the broadcast business. One reason is the slew of tight races shaping up. The other, the recent *Citizens United* decision by the Supreme Court allowing corporate political advertising.

“The 2010 season is expected to be one of the busiest off-year elections in U.S. history,” wrote **Michael Alcamo** of the eponymous investment banking firm. “The Television Bureau of Advertising estimates political spending will approach \$3 billion. After *Citizens United*, that estimate could be 15 percent higher,” or around \$3.45 billion, exceeding the record \$3.4 billion spent in 2006.



Wells Fargo isn't going that high, pegging the 2010 figure instead at \$3.3 billion, with \$2.1 billion allocated to broadcast TV and \$250 million to terrestrial radio stations. There are 37 gubernatorial and 38 senate races scheduled, plus those for all seats for the House of Representatives as well as issue debates.

“Issue advertising could approach \$1 billion in 2010 given hotly debated topics such as health care, cap and trade, immigration and tax reform,” wrote a team of Wells Fargo analysts led by Marci Ryvicker. “State ballot measures, i.e., gay rights, could also play a key role, with California by far being the most exposed to such issues.”

Both Alcamo and the Wells Fargo group identified broadcasters most likely to see the greatest revenue boost from political advertising. Wells Fargo said among TV broadcasters, Gray Television had the most consolidated revenue exposure in the hotly contested races, at 37 percent. Nexstar was next with 32 percent, then Belo with 22 percent.

Disney had the most TV and radio exposure, at 63 percent each, but given the company's size, the additional political spending is not expected to have much of an impact on the parent, the Wells Fargo team said. TV and radio contribute 3 percent of Disney's consolidated revenues. CBS was deemed most likely among the large media companies to benefit from the political season, with related revenues predicted to be \$170 million.

Alcamo's analysis also placed CBS among the media companies likely to get the most revenue out of the 2010 political season. Alcamo identified 16 broadcasters he said would be “very significant winners this fall.” Eighteen of 29 CBS O&Os are in markets with gubernatorial, senate

and/or congressional races now considered “toss ups,” including California, Georgia, Michigan, Colorado, Illinois, Pennsylvania and Florida.

Alcorno identified 10 broadcasters with at least half of their stations in hot campaign markets, including CBS, ABC, E.W. Scripps, Fox, Gannett, Journal Broadcast Group, McGraw-Hill, Meredith, NBC and Post-Newsweek.

Political spending will translate into increased mergers and acquisitions, Alcorno said.

“We see the last half of 2010 as an optimal time to achieve a station sale at high value. First, revenue and profitability will be up significantly,” he said. “Secondly, valuation multiples are rising and likely to peak over the summer. Thirdly, taxes are likely to increase for asset sales made after Dec. 31, 2010. And, finally, 19 well-capitalized strategic buyers are seeking to expand through acquisitions. Six of these are backed by ambitious private equity funds.”

-- *Deborah D. McAdams*