M. C. ALCAMO'S TELEVISION MARKETPLACE October 2009 ▪ Vol. 3 No. 2

Inside this issue

The Recovery Multipler

Growth Rates, 2000-04

	GDP	Broadcast	x
2000	+ 2.4%	+ 16.0%	6.6 x
2001	+ 1.4%	- 1.3%	
2002	+ 2.0%	+ 5.0%	2.5 x
2003	+ 3.6%	+ 4.6%	1.3 x
2004	+ 3.5%	+ 11.5%	3.3 x

Fed's 2010 GDP forecast: + 2.8%
Our 2010 TV forecast: + 6.0%

Carrying the Big Stick

Private equity groups in television

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

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Strong Gains Predicted for 2010 Revenue, EBITDA

by Michael C. Alcamo

New York, NY – The absentee ballots have not been counted, but the consensus is that the Great Recession ended in June or July. For a window into the coming recovery, we reviewed what happened in the 2002 recovery, following on the recession of March to November 2001. It was a time of significant expansion in media and transaction multiples.

Our researchers analyzed revenue growth patterns for thirteen listed broadcasters. We determined that post-recession, revenue growth rates were double or triple the growth rate of underlying GDP. Growth in operating income was even more substantial.

"Media businesses are positioned to show outsized growth during the coming recovery," said our report. "Data from the recovery of 2002-03 illustrate clearly a Recovery Multiplier for advertising-supported broadcast media. We expect the same pattern to prevail in the recovery of 2010 and 2011."

The recession of 2001 was mild by comparison to the 2007-09 Great Recession: in 2001, the unemployment rate only reached 6.3%, while the rate may peak now at 10.5%.

"Importantly, the strength of a recovery generally mirrors the strength of the recession itself," the firm noted. The firm cautioned that 2004 was an election year, suggesting that the 11.4% revenue growth rate seen then might be more moderate in this recovery.

Outsized growth in advertising

continued on the next page

M&A moderately active; Young group fails to sell

by Ranbir Thukral

New York, NY –Television M&A activity was in the news frequently in the second and third quarters. But not all of it was good news.

The recession claimed a significant casualty in July, when **Young Broadcasting** moved toward default, and its lenders put the group on the block. On July 22, when the auction failed, the court approved the transfer into a separately capitalized vehicle called "New Young Broadcasting" under management of **Gray Television**. The G-7 includes WKRN Nashville, WTEN, Albany, WRIC Richmond, WBAY Green Bay, KWQC Davenport, KELO Sioux Falls, and KLFY in Lafayette, LA.

Through December 31, 2012 Gray will earn $2.2 million and an opportunity to earn additional specified incentive fees if certain performance targets are exceeded.

Three stations, including MyN

continued on page 4

Automotive down 55%

The *Television Bureau of Advertising* said that in Q2, local advertising in top categories fell sharply. Compared to Q2 in 2008:

- automotive - 55%
- telecom - 8%
- restaurants - 16%
- travel and hotel - 15%
- car, truck dealers - 43%

Retrans, Bid and Ask

"CBS and Cablevision announced they have come to terms on a renewed carriage agreement.

Analysts had eyeballed CBS' asking rate for retrans consent at around 50 cents per subscriber.

CBS has said that retrans dollars should add an estimated $250 million to its bottom line."

- Media Week
October 9, 2009

Revenue Multipler Predicted for 2010 Recovery (continued from page 1)

spending occurs for several reasons.

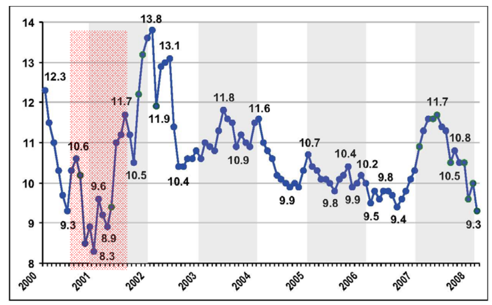
First, in the "green shoots" phase, advertisers will see outsized gains in EBITDA – in the downturn, they tightened their cost structure by over-firing employees and reducing cost of goods sold. With greater visibility for continued profits, they become more enthusiastic about buying media.

Secondly, broadcasters themselves have cut costs – through cutbacks in news, JSAs, and sales of non-core assets. They are now in a position to see outsized margins during a period of revenue growth.

Finally, during a recovery, advertisers are competitive and enterprising; 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.

Moreover, according to SNL Kagan, 2002 also saw a surge in trading multiples of publicly listed broadcasters:

average trading multiples, 2000-2008



Source: SNL Kagan

Based on the Fed's forecast of 3.8% GDP growth for 2010, we forecast broadcast revenue growth of 6.0%.

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

Plum TV In 8 Markets; Capital Raise Nearly Complete

by Chirag Hirawat

New York, NY – Plum TV, the broadcast network in eight high-end resort markets, is about 65% of the way through an $8 million capital raise, according to its August 28 SEC filing. The network said it has raised $5.17 million toward an $8 million goal in a private placement launched in March 2009.

Plum TV got its start in 2004, when founders Tom Scott, Cary Woods and Chris Glowacki first developed programming for the Nantucket and Martha's Vineyard summer markets.

Plum later expanded into the Hamptons, a tony resort community on Long Island. In 2006, the company raised $20 million in growth capital from some savvy media investors: The Kraft Group, Ackerley Partners, the Rapture Fund, the Pilot Group, Viacom's former CEO Tom Freston, and singer Jimmy Buffett.

Plum's markets now include Aspen, Sun Valley, Telluride, Vail, the Hamptons, Martha's Vineyard, Nantucket and Miami Beach. Some viewers can pick up the signal in Margaritaville.

Programming is primarily local content targeted toward the high end demographic. In May 2009, Plum TV launched a new show in Sag Harbor, N.Y. called "*Morning, Noon and Night*," giving viewers a picture of life and culture along with an events listing. The company reports that it reaches 16.4 million viewers.

President Rob Gregory has

continued on page 4

Covenants Amended, LIN Lives to Fight Another Day

by Michael C. Alcamo and Chirag Hirawat

New York, NY – To every thing there is a season. And 2009 is the season for amending credit agreements.

In August, Providence-based **LIN Broadcasting** quietly filed a Form 8-K reporting on dramatic amendments to its credit documents. The revisions held off a covenant default and gave the company breathing room through 2010. In return, borrowing rates increased to LIBOR + 3.75%. These are the changes:

maximum consolidated leverage ratio

from	*to*	*prior*	*amended*
7-1-09	9-30-09	7.0 x	9.0 x
10-1-09	12-31-09	7.0 x	10.5 x
1-1-10	3-31-10	6.5 x	10.0 x
4-1-10	6-30-10	6.5 x	9.0 x
7-1-10	9-30-10	6.0 x	7.5 x

maximum consolidated senior debt ratio

from	*to*	*prior*	*amended*
7-1-09	9-30-09	3.5 x	3.75 x
10-1-09	12-31-09	3.5 x	4.25 x
1-1-10	3-31-10	3.5 x	4.0 x
4-1-10	6-30-10	3.5 x	3.75 x
7-1-10	9-30-10	3.5 x	3.0 x

borrowing rates, LIBOR + 1.50% + 3.75%

The filing suggests that CEO Vince Sandusky made a persuasive case that LIN would see significant revenue improvement in 2010.

For the second quarter, LIN reported revenue of $82.5 million, down 20% from $103.7 million in the second quarter of 2008. It cut back its general operating expense by 12%

As at June 30, 2009, LIN had $691.4 million in total debt. Operating income (ttm) was $97 million, indicating enterprise value of just under $1 billion. The company was trading at 16.8 x forward earnings estimates.

In other restructuring news, **Sinclair Broadcasting** reported on a resolution of the challenging financial picture at its sister company, six-station **Cunningham Broadcasting**.

Sinclair had guaranteed debts of $29.1 million at Cunningham, and faced a October 31, 2009 payment deadline. In the deal, lenders will refinance the principal, in return for Sinclair's commitment to pay down $2.8 million per quarter for ten quarters. After October 1, 2012, Sinclair will pay an annual LMA fee for the six stations.

Sinclair's fundings are deemed advances toward the acquisition of the six stations, valued at $78.5 million. The six are WNUV Baltimore (CW), WMYA Greenville, SC (MyN) and Fox affiliates WTTE Columbus, WVAH Charleston WV, WRGT Dayton, and WTAT Charleston SC.

For the year ended June 30, Sinclair had $189 million in EBITDA on $687 million in revenue. As at June 30, it carried $1.32 billion in total debt. At press time, SBGI said it would record $136 million in revenue in Q3, up from an earlier estimate of $127 million.

Chirag Hirawat is an Associate at M.C. Alcamo & Co., Inc. He covers domestic transactions and 8-K review.

Motivated Purchasers

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

▪ London Broadcasting	4 in Texas
▪ Daystar Television	15 from Equity
▪ TTBG	18 from Pappas
▪ Oak Hill/ Local TV	9 NYT + 8 News
▪ Bonten Media Group	8 markets
▪ Providence/ Newport	Clear Channel
▪ Fisher Communications	2 in Bakersfield

The next cycle –

"As the broadcast industry emerges from a deep freeze in advertising, broadcasters should see revenue growth that outpaces GDP growth by about 2.5:1. For 2010, well-managed groups should also see growth rates of operating income of 2x to 3x their growth rates of revenue. At press time, Sinclair and Gray were reporting positive revenue surprises for the third quarter."

- Michael Alcamo

M&A Review (continued from page 1)

KRON San Francisco, WATE Knoxville, and WLNS Lansing, remain under Vincent Young's management.

London Broadcasting broke into Waco, TX on its second attempt. Terry London's group acquired NBC affiliate KCEN, and a sister LPTV, for $26 million. Of the total consideration, $3 million is on a seller note.

On April 23, Banks Boise sold CW affiliate KNIN to **Journal Broadcast Group** for $6.6 million. (The price was reduced from $8 million). The deal gives Journal a duopoly with its ABC outlet KIVI. Journal also owns radio stations in the area.

Fusion Communications has acquired KQCK in Cheyenne and KQDK for a $6.1 million promissory note.

Better Life Television bought two stations in Eugene and Roseburg, OR – KAMP-LP and KTVC – for $1.18 million. Equity Media Holdings was the seller

On Apr. 27 WMAK Knoxville, TN was sold to Marcus Lamb's **Word of God Fellowship** for $2 million. The buyer operates Daystar Television Network, with 83 televisions in 56 markets.

Ranbir Thukral *is an associate at M.C. Alcamo & Co., Inc. He covers domestic, privately-owned television broadcasters and the M&A markets.*

Plum Markets (continued from page 2)

indicated that possible expansion markets include Napa, Park City and Jackson Hole.

As Gregory told Broadcasting & Cable recently, "Any place with a concentration of wealth, community, and culture qualifies."

Contested State House Races May Spell 2010 Windfalls

M.C. Alcamo & Co., Inc.'s Research Director Geoffrey Tsui identified eight key, toss-up gubernatorial races in 2010: California, Florida, Michigan, Minnesota, Nevada, Rhode Island, Wisconsin, and Wyoming.

Broadcasters positioned to reap potential windfalls in these DMAs include: **Meredith** (Phoenix, Atlanta, Flint), **CBS** (LA, San Francisco), **Tribune** Broadcasting (LA, Sacramento, San Diego), **Local TV** (Milwaukee), **Sinclair** (Milwaukee and Madison), **LIN TV** (Providence), and **Newport Television** (Jacksonville).

Stay tuned, 2010 is around the corner.

With best regards,

Michael Alcamo

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