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Analysts say broadcast 2010 recovery could surprise

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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.*