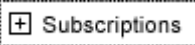




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Acme Puts Exit Strategy Into Motion

Suitors kick the tires for Gealy's group

By Michael Malone -- 7/12/2010 12:01:00 AM

If there was any doubt that Acme Communications was eager to sell its stations, the group made its endgame crystal-clear a few weeks ago when it slashed station staff and shuffled the front office.

Recent pacts to share services with LIN Media in three markets and outsource management of its *The Daily Buzz* show to Fisher were made to “hopefully speed an orderly exit for Acme,” said President/CEO Doug Gealy in a statement. “This reorganization allows the company to focus on exit strategies...”

Deal-watchers are curious about how long it will take for someone to grab the Acme stations, which include five CW affiliates and a MyNetworkTV. Watchers say it's likely they'll be sold piecemeal to groups with stations in the same markets, rather than be dealt en masse.

“I think that ultimately, these stations will have significant value to purchasers with specific, strategic reasons for owning in these markets,” says **Michael Alcamo**, president of investment bank **M.C. Alcamo & Co. Inc.** “I don't think they are best sold as a group.”

Acme did not return calls for comment.

While The CW network enjoys a growing audience, the market for its affiliates isn't all that strong. KCEB Longview, Texas, sold for \$948,000 late last year, while WGNT Norfolk went for \$16.5 million last month. Industry insiders value the Acme outlets in the neighborhood of \$6 million-\$12 million apiece. On June 21, Acme announced fourth-quarter 2009 revenue was down 14% from the same quarter a year before.

Despite Acme's wishes for a quick exit, some anticipate the group sitting on the stations for the foreseeable future. A key piece of Acme's exit strategy is the deal for LIN stations to provide services to their Acme counterparts in Albuquerque, Dayton and Green Bay, allowing the company to cut significant staff and paint a brighter profitability picture.

Acme is seeking similar service agreements for its remaining stations in Knoxville and Madison, Wis. Insiders don't see a sale happening until service deals are in place for all of its stations and profitability starts to climb. “Why not sit back and enjoy the increased

profitability of a JSA [joint sales agreement] and sell a couple of years down the road?” says Patrick Communications Managing Partner Larry Patrick. “You wouldn’t want to sell until you get cash flow and value back up.”

Some believe that LIN, which owns three CWs and manages others, is a suitor for the four outlets it was to commence running in early July. If he plans to take LIN’s relationship with Acme a step further, LIN Executive VP Scott Blumenthal isn’t tipping his hand. “We’re pleased with the relationship that’s just been established, and we’ll go one step at a time,” Blumenthal says. “We’ll see what the market is like.”

But the alliance seems to have at least expedited Acme’s departure from local television. As Patrick puts it: “I think that was a signal to the industry that Acme will probably step away from day-to-day operations.”

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