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# Stations savor reinvigorated cash flow

**By Wayne Friedman**

*Last year's NATPE not only took place in a different location (Las Vegas), but also in a different climate as far as rebounding revs for potential buyers. TV stations have tons of cash on hand these days -- but they aren't all that committed to spending*

TV stations have tons of cash on hand these days -- but they aren't all that committed to spending it yet.

Free cash flow -- also known as earnings before depreciation, interest, taxes and amortization -- piled up for many TV stations groups in 2010. A strong rebound in TV advertising dollars -- up 20% to 30% and more for many groups -- has been key, as are some newly found retransmission funds.

That said, TV station groups appear measured in their spending plans.

"After the recent near-death experiences, we expect TV station groups will hold on to their advertising and retrans dollars as tightly as possible," says Miller Tabak & Co. media analyst David Joyce.

However, many analysts, including **Michael Alcamo,** who runs New York-based TV financial investment company **M.C. Alcamo & Co., Inc.** believe 2011 will see stations looking to make acquisitions -- especially where they can buy a second station in a specific market. "They see a strong strategic value in achieving duopolies," he says.

Additionally, many station groups will continue to do more financial house-cleaning.

"The war chests, we expect, will be used primarily to manage the balance sheet and any maturities that could be coming due," Joyce says.

Just this month, Gray Television announced that during 2010 it used some of its big load of cash from operations to make $50.2 million in payments on its outstanding debt balances.

Many media analysts also say some TV station group managers will buy back more stock -- especially in this market where media stocks are still undervalued, according to many Wall Street watchers.

Overall, TV station managers are cautious because the growing pool of new revenue in retransmission dollars is still in its nascent stage, with no clear trend lines as to future expectations. Early deals have stations getting anywhere from 50 cents per subscriber per month from cable companies; others as high as $1 per sub per month.

But testy negotiations between networks and stations exist over these dollars. Bill Carroll, vice president and director of programming for the station sales rep Katz Television Group, says networks believe they should get the majority piece of these revenues.

Others say stations will come out even.

"In negotiations like this," **Alcamo** says, "usually the midpoint turns out to be the midpoint -- that is, we fully expect that retrans dollars will be split 50/50 between a strong station operator and a strong network.

"There are clearly merits on both sides (for networks and stations). It remains an open question whether a viewer tunes in to a CBS affiliate to see 'Hawaii Five-0' at 10, or because they want to see the local news at 11."

While all this goes on, stations continue to see big ad growth, in large part from the renewed strength in automobile advertising, historically stations' biggest ad category.

Stations will also be looking for even higher political advertising dollars in the coming years -- beyond the record-breaking $3 billion-plus haul they took in for the 2010 midterm elections. One expected move: The record $750 million Barack Obama spent to become president in 2008, will probably rise to $1 billion in 2012 for his re-election attempt -- which experts estimate to be matched closely by a Republican candidate.

While stations in general aren't spending in big ways yet -- much like other businesses in this post-recession market -- there are smaller money movements.

Mark Fratick, veep of BIA/Kelsey, the Chantilly, Va.-based station/local media consultant, says many stations are looking to extend their brands on digital platforms.

"They are doing lots of different things -- mobile, multicast, and hyper-local," he says. "It all depends on the market."

For example, he notes, Seattle-based Fisher Broadcasting has launched some 40-50 different hyper-local websites in the Seattle area -- many focused on individual neighborhoods but others by specific topic. Gannett Broadcasting is working on similar businesses.