Broadcasting & Cable

RSS | Subscriptions | eNewsletters | Reprints/License | Print | Email

Station Biz Seeks “Freedom” from M&A Freeze

Broadcast industry watching closely to see where valuations fall as major group deals may soon revive slumbering marketplace

By Michael Malone -- Broadcasting & Cable, 4/4/2011 12:01:00 PM

Freedom broadcasting is, by multiple accounts, close to announcing who might take over its eight stations that were quietly put on the block last fall. Around a half-dozen bidders are in the running, and industry watchers suspect some action on the Freedom front will help establish station valuations—and finally jumpstart the long dormant broadcast M&A landscape.

“A number of established groups have the money to do deals,” says Richard Foreman, founder of media brokerage firm Richard A. Foreman Associates. “They just haven’t found the right deal.”

Irvine, Calif.-based Freedom emerged from bankruptcy in April 2010, and Moelis & Co. started shopping the group’s eight stations in the fall. They include five CBS affiliates; a duopoly in Albany, N.Y.; and three stations in markets 115- plus. The pick of the bunch is probably WPEC West Palm Beach (DMA No. 38). In November, Thomas Herwitz, the former Fox Television president of station operations, was brought in to run the Freedom station group, succeeding longtime president Doreen Wade.

Freedom is said to be asking $400-$500 million for the group. Freedom declined to comment, and is keeping proceedings close to the vest.

Brokers say valuations for the Freedom properties will likely fall in the 8-10 times cash flow range, which would suggest some health is returning to station valuations after a fallow few years. “The Freedom group could easily see a valuation of 10X,” says **Michael Alcamo**, president of investment banking firm **M. C. Alcamo & Co**. **Inc.** “The CBS affiliations are attractive as market-leaders, and have good reputations for news. The Albany CBS-CW duopoly is attractive, as capital cities are viewed as stable.”

A capital news bureau in Albany could serve a regional station group in New York or the northeast, Alcamo notes.

Freedom’s other stations, even leaders in markets such as Lansing, Mich.; Beaumont, Texas; and Medford, Ore., appear to be less in demand. “The bad news is, some stations are outside the top 100,” says Foreman. “Not a lot of folks want to be there.”

It's difficult to establish a benchmark for valuations at such a volatile time for local television, with cash flow varying wildly from 2009's advertising lockdown to 2010's outrageous political spending, and full clarity not yet available for 2011. Late last month, WLNE Providence was sold for a reported $4 million plus $1.8 million in receivables, after the station had wallowed in receivership. Brokers say that the sale of that severely distressed asset in an ailing market does not figure into valuation scenarios at Freedom, or with other broadcasters. "It's a one-off deal," says Foreman. "It's reflective of absolutely nothing."

Perhaps a better benchmark is ABC's sale last fall of WJRT Flint and WTVG Toledo to George Lilly's SJL Broadcasting for $30 million.

And so the popular parlor game of guessing the eventual Freedom buyer, or buyers, is well under way. Lilly's name has surfaced in some circles, based on his expressed willingness to expand his SJL group. Comments made in recent earnings calls by Nexstar chief Perry Sook and LIN TV CEO Vincent Sadusky have made their groups' names bubble up too. "Strategic conversations have heated up certainly over where they were over the last 18 months or so," Sook said on his March 10 call.

Sadusky, meanwhile, said on his March 16 call that LIN is "opportunistic" in the current market. "If there is an opportunity to buy something that's accretive—terrific multiple, great cost synergies, interactive synergies, retransmission consent synergies, all those great things—we will take a look at it," Sadusky said.

Brokers say buyer interest in stations is generally high these days, though banks remain conservative in their lendings. The half-dozen parties kicking the Freedom tires are likely split among equity firms and traditional broadcasters; some of the latter may have creative ideas about managing the stations to avoid running afoul of FCC ownership regulations.

Industry watchers say it's difficult to imagine that a lone buyer will acquire all eight stations. "Purchasers are more likely to obtain financing for individual stations, rather than the entire portfolio," Alcamo says. "A single syndicated financing for $400 million would probably not be possible in the current market."

Those who buy and sell stations for a living are eager to see some thaw in the M&A freeze, and see Freedom busting out with some healthy multiples that perhaps reach double figures. "It'll be a nice focal point," says Foreman, "so we can all stop talking about WLNE Providence."

E-mail comments to mmalone@nbmedia.com and follow him on Twitter: @StationBiz